ARNOLDO MONDADORI EDITORE S.p.A.

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

MONDADORI

Annual Report

Financial statements at 31 December 2010
Consolidated financial statements at 31 December 2010
Report of the Board of Directors

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting (AGM or the meeting) of Arnoldo Mondadori Editore SpA (the company) will be held at the company's administrative offices in Via Mondadori 1, Segrate (MI) on first calling on 21 April 2011 at 11 am, or, if necessary, on second calling, at the same time and place on 22 April 2011, for the following purposes:

Agenda

Ordinary business

1. To receive, examine and approve the accounts of the company and the reports of the board of directors and the board of statutory auditors for the year ended 31 December 2010.
2. To declare the destination of profit for the financial year 2010.
3. To authorise the board of directors to buy back and utilise ordinary shares, in line with articles 2357 and 2357-*ter* of the Italian Civil Code.

Extraordinary business

1. To approve a proposal from the directors to reduce the share capital through the cancellation of part of the treasury stock; with the consequent modification of article 6 of the Articles of Association.
2. To approve the reformulation of article 4 of the Articles of Association (object).
3. To approve the modification of articles 9, 17 and 27 of the Articles of Association, in compliance with legislative decree no. 27 of 27 January 2010 (which enacts the EU Directive 2007/36/CE regarding certain rights for the shareholders of listed companies) and the corresponding norms introduced by Consob (Resolution no. 17592 of 14 December 2010).

Additions to the agenda

As per article 126-*bis* of legislative decree no. 58 of 24 February 1998, shareholders, individually or jointly, representing at least a fortieth of the share capital with voting rights may, up to ten days from the publication of this notice, request additions to the list of items on the agenda, indicating the issues proposed. Such requests must be received, in writing, within the terms indicated above, by registered mail at the company's corporate offices at Via Bianca di Savoia 12, Milan, or at the certified email address sociatario@pec.mondadori.it, together with certified proof of entitlement issued by the appointed intermediaries. Within the same time frame and following the same procedure, eventual proposals from shareholders must also be presented in the form of a report on the issues to be considered. Eventual additions to the agenda as a result of such requests must then be the subject of notification according to the same procedures that apply to the notification of meetings, at least fifteen days prior to the date fixed for the first calling. The report by the requesting shareholders, along with any pertinent evaluations by the relevant corporate boards, will be published at the same time as such additions to the agenda are made public. It should be noted that additions may not be made regarding issues on which the AGM must pass resolution, as per current legislation, on proposals made by directors or on the basis of a plan or report prepared by them other than those indicated in art. 125-*ter*, para. 1 of legislative decree no. 58 of 24 February 1998.

Participation in the Annual General Meeting

Holders of voting rights may participate in general meetings in compliance with current legislation and regulations. In this regard, as per art. 83-sexies of legislative decree no. 58 of 24 February 1998, participation is subject to notification of attendance provided by authorised financial intermediaries in compliance with its accounts, declaring that the holder of voting rights, on the basis of evidence at close of business on the seventh working day prior to the date fixed for the meeting in first calling (in this instance 12 April 2011). Anyone who becomes a holder of shares after this date will not be able to participate or vote at the meeting. The company must receive communication from intermediaries before close of business on the third working day prior to the date fixed for the meeting in first calling (in this instance 18 April 2011). Should such communication arrive after this date, shareholders will be able to participate and vote at the meeting provided it is received before the meeting begins.

In compliance with current legislation, all shareholders entitled to participate in the meeting may choose to be represented by a proxy. Proxy forms are available from the company's offices, on the website www.mondadori.it (in the Governance section) or from authorised intermediaries. Proxies must be communicated to the company by registered mail to the company's corporate offices, or the certified email address sociatario@pec.mondadori. Such communication does not remove the need for accreditation for admission to the meeting with proof of conformity with the original notification and of identity.

A proxy may be attributed, free of charge, with instructions on voting on all or some of the resolutions on the agenda, to Istifid SpA, a fiduciary and auditing firm, that is the designated representative of the company, pursuant to art 135-undecies of legislative decree no. 58 of 24 February 1998, provided it is received by registered mail, sent to Istifid SpA, Ufficio Assemblee, Viale Jenner 51, Milan, or by email to the certified address: 2011assembleaoo13@istifidpec.it, before the close of business on the second working day prior to the date of the meeting on first calling (in this instance 19 April 2011). The proxy is not valid for resolutions for which no voting instruction has been given. Proxies and voting instructions may be withdrawn at any time up to the end of 19 April 2011.
A proxy form and instructions are available from the company's corporate offices and on the website www.mondadori.it (Governance section).

Share capital and voting rights

The company's share capital amounts to €67,451,756.32 and is made up of a total of 259,429,832 ordinary shares, each with a nominal value of €0.26.
With total treasury stock comprising of 22,367,587 shares, held either directly or indirectly by the company, and for which voting rights are suspended as per current legislation, the total number of shares with voting rights is currently 237,062,245.
Any eventual variations in the treasury stock will be communicated at the start of the meeting.

Questions regarding the items on the agenda

Shareholders may ask questions regarding the items on the agenda, also before the meeting, by submitting any such questions by registered mail to the company's corporate offices, or the certified email address sociatario@pec.mondadori.it.
Admission and validation of voting rights is subject to the submission, using the address indicated above, of certification issued by the authorised financial intermediaries with whom the shareholder's shares are registered or, alternatively, with the same request to participate in the meeting, as outlined above.
Questions submitted before the AGM will be answered, at the latest, during the meeting itself. The company may also provide a single response to questions concerning the same issue.

Documentation

Illustrative reports from the board of the proposals for resolution and any other documentation pertaining to the AGM, in line with current legislation, will be made public. At the company's headquarters and Borsa Italiana SpA, and also published on the company's website: www.mondadori.it (Governance section).
Shareholders are invited to obtain copies and examine such documentation.

This notification was also published on the company's website: www.mondadori.it (Governance section) on 22 March 2011.

On behalf of the Board of Directors
The Chairman
Marina Berlusconi

Corporate Boards

Board of Directors

Chairman
Marina Berlusconi

Deputy Chairman and Chief Executive
Maurizio Costa

Directors

Pier Silvio Berlusconi
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

Chairman
Ferdinando Superti Furga

Standing Statutory Auditors
Francesco Antonio Giampaolo
Franco Carlo Papa

Substitute Statutory Auditors
Ezio Simonelli
Francesco Vittadini

Independent Auditors
Deloitte & Touche SpA

(*) Secretary

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Report of the Board of Directors

Shareholders,

During 2010 the performance of the principal markets of reference for the Mondadori Group were characterised by very limited growth in terms of GDP and continuing high levels of unemployment; with regard to consumer spending there were weak signs of recovery in both Italy (+0.6%) and France (+1.4%).

In the sectors in which Mondadori operates: the consumer magazine market in Italy saw a continuation of the downward trends in circulation (-5.8% in terms of copies), advertising investments (-5.4%) and add-on sales (-23.6%). The Group's performance in all three of these areas was better than the market, with advertising for Mondadori titles showing a slight fall (-1.9%) and add-on sales recording a much smaller decline than the market (-8.7%).

The results of Mondadori France - in a recovering magazine market, in terms of volume, in advertising and with a slight slowdown in circulation (-1.2% in terms of copies) - have validated the decision to simplify and concentrate the portfolio on high circulation titles and the success of the launch of Grazia, with levels clearly ahead of the market.

2010 also saw growth in book sales in Italy (+1.8% bookstore sales): the Mondadori Group confirmed its strong leadership, with a market share in trade books of 27.1%, despite comparison with the particularly strong editorial programme of the previous year. Sales of e-books began in October, with a catalogue that by the end of the year had reached 1,500 titles.

In other businesses: the R101 radio station saw an increase in advertising sales compared with the previous year, in line with a market where there were encouraging signs of recovery; the expansion of the direct and retail sectors continued, with a marked increase in revenues thanks to the franchising sector and the consolidation of Mondolibri from May 2010.

Mondadori's efforts in the digital area were particularly intense in the closing months of 2010: there are a number of varied projects in this area based on the strength of the company's content, brands and communities, all of which related to the Group's publishing assets.

In terms of profitability, 2010 saw a marked improvement on the previous year: in addition to an increase in revenues, the period also saw the attainment of the objectives of the reorganisation plans, with reductions in the headcount and operating costs fixed for the year.

Gross operating profit, which grew by 32%, benefited from lower restructuring costs than in 2009 but was negatively affected, in the corresponding amount, by increased postal charges and, above all, by extraordinary impairment charges and the results of joint ventures operating in countries severely hit by recession.

The principal indicators for the year to 31 December 2010 were as follows:

Consolidated revenues came to €1,558.3 million, an increase of 1.2% on the €1,540.1 million of 2009.

Consolidated gross operating profit totalled €140.2 million, up 32% from the €106.2 million of the previous year.
As a proportion of revenues, this represented a rise from 6.9% in 2009 to 9%.

Consolidated operating profit came to €114.2 million, a jump of 59.1% compared with the €71.8 million of 2009, with amortisations and depreciations of intangible and tangible assets of €26 million (€34.4 million in 2009).
As a proportion of revenues, this represented a rise from 4.7% in 2009 to 7.3%.

Consolidated pre-tax profit came to €90.3 million, an increase of 41.3% on the €63.9 million of 2009, with higher financial charges of €16 million due largely to a capital gain in 2009 of €14.5 million following the closure of a private placement and related derivatives.

Consolidated net profit amounted to €42.1 million, a 22.7% increase on the €34.3 million of the previous year: the result was affected by the payment of €8.7 million in line with new norms regarding the definition of pending tax litigation.

Consolidated net profit for 2010, adjusted to take account of the aforementioned extraordinary item (tax charges for previous years) **would amount to €50.8 million, more than double** the €23.8 million net profit recorded in 2009, adjusted for capital gains.

With regard to the company's assets, **net assets** as of 31 December 2010 amounted to €581 million, compared with €546.3 million at the end of 2009. Meanwhile, the Group's **net financial position** went from -€372.9 million at the end of 2009 to -€342.4 million on 31 December 2010, recording an improvement of €30.5 million.

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

Main financial and non-financial indicators

Consolidated income statement

(in €m)	2010	2009	% change
Income from sales and services	1,558.3	1,540.1	1.2%
Personnel costs	271.5	302.8	(10.3%)
Cost of sales and management (*)	1,143.2	1,133.4	0.9%
Income (charges) from investments accounted for using the equity method	(3.4)	2.3	n.s.
Gross operating profit	140.2	106.2	32.0%
- as a proportion of revenues	*9.0%*	*6.9%*	
Depreciation of property, plant and machinery	12.8	13.5	(5.2%)
Amortisation of intangible assets	13.2	20.9	(36.8%)
Operating profit	114.2	71.8	59.1%
- as a percentage of revenues	*7.3%*	*4.7%*	
Net financial income (charges)	(23.9)	(7.9)	202.5%
Other financial income (charges)	-	-	-
Profit before taxation	90.3	63.9	41.3%
Tax charges	47.6	29.0	64.1%
Minority interests	(0.6)	(0.6)	-
Net profit	42.1	34.3	22.7%

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

Consolidated revenues amounted to €1,558.3 million, an increase of 1.2%.

Revenue breakdown by business area

(in €m)	2010	2009	% change
Books	413.9	423.1	(2.2%)
Magazines Italy	471.4	491.8	(4.1%)
Magazines France	344.2	343.5	0.2%
Advertising services	233.9	250.4	(6.6%)
Direct & Retail	279.7	214.8	30.2%
Radio	14.5	13.8	5.1%
Corporate and other business	19.0	17.6	8.0%
Total revenues	1,776.6	1,755.0	1.2%
Intergroup revenues	(218.3)	(214.9)	1.6%
Total consolidated revenues	1,558.3	1,540.1	1.2%

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

Revenues by geographical region

(in €m)	2010	2009	% change
Italy	1,181.5	1,172.7	0.8%
France	328.2	328.6	(0.1%)
Other EU countries	39.3	31.7	24.0%
USA	0.4	0.4	-
Others	8.9	6.7	32.8%
Total consolidated revenues	1,558.3	1,540.1	1.2%

Books

Also in 2010 the Group confirmed its leadership in the book market with overall revenues for the year of €413.9 million, compared with €423.1 million in 2009, a fall of 2.2%.

Trade books (fiction, non-fiction, divided between general and children's) accounted for 72.6% of revenues (71.2% in 2009), educational publishing 19.2% and art, architecture and cultural heritage the remaining 8.2%.

Over 2010, Book production saw 2,379 new titles (2,449 in 2009) and 5,341 reprints (5,137 in 2009), a total of 51.4 million copies (51.6 million in 2009).

(in €m)	2010	2009
Book sales	405.8	414.3
Other revenues	8.1	8.8
	413.9	423.1
Operating costs	(345.2)	(341.6)
Gross operating profit	68.7	81.5
Amortization and depreciation	(2.1)	(3.3)
Operating profit	66.6	78.2

Operating profit was affected by losses suffered by the Random House Mondadori joint venture in markets heavily exposed to the international financial crisis, such as Mexico and Venezuela.
Adjusted to take account of non-recurring items, operating profit for 2010 was in line with that of the previous year.

Despite a fall in overall consumer spending, the trade books segment of the Italian book market grew in 2010 by 1.8%.

In this context the Mondadori Group maintained its leadership with a value market share of 27.1%, markedly ahead of its main competitors, as following tables show:

Publisher	Market share 2010	Market share 2009
Edizioni Mondadori	14.3	14.5
Einaudi	5.2	5.9
Sperling & Kupfer	2.1	2.4
Edizioni Piemme	4.6	4.3
Other Mondadori Group companies	0.9	1.3
Total Mondadori Group	27.1	28.4
RCS Group	11.9	12.6
Gems Group	10.6	9.3
Giunti Group	7.7	5.8
Feltrinelli	5.4	4.0

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

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

The following table provides a breakdown of revenues by publisher:

Books

(in €m)	2010	2009	% change
Edizioni Mondadori	132.9	140.7	(5.5%)
Einaudi	48.8	49.8	(2.0%)
Sperling & Kupfer	23.3	22.8	2.2%
Edizioni Piemme	46.0	43.9	4.8%
Mondadori Electa	33.8	40.3	(16.1%)
Mondadori Education	79.8	81.7	(2.3%)
Book distribution	43.4	37.8	14.8%
Other revenues	5.9	6.1	(3.3%)
Total consolidated revenues	413.9	423.1	(2.2%)

Edizioni Mondadori

In 2010 Edizioni Mondadori generated revenues of €132.9 million, a fall compared with the previous year of 5.5%.

Of special note in 2010 were the significant response to the novel by Antonio Pennacchi, *Canale Mussolini*, winner of the 2010 Premio Strega, which achieved sales of 300,000 copies during the year, and also came 2nd in the 2010 Premio Campiello; and the publication, around the world, on 28 September, of the new novel by Ken Follett, *La caduta dei giganti*, with sales of more than 600,000 copies.

In Italian fiction, special mention should be given to two authors: Alessandro D'Avenia, *Bianca come il latte, rossa come il sangue*, which sold more than 170,000 copies and Chiara Gamberale, whose novel *Le luci nelle case degli altri*, published at the end of October, sold 70,000 copies.

Also of note was Alessandro Piperno who, after the success five years ago of *Con le peggiori intenzioni*, returned with a much anticipated new novel *Persecuzione* (60,000 copies), the first of a two-volume work entitled *Il fuoco amico dei ricordi*. Excellent results were also confirmed for authors such as Daria Bignardi, *Un karma pesante* (with sales of over 110,000 copies) and Mauro Corona, *La fine del mondo storto* (120,000 copies).

In foreign fiction, of particular note were the sales of John Grisham with *Io confesso* (200,000 copies), Patricia Cornwell with *Il fattore Scarpetta* (190,000 copies), Sophie Kinsella with *I love mini shopping*, the sixth book in the successful romantic saga (180,000 copies), and Madeleine Wickham with *La compagna di scuola* (80,000 copies). First-time novelist Maria Dueñas with *La notte ha cambiato rumore* highlighted the great interest in Spanish fiction recently established by the huge success of Carlos Ruiz Zafòn, whose new novel *Il palazzo della mezzanotte* sold more than 250,000 copies.

Among the new non-fiction titles, the autumn successes of Corrado Augias, with *I Segreti del Vaticano* (270,000 copies), and Pietro Citati with *Leopardi* (60,000 copies), were confirmed.
Two established names form the world of Italian journalism, Bruno Vespa and Aldo Cazzullo, celebrated the 150th anniversary of the unification of Italy with, respectively, *Il Cuore e la spada* and *Viva l'Italia!*

Special mention, with regard to the Strade Blu series, should be made of the excellent results achieved by the *Almanacco dell'Unità d'Italia* by Carlo Fruttero and Massimo Gramellini, *La Patria, bene o male* which in a short time reached sales of 100,000 copies, and the success of Nicola Gratteri and Antonio Nicaso with *La Malapianta*, 90,000 copies.

Other successful titles included *Il tempo che vorrei*, the latest novel by Fabio Volo, which, two years since its first publication in 2010, sold more than 250,000 copies, taking the total to around 800,000 copies. The comic skills of Luciana Littizzetto, at the top of the Christmas bestsellers list with *I dolori del giovane Walter*, reached a total of 400,000 copies sold in just over a month, while *Impero*, the popular history volume by Alberto Angela, sold more than 150,000 copies.

In the paperback sector the Oscar Mondadori titles saw a marked increase in revenues (+9% in sales) thanks above all to the premium price Oscar Grandi Bestsellers series, generating more than €25 million (cover price). Stand out events in the period were the publication for the first time as an Oscar Mondadori paperback of two long-awaited titles such as *Gomorra* by Roberto Saviano and *La solitudine dei numeri primi* by Paolo Giordano, which achieved combined sales of 500,000 copies in the paperback edition.

Confirming a conservative market trend that rewards the classics and well known authors of children's books, there was a very good performance by the new paperback series for primary school-aged children, Oscar Junior, with the launch of 35 titles and sales of over 260,000 copies in 2010. There was also an excellent result for David Grossman's *Ruti vuole dormire e altre storie*, an illustrated book for very young children.

Giulio Einaudi editore

In 2010 Einaudi generated revenues of €48.8 million, a fall of 2% on the previous year.

Revenues from all channels were slightly down on the previous year, while there was an inversion in the trend in sales of rights for add-on sales initiatives, where there was an increase of 16% on 2009.

Among the different editorial lines, there was a good performance in Italian fiction, thanks also to the success of Michela Murgia at the Premio Campiello with *Accabadora*, with a rise of 12% and a positive result also in paperbacks, where the increase was of 6.8% compared with 2009.

The titles published in 2010 that proved most successful on the market included: *Io e te* by Niccolò Ammaniti (over 420,000 copies), *La parola contro la camorra* by Roberto Saviano (over 93,000 copies), *Momenti di trascurabile felicità* by Francesco Piccolo (over 97,000 copies), *Prima di morire addio* by Fred Vargas (over 72,000 copies), *I traditori* by Giancarlo De Cataldo (over 75,000 copies) and *Ogni cosa alla sua stagione* by Enzo Bianchi (over 75,000 copies). Among the bestselling titles in the year there was also *Accabadora* by Michela Murgia, published in 2009, with sales of over 170,000 copies.

Sperling & Kupfer

2010 revenues by Sperling & Kupfer amounted to €23.3 million, an increase of 2.2%.
Among the most successful titles were, in fiction: *Mister Gregory* by Sveva Casati Modignani, which sold more than 200,000 copies, those linked to the Patty phenomenon (more than 300,000 copies), and the short story collection by Stephen King, *Notte buia, niente stelle*.
There was continued appreciation for the novels of Danielle Steel and good results for first-time authors Guillaume Musso, Kate Morton and Anne Fortier, in foreign fiction, and the two young adults novels *Wings* by Aprilynne Pike and *Eternità* by Rebecca Maizel.

There were excellent results for the Frassinelli imprint with the critical success of the Pulitzer prize-winner Richard Russo, a good performance by Elsa Chabrol with *La sposa conveniente*, the new novel by Valerio Varesi in the *Il commissario Soneri* series, the book of poetry (with DVD) by Alda Merini, the extraordinary success of the long seller by Clarissa Pinkola Estès *Donne che corrono con i lupi* (which has now sold more than 400,000 copies) and excellent performance by Nicholas Sparks's catalogue titles (no new titles in 2010).

In non-fiction 2010 was an especially brilliant year thanks to three titles in particular: *C'era una volta in Italia* by Antonio Caprarica, *Ho sognato un* *mondo senza cancro* by Franco Mandelli and *Notte di stelle* by Margherita Hack, all with sales of over 35,000 copies. There was also a good performance by other titles, which allowed the company to gain market share in its segment.

Edizioni Piemme

In 2010 Piemme generated revenues of €46 million, thanks to the combined effect of an excellent performance in non-fiction (+5% on 2009) and religion (+4.7% on 2009), which compensated the marked fall in fiction (-26%, the result of the loss of sales of the latest hardcover by Khaled Hosseini) and paperbacks (-3,3%).
The significant increase in revenues from the Stilton line (+15.3% on 2009) and the launch of the new Paperback Junior series, with the young adult Freeway line, more than made up for the shortfall by Il Battello a Vapore (-11.6%) in the junior segment.

The results of the main titles in the various product lines highlight: in fiction, the new thriller by Michael Connelly, *La lista* (102,000 copies, the author's best selling title), Anosh Irani with *Destini di vetro* (35,000 copies). Another thriller by Dennis Leahne, *L'isola della paura*, (on which the film *Shutter Island* by Martin Scorsese was based), which, with sales of 24,000 copies, was the outstanding title in the new Linea Rossa thriller series. In romantic fiction, of particular note was the new book by Sarah Pekkanen, *L'amore non è il mio forte* (22,000 copies).

The extraordinary success of the year in non-fiction was the current affairs title *Terroni* (115,000 copies) by Pino Aprile, followed by *Il sussurro della montagna proibita* by Siba Shakib (34,000 copies) in the series of first-hand witness titles.

The company's top selling adult title was in the religion segment, *Profumo di lavanda* by Paolo Brosio (127,000 copies), followed by the surprising *I segreti di Medjugorje* by Livio Fanzaga and Diego Manetti (28,800 copies).

In paperbacks there were excellent results for the launch of the second book by Khaled Hosseini, *Mille splendidi soli* (104,000 copies) and other titles, such as *Il bambino senza nome* by Mark Kurzem (35,000 copies) and *Toccami il cuore* by Dalila Di Lazzaro (26,700 copies).

The junior sector provided, with the Stilton line, both the big Christmas success of *Sesto viaggio nel regno della fantasia* (174,000 copies), and premium price titles such as *Viaggio nel tempo 3* (109,000 copies) and stories by new protagonists from the world of Stilton such as *Il principe di Atlantide* (83,000 copies). There were also notable sales for the book celebrating Stilton's tenth anniversary, *Caccia al libro d'oro* (52,000 copies).

The *Il Battello a Vapore* imprint confirmed its success with the *GOL!* series, part of the new *Freeway* line, dedicated to young adults, and books such as *Il bacio dell'angelo caduto* by Becca Fitzpatrick (17,000 copies) and *Il diario di Carrie* by Candace Bushnell (16,400 copies).

Art books and exhibition organisation

The revenues of Mondadori Electa in 2010 amounted to €33.8 million, a fall of 16.1% compared with the previous year.

The downturn was felt particularly by the books area, where there was a slump in the bookshop channel, while in the cultural heritage sector the fall was more contained, above all by the loss of a number of concessions with important bookshop revenues, while revenues from exhibition organisation held up. Revenues in the sponsorship segment were unchanged compared with 2009.

Among the different editorial lines in the books sector there was a fall in the sale of Art books, due, in the first instance, to an ongoing decline in orders that began in 2007. There was also a fall in the sale of Architecture books compared with 2009, the result of a slowdown in premium price products, also in the instalments channel.

A poor performance was also recorded in Illustrated books (-28%) despite a series of titles such as *Dolomiti* by Reinhold Messner, *I dieci comandamenti per non far peccato in cucina* by Fabio Picchi, and *Mafia* by Massimo Picozzi, all of which sold very well.

In the Cultural Heritage area revenues amounted to €24.9 million, including the share of revenues from exhibition catalogues, a marked decline (-13.7%) compared with the previous year.

Mondadori Education

In 2010 Mondadori Education generated net revenues of €79.8 million, a shortfall of 2.3% on the previous year.
With a 13.1% market share, Mondadori Education confirmed its position as Italy's second player.

Primary school adoptions continued to be positive, in line with the previous year, due to the five-year block on new adoptions, which has on the whole been respected. The varied extra-curricular offering allowed the company to achieve good levels of sales.

There was a slight fall in the 1st level secondary school segment, the result of a bigger loss of catalogue courses, offset by better average results for new titles. There were very good results for *Grammatica della lingua italiana* by Marcello Sensini, the new edition of *Geoviaggi* and the new history course by Beniamino Stumpo.

In the 2nd level secondary segment there was a slight increase in the company's market share. The introduction of the reform, which both added and eliminated subjects of study, modified the syllabus for history and other subjects, has seen Mondadori Education confirm and, in some cases, improve, its results in the market segments in which it has traditionally been strong. As a result, sales were very positive in the humanities and there were good results in science and law.
Attention remains closely focused on spending caps, which has resulted in a further fall in cover prices.

The educational market continues to be conditioned by new legislation:
- art. 5, legislative decree 137, 1/9/08, made into law 169, 30/10/08, obliges teachers to keep newly adopted texts for five years in primary schools and six years in secondary schools;
- art. 15, legislative decree 112, 25/6/08, made into law 133, 6/8/08, requires that only online versions of books downloadable from the internet or mixed versions be adopted from the 2011-12 academic year onwards.

It is very difficult to make forecasts regarding the spread of these new technologies in day-to-day education, however there are clear signs of evolution (the introduction of interactive multimedia boards, the interest of teachers in digital and interactive editions of textbooks and the, still sporadic, use of tutoring platforms) that demand that publishers make huge efforts in planning and design to update their offering.

By the end of 2011 Mondadori Education will launch a catalogue digitisation programme that will make it possible to download a considerable number of titles and will also consolidate its already considerable investments in the creation of digital content associated with single works (Libropiuweb).

The reform of the 2nd level secondary school from the beginning of the 2010-11 academic year has resulted in substantial changes to the timetable, the introduction of new subjects, the elimination of others and a change of around 40% in the syllabuses in all subjects. The delayed publication of the guidelines for the new syllabuses, after the date fixed for the definition of textbook adoptions (17 May 2010), in fact left the market with space which the aforementioned reform blocking adoptions should have closed for at least six years.

E-Books

On 7 October 2010, at the Frankfurt Book Fair, the Trade Books area launched its e-book catalogue: 1,200 titles, in the epub format, of which 400 were new titles and 800 from the backlist.

At the end of the year the Mondadori e-book catalogue had reached a total of 1,500 titles, including 150 from Harlequin Mondadori, distributed by the leading Italian e-commerce stores (Bol.it, Feltrinelli.it, Mediaworld.it, Biblet.it, Ibs.it, Bookrepublic.it).

With average prices 40% lower than the printed editions for new titles, and 25% lower for backlist titles, the most successful were *La caduta dei giganti* by Ken Follett, *Io e te* by Niccolò Ammaniti and *La solitudine dei numeri primi* by Paolo Giordano.

In the closing months of 2010 Edizioni Piemme released its first iPad apps through Apple's iTunes store: a total of 9 apps linked to the Geronimo Stilton character.

Distribution and logistics

Distribution revenues for third-party publishers grew in 2010 by 14.8%.

The main reason for this was the publication of the new book by Giorgio Faletti, *Appunti di un venditore di donne*, published by Baldini e Castoldi Dalai.

The positive performance of the EL brand, a subsidiary of Giulio Einaudi editore, continued with an increase in revenues of 12.8%.

The logistics business saw an improvement compared with the previous year in the number of shipments and volumes delivered, respectively of 3.4% and 1.5%.
There was a fall in the delivery cost per copy of 4.3%, thanks to a high level of cost control of the principal warehouse activities.

Magazines Italy

The Italian consumer magazine market in 2010 was again characterised by the recessionary trend that has affected the world's leading economies since the second half of 2008.

While less severe than the previous year, this has affected magazine advertising, which saw a further decline (-5.4% in terms of value, Source: Nielsen) in an overall context that was essentially positive (thanks to a recovery in television advertising), circulation, where there was ongoing weakness (-5.8% in terms of copies), and, finally, add-on sales, where there was a further sharp downturn (-23.6% in terms of value).

All of which makes Mondadori's performance in 2010 all the more significant in terms of both profits (despite the unexpected impact of the cancellation, from 31 March, of government subsidies on postal charges for subscription copies) and revenues.

Magazine revenues in Italy in 2010 amounted to €471.4 million, a fall of 4.1% on the same period of last year.

After the marked slump in 2009 (-14.1% on 2008), the results achieved by Mondadori titles, the main component of

(in €m)	2010	2009
Magazine revenues	440.5	462.0
Other revenues	30.9	29.8
	471.4	**491.8**
Operating costs	(423.0)	(463.4)
Gross operating profit	**48.4**	**28.4**
Amortisation and depreciation	(1.6)	(1.8)
Operating profit	**46.8**	**26.6**

the area's business, can be considered encouraging by examining a series of phenomena:

- a 4% fall in circulation revenues, in line with the market of reference and the consequent maintenance of leadership and market share;
- a fall of 8.7% in revenues from add-on sales, a markedly better performance than the market as a whole. As a result, Mondadori's leadership was further strengthened, with a market share that is now more than 35%. The performance that allowed the company to outstrip the competition was based on the articulation of the activities across different types of offering (DVDs, CDs, books and miscellaneous goods), the strength of brands such as *Panorama* and *Tv Sorrisi e Canzoni* and a careful selection of initiatives;
- a moderate slide (-1.9%) in advertising revenues in line with the market and decidedly better than the top competitors in the magazine market, with a consequent increase in market share;
- the particularly positive overall turnover of the Magazines area was the result of a good performance by weeklies. Meanwhile, with some significant exceptions for products involved in specific re-launches, the performance of monthlies was markedly weaker.

The actions that allowed Mondadori to successfully contrast this still problematic context were developed along two main lines: one aimed at exploiting the benefits deriving from the multi-year reorganisation plan and the other at supporting the development of the product portfolio.

Among the most significant phenomena in the year were:

- the deployment of the benefits from the reorganisation plan that has affected both editorial and management structures;
- the editorial revision and subsequent re-launch of a number of monthlies: the changes made to *Grazia Casa*, *Interni*, *Casafacile*, *Cucina Moderna* and *Panorama Travel* have been well received, on both the advertising and circulation sides. Also in the monthly segment, a new product, *Guida Cucina*, was launched in the last quarter;
- the radical reconfiguration, accompanied by significant marketing investments, in the weeklies *Panorama* and *Chi*, in the first half of the year, was followed in the summer by a new phase of investment for *Tu Style*, which to date has achieved exceptional results with weekly circulation now consistently over 200,000 copies;
- an intensive programme of launches in the add-on sales segment resulted in impressive results, often well above expectations;
- the launch of further brand extension activities to develop new revenue streams;
  - the combination of traditional print versions with a presence on new devices (iPad) by certain titles, *Panorama* and *Grazia*;
  - event organisation, for example *Fashion&Design*, in collaboration with the advertising sales company, with the aim of creating new communication formats;
  - the development of activities around the country with promotional initiatives developed in agreements with leading retail chains;
  - a management approach based on maximum rigour aimed at generating further efficiencies in all areas of the business.

Special attention was paid to the issue of subscriptions.
From 1 April, government subsidies for subscription postal charges were abolished and the Italian postal service, Poste Italiane SpA, later limited deliveries to 5 days out of 7 on the traditional network.

In response, Mondadori introduced a project to recover efficiency and profitability, reducing to a minimum the impact on the recruitment of new subscribers.

Results over the two-year period 2010-2011 will help contain the impact of the increased charges introduced.

The Press-Di subsidiary increased its revenues thanks to the positive effect of distribution services for new third-party publishers, such as Bonelli, Ubisoft and Mani di Fata.
At the beginning of 2011 an agreement was reached to manage the subscriptions of Hachette-Rusconi.

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

Circulation

In a highly negative market context in which circulation was down by 5.8%, Mondadori confirmed its leadership with a market share of 34.2%. Regarding the performance of the company's main titles, we would note that *Panorama* held up well in the newsstand channel; as mentioned above, there was a marked improvement by *Tu Style*, which is now consistently one of the best selling women's weeklies; there was a positive performance, compared with the reference market, by *Chi* and *Donna Moderna*, significant growth by *Grazia*, there were new editorial formulas for *Casafacile* and *Interni* and satisfactory results for the three monthly supplements to *TV Sorrisi e Canzoni*.

Add-on sales

Also in 2010 the poor performance of this market was particularly marked (-23.6%), and, for the first time, there was a fall in the average sale, along with a fall in the number of initiatives (-9%) and average prices (-2.8%).
In this context, Mondadori confirmed a performance that was far better (-8.7%), thanks mostly to stability in the home video offer and significant growth in classic collection series, such as *l'Uncinetto*, *Hello Kitty*, *il Mondo di Patty* and *la Casa delle bambole*. There was a fall in the number of editorial initiatives, among which, last year, there were excellent results for cookery books and musical products.

International

The overall revenues generated by the International area increased by 36.6%:

- licensing revenues grew by 36.4%, thanks to the positive performance of *Grazia UK* and *Grazia Holland*, as well as *Grazia Germany* and *Grazia France*, which was only launched in the second half of last year;
- revenues from advertising sales in Italy for the network grew thanks both to the new editions and revenue growth for existing titles (UK +14%, Russia +67%).

The performance of the 50-50 joint ventures in Russia and China was decidedly better than the previous year and well ahead of budget expectations, in particular in terms of advertising.

The Attica subsidiary was severely affected by the financial crisis in Greece and the Balkans and witnessed a reduction in advertising revenues of around 27% (-21% on a like-for-like basis).
Energetic action on costs already underway helped to contain the slump in revenues in 2010 and will have an even greater impact on the results of 2011.

Digital

The total advertising market in 2010 showed gradual improvement (+3.8%, Source: Nielsen) compared with 2009, a year that was notoriously difficult for advertising. The most dynamic medium in 2010 was the internet, which grew by 20.1%.
The Mondadori sites increased their gross revenues by 40%, thanks mainly to the performance of women's sites, led by *Donna Moderna* and followed by *Grazia*, which benefited in the initial development phase from the launch of Graziamagazine.it and will continue for the rest of 2011 with a plan of progressive releases.
The creation of a dedicated sales force for the web with the sales company Mediamond has increased the effectiveness of the Mondadori offer.

Magazines France

The Magazines area in France ended 2010 with revenues of €344.2 million, an increase of 0.2% compared with 2009. On a like-for-like basis in terms of the titles in the portfolio, in other words net of the titles disposed of and the effect of the launch of *Grazia*, the increase was of 6.2%.

Gross operating profit more than doubled, compared with 2009, reaching €28.6 million.

The strategic decisions taken in 2009, such as the launch of *Grazia*, the concentration of the titles in the auto sector to the joint venture with Axel Springer, the closure of a number of titles and organisational restructuring all had a positive impact on the results of 2010.

Despite strong competition, *Grazia* confirmed its excellent performance with an average of 35 advertising pages per issue in 2010 and a circulation of 179,032 copies (DSH 2010).

The expansion of the joint venture with Axel Springer in 2009 has already produced its first fruits: with their new formulas, *Auto Journal* (+5.0%) and *Sport Auto* (+2.7%) recorded an increase

(in €m)	2010	2009
Magazine revenues	330.6	329.3
Other revenues	13.6	14.2
	344.2	**343.5**
Operating costs	(315.6)	(330.5)
Gross operating profit	**28.6**	**13.0**
Amortisation and depreciation	(12.1)	(20.2)
Operating profit	**16.5**	**(7.2)**

in sales, while circulation remained essentially stable for the weekly *Auto Plus* (+0.2%), which was re-launched with a new formula at the end of February 2011.

The process of cost cutting that began in previous years, continued during 2010 and focused particularly on industrial and distribution costs and general expenses.
In mid December Mondadori France moved to its new offices in Montrouge; this operation will lead to a marked reduction in rental costs and an improvement in internal organisation, thanks to the concentration of editorial staffs in a single location.

Circulation

Circulation revenues, which include both newsstand sales and subscriptions and account for 69% of the total, were down by 1.3%.
Excluding the titles sold or closed, there was a growth of 3.9%, mainly due to the sales of the weekly *Grazia* (51 issues compared with 18 in 2009) and strong growth in subscription revenues, the latter representing an important asset (32.5% of magazine turnover in the period) in that they are less exposed to economic cycles.

These results confirm the validity of the strategy of repositioning the portfolio of titles on mass-market titles, launched by the Group in 2007 and accompanied by a policy of continuous improvement in editorial quality.
This result is even more remarkable in the light of the current situation of the magazine sector, and the editorial excellence of our titles has also been recognised by the market, which has awarded the Group ten prizes in the last two years. The editorial quality of the titles of the Mondadori Group can also be seen in the figures published by DFP.

In terms of the number of copies, Mondadori France saw an increase of 1.7% in **D**iffusion **F**rance **P**ayée, while its competitors were down by 2.1%.

This growth was due to the positive result achieved by *Grazia* and excellent performances by *Modes&Travaux* (+12.7%), *Top Santé* (+5.7%), *Biba* (+4.9%), *Science & Vie Junior* (+4.1%), *Science & Vie* (+1.9%) and *Cahiers de Science & Vie* (+14.1%).

Advertising

With regard to advertising, there was an 8% increase in consolidated revenues compared with the previous year. If the titles sold or closed are excluded, the increase was of 19.1%.

These excellent results are above all due to a marked increase in advertising revenues for the Mondadori France *"haut de gamme"* women's titles (the weekly *Grazia* and the monthly *Biba*), which now account for 27% of total advertising sales (13% in 2009).

The magazine advertising market in 2010 grew by 9.5% in terms of pages (Source: Kantar Media). In the same period Mondadori France recorded excellent growth of +24.9% in terms of volume and increased its market share by 1.2%. Of particular note was the performance of *Grazia* (1,796 pages) and the consolidation in its market of reference by the monthly *Biba* (792 pages, +26%). These two titles alone accounted for 76% of the growth in volume in 2010.

The market

The Italian advertising investments market ended the year with overall growth in spending of 3.8%. Compared with 2009, a black year for the industry (-13.4%, Source: Nielsen), this confirms a progressive improvement in line with the positive signals that were first seen in the middle of the year, particularly for certain media.

The Company

The revenues of Mondadori Pubblicità were down for the year by 6.6%. The elements that contributed to this included the ending of the contract for Società Europea di Edizione SpA (November 2009) and the move of internet advertising sales, from January, to the new company Mediamond. Meanwhile, the company benefited from advertising on behalf of Radio KissKiss, which began in March 2009.
On a like-for-like basis, the fall was a more contained -1.9%.

In magazines, after a good final quarter, Mondadori titles ended the year with a downturn of 2.1%. On a like-for-like basis, this was essentially in line with the previous year (-0.8%) and is in any case

Advertising market

(in €m)	2010	2009	% change
Television	4,619.3	4,358.9	6.0%
Total print media	2,289.6	2,391.7	(4.3%)
- Magazines	829.9	877.6	(5.4%)
- Newspapers	1,459.7	1,514.1	(3.6%)
Radio	470.0	436.3	7.7%
Internet	363.0	302.2	20.1%
Other	881.5	819.8	7.5%
Total advertising market	**8,623.4**	**8,308.9**	**3.8%**

Source: Nielsen Media Research (Advertising Market AdEx – Estimate of net investments) noteworthy in a competitive context characterised by uncertain forecasts and high volatility in advertising investments.

(in €m)	2010	2009
Advertising revenues	229.1	244.3
Other revenues	4.8	6.1
	233.9	250.4
Operating costs	(239.4)	(255.1)
Gross operating profit	(5.5)	(4.7)
Amortizations & depreciations	(0.1)	(0.3)
Operating profit	(5.6)	(5.0)

Weeklies remained positive (+1%) thanks to the strength of the entire women's area. In addition to significant performances by *Donna Moderna* (+3.8%), *Chi* (+4%) and *Grazia* (+2,4%), the stand out title was *Tu Style* which, with growth of around 40%, is an authentic success story not only for the Mondadori portfolio, but also for the entire market. Of note among the other magazines was *Panorama*, which ended a very difficult year for the segment more or less in line with the previous year thanks to an expansion of its offering, now available not only in printed formats (Special and Tabloid) but also in a digital version for the iPad.

Although monthlies were down compared with 2009, cooking and interiors titles, two sectors that are particularly important for Mondadori, held up well.

In concert with the publisher, efforts continued to develop the new fashion-focused events that had enlivened the previous period, with innovative communication formats such as those based on the winning combination of Fashion & Design (*Grazia* and *Interni*) and others centred on interiors, such as the "Milano Design Week", which takes place in October.

Among the most innovative commercial activities was the hugely successful Rete Prospect, which caters specifically to the requirements of advertisers that are not a permanent or regular feature of the Mondadori client portfolio.

Radio, which saw overall growth of +16.5%, also confirmed the positive trend of R101, which grew by 5.1% in 2010. Radio KissKiss, which only began in March of last year, also posted good sales results.

In general, the advertising company's revenues were essentially stable compared with 2009 (net of Società Europea di Edizioni SpA and Internet), thanks to significant efforts in the segment of small and medium-sized clients.

Direct & Retail

Total revenues generated by Direct and Retail at year-end came to €279.7 million, an increase of 30.2% compared with 2009, also thanks to the consolidation of Mondolibri SpA from April 2010.

On a like-for-like basis, the increase would be of 6.5%, mainly thanks to new affiliations in the franchising network.

(in €m)	2010	2009
Revenues	276.4	214.8
Other revenues	3.3	-
	279.7	214.8
Operating costs	(266.0)	(204.4)
Gross operating profit	13.7	10.4
Amortisation and depreciation	(5.7)	(5.1)
Operating profit	8.0	5.3

Direct

The market for direct communications in 2010 was characterised by a slight recovery and, in this context, Cemit Interactive Media SpA identified both new clients and new opportunities that resulted in an increase in revenues of around €23.8 million, up 14.3% on 2009, while also maintaining its high value added activities.
This allowed the company to pursue its policy of developing high-quality direct marketing projects that have met with increasing satisfaction by its clients, some of the most important companies in the FMCG, finance and insurance, automotive and non profit sectors in both Italy and Europe.

As in previous years, the Bookclub area is progressively shifting its activities from the postal channel to its retail outlets (currently 74) and the internet.
This is essentially linked to the almost total elimination of printed mailshots used to recruit new members, the result of new privacy legislation that has reduced the available information in profiles of potential customers and therefore making such activities economically unviable.
The e-commerce (bol.it) area saw substantial growth (+28%) compared with the previous year, the highest level among the relevant operators in the books sector. This was achieved thanks to improvements in customer service and the adoption of a more aggressive commercial policy.

Retail

During 2010 the expansion of the network in Italy continued, resulting in the generation of combined revenues of around € 202.7 million.

By normalising franchising revenues (i.e. converting them from the disposal value to the retail price), the total reaches around €250 million and puts Mondadori in a highly significant position in Italian bookselling and a predominant position in terms of the number of outlets (with a combined total of 517 outlets under the Edicolè, Librerie Mondadori, Gulliver and Mondadori Multicenter fascia).

As always the multichannel approach and the plurality of formulas constitute the key elements of the Group's strategy for covering different markets and a range of customer needs; from small bookshops with an integrated newsstand to medium and large-scale bookstores and multicenters (which extend the offering from books to technology).

Launched in 2010, the "Mondadori Card" had, by the end of the year, reached almost 180,000 holders; and in 2011 other loyalty and CRM activities are planned.

2010 also saw the launch of "Emporio Mondadori", an exclusive line of stationery products and accessories with the Mondadori brand.
A versatile project aimed at giving shape and style to thoughts and ideas, a world of daily objects that combine tradition and quality, with the Mondadori name and the appeal of contemporary design.

Mondadori Franchising SpA
Market interest in this important affiliation formula saw the network expand also in 2010, with the significant increase in the number of outlets, now 280 bookshops and 205 Edicolè, giving Mondadori the largest number of outlets in the Italian publishing market.
2010 was therefore a year of growth (+10%) for the network (66 new openings during the year).
Moreover, there were also important efforts to reinforce logistics and the central structure in Rimini in preparation for the big developments foreseen for the coming years.

Mondadori Retail SpA
At the end of 2010 the number of outlets came to 23 bookshops and 9 multicenters, following the opening of a new store in Via Marconi and the consequent closure of two other outlets in Rome (one of which will join the franchising network during 2011).

Over the year, the first half was tougher than the second, where there were some signs of recovery (in particular in the month of December).
Efforts continued to improve productivity, with a view to offsetting the impact of a decline in sales on the company's income statement.

Radio

(in €m)	2010	2009
Revenues	14.5	13.8
Other revenues	-	-
	14.5	13.8
Operating costs	(15.4)	(15.9)
Gross operating profit	(0.9)	(2.1)
Amortization and depreciation	(1.8)	(1.7)
Operating profit	(2.7)	(3.8)

In 2010 the radio market saw revenues increase by 7.7% compared with the previous year, once again making it one of the best performing media.

The trend was markedly different between the first half (+14.7% compared with 2009) and the second half of the year, which, while remaining positive, was markedly less so, (+0.8%; Source: FCP Assoradio).

Advertising sales for R101 generated net revenues of €14.5 million, an increase of 5.1% on 2009. Such revenues are essentially the company's share of total gross advertising sales of around €20.5 million.
In R101's advertising sales too there was a big difference between the first and second halves of the year and this was the reverse of the market trend, with performance poorer in the 1st half due to a lower number of special initiatives and decidedly better than the market average in the 2nd. This trend continued in January 2011 (R101 +9.5% on 2009, market +0.3%).

2010 was an anomalous year for Audiradio, the audit bureau for Italian radio listening figures. The publication of national data has been blocked by an internal debate in the organisation's board regarding the validity of the Panel Diari survey (the latest figures, published for the first quarter of 2010 gave R101 a daily average of 2.5 million listeners and around 7 million over 21 days).

To date, Audiradio has so not begun any measurement of listening figures in 2011.
However, Monradio has bought a survey conducted by the research institute Eurisko based on a passive system of audience measurement (metering) that attributed to R101 in 2010 a daily average of 3 million listeners, putting the station among the most successful in the Italian radio market and closing the gap with the historic players.

Communication activities in the first months of the year focused on a poster campaign in support of the morning show "La Carica dei 101" and, in particular, the game show with prizes "Il botto alle otto". The station's attention to multimedia development remained high, through its web radio activities and the creation of dedicated applications.
The "Spiaggia 101" Tour was once again organised during the summer months, bringing R101's music and entertainment to some of Italy's most popular seaside resorts.

R101 also continued to develop digital activities both by supporting traffic on the website www.r101.it and developing its presence on the most important social networks, with a view to promoting the station, its brand and content.
In particular, R101.it recorded around 200,000 unique users per month and over 3.6 million page views in 2010. The station's official Facebook page has already attracted the growing

involvement of tens of thousands of fans.
With its authentic video productions, R101 is also a partner of Google, thanks to the creation of a branded channel on You Tube, the celebrated video in streaming social network.

A process has been running since the closing months of 2010 for the renewal of the station: music with a greater emotional impact, new presenters, a greater focus on the concept of adult contemporary radio, in other words, a radio station designed for the 25 to 54 year-old target. The new music policy also continued online, with a new web radio offering dedicated to the '70s being added to the existing ones.

Corporate and other business

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

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

Mondadori International

In November the company transferred its registered office and operations to Italy.
Financial assets under management by the company on 31 December 2010 amounted to €33.8 million (€114.3 at the end of 2009).
The company recorded a loss of €7.5 million, partly due to a €5.2 million writedown of the Greek subsidiary Attica Publications SA.
At the end of the year the portfolio was made up as follows:
- current accounts, cash equivalents and time deposits with leading Italian banks with maximum expiry dates of less than three months: €7.5 million;
- bonds at variable rates available for sale: €26.3 million.

Financial situation

Net financial position

(in €m)	31/12/2010	31/12/2009
Cash and other equivalent liquid assets	84.9	119.6
Financial investments at fair value	-	-
Financial assets available for sale	26.2	35.7
Gains (losses) from derivatives	(5.3)	(4.7)
Other financial gains (losses)	(9.8)	(14.6)
Loans (short & medium/long-term)	(438.4)	(508.9)
Net financial position	(342.4)	(372.9)

The Mondadori Group's financial situation as of 31 December 2010 showed a deficit of €342.4 million, an improvement of over €30 million on the figure for the previous year.

It should be noted that the net financial position calculated according to Consob recommendations (see note 13) would be a negative €344.3 million, in that it would exclude "Non-current financial assets".

Trends in interest and exchange rates

The global growth recorded mainly in the first part of 2010 varied across the different geographical areas: robust in emerging economies and modest in the eurozone, with the sole exception of Germany.

Over the year the flows of international trade returned to the levels before the financial crisis, while the increase in the cost of raw materials, above all in the final quarter, has heightened concerns about possible inflationary pressures.

Expectations for 2011 consequently converge on a performance largely in line with last year, despite persisting concerns of a slowdown in advanced economies. In fact, weaknesses in labour markets and the need to re-balance public debt could have a negative impact on already weak consumer spending trends as well as on investments.

The prevailing tendency in monetary policy in 2010 remained essentially expansive in western economies. Official interest rates remained unchanged, at the historical lows reached in 2009. Extraordinary measures to support economies could be withdrawn, despite the debt crisis in some peripheral countries in Europe still not having been definitively resolved.

Over 2010 the 3-month Euribor went from a minimum of 0.634% at the end of March to a maximum of 1.050% in early November, ending the year at 1.006%. The average for the year was 0.814%.
Meanwhile, the average cost of money for the Mondadori Group was 3.77%.

Changes in the exchange rate of the euro against the US dollar and the GB pound reflected concerns linked to the financial situation of certain European countries: the euro weakened until June as a result of the crisis in Greece, strengthened till early November and then slipped back again towards the end of the year.

The average euro/dollar rate for the year was 1.326, reaching a minimum of 1.194 in June and a maximum of 1.456 in January.
The average euro/sterling rate was 0,858, with a minimum of 0.810 in June and a maximum of 0.911 in March.

The overall credit lines available to the Group at 31 December 2010 came to €1,106.5 million, €750.3 of which was committed.

The Group's short-term borrowing facilities, worth a total of €356.2 million and made up of current account overdrafts and advances on invoices, were not utilised as of 31 December 2010.

Medium/long-term lines comprise:
- a €320 million five-year variable rate bank loan (maturity 2014) organised by a pool of leading international banks; it is made up of a €150 million term loan (fully used as of 31 December) and a €170 million revolving credit facility, not utilised as of 31 December. It should be noted that interest rate swaps have been applied on this term loan, transforming the variable into a fixed rate;
- a €150 million variable interest loan provided by Intesa Sanpaolo and maturing in May 2013, made up in equal measure by a term loan and a revolving facility; as of 31 December only the term loan was utilised; an interest rate swap, which expires at the end of July 2011, has been applied to part of the term loan (€50 million);
- a €100 million variable rate loan provided by Intesa Sanpaolo and maturing in December 2015, made up of a term loan of €35 million and a revolving facility of €65 million; as of 31 December only the term loan was utilised.

During 2010, the Mondadori Group replaced €180 million of committed lines with the following:
- a €130 million amortising variable rate bank term loan, organised by a pool of leading Italian banks (maturity June 2015); and, in August a contract was stipulated for an amortising interest rate swap on a notional sum of € 50 million;
- a €50 million variable rate bullet bank term loan, provided by Mediobanca (maturity December 2017); and, in August a contract was stipulated for an interest rate swap, completely covering the loan, with a forward rate in July 2011.

This replacement operation has enabled the Mondadori Group to benefit from improved conditions, as well as extending the average maturity of its available credit lines.

Personnel

As of 31 December 2010, Group companies employed a total of 3,649 people, on either permanent or temporary contracts.

Personnel	31/12/2010	31/12/2009
Arnoldo Mondadori Editore SpA:		
- Managers, journalists and office staff	1,108	1,270
- Blue-collar staff	96	102
	1,204	1,372
Italian subsidiaries:		
- Managers, journalists and office staff	1,478	1,366
- Blue-collar staff	58	34
	1,536	1,400
Foreign subsidiaries:		
- Managers, journalists and office staff	909	978
- Blue-collar staff	-	-
	909	978
Total	3,649	3,750

An analysis of the figure compared with 31 December 2009, and excluding the effects of the consolidation in April of Mondolibri SpA (246 employees last year), clearly shows the benefits of the action taken to reduce costs. In 2010 there was a total reduction in headcount of 347, or 8.7% of the total workforce, including the reductions made in the period also at Mondolibri SpA.

More than 80% of this reduction was due to the implementation of the restructuring plan involving the Italian operations of Arnoldo Mondadori Editore SpA and Mondadori Pubblicità SpA, and the French group Mondadori France.
It should be noted that the plan will continue to be implemented in 2011 to fully attain its objectives.

Significant rationalisation efforts also involved the Direct & Retail area, where reorganisation activities and the strategic review of the sales outlets resulted in a 7% reduction in headcount.
Finally, it should be noted that the national contract (CCNL) for employees in the printing and publishing sector, which expired in March 2010, has still not been renewed.

The following table provides a picture of the Group's personnel as of 31 December 2010:

Training programme

In 2010 Mondadori implemented a Group Training Programme, open to all staff, to continue work begun in recent years to update the professional competences and managerial skills of the company's staff. The programme has been further enhanced by a range of new training opportunities aimed at encouraging greater flexibility and better use of courses.

Investments in the Mondadori Training Programme in 2010 amounted to nearly €400,000, corresponding to 16,256 training hours.
During the year the company was also able to recover €248,637, thanks to the receipt of funds requested for 2009 from the joint funds Fondimpresa and Fondirigenti.

As part of the offer of Mondadori's 2010 Training Programme, along with the established Corporate Training (entry level institutional training for new managers and executives), Knowledge (courses focusing on linguistic, IT and technical-professional skills) and Capabilities & Behaviour (the development of managerial, relational and innovatory-intellectual capital) areas, five new thematic areas were added specifically for the development of the various professional skills and competences in the company: Accounting, Finance and Control, Marketing, Digital, Editorial, Commercial.

There was also a substantial increase in the demand for training in 2010, with language courses numbering 36 (15 in 2009) with 224 participants (67 in 2009). 47% of middle and top management (27% in 2009) were involved.

In addition, there was a number of ad hoc initiatives designed for specific needs, units or areas in the company, mostly focused on digital competences and the training of key staff identified inside the company. Overall, such training involved 143 people, and a total of 5,600 hours.

Training courses, which are entirely provided in partnership with leading business schools and training organisations, received an average satisfaction level of 90, on a scale of 0 to 100, once again demonstrating the excellent qualitative level of the training offered.

A series of projects were introduced in 2010 aimed at improving the management of health and safety in the workplace. New resources were identified and trained as prevention and protection officers (in compliance with legislative decree 81/08), and the training programme was continued, involving more than ninety employees who make up the first aid and rapid response teams.

Safety and security procedures were updated and a number of fire evacuation drills were successfully conducted, at the company's various offices, starting with the headquarters in Segrate.

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

Finally, in the first months of 2010, the reorganisation of the function was begun, aimed at ensuring a more direct, immediate and effective management of the programmes in the coming years.

In 2010, an analysis was made and shared with the employee representatives for safety and the heads of the prevention and protection teams for an articulated process to analyse and measure correlated work stress levels, in line with the disposition of T.U. 81/08 and a Ministerial Circular of 18 November 2010, which aims to provide appropriate measures to prevent such risks.

Capital investments

The Group made capital investments totalling €19.5 million in 2010, mainly to replace electronic office machinery and furniture and fittings for the new bookshops opened by the Direct & Retail area and at the new headquarters of Mondadori France in Montrouge.

Disposals concerned assets with a residual value of €0.3 million.

Arnoldo Mondadori Editore SpA results

The financial statements of the parent company, Arnoldo Mondadori Editore SpA, for the year to 31 December 2010, show a net profit of €51.7 million (€53.2 million at 31 December 2009), while gross operating profit came to €68.1 million (€42.3 million in 2009).

The improvement of gross operating profit was the result of a good performance by the Magazine area and the effects of staff reductions resulting from the restructuring plan first introduced in 2009.

The net profit figure was impacted by non-recurring tax charges of €8.7 million, resulting from the acceptance of a settlement of pending tax litigation introduced by law no. 73 of 22 May 2010.
The payment in this case is related to pending litigation with the Milan tax authorities relating to financial 1991.

Main risks and uncertainties facing the Mondadori Group

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

The Model's main characteristics are described below.
In the risk management process, the Risk Management function is charged with the supervision of activities and the coordination of the subjects involved.

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

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

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

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

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

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

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

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

The Risk Management function, in collaboration with the heads of the company, plans and implements risk response measures for specific issues that may have emerged, and aimed at aligning the residual risk with a level deemed to be acceptable (risk appetite).
The Risk Management process provides for an annual review of the risk situation, to be conducted as indicated above.

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

Economic risk

The global economy

Following the period of economic-financial crisis that peaked in the first half of 2009, 2010 was characterised by signs of gradual recovery throughout the year, albeit at different rates in the various geographical areas. Driven by strong internal demand, the robust expansion of the emerging economies was confirmed, while more advanced economies saw more modest growth. However, the recovery is not without elements of fragility and uncertainty, such as the sustainability of public debt and consumer spending, which are affected by the weakness of the labour market in many advanced countries, as well as inflationary pressures in emerging countries.
The eurozone is expected to end 2010 with an average level of growth of 1.7% (Source: Eurostat), mainly driven by exports but penalised by tensions about the sovereign debt of certain countries. 2011 is expected to see a slight slowdown of the recovery, to around 1.5%, with persisting differences between countries, with Germany experiencing decidedly better growth, France in line with the average for the area, and Italy growing at a slower pace.

The Italian economy

GDP growth in 2010 was 1.1% (Source: ISTAT), with the pace of growth slowing down during the year, registering +0.1% in the final quarter (GDP growth had been 0.3% and 0.5% in the preceding quarters), somewhat below the average performance recorded in the eurozone as a whole (0.3%). This result is firstly due to the weakness of domestic demand following the end of tax incentives and only partially compensated by an upturn in exports. Overall, industrial production started to grow again compared with the previous year, even if less vigorously than other countries in the area. There remains great uncertainty about a recovery in consumer spending, with households faced by a fall in the growth rates of disposable incomes and conditions in the labour market, with unemployment in December 2010 at 8.6%, an increase of 0.2% on the same month of 2009 (Source: ISTAT). Current expectations are for a continued rate of growth of around 1% in 2011 and 2012, below the EU average.

Financial and credit risks

Financial risk

Financial risk derives from the Group's exposure to potential losses connected to financial cycles that depend on business operations, exchange and interest rate volatility and the availability of financial resources on the market (liquidity risk).
The management of the Group's financial risk is regulated by a policy document ("General financial risk management policy") approved by the board of directors. It defines guidelines regarding categories of risk and outlines objectives, hedging procedures and operational limits.
Exposure to exchange rate risks is related to the geographical spread of the company's business, in particular the acquisition of publication rights of foreign authors and the publication of some of the Group's magazine titles in other countries, which produces financial flows in currencies other than the euro (mainly the US dollar and the pound sterling). Such risks are reduced by negotiating forward purchase or sale derivative contracts.
The Group also utilises various forms of funding to cover the requirements of its business; changes in interest rates can lead to increases or reductions in the cost of borrowing and consequently on margins.
In line with its risk management policy, the Mondadori Group hedges interest and exchange rate risks by using financial instruments, mainly interest rate swaps. The Group is well aware of the need to organize its resources in a way that will ensure the stability of its equity and financial structure. To this end, the reduction of liquidity risks is ensured through the use of committed loans, ensuring a higher level of flexibility on its financial covenants and extending the average maturity of its loans.

Risks associated with receivables

The persistent unfavourable economic and financial situation continues to put average payment days under pressure, with a consequent need for increased vigilance regarding the possible impact on the financial position (especially in Mondadori Pubblicità and the Trade Books area). Similarly, there are still risks attaching to possible breaches of contract or default by counterparties.
The imbalance between terms and actual payment is most marked for the Group companies that do business with the public administration, though this has a limited impact on the Group as a whole.

Business risks: the competitive environment and strategic risks

The markets in which Mondadori Group operates continue to be subject to uncertainty and stagnation. The publishing sector, and the media in general, having passed through an extremely critical phase, remains characterised by big changes, particularly of a technological and structural nature, that demand the reconfiguration of the businesses in order to take advantage of the growth opportunities that are emerging.

In the **Book area, trade books** are beginning to see the first signs of a huge transformation in the book market that is sweeping the world, the result of the spread of new technologies, and in particular the e-book. In this regard the company has moved quickly and developed a strategic development plan, with partnerships and agreements with leading players (e.g. Telecom, Google) and organising itself to achieve its objectives, which includes maintaining its leadership position, also in the new world of publishing. The actions that have been taken have gone some way to offsetting the risks form various operational areas, which range, for example, from digital rights management to the evolution of technological standards and the definition of new competitive levers.
Albeit less than a year ago, the other main risk factors derive from the current state of the traditional market and regard the concentration of revenues and margins on a small number of highly successful titles and the growing competitiveness of rivals. In order to effectively face such risks, the Area has the advantage of a wide-ranging catalogue and bargaining power in the market for rights, ensuring rapid identification of investment and diversification opportunities.

The **Educational area** is faced with a series of changes in its business models, determined by both technological and legislative changes. For Mondadori Education this means an increased focus on innovation and updating know-how and competences, with a view to providing multimedia textbooks and digital content. The necessary investments, as well as the risk of a generalised fall in average prices, mean there is also a risk from increased competition and concentration in the sector. The company meanwhile continues to pursue its investment policy based on product quality, while at the

same time developing the integration of print and digital.
With the definition of the legislative framework, Mondadori Electa is facing the effects of a slowdown in all of the market segments in which it operates, with the risk of an increase in competition and a significant change in the margins from the cultural heritage business. Uncertainty will remain over the coming months about the assignment of licences for additional services at Italy's principal museums and archaeological sites.
To this should be added the difficulties in book sales following the effective end of the add-on sales phenomenon. A redefinition of the business model, specific attention to the economics of the production process and editorial innovation are the paths that the company is pursuing in its efforts to deal with the current market scenario.

The consumer magazine market in Italy continues to be characterised by weakness and instability, which in turn has generated a persisting critical situation for circulation, add-on sales and advertising revenues.
Nevertheless, the Magazines Italy area was able to achieve results that contrasted with the market in general, consolidating its leadership position and offsetting risks thanks to a balanced mix of circulation and advertising revenues, opportune re-launches and support for the titles, a focus on reorganisation and internal processes and the valorisation of the brands and editorial content.

Regarding Mondadori France, the market scenario is still characterised by falling circulations, albeit to a lesser degree than in Italy. Meanwhile there was a clear reduction in the level of risk from declining advertising revenues, which are recovering, and increasing competition in the up-scale segment, despite which *Grazia* confirmed its excellent performance both in terms of circulation and advertising revenues. In order to continue to deal effectively with the situation, the management is continuing to pursue the strategic repositioning of the portfolio, along with a constant focus on editorial quality.

In order to promptly exploit the opportunities presented by the rapid growth of new ways of using and new platforms for accessing content (the web and mobile), a Digital area has been created, with the task of providing cross-platform support to the single businesses and creating new initiatives. At the same time, precise guidelines for strategic development have been drawn up, consequently shifting risk factors to the operational level, which has led to the mapping of a series of problem areas and issues able to respond to the expansion of the company's business interests and the specific issues that this raises, including the possibility of acquisitions and/or partnerships and the management of users on social media. Among others, human resources has become a strategic area due to the need to ensure that the company has an adequate combination of technical competences and the capacity to effectively manage the company's editorial activities.

Despite the negative impact of the global financial crisis, which has severely penalised consumer spending across the world, the Group's results in the area of International Activities have been constantly improving. The positive performance of existing titles and the continuing geographical expansion of the network of up-scale titles, in particular the launch of new editions of *Grazia*, have contributed to lowering the risks from a slump in the advertising market, confirming the international appeal of the Group's brands.

In advertising, the risk related to a downturn in advertising investments remains, even if the figures for 2010 show a market that, overall, is in a more positive trend and grew by 4.7% (Source: Nielsen). However, there were significant differences between the different media, with the internet still clearly growing (+20.1%), followed by direct mail and radio, while the decline of print media continued compared with 2009. Despite this oscillating trend in the market, Mondadori Pubblicità was able to record results that were in line with the previous year, thanks to important efforts to offset risks through changes at both the organisational and commercial levels, brand extension activities, as well as the creation of events and a more marked personalisation of the offering, also through integrated and multimedia solutions.

The Direct area is facing increasing competition, on the one hand from other bookshop chains (both directly owned and franchises) and big retail chains and, on the other, from players (also from outside the sector) competing with Mondadori Retail for the most commercially strategic locations. One of the most significant critical factors here is the possible impact on sales through traditional channels of technological innovations for the use of editorial and media content (e.g. e-books). Careful monitoring of the main competitors, the adoption of adequate strategies and the implementation of a policy aimed at building customer loyalty and the valorisation of sales outlets will enable management to promptly and effectively respond to such risks.
The maturity of the businesses, regulatory restrictions and changes in the market that impact on the activities of Cemit and Mondolibri make further development difficult. Consequently, the companies are pursuing specific actions and initiatives to consolidate and build loyalty in the existing client base.

The marked upturn in advertising investments (+7.7% on 2009), the decline of which represented the most significant source of risk last year, has enabled Monradio to achieve a positive performance, also thanks to intense communication efforts, multimedia development and a broad review of the schedule. To this should be added the excellent results in terms of listeners, which confirm that R101 is among the most vibrant players in Italian radio and able to continue to close the gap with the well-established and consolidated stations.

Legislative and regulatory risks

Mondadori Group operates within a complex regulatory environment, modifications to which could have an impact on both costs related to internal Governance & Compliance processes regarding specific areas (such as legislative decrees 231/01 and 196/03 concerning privacy, and law 262/05 concerning investor protection and fiscal compliance) and its capacity to compete in certain business areas.

With regard to the latter of these, as has been previously indicated, the activities of Mondadori Education are closely conditioned by educational reforms, and this implies a series of compliance measures to ensure that textbooks are suitable for the new syllabuses and new ways of using didactic materials, with a significant impact on the dynamics of the entire sector.

With regard to the Cultural Heritage area in which Mondadori Electa operates, the expected changes in the way in which concessions are assigned for public services at museum sites have now taken place, with a shift from integrated management to separate bids for contracts for different services. This will mean a radical change in the market scenario that will facilitate the entry of new players, also from outside the sector, and inevitably to a re-scaling of margins that will make it necessary to redefine the business model.

For the **Magazines Italy area**, the effective elimination of postal subsidies for subscriptions from 1 April 2010 has resulted in a significant increase in postal charges, which has nevertheless been offset by the agreement reached between the FIEG (the Italian press federation) and Poste Italiane, which reduces by around 50% the effects of the new charges. In view of the negative impact on the economic and financial situation, the Area's positive results are even more remarkable, above all in comparison with market trends, thus confirming the management's ability to face such external events even where its influence is marginal.

Brand protection risks

Conscious that its brands, content and authors represent its growth opportunities for the future, the Mondadori Group considers them as assets to be protected and developed. The Group's policies and activities are consequently focused on avoiding situations or events that could damage its image or have negative repercussions on the activities and results of its various businesses.

Significant events in 2010

The acquisition of the 50% of Mondolibri SpA held by DirectGroup Bertelsmann

In April Arnoldo Mondadori Editore SpA concluded the acquisition of 50% of the share capital of Mondolibri SpA from DirectGroup Bertelsmann, increasing its own holding to 100%. The value of the operation was €6.75 million.

Mondolibri, leader in mail-order book sales and one of Italy's major e-commerce operators, runs its business with two structures: the Book Club area, selling editorial and multimedia products using the "book club" formula, with the support of 70 sales outlets and an online platform, and Bol.it, a web site for the sale of editorial and multimedia products.

The creation of Electa Rmn

In September Mondadori Electa SpA with its French partner Réunion des Musées Nationaux created a new company, Electa Rmn Srl, with the aim of participating in bids launched by the Italian Cultural Heritage Ministry for the management of supplementary services at Italy's leading museums and archaeological sites.

The operation, which was signalled to the antitrust authorities as constituting a concentration, was deemed to be co-operative and that there were therefore no grounds for any measures to be taken regarding market concentration.

In December the antitrust authorities initiated an enquiry, pursuant to article 101 of the Treaty of the Functioning on the European Union, in order to establish whether the two companies, by creating a joint company to bid for public concessions, were also attempting to limit competition in the market.

This measure was communicated to Mondadori Electa SpA at the beginning of January of this year.

As of the date when this Annual Report was approved, the process is ongoing and it is not possible to foresee the outcome.

Investments in digital

A new Digital area was established on 1 September to provide a fresh impulse for the development of the Mondadori Group's digital activities, making appropriate use of the company's founding assets, such as brands, content, authors and communities of readers and advertisers, and to look for new paths for growth.

Conscious of the rapid transformation underway at a global level in the book market as a consequence of the spread of new technologies, Mondadori reached an agreement in October with Telecom Italia over the creation of *Bibletstore*, Italy's first digital bookstore.
Some 1,200 titles of the publishing houses of the Group (Mondadori, Einaudi, Piemme, Sperling & Kupfer) are now available from the *e-book store* of Telecom Italia, of which 800 are backlist titles and 400 are new titles, published at the same time in both their printed and digital formats.
The partnership with Telecom Italia is an important first step for the marketing of the Group's editorial assets, which will also be made available on the other leading platforms and devices on the market.
Thanks to collaboration with Telecom Italia, at Christmas three thematic channels were presented for e-book subscriptions: literature, genre fiction and children's.

In November the digital catalogue of Bol.it was expanded, offering customers

a choice of more than 90,000 e-books by both Italian and international publishers.
All of the digital books are available in the e-pub or pdf formats and can be used on the leading tablets and e-readers.

Mondadori France: the sale of a specialised title

At the end of November 2010 an agreement was reached over the disposal of a specialised title in the entertainment sector, *Cine-Chiffres*, published by Mondadori Magazines France, at a price of €1.3 million.

The operation is part of the process of rationalisation of the portfolio of titles published in the French market.

Reconciliation of the parent company net equity and net income and consolidated net equity and net income

The following table shows the reconciliation of net equity and net income for the parent company Mondadori Editore SpA and the Group's consolidated net equity and net income.

(in €,000)	Net equity	Net profit for the period
Balance from the parent company's financial statements	518,104	51,733
Dividends received by the parent company from subsidiary or associated companies		(39,664)
Elimination of intragroup profits	(8,277)	(625)
Contribution of assets and income from associated companies	(27,982)	2,734
Contribution of assets and income from subsidiary companies, net of amounts indicated above	97,368	27,923
Balance from the consolidated financial statements	579,213	42,101

Outlook for 2011

Figures for consumer spending in the first two months of 2011, in the markets of reference for Mondadori, indicate little sign of improvement over the year. Indeed there are no signs of a change in current trends or visibility, even in the short term.

Regarding the main business areas:
- for magazines, the timid signs of a recovery in advertising investments currently make it possible to be reasonably optimistic in terms of a recovery in revenues, thanks to the strength of the portfolio of titles both in Italy and France and the constant commitment to the quality of the offer;
- the trade books area can count on a strong editorial programme, while Mondadori will retain a strong commitment to the development of e-books;
- over the year the maximum focus will be on digital activities, both in interaction with all of the Group's other activities, and in the development of new businesses, also linked to editorial content, the brands and Mondadori's communities.

The reorganisation plans already underway will continue during the year, along with the efforts to contain operational costs that have to date allowed the Group to recover profitability, despite very tough trading conditions.

In the light of this, it is estimated that Mondadori will be able to improve both its revenues and operating profit in 2011 through its determined commitment to the development of digital activities: some caution is, however, necessary, given the level of ongoing economic instability, sharpened recently by international tensions that could have a negative impact on the still weak recovery underway.

Significant events after the close of the year

There were no events of significance after the close of the year.

Other information

Notice is given that, during the year, Arnoldo Mondadori Editore SpA did not conduct research and development activities. It did not, on the date of the Report or in 2010, own shares of controlling companies, not even through trusts or intermediaries.

Related party transactions

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

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

More detailed information can be found in the notes to Arnoldo Mondadori Editore SpA's financial statements and the Group's consolidated financial statements.

In compliance with article 2391 *bis* of the Civil Code and the general principles outlined in "Rules governing operations between related parties" issued by Consob with resolution no. 17221 of 12 March 2010 and subsequent modifications, the board of directors on 25 November 2010 approved the "Procedures for transactions with related parties" ("Procedures"), having first obtained a favourable opinion from the Committee made up exclusively of independent directors in line with the Borsa Italiana SpA code of conduct.

On 1 January 2011, these Procedures replaced the previous rules adopted by the board of directors and describe the rules, roles, responsibilities and activities put in place to ensure transparency and the substantial and procedural correctness of transactions with related parties undertaken by the company directly or through its subsidiaries.

The "Procedures for transactions with related parties" are available on the website www.mondadori.it - Governance section, governance system, rules and procedures.

Tax consolidation

Following the introduction of new legislation - art. 117 and following of DPR no. 917/1986 - Arnoldo Mondadori Editore SpA opted to take part in the tax consolidation of Fininvest SpA in view of its position as a jointly consolidated entity of that company.
The consolidation agreement under which Mondadori Group companies participate in the "Fininvest tax consolidation" contains a clause safeguarding the Mondadori Group from being obliged to pay income tax in amounts greater than those that the Group would make had Arnoldo Mondadori Editore SpA opened its own tax consolidation position.
Moreover, on the basis of the transferred taxable income of all of the companies of the Fininvest group included in the fiscal consolidation, the contract recognises that a part of the fiscal advantage pertaining to Fininvest SpA is due to Arnoldo Mondadori Editore SpA in view of Mondadori Group's participation in the consolidation.
Payables and receivables arising from the consolidation are recognised as payables to and receivables from parent companies.

Fiscal transparency

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

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

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

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

In line with legal requirements and given that the board of directors of Arnoldo Mondadori Editore SpA also provides general strategic and organisational guidance for subsidiary companies, the Board has confirmed that the company carries out direction and co-ordination, as per art. 2497 and subseq., Civil Code, of the following subsidiaries (as defined by art. 2359, Civil Code):
Cemit Interactive Media SpA
Edizioni Piemme SpA
Mondadori Education SpA
Giulio Einaudi editore SpA
Mondadori Electa SpA
Mondadori Franchising SpA
Mondadori Pubblicità SpA
Mondadori Retail SpA
Press-Di Distribuzione Stampa e Multimedia Srl
Sperling & Kupfer Editori SpA
Monradio Srl
Mondadori Iniziative Editoriali SpA
Mondadori International SpA
Mondolibri SpA

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

Security Procedural Document (privacy)

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

Renewal of authorisation to effect share buy backs

The Annual General Meeting of the Shareholders on 27 April 2010, following the expiry of a previous authorisation issued at the AGM on 29 April 2009, voted, as per art. 2357, Civil Code, to renew authorisation for the buy back of company shares, taking account of the shares already in the portfolio or held by subsidiaries, up to the limit of 15% of the share capital.

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

1. Objectives and reasons:
- to use treasury shares for the exercise of stock options allocated under stock option plans put in place by the shareholders;
- to use treasury shares, either bought back or already held, for the exercise of rights, including conversion rights, deriving from financial instruments issued by the company, its subsidiaries or third parties;

- to use treasury shares, either bought back or already held, as part or whole payment in acquisitions or equity investments that fall within the company's stated investment policy;
- to take advantage, where and when considered strategic for the company, of investment opportunities, also in relation to available liquidity.

2. Cap on the number of shares that may be bought
The authorisation applied for entails a limit of 15% of the company's share capital, or 38,914,474 shares.

Given that, on the date of the shareholders' resolution, the company already held 17,850,101 of its own shares and that a further 4,517,486 Mondadori shares were held by the subsidiary Mondadori International SpA, making an overall total of 22,367,587 shares, corresponding to 8.62% of the share capital, the new authorisation gave the Board the faculty to buy back a further 16,546,887 ordinary shares, corresponding to 6.38% of the share capital.

3. Method of acquisition and price range
Buybacks would be made on regulated markets as per art. 132, legislative decree no. 58, 24 February 1998, and art. 144 *bis*, para. 1, B, Consob Regulation 11971/99, according to operating procedures established by the markets themselves, which do not permit the direct combination of offers to buy with predetermined offers to sell.
Consequently, the corresponding minimum and maximum price of sale will be determined at the same conditions that applied to previous authorisations agreed by the shareholders, i.e. at a unit price not less than the official market price on the day prior to any operation, less 20%, and not more than the official market price on the day prior to any operation, plus 10%.

In terms of prices and daily volumes, acquisition operations will in any case be conducted in accordance with art. 5, EU Regulation 2273/2003, and in particular:
- the company will not buy shares at a price higher than that of the last independent operation or, if higher, the highest current independent offer on the regulated market where the acquisition is made;
- in terms of daily volumes, the company will not purchase a quantity greater than 25% of the average daily volume of Mondadori shares traded on the regulated market and calculated on the basis of the average daily volume of trading of Mondadori shares in the 20 trading days prior to the dates of purchase.

4. Duration
The authorisation to buy back shares will remain valid until approval of the financial statements for the year to 31 December 2010, and in any case for a period no longer than 18 months from the date of the shareholders' resolution.

In the period between 8 and 26 February 2010, Arnoldo Mondadori Editore SpA acquired on the automated stock market, in compliance with the resolutions of the 2009 AGM, a total of 2,270,000 own shares at a cost of €6.1 million. The company made no provision for the use of these shares and none of its subsidiaries made buy backs or provisions for the use of treasury stock.

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

Allocations for 2010 under the 2009-2011 stock option plan

On 21 July 2010, the board of directors, at the proposal of the Remuneration Committee, approved the allocation of options for 2010 under the 2009-2011 three-year stock option plan set up, as indicated above, by the AGM on 29 April 2009 for executives of the company and its subsidiaries whose functions have a determining impact on the achievement of the Group's strategic objectives, directors of the company and its subsidiaries, journalists employed by the company and its subsidiaries with the position of editor or co-editor, parent company executives whose functions are conducted in the interests of the company.

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

The Plan provides for the allocation, for each year of the plan, of personal, non-transferable options for the acquisition of Mondadori ordinary shares at a one-to-one ratio and with standard dividend rights.

Options assigned may be exercised after the 36-month vesting period at a price corresponding to the arithmetical average of the Mondadori share price in the period between the date of allocation of the options and the same day of the previous calendar month.

The board of directors allocated a total of 1,800,000 share options to 19 persons selected from among the categories indicated in the aforementioned shareholders' resolution on 29 April 2009.

The total number of options allocated amounts to 0.69% of the company's share capital.
The board of directors decided on performance objectives (consolidated ROE and free cash flow) as conditions for the exercise of options allocated for 2010.

Subject to ascertainment by the board of directors of the achievement of the conditions for exercise, options for 2010 will be exercisable after the 36-month period following the date of assignment.

Further details regarding stock option plans can be found in note 25 of the notes to the consolidated financial statements.

For some time the Group has also had in place incentive and retention plans linked to business performance, in particular:

a) in 2010, objectives were achieved and bonuses matured for the three-year 2008-2010 plans for a total of €2,309 million (see Annex H, note 3, Ame SpA financial statements), while a retention plan for the three-year period 2010-2012 is ongoing and provides for the payment of a further €2 million in 2013 on attainment of the conditions of the plan;
b) in line with a specific recommendation by the Remuneration Committee, during 2010 a highly selective, high performance three-year incentive plan was introduced for 19 people, identified from among the company's executive directors, executives with strategic functions and other high-potential executives.
The three-year periods of reference for the plan are 2010-2012 (13 executives) and 2011-2013 (6 executives). The plan provides for

extraordinary one-off payments, in April 2013 and April 2014 respectively, of a maximum of €6,370,000 subject to the attainment of individual annual and three-year Group objectives and continued employment in the company.

With regard to the stock option plan, the Remuneration Committee, noting that 2011 was the last year of the plan established in 2009, has recommended that the allocation not be made for this year, holding that the three-year plan outlined above (point "b") offers the Group a more effective and lasting way of incentivising management and building loyalty.

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

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

Shares held by directors, statutory auditors and general managers

In accordance with art. 79, Consob Regulation 11971, 14 May 1999, and with reference to the year 2010, we disclose the following details of shares held in Arnoldo Mondadori Editore SpA and subsidiary companies by the company's directors, statutory auditors, general managers and executives with strategic responsibilities.

It should be noted that, unless otherwise indicated, shares are held directly by the persons named.
The same information, in aggregate form, is also supplied for executives with strategic responsibilities as identified by the Group's Management Committee.

Surname & name	Company shares	Number of shares owned at end of previous year	Number of shares bought	Number of shares sold	Number of shares owned at end of current year
Berlusconi Marina	Arnoldo Mondadori Editore	-	-	-	-
Costa Maurizio	Arnoldo Mondadori Editore	350,000	50,000	-	400,000
Berlusconi Pier Silvio	Arnoldo Mondadori Editore	172,000	-	-	172,000
Briglia Roberto	Arnoldo Mondadori Editore	-	-	-	-
Cannatelli Pasquale	Arnoldo Mondadori Editore	-	-	-	-
Ermolli Bruno	Arnoldo Mondadori Editore	-	-	-	-
Forneron Mondadori Martina	Arnoldo Mondadori Editore	137,127	-	-	137,127
Poli Roberto	Arnoldo Mondadori Editore	-	-	-	-
Renoldi Angelo	Arnoldo Mondadori Editore	-	-	-	-
Resca Mario	Arnoldo Mondadori Editore	-	-	-	-
Sangalli Carlo	Arnoldo Mondadori Editore	-	-	-	-
Spadacini Marco	Arnoldo Mondadori Editore	8,000 [1]	-	-	8,000[1]
Veronesi Umberto	Arnoldo Mondadori Editore	-	-	-	-
Vismara Carlo Maria	Arnoldo Mondadori Editore	35,000	-	-	35,000
Superti Furga Ferdinando	Arnoldo Mondadori Editore	-	-	-	-
Giampaolo Francesco Antonio	Arnoldo Mondadori Editore	-	-	-	-
Papa Franco Carlo	Arnoldo Mondadori Editore	-	-	-	-
Simonelli Ezio	Arnoldo Mondadori Editore	-	-	-	-
Vittadini Francesco	Arnoldo Mondadori Editore	-	-	-	-
Executives with strategic responsibilities	Arnoldo Mondadori Editore	1,000	-	-	1,000

[1] Shares held by spouse.

Proposals of the Board of Directors

Resolution proposal

The financial statements at 31 December 2010 closed with a net profit for the year of €51,733,096.46.

We submit the following texts for resolutions:

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

   resolves

   - to approve the Board of Directors' management report and the financial statements at 31 December 2010, together with the notes, in all their parts and findings;

2. The ordinary Shareholders' General Meeting of Arnoldo Mondadori Editore SpA, with regard to the allocation of the net profit for the year of €51,733,096.46,

   resolves

   - to distribute to the Shareholders a gross dividend of €0.17 for each ordinary share (net of treasury stock) in circulation on the ex-dividend date, drawn from the net profit for the year. In line with the "Regulations for regulated markets organised and managed by Borsa Italiana SpA", dividends will be paid as follows: ex-dividend date 23 May 2011, payment from 26 May 2011;
   - to allocate to the extraordinary reserve (under "Other reserves") the residual amount of the net profit for the year after the distribution of dividends as outlined in the previous point.

On behalf of the Board of Directors
Chairman
Marina Berlusconi

Financial statements of Arnoldo Mondadori Editore S.p.A. at 31 December 2010

Balance sheet

Assets (in €)	Note	31/12/2010	31/12/2009
Intangible assets	1	91,116,210	91,530,041
Fixed assets	2	2,382,845	2,469,955
Land and buildings		8,317,461	8,872,800
Plant and machinery		4,765,495	5,515,528
Other assets		3,906,661	3,440,758
Property, plant and machinery	3	16,989,617	17,829,086
Investments	4	642,448,638	604,703,006
Non-current financial assets		50,605,220	-
Advanced taxes	5	20,766,540	21,555,956
Other non-current assets	6	464,946	453,821
Total non-current assets		824,774,016	738,541,865
Tax credits	7	14,858,703	6,378,283
Other current assets	8	39,100,597	119,631,100
Inventories	9	31,619,890	31,255,819
Trade receivables	10	222,634,782	204,399,315
Stocks and other current financial assets	11	93,699,519	104,470,652
Cash and equivalents	12	73,440,320	35,422,265
Total current assets		475,353,811	501,557,434
Assets destined to be sold or closed		-	-
Total assets		1,300,127,827	1,240,099,299

Liabilities (in €)	Note	31/12/2010	31/12/2009
Share capital		67,451,756	67,451,756
Share premium reserve		286,857,191	286,857,191
Treasury stock		(110,129,768)	(104,001,848)
Other reserves and results carried forward		222,192,103	167,663,791
Profit (loss) for the period		51,733,096	53,179,772
Total shareholders' equity	13	518,104,378	471,150,662
Reserves	14	27,520,665	36,398,425
Severance payments	15	24,393,095	32,434,139
Non-current financial liabilities	16	265,021,935	140,031,553
Deferred tax liabilities	5	19,935,902	19,031,622
Other non-current liabilities		-	-
Total non-current liabilities		336,871,597	227,895,739
Income taxes payable	17	14,305,492	17,625,578
Other current liabilities	18	69,482,291	74,873,469
Trade liabilities	19	173,982,897	159,952,338
Bank debts and other financial liabilities	16	187,381,172	288,601,513
Total current liabilities		445,151,852	541,052,898
Liabilities deriving from sales or closures		-	-
Total liabilities		1,300,127,827	1,240,099,299

Income statement

(in €	Note	2010	2009
Income from sales of goods and services	20	751,419,488	776,253,473
Decrease (increase) in inventories	9	(364,071)	3,418,923
Cost of raw, ancillary and consumable materials and goods	21	181,087,701	183,294,517
Cost of services	22	385,141,419	395,016,421
Personnel costs	23	116,348,869	144,600,013
Various charges (income)	24	(1,627,963)	6,371,285
Gross operating profit		70,833,533	43,552,314
Depreciation of property, plant and machinery	2-3	3,650,713	4,044,739
Depreciation of intangible assets	1	1,180,902	1,235,685
Operating profit		66,001,918	38,271,890
Financial income (charges)	25	(6,648,803)	4,093,442
Investment income (charges)	26	23,055,480	28,384,887
Profit before taxes		82,408,595	70,750,219
Income taxes	27	30,675,499	17,570,447
Net profit		51,733,096	53,179,772

Comprehensive income statement

(in €)	Note	2010	2009
Net profit		51,733,096	53,179,772
Effective profit (loss) from cash flow hedging		635,265	-
Tax effect		-	-
Overall net profit		52,368,361	53,179,772

On behalf of the Board of Directors
Chairman
Marina Berlusconi

Changes in shareholders' equity at 31 December 2010

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

(€,000)	Note	Share capital	Share premium reserve	Treasury shares	Stock option reserve	Other reserves	Profit (loss) for the year	Total shareholders' equity
At 01/01/2010		67,452	286,857	(104,002)	6,701	160,963	53,180	471,151
Movements:								
- Allocation of net profit						53,180	(53,180)	
- Dividends paid								
- Treasury share operations				(6,128)				(6,128)
- Stock options	23				424	288		712
- Net profit for the year						636	51,733	52,369
At 31/12/2010		67,452	286,857	(110,130)	7,125	215,067	51,733	518,104

On behalf of the Board of Directors
Chairman
Marina Berlusconi

Cash flow statement

(€,000)	Note	31/12/2010	31/12/2009
Net profit for the period		51,733	53,180
Rettifiche			
Depreciations, amortisation and writedowns		21,441	22,789
Taxation for the period	27	30,675	17,571
Stock options	23	622	1,030
Charges to provisions and leaving entitlements		(7,560)	3,234
Capital losses (gains) on disposals of tangible assets, property, plant and equipment		(60)	(766)
Income from investments - dividends	26	(39,665)	(45,894)
Net financial expense (income) from loans and derivative operations		7,487	(14,998)
Adjusted net profit from operating activities		64,673	36,146
(Increase) decrease in trade receivables		(18,203)	21,684
(Increase) decrease in inventories		(364)	3,419
Increase (decrease) trade payables		12,423	(2,664)
Income taxes		(30,665)	(20,122)
Increase (decrease) in provisions and leaving entitlements		(5,782)	(6,266)
Net changes in other assets/liabilities		61,431	19,183
Cash flow from (used in) operating activities		83,513	51,380
(Investments in) disposals of intangible assets		(391)	(378)
(Investments in) disposals of property, plant and equipment		(1,433)	(1,325)
(Investments in) disposals of equity investments		(16,293)	(8,788)
Income from investments - dividends	26	39,665	45,894
(Investments in) disposals of securities and other non-current financial assets	11	(77,198)	4,450
Cash flow from (used in) investment activities		(55,650)	39,853
(Increase) decrease in payables to banks		(101,220)	47,476
(Purchase) sale of treasury stock	13	(6,128)	-
Net changes in other non-current financial assets/liabilities	16	125,612	(216,685)
Net financial income (expense) from loans and derivative operations		(8,109)	389
Dividends paid	13	-	-
Cash flow from (used in) financial activities		10,155	(168,820)
Increase (decrease) in cash and cash equivalents		38,018	(77,587)
Cash and cash equivalents at beginning of period	12	35,422	113,009
Cash and cash equivalents at end of period	12	73,440	35,422
Composition of cash and cash equivalents			
Cash, cheques and valuables in hand		4	16
Bank and post office deposits		73,436	35,406
	12	73,440	35,422

On behalf of the Board of Directors
Chairman
Marina Berlusconi

Balance sheet as per Consob resolution 15519 of 27 July 2006

Assets			Including related parties		Including related parties
(€,000)	Note	31/12/2010	(note 30)	31/12/2009	(note 30)
Intangible assets	1	91,116		91,530	
Property investments	2	2,383		2,470	
Land and buildings		8,317		8,873	
Plant and machinery		4,766		5,515	
Other tangible fixed assets		3,907		3,441	
Property, plant and equipment	3	16,990		17,829	
Investments	4	642,449		604,703	
Non-current financial assets		50,605	50,000	-	
Advance tax assets	5	20,766		21,556	
Other non-current assets	6	465		454	
Total non-current assets		824,774	50,000	738,542	
Tax receivables	7	14,859		6,378	
Other current assets	8	39,101		119,631	
Inventories	9	31,620		31,256	
Trade receivables	10	222,635	132,283	204,399	122,209
Other current financial assets	11	93,699	91,536	104,471	103,098
Cash and cash equivalents	12	73,440		35,422	
Total current assets		475,354	223,819	501,557	225,307
Assets held for sale		-		-	
Total assets		1,300,128	273,819	1,240,099	225,307

Liabilities and shareholders' equity			Including related parties		Including related parties
(€,000)	Note	31/12/2010	(note 30)	31/12/2009	(note 30)
Share capital		67,452		67,452	
Share premium reserve		286,857		286,857	
Treasury shares		(110,130)		(104,002)	
Other reserves and retained earnings		222,192		167,664	
Profit (loss) for the year		51,733		53,180	
Total shareholders' equity	13	518,104		471,151	
Provisions	14	27,521		36,398	
Employees' benefits	15	24,393		32,434	
Non-current financial liabilities	16	265,022	50,000	140,032	
Deferred tax liabilities	5	19,936		19,032	
Other non-current liabilities		-		-	
Total non-current liabilities		336,872	50,000	227,896	
Income tax payables	17	14,306	14,306	17,625	17,625
Other current liabilities	18	69,482		74,873	-
Trade payables	19	173,983	101,719	159,952	93,262
Payables to banks and other financial liabilities	16	187,381	157,024	288,602	161,656
Total current liabilities		445,152	273,049	541,052	272,543
Liabilities held for sale					
Total liabilities and shareholders' equity		1,300,128	323,049	1,240,099	272,543

Income statement as per Consob resolution 15519 of 27 July 2006

(€,000)	Note	2010	Including related parties (note 30)	Including non-recurring charges (income) (note 29)	2009	Including related parties (note 30)	Including non-recurring charges (income) (note 29)
Revenues from sales and services to third parties	20	751,419	541,865	-	776,253	565,201	-
Decrease (increase) in inventories	9	(364)		-	3,419	-	-
Purchase of raw materials and consumables and goods for resale	21	181,087	139,658	-	183,295	144,019	-
Purchase of services	22	385,141	188,979	-	395,016	200,094	-
Personnel costs	23	116,349			144,600	-	19,540
Other (income) expense	24	(1,628)	(12,514)		6,371	(10,369)	(649)
Gross operating profit		70,834	225,742	0	43,552	231,457	(18,891)
Depreciation and impairment of property, plant and equipment	2-3	3,651	-	-	4,045	-	-
Amortisation and impairment of intangible assets	1	1,181	-	-	1,235	-	-
Operating profit		66,002	225,742	0	38,272	231,457	(18,891)
Financial income (expenses)	25	(6,649)	2,440		4,093	(10,408)	14,450
Income (expenses) from other investments	26	23,055	39,664		28,385	45,894	-
Profit before taxes		82,408	267,846	0	70,750	266,943	(4,441)
Income taxes	27	30,675	-	8,654	17,570	-	(1,736)
Net profit		51,733	267,846	(8,654)	53,180	266,943	(2,705)

Report on performance for the year

The “Report of the Board of Directors on 2010” contains details of the business activities and the results of Arnoldo Mondadori Editore SpA, information on the workforce, a forecast of business activities for the current year and details of the significant events that occurred after the end of the year.

Accounting principles and notes to the financial statements

1. General information

The main corporate purpose of Arnoldo Mondadori Editore SpA is to carry out business activities connected with the book and magazine publishing sectors and the sale of advertising. The registered office is in Milan, Via Bianca di Savoisa 12, and the main operational office is located in Segrate, Milan, in Strada privata Mondadori.

The company is listed on the MTA (automated stock market) of Borsa Italiana SpA.

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

The financial statements of Arnoldo Mondadori Editore SpA for the year ended 31 December 2010 were approved by the shareholders’ meeting of 21 March 2011 and are available for consultation by the public, together with the other documents that make up the annual financial report referred to in article 154 *ter* of the TUF (consolidated finance law) and the report of the Board of Statutory Auditors and the report of the independent auditors, in accordance with current regulations, at the company’s registered offices, at Borsa Italiana SpA, and also on the company’s website.
The financial statements will be published by filing them with the Companies Register within 30 days of the shareholders’ meeting of 21 April 2011 called to approve the financial statements for 2010.

2. Form and content

The financial statements as of 31 December 2010 were drawn up in conformity with the International Accounting Standards (IAS/IFRS) issued by the International Accounting Standards Board (IASB) and approved by the EU and in conformity with the interpretations of the International Financial Reporting Interpretations Committee (SIC/IFRIC).

The financial statements are compiled on the understanding that the company will continue to operate in the future. 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 taken to adjust to the changing levels in demand and to the industrial and financial flexibility of the company.

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

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

The financial statements as of 31 December 2010 were drawn up in conformity with the accounting standards used for preparing the IAS/IFRS consolidated financial statements as of 31 December 2010, taking into account the amendments and new principles that came into force as of 1 January 2010, which are referred to in note 3.25.

The financial statements were prepared in the following way:

- current and non-current assets and current and non-current liabilities are shown separately in the balance sheet;
- in the separate income statement, the analysis of costs is carried out on the basis of the nature of the costs, since the company decided that this method is more representative than an analysis by function;
- the comprehensive income statement contains revenues and costs items that are not recognised among the profit (loss) for the period as required or allowed by the other IAS/IFRS accounting standards;
- the cash flow statement has been prepared using the indirect method.

With reference to the requirements of Consob resolution 15519 of 27 July 2006 concerning the tables used in financial statements, specific supplementary tables were included to highlight significant business with “Related parties” and “Non-recurring operations”.

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

3. Accounting principles and policies

The following is a description of the principles and policies adopted by the company in preparing its IAS/IFRS financial statements as of 31 December 2010.

3.1 Intangible assets

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

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

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

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

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

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

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

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

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

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

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

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

Intangible assets with an indefinite useful life
Titles
Trade marks
Goodwill

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

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

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

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

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

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

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

Property investments	Depreciation rate
Buildings not used in business activities	3%

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

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

Property investment is reclassified when there is a change in its use signalled by specific events.

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

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

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

Assets booked to property, plant and equipment purchased as part of acquisitions and business combinations are initially recognised at their fair value at the time of their purchase and subsequently at cost.
Assets recognised as property, plant and equipment, with the exception of land, are depreciated 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 reflecting the useful lives attributed to the company's property, plant and equipment are as follows.

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

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

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

3.4 Assets acquired under finance leases

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

Liabilities arising from leasing contracts are recognised as financial liabilities.

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

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

3.5 Borrowing costs

The company capitalises financial charges connected with the purchase, construction or production of assets that can be capitalised. If there are no assets that justify the capitalisation, the charges are booked to the income statement in the year in which they are incurred.

3.6 Loss in value of assets (impairment)

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

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

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

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

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

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

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

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

3.7 Investments in subsidiaries, joint ventures and associated companies

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

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

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

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

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

3.8 Inventories

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

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

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

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

3.9 Financial assets

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

Financial assets at fair value with changes recognised in the income statement
This category includes financial assets acquired and held for trading in the short term.

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

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

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

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

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

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

Financial assets available-for-sale
Financial assets available-for-sale consist of all of those assets that do not fall into any of the categories mentioned above.

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

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

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

Financial assets available-for-sale also include investments in other companies.

3.10 Trade receivables and other receivables

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

3.11 Treasury shares

Treasury shares are booked in a separate reserve under shareholders' equity.

No profit or loss is recognised in the income statement for the purchase, sale, issue, cancellation or any other operation involving treasury shares.

3.12 Cash and cash equivalents

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

3.13 Financial liabilities

Financial liabilities include financial payables, derivative instruments, payables linked to financial leasing contracts and trade payables. All financial liabilities, unlike derivative financial instruments, are initially valued at fair value (as increased by any transaction costs) and are subsequently valued at amortised cost using the effective interest rate method.
Financial liabilities hedged by derivative instruments against the risk of changes in value (fair value hedges) are measured at fair value in accordance with the methodology outlined in IAS 39 for hedge accounting. Profits and losses resulting from subsequent variations in fair value are recognised in the income statement. The portions of these changes linked to the efficient portion of the hedge are compensated for by changes in value of the derivative instruments.
Financial liabilities hedged by derivative instruments against the risk of changes in cash flow (cash flow hedges), are measured at amortised cost using the method outlined in IAS 39 for hedge accounting.

3.14 Derecognition of financial assets and liabilities

A financial asset or, where applicable, a part of a financial asset or parts of a group of similar financial assets, is derecognised when:
- the right to receive cash flows from the asset has been extinguished;
- the company still has the right to receive cash flows from the asset but has taken on a contractual obligation to transfer the entire cash flow immediately to a third party;
- the company has transferred the right to receive cash flows from an asset and has transferred substantially all the risks and benefits deriving from the ownership of the financial asset or has transferred control of the financial asset.

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

3.15 Loss in value of financial assets (impairment)

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

Financial assets measured at amortised cost

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

Financial assets available-for-sale

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

Financial assets measured at cost

If there is objective evidence of a loss of value of an unquoted equity instrument that is not booked at fair value because its fair value cannot be reliably measured, or of a derivative asset that is linked to and settled by delivery of that unquoted equity instrument, the amount of the loss of value is measured as the difference between the carrying amount of the financial asset and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset.

3.16 Derivative financial instruments

Derivative financial instruments are initially recognised at fair value at the date they are stipulated. When a hedge operation is entered into, the company designates and formally documents the hedge relationship to which it intends to apply the hedge accounting, its objectives in managing the risk and the strategy pursued. The documentation includes the identification of the hedging instrument, the element or operation that is being hedged, the nature of the risk and the way the company intends to evaluate the effectiveness of the hedge in compensating exposure to variations in the fair value of the element hedged or of cash flows linked to the risk hedged.
It is assumed that such hedges are sufficiently effective to compensate for the exposure of the element hedged to variations in fair value or in cash flows attributable to the risk hedged. The evaluation of whether or not this hedge is in reality sufficiently effective is carried out on a continuous basis during the year.
Operations that satisfy the hedge accounting criteria are accounted for as follows.

Fair value hedge

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

Cash flow hedge

If a derivative financial instrument is designated as an instrument for hedging the exposure to variations in cash flows of an asset or of a liability included in the financial statements or of a highly probable forecast transaction, the effective portion of the assets or of the losses deriving from the adjustment of the fair value of the derivative instrument is recognised in a special reserve in shareholders' equity. The accumulated profit and loss is transferred from the equity reserve and recognised in the income statement when the results of the hedge operation are recognised in the income statement. The profit or loss associated with the ineffective part of a hedge is

recognised in the income statement. If a hedging instrument is terminated but the hedging operation has not yet been carried out, the accumulated profits and losses remain in the reserve under shareholders' equity and are reclassified to the income statement when the relative operation is carried out. If the hedging operation is no longer considered probable, the profits and losses not yet realised and recognised in equity are recognised in the income statement.
If hedge accounting cannot be applied, profits and losses resulting from the valuation at fair value of the derivative financial instrument are recognised in the income statement.

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

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

3.18 Employees' termination benefits
Benefits due to employees on leaving a company may be separated into:
- defined contribution plans, represented by the amounts accrued as of 1 January 2007;
- defined benefit plans, represented by the severance indemnity (TFR) liabilities as of 31 December 2006.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3.21 Current, pre-paid and deferred taxation

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

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

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

The carrying value of pre-paid tax assets is reviewed at the end of every period and is reduced if it is no longer probable that sufficient taxable profit will be available in the future for realising all or part of the assets.
Deferred tax assets and liabilities are calculated on the basis of the tax rates that are expected to apply to the period when the assets are realised or the liabilities settled, based on tax rates that have been enacted or substantively enacted by the balance sheet date.

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

3.22 Operations in foreign currencies

Revenues and costs relating to operations in foreign currencies are expressed in the money of account using the exchange rates ruling on the day the operation was carried out.
Monetary assets and liabilities in foreign currencies are converted at the exchange rate ruling at the balance sheet date and any exchange differences are recognised in the income statement.
Non-monetary items valued at historical cost in foreign currencies are converted using the exchange rates ruling at the time the transaction was carried out. Non-monetary items booked at fair value in foreign currencies are converted using the exchange rates ruling at the time that fair value was calculated.

3.23 Grants and contributions

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

3.24 Assets and liabilities held for sale (discontinued operations)

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

3.25 Accounting standards and interpretations adopted by the European Union with effect from 1 January 2010 and applicable to Arnoldo Mondadori Editore SpA

The following accounting standards are not applicable to the company's separate financial statements.

- IFRS 3R – Business combinations
- IAS 27R – Consolidated and separate financial statements
- IFRS 5 – Non-current assets destined for sale and discontinued operational assets
- IFRS 8 – Operational segments
- IAS 36 – Reduction of value of assets

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

As required by IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, the possible impact of new standards or interpretations on the financial statements in their first year of application are listed below.

On 6 May 2010, the IASB issued the latest series of Improvements to IFRS relating to the period 2008-2010, which contain minor changes to the accounting standards in force that are not relevant to financial statements.

4. Use of estimates

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

These estimates are constantly reviewed and any effects are recognised in the income statement.

The data in the final balance could differ, even significantly, from these estimates as a result of possible changes to the factors taken into consideration when the estimates were first made.

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

Goodwill and intangible assets

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

Bad debt reserve

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

Reserve for inventory provisions

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

Future returns

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

Risk reserve

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

Employees' termination benefits

Provisions connected to reserves for employees are calculated on the basis of actuarial estimates, so variations in such estimates may have significant effects on these reserves.

Income taxes

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

5. Business combinations

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

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

6. Risk management

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

7. Non-recurring income and expenses

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

Details of the items in the financial statements

In the part of the notes that follows all amounts are expressed in thousands of euros, with the exception of certain amounts expressed in millions of euros. Amounts in brackets refer to the corresponding amounts for 2009.

1. Intangible assets

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

Intangible assets (€,000)	31/12/2010	31/12/2009
Intangible assets with a finite useful life	953	555
Intangible assets with an indefinite useful life	90,163	90,975
Total intangible assets	91,116	91,530

The following two tables show the changes in intangible assets with a finite useful life in 2009 and 2010.

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

Intangible assets with finite useful lives (€,000)	Software	Selling rights	Total
Cost at 01/01/2009	6,601	650	7,251
Investments	331	-	331
Disposals	-	-	0
Other changes	-	-	0
Cost at 31/12/2009	6,932	650	7,582
Accumulated amortisation and impairment losses at 01/01/2009	6,041	650	6,691
Amortisation	336	-	336
Writedowns/reinstatement of value	-	-	0
Disposals	-	-	0
Other changes	-	-	0
Accumulated amortisation and impairment losses at 31/12/2009	6,377	650	7,027
Net book value at 01/01/2009	560	-	560
Net book value at 31/12/2009	555	0	555

Intangible assets with finite useful lives (€,000)	Software	Selling 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
Accumulated amortisation and impairment losses at 01/01/2010	6,377	650	7,027
Amortisation	369	-	369
Writedowns/reinstatement of value	-	-	0
Disposals	-	-	0
Other changes	-	-	0
Accumulated amortisation and impairment losses 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

Investments during the year of €767 thousand, including €376 thousand for intangible assets that had not entered into use at 31 December 2010, refer to the cost of purchasing software.

The following two tables present the changes in intangible assets with indefinite useful lives in 2009 and 2010.

Intangible assets with indefinite useful lives (€,000)	Titles	Brands	Goodwill	Total
Cost at 01/01/2009	83,577	7,519	732	91,828
Investments	-	47	-	47
Disposals	-	-	-	0
Other changes	-	-	-	0
Cost at 31/12/2009	83,577	7,566	732	91,875
Impairment at 01/012009	-	-	-	0
Writedowns/reinstatement of value	-	(900)	-	(900)
Impairment at 31/12/2009	0	(900)	0	(900)
Net book value at 01/01/2009	83,577	7,519	732	91,828
Net book value at 31/12/2009	83,577	6,666	732	90,975

Intangible assets with indefinite useful lives (€,000)	Titles	Brands	Goodwill	Total
Cost at 01/01/2010	83,577	7,566	732	91,875
Investments	-	474	-	0
Disposals	-	-	-	0
Other changes	-	-	-	0
Cost at 31/12/2010	83,577	7,566	732	91,875
Impairment at 01/01/2010	-	(900)	-	(900)
Writedowns/reinstatement of value	-	(812)	-	(812)
Impairment 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 lives relate mainly to magazines (including, in particular, *TV Sorrisi e Canzoni* and *Chi*, each of which represents a different Cash Generating Unit) included in the purchase of the SBE business in 1994.

Amortisation, impairment and reinstatement of value of intangible assets

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

Amortisation and impairment of intangible assets (€,000)	2010	2009
Software	369	336
Selling rights	-	-
Total amortisation and impairment of intangible assets	369	336
Writedowns of intangible assets	812	900
Reinstatement in value of intangible assets	-	-
Total writedowns (reinstatement) of intangible assets	812	900
Total amortisation and impairment of intangible assets	1,181	1,236

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

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

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

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

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

The calculation of the cash flow relating to the individual assets or Cash Generating Units included in the impairment test was based on a bank rate gross of taxes, in line with the economics utilised, of 6.75%.

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

- in order to calculate the cost of company capital, the returns on long-term treasury stocks in each of the countries or markets where the Group operates were taken as a benchmark and the *beta* was separated as follows: the Mondadori *beta* was used for Italy while for other countries it was based on the average of the *betas* of a panel made up of the main media companies listed on European markets.

For the country risk, a correction factor of between 4% and 5% was used, based on market studies;

- in order to calculate the cost of third-party capital, the cost of money taken as an assumption in the medium-term plans was used.

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

After the impairment test a writedown of €812 thousand was made for the "PC Professionale" imprint in order to adjust the carrying value to the market value, which was calculated based on the comparable royalty rate. The remaining values in use are higher than the respective carrying values.

2. Property investment

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

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

Property investment (€,000)	Land	Non-business 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
Accumulated depreciation and impairment losses at 01/01/2010	-	1,348	1,348
Depreciation	-	87	87
Writedowns/reinstatement of value	-	-	0
Disposals	-	-	0
Other changes	-	-	0
Accumulated 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

The directors estimated that the fair value of property investment at 31 December 2010 was not lower than the net carrying value.

Depreciation of property investment
The depreciation charge for the year amounted to €87 thousand, recognised under the item "Depreciation of property, plant and equipment", the same as the amount registered in 2009.

There are no restrictions on the use of assets recognised as property investment.

Land is not depreciated.

3. Property, plant and equipment

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

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

Property, plant and equipment (€,000)	Land	Business buildings	Plant and equipment	Other tangible 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
Accumulated depreciation and impairment losses at 01/01/2010	-	8,877	16,610	40,307	65,794
Depreciation	-	571	1,402	1,591	3,564
Writedowns/reinstatement of value	-	-	-	-	0
Disposals	-	-	-	(466)	(466)
Other changes	-	-	-	-	0
Accumulated 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

Other tangible fixed assets consist of the following:

Other tangible fixed assets (€,000)	31/12/2010	31/12/2009
Industrial and commercial equipment	227	248
Electronic office machines	1,746	1,316
Furniture and fixtures	1,026	1,120
Motor vehicles and transport vehicles	218	516
Leasehold improvements	46	45
Assets under construction and advances	643	195
Total other tangible fixed assets	3,906	3,440

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

Investments during the year, including other tangible fixed assets, of €2,748 thousand, €643 thousand of which was for assets that had not entered into use at 31 December 2010, refer to:
- the Verona factory (Publishing Warehouse plant/ Magazine Distribution and buildings) €352 thousand
- the Milan head office (office automation, *furniture/fixtures and plant)* €2,396 thousand

Disposals, including those relating to "Other tangible fixed assets", for a total of €490 thousand, mainly relate to the disposal of office equipment (furniture, fixtures and electronic machinery) and vehicles.

Depreciation of property, plant and equipment

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

Depreciation of property, plant and equipment (€,000)	2010	2009
Business buildings	571	573
Plant and machinery	1,402	1,541
Equipment	156	176
Electronic office machines	893	1,019
Furniture and fixtures	248	273
Motor vehicles and transport vehicles	284	366
Leasehold improvements	10	10
Total depreciation of property, plant and equipment	3,564	3,958

No provisions were necessary during 2010.

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

4. Financial assets

Investments

The composition of and changes in investments amounting to €642,449 thousand (€604,703 thousand) are described and commented on below.

Total investments, net of accumulated depreciation and impairment losses, consist of shares and quotas in limited liability companies for an amount of €579,078 thousand and capital contributions of €60,552 thousand.

Investments also include the amount of €2,819 thousand resulting from the application of IFRS 2 to the stock options granted by Arnoldo Mondadori Editore SpA to managers and directors of subsidiary companies who carry out functions that are important for the attainment of the Group's results. The details of each subsidiary and associated company are included in Appendices A and B, which also contain a comparison between the amounts stated in the financial statements and the relative share of net equity.

(€,000)	Shares and joint ventures in companies	Capital contributions	Stock options allocated	Overall total
Balance at 31/12/2009	585,830	16,145	2,728	604,703
Increases:				
Purchase, establishment of companies and capital increases	6,850	44,541		51,391
Payments for cover of losses	3,036			3,036
Allocation of stock options			104	104
Other changes				
Total increases	9,886	44,541	104	54,531
Decreases:				
Writedowns	(313)			(313)
Cover for losses	(2,902)	(134)		(3,036)
Other changes	(1)		(13)	(14)
Total decreases	(3,216)	(134)	(13)	(3,363)
Changes in loss/writedown provision:				
Provisions	16,637)			(16,637)
Utilisations/reclassifications	3,215			3,215
Balance at 31/12/2010	579,078	60,552	2,819	642,449

Shares and joint ventures in companies

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

Increases include:

- subscription of the capital increase in Mondadori Pubblicità SpA for €6,098 thousand; Monradio Srl for €38,000 thousand as a result of the decision taken by the subsidiary to forego the loan for an equal amount; Sporting Club Verona Srl for €100 thousand and Società Europea di Edizioni SpA for €443 thousand;
- additional shares in Mondolibri SpA for €6,750 thousand.

Decreases include:

- €447 thousand for covering losses and the writedown of the investment in Società Europea di Edizioni SpA by reduction of its capital and reserves;
- €2,902 thousand for covering losses by Mondadori Pubblicità SpA.

In accordance with IAS/IFRS, if there are indications of a potential loss of value the carrying amount of investments is reviewed. The higher value between the value in use and the fair value was used, resulting in writedowns totalling €16,637 thousand, of which €3,269 thousand referring to investments in Società Europea di Edizioni SpA, €4,567 thousand in Mondadori Pubblicità SpA, €3,624 thousand in Monradio Srl, €3,377 thousand in Mondadori Retail SpA and €1,800 thousand in Random House Mondadori SA.

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

The excess of the carrying values of the investments in Cemit Interactive Media SpA, in Mondadori Education SpA and in Sperling & Kupfer SpA, compared with a corresponding valuation based on the net equity of these companies, represents the value of their production and commercial potential as supported by the three-year plans for 2011-2013.

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

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

For Mondadori International SpA, following the merger of Arnoweb SA into Mondadori International SA that took place in March 2010, since both the companies involved in the operation were owned 100% by Arnoldo Mondadori Editore SpA, the carrying value of the investment in Arnoweb SA was allocated to the increase in carrying value of the overall investments of Mondadori International SA. At 31 December 2010 this carrying value of the investments was considered to be in line with the net equity of the subsidiary at the same date. It should also be noted that the subsidiary company Mondadori International SA was moved from its previous headquarters to Italy in December 2010 and its name changed to Mondadori International SpA.

For Edizioni Piemme SpA, the higher carrying value of the investment is due to the income generating capacity of publishing production supported by the company's three-year plans for 2011-2013.

Capital contributions
Of the €60,552 thousand (€16,145 thousand) balance at 31 December 2010, €49,956 thousand refers to Monradio Srl, €1,305 thousand to Mondadori Retail SpA, €2,001 thousand to Mondadori Franchising SpA, €49 thousand to Hearst Mondadori Editoriale Srl, €700 thousand to Mondadori Iniziative Editoriali SpA, €443 thousand to Società Europea di Edizioni SpA and €6,098 thousand to Mondadori Pubblicità SpA.

The variation is essentially due to capital contributions to Mondadori Pubblicità SpA for €6,098 thousand, to Monradio Srl for €38,000 thousand and to Società Europea di Edizioni SpA for €443 thousand, and to use of capital contributions to cover losses of €134 thousand by Società Europea di Edizioni SpA.

Stocks and other investments
Other financial investments amounted to €50,605 thousand and refer to:
- the evaluation component of derivatives for €605 thousand;
- intercompany loans granted by Arnoldo Mondadori Editore SpA to the subsidiary Mondadori France SA in June 2010 with an expiry date of December 2017 for €50,000 thousand.

During 2010 the company signed two new hedge contracts:
- a floating-to-fix interest rate swap (IRS) forward contract, starting on 27 July 2011, that was stipulated in July 2010 for €50 million which transforms the floating interest rates (1-month Euribor) into a fixed rate of 2.59%, with expiry on 15 December 2017;
- a floating-to-fix interest rate swap (IRS) contract, stipulated in August 2010 for €50 million which transforms the floating interest rate (1-month Euribor) into a fixed rate of 1.29% with expiry on 30 June 2015 and referring to part of the pool loan with banks for a total of €130 million amortising in five years.

Derivatives currently exist on the two new lines of credit stipulated by Arnoldo Mondadori Editore in the first quarter of 2010, which make it possible to make significant savings in terms of borrowing costs and, at the same time, to prolong the average duration of the available lines of credit. The details are as follows:
- in April 2010 a loan contract, amortising in five years, was stipulated with a pool of banks for a total of €130 million;
- in June 2010 a loan contract was stipulated with Mediobanca, with maturity on 15 December 2017, for a total of €50 million.

5. Deferred tax assets and liabilities
Deferred tax assets of €20,766 thousand (€21,556 thousand) and deferred tax liabilities of €19,936 thousand (€19,032 thousand) are calculated on the basis of the temporary differences between the book values and tax bases of assets and liabilities as shown in the table below:

(€,000)	31/12/2010	31/12/2009
Deferred tax assets - IRES	19,706	20,474
Deferred tax assets – IRAP	1,060	1,082
Total deferred tax assets	20,766	21,556
Deferred tax liabilities – IRES	17,775	16,881
Deferred tax liabilities - IRAP	2,161	2,151
Total deferred tax liabilities	19,936	19,032

Deferred tax assets and liabilities are calculated on the basis of the tax rates expected to apply when the temporary differences reverse (currently 27.50% for IRES and 3.9% for IRAP).

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

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

	31/12/2010			31/12/2009		
(€,000)	Amount of temporary difference	Tax rate	Deferred tax assets	Amount of temporary difference	Tax rate	Deferred tax assets
Difference between book value and tax basisof non-current assets	4,505	27.50%	1,239	4,863	27.50%	1,337
Provision for bad debts	11,222	27.50%	3,086	11,196	27.50%	3,079
Inventory provision	4,873	27.50%	1,340	4,873	27.50%	1,340
Other provisions	36,974	27.50%	10,168	48,647	27.50%	13,378
Other temporary differences	14,083	27.50%	3,873	4,873	27.50%	1,340
Total for IRES purposes	71,657		19,706	74,452		20,474
Difference between book value and tax basisof non-current assets	4,872	3.9%	190	5,257	3.9%	205
Inventory provision	4,256	3.9%	166	4,256	3.9%	166
Other provisions	11,770	3.9%	459	11,770	3.9%	459
Other temporary differences	6,282	3.9%	245	6,461	3.9%	252
Total for IRAP purposes	27,180		1,060	27,744		1,082

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

	31/12/2010			31/12/2009		
(€,000)	Amount of temporary difference	Tax rate	Deferred tax liabilities	Amount of temporary difference	Tax rate	Deferred tax liabilities
Difference between book value of non-current assets	54,873	27.50%	15,090	48,429	27.50%	13,318
Employee's termination benefits/FISC	2,916	27.50%	802	3,404	27.50%	936
Other temporary differences	6,847	27.50%	1,883	9,552	27.50%	2,627
Total for IRES purposes	64,636		17,775	61,385		16,881
Difference between book value of non-current assets	44,923	3.9%	1,752	42,051	3.9%	1,640
Other temporary differences	9,795	3.9%	382	12,488	3.9%	487
FISC	692	3.9%	27	615	3.9%	24
Total for IRAP purposes	55,410		2,161	55,154		2,151

Net changes in deferred tax assets and liabilities resulted in a charge of €1,471 thousand for the year, as described in note 27.

6. Other non-current assets

The composition of and changes in "Other non-current assets", which amounted to €465 thousand (€454 thousand), are described and commented on below.

Other non-current assets (€,000)	31/12/2010	31/12/2009
Guarantee deposits	161	168
Trade receivables	164	137
Others	140	149
Total other non-current assets	465	454

Trade receivables of €164 thousand (€137 thousand) refer to client bookshops.

7. Tax receivables

The composition of and changes in "Tax receivables", which amounted to €14,859 thousand (€6,378 thousand), are described and commented on below.

Tax receivables (€000)	31/12/2010	31/12/2009
Receivables from tax authorities for IRES	1,949	1,919
Receivables from tax authorities for VAT to be recovered	12,106	2,594
Receivables from tax authorities for tax reimbursements	697	96
Receivables from tax authorities for IRAP	107	1,769
Total tax receivables	14,859	6,378

Receivables from tax authorities for IRES are mainly due to receivables of €1,940 thousand booked for the recovery of IRES calculated on a basic rate of 10% of the IRAP paid during the period between 30 November 2004 and 31 December 2007, as per legislative decree no. 185/2008, art. 6.Receivables from tax authorities for IRAP of €107 thousand refer to the excess amount paid compared with the correct amount of IRAP due.

Receivables from tax authorities for direct and indirect taxes of €12,106 thousand refer to VAT credits brought forward and requests for reimbursements.

8. Other current assets

The composition of and changes in "Other current assets", which amount to €39,101 thousand (€119,631 thousand), are described and commented on below.

Other current assets (€000)	31/12/2010	31/12/2009
Advances to agents	98	106
Advances to authors and consultants	32,958	30,069
Advances to suppliers	1,026	2,159
Advances to personnel	451	364
Prepayments	2,238	2,238
Other	2,330	84,695
,		
Total other current assets	39,101	119,631

The net decrease in "Other" was mainly due to the combined effect of the collection of €72.000 thousand of credit from Mondadori International SpA (formerly Mondadori International SA) from the partial reimbursement of the share capital to the sole shareholder, Arnoldo Mondadori Editore SpA, and to the collection of €11,300 thousand from the disposal of the Mondadori Multicenter site in Rome.

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

(€,000)	31/12/2010	31/12/2009
Edizioni di terzi per numeri commercializzati nel 2011	2,123	2,128
Rental agreements	29	49
Other prepayments (rents, subscriptions)	86	61
Total prepayments	2,238	2,238

Prepayments for third-party editions refer to the costs from Harlequin Mondadori SpA for the purchase of books that will be sold in 2011.

9. Inventories

The composition of and changes in inventories, which amounted to €31,620 thousand (€31,256 thousand), are described and commented on below.

Inventories (€,000)	31/12/2010	31/12/2009
Raw materials and consumables	78	76
Provision for raw materials and consumables	-	-
Total raw materials and consumables	78	76
Work in progress and semi-finished goods	18,620	19,126
Provision for work in progress and semi-finished goods	(516)	(516)
Total work in progress and semi-finished goods	18,104	18,610
Finished products and goods for resale	17,706	16,838
Provision for finished products and goods for resale	(4,268)	(4,268)
Total finished products and goods for resale	13,438	12,570
Total inventories	31,620	31,256

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

Decrease(increase) in inventories

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

Decrease (increase) in inventories (€,000)	31/12/2010	31/12/2009
Changes in finished products and goods	(868)	343
Charge to finished products and goods provision	-	-
Utilisation of finished products and goods provision	-	-
Total changes in finished products and goods	(868)	343
Changes in semi-finished products	506	3,070
Charge to semi-finished products provision	-	-
Utilisation of semi-finished products provision	-	-
Totale variazione delle rimanenze di semilavorati	506	3,070
Changes in raw materials and consumables	(2)	6
Charge to row materials and consumables provision	-	-
Utilisation of row materials and consumables provision	-	-
Total changes in raw materials and consumables	(2)	6
Total decrease (increase) in inventories	(364)	3,419

There are no inventories used to secure liabilities.

10. Trade receivables

The composition of and change in "Trade receivables", which amounted to €222,635 thousand (€204,399 thousand), are described and commented on below.

Trade receivables (€,000)	31/12/2010	31/12/2009
Receivables from customers	90,457	82,314
Receivables from associated companies	26,312	23,984
Receivables from subsidiaries	105,862	98,096
Receivables from parent companies	4	5
Total trade receivables	222,635	204,399

There are no trade receivables with a due date over five years; the average collection period during 2010 was 91.5 days (92.1 days in 2009).

Details by geographical area are contained in the supplementary schedules.

Receivables from subsidiaries of €105,862 thousand (€98,096 thousand) and receivables from associated companies of €26,312 thousand (€23,984 thousand) refer to commercial transactions carried out at market prices. The details of each company and the variations compared with 2009 are contained in Appendix C1.

Receivables from customers include €105 thousand (€124 thousand) from Fininvest group companies that mainly refer to RTI SpA for €72 thousand (€72 thousand) and other companies for a total of €33 thousand.
Trading relations with the Fininvest group are carried out under normal market conditions.

"Receivables from customers", amounting to €90,457 thousand (€82,314 thousand), are made up as follows:

Trade receivables - Receivables from customers (€,000)	31/12/2010	31/12/2009
Receivables from customers	127,754	120,513
Customers - returns to be received	(26,605)	(27,474)
Provision for bad debts	(10,692)	(10,725)
Total receivables from customers - Provisions	90,457	82,314

Movements in the provision for bad debts for the year, which amounted to €10,692 thousand (€10,725 thousand), were as follows:

Trade receivables Receivables from customers - Provisions (€,000)	31/12/2010	31/12/2009
Balance at beginning of year	10,725	12,238
Movements during period:		
- provisions	456	2,836
- utilisations	(489)	(4,349)
- other movements	-	-
Total receivables from customers - Provisions	10,692	10,725

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

11. Other current financial assets

The composition of and changes in "Other current financial assets", which amounted to €93,700 thousand (€104,471 thousand), are described and commented on below.

Other current financial assets (€,000)	31/12/2010	31/12/2009
- Financial receivables from subsidiaries	90,467	100,979
- Financial receivables from associated companies	1,069	2,119
- Other financial receivables	2,164	1,373
Total financial receivables	93,700	104,471
Total other current financial assets	93,700	104,471

Financial receivables from subsidiaries of €90,467 thousand (€100,979 thousand) and those from associated companies of €1,069 thousand (€2,119 thousand) mainly refer to current accounts bearing interest for €79,322, with interest rates in line with market rates, and loans to subsidiaries for €12,031 thousand including €31 thousand from Mondadori France Sas, €12,000 thousand from Mondadori Retail SpA and a credit of €183 thousand with Harlequin Mondadori SpA for taxation under fiscal transparency rules.
The details for each company and the changes with respect to 2009 are provided in Appendix C1.

Other financial receivables, totalling €2,164 thousand (€1,373 thousand), include:
- accrued income of €60 thousand (€44 thousand) regarding financial items referring to the year;
- prepayments for €1,967 thousand regarding financial items referring to following years;
- evaluation of derivatives on exchange rates for €5 thousand (charges of €31 thousand);
- other financial receivables of €131 thousand (€131 thousand) mainly referring to current accounts with third-party companies at market conditions.

Assets and liabilities resulting from derivative instruments
The following table illustrates the assets and liabilities resulting from derivative instruments held at 31 December 2010:

Assets and liabilities resulting from derivative instruments - Details (€,000)	Type of derivative	Fair value at 31/12/2010	Fair value at 31/12/2009
Financial assets/liabilities			
- Exchange rate derivatives	Trading	5	(31)

Currency derivatives
The company utilises derivative agreements to hedge against the risk of fluctuations in exchange rates. The currency derivatives utilised are exclusively forward contracts for the purchase and sale of foreign currencies.
The main type of exchange risk affecting the company relates to the purchase of copyright for books and revenues from licensing in currencies other than the euro, in which case the company partially hedges the income deriving from sales accounted for in the budget.
As of 31 December 2010, the following currency exchange risk hedges were in place:
- forward purchase contracts in US dollars for US $450 thousand (€335 thousand) in the name and on behalf of Edizioni Piemme SpA;
- forward sales contracts in sterling for £1,435 thousand (€1,705 thousand).

12. Cash and other cash equivalents

Cash and other cash equivalents, amounting to €73,440 thousand (€35,422 thousand), include €45 thousand (€38 thousand) in post office current accounts and €73,391 thousand (€35,368 thousand) in banks, together with €4 thousand (€16 thousand) in cheques and petty cash.

Cash and other cash equivalents (€,000)	31/12/2010	31/12/2009
Cash and cheques	4	16
Cash and cheques	73,391	35,368
Cash and cheques	45	38
Total cash and other cash equivalents	73,440	35,422

Short-term deposits mainly have maturity dates of between one week and three months, in keeping with the financial needs of the company, and accrue interest at the respective short-term rates. The fair value of cash and cash equivalents at 31 December 2010 is equal to their carrying value at that date.

There are no restrictions on the use of the cash referred to above, with the exception of the restrictions referred to in note 16 "Financial liabilities".

Liabilities

13. Shareholders' equity

Share capital of €67,452 thousand, fully subscribed and paid up, is represented by 259,429,832 ordinary shares, each with a par value of €0.26.
Changes over the last two years in shareholders' equity are set out below.

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

(€,000)	Share capital	Share premium reserve	Treasury share reserve	Stock option reserve	Other reserves	Profit (loss) for the year	Total shareholders' equity
Balance at 01/01/2010	67,452	286,857	(104,002)	6,701	160,963	53,180	471,151
Changes:							
- Allocations of net profit					53,180	(53,180)	0
- Dividend payment							
- Operations in treasury shares			(6,128)				(6,128)
- Stock options				424	288		712
- Other reserves					636		636
- Net profit for the year						51,733	51,733
Balance at 31/12/2010	67,452	286,857	(110,130)	7,125	215,067	51,733	518,104

Following the adoption of IAS 32 and IAS 39 on 1 January 2005, treasury shares held in portfolio are recognised as a deduction from shareholders' equity. This portfolio, equal to 6.88% of the share capital, consists of:

- 1,957,332 ordinary shares (1,221,726 of which came from the conversion of savings shares resolved by an extraordinary shareholders' meeting on 29 April 1999) with a par value of €0.26 each, totalling €3,519 thousand, resulting from buy-backs from shareholders of the former AMEF who exercised their right of withdrawal following the change in corporate purpose as a result of the merger with the former AME;

- 15,892,769 ordinary shares with a par value of €0.26 each purchased for €106,611 thousand in accordance with the resolutions of various shareholders' meetings, the last of which took place on 27 April 2010.

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

(€,000)				Summary of utilisations carried out in past years	
Name/description	Amount	Possibility of utilisation	Portion available	for distribution of profits	for other reasons
Share capital	67,452				
Capital reserves:					
- from share premium	259,879	A,B,C	149,749		
- from conversion of saving shares	26,978	A,B,C	26,978		
- capital grants reserve	5,335	B			
Revenue reserves:					
- revaluation reserves					
• law no. 72, 19/03/1983	12,022	A,B			
• law no. 413, 30/12/1991	4,689	A,B			
- legal reserve	13,490	B			
- extraordinary reserve	183,793	A,B,C	153,313	195,426	784
- reserve law no. 675, 12/08/1977	351	A,B			
- reserve law no. 904, 16/12/1977	751	A,B			3,329
- reserve article 13 of law no. 124/93	159	A,B			
- merger reserve	478	A,B,C	478		
- reserve law no. 576, 02/12/1975					3,128
- reserve for unclaimed dividends	5,873	A,B,C	5,873		
IAS/IFRS transitions:					
- positive transition reserve	14,008	A,B,C	9,439		
- negative transition reserve	(30,480)	-			
- stock option reserve	7,125	A,B,C	4,305		
- reserve for annulling stock options	2,603	A,B,C	2,603		
- reserve for operations in treasury shares	1,359	A,B,C			
- cash flow hedge reserve	636				
Treasury shares	(110,130)				
Total	466,371		352,738	195,426	7,241
Non-distributable portion (1)			5,740		
Distributable portion			346,998		

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

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

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

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

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

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

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

(€,000)	a - up to 2007	a - rom 2008	b	c	Total
Share premium reserve	-	-	-	259,879	259,879
Conversion of savings shares reserve	-	-	-	26,978	26,978
					286,857
Reserve under law no. 72, 19/03/1983	-	-	12,022	-	12,022
Reserve under law no. 413, 30/12/1991	-	-	4,689	-	4,689
					16,711
Legal reserve	13,490	-	-	-	13,490
					13,490
Extraordinary reserve	54,799	128,994	-	-	183,793
Reserve under law no, 675. 12/08/1977	-	-	351	-	351
Reserve under law no, 904. 16/12/1977	-	-	751	-	751
Capital grants reserve	-	-	5,335	-	5,335
Reserve law no. 124/93 article 13	-	-	159	-	159
Merger reserve	478	-	-	-	478
Reserve for unclaimed dividends	4,292	1,581	-	-	5,873
Reserve for application of IAS/IFRS standards	(8,821)	4,072	-	-	(4,749)
					191,991
Total reserves	64,238	134,647	23,307	286,857	509,049
Total bonus increases in capital from the utilisation of reserves	784	0	6,457	0	7,241

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

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

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

14. Provisions

The composition of and changes in "Provisions", amounting to €27,520 thousand (€36,398 thousand), are described and commented on below:

Provisions (€,000)	31/12/2009	Charge	Utilisations	Other movements	31/12/2010
Personnel reorganisation risks	10,679	-	7,009	-	3,670
Collectibility risks	1,069	-	-	-	1,069
Litigation	11,382	1,871	381	-	12,872
Dispute over INPGI contributions	5,532	-	3,633	-	1,899
Tax disputes	1,827	-	-	-	1,827
Expense for advertising receivables	5,010	3,550	3,547	-	5,013
Expense for subscription receivables	899	1,050	899	-	1,050
Expenses for Mediamond receivables	-	120	-	-	120
Total provisionsi	36,398	6,591	15,469	0	27,520

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

15. Employees' termination benefits

The composition of and changes in "Employees' termination benefits" are described and commented on below:

Employees' termination benefits (€,000)	31/12/2010	31/12/2009
Employees' termination benefits (TFR)	23,100	30,985
Agents' termination indemnity (FISC)	868	1,038
Termination indemnity for journalists (IFGP)	425	411
Total employees' termination benefits	24,393	32,434

Changes in the year are as follows:

Employees' termination benefits - Details (€,000)	TFR	FISC	IFGP	Totale
Balance at 31/12/2009	30,985	1,038	411	32,434
Changes during 2010:				
- provisions	781	107	14	902
- utilisations	(9,529)	(285)		(9,814)
- reversals	-	-	-	-
- discounting	456	8	-	464
- others	407	-	-	407
Balance at 31/12/2010	23,100	868	425	24,393

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

The following assumptions were used when determining the actuarial value of the employees' termination benefits.

Actuarial assumptions used for employees' termination benefits	31/12/2010	31/12/2009
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	11.59%	9.75%
- pensionable age	Current regulations	Current regulations

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

Assumptions for actuarial calculation of supplementary indemnities for agents (FISC)	31/12/2010	31/12/2009
Economic assumptions:		
- discount rate	4.50%	4.50%
Demographic assumptions:		
- probability of death/disability	1.0%	1.0%
- probability of leaving service	1.0%	1.0%
- probability of voluntary resignation	1.50%	1.50%
- average age of terminating the agency agreement	65	65

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

Charges to the income statement for the employees' leaving entitlements termination benefits were as follows:

Cost of employees' termination benefits (€,000)	2010	2009
Cost of TFR for supplementary pension	5,794	6,250
Current cost of employees' termination benefits	793	770
Actuarial (gains) losses	(532)	(426)
	6,055	6,594
Interest charge	987	1,320
Total cost of employees' termination benefits	7,042	7,914

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

16. Financial liabilities

The composition of and changes in financial liabilities, amounting to €265,022 thousand (€140,031 thousand), are described and commented on below.

Non-current financial liabilities (€.000)	Effective interest rates	Due after 5 years	31/12/2010	31/12/2009
Bonds	-	-	-	-
Liabilities from derivative instruments	-	-	1,022	31
Medium/long-term mortgages and loans	2.505%	50,000	264,000	140,000
Total non-current financial liabilities	2.505%	50,000	265,022	140,031

"Mortgages and loans" include the utilisations of the following loan contracts:

- €75,000 thousand, referring to the utilised part of the bilateral term loan with Intesa Sanpaolo, which expires in May 2013;
- €35,000 thousand, referring to the utilised part of the bilateral term loan with Intesa Sanpaolo stipulated in September 2009, which expires in December 2015;
- €50,000 thousand, referring to the utilisation of the loan with Mediobanca stipulated in June 2010, which expires in December 2017;
- €104,000 thousand, referring to the utilisation of part of the medium/long-term five-year amortising loan stipulated in April 2010 with a pool of banks, which expires in June 2015.

The committed loans involve a number of financial covenants that could lead to the loan being paid back in advance if they are not respected.
The financial covenants that currently exist regard the leverage ratio that consists in the ratio between the EBITDA, calculated for a period of twelve consecutive months, and the net debt, taken from the consolidated financial statements. The leverage ratio must be less than or equal to 5.0 for the year in course, taking into consideration the average for the four quarters. As from 2010, leverage ratio levels are calculated on the basis of tables that define spread values to apply to loans depending on the level of debt reached.

In all the quarterly checks carried out in accordance with the contracts, the Mondadori Group was well within those financial parameters.

Liabilities from derivative instruments, which amounted to €1,022 thousand, included the fair value relative to the derivatives purchased by the subsidiary Mondadori International SpA in June 2010. Since this referred to an interest rate swap (IRS) contract, which was stipulated in August 2006 for a residual total at 31 December 2010 of €50 million, the derivative transformed the floating interest rate (3-month Euribor) into a fixed interest rate of 3.845% and refers, beginning from June 2010, to the term loan part (€75 million) of the bilateral loan with Intesa Sanpaolo for a total of €150 million granted to the company. In addition to this IRS contract, there is also a basis swap contract that by exploiting the different interest rates between the 1-month Euribor and the 3-month Euribor, resulted in the fixed interest rate being reduced even further to 3.745%.

Amounts due to banks and other financial payables amount to €187,381 thousand (€288,601 thousand) are detailed below.

Amounts due to banks and other financial payables (€,000)	31/12/2010	31/12/2009
Amounts due to banks	1	5,064
Amounts due to associated companies	6,470	6,622
Amounts due to subsidiaries	150,554	155,034
Other financial payables	29,953	121,670
Accrued liabilities and deferred income	403	211
Total amounts due to banks and other financial payables	187,381	288,601

Amounts due to banks of €1 thousand (€5,064 thousand) consist of current account overdrafts.

Amounts due to subsidiary companies of €150,554 thousand (€155,034 thousand) and those due to associated companies of €6,470 thousand (€6,622 thousand) mainly refer to current accounts bearing interest in line with market rates.
Details by company and the changes compared with 31 December 2009 are contained in Appendix D1.

Other financial payables of €29,953 thousand (€121,670 thousand) include €26,000 thousand of the revolving part of the pool loan, €1,441 thousand of debt for the purchase of the R101 radio station from Radio Milano International SpA as part of the pending insolvency procedure and for which a current account containing the same amount has been tied, and €2,409 thousand relative to payables to Ubi Factor SpA for third-party debts in group current accounts.

Accrued liabilities and deferred income of €403 thousand (€211 thousand) refer to interest on short-term borrowing.

The company's overall financial situation at 31 December 2010, as set out in the table below, shows net debt of €234,895 thousand (€288,739 thousand).

	Net financial position (€,000)	31/12/2010	31/12/2009
A	Cash	4	16
	- Bank deposits	73,391	35,368
	- Post office deposits	45	38
B	Other cash and cash equivalentse	73,436	35,406
C	**Cash and cash equivalents and other financial assets (A+B)**	**73,440**	**35,422**
D	Securities held for trading	-	-
	- Financial receivables from subsidiaries	140,467	100,979
	- Financial receivables from associated companies	1,069	2,119
	- Financial assets measured at fair value	368	-
	- Derivative instruments and other financial assets	2,164	1,373
E	Receivables and other current financial assets	144,068	104,471
F	**Current financial assets (D+E)**	**144,068**	**104,471**
G	Current bank payables	1	5,064
	- Bonds	-	-
	- Mortgages	-	-
	- Loans	26,000	120,000
H	Current part of non-current payables	26,000	120,000
	- Payables due to subsidiaries	150,554	155,034
	- Payables due to associated companies	6,470	6,622
	- Derivative instruments and other financial payables	4,356	1,881
I	Other current financial payables	161,380	163,537
L	**Payables to banks and other current financial payables (G+H+I)**	**187,381**	**288,601**
M	**Current net financial position (C+F-L)**	**30,127**	**(148,708)**
	- Bonds	-	-
	- Mortgages	-	-
	- Loans	-	-
N	Part of non-current payables	-	-
O	Other non-current financial payables	265,022	140,031
P	**Non-current financial payables (N+O)**	**265,022**	**140,031**
Q	**Net financial position (M-P)**	**(234,895)**	**(288,739)**

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

17. Income tax payables

The composition of and changes in "Income tax payables", amounting to €14,306 thousand (€17,626 thousand), is described and commented on below.

Income tax payables (€,000)	31/12/2010	31/12/2009
Payables due to Fininvest for IRES	14,036	17,626
Total income tax payables	14,306	17,626

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

The law allows the parent company and subsidiary companies of a Group to opt for a consolidated tax system headed by the parent company. Under the system, there is a single taxable base as far as IRES is concerned and it is calculated as the sum of the taxable income and the tax losses of the Group companies that take part in the consolidation. The parent/consolidating company therefore presents, on the basis of the returns supplied by the individual companies taking part in the consolidation, a consolidated income tax return and is responsible for the payment of the total amount of tax due. The individual companies involved in the consolidation then pay the amount of IRES due, where applicable, to the parent company, and not to the tax authorities as in the past.

The company's taxable income has been finalised, and all taxes paid up to 2005, with the exception of the details explained in note 28, "Potential commitments and liabilities".

Article 37 of legislative decree no. 223/2006, converted into law with modifications in law no. 248/2006, has doubled the ordinary investigation terms: "*in case of infringements that involve the obligation to report the violation as per article 331 of the code of legal procedures for one of the offences contained in Legislative Decree 74 of 10 March 2010*".
The prevalent opinion (cf. the observations made at the Abi - Ania - Assonime - Confindustria inter-associative discussion, in Assonime note 8/2010) is that the doubling of the investigation terms are only applicable on condition that the ordinary terms, contained in the first and second of paragraphs of articles 43 and 57 of DPR (presidential decree) no. 600 of 1973 and no. 633 of 1972, have not expired.

Therefore in the light of the abovementioned amendments to article 37 and prevalent opinion, fiscal year 2005 can be declared finalised.

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

18. Other current liabilities

The composition of and changes in "Other current liabilities", amounting to €69,482 thousand (€74,873 thousand), are described and commented on below.

Other current liabilities (€,000)	31/12/2010	31/12/2009
Customer advances	376	405
Income tax payables	5,007	5,739
Amounts due to pension funds and social security institutions	16,087	13,853
Other payables	44,265	51,442
Accrued expense and deferred incomei	3,747	3,434
Total other current liabilities	**69,482**	**74,873**

Customer advances of €376 thousand (€405 thousand) decreased by €29 thousand compared with the previous year.

Income tax payables of €5,007 thousand (€5,739 thousand) refer to withholding tax on employee wages and salaries and on consultant's fees which were paid in January 2011.

Amounts due to pension funds and social security institutions amount to €16,087 thousand (€13,853 thousand) and include €8,038 thousand (€5,957 thousand) in contributions relating to wages and salaries for December paid in January 2011, €2,486 thousand (€2,844 thousand) in pension funds (mostly journalists' TFR fund) to which the TFR was written (and which was also paid in January 2011) and €5,563 thousand (€5,052 thousand) of accruals for social security contributions relating to deferred remuneration.

Other payables of €44,265 thousand (€51,442 thousand) are as follows.

Other current liabilities - Other payables (€,000)	31/12/2010	31/12/2009
Payroll and other amounts due to employees	18,971	23,321
Due to authors and collaborators	23,515	25,894
Due to agents	878	1,248
Due to shareholders for dividends	169	226
Due to directors and statutory auditors	280	301
Due to others	452	452
Totale debiti diversi verso altri	**44,265**	**51,442**

Accrued expense and deferred income, amounting to €3,747 thousand (€3,434 thousand), are made up as follows.

(€,000)	31/12/2010	31/12/2009
Deferred remuneration and relative charges	1,340	1,619
Insurance, association fees and other fees	677	579
Total accrued expense	2,017	2,198
Magazine advertising revenues relating to 2011 editions	1,562	906
Rent payable	2	164
Other	166	166
Total deferred income	1,730	1,236
Total accrued expense and deferred income	**3,747**	**3,434**

19. Trade payables

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

Trade payables (€,000)	31/12/2010	31/12/2009
Suppliers	76,779	69,602
Subsidiaries	45,504	45,520
Associated companie	51,693	44,823
Parent company	7	7
Total trade payables	173,983	159,952

Trade payables to suppliers amounted to €76,779 thousand (€69,602 thousand) and include €1,914 thousand (€574 thousand) for the purchase of fixed assets.

This item includes:

- trade payables to affiliated companies totalling €10 thousand (€120 thousand) and relating to Editrice Portoria SpA;
- trade payables to Fininvest group companies totalling €4,196 thousand (€2,912 thousand), of which €3,739 thousand (€2,603 thousand) to Publitalia '80 SpA, €60 thousand (€30 thousand) to Mediaset SpA, €264 thousand (€143 thousand) to RTI SpA and a total of €133 thousand (€133 thousand) of other minor payables.

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

Trade payables to subsidiaries of €45,504 thousand (€45,520 thousand) and those payable to associated companies of €51,693 thousand (€44,823 thousand) refer to commercial transactions carried out at market rates.

Details for each company and the variations compared with 2009 are contained in Appendix D1, while information by geographical area is contained in the attached "Supplementary tables".There are no trade payables with a due date of more than five years and the average payment period in 2010 was 116.3 days (102.7 days in 2009).

Income statement

(Details of intragroup transactions with related parties in 2010 are provided in Appendices C2 and D2).

20. Revenues from sales and services

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

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

Revenues from sales and services (€,000)	2010	2009	% change
Revenues from the sale of goods:			
- books	288,194	292,712	(1.54%)
- magazines/publications	242,496	261,991	(7.44%)
- magazines/subscriptions	26,995	28,073	(3.84%)
- corporate and other business			
Reproduction rights	13,316	11,509	15.70%
Commercial articles and special initiatives	1,875	2,220	15.54%
By-products and recovered products	1,681	855	96.61%
Warehouse materials and various others	282	211	33.65%
Revenues from services:			
- advertising services	143,953	146,914	(2.02%)
- corporate and other business:			
Online income, content deals, management of websites	1,372	2,098	(34.60%)
Various services, consulting and assistance	31,255	29,670	5.34%
Courses and conventions	-	-	-
Total revenues	751,419	776,253	(3.20%)

The €19,496 thousand reduction in revenues from the sales of magazines/publications is mainly a reflection of the performance of the market in 2010.

Revenues by geographical area are as follows.

Geographical area (€,000)	Books	Magazines	Rights	Advertising and other	2010	2009
Italy	285,796	269,349	6,338	176,966	738,449	767,830
Other EU countries	482	4	5,614	3,118	9,218	4,817
USA	69		66	20	155	195
Switzerland	1,581		49	112	1,742	1,558
Other countries	266	138	1,249	202	1,855	1,854
Total	288,194	269,491	13,316	180,418	751,419	776,254

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

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

Cost of raw materials and consumables and goods for resale (€,000)	2010	2009
Paper for special initiatives	106	52
Electricity, water, gas, fuel	1,642	1,671
Total cost of raw materials	1,748	1,723
Goods for resale	152,902	163,755
Consumption and maintenance materials	26,438	17,817
Total cost of consumables and goods for resale	179,340	181,572
Total cost of raw materials and consumables and goods for resale	181,088	183,295

22. Cost of services

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

Cost of services (€,000)	2010	2009
Rights and royalties	81,389	86,954
Third-party collaboration	26,111	26,137
Consultancy	10,197	10,924
Commissions	3,960	5,217
Contracted-out printing:		
- printing, packaging and other	99,077	98,592
- paper	57,623	65,703
Transport and shipping	30,673	26,931
Advertising services	33,629	31,501
Other services	15,687	16,276
Travel and other expense reimbursements	4,371	4,191
Maintenance	3,005	2,615
Postal and telephone	2,569	2,932
Canteen and cleaning services	3,661	3,546
Market research	1,063	1,209
Insurance	1,805	1,615
Subscription management	7,747	8,023
Information agency	732	807
Expense for company boards:		
- Chairman and Board of Directors (*)	1,696	1,694
- Board of Statutory Auditors (*)	146	149
Total cost of services	385,141	395,016

(*) Details on an individual basis of remuneration for the year are given èin Appendix H (Consob resolution 11971, 14 May 1999).

23. Personnel costs

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

Personnel costs (€,000)	2010	2009
Salaries and wages	85,842	89,222
Stock options	622	1,031
Social security charges	25,149	25,695
Termination benefits indemnities and pensions	12,278	19,030
Provisions for personnel reorganisation risks	(7,010)	10,048
Discounting (excluding interest costs)	(532)	(426)
Total personnel costs	116,349	144,600

Cost per category may be analysed as follows.

(€,000)	2010	2009
Managers	26,872	26,534
White-collars and middle managers	36,951	43,025
Journalists	48,761	71,152
Blue-collars	3,765	3,889
Total	116,349	144,600

The company employed 1,204 people at 31 December 2010, a decrease of 168 compared with 31 December 2009, as illustrated in the table below.

Personnel	31/12/2010	31/12/2009	Average 2010	Average 2009
Managers	85	72	79	74
Journalists	348	412	369	424
White-collars and middle managers	675	786	694	793
Blue-collars	96	102	97	104
Total	1,204	1,372	1,239	1,395

The average number of employees for the year was 1,239 (1,395 in 2009).

Information about stock option plans

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

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

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

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

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

The following table illustrates the situation at 31 December 2010 regarding the total number of options that have been granted and can still be exercised, the price and the exercise term.

Stock options	2005	2006	2007	2009	2010
In circulation at 01/01/2010	2,160,000	2,165,000	2,455,000	2,270,000	-
- granted during year	-	-	-	-	1,800,000
- cancelled during year	(105,000)	(90,000)	(140,000)	(140,000)	(70,000)
- exercised during year	-	-	-	-	-
- expired during year	-	-	-	-	-
In circulation at 31/12/2010	2,055,000	2,075,000	2,315,000	2,130,000	1,730,000
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 euros	7.87	7.507	7.458	3.4198	2.4693
Exercisable at 31/12/2010	2,055,000	2,075,000	2,315,000	2,130,000	1,730,000

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

Parameters for option measuring model	2005	2006	2007	2009	2010
Exercise price of the option	7.87	7.507	7.458	3.4198	2.4693
Option term (residual period)	0.5	1.5	2.5	4.75	5.5
Market price of the underlying shares at the grant date in euros	7.865	7.415	7.15	3.53	2.415
Expected volatility of share price	18.45%	19.45%	17.00%	32.00%	35.40%
Dividend yield	4.45%	4.72%	4.90%	5.66%	8.28%
Risk-free interest rate for the option term	2.65%	4.00%	4.80%	2.18%	2.16%

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

It should be noted that the cost in the income statement, booked under "Personnel costs", relating to operations with payment based on shares, amounted to €622 thousand.

24. Other (income) expense

This item is made up as follows.

Other (income) expense (€,000)	2010	2009
Other revenues and income	(26,477)	(24,224)
Cost of use of third-party assets	11,720	12,962
Various operating costs	13,129	17,633
Total other (income) expense	(1,628)	6,371

Other revenues and income, amounting to €26,477 thousand (€24,224 thousand), is as follows.

Other (income) expense - Other revenues and income (€,000)	2010	2009
Capital gains and prior year items	(268)	(771)
Supplier rebates and other third-party contributions	(289)	(51)
Recovery of expense from third-parties:		
- development and distribution expense	(6,201)	(6,402)
- expense for producing advertising	(3,081)	(1,928)
- cost of work for personnel loans	(5,176)	(4,358)
- other recoveries	(8,441)	(7,988)
Company rent	(35)	(35)
Others (promotional sales, publishing subsidiaries)	(3,029)	(2,691)
Total other revenues and income	(26,477)	(24,224)

The cost of third-party assets, amounting to €11,720 thousand (€12,962 thousand), is as follows.

Other (income) expense - Cost of third-party assets (€,000)	2010	2009
Rental expense	7,924	8,007
Hire of vehicles and other hire	2,446	2,615
Printing machinery rental and other rentals	1,350	2,340
Total cost of third-party assets	11,720	12,962

Other charges, amounting to €13,129 thousand (€17,633 thousand), are as follows.

Other (income) expense - Other charges (€,000)	2010	2009
Compensation, settlements and discounts	8,651	6,411
Bad debts	489	2,873
Contributions and grants	1,581	1,575
Personnel on loan	861	553
Information material	818	973
Entertainment expense	820	508
Others and various	245	798
Capital losses/prior year costs	49	56
Charge to/utilisation of bad debt provisions	(33)	(1,513)
Charge to/utilisation of provisions for legal risks	1,491	2,753
Charge to/utilisation of provisions for other risks	(3,244)	1,335
Council property tax	124	124
Taxes and dues	1,277	1,187
Total other charges	13,129	17,633

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

25. Financial income (expense)

This item amounts to €6,649 thousand of expense (€4,093 thousand of income in 2009), as follows.

Financial income (expense) (€,000)	2010	2009
Interest from banks and post offices	171	644
Interest from associated companies	34	5
Interest from subsidiaries	3,859	3,021
Financial income from derivative instrument operations	1,353	14,450
Other interest and financial income	714	3,658
Total interest and other financial income	6,131	21,778
Interest to banks	(7,217)	(2,228)
Interest to associated companies	(50)	(119)
Interest to subsidiaries	(737)	(13,097)
Interest to parent companies		
Financial expense from derivative instrument operations	(1,658)	(77)
Financial expense from discounting assets/liabilities	(987)	(1,320)
Other interest paid and financial expense	(2,162)	(1,480)
Total interest paid and other financial expense	(12,972)	(18,608)
Realised foreign exchange differences	196	874
Unrealised foreign exchange differences	(4)	(49)
Total gains (losses) on foreign exchange operations	192	923
Total financial income (expense)	(6,649)	4,093

The increase in financial expense compared with the previous year is almost entirely due to the extraordinary income from the closure of the cross currency swap (€14.5 million) obtained in 2009.Net of this component, the comparison shows an improvement over 2009 that is linked to a substantial reduction in the company's gross debt, which more than compensated the increase in taxes and the average cost of money.

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

Financial charges represented 0.91% of revenues in 2010, as illustrated in the following table.

(€,000)		2010	2009
Interest and financial expense on Short-term loans		10,049	16,316
Other financial expense (commission/bank charges, cover for exchange/interest rate risks, discounting expense)		2,923	2,292
		12,972	18,608
Interest on loans i		+5,421	+3,029
Other financial income (receivables/securities held as non-current assets, hedging of exchange/interest rate risks)		+710	+18,749
Total	(A)	6,841	+3,170
Revenues from sales	(B)	751,419	776,253
Percentage	(A/B)	0.91%	0.41%

26. Income (expense) from investments

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

Income (expense) from investments (€,000)	2010	2009
Dividends	39,664	45,894
Writedowns	(16,609)	(17,509)
Total income (expense) from investments	23,055	28,385

Dividends received during the year were as follows.

(€,000)	2010	2009
Subsidiary companies:		
Press-Di Distribuzione Stampa e Multimedia Srl	5,000	4,250
Mondadori Pubblicità SpA	-	780
Giulio Einaudi editore SpA	6,440	6,900
Mondadori Iniziative Editoriali SpA	1,565	1,690
Mondadori Education S,p,A,	11,424	11,934
Cemit Interactive Media SpA	1,696	2,552
Mondadori Electa SpA	-	920
Edizioni Piemme SpA	5,100	6,500
Mondadori Franchising SpA	5,471	5,080
Sperling & Kupfer SpA	601	-
Total subsidiary companies	37,297	40,606
Associated companies:		
Gruner+Jahr/Mondadori SpA	1,456	2,977
Mondolibri SpA	-	570
Mondadori Rodale Srl	-	498
Harlequin Mondadori SpA	495	390
Mach 2 Libri SpA	416	479
Hearst Mondadori Editoriale Srl	-	374
Total associated companies	2,367	5,288
Total dividends	39,664	45,894

Writedowns of €16,609 thousand (€17,509 thousand) refer to the impairment test carried out to adjust the cost of investments to their recoverable value.

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

(€,000)	2010	2009
Cover for losses	2,902	22,020
Reduction of capital and reserves	285	8,725
	3,187	30,745
Provisions for losses/writedowns:		
- provisions	16,637	11,261
- utilisations	(3,215)	(24,497)
	13,422	(13,236)
Other	-	-
Total	16,609	17,509

27. Income taxes

"Income taxes" amounted to €30,675 thousand (€17,571 thousand). The main components of income taxes for the years ended 31 December 2010 and 2009 were as follows.

Income taxes (€,000)	2010	2009
IRES tax on income for the year	22,538	15,438
IRAP tax for the year	6,433	6,663
Total current taxes	28,981	22,101
Deferred tax (income) expense - IRES	1,662	(4,560)
Deferred tax (income) expense - IRAP	32	30
Total deferred tax (income) expense	1,694	(4,530)
Total income taxes	30,675	17,571

With reference to the changes in current income taxes, you are referred to note 28, "Commitments and contingent liabilities", and note 29, "Non-recurring expense (income)".

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

	2010			2009		
(€,000)	Profit before taxes	Taxes	Current tax rate	Profit before taxes	Taxes	Current tax rate
Theoretical IRES tax charge	82,409	22,662	27.50%	70,751	19,457	27.50%
Theoretical IRAP tax charge		3,214	3.90%		2,759	3.90%
Total theoretical tax charge /rate	**82,409**	**25,876**	**31.40%**	**70,751**	**22,216**	**31.40%**
Actual IRES tax charge	82,409	24,200	29.37%	70,751	10,878	15.37%
Actual IRAP tax charge		6,475	7.85%		6,693	9.46%
Totale actual tax charge/effective tax rata		**30,675**	**37.22%**		**17,571**	**24.83%**
Theoretical tax charge/rate	**82,409**	**25,876**	**31.40%**	**70,751**	**22,216**	**31.40%**
Dividend effect	(37,706)	(10,370)	(12.58%)	(43,767)	(12,036)	(17.01%)
Net effect of other permanent IRES differences	16,610	4,568	5.54%	17,509	4,815	6.81%
Effetto netto altre differenze permanenti IRES	2,526	695	0.84%	4,146	1,140	1.61%
Effect of different IRAP tax base (cost of labour, collaboration, financial and extraordinary income/expenses, losses on receivables)	83,641	3,262	3.96%	100,889	3,935	5.56%
Other	24,160	6,644	8.06%	(9,090)	(2,499)	(3.54%)
Actual tax charge/effective tax rate		**30,675**	**37.22%**		**17,571**	**24.83%**

Net of the effect of non-recurring expenses relative to taxes for previous years, as noted in note 28, "Commitments and contingent liabilities", and note 29, "Non-recurring expense (income)", the effective tax rate would have been 26.72%.

28. Commitments and contingent liabilities

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

"Commitments" are made up as follows.

		Other	Total	
(€,000)	Suretiesi	Guarantees	31/12/2010	31/12/2009
Guarantees, sureties and endorsements				
- in favour of subsidiaries	102,827		102,827	79,698
- in favour of associated companies	4,280		4,280	6,221
- in favour of other companies	18,393		18,393	24,127
	125,500		125,500	110,046
Other commitments	2,374		2,374	2,957
Total	127,874		127,874	113,003

Guarantees, sureties and endorsements:

- *in favour of subsidiaries:* €102,827 thousand (€79,698 thousand) refers to undertakings given to the Milan VAT office on behalf of subsidiary companies, in respect of their VAT credits offset in the Group settlement, and €30,000 thousand refers to a letter of patronage issued to Mediofactoring SpA in favour of Mondadori Pubblicità SpA; €9,000 thousand refers to a letter of patronage issued in favour of Siic de Paris on behalf of Mondadori Magazine France, €8,500 thousand refers to a letter of patronage issued in favour of Ubisoft on behalf of Press-Di Distribuzione Stampa e Multimedia Srl;

- *in favour of associated companies:* €4,280 thousand (€6,221 thousand) for letters of patronage issued to Banco Santander Central Hispano for credit facilities granted to the Random House Mondadori group, undertakings given to the Milan VAT office on behalf of Mondadori Printing SpA (former subsidiary), and a letter of patronage issued to Intesa Sanpaolo for a guarantee given to Mondadori Seec (China);

- *in favour of other companies:* €18,393 thousand (€24,127 thousand) refers to counter-guarantees given by the company for bank guarantees issued by banks:
  - €7,777 thousand in favour of Lombardy Region Tax Authorities and the Ministry of Industry for competitions in magazines;
  - €10,028 thousand to tax authorities for VAT reimbursements;
  - €588 thousand to other authorities and companies.

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

- 1979: the Milan District Tax Office challenged the application of the provisions contained in article 34, law 576/1975 pertaining to tax reductions regarding IRPEG and ILOR, involving a total of €504 thousand, plus accessory legal charges, applied to capital gains on the transfer of a company division. The Tax Office lodged an appeal to the Central Tax Commission after both the first and second levels of the Tax Commission agreed with the company's defence and found against the case brought by the Tax Office.
- 1991: the Milan District Tax Office, citing article 10, law 408/1990, challenged the recognition of a tax deficit as a result of the merger of AME Finanziaria (AMEF) into Arnoldo Mondadori Editore SpA, said deficit subsequently being used to revalue a number of investments held by the merged company, then disposed of. As a consequence of that challenge, the Tax Office then claimed additional IRPEG and ILOR on the capital gains, which were re-calculated at a total of €173,074 thousand, plus accessory legal charges.
  The first two levels of justice confirmed that the company had acted correctly. The sentence issued on 4 May 1996 by the first level of the Tax Commission upheld the case presented by the company, and the subsequent appeal lodged by the Tax Office was thrown out by the Regional Tax Commission with the sentence issued on 23 July 1999. On 17 October 2000 the Finance Department notified the company of its intention to lodge an appeal to the Supreme Court, and following an application by the company the appeal was assigned to the civil section of the Court which, up to the present time, has still not set a hearing to discuss the case. The company adopted the definition contained in article 3, paragraph 2-*bis*, letter b) of legislative decree 40 of 25 March 2010, converted with modifications by law 73 of 22 May 2010, and paid 5% of the higher taxes requested.
- 1996-1997-1998-1999: following inspections carried out by the *Istituto Nazionale Previdenza Giornalisti* (national institute of social security for journalists) and the financial police, the tax authorities served an assessment notice on the company requesting payment of €186 thousand in IRPEF tax, plus accessory legal charges, for failure to pay withholding tax. The company lodged an appeal to the Tax Commission, for which it should be noted that:
  - the assessments regarding the years 1996 to 1998 have been suspended by the

Provincial Tax Commission until the proceedings held in the employment tribunal have been settled;
- after the assessments regarding 1999 were cancelled by the Provincial Tax Commission, the Tax Office lodged an appeal to the Regional Tax Commission. The Regional Tax Commission has suspended the case until the proceedings held in the employment tribunal have been settled.

- 2004: the *Direzione Regionale della Lombardia* (Lombardy regional commission) served an assessment notice on the company regarding:
  - the deductibility for the purposes of IRES of a sum of €1,847 thousand relating to the loss in value of a derivative contract; opposing the assessment, the company appealed but the Provincial Tax Commission rejected the company's appeal, therefore the company now intends to present an appeal to the Regional Tax Commission;
  - the application of the 12.50% deduction (worth €999 thousand) of interest relating to a debenture loan in favour of a subsidiary, plus accessory legal charges; opposing the assessment, the company appealed but the Provincial Tax Commission rejected the company's appeal, therefore the company now intends to present an appeal to the Regional Tax Commission.
- 2005: the *Direzione Regionale della Lombardia* (Lombardy regional commission) served an assessment notice on the company charging that it failed to deduct 12.5%, equal to €3,051 thousand, and the accessory charges provided for by law, on the interest relating to the debenture loan indicated in 2004; the company has lodged an appeal with the Provincial Tax Commission.

The company did not think the risk of losing the cases described above was high enough to warrant making specific provision for risks and charges for 2011.

29. Non-recurring expense (income)

In accordance with Consob resolution no. 15519, 27 July 2006, the company states that it carried out non-recurring operations in 2010, with reference to the provisions contained in article 3, paragraph 2-*bis*, letter b) of legislative decree no. 40 of 25 March 2010, converted by law no. 73 of 22 May 2010, which produced a loss of €8,654 thousand.

The operations referred to above, net of their fiscal effect, produced a negative effect on the result for 2010 amounting to €8,654 thousand.

30. Related parties

Operations carried out with related parties, including intragroup operations, cannot be qualified as either atypical or unusual since they are part of the normal business activities of the Group companies. These operations, when they are not carried out under normal conditions or if they are dictated by specific regulations, are in any case carried out under market conditions.Appendices C1, C2, D1 and D2 contain details of the economic and financial effects of operations with parent, subsidiary, associated and affiliated companies that took place in 2009 and 2010.

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

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

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

The company analyses and measures its exposure to financial risks in order to define its management and hedge strategies. The company uses the following means of measuring the risks it is liable to:
- sensitivity analysis of positions subject to risk, involving analysis of mark to market variations and/or future cash flow variations in relation to small variations in risk factors;
- value at risk measurement of the maximum possible loss for a specific position or a specific portfolio in a specific temporal period and with a specific level of probability.

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

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

<u>Interest rate risk</u>

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

Interest rate risk therefore represents the uncertainty associated with interest rates. The fundamental objective of interest rate risk management is to immunize the company's financial position against variations in market rates by constant monitoring of interest rate volatility and prudent management of the risk and return profiles of business activities and of the Group's financial liabilities within the framework of its asset and liability management policy.

The company's exposure to this type of risk arises mainly from its long-term loans, in particular the bilateral loan guaranteed by Intesa Sanpaolo during 2009 and 2010, the amortising loan with expiry in June 2015 granted by a pool of Italian banks and the bullet loan with expiry in December 2017 granted by Mediobanca in 2010.

The following table illustrates the results of the sensitivity analysis carried out on interest rate risks, with an indication of the impact on the income statement, gross of any eventual fiscal effects, as required by IFRS 7. There is no impact on shareholders' equity.

Sensitivity analysis (€,000)	Underlying	Incremento/ (riduzione) dei tassi	Proventi (oneri)
2010	(248.3)	1%	(2.2)
2009	(184.5)	1%	(1.8)
2010	(248.3)	(1%)	2.2
2009	(184.5)	(0,3%)	0.5

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

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

The basic assumptions of the sensitivity analysis are:
- an initial parallel shift of the interest curve of ± 100 basis points (+100/-30 basis points in 2009);
- in calculating the variations associated with floating-rate financial instruments, it is assumed that no interest rates have already been fixed;
- the analysis is carried out on the assumption that all the other risk variables remain constant;
- for comparative reasons, the same measurements are carried out on both the current year and the previous year.

Exchange rate risk

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

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

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

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

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

During 2010 the type of exposure and the hedge policy adopted for exchange rate risks did not change to any degree in comparison with previous years.
The results of the sensitivity analysis carried out on exchange rate risks showed that there was no significant economic impact, as a result of the low level of the average exposure in 2009 and 2010.

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

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

Liquidity risk

Liquidity risk is defined as the possibility that the company may not be able to honour its payment commitments as a result of its inability to raise new funds (funding liquidity risk), or its inability to sell assets on the market (asset liquidity risk), thereby forcing it to bear very high costs in meeting its financial commitments. The company's exposure to this risk is represented above all by current financing operations.

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

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

Liquidity risk (€m)	Analysis of maturity periods at 31/12/2010 < 6 month	6 - 12 month	1 - 2 anni	2 - 5 years	5 -10 years	> 10 years	Total
Trade payables	76.8						76.8
Medium/long term intragroup loans	30.0	4.5	33.3	206.8	55.5		330.1
Medium/long third-party loans							
Other financial liabilities:							
- committed credit lines							
- uncommitted credit lines	3.1	1.4					4.5
Other liabilities	27.9						27.9
Intragroup payables	254.2						254.2
Total	392.0	5.9	33.3	206.8	55.5		693.5
Tax risk derivatives	(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

Liquidity risk (€m)	Analysis of maturity periods at 31/12/2009 < 6 month	6 - 12 month	1 - 2 anni	2 - 5 years	5 -10 years	> 10 years	Total
Trade payables	69.6						69.6
Medium/long term intragroup loans							
Medium/long third-party loans	122.6	2.9	6.1	91.5	69.9		293.0
Other financial liabilities:							
- committed credit lines							
- uncommitted credit lines	5.7	1.4					7.1
Other liabilities	30.0						30.0
Intragroup payables	252.0						252.0
Total	479.9	4.3	6.1	91.5	69.9		651.7
Total exposure	479.9	4.3	6.1	91.5	69.9		651.7

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

To satisfy the liquidity needs shown above, the company has credit lines and managed liquidity together with the operational cash generated by its business operations.

Credit risk

Credit risks can be defined as the possibility of suffering financial losses as a result of a counterparty defaulting on contractual obligations.
A particular type of credit risk is represented by a counterparty defaulting on financial derivative exposures, in which case the risk is connected to capital gains positions where there is a possibility of not receiving cash flow due from a defaulting counterparty. For the company, this potential risk is very limited since the counterparties in financial derivative operations are always primary financial institutions with high ratings.
The objective is to limit the risk of losses due to the unreliability of market counterparties or to the difficulty of converting or replacing current financial positions, so there are no operations with non-authorised counterparties.
When approving this policy, the board of directors also approved a list of authorised counterparties that can be used in financial risk hedging operations. Operations with authorised counterparties are constantly monitored and reports are regularly made of these operations.

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

Credit risk (€m)	31/12/2010	31/12/2009
Deposits	73.4	35.4
Receivables and loans		
- trade receivables and other current financial assets	302.3	379.1
- trade receivables and other non-current financial assets	62.6	12.6
Guarantees	3.6	1.6
Total of maximum exposure to credit risk	441.9	428.7

The table below details the company's exposure to credit risk by geographical region and business area:

Concentration of credit risk	31/12/2010 (€m)	31/12/2009 (€m)	31/12/2010 %	31/12/2009 %
Business area:				
Books	125.2	113.8	56.2%	57.3%
Magazines	86.5	75.6	38.8%	38.1%
Other	11.1	9.2	5.0%	4.6%
Total	222.8	198.6	100.0%	100.0%
Distribution area:				
Italy	218.1	195.4	97.9%	98.4%
Other countries	4.7	3.2	2.1%	1.6%
Total	222.8	198.6	100.0%	100.0%

The method of managing the main business areas is described below.

Books

The company employs a specific procedure for defining the risk profile of every new customer by collecting the commercial information necessary for evaluating their reliability before any lines of credit are opened. This reliability is constantly monitored.

Magazines

Magazine sales and distribution through newsstands and subscription is handled by the subsidiary Press-Di Distribuzione Stampa e Multimedia Srl.
With reference to sales through newsstands, the company is not exposed to any credit risks since any eventual losses are the responsibility of the subsidiary, which is also responsible for defining and managing these risks.

With reference to subscription sales, however, any credit losses suffered by Press-Di Distribuzione Stampa e Multimedia Srl are the responsibility of the company. Given the fragmentation of the credit balances and the small amounts involved, the credit management procedure does not include any guarantees but is aimed at limiting the amount of exposure for each individual subscriber.

Advertising

Advertising receivables refer to sales of advertising in magazines belonging to the company. Advertising sales are managed by the subsidiary Mondadori Pubblicità SpA, which is therefore responsible for defining credit policy and monitoring its efficiency.

With reference to trade receivables from bookshops, the company makes provisions for the positions that are particularly significant. The total amount of these provisions takes into consideration an estimate of the recoverable amount, the date of receipt, the expense, and cost of recovery and any eventual guarantees received.

The company establishes a fund for those positions that are not subject to any specific provisions, based on historical data and statistics.

Price risk

The price risk refers to the uncertainty associated mainly with variations in the market price of equity instruments and to the loss of value in assets/liabilities as a result of variations in commodity prices. The fundamental objective of price risk management is to reduce the impact of the fluctuation of the price of raw materials on the company's financial results.

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

Other information required by IFRS 7

The following table illustrates financial assets and liabilities in the categories defined by IAS 39 and the relative fair value.

Classification	Carrying value						Fair value	
	Total		Current		Non-current			
(€m)	31/12/2010	31/12/2009	31/12/2010	31/12/2009	31/12/2010	31/12/2009	31/12/2010	31/12/2009
Receivables and loans:								
- cash and cash equivalents	73.4	35.4	73.4	35.4			73.4	35.4
- trade receivables	84.5	76.5	84.4	76.4	0.2	0.1	84.5	76.5
- other financial assets	6.7	90.0	6.3	89.7	0.3	0.3	6.7	90.0
- receivables from subsidiary and associated companies	273.7	225.2	211.7	213.2	62.0	12.0	273.7	225.2
Financial assets available for sale (investments)	0.2	0.2	0.2	0.2			0.2	0.2
Cash flow hedge	0.6				0.6		0.6	
Total financial assets	439.1	427.3	376.0	414.9	63.1	12.4	439.1	427.3
Amortised cost of financial assets:								
- trade liabilities	76.8	69.6	76.8	69.6			76.8	69.6
- liabilities due to banks and other financial payables	322.4	297.1	58.4	157.1	264.0	140.0	345.9	297.2
- liabilities due to subsidiary and associated companies	254.2	252.0	254.2	252.0			254.2	252.0
Cash flow hedge	1.0				1.0		1.0	
Total financial liabilities	654.4	618.7	389.4	478.7	265.0	140.0	677.9	618.8

The following table illustrates the income and expense attributable to financial assets and liabilities, divided into the categories defined by IAS 39.

Profit and loss from financial instruments		
(€m)	31/12/2010	31/12/2009
Net profit from financial liabilities at amortised cost		
Net profit from derivative financial instruments		17.5
Interest earned on financial assets not valued at fair value		
- deposits	0.2	0.6
- intragroup receivables	4.3	3.0
- other financial assets	0.3	0.1
Total income	4.8	21.2
Net loss from financial derivative instruments	0.3	
Net loss from financial liabilities at amortised cost		
Interest paid on financial liabilities not valued at fair value:		
- deposits		
- loans	7.1	13.9
- intragroup payables	0.9	1.8
- others	2.2	0.6
Losses from financial instrument writedowns		
- trade receivables	0.5	1.4
Total expense	11.0	17.7
Total	(6.2)	3.5

32. Information as per article 149-duodecies, Consob Issuers' regulations

The following table, drawn up in accordance with article149-*duodecies*, Consob Issuers' regulations, shows the fees paid during 2010 (net of accessory expense) for auditing and other services provided by Deloitte & Touche SpA and other companies belonging to the same network.

(€,000)	Company providing services	Amount paid for 2010
Audit	Deloitte & Touche SpA	327
Certification services	Deloitte & Touche SpA[1]	43
Other services	Deloitte ERS Enterprise Risk Services Srl[2]	10
Total		380

[1] Agreed checking procedures
[2] Technical support and methodology for updating the Security Programme Document

Supplementary tables

A supplementary table containing a geographical analysis of the company's receivables and payables is contained in Appendix I.

Consolidated financial statements

The Appendices also include the Group's consolidated financial statements at 31 December 2010.

On behalf of the Board of Directors
Chairman
Marina Berlusconi

Appendices to the financial statements

Appendix A: Investments

Name								Value of financial statements			
Name (€ 000)	Head office	Share capital	Shareholders' equity	Profit (loss) for 2010	Total shareholders' equity	Shares held	Attributable shareholders' equity	Purchased/ established	Capital contributions	Doubtful accounts	Total
Subsidiary companies:											
Cemit Interactive Media SpA	S. Mauro Torinese (TO)	3,835	7,535	1,746	9,281	100.00%	9,281	15,585			15,585
Edizioni Piemme SpA	Milan	567	11,553	5,344	16,897	90.00%	15,207	22,100			22,100
Giulio Einaudi editore SpA	Turin	23,920	32,371	7,035	39,406	100.00%	39,406	28,504			28,504
Mondadori Education SpA	Milan	10,608	39,000	10,336	49,336	100.00%	49,336	56,217			56,217
Mondadori Electa SpA	Milan	1,594	6,462	(1,377)	5,085	100.00%	5,085	6,348			6,348
Mondadori Franchising SpA	Rimini	1,954	5,876	5,635	11,511	100.00%	11,511	1,882	2,001		3,883
Mondadori Iniziative Editoriali SpA	Milan	500	1,169		1,169	100.00%	1,169	500	700	(426)	774
Mondadori International SA	Luxembourg	350,736	400,744	(10,179)	390,565	100.00%	390,565	357,012			357,012
Mondadori Pubblicità SpA	Milan	3,120	9,251	4,567)	4,684	100.00%	4,684	3,898	6,098	(5,311)	4,685
Mondadori Retail SpA	Milan	2,700	7,293	(6,408)	885	100.00%	885	2,956	1,305	(3,376)	885
Mondolibri SpA	Milan	1,040	8,383	(36)	8,347	100.00%	8,347	9,760			9,760
Press-Di Distribuzione Stampa e Multimedia Srl	Milan	1,095	2,005	5,421	7,426	100.00%	7,426	1,095			1,095
Monradio Srl	Milan	3,030	55,584	(11,518)	44,066	100.00%	44,066	49,499	49,956	(17,445)	82,010
Prisco Spain SA	Barcelona	60	42	(5)	37	100.00%	37	7,856			7,856
Sperling & Kupfer Editori SpA	Milan	1,556	2,158	1,410	3,568	100.00%	3,568	10,366		10,366	
Sporting Club Verona Srl	Milan	100	100		100	100.00%	100	100		100	
Sporting Club Verona Srl	Milan	100	100		100	100.00%	100	100			100
Total							**590,673**	**573,678**	**60,060**	**(26,558)**	**607,180**
Associated companies:											
ACI-Mondadori SpA	Milan	590	1,584	(15)	1,569	50.00%	785	540			540
Gruner + Jahr/Mondadori SpA	Milan	2,600	4,507		4,507	50.00%	2,254	1,203			1,203
Random House Mondadori SA	Barcelona	6,825	74,725	(8,161)	66,564 (d)	6.01% (b)	4,000	13,842		(1,800)	12,042
Harlequin Mondadori SpA	Milan	258	315	896	1,211	50.00%	606	402			402
Hearst Mondadori Editoriale Srl	Milan	100	306	269	575	50.00%	288	50	49		99
Mach 2 Libri SpA	Peschiera Borromeo (MI)	646	10,055	1,523	11,578	30.91%	3,579	3,947			3,947
Mondadori Rodale Srl	Milan	90	329	(113)	216	50.00%	108	45			45
Società Europea di Edizioni SpA	Milan	10,298	11,498	(8,969)	2,529	36.90%	933	3,799	443	(3,270)	972
Mondadori Printing SpA	Cisano Bergamasco (BG)	45,396	61,775	8,155	69,930	20.00%	13,986	15,864			15,864
Total							**26,537**	**39,692**	**492**	**(5,070)**	**35,114**
Other companies:											
Consuledit Srl	Milan	20	40		40	9.54%	4	1			1
Editrice Portoria SpA (in bankruptcy)	Milan	364	300		300 (a)	16.78%	50	61		(60)	1
Immobiliare Editori Giornali Srl	Rome	830	5,890		5,890	7.88%	464	52			52
Soc. Editrice Il Mulino SpA	Bologna	1,175	1,685		1,685	7.05%	119	101			101
Total							**637**	**215**	**0**	**(60)**	**155**
Total direct investments							**617,848**	**613,585**	**60,552**	**(31,688)**	**642,449**

((a) Shareholders' equity at 31/12/1999

(b) Assocaited to 50% through Mondadori International SpA and Prisco Spain SA

(d) IAS consolidated financial statements

Note: the values refer to the equity and financial data prepared in accordance with accounting standards used for preparing the individual financial statements of the invested companies

Appendix B1: Main subsidiary and indirectly associated companies at 31 December 2010

Name (Figures in currency ,000)	Head office		Share capital	Shareholders' equity	Profit (loss) for 2010	Total shareholders' equity	Share held by group	Attributable shareholders' equity in currency	Attributable shareholders' equity in euros (b)
Subsidiary companies:									
ABS Finance Fund Sicav	Luxembourg	Eur	1,557	1,557		1,557	70.57%	1,099	1,099
Ame Publishing Ltd (in liquidation)	New York	Usd (000)	50	56		56	100.00%	56	42
Editions Taitbout SA	Issy les Moulineaux	Eur	3,049	48,223	5,182	53,405	100.00%	53,403	53,403
Mondadori France Sas	Paris	Eur	50,000	281,386	28,093	309,479	100.00%	309,479	309,479
Mondadori Magazines France Sas	Issy les Moulineaux	Eur	56,957	474,064	(9,434)	464,630	100.00%	464,630	464,630
Star Presse Hollande BV	Amsterdam	Eur	18	137	(37)	100	100.00%	100	100
Total									**828,753**
Associated companies:									
Companies belonging to the Random House Mondadori Group:	(a)								
Random House Mondadori SA (Colombia)	Bogotà	Cop	15,000				50.00%		
Random House Mondadori SA de CV (Mexico)	Mexico FD	Mxn	86,988				50.00%		
Editorial Sudamericana SA (Argentina)	Buenos Aires	Ara	8,367				50.00%		
Random House Mondadori SA (Chile)	Santiago	Clp	4,184,124				50.00%		
Editorial Sudamericana Uruguaya SA (Uruguay)	Montevideo	Uyp	9,893				50.00%		
Random House Mondadori SA (Venezuela)	Caracas	Veb	3,533,787				50.00%		
Market Self SA	Buenos Aires	Ara	1,150				25.00%		
Random House Mondadori SA	Barcelona	Eur	6,825				50.00%		
(Data referring to the IAS consolidated financial statements of the Random House Mondadori Group)	Barcelona	Eur	6,825	74,725	(8,161)	66,564	50.00%	33,282	33,282

(follows)

Appendix B1: Main subsidiary and indirectly associated companies at 31 December 2010

(follow)

Name (Figures in currency ,000)	Head office		Share capital	Shareholders' equity	Profit (loss) for 2010	Total shareholders' equity	Share held by group	Attributable shareholders' equity in currency	Attributable shareholders' equity in euros (b)
Companies belonging to the Attica Group:									
Airlink SA	Athens	Eur	801				41.98%		
Argos SA	Athens	Eur	2,910				2.73%		
Attica Publications SA	Athens	Eur	4,590				41.98%		
Attica Media Bulgaria Ltd	Sofia	Lev	155				28.89%		
Attica Media Serbia Ltd	Belgrade	Eur	1,659				37.78%		
Attica-Imako Media Ltd	Bucharest	Ron	700				20.99%		
Bandos Ltd	Cyprus	Eur	3,552				41.98%		
Civico Ltd	Cyprus	Usd	2				41.98%		
E-One SA (in liquidation)	Athens	Eur	339				10.49%		
Emphasis Publishing SA	Athens	Eur	800				41.98%		
Ennalaktikes Publications SA (in liquidation)	Athens	Eur	487				20.57%		
G,I, Dragounios Publications SA	Athens	Eur	949				41.98%		
International Radio Networks Holdings SA	Luxembourg	Eur	2,507				41.98%		
International Radio Networks SA	Athens	Eur	380				41.85%		
Ionikes Publishing SA	Athens	Eur	1,374				27.91%		
Map Media Publishing SA	Budapest	Huf	60,000				20.99%		
Attica Media Romania Ltd (formerly PBR Publication Ltd)	Bucharest	Ron	1				41.98%		
Tilerama SA	Athens	Eur	1,467				20.99%		
Tiletheatis SA	Athens		1,134				30.08%		
(Data referring to the consolidated financial statements of Attica)	Athens	Eur	4,590	8,221			41.99%		
Aranova Freedom Scarl	Bologna	Eur	19				16.67%		
Campania Arte Scarl	Rome	Eur	100	100		100	22.00%	22	22
Consorzio Covar (in liquidation)	Rome	Eur	15	10	(1)	9	25.00%	2	2
Consorzio Editoriale Fridericiana	Naples	Eur	12	18	(4)	14	33.33%	5	5
Consorzio Forma	Pisa	Eur	4	3		3	25.00%	1	1
Edizioni EL Srl	Trieste	Eur	620	6,101		6,101	50.00%	3,051	3,051
Electa Rmn Srl	Milan	Eur	20	20	(5)	15	75.00%	11	11
EMAS "Editions Mondadori Axel Springer" Snc	France	Eur	152	152	7,657	7,809	50.00%	3,905	3,905
Mach 2 Press Srl	Peschiera Borromeo (MI)		200	1,998	(93)	1,905	46.98%	895	895
MDM Milano Distribuzione Media Srl	Milan	Eur	520	1,511	(456)	1,055	20.00%	211	211
Mediamond SpA	Milan	Eur	1,500	2,451	(1,010)	1,441	50.00%	721	721
Mondadori Independent Media LLC	Moscow	Rur	2,400	752		752	50.00%	376	9
Mondadori Seec (Beijing) Advertising Co. Ltd	Beijing	Cny	20,000	20,040		20,040	50.00%	10,020	1,019
Nuovamusa Val di Mazara Scarl	Messina	Eur	90	83		83	20.00%	17	17
Nuovamusa Valdinoto Scarl	Messina	Eur	90	90		90	20.00%	18	18
Nuovamusa Valdemone Scarl	Messina	Eur	90	107		107	20.00%	21	21
Roccella Scarl (in liquidation)	Naples	Eur	100	43		43	49.50%	21	21
Selcon Srl	Milan	Eur	21	945		945	25.60%	242	242
Venezia Accademia Società per i servizi museali Scarl	Mestre (VE)	Eur	10	10		10	25.00%	3	3
Venezia Musei Società per i servizi museali Scarl	Venice	Eur	10	20	2	22	34.00%	7	7
Total									**43,462**

(a) See also Appendix A - Investments
(b) Exchange rates:
Usd €1.3362
Cny €9.835
Rub €40.820

Appendix B2 : Table of significant investments as per article 120 of legislative decree no. 58/1998

Arnoldo Mondadori Editore SpA
As per article 126 of Consob regulation 11971 approved on 14/05/1999,
information is provided concerning signficant investments as per article 120 of legislative decree no. 58/1998

reference date 31 December 2010

Name		Share capital	Total share % held	Direct/Indirect holding	Shareholder	% held	Head office	Tax code	Establishment date
ACI-Mondadori SpA (Italy)	Eur	590,290	50%	direct	Arnoldo Mondadori Editore SpA	50%	Milan - via Bianca di Savoia 12	13277400159	17/11/2000
MDM Milano Distribuzione Media Srl (Italy)	Eur	520,000	20%	indirect	Press-Di Distribuzione Stampa e Multimedia Srl	20%	Milan - via Carlo Cazzaniga 19	10463540152	02/10/1991
Aranova Freedom Scarl (Italy)	Eur	19,200	16.67%	indirect	Monradio Srl	16.67%	Bologna, via Guinizzelli 3	02532501208	24/01/2005
Campania Arte Scarl (Italy)	Eur	100,000	22%	indirect	Mondadori Electa SpA	22%	Rome - via Tunisi 4	09086401008	18/07/2006
Cemit Interactive Media SpA (Italy)	Eur	3,835,000	100%	direct	Arnoldo Mondadori Editore SpA	100%	San Mauro Torinese (TO) - via Toscana 9	04742700018	13/12/1984
Editrice Portoria SpA in bankruptcy (Italy)	Eur	364,000	16.786%	direct	Arnoldo Mondadori Editore SpA	16.786%	Milan - via Chiossetto 1	02305160158	26/03/1975
Edizioni EL Srl (Italy)	Eur	620,000	50%	indirect	Giulio Einaudi editore SpA	50%	Trieste - San Dorligo della Valle - via J. Ressel 5	00627340326	07/05/1984
Edizioni Piemme SpA (Italy)	Eur	566,661	90%	direct	Arnoldo Mondadori Editore SpA	90%	Milan - via Bianca di Savoia 12	00798930053	29/09/1982
Electa Rmn Srl (Italy)	Eur	20,000	75%	indirect	Mondadori Electa SpA	75%	Milan - via Bianca di Savoia 12	07136630964	08/09/2010
Giulio Einaudi editore SpA (Italy)	Eur	23,920,000	100%	direct	Arnoldo Mondadori Editore SpA	100%	Turin - via U. Biancamano 2	08367150151	03/06/1986
Gruner + Jahr/Mondadori SpA (Italy)	Eur	2,600,000	50%	direct	Arnoldo Mondadori Editore SpA	50%	Milan - corso Monforte 54	09440000157	10/09/1988
Harlequin Mondadori SpA (Italy)	Eur	258,250	50%	direct	Arnoldo Mondadori Editore SpA	50%	Milan - via Marco D'Aviano 2	05946780151	15/10/1980
Hearst Mondadori Editoriale Srl (Italy)	Eur	99,600	50%	direct	Arnoldo Mondadori Editore SpA	50%	Milan - via Bianca di Savoia 12	12980290154	17/12/1999
Mach 2 Libri SpA (Italy)	Eur	646,250	34.91%	direct	Arnoldo Mondadori Editore SpA	30.91%	Peschiera Borromeo (MI) - via Galileo Galilei	103782990158	06/05/1983
				indirect	Sperling & Kupfer Ed. SpA	4%			
Mach 2 Press Srl (Italy)	Eur	200,000	40%	indirect	Press-Di Distribuzione Stampa e Multimedia Srl	40%	Peschiera Borromeo (MI) - via Galileo Galilei 1	0701415096	27/04/2010
Mediamond Spa (Italy)	Eur	1,500,000	50%	indirect	Mondadori Pubblicità SpA	50%	Milan - via Bianca di Savoia 12	06703540960	30/07/2009
Mondadori Education SpA (Italy)	Eur	10,608,000	100%	direct	Arnoldo Mondadori Editore SpA	100%	Milan - via Bianca di Savoia 12	03261490969	01/10/2001
Mondadori Electa SpA (Italy)	Eur	1,593,735	100%	direct	Arnoldo Mondadori Editore SpA	100%	Milan - via Trentacoste 7	01829090123	23/02/1989
Mondadori Franchising SpA (Italy)	Eur	1,954,000	100%	direct	Arnoldo Mondadori Editore SpA	100%	Verucchio (RN) - Fraz. di Villa Verucchio via Statale Marecchia 51-51/a	08853520156	28/05/1987
Mondadori Iniziative Editoriali SpA (Italy)	Eur	500,000	100%	direct	Arnoldo Mondadori Editore SpA	100%	Milan - via Bianca di Savoia 12	03619240967	08/07/2002
Mondadori International SpA (Italy)	Eur	350,736,076	100%	direct	Arnoldo Mondadori Editore SpA	100%	Milan - via Bianca di Savoia 12	07231790960	18/09/1970
Mondadori Printing SpA (Italy)	Eur	45,396,000	20%	direct	Arnoldo Mondadori Editore SpA	20%	Cisano Bergamasco (BG) - via Luigi e Pietro Pozzoni 11	12319410150	28/11/1997
Mondadori Pubblicità SpA (Italy)	Eur	3,120,000	100%	direct	Arnoldo Mondadori Editore SpA	100%	Milan - via Bianca di Savoia 12	08696660151	12/02/1987
Mondadori Retail SpA (Italy)	Eur	2,700,000	100%	direct	Arnoldo Mondadori Editore SpA	100%	Milan - via Bianca di Savoia 12	00212560239	19/11/1946
Mondadori Rodale Srl (Italy)	Eur	90,000	50%	direct	Arnoldo Mondadori Editore SpA	50%	Milan - via Bianca di Savoia 12	13066890156	25/02/2000
Mondolibri SpA (Italy)	Eur	1,040,000	100%	direct	Arnoldo Mondadori Editore SpA	100%	Milan - via Lampedusa 13	12853650153	25/06/1999
Monradio Srl (Italy)	Eur	3,030,000	100%	direct	Arnoldo Mondadori Editore SpA	100%	Milan - via Bianca di Savoia 12	04571350968	15/10/2004
Novamusa Val di Mazara Scarl (Italy)	Eur	90,000	20%	indirect	Mondadori Electa SpA	20%	Messina - via Acireale Z.I.R.	02812180830	20/04/2005
Novamusa Valdemone Scarl (Italy)	Eur	90,000	20%	indirect	Mondadori Electa SpA	20%	Messina - via Acireale Z.I.R.	02704680830	16/04/2003
Novamusa Valdinoto Scarl (Italy)	Eur	90,000	20%	indirect	Mondadori Electa SpA	20%	Messina - via Acireale Z.I.R.	02704670831	16/04/2003
Press-Di Distribuzione Stampa e Multimedia Srl (Italy)	Eur	1,095,000	100%	direct	Arnoldo Mondadori Editore SpA	100%	Milan - via Bianca di Savoia 12	03864370964	19/02/2003
Roccella Scarl in liquidation (Italy)	Eur	100,000	49.50%	indirect	Mondadori Electa SpA	49.50%	Naples - via Santa Lucia 39	05053571211	21/03/2005
Società Europea di Edizioni SpA (Italy)	Eur	10,297,628,04	36.898%	direct	Arnoldo Mondadori Editore SpA	36.898%	Milan - via G. Negri 4	01790590150	27/02/1974
Sperling & Kupfer Editori SpA (Italy)	Eur	1,555,800	100%	direct	Arnoldo Mondadori Editore SpA	100%	Milan - via Bianca di Savoia 12	00802780155	03/11/1927
Sporting Club Verona Srl - Società Sportiva Dilettantistica (Italy)	Eur	100,000	100%	direct	Arnoldo Mondadori Editore SpA	100%	Milan - via Bianca di Savoia 12	07231600961	03/12/2010
Venezia Accademia Società per i servizi museali Scarl (Italy)	Eur	10,000	25%	indirect	Mondadori Electa SpA	25%	Venice - via L. Einaudi 74	03808820272	11/01/2008
Venezia Musei Società per i servizi museali Scarl (Italy)	Eur	10,000	34%	indirect	Mondadori Electa SpA	34%	Venice - via L. Einaudi 74	03534350271	22/04/2004

(follows)

Appendix B2: Table of significant investments as per article 120 of legislative decree no. 58/1998

(follow)

reference date 31 December 2010

Name		Share capital	Total share % held	Direct/Indirect holding	Shareholder	% held	Head office	Tax code	Establishment date
ABS Finance Fund Sicav (Luxembourg)	Eur	1,566,705.63	70.57%	indirect	Mondadori International SpA	70.57%	Luxembourg - 19-21 Boulevard du Prince Henri		03/02/1999
Ame Publishing Ltd in liquidation (USA)	Usd	50,000	100%	indirect	Mondadori International SpA	100%	U.S.A. - New York N.Y. - 225 Varick Street - Suite 310		01/02/1982
Attica Publications SA (Greece)	Eur	4,590,000	41.987%	indirect	Mondadori International SpA	41.987%	Greece - Athens - Maroussi, 40 Kifissias Avenue		01/08/1994
Editions Mondadori Axel Springer Snc (France)	Eur	152,500	50%	indirect	Mondadori France Sas	50%	France - Issy les Moulineaux Cedex 9 - 48 rue Guynemer		09/12/1999
Editions Taitbout SA (France)	Eur	3,048,980	99.997%	indirect	Mondadori France Sas	99.997%	France - Issy les Moulineaux Cedex 9 - 48 rue Guynemer		31/01/1989
Mondadori France Sas (France) (formerly AME France Sàrl)	Eur	50,000,000	100%	indirect	Mondadori International SpA	100%	France - Issy les Moulineaux Cedex 9 - 48 rue Guynemer		23/06/2004
Mondadori Independent Media LLC (Russia)	Rur	2,400,000	50%	indirect	Mondadori International SpA	50%	Russia - Moscow - 3, Bldg. 1, Polkovaya Str.		26/12/2007
Mondadori Magazines France Sas (France)	Eur	56,957,458	100%	indirect	Mondadori France Sas	100%	France - Issy les Moulineaux Cedex 9 - 48 rue Guynemer		30/03/2004
Mondadori Seec (Beijing) Advertising Co. Ltd	Cny	40,000,000	50%	indirect	Mondadori Pubblicità SpA	50%	China - Beijing - Chaoyang District - Fan Li Plaza, 22, Chaowai Avenue, Level 10, Room B2		26/09/2008
Prisco Spain SA (Spain)	Eur	60,101.30	100%	direct	Arnoldo Mondadori Editore SpA	100%	Spain - Barcelona, Calle Travessera de Gracia 47/49		06/12/1988
Random House Mondadori SA (Spain)	Eur	6,824,600.63	50%	indirect	Mondadori International SpA	33.99%	Spain - Barcelona, Calle Travessera de Gracia 47/49		05/08/1959
				direct	Arnoldo Mondadori Editore SpA	6.01%			
				indirect	Prisco Spain SA	10%			
Star Presse Hollande BV (Holland)	Eur	18,151.21	100%	indirect	Mondadori France SaS	100%	Holland - Amsterdam - Rokin 55		28/09/1994

Related Parties
Appendix C1: Receivables from subsidiary and associated companies at 31 December 2010

(€ 000)	31/12/2010	31/12/2009
Current accounts and financial receivables:		
Subsidiary companies:		
Arnoweb SA	-	1,755
Mondadori Electa SpA	4,537	5,504
Mondadori France Sas	69,993	31
Mondadori Franchising SpA	4,703	1,107
Mondadori Pubblicità SpA	-	3,944
Mondadori Retail SpA	23,943	12,000
Monradio Srl	33,850	72,505
Sperling & Kupfer Editori SpA	3,441	4,133
Associated companies:		
Gruner + Jahr/Mondadori SpA	-	620
Harlequin Mondadori SpA	183	168
Hearst Mondadori Editoriale Srl	332	446
Mondadori Rodale Srl	554	885
Other companies for amounts lower than €52 thousand (*)	-	-
Total	141,536	103,098
As a proportion of the item in the financial statements	98.1%	98.7%

(*) Amounts for the previous year also include receivables from companies who left the Group during 2010

(€ 000)	31/12/2010	31/12/2009
Trade relations:		
Subsidiary companies:		
Cemit Interactive Media SpA	273	275
Edizioni Piemme SpA	1,416	1,355
Mondadori Education SpA	525	448
Excelsior Publications Sas	-	4
Giulio Einaudi editore SpA	2,661	2,430
Mondadori Electa SpA	717	727
Mondadori France Sas	277	8
Mondadori France Digital Sas	-	265
Mondadori Magazines France Sas	1,367	943
Mondadori Franchising SpA	13,170	10,789
Mondadori International SA	20	-
Mondadori Pubblicità SpA	68,348	67,435
Mondadori Retail SpA	2,792	4,289
Mondolibri SpA	2,368	2,203
Monradio Srl	694	394
Mondadori Iniziative Editoriali SpA	128	182
Press-Di Distribuzione Stampa e Multimedia Srl	9,757	7,521
Sperling & Kupfer Editori SpA	1,349	1,031
Associated companies:		
ACI-Mondadori SpA	291	254
Attica Media Bulgaria Ltd	26	53
Attica Media Serbia Ltd	46	123
Attica Publications SA	19	80
Edizioni EL Srl	422	301
Gruner + Jahr/Mondadori SpA	126	58
Harlequin Mondadori SpA	1,547	462
Hearst Mondadori Editoriale Srl	252	387
Mach 2 Libri SpA	20,199	18,611
Mediamond SpA	1,713	182
Mondadori Independent Media LLC	65	17
Mondadori Printing SpA	646	530
Mondadori Rodale Srl	526	417
Mondadori Seec Advertising Co Ltd	110	-
Random House Mondadori SA	163	176
Società Europea di Edizioni SpA	161	130
Parent company:		
Fininvest SpA	4	5
Affiliated companies:		
RTI SpA	72	72
Publitalia '80 SpA	9	8
Other companies for amounts lower than €52 thousand (*)	25	44
Total	132,284	122,209
As a proportion of the item in the financial statements	59.4%	59.8%

Appendix C2: Intragroup economic relations 2010

(€ 000)

Related parties	Revenues from sales and services	Other income	Income from investments	Investment income	Total
Parent company:					
Fininvest SpA	3				3
Subsidiary companies:					
Ame Publishing Ltd		2			2
Arnoweb SA					0
Cemit Interactive Media SpA	821	142	10	1,696	2,669
Diana Sas					0
Edizioni Piemme SpA	3,122	172	5	5,100	8,399
Excelsior Publications Sas					0
Mondadori Education SpA	1,415	141	51	11,424	13,031
Giulio Einaudi editore SpA	4,349	175	33	6,440	10,997
Mondadori Electa SpA	1,660	643	253		2,556
Mondadori France Digital Sas	311	2	1,139		1,452
Mondadori Franchising SpA	26,142	1,057	127	5,471	32,797
Mondadori International SpA	20		8		28
Mondadori Iniziative Editoriali SpA	162			1,565	1,727
Mondadori Magazines France Sas	1,067	1,891	23		2,981
Mondadori Pubblicità SpA	142,695	8,239	530		151,464
Mondadori Retail SpA	11,841	312	729		12,882
Mondolibri SpA	6,416	715			7,131
Press-Di Distribuzione Stampa e Multimedia Srl	296,526	1,993	26	5,000	303,545
Monradio Srl	347	1,271	1,207		2,825
Sperling & Kupfer Editori SpA	2,228	677	144	601	3,650
Total	499,122	17,432	4,285	37,297	558,136
Associated companies:					
ACI-Mondadori SpA	705	235			940
Agenzia Lombarda Distrib. Giornali e Riviste Srl					0
Attica Media Publications SA	154				154
Edizioni EL Srl	821	3			824
Gruner + Jahr/Mondadori SpA	60	71		1,456	1,587
Harlequin Mondadori SpA	26	123		495	644
Hearst Mondadori Editore Srl	694	280	1		975
Mach 2 Libri SpA	33,071	6		416	33,493
Mediamond SpA	3,162	27	24		3,213
Mondadori Independent Media LLC	114				114
Mondadori Rodale Srl	1,390	402	9		1,801
Mondadori Printing SpA	1,866	4			1,870
Mondadori Seec Advertising Co Ltd	110				110
Random House Mondadori SA	264				264
Società Europea di Edizioni SpA	183	2			185
Total	42,620	1,153	34	2,367	46,174

(€ 000)

Related parties	Revenues from sales and services	Other income	Income from investments	Investment income	Total
Fininvest group companies:					
Banca Mediolanum SpA	3				3
Elettronica industriale SpA	5				5
Digitalia 08 Srl	2				2
Fininvest Gestione Servizi SpA	3				3
Il Teatro Manzoni SpA	1				1
Milan A.C. SpA					0
Mediaset SpA	2				2
Media Shopping SpA					0
Medusa Film Srl	1				1
Publitalia '80 SpA	9				9
RTI Reti Televisive Italiane SpA	83	11			94
Video Time SpA	11				11
Total	120	11	0	0	131
General total	541,865	18,596	4,319	39,664	604,444
As a proportion of the item in the financial statements	72.11%	70.23%	68.29%	100%	73.36%

Appendix D1: Payables to subsidiary and associated companies at 31 December 2010

(€ 000)	31/12/2010	31/12/2009
Current accounts and financial payables		
Subsidiary companies:		
Cemit Interactive Media SpA	11,002	10,157
Edizioni Piemme SpA	2,036	3,569
Mondadori Education SpA (formerly Edumond Le Monnier SpA)	47,261	45,950
Giulio Einaudi editore SpA	19,639	18,835
Mondadori France Sas		23,677
Mondadori Iniziative Editoriali SpA	2,159	796
Mondadori Pubblicità SpA	2,977	-
Mondadori Retail SpA	-	2,621
Mondolibri SpA	9,815	-
Press-Di Distribuzione Stampa e Multimedia Srl	55,665	49,402
Monradio servizi Srl (formerly Rock FM Srl)	-	27
Associated companies:		
ACI-Mondadori SpA	589	1,304
Gruner+Jahr/Mondadori SpA	154	46
Harlequin Mondadori SpA	5,462	4,571
Mediamond SpA	265	-
Società Europea di Edizioni SpA	-	675
Affiliate company:		
Mediobanca SpA	50,000	-
Other companies for amounts lower than €52 thousand (*)		26
Total	207,024	16,656
Percentage of financial statements	45.8%	37.7%

(*) Amounts for the previous year also include payables to companies who left the Group during 2010

(€ 000)	31/12/2010	31/12/2009
Trade relations:		
Subsidiary companies:		
Ame France Sas	0	7
Ame Publishing Ltd	-	314
Cemit Interactive Media SpA	95	73
Edizioni Piemme SpA	13,998	12,728
Mondadori Education SpA	110	198
Giulio Einaudi editore SpA	15,169	14,258
Mondadori Electa SpA	2,499	3,367
Mondadori France Sas	20	139
Mondadori Magazines France Sas	2	-
Mondadori Pubblicità SpA	3,238	3,301
Mondadori Retail SpA	136	91
Mondadori Iniziative Editoriali SpA		1,165
Mondolibri SpA	75	106
Monradio Srl	6	6
Press-Di Distribuzione Stampa e Multimedia Srl	5,236	5,794
Sperling & Kupfer Editori SpA	4,920	4,079

(Euro/migliaia)	31/12/2010	31/12/2009
Associated companies:		
ACI-Mondadori SpA	26	-
Artes Graficas Toledo SA	357	779
Attica Media Bulgaria Ltd	-	5
Attica Media Serbia Ltd	4	25
Attica Publications SA	3	88
Edizioni EL Srl	4,783	4,240
Gruner+Jahr/Mondadori SpA	166	113
Harlequin Mondadori SpA		18
Hearst Mondadori Editoriale SpA	372	6
Mediamond SpA	9	-
Mondadori Printing SpA	45,857	39,380
Mondadori Rodale Srl	15	18
Mondadori Seec Advertising Co Ltd	87	31
Random House Mondadori SA (Spain)	12	12
Random House Mondadori SA de CV (Mexico)	1	-
Società Europea di Edizioni SpA	1	2
Parent company:		
Fininvest SpA	7	7
Affiliated companies:		
RTI SpA	264	143
Publitalia '80 SpA	3,739	2,603
Medusa Video Srl	20	61
Other related parties:		
Sin&rgetica	319	
Other companies for amounts lower than €52 thousand (*)	173	105
Total	101,719	93,262
Percentage of financial statements	58.5%	58.3%
Tax payables:		
Parent company:		
Fininvest SpA	14,306	17,626
Total	14,306	17,626

Appendix D2: Intragroup economic relations 2010

(€ 000)

Related parties	Raw materials and consumables	Services	Other expense	Financial expense	Expense from investments	Total
Parent company:						
Fininvest SpA	0	10	4	162		176
Subsidiary companies:						
Ame France Sas						0
Ame Publishing Ltd		604	73			677
Arnoldo Mondadori Deutschland GmbH						0
Cemit Interactive Media SpA		819		51		870
Diana Sas						0
Edizioni Piemme SpA	43,624	133	71	32		43,860
Mondadori Education SpA		107	154	145		406
Giulio Einaudi editore SpA	40,582	217		97		40,896
Mondadori Electa SpA	8,636	306	57			8,999
Mondadori Frane Sas				20		20
Mondadori Magazines France Sas		58				58
Mondadori Franchising SpA		10		6		16
Mondadori Iniziative Editoriali SpA	2,616			12		2,628
Mondadori International SA						0
Mondadori Pubblicità SpA	2,419	1,171	3,611	16		7,217
Mondadori Retail SpA	82	99	114	16		311
Mondolibri SpA		285	51	29		365
Press-Di Distribuzione Stampa e Multimedia Srl	4	27,858	969	281		29,112
Monradio Srl		6	3	46		55
Monradio Servizi Srl (formerly Rock FM Srl)						0
Sperling & Kupfer Editori SpA	23,481	47				23,528
Total	121,444	31,720	5,103	751	0	159,018
Associated companies:						
ACI-Mondadori SpA			172	6		178
Artes Graficas Toledo SA		357				357
Attica Media Serbia Ltd						0
Attica Publications SA		35				35
Edizioni EL Srl	7,273					7,273
Gruner+Jahr/Mondadori SpA		233		13		246
Harlequin Mondadori SpA	10,510			23		10,533
Hearst Mondadori Editoriale Srl		23	556	2		581
Mach 2 Libri SpA		36				36
Mediamond SpA		64				64
Mondadori Independent Media LLC		33				33
Mondadori Rodale Srl		40	67	1		108
Mondadori Printing SpA	403	138,691	105	5		139,204
Mondadori Seec Advertising Co Ltd		178				178
Random House Mondadori SA		104				104
Società Europea di Edizioni SpA			6			6
Total	18,186	139,794	906	50	0	158,936

(€ 000)

Related parties	Raw materials and consumables	Services	Other expense	Financial expense	Expense from investments	Total
Fininvest group companies:						
Alba Servizi Aerotrasporti SpA			28			28
Consorzio Campus Multimedia						0
Digitalia 08 Srl		146				146
Il Teatro Manzoni SpA			8			8
Fininvest Gestione Servizi SpA			21			21
Mediaset SpA		150				150
Mediobanca SpA				916		916
Medusa Film SpA		320				320
Medusa Video Srl		19				19
Milan A.C. SpA			10			10
Milan Entertainment Srl		17				17
Promoservice Italia Srl						0
Publitalia '80 SpA		15,836				15,836
Radio e Reti Srl						0
RTI. Reti Televisive Italiane SpA	28	404	2			434
Taodue Srl		32				32
Total	28	16,924	69	916	0	17,937
Other related parties:						
Sin&rgetica		531				531
Total	0	531	0	0	0	531
General total	139,658	188,979	6,082	1,879	0	336,598
Percentage of financial statements	77.12%	49.07%	24.48%	14.49%	0.00%	56.79%

Appendix E: Significant details from the financial statements of subsidiaries prepared in accordance with Italian accounting principles

(€ 000) Year ended	Mondadori International 31/12/2010	Monradio 31/12/2010	Mondadori Iniziative Edit. 31/12/2010
Balance sheet			
Assets			
Intangible assets	0	62,373	0
Tangible fixed assets	0	7,813	0
Financial assets	357,152	79	0
Total assets	357,152	70,265	0
Inventories	0	0	425
Receivables from customers	0	6,278	0
Receivables from Group companies	150,313	3	1,961
Receivables from others	24	8,518	2,677
Financial activities (not non-current)	27,190	0	0
Cash and cash equivalents	6,433	0	0
Total current assets	183,960	14,799	5,063
Prepayments and accrued income	1	80	16
Total assets	**541,113**	**85,144**	**5,079**
Liabilities and shareholders' equity			
Share capital	350,736	3,030	500
Reserves	50,008	14,554	109
Shareholder contributions	0	38,000	548
Profit (loss) for the year	(10,179)	(11,518)	1,577
Total shareholders' equity	390,565	44,066	2,734
Provisions for risks and charges	25	1,252	28
Employees' termination benefits	0	331	0
Payables due to banks	150,000	0	0
Trade payables	208	2,943	2,057
Payables due to Group companies	0	34,543	185
Other payables	3	1,907	75
Accrued liabilities and deferred income	312	102	0
Total liabilities and shareholders' equity	**541,113**	**85,144**	**5,079**

(€ 000) Year	Mondadori International 2010	Monradio 2010	Mondadori Iniziative Edit. 2009
Income statement			
Revenues from sales and services	0	14,509	6,855
Decrease (increase) in inventories	0	0	218
Other income	12	1,060	22
Total value of production	12	15,569	7,095
Purchase of services	542	13,186	5,459
Personnel costs	71	1,886	0
Depreciation, amortisation and write downs	3	13,471	0
Changes in inventory of raw materials	0	0	0
Accruals and charges to provisions	0	140	0
Other (income) expense	19	1,077	4
Total costs of production	635	29,760	5,463
Income (expense) from investments	0	0	0
Financial income (expense)	(1,308)	(1,161)	8
Total financial income (expense)	(1,308)	(1,161)	8
Revaluations (writedowns)	(8,252)	(61)	0
Extraordinary income (expense)	4	0	0
Result before tax	(10,179)	(15,413)	1,640
Income tax	0	(3,895)	63
Net result	**(10,179)**	**(11,518)**	**1,577**

Appendix E: Significant details from the financial statements of subsidiaries prepared in accordance with IAS

(€ 000)	Cemit Interactive Media	Edizioni Piemme	Mondadori Education	Giulio Einaudi editore	Mondadori Electa	Mondadori Franchising	Mondadori Pubblicità	Mondolibri	Press-Di Distrib. Stampa e Multimedia	Mondadori Retail	Prisco Spain	Sperling & Kupfer Editori
Year ended	31/12/2010	31/12/2010	31/12/2010	31/12/2010	31/12/2010	31/12/2010	31/12/2010	31/12/2010	31/12/2010	31/12/2010	31/12/2010	31/12/2010
Balance sheet												
Assets												
Intangible assets	0	565	23,805	87	350	78	0	2,131	395	21,537	0	74
Property investments	0	0	0	0	0	0	0	0	0	0	0	0
Property, plant and equipment	73	765	386	301	638	1,495	162	1,048	55	14,943	0	59
Investments	0	0	0	1,332	149	0	2,597	0	1,013	0	19	26
Non-current financial assets	0	0	0	0	0	0	0	0	0	0	0	0
Deferred tax assets	93	1,805	2,577	3,762	1,823	432	760	1,688	839	2,233	0	589
Other non-current assets	0	11	0	0	0	155	0	151	6	296	0	12
Total non-current assets	166	3,146	26,768	5,482	2,960	2,160	3,519	5,018	2,308	39,009	19	760
Tax receivables	0	1,849	251	131	109	0	1,709	3,903	103	1,983	0	46
Other current assets	45	6,775	546	9,055	1,811	356	563	564	7,448	597	0	5,707
Inventories	335	5,638	9,031	5,198	9,450	33,137	0	6,414	123	26,100	0	3,198
Trade receivables	8,807	14,990	7,183	26,544	15,699	20,559	109,845	8,706	36,728	3,118	0	5,116
Securities and other current financial assets	11,003	2,039	47,261	19,653	2,386	0	2,978	9,815	55,665	0	0	0
Cash and cash equivalents	33	8	37	20	21	15	73	520	969	1,006	19	4
Total current assets	20,223	31,299	64,309	60,601	29,476	54,067	115,168	29,922	101,036	32,804	19	14,071
Assets held for sale or disposed of	0	0	0	0	0	0	0	0	0	0	0	0
Total assets	20,389	34,445	91,077	66,083	32,436	56,227	118,687	34,940	103,344	71,813	38	14,831
Liabilities and shareholders' equity												
Share capital	3,835	567	10,608	23,920	1,594	1,954	3,120	1,040	1,095	2,700	60	1,556
Reserves	3,700	11,552	28,391	8,451	4,868	3,922	6,131	7,343	910	4,593	(18)	602
Profit (loss) for the year	1,746	5,344	10,337	7,035	(1,377)	5,635	(4,567)	(36)	5,421	(6,408)	(5)	1,410
Total shareholders' equity	9,281	17,463	49,336	39,406	5,085	11,511	4,684	8,347	7,426	885	37	3,568
Provisions	0	262	3,410	2,351	3,733	57	704	72	100	2,321	0	0
Employees' termination benefits	1,522	789	5,101	3,109	949	638	2,933	3,449	2,196	2,574	0	713
Non-current financial liabilities	0	0	0	0	0	172	0	0	0	0	0	0
Deferred tax liabilities	226	452	4,540	48	40	109	55	214	57	324	0	41
Other non-current liabilities	0	0	0	0	0	0	0	0	0	0	0	0
Total non-current liabilities	1,748	1,503	13,051	5,508	4,722	976	3,692	3,735	2,353	5,219	0	754
Income tax payables	923	0	4,201	2,962	617	129	0	0	2,487	0	0	476
Other current liabilities	1,409	9,275	15,683	11,865	3,933	981	7,836	2,617	37,437	3,962	0	3,361
Trade payables	7,028	6,204	8,780	6,330	11,644	37,833	102,427	20,238	53,609	37,802	1	3,230
Debts due to banks and other financial liabilities	0	0	26	12	6,435	4,797	48	3	32	23,945	0	3,442
Total current liabilities	9,360	15,479	28,690	21,169	22,629	43,740	110,311	22,858	93,565	65,709	1	10,509
Liabilities held for sale	0	0	0	0	0	0	0	0	0	0	0	0
Total liabilities and shareholders' equity	20,389	34,445	91,077	66,083	32,436	56,227	118,687	34,940	103,344	71,813	38	14,831

(follows)

Appendix E: Significant details from the income statements of subsidiaries prepared in accordance with IAS

(follow)

(€ 000)	Cemit Interactive Media	Edizioni Piemme	Mondadori Education	Giulio Einaudi editore	Mondadori Electa	Mondadori Franchising	Mondadori Pubblicità	Mondolibri	Press-Di Distrib. Stampa e Multimedia	Mondadori Retail	Prisco Spain	Sperling & Kupfer Editori
Year	2010	2010	2010	2010	2010	2010	2010	2010	2010	2010	2010	2010
Income statement												
Revenues from sales and services	23,751	45,963	80,172	48,990	38,645	83,822	233,917	79,032	66,831	121,771	0	23,683
Decrease (increase) in inventories	(83)	(359)	290	(175)	1,058	(3,854)	0	(97)	11	1,767	0	297
Purchase of raw materials and consumables	6,027	781	7,384	1,255	2,949	67,296	0	17,311	2,114	83,483	0	81
Purchase of services	10,465	32,758	47,063	30,044	23,624	7,954	225,158	44,775	55,244	10,236	5	18,059
Personnel costs	4,932	3,709	7,931	7,151	5,190	3,573	10,622	10,666	5,921	15,132	0	2,445
Other (income) expense	(427)	824	1,580	589	6,096	(462)	3,116	4,965	(4,857)	13,641	0	379
Result of investments using the equity method	0	0	0	0	0	0	0	0	0	0	0	0
Gross operating profit	2,837	8,250	15,924	10,126	(272)	9,315	(4,979)	1,412	8,398	(2,488)	(5)	2,422
Depreciation of property, plant and equipment	84	117	165	138	245	618	149	378	41	2,765	0	33
Amortisation of intangible assets	0	27	49	35	349	36	0	121	216	1,885	0	8
Operating result	2,753	8,106	15,710	9,953	(866)	8.661	(5,128)	913	8,141	(7,138)	(5)	2,381
Financial income (expense)	(26)	18	(18)	7	(299)	(152)	(746)	(69)	151	(913)	0	(198)
Income (expense) from investments	0	0	2	713	(8)	0	0		0	0	0	53
Result before tax	2,727	8,124	15,694	10,673	(1,173)	8,509	(5,874)	844	8,292	(8,051)	(5)	2,236
Income tax	981	2,780	5,357	3,638	204	2,874	(1,307)	880	2,871	(1,643)	0	826
Net result	1,746	5,344	10,337	7,035	(1,377)	5,635	(4,567)	(36)	5,421	(6,408)	(5)	1,410

Appendix F: Significant details from the financial statements of the most significant indirect subsidiary companies

(€ 000)	Mondadori France Sas (100% owned by Mondadori International SA)
Year ended	31/12/2010
Balance sheet	
Assets	
Intangible assets	
Property investments	
Property, plant and equipment	0
Investments	743,223
Non-current financial assets	14
Deferred tax assets	0
Other non-current assets	0
Total non-current assets	743,237
Tax receivables	0
Other current assets	2,410
Inventories	0
Trade receivables	1,566
Securities and other current financial assets	0
Cash and cash equivalents	0
Total current assets	3,976
Assets held for sale	0
Total assets	**747,213**
Liabilities and shareholders' equity	
Share capital	50,000
Reserves	231,386
Profit (loss) for the year	28,093
Total shareholders' equity	309,479
Provisions	246
Employees' termination benefits	
Non-current financial liabilities	0
Deferred tax liabilities	
Other non-current liabilities	
Total non-current liabilities	246
Income tax payables	0
Other current liabilities	1,738
Trade payables	45
Payable to banks and other financial liabilities	435,705
Total current liabilities	437,488
Liabilities held for sale or disposed of	
Total liabilities and shareholders' equity	**747,213**

Appendix F: Significant details from the income statements of the most significant indirect subsidiary companies

(€ 000)	Mondadori France Sas. (100% owned by Mondadori International SA)
Year	2010
Income statement	
Revenues from sales and services	2,768
Decrease (increase) in inventories	0
Purchase of raw materials and consumables	0
Purchase of services	1,374
Personnel costs	1,594
Other (income) expense	1,598
Gross operating profit	(1,798)
Depreciation of property, plant and equipment	0
Amortisation of intangible assets	
Operating result	(1,798)
Financial income (expense)	(6,107)
Income (expense) from investments	30,632
Result before tax	22,727
Income tax	(5,366)
Net result	**28,093**

Appendix G: Significant details from the financial statements of associated companies

(€ 000)	ACI-Mondadori	MDM Milano Distrib. Media	Gruner + Jahr /Mondadori	Gruppo Random House Mondadori (*) (consolidated financial statements)	Harlequin Mondadori	Hearst Mondadori	Mach 2 Libri	Mondadori Rodale	Mondadori Printing	Società Europea di Edizioni
Year ended	31/12/2010	31/12/2010	31/12/2009	31/12/2010	31/12/2010	31/12/2010	31/12/2010	31/12/2010	31/12/2010	31/12/2010
Balance sheet										
Assets										
Receivable from shareholders										
Intangible assets	2	43	206	5,112	42	2	587	4	193	10,781
Tangible fixed assets	4	71	132	4,605	38	15	285	14	119,966	1,093
Financial assets	0	0	76	23,704	43	0	650	0	90	738
Total assets	6	114	414	33,421	123	17	1,522	18	120,249	12,612
Inventories	306	0	1,214	21,129	186	159	11,001	320	17,063	1,402
Receivable from customers	1,348	3,044	15,282	28,939	3,137	2,305	34,871	3,158	85,612	17,963
Receivable from Group companies	2,310	476	0	0	0	357	256	15	1,387	4,124
Receivable from others	97	5,818	7,861	14,031	249	266	13,874	393	3,309	843
Financial assets (not non-current assets)	0	0	0	50	467	0	0	0		
Cash and cash equivalents	286	1	323	18,782	468	208	44	240	23,929	338
Total current assets	4,347	9,339	24,680	82,931	4,507	3,295	60,046	4,126	131,300	24,670
Prepayments and accrued income	0	9	372	255	339	1	252	2	620	1,323
Total assets	4,353	9,462	25,466	116,607	4,969	3,313	61,820	4,146	252,169	38,605
Liabilities and shareholders' equity										
Share capital	590	520	2,600	6,825	258	100	646	90	45,396	10,298
Reserves	994	991	1,889	67,900	57	109	9,409	15	16,379	1,200
Shareholders' contributions	0	0	0	0	0	97	0	224		0
Profit (loss) for the year	(15)	(456)	2,930	(8,161)	896	269	1,523	(113)	8,155	(8,969)
Total shareholders' equity	1,569	1,055	7,419	66,564	1,211	575	11,578	216	69,930	2,529
Provisions for risks and charges	205	20	40	0	0	381	1,132	223	11,975	6,254
Employees' termination benefits	451	347	1,962	0	632	300	1,139	672	19,989	5,966
Payables due to banks	0	0	0	151	0	0	2,954	0	45,801	6,710
Trade payables	1,274	2,807	7,888	23,409	2,362	664	23,004	890	89,012	9,044
Payables due to Group companies	291	3,522	0	0	0	658	20,192	1,368	2,703	150
Other payables	447	1,711	8,074	26,483	719	640	1,821	568	12,211	7,449
Accrued liabilities and deferred income	116	0	83	0	45	95	0	209	548	503
Total liabilities and shareholders' equity	4,353	9,462	25,466	116,607	4,969	3,313	61,820	4,146	252,169	38,605

(*) Drawn up as per international accounting principles (IAS/IFRS)

(follows)

Appendixt G: Significant details from the income statements of associated companies

(follow)

(€ 000)	ACI-Mondadori	MDM Milano Distrib. Media	Gruner + Jahr /Mondadori	Gruppo Random House Mondadori (*) (consolidated financial statements)	Harlequin Mondadori	Hearst Mondadori	Mach 2 Libri	Mondadori Rodale	Mondadori Printing	Società Europea di Edizioni
Year	2010	2010	2009	2010	2010	2010	2010	2010	2010	2010
Income statement										
Revenues from sales	8,156	9,968	40,546	115,542	10,870	5,840	138,047	9,076	285,710	69,202
Changes in product inventories	130		(8)	(21,193)	4	31	0	95	532	
Other revenues	290	2,350	2,177	1,591	412	685	1,855	148	8,023	3,177
Total value of production	8,576	12,318	42,715	95,940	11,286	6,556	139,902	9,319	294,265	72,379
Purchases and services	7,316	11,533	24,121	17,439	7,992	4,055	133,267	7,127	203,540	41,838
Personnel	1,269	1,009	12,537	25,883	1,769	1,569	4,929	1,992	54,239	25,248
Depreciation, amortisation and write downs	7	180	415	2,179	0	4	547	12	19,511	5,746
Changes in inventory of raw materials	0	0	267	0	0	0	(1,790)	0	(613)	708
Accruals and charges to provisions	0	0	40	8,290	91	80	48	80	1,312	3,266
Other expense	(15)	32	693	48,463	76	396	404	151	1,280	1,929
Total cost of production	8,577	12,754	38,073	102,254	9,928	6,104	137,405	9,362	279,269	78,735
Income from investments	0	0	0	0	0	0	0	0	661	0
Financial income (expense)	12	3	127	(1,423)	33	(1)	38	8	328	(345)
Total cost of production	12	3	127	(1,423)	33	(1)	38	8	989	(345)
Revaluations (writedowns)					0				(4,528)	
Extraordinary income (expense)	0	0	104	0	0	0	0	0		(1,485)
Result before tax	11	(433)	4,873	(7,737)	1,391	451	2,535	(35)	11,457	(8,186)
Income tax	26	23	1,943	424	495	182	1,012	78	3,302	783
Profit (loss) for the year	(15)	(456)	2,930	(8,161)	896	269	1,523	(113)	8,155	(8,969)

(*) Drawn up as per international accounting principles (IAS/IFRS)

Appendix H: Fees paid to directors, statutory auditors, general managers and managers with strategic responsibilities (art. 78 of Consob resolution 11971 of 14 May 1999). The data referring to managers with strategic responsibilities are indicated on an aggregated level.

	Description			Fee (€ 000)			
Surname and name	Position held	Period position held	Date position ends	Fee for position	Non-monetary benefits	Bonus and other incentives	Other fees
Berlusconi Marina	Chairman	01/01 - 31/12/2010	Approval of 2011 Financial Statements	515.0	-	-	-
Costa Maurizio	Deputy Chairman and Chief Executive	01/01 - 31/12/2010	Approval of 2011 Financial Statements	1,010.0	20.1	550.0	1,211.3 [1]
Berlusconi Pier Silvio	Director	01/01 - 31/12/2010	Approval of 2011 Financial Statements	10.0	-	-	-
Briglia Roberto	Director	01/11 - 31/12/2010	Approval of 2011 Financial Statements	1.7	12.6	715.0	713.3 [1]
Cannatelli Pasquale	Director	01/01 - 31/12/2010	Approval of 2011 Financial Statements	10.0	-	-	-
Ermolli Bruno	Director	01/01 - 31/12/2010	Approval of 2011 Financial Statements	25.0*	-	-	-
Forneron Mondadori Martina	Director	01/01 - 31/12/2010	Approval of 2011 Financial Statements	10.0	-	-	-
Poli Roberto	Director	01/01 - 31/12/2010	Approval of 2011 Financial Statements	10.0	-	-	-
Renoldi Angelo	Director	01/11 - 31/12/2010	Approval of 2011 Financial Statements	4.2 **	-	-	-
Resca Mario	Director	01/01 - 31/12/2010	Approval of 2011 Financial Statements	25.0*	-	-	-
Sangalli Carlo	Director	01/11 - 31/12/2010	Approval of 2011 Financial Statements	1.7	-	-	-
Spadacini Marco	Director	01/01 - 31/12/2010	Approval of 2011 Financial Statements	25.0 *	-	-	-
Veronesi Umberto	Director	01/01 - 31/12/2010	Approval of 2011 Financial Statements	10.0	-	-	-
Vismara Carlo Maria	Director	01/01 - 31/12/2010	Approval of 2011 Financial Statements	10.0	10.9	267.5	701.9 [1]
Managers with strategic responsibilities		01/01 - 31/12/2010	-	650.0 [2]	47.7	4,253.9 [3]	3,520.7 [1]
Superti Furga Ferdinando	Chairman of Mondadori Statutory Auditors	01/01 - 31/12/2010	Approval of 2011 Financial Statements	60.0	-	-	-
Papa Franco Carlo	Mondadori Standing Auditor	01/01 - 31/12/2010	Approval of 2011 Financial Statements	40.0	-	-	-
Giampaolo Francesco Antonio	Mondadori Standing Auditor	01/01 - 31/12/2010	Approval of 2011 Financial Statements	40.0	-	-	-
Giampaolo Francesco Antonio	Standing Auditor of subsidiaries	01/01 - 31/12/2010	-	3.3 [2]	-	-	-

* € 15,000 as member of the Internal Control Committee
** € 2.5 as member of Internal Control Committee
(1) Salary
(2) Fee from subsidiary company
(3) € 2,309 for three-year period 2008/2009/2010

Appendix H: Stock options granted to directors, general managers and managers with strategic responsibilities

		Options held at beginning of year			Options granted during year			Options granted during year		Options expired during year		Options held at end of year		
(A)	(B)	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)=1+4-7-10	(12)	(13)
Name and surname	Position held	Number of options	Average exercise price (€)	Average expiry date	Number of options	Average exercise price (€)	Average expiry date	Number of options	Average exercise price (€)	Average market price at exercise date (€)	Number of options	Number of options	Average exercise price (€)	Average expiry date
Marina Berlusconi	Chairman	300,000*1	7.87	23/06/2011								300,000	7.87	23/06/2011
		300,000*2	7.507	17/07/2012								300,000	7.507	17/07/2012
		360,000*3	7.458	25/06/2013								360,000	7.458	25/06/2013
		360,000*4	4.565	19/06/2014										
		360,000*5	3.4198	15/10/2015								360,000	3.4198	15/10/2015
					360,000	2.4693	21/07/2016					360,000	2.4693	21/07/2016
											Total	1,680,000		
Maurizio Costa	Deputy Chairman and Chief Executive	330,000*1	7.87	23/06/2011								330,000	7.87	23/06/2011
		330,000*2	7.507	17/07/2012								330,000	7.507	17/07/2012
		450,000*3	7.458	25/06/2013								450,000	7.458	25/06/2013
		450,000*4	4.565	19/06/2014										
		450,000*5	3.4198	15/10/2015								450,000	3.4198	15/10/2015
					450,000	2.4693	21/07/2016					450,000	2.4693	21/07/2016
											Total	2,010,000		
Carlo Maria Vismara	Director	70,000*2	7.507	17/07/2012								70,000	7.507	17/07/2012
		70,000*3	7.458	25/06/2013								70,000	7.458	25/06/2013
		70,000*4	4.565	19/06/2014										
		70,000*5	3.4198	15/10/2015								70,000	3.4198	15/10/2015
					70,000	2.4693	21/07/2016					70,000	2.4693	21/07/2016
											Total	280,000		
Roberto Briglia *	Director	70,000*1	7.87	23/06/2011								70,000	7.87	23/06/2011
		70,000*2	7.507	17/07/2012								70,000	7.507	17/07/2012
		70,000*3	7.458	25/06/2013								70,000	7.458	25/06/2013
		70,000*4	4.565	19/06/2014										
		70,000*5	3.4198	15/10/2015								70,000	3.4198	15/10/2015
					70,000	2.4693	21/07/2016					70,000	2.4693	21/07/2016
											Total	350,000		
Managers with strategic responsibilities **		410,000*1	7.87	23/06/2011								410,000	7.87	23/06/2011
		430,000*2	7.507	17/07/2012								430,000	7.507	17/07/2012
		530,000*3	7.458	25/06/2013								530,000	7.458	25/06/2013
		480,000*4	4.565	19/06/2014										
		410,000*5	3.4198	15/10/2015								410,000	3.4198	15/10/2015
					480,000	2.4693	21/07/2016					480,000	2.4693	21/07/2016
											Total	2,260,000		
											Total	6,580,000		

*1 options assigned for 2005
*2 options assigned for 2006
*3 options assigned for 2007
*4 options assigned for 2008. Not exercisable as conditions were not met
*5 options assigned for 2009

*position held since 11 November 2010.
Options related 2005, 2006, 2007, 2008 e 2009 fiscal years assigned as manager with strategic responsibilities.
**excluding the options assigned to the director Roberto Briglia.
A description of the main terms of the stock option plan is provided in the report and in the notes to the consolidated financial statements.

Appendix I: Distribution of receivables and payables by geographical area

(€ 000)	Italy	Other EU countries	USA	Switzerland	Canada	Other countries	Total
Receivables							
Non-current assets							
Non-current financial assets	605	50,000					50,605
Deferred tax assets	20,766						20,766
Other non-current assets	465						465
Current assets							
Tax receivables	14,859						14,859
Other current assets	18,780	6,368	11,786	568	75	1,524	39,101
Trade receivables	217,943	3,173	62	826	15	616	222,635
Securities and other current financial assets	73,706	19,993					93,699
Total receivables	347,124	79,534	11,848	1,394	90	2,140	442,130
Payables							
Non-current payables							
Non-current financial liabilities	265,022						265,022
Deferred tax liabilities	19,936						19,936
Other non-current liabilities							0
Current payables							
Income tax payables	14,306						14,306
Other current liabilities	68,725	390	310	8	1	48	69,482
Trade payables	172,311	1,374	137	42	3	116	173,983
Payables to banks and other financial liabilities	187,381						187,381
Total payables	727,681	1,764	447	50	4	164	730,110

Certification of the Financial Statements for the year as per article 81-ter of Consob regulation 11971 of 14 May 1999 and subsequent modifications and integrations

1 1.The undersigned Maurizio Costa, in his role as deputy chairman and chief executive, and Carlo Maria Vismara, in his role as director responsible for compiling the company financial documents of Arnoldo Mondadori Editore SpA, certify, in accordance with article 154-*bis*, paragraphs 3 and 4 of legislative decree no. 58 of 24 February 1998:

- the appropriateness in relation to the characteristics of the company
- the effective application of the administrative and accounting procedures for representing the financial statements during 2010.

2 1.The evaluation of the appropriateness of the administrative and accounting procedures for representing the financial statements at 31 December 2010 is based on a process established by Arnoldo Mondadori Editore SpA that conforms to the Internal Control - Integrated Framework model issued by the Committee of Sponsoring Organizations of the Treadway Commission, which represents an internationally accepted general reference framework.

3 It is also certified that:

3.1 the financial statements at 31 December 2010:

a) have been compiled in conformity with the applicable International Financial Reporting Standards adopted by the European Union in European Parliament and Council Regulation 1606/2002 (EC) and with the measures implementing art. 9, legislative decree 38/2005;

b) correspond to the data in the registers and accounting records;

c) provide a true and correct representation of the asset and liability, economic and financial situation of the company;

3.2 the report on the year includes a reliable analysis of the management performance and the result and of the situation of the company and of the companies within the consolidation area, together with a description of the main risks and uncertainties to which they are exposed.

21 March 2011

Deputy chairman and chief executive
(Maurizio Costa)

Director responsible for compiling
the company financial documents
(Carlo Maria Vismara)

Consolidated Financial Statements at 31 December 2010

Consolidated balance sheet

Assets (€ 000)	Note	31/12/2010	31/12/2009
Intangible assets	2	901,468	904,283
Property investments	3	2,383	2,470
Land and buildings		10,680	11,374
Property, plant and equipment		5,513	7,184
Other tangible fixed assets		39,766	29,747
Property, plant and equipment	4	55,959	48,305
Investments accounted for using the equity method		131,464	143,329
Other investments		222	221
Total investments	5	131,686	143,550
Non-current financial assets	12	1,889	483
Deferred tax assets	6	45,679	46,238
Other non-current assets	7	1,390	2,897
Total non-current assets		1,140,454	1,148,226
Tax receivables	8	28,709	23,578
Other current assets	9	81,667	87,042
Inventories	10	131,484	124,010
Trade receivables	11	385,207	378,269
Securities and other current financial assets	12	31,942	41,369
Cash and cash equivalents	13	84,901	119,627
Total current assets		743,910	773,895
Assets held for sale		-	-
Total assets		1,884,364	1,922,121

Liabilities (€ 000)	Note	31/12/2010	31/12/2009
Share capital		67,452	67,452
Share premium reserve		286,857	286,857
Treasury shares		(144,968)	(138,840)
Other reserves and retained earnings		327,771	294,701
Profit (loss) for the year		42,101	34,333
Shareholders' equity attributable to the Group	14	579,213	544,503
Capital and reserves attributable to minorities	15	1,750	1,778
Total shareholders' equity		580,963	546,281
Provisions	16	43,416	58,381
Employees' termination benefits	17	53,159	59,037
Non-current financial liabilities	18	418,468	382,187
Deferred tax liabilities	6	91,189	89,140
Other non-current liabilities		-	72
Total non-current liabilities		606,232	588,817
Income tax payables	19	22,619	20,380
Other current liabilities	20	250,966	256,731
Trade payables	21	380,895	357,693
Payables to banks and other financial liabilities	18	42,689	152,219
Total current liabilities		697,169	787,023
Liabilities held for sale		-	-
Total liabilities		1,884,364	1,922,121

Consolidated income statement

(€ 000)	Note	2010	2009
Revenues from sales and services	22	1,558,302	1,540,128
Decrease (increase) in inventories	10	(833)	(642)
Cost of raw materials and consumables and goods for resale	23	254,910	254,229
Cost of services	24	832,537	824,786
Personnel costs	25	271,508	302,823
Other (income) expense	26	56,596	55,076
Income (expense) from investments accounted for using the equity method	27	(3,392)	2,300
Gross operating profit		140,192	106,156
Depreciation and impairment of property, plant and equipment	3-4	12,823	13,428
Amortisation and impairment of intangible assets	2	13,145	20,928
Operating profit		114,224	71,800
Financial income (expense)	28	(23,919)	(7,882)
Income (expense) from other investments		(38)	-
Profit before taxes		90,267	63,918
Income taxes	29	47,633	29,011
Profit from continuing activities		42,634	34,907
Income (expense) from assets/liabilities held for sale		-	-
Result attributable to minorities	15	(533)	(574)
Net profit		42,101	34,333
Earnings per share (in €)	30	0.177	0.143
Diluted earnings per share (in €)	30	0.177	0.143

On behalf of the Board of Directors
Chairman
Marina Berlusconi

Consolidated comprehensive income statement

(€ 000)	Note	2010	2009
Net result before third-party share of profits		42,634	34,907
Profits (losses) deriving from conversion of financial statements from foreign companies	14	19	(5)
Other profits (losses) from companies valued at net equity	14	(62)	91
Effective part of profits (losses) on cash flow hedge instruments	12	(575)	(584)
Profit (loss) deriving from assets available for sale (fair value)	12	(1,536)	4,197
Taxes relating to other profits (losses)		-	-
Total other profits (losses) net of taxes		(2,154)	3,699
Comprehensive result for period		40,480	38,606
Attributable to:			
- Parent company shareholders		39,947	38,032
- Minorities		533	574

On behalf of the Board of Directors
Chairman
Marina Berlusconi

Changes in consolidated shareholders' equity for the year ended 31 December 2009

(€ 000)	Note	Share capital	Share premium reserve	Treasury shares	*Stock option reserve*	*Cash flow hedge reserve*	*Fair value reserve*	Translation reserve	Other reserves	Profit (loss) for the year	Total Group	Minority interests	Total
Balance at 01/01/2009		**67,452**	**286,876**	**(138,840)**	**5,739**	**(4,076)**	**(4,454)**	**(653)**	**198,050**	**97,080**	**507,174**	**1,925**	**509,099**
- Transfer of 2008 profit									97,080	(97,080)	-		-
- Dividends paid											-	(721)	(721)
- Changes in scope of consolidation											-		-
- Treasury share operations	14										-		-
- Stock options	25				962						962		962
- Other changes	14		(19)						(1,646)		(1,665)		(1,665)
- Profit (loss) for the year						(584)	4,197	86		34,333	38,032	574	38,606
Balance at 31/12/2009		**67,452**	**286,857**	**(138,840)**	**6,701**	**(4,660)**	**(257)**	**(567)**	**293,484**	**34,333**	**544,503**	**1,778**	**546,281**

Changes in consolidated shareholders' equity for the year ended 31 December 2010

(€ 000)	Note	Share capital	Share premium reserve	Treasury shares	*Stock option reserve*	*Cash flow hedge reserve*	*Fair value reserve*	Translation reserve	Other reserves	Profit (loss) for the year	Total Group	Minority interests	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**
- Transfer of 2009 profit									34,333	(34,333)	-		-
- Dividends paid											-	(567)	(567)
- Changes in scope of consolidation											-		-
- Treasury share operations	14			(6,128)							(6,128)		(6,128)
- Stock options	25				424				300		724		724
- Other changes	14								167		167	6	173
- Profit (loss) for the year						(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**

On behalf of Board of Directors
Chairman
Marina Berlusconi

Consolidated cash flow statement

(€ 000)	Note	31/12/2010	31/12/2009
Net profit for the year		42,101	34,333
Adjustments			
ADepreciations and writedowns	2-3-4	25,968	34,356
Income taxes for the year	29	47,633	29,011
Stock options	25	724	1,186
Charges to provisions, employees' termination indemnities		5,556	12,716
Capital (gains) losses on disposal of intangible assets, property, plant and equipment, investments		(933)	(2,094)
Capital (gains) losses on financial assets	28	547	(5,992)
(Income) expense from companies accounted for using the equity method	27	3,392	(2,300)
Net financial charges from loans and derivative operations	28	18,351	10,755
Cash from operating activities		143,339	111,971
(Increase) decrease in trade receivables		(1,800)	31,734
(Increase) decrease in inventories		(1,239)	340
Increase (decrease) in trade payables		80	(882)
Income taxes		(47,795)	(42,137)
Advances for and settlements of employees' termination indemnities		(11,996)	(6,610)
Net change in other assets/liabilities		(11,075)	8,895
Cash flow from (used in) operating activities		69,514	103,311
Fees received (paid) net of cash acquired (disposed of)	1	1,955	-
(Investments in) disposals of intangible assets		(2,549)	6,951
(Investments in) disposals of property, plant and equipment		(12,858)	7,859
(Investments in) disposals of equity investments		1,577	364
(Investments in) disposals of financial assets		5,363	38,233
Cash flow from (used in) investing activities		(6,512)	53,407
Net change in financial liabilities		(69,669)	(343,364)
Net financial charges from loans and derivative operations		(21,931)	(24,257)
(Purchase) disposal of treasury stocks	14	(6,128)	-
Dividends paid	14	-	-
Cash flow from (used in) financing activities		(97,728)	(367,621)
Increase (decrease) in cash and cash equivalents		(34,726)	(210,903)
Cash and cash equivalents at beginning of year	13	119,627	330,530
Cash and cash equivalents at end of year	13	84,901	119,627
Composition of cash and cash equivalents			
Cash, checks and valuables in hand		1,180	1,436
Bank and post office deposits		83,721	118,191
	13	84,901	119,627

On behalf of the Board of Directors
Chairman
Marina Berlusconi

Consolidated balance sheet
as per Consob resolution 15519 of 27 July 2006

Assets (€ 000)	Note	At 31/12/2010	Including related parties (note 33)	At 31/12/2009	Including related parties (note 33)
Intangible assets	2	901,468	-	904,283	-
Investment property	3	2,383	-	2,470	-
Land and buildings		10,680	-	11,374	-
Plant and machinery		5,513	-	7,184	-
Other tangible fixed assets		39,766	-	29,747	-
Property, plant and equipment	4	55,959	0	48,305	0
Investments accounted for using the equity method		131,464	-	143,329	-
Other investments		222	-	221	-
Total investments	5	131,686	0	143,550	0
Non-current financial assets	12	1,889	-	483	-
Deferred tax assets	6	45,679	-	46,238	-
Other non-current assets	7	1,390	-	2,897	-
Total non-current assets		1,140,454	0	1,148,226	0
Tax receivables	8	28,709	2,481	23,578	-
Other current assets	9	81,667	-	87,042	-
Inventories	10	131,484	-	124,010	-
Trade receivables	11	385,207	39,155	378,269	39,288
Securities and other current financial assets	12	31,942	1,399	41,369	2,508
Cash and cash equivalents	13	84,901	-	119,627	-
Total current assets		743,910	43,035	773,895	41,796
Assets held for sale		-	-	-	-
Total assets		1,884,364	43,035	1,922,121	41,796

Liabilities (€ 000)	Note	At 31/12/2010	Including related parties (note 33)	At 31/12/2009	Including related parties (note 33)
Share capital		67,452	-	67,452	-
Share premium reserve		286,857	-	286,857	-
Treasury shares		(144,968)	-	(138,840)	-
Other reserves and retained earnings		327,771	-	294,701	-
Profit (loss) for the year		42,101	-	34,333	-
Total shareholders' equity attributable to the Group	14	579,213	0	544,503	0
Capital and reserves attributable to minorities	15	1,750	-	1,778	-
Total shareholders' equity		580,963	0	546,281	0
Provisions	16	43,416	-	58,381	-
Employees' termination benefits	17	53,159	-	59,037	-
Non-current financial liabilities	18	418,468	50,000	382,187	-
Deferred tax liabilities	6	91,189	-	89,140	-
Other non-current liabilities		-	-	72	-
Total non-current liabilities		606,232	50,000	588,817	0
Income tax payables	19	22,619	18,487	20,380	19,880
Other current liabilities	20	250,966	-	256,731	-
Trade payables	21	380,895	90,891	357,693	92,243
Payables to banks and other financial liabilities	18	42,689	8,831	152,219	7,232
Total current liabilities		697,169	118,209	787,023	119,355
Liabilities held for sale		-	-	-	-
Total liabilities and shareholders' equity		1,884,364	168,209	1,922,121	119,355

Consolidated income statement as per Consob resolution 15519 of 27 July 2006

(€ 000)	Note	2010	Including related parties (note 33)	Including non-recurring charges (income) (note 32)	2009	Including related parties (note 33)	Including non-recurring charges (income) (note 32)
Revenues from sales and services to third parties	22	1,558,302	69,420	-	1,540,128	71,171	-
Decrease (increase) in inventories	10	(833)	-	-	(642)	-	-
Purchase of raw materials and consumables and goods for resale	23	254,910	19,685	-	254,229	24,955	-
Purchase of services	24	832,537	214,568	-	824,786	243,131	-
Personnel costs	25	271,508	-	-	302,823	-	30,692
Other (income) expense	26	56,596	(6,383)	-	55,076	(8,039)	2,101
Income (expense) from investments accounted for using the equity method	27	(3,392)	-	-	2,300	-	-
Gross operating profit		140,192	(158,450)	0	106,156	(188,876)	(32,793)
Depreciation and impairment of property, plant and equipment	3-4	12,823	-	-	13,428	-	1,263
Amortisation and impairment of intangible assets	2	13,145	-	-	20,928	-	-
Operating profit		114,224	(158,450)	0	71,800	(188,876)	(34,056)
Financial income (expenses)	28	(23,919)	(1,112)	-	(7,882)	(396)	14,450
Income (expenses) from other investments		(38)	-	-	-	-	-
Profit before taxes		90,267	(159,562)	0	63,918	(189,272)	(19,606)
Income taxes	29	47,633	-	8,653	29,011	-	(5,485)
Results attributable to continuing operations		42,634	(159,562)	(8,653)	34,907	(189,272)	(14,121)
Income (expenses) from assets/liabilities held for sale		-	-	-	-	-	-
Results attributable to minorities	15	(533)			(574)	-	-
Net profit		42,101	(159,562)	(8,653)	34,333	(189,272)	(14,121)

Accounting principles and other information

1. General information

The main corporate purpose of Arnoldo Mondadori Editore SpA and the companies in which it has direct and indirect investments ("Mondadori Group" or the "Group") is to carry out business activities connected with the book and magazine publishing sectors, radio broadcasting activities and the sale of advertising.

The Group is also involved in retailing through a chain of its own shops and franchising outlets located throughout Italy, direct marketing and mail-order sales of editorial products.

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

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

The publication of Mondadori Group consolidated financial statements for the year ended 31 December 2010 was authorised by Board of Directors resolution dated 21 March 2011.

2. Form and content

The consolidated financial statements as at 31 December 2010 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 on 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 taken 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 enforced as of 1 January 2005, following adoption of European Regulation no. 1606 of 19 July 2002.

The consolidated financial statements as at 31 December 2010 were prepared in accordance with the accounting standards used for the preparation of IAS/IFRS consolidated financial statements as at 31 December 2009, taking into consideration any new amendments and standards with effect from 1 January 2010, which are referred to in note 6.26 hereunder.

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 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 profit (loss) for the period as required or allowed by the other IAS/IFRS accounting standards;
- the cash flow statement has been prepared using the indirect method.

With reference to the requirements of Consob resolution 15519 of 27 July 2006 concerning the tables used in financial statements, specific supplementary tables were included to highlight significant business with "Related parties" and "Non-recurring operations".

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

3. Consolidation policies

Mondadori Group consolidated financial statements include:

- the financial statements of the parent company and the financial statements of Italian and foreign companies in which Arnoldo Mondadori Editore SpA has direct or indirect control pursuant to 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 SpA 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 SpA 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;
- any excess of the purchase cost of investments with respect to the Group's share of net equity at the date of purchase is allocated to the specific assets and liabilities 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 SpA, 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.

In 2010, relevant transactions included the purchase of the remaining 50% of Mondolibri SpA, the purchase of 40% of Mach 2 Press Srl and a partial transfer of the interest held in Agenzia Lombarda Distribuzione Giornali e Riviste Srl. For more details refer to note 8.

Other transactions mainly included the transfer of minor companies.

Name	Registered office	Business	Currency	Share capital expressed in local currency	% held as of 31/12/2010	% held as of 31/12/2009
Companies consolidated using line-by-line method						
Arnoldo Mondadori Editore SpA	Milan	Publishing	€	67,451,756.32		
Italian subsidiaries						
Cemit Interactive Media SpA	S. Mauro Torinese (TO)	Trade	€	3,835,000.00	100.00	100.00
Edizioni Piemme SpA	Milan	Publishing	€	566,661.00	90.00	90.00
Mondadori Education SpA	Milan	Publishing	€	10,608,000.00	100.00	100.00
Mondadori Electa SpA	Milan	Publishing	€	1,593,735.00	100.00	100.00
Electa Rmn Srl	Milan	Services	€	20,000.00	75.00	
Mondadori Retail SpA	Milan	Trade	€	2,700,000.00	100.00	100.00
Giulio Einaudi editore SpA	Torino	Publishing	€	23,920,000.00	100.00	100.00
Mondadori International SpA	Milan	Finance	€	350,736,076	100.00	100.00
Mondadori Pubblicità SpA	Milan	Advertising agent	€	3,120,000.00	100.00	100.00
Mondadori Franchising SpA	Rimini	Trade	€	1,954,000.00	100.00	100.00
Mondadori Iniziative Editoriali SpA	Milan	Trade publishing	€	500,000	100.00	100.00
Mondolibri SpA	Milan	Trade publishing	€	1,040,000.00	100.00	50.00
Press-Di Distr. Stampa e Multimedia Srl	Milan	Services	€	1,095,000.00	100.00	100.00
Monradio Srl	Milan	Radio	€	3,030,000.00	100.00	100.00
Monradio Servizi Srl (liquidated)						100.00
Sperling & Kupfer Editori SpA	Milan	Publishing	€	1,555,800.00	100.00	100.00
Sporting Club Verona Srl	Milan	Sports club	€	100,000.00	100.00	
Foreign subsidiaries						
ABS Finance Fund Sicav	Luxembourg	Finance	€	1,556,705.63	70.57	71.17
Ame France Sas (incorporated)						100.00
Arnoldo Mondadori Deutschland GmbH (liquidated)						100.00
Gruppo Mondadori France	Paris	Publishing	€	50,000,000.00	100.00	100.00
Ame Publishing Ltd (in liquidation)	New York	Services	US$	50,000.00	100.00	100.00
Arnoweb SA (incorporated)						100.00
Prisco Spain SA	Barcelona	Finance	€	60,101.30	100.00	100.00

Name	Registered office	Business	Currency	Share capital expressed in local currency	% held as of 31/12/2010	% held as of 31/12/2009
Companies valued using the net equity method						
ACI-Mondadori SpA	Milan	Publishing	€	590,290.00	50.00	50.00
MDM Milano Distribuzione Media Srl	Milan	Trade	€	520,000.00	20.00	50.00
Gruppo Attica Publications	Athens	Publishing	€	4,590,000.00	41.98	41.98
Campania Arte Scarl	Rome	Services	€	100,000.00	22.00	22.00
Consorzio Covar (in liquidation)	Rome	Services	€	15,493.70	25.00	25.00
Consorzio Forma	Pisa	Services	€	3,615.00	25.00	25.00
Consorzio Editoriale Fridericiana	Naples	Services	€	12,396.51	33.33	33.33
Edizioni Electa Bruno Mondadori Srl (liquidated)						50.00
Edizioni EL Srl	Trieste	Publishing	€	620,000.00	50.00	50.00
Gruppo Random House Mondadori	Barcelona	Publishing	€	6,824,600.63	50.00	50.00
Gruner + Jahr/Mondadori SpA	Milan	Publishing	€	2,600,000.00	50.00	50.00
Harlequin Mondadori SpA	Milan	Publishing	€	258,250.00	50.00	50.00
Hearst Mondadori Editoriale Srl	Milan	Publishing	€	99,600.00	50.00	50.00
Mach 2 Libri SpA	Peschiera Borromeo (MI)	Trade	€	646,250.00	34.91	34.91
Mach 2 Press Srl	Peschiera Borromeo (MI)	Trade	€	200,000.00	46.98	-
Mediamond SpA	Milan	Advertising agent	€	1,500,000.00	50.00	50.00
Mondadori Independent Media LLC	Moscow	Publishing	Rur	2,400,000	50.00	50.00
Mondadori Seec Advertising Co Ltd	Beijing	Publishing	Cny	40,000,000.00	50.00	50.00
Mondadori Printing SpA	Cisano Berg, (BG)	Printing	€	45,396,000.00	20.00	20.00
Mondadori Rodale Srl	Milan	Publishing	€	90,000.00	50.00	50.00
Novamusa Gelmar Biblioteca Nazionale Scarl (dismissed))						20.00
Novamusa Valdinoto Scarl	Messina	Services	€	90,000.00	20.00	20.00
Novamusa Valdemone Scarl	Messina	Services	€	90,000.00	20.00	20.00
Novamusa Val di Mazara Scarl	Messina	Services	€	90,000.00	20.00	20.00
Roccella Scarl (in liquidation)	Napoli	Services	€	100,000.00	49.50	49.50
Società Europea di Edizioni SpA	Milan	Publishing	€	10,297,628.69	36.89	36.89
Venezia Musei per i servizi museali Scarl	Venice	Services	€	10,000.00	34.00	34.00
Venezia Accademia per i servizi museali Scarl	Venice	Services	€	10,000.00	25.00	25.00
Companies valued at cost						
Aranova Freedom Scarl	Bologna	Radio	€	19,200.00	16.66	16.66
Audiradio Srl	Milan	Services	€	258,000.00	2.32	2.32
Consuledit Srl	Milan	Services	€	20,000.00	9.56	9.54
Consorzio Forte Montagnolo	Civitanova Marche	Radio	€	26,000.00	3.85	
Cons. Sistemi Informativi Editoriali Distributivi	Milan	Services	€	103,291.38	10.00	10.00
Editrice Portoria SpA	Milan	Publishing	€	364,000.00	16.78	16.78
Editrice Storia Illustrata Srl (in liquidation)	Milan	Publishing	Itl	20,000,000	8.39	8.39
Giulio Einaudi Editore SpA (under Chapter 11)	Turin		Itl	3,000,000,000	7.35	7.35
Immobiliare Editori Giornali Srl	Rome	Real estate	€	830,462.00	7.88	7.88
SCABEC SpA	Naples	Services	€	1,000,000.00	10.78	10.78
Selcon Srl	Milan	Services	€	20,800.00	25.60	25.60
Società Editrice Il Mulino SpA	Bologna	Publishing	€	1,175,000.00	7.05	7.05

4. Conversion of financial statements 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 Divisions: Books, Italian Magazines and French Magazines, Advertising, Direct Marketing and Retail and Radio Broadcasting 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 methods

The following is an explanation of the principles adopted by the Mondadori Group in preparing the IAS/IFRS consolidated financial statements as at 31 December 2010.

6.1 Intangible assets

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

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

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

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

Intangible assets purchased separately and those purchased as part of business combinations that took place before the first adoption of IAS/IFRS are initially recognised at cost, while those purchased as part of business combination operations that took place 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 Group will receive the relative future economic benefits.

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

Intangible assets with a finite useful life	Amortisation period
Titles	Term of licence/30 years
Costs of taking over lease contracts	Term of rental contract
Goods under concession or licence	Term of franchise or licence
Software	Straight line over 3 years
Patents and rights	Straight line over 3 to 5 years
Other intangible assets	Straight line over 3 to 5 years

Intangible assets with a finite useful life are subject to an impairment test every time there is an indication of a possible loss of value. The period and method of amortisation applied 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
Titles
Series
Radio frequencies
Brands
Goodwill

Goodwill represents the excess of the cost of a business combination over the Group'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 amortisation 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 attributed 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, on condition that the cost of the asset can be reliably measured and that future economic benefits will flow to the Group.

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

Costs which arise after the initial purchase are included in the increase of the cost of the property 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 Group.

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
Buildings not used in business activities	3%

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

Gains and losses deriving from the disposal of property investments are recognised under 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 relative future economic benefits accrue to the Group.

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

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

Assets booked to property, plant and equipment purchased as part of acquisitions and business combinations are 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 property, plant and equipment are shown in the table below:

Property, plant and equipment	Depreciation rate
Buildings used in business activities	3%
Plant	10% - 25%
Rotary press	10%
Machinery	15.5%
Equipment	25%
Electronic office equipment	30%
Office furniture and machines	12%
Motor vehicles and transport vehicles	20% - 30%
Other assets	20%

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

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

6.4 Finance lease assets

Assets 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 any purchase option.

Liabilities arising from leasing contracts are recognised under financial liabilities.

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

Lease contracts in which lessor substantially keeps all the risks and benefits linked to assets ownership are classified as operating leases and the relevant costs are recognised under income statement for the entire duration of contract term..

6.5 Borrowings

Borrowings resulting from assets purchase, development or production are capitalised. In case of assets which do not justify capitalisation, the relevant costs are recognised under 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 whenever it is believed that it may have decreased.

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

If no binding sales agreement or an active market for an asset exist, the fair value is calculated on the basis of the best information available as to the amount the Group 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 determined 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 importance to external indicators.

Pre-tax discounting reflects current market estimates of the time value of money and the specific risks connected to the asset.

The valuation is carried out by individual asset or by the smallest Cash Generating Unit that generates cash flows from assets 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 under the cost items in income statement.

If during subsequent financial years, when the impairment test is repeated, the reasons for the writedown no longer exist, the value of the asset, excluding goodwill, is reinstated to take into account the new recoverable value, which should never exceed the value that would have been stated, had no loss in value been recognised.

6.7 Investments in joint ventures and associated companies

This item refers to investments in companies 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 profits and losses 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 losses exceeding net 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, transformation 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 consumable materials and of finished products purchased for sale, while the FIFO method is used for finished products.

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

The presumed net value for raw, subsidiary and 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 initially recognised at fair value increased by accessory purchase charges. Purchase and sale of financial assets are recognised upon trading date, which corresponds to the date in which the Group agreed 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 profit 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 referring 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

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

Long-term financial investments that are held to their maturity, such as bonds, are valued, after 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.
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. Profits and losses 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 writedowns). This category also includes item "Cash and other cash equivalents".

Financial assets available-for-sale

Financial assets available-for-sale include all assets which do not fall into any of the categories mentioned above.

After being initially measured at cost, financial assets available-for-sale are measured at fair value. The profits 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.

Financial assets available-for-sale 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 subsequently recognised in the financial statements at their estimated realisable value.

6.11 Treasury shares

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

6.12 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.

6.13 Financial liabilities

Financial liabilities include financial payables, derivative instruments, payables linked to financial leasing contracts and trade payables. All financial liabilities, other than derivative financial instruments, are initially valued at fair value (as increased by any transaction costs) and are subsequently valued at amortised cost by using the interest rate method.

Financial instruments including bonds convertible into Arnoldo Mondadori Editore SpA shares are recognised by separating the liability component from the option component. The liability component is recognised under financial liabilities by applying the amortised cost method, while the option value, calculated as the difference between the value of the liability component and the nominal value of the financial instrument issued, is recognised under reserve in shareholders' equity.

Financial liabilities hedged by derivative instruments against the risk of changes in value (fair value hedges), are valued at fair value, in accordance with IAS 39 hedge accounting. Profits and losses resulting from subsequent variations in fair value are recognised under income statement. Any changes linked to the effective hedge portion are compensated for by value adjustments 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 immediately to a third party;
- the Group has transferred the right to receive cash flows from an asset and has transferred substantially all the risks and benefits deriving from the ownership of the financial asset or has transferred control of the financial asset.

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

6.15 Impairment of financial assets

Upon closing, the Group carries out an impairment test in order to determine whether a financial asset or group of financial assets 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 book value and the current value of the estimated cash flows discounted based on the interest rate used initially for the asset.

If, in a subsequent period, the value loss amount decreases and such reduction can be objectively attributed to an event that has occurred after recognition of impairment, the previously recognised loss of value is reversed up to the amount the asset would have had, taking amortisation into account, at the date of the reversal.

Financial assets available-for-sale

When any financial asset available-for-sale is subject to impairment, the accumulated value loss is recognised under 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 fair value of the instrument can be objectively attributed to an event that has 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 linked to 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 relative to any similar financial asset.

6.16 Derivative financial instruments

Derivative financial instruments are initially recognised at fair value at the date they are stipulated. When a hedge operation is entered into, the Group 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.
Operations that satisfy hedge accounting criteria are accounted for as follows.

Fair value hedge

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

Profit 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 profit 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 profit and loss posted under the relevant shareholders' equity reserve are recognised under income statement.

When hedge accounting is not applicable, profit 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 when the financial statements are prepared, 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 on each individual liability item. When the financial impact linked to the assumed time span for the outlay is relevant and the payment dates can be reliably foreseen, provisions include such financial component, which is recognised in financial income (expense) under income statement .

6.18 Employee termination benefits
Benefits due to employees upon termination of the relevant labour contract include:
- defined contribution plans, represented by the sums accrued, as of 1 January 2007, attributable to Group companies with more than 50 employees;
- defined benefit plans, represented by the severance indemnity (TFR) fund, attributable to companies with less than 50 employees and by the severance indemnity (TFR) 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.

Employee termination benefits for entities with more than 50 employees are calculated by applying actuarial criteria to the fund provision accrued as at 31 December 2006, taking into account both demographic assumptions (including mortality rates and employee turnover) and financial assumptions (discounting reflecting the time value of money and the inflation rate).

Employee termination benefits for companies with less than 50 employees are calculated by applying the same actuarial criteria, taking also into account salary levels and future compensation.

The amount recognised as a liability for defined benefit plans is represented by the current liability value as at closing, net of the current value of plan assets, if any. This liability item recognised under income statement includes the following:
- social security costs relative to current labour;
- cost of interest;
- actuarial gains or losses;
- the expected return from any plan assets.

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 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 termination 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 when certain conditions occur, are recognised under "Other expenses (income).

6.19 Stock options
The Group grants additional benefits to directors and managers with strategically relevant functions for the attainment of the Group's results, through the provision of equity-settled stock option plans.
Stock options are measured at fair value upon delivery. Fair value is determined on the basis of a binomial model and subject to the rules of the individual plans.

The cost of these benefits is recognised under personnel costs during the period of service consistently with the relevant vesting period starting from the date of delivery with a counteritem 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. However, the estimate of the number of options expected to be exercised to maturity (and therefore the number of employees having the right to exercise these options) is consequently updated at closing. Any change in this estimate is recognised in "Reserve for stock options" and 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 relevant date of publication.

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 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 individual consolidated 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 consolidated 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 do not reverse in the foreseeable future;
  - it is not probable that deductible temporary differences reverse in the foreseeable future and that taxable income is available to cover such temporary differences.

The carrying value of deferred tax assets is reviewed at closing and is reduced if it is no longer probable that sufficient taxable income is 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.

Deferred tax assets and liabilities relating to items directly recognised under equity are recognised under shareholders' equity.

6.22 Transactions denominated in foreign currencies

Revenues and costs deriving from transactions denominated in foreign currencies are posted in the relevant currency at the then applicable exchange rate on the transaction date.
Monetary assets and liabilities denominated in foreign currencies are converted at the exchange rate ruling at closing 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 ruling on the relevant transaction date. Non-monetary items recognised at fair value in a foreign currency are converted using the exchange rates ruling 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 asset useful life.

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 under the Group's consolidated balance sheet. Such assets and liabilities are classified as "Assets and liabilities held for sale" and are valued at the lower between their book value and fair value less probable costs of disposal. Gains and losses, net of the related tax effect, resulting from the valuation or disposal of such assets or liabilities are recognised in a separate item under income statement.
Should the Group keep under transferred assets and liabilities a relevant shareholding IFRS 5 is not applicable as a result of the interest held in the associated company.

6.26 Accounting standards and interpretations adopted by the European Union with effect from 1 January 2010 and applied by the Mondadori Group

IFRS 3R – Business combinations

The new provisions of IFRS 3R establish, among others, that accessory costs related to business combination transactions, along with any contingent consideration, are recognised under income statement, as well as the entire amount of goodwill deriving from such transaction, including also the part attributable to minority interests (full goodwill method). In addition, the new provisions modify the current recognition method of acquisitions in subsequent phases, envisaging that the difference between the fair value calculated upon the acquisition date of the previously held assets and the relevant book value is recognised under income statement.

IAS 27R – Group's consolidated and parent company's financial statements

The new version of IAS 27R establishes, among others, that the effects deriving from the acquisition (disposal) of interests subsequently to gaining control (without loss of control) are accounted for as equity.

In addition, the new provisions establish that should a change in a parent's ownership interest in a subsidiary result in loss of control, the remaining interest held is adjusted to the relevant fair value and the revaluation (writedown) contributes to the gain (loss) deriving from the transfer transaction.

Lastly, the changes to IAS 27 require that all losses attributable to minority shareholders are allocated in proportion to their ownership interests, even when these exceed their capital share. The new rules become effective as of 1 January 2010.

IFRS 5 – Non-current assets held for sale and discontinued operations

Should a company have envisaged a divestment plan according to which it is expected that it looses control in any subsidiary, such subsidiary assets and liabilities shall be reclassified as assets held for sale, even if after transfer completion, the Group still holds a minority interest in the same subsidiary. This amendment has become effective as of 1 January 2010.

IFRS 8 – Operating segments

This amendment, which came into effect on 1 January 2010, requires that companies provide disclosures about the total assets value for all segments of operation, if such value is regularly reviewed by the entity's chief operating decision maker. Such disclosure was previously required also when such condition was not applicable.

IAS 36 – Impairment of assets

This amendment, which came into force on 1 January 2010, requires that every operating unit or group of operating units including goodwill for the purpose of the impairment test do not exceed the dimensions of an operating segment as defined in paragraph 5 of IFRS 8, before the aggregation allowed by paragraph 12 of IFRS 8 on the basis of similar economic characteristics or other similar elements.

6.27 New standards and interpretations adopted by the European Union but not yet effective and applied by the Mondadori Group

As required by IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors), the possible impacts of new standards or interpretations on the financial statements in their first year of application are listed below.

On 6 May 2010, IASB issued the latest series of Improvements to IFRS relating to the 2008-2010 period, which contain minor changes to the accounting standards in force.

The changes that may have an effect on the Group refer to:

- the fair value valuation of minority interests on the occasion of business combinations: currently, the new IFRS 3R envisages the possibility of measuring all minority interest components either at fair value or as a proportion of the share of the relevant identifiable net assets of the minority interest. This option only applies to those components that represent instruments that allocate minority shareholders rights which are equivalent to ordinary shares and in particular the right to obtain pro-rata shares in the net assets in case of liquidation. All other components relating to minority interests (such as preference shares or warrants issued by the acquired company in favour of third parties) are necessarily measured at fair value, unless IFRS regulations provide another form of valuation criteria;
- stock option plans acquired or voluntarily replaced following to business combination: the document explains that stock option plans acquired as a result of a business combination shall be (re)valued as at acquisition date pursuant to IFRS 2. In addition, IFRS 2 currently requires that the valuation of stock option plans acquired as a result of business combination is allocated including the acquisition cost and the cost of future services. This rule applies to all allocations regardless of the fact that they are or not voluntarily replaced as a result of the business combination;
- significant events and transactions included in interim reports pursuant to IAS 34: it is emphasised that disclosures about significant events and transactions included in interim reports shall be updated and reflected in the corresponding disclosures contained in annual reports; in addition, it should also be specified based on what circumstances it is compulsory to provide disclosures about financial instruments and the relevant fair value in interim reports.

Amendments are expected to come into force as of 1 January 2011.

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 editorial products, the provisions for bad debt, inventory obsolescence and risks, employee termination benefits and taxation, and 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 first made.

The most significant accounting estimates that involve a high level of subjective opinion 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 the discounted cash flow with the relevant assumptions.

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

Inventory write down 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 failed completion.

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 is presumably expected to be returned in the following year. Such 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 employees' termination benefits
Provisions made in relation to funds in favour of employees are based on actuarial estimates, any changes in the underlying assumptions may have significant effects on them.

Income taxes
Income taxes (both current and deferred) are calculated in each country in which the Group operates and are 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 contract, 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 retrospectively 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 profit 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 on 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.

8.1 Acquisition of 50% of Mondolibri SpA

At the end of April 2010, Arnoldo Mondadori Editore SpA acquired 50% of Mondolibri SpA share capital from Società Holding Industriale di Grafica SpA (Bertelsmann Group), thus increasing its shareholding to 100%.

Mondolibri SpA is a leader company in the Italian distance selling market for books, editorial products and multimedia products through its "club" formula, and also has over 70 sales outlets and an online platform.

The company is also one of Italy's main e-commerce operators through its Bol.it website.

The €6.75 million worth transaction represents a business combination pursuant to IFRS 3R, since it gives the Mondadori Group exclusive control on the company.

Following to the application of the afore mentioned accounting standard and specifically pursuant to the economic entity theory, goodwill accounted for €7.7 million on the 50% acquired amount and the revaluation of the 50% interest previously held amounted to €2.7 million. The latter was recognised under income statement in "Income (charges) from investments stated according to the equity method".

Goodwill was calculated on the estimate of the fair value of the different company assets acquired based on cash flow discounting deriving from the latest approved three-year plan.

Discounting comprised a pre-tax discount rate consistently with the economics used, and the weighted average cost of capital was calculated by making reference to the capital asset pricing model, which is representative of the Cash Generating Units specific risks.

The following table shows the values, broken down by assets and liabilities, identified as at acquisition date.

(€,000)		Carrying value
Intangible assets		0.2
Property, plant and equipment		1.2
Trade receivables		7.5
Inventory		6.7
Other current and non-current assets		5.6
Trade payables		(17.7)
Other current and non-current liabilities		(6.4)
Net financial liabilities		-
Cash and other cash equivalents		8.7
Net purchased assets	A	5.8
Amount paid	B	13.5
Goodwill	**B-A**	**7.7**
Carrying value of investment (50%) at 1 January 2010		4.4
Pro-rata result for period 01/01-27/04/2010		(0.3)
Total carrying value at 27/04/2010	C	4.1
Fair value of share already held (50%)	D	6.8
Income from re-valuation of share already held	**D-C**	**2.7**

8.2 Acquisition of 40% of Mach 2 Press Srl

At the end of April 2010 Mach 2 Libri SpA, a company specialising in the distribution of books and magazines through the Grande Distribuzione Organizzata network in which Mondadori holds a 34.91% stake, set up a new company, Mach 2 Press Srl, through the transfer of the business concern relative to the magazines distribution activity. Subsequently, in May 2010 Mach 2 Libri SpA transferred 80% of the new company's share capital: 40% to Press-Di Distribuzione Stampa e Multimedia Srl (Mondadori Group) and 40% to m-dis Distribuzione Media SpA (RCS Group).
As a result of the transaction described above, which does not qualify as business combination, Mondadori holds the same shareholding it previously held in Mach 2 Libri SpA and acquires a 46.98% stake in Mach 2 Press Srl.

8.3 Stake reduction in Agenzia Lombarda Distribuzione Giornali e Riviste Srl

In April 2010 Mondadori, Sodip SpA and RCS decided to set up an entity specialising in the distribution activities regarding newspapers and magazines in Milan and the surrounding area.
As a result, Milano Press Srl transferred a business concern into Agenzia Lombarda Distribuzione Giornali e Riviste Srl, following to which the stake held by the Mondadori Group in the new company, which was renamed MDM Milano Distribuzione Media Srl, reduced from 50% to 20%.

This transaction, which does not qualify as a business combination pursuant to IFRS 3 revised, generated an income of a few dozens of euro thousands

9. Non-recurring income and expenses

As required by Consob resolution 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. Purchases and disposals during the year

In the financial year ended as at 31 December 2010, several extraordinary transactions were completed referring to the acquisition or transfer of interests, as described in paragraph 8 of "Accounting standards and other information".
In particular, following to the majority control acquisition of Mondolibri SpA, the comparison between 2009 financial statements and 2010 financial statements is not relevant, because data is not homogenous.

2. Intangible assets

Intangible assets are described and commented on below.

Intangible assets (€,000)	31/12/2010	31/12/2009
Intangible assets with finite useful life	218,988	229,134
Intangible assets with indefinite useful life	682,480	675,149
Intangible assets with indefinite useful life	**901,468**	**904,283**

The following two tables show the changes in intangible assets with a finite useful life in 2009 and 2010.

Intangible assets with finite useful life (€,000)	Titles	Expense for taking over shop leasing contracts	Software	Licences, patents and rights	Other intangible assets	Intangible assets under construction and advances	Total
Cost at 31/12/2008	231,900	29,571	21,858	1,206	4,425	-	288,960
Investments	-	2,250	1,358	19	124	-	3,751
Disposals	(9,397)	-	(254)	-	-	-	(9,651)
Changes in consolidation area	-	-	-	-	-	-	0
Other changes	-	-	-	-	-	-	0
Cost at 31/12/2009	222,503	31,821	22,962	1,225	4,549	0	283,060
Accumulated amortisation and impairment losses at 31/12/2008	9,142	7,023	18,072	1,109	3,064	-	38,410
Amortisation	7,571	1,645	2,001	53	581	-	11,851
Writedowns/reinstatement of value	4,316	-	-	-	-	-	4,316
Disposals	(397)	-	(254)	-	-	-	(651)
Changes in consolidation area	-	-	-	-	-	-	0
Other changes	-	-	-	-	-	-	0
Accumulated amortisation and impairment losses at 31/12/2009	20,632	8,668	19,819	1,162	3,645	0	53,926
Net book value at 31/12/2008	22,758	22,548	3,786	97	1,361	0	250,550
Net book value at 31/12/2009	**201,871**	**23,153**	**3,143**	**63**	**904**	**0**	**229,134**

In 2010 investments concentrated on application software and software dedicated to new digital business development.

Intangible assets with finite useful life (€,000)	Titles	Expense for taking over shop leasing contracts	Software	Licences, patents and rights	Other intangible assets	Intangible assets under construction and advances	Total
Cost at 31/12/2009	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 consolidation area	-	-	919	-	-	-	919
Other changes	(103)	-	-	(15)	-	-	(118)
Cost at 31/12/2010	222,000	31,736	19,387	1,046	4,314	719	279,202
Accumulated 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
Writedowns/reinstatement of value	900	-	-	-	-	-	900
Disposals	(33)	(85)	(5,732)	(225)	(334)	-	(6,409)
Changes in consolidation area	-	-	682	-	-	-	682
Other changes	(103)	-	-	(13)	(2)	-	(118)
Accumulated amortisation and impairment losses at 31/12/2010	28,573	10,380	16,696	959	3,606	0	60,214
Net book value at 31/12/2009	201,871	23,153	3,143	63	904	0	229,134
Net book value at 31/12/2010	**193,427**	**21,356**	**2,691**	**87**	**708**	**719**	**218,988**

Intangible assets with finite useful life are mainly include Mondadori France Group magazine titles, among which *Téléstar*, *Closer*, *Pleine Vie* and *Le Chasseur Français*. Noteworthy is the transfer of *Ciné Chiffres* in the last part of the financial year of reference.

It should be noted that on 1 July 2008, the estimated useful life of Mondadori France magazines, changed from indefinite to finite (30 years) and that each title represent a Cash Generating Unit.

There is no restriction on the availability or use of intangible assets.

The following data refers to intangible assets with an indefinite useful life.

Intangible assets with indefinite useful life (€,000)	Titles	Series	Brands	Radio frequencies	Goodwill	Total
Cost at 31/12/2008	98,158	31,509	6,423	124,165	431,966	692,221
Investments	-	-	47	3,741	-	3,788
Disposals	-	-	-	(1,545)	-	(1,545)
Change in consolidation area	-	-	-	-	-	0
Other changes	-	-	-	-	(63)	(63)
Cost at 31/12/2009	98,158	31,509	6,470	126,361	431,903	694,401
Impairment at 31/12/2008	10,226	-	1,114	244	304	11,888
Writedowns/reinstatement of value	-	-	900	2,666	3,861	7,427
Other changes	-	-	-	-	(63)	(63)
Impairment at 31/12/2009	10,226	0	2,014	2,910	4,102	19,252
Net book value at 31/12/2008	87,932	31,509	5,309	123,921	431,662	680,333
Net book value at 31/12/2009	**87,932**	**31,509**	**4,456**	**123,451**	**427,801**	**675,149**

In 2010 investments mainly referred to the radio broadcasting industry, and, specifically, to the purchase of new frequencies, while in the retail sector, investments concentrated on Mondolibri SpA majority control acquisition, with goodwill accounting for €7.7 million.More detailed information is contained in paragraph 8 of "Accounting standards and other information".

Intangible assets with indefinite useful life (€,000)				Radio		
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)
Change in 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 at 31/12/2009	10,226	-	2,014	2,910	4,102	19,252
Writedowns/reinstatement of value	-	-	812	-	200	1,012
Other changes	-	-	-	-	(3,655)	(3,654)
Impairment at 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**

Amortisation, depreciation and value recovery of intangible assets

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

Amortisation and impairment of intangible assets (€,000)	2010	2009
Titles	7,177	7,571
Expense for taking over shop leasing contracts	1,797	1,645
Software	1,927	2,001
Licences, patents and rights	35	53
Other intangible assets	297	581
Total amortisation of intangible assets	**11,233**	**11,851**
Writedowns of intangible assets	1,912	9,077
Reinstatement of value of intangible assets	-	-
Total writedowns (reinstatement) of intangible assets	**1,912**	**9,077**
Total amortisation and impairment of intangible assets	**13,145**	**20,928**

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 (€,000)	Titles	Series	Brands	Radio frequencies	Goodwill	Location	Total
Group of Cash Generating Unit titles from former Silvio Berlusconi Editore	83,579				731		84,310
Group of Cash Generating Unit titles from former Elemond	2,246		12		311		2,569
Einaudi Cash Generating Units		2,991			286		3,277
Sperling & Kupfer Cash Generating Units		1,817			731		2,548
Mondadori Education Cash Generating Units		18,933			12,042		30,975
Piemme Cash Generating Units		7,768	519		5,059		13,346
Group of Cash Generating Units from R101			372	124,786			125,158
Group of Cash Generating Units from Mondadori France	193,426				407,788		601,214
Group of Cash Generating Units from retail locations						21,356	21,356
Other Cash Generating Units	2,108		2,800		7,602		12,510
	281,359	**31,509**	**3,703**	**124,786**	**434,550**	**21,356**	**897,263**

<u>Assets with an indefinite useful life and goodwill</u>

Titles with an indefinite useful life, each one of which is a Cash Generating Unit, include:

- €83.6 million for the acquisition of Silvio Berlusconi Editore in 1994 (the main titles acquired were *TV Sorrisi e Canzoni*, *Chi* and *Telepiù*);
- €2.2 million for the acquisition of Elemond Group, completed in subsequent steps between 1989 and 1994 (the main titles acquired were 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 Unit or to groups of Cash Generating Units in the Magazine sector, as follows:

- €0.7 million to a group of Cash Generating Units resulting from the acquisition of Silvio Berlusconi Editore;
- €0.3 million to a group of Cash Generating Units resulting from the acquisition of the Elemond Group.

Series include:

- €18.9 million for the acquisition on the market of the school textbook division that trades under Mondadori Education SpA (former Edumond Le Monnier SpA), and identified as a Cash Generating Unit in the Educational sector; goodwill for this Cash Generating Unit accounted for €12 million;
- €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 €0.3 million;
- €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 €0.7 million;
- €7.8 million for the acquisition of Edizioni Piemme, identified as a Cash Generating Unit; goodwill for this Cash Generating Unit accounted for €5.1 million.

Radio frequencies, each of which is a Cash Generating Unit, refer to a number of acquisitions completed since 2005, including the acquisition of the Radio One-o-One business 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 €407.8 million.
For purpose of the impairment test, goodwill is valued jointly with the value of the relevant titles 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 €193.4 million relative to the acquisition of the Mondadori France Group, completed in 2006 (main titles: *Téléstar*, *Closer*, *Pleine Vie* and *Le Chasseur Français*).

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 €21.4 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.
Volume trends posted in the last two years in the outlets belonging to the network and the reduction in the financial results led to the decision to subject the above mentioned values to impairment test.

Recoverable value

In order to verify recoverable value, Mondadori Group first calculates value in use. When an impairment loss is identified, the fair value method minus costs of sale is applied before proceeding with write down.

Impairment tests are carried out for each individual titles, 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 IFRS 8 and in compliance with the maximum combination limit envisaged for the relevant business sector.

The following table shows the key elements, better defined below, used to calculate the recoverable value.

Cash Generating Unit	Criteria utilised	Economics	Growth rate on terminal value	Calculation rate
Group of Cash Generating Unit titles from former Silvio Berlusconi Editore	Value in use	PMT 2011-2013 gross operating margin	g = 0	6.75%
Group of Cash Generating Unit titles from former Elemond	Value in use	PMT 2011-2013 gross operating margin	g = 0	6.75%
Mondadori France group of Cash Generating Units	Value in use	PMT 2011-2015 gross operating margin	g = 0	6.50%
	Fair value	PMT 2011-2015 revenues	g = 2	6.50%
Einaudi Cash Generating Units	Value in use	PMT 2011-2013 operational cash flows	g = 0	6.75%
Sperling & Kupfer Cash Generating Units	Value in use	PMT 2011-2013 operational cash flows	g = 0	6.75%
Mondadori Education Cash Generating Units	Value in use	PMT 2011-2013 operational cash flows	g = 0	6.75%
Piemme Cash Generating Units	Value in use	PMT 2011-2013 operational cash flows	g = 0	6.75%
group of Cash Generating Units R101	Fair value	n.a.	n.a.	n.a.
group of Cash Generating Units	Value in use	PMT 2011-2013 gross operating margin	g = 0	6.75%
Other Cash Generating Units	Value in use	PMT 2011-2013 gross operating margin	g = 0	6.75%

Value in use

For the purpose of calculating the value in use, forecast data included in the three/five-year plans approved by the management of the Mondadori Group was used, which takes into account both the macro-economic scenario and the specific nature of the markets, which the business areas are expected to face in future years.

For the magazine titles, partly in consideration of the negative net working capital resulting from revenue collection speed, gross operating margins contained in the above-mentioned medium-term plans were used as assumption for the financial flows.

For the series, since the Cash Generating Unit coincides with the individual relevant legal entities, gross operating financial flows contained in the above-mentioned medium-term plans were used as assumption for the financial flows.

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 forecasts 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 units on the basis of the following elements:

- in order to calculate the cost of company capital, the returns on long-term treasury stocks in each 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.

<u>Fair value net of costs for sale</u>

For the purpose of calculating the fair value net of costs for sale of French titles, 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 editorial brands.

The following parameters were taken into consideration for the application of this method :

- forecast revenues in the medium-term plan for each title;
- a royalty rate between 2% and 9% depending on the brand type, strategic positioning, circulation and profitability;
- a constant cash flow growth rate (g = 2) for the period subsequent to the forecast period. This period corresponds to an estimated residual life of 28 years;
- a 6.5% 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 €0.6 and €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.

<u>Results of the impairment test process</u>

The impairment test process highlighted the following impairment losses:

- or the Mondadori France Cash Generating Units, the value of *Le Chasseur Français* was subject to adjustment for €0.9 million;
- for the residual Cash Generating Units, €0.8 million were written down relative to the value of PC Professionale and €0.2 million were written down relative to goodwill resulting from the acquisition of Electa Napoli.

3. Property investments

"Property investments" item is broken down and commented on below.

Property investments (€,000)	Land	Non-business buildings	Total
Cost at 31/12/2008	458	3,357	3,815
Investments	-	3	3
Disposals	-	-	0
Other changes	-	-	0
Cost at 31/12/2009	458	3,360	3,818
Accumulated depreciation and impairment losses at 31/12/2008	-	1,261	1,261
Depreciation	-	87	87
Writedowns/reinstatement of value	-	-	0
Disposals	-	-	0
Other changes	-	-	0
Accumulated depreciation and impairment losses at 31/12/2009	0	1,348	1,348
Net book value at 31/12/2008	458	2,096	2,554
Net book value at 31/12/2009	**458**	**2,012**	**2,470**

During the year no purchase transactions were completed nor was any maintenance action performed on the properties owned. This item only reflected amortisation and depreciation for the period.
It should be noted that directors estimated that the fair value of property investments as at 31 December 2010 was not lower than the net carrying value.

Property investments (€,000)	Land	Non-business 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
Accumulated depreciation and impairment losses at 31/12/2009	-	1,348	1,348
Depreciation	-	87	87
Writedowns/reinstatement of value	-	-	0
Disposals	-	-	0
Other changes	-	-	0
Accumulated depreciation and impairment losses 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**

Depreciation of property investments

Depreciation for the year under item "Depreciation and impairment of property, plant and equipment", amounted to €87 thousand in line with 2009.

There are no restrictions on the use of assets classified as property investments.

4. Property, plant and equipment

The following tables show the changes occurred in 2009 and 2010.

Property, plant and equipment (€,000)	Land	Business buildings	Plant and equipment	Other assets	Total
Cost at 31/12/2008	3,034	28,929	33,848	127,250	193,061
Investments	-	116	502	7,162	7,780
Disposals	(1,600)	(9,633)	(1,183)	(4,174)	(16,590)
Changes in consolidation area	-	-	-	-	0
Other change	-	22	62	(488)	(404)
Cost at 31/12/2009	1,434	19,434	33,229	129,750	183,847
Accumulated depreciation and impairment losses at 31/12/2008	-	13,700	23,536	95,037	132,273
Depreciation	-	938	2,357	8,783	12,078
Writedowns/reinstatement of value	-	-	1,263	-	1,263
Disposals	-	(5,144)	(1,110)	(3,448)	(9,702)
Changes in consolidation area	-	-	-	-	0
Other changes	-	-	(1)	(369)	(370)
Accumulated depreciation and impairment losses at 31/12/2009	0	9,494	26,045	100,003	135,542
Net book value at 31/12/2008	3,034	15,229	10,312	32,213	60,788
Net book value at 31/12/2009	**1,434**	**9,940**	**7,184**	**29,747**	**48,305**

Property, plant and equipment (€,000)	Land	Business 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 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
Accumulated depreciation and impairment losses at 31/12/2009	-	9,494	26,045	100,003	135,542
Depreciation	-	709	2,606	9,421	12,736
Writedowns/reinstatement of value	-	-	-	-	0
Disposals	-	-	(6,826)	(18,059)	(24,885)
Changes in consolidation area	-	-	2,011	4,864	6,875
Other changes	-	-	-	-	0
Accumulated depreciation and impairment losses 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**

During 2010 investments mainly referred to the purchase of furniture, office machines, tools and electronic office equipment to replace obsolete items and third-party assets improvements.

In this context, particularly relevant was the transfer of Mondadori France subsidiary offices as well as the fitting out of new bookshops in the retail sector.The transfer of the Mondadori France offices also represented the largest share for the disposal of assets, although it should be emphasised that assets had almost entirely been depreciated as at closing, also in consideration of the specific write down made in the previous year.

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

Other tangible assets (€,000)	31/12/2010	31/12/2009
Industrial and commercial equipment	11,094	11,768
Electronic office machines	3,467	3,163
Furniture and office machines	6,867	7,766
Motor vehicles and transport vehicles	424	1,022
Leasehold improvements	6,534	5,534
Other assets	76	76
Assets under construction and advances	11,504	418
Total other tangible fixed assets	**39,766**	**29,747**

Depreciation of property, plant and equipment

Depreciation for the year under item "Depreciation and impairment of property, plant and equipment" in the income statement, amounted to €12.736 thousand, as detailed below. In 2010, no write downs of assets were recognised under "Property, plant and equipment".

Depreciation of property, plant and equipment (€,000)	2010	2009
Buildings used in business activities	709	938
Plant and machinery	2.606	2.357
Equipment	2.830	2.618
Electronic office machines	2.266	2.786
Furniture and office machines	2.508	1.487
Motor vehicles and transport vehicles	562	781
Leasehold improvementsi	1.216	1.076
Other assets	39	35
Total depreciation of property, plant and equipment	**12.736**	**12.078**
Writedowns of fixed assets	-	1.263
Recovery of value for fixed assets	-	-
Total writedowns (recovery) of fixed assets	**0**	**1.263**
Total depreciation and loss of value of fixed assets	**12.736**	**13.341**

Leased assets
The following table shows the value of leased assets as at 31 December 2010:

(€,000)	31/12/2010 Gross value	Accumulated depreciation	Net book value	31/12/2009 Gross value	Accumulated depreciation	Net book value
Buildings not used in business activities	-	-	0	-	-	0
Buildings used in business activities	775	(266)	509	775	(243)	532
Plant and machinery	138	(56)	82	138	(28)	110
Other assets	300	(91)	209	300	(45)	255
Total leased assets	1.213	(413)	800	1.213	(316)	897

During the year no new financial leasing contracts were underwritten.

With reference to buildings used in business activities, 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 €95 thousand, of which €10 thousand 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 constraints 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 stated based on the equity method and investments in other companies amounted to €131,686 thousand.

Investments (€,000)	31/12/2010	31/12/2009
Investments stated on an equity basis	131,464	143,329
Investments in other companies	222	221
Total investments	131,686	143,550

Changes occurred over the past two years in investments stated according to the equity method are set out below.

In 2010 several transactions, described in paragraph 8 of "Accounting standards and other information", were completed. The most relevant transaction refers to the acquisition of majority control in subsidiary Mondolibri SpA, whose consolidation according to the line-by-line method resulted in a decrease in the final balance of item "Investments stated on an equity basis".

"Purchases and changes in consolidation area" item also includes the recapitalisation of Mondadori Independent Media LLc., Mondadori Seec Advertising Co Ltd and Società Europea di Edizioni SpA.

Investments - Investments stated on an equity basis (€,000)	Net value
Balance at 31/12/2008	140,779
Movements during 2009:	
- purchases and changes in consolidation area	12,728
- changes in consolidation method	-
- disposals and other movements	(1,127)
- revaluations	14,587
- writedowns	(12,287)
- dividends	(11,351)
Balance at 31/12/2009	143,329
Movements during 2010:	
- purchases and changes in consolidation area	4,064
- changes in consolidation method	(4,060)
- disposals and other movements	(214)
- revaluations	9,639
- writedowns	(15,720)
- dividends	(5,574)
Balance at 31/12/2010	131,464

Below is a breakdown balance of investments stated according to the equity method showing a reduction mainly due to the losses registered by the Random House Mondadori Group on the Mexican and Venezuelan markets, which were particularly exposed to the worldwide financial crisis, and also to write downs for €5.2 million made for the Attica Group.

The need for writing down that investment was identified upon performance of an impairment test on all investments.

For the purpose of such test, Mondadori Group first calculates value in use. When an impairment loss is identified, the fair value method minus costs of sale is applied before proceeding with write down.

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 three/five-year plans approved by the management of the relevant companies was used.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, an average discount rate equal to 7.6% and a differentiated growth rate (g = between 0 and 3%) were used in order to take the different markets and sectors in which the Group operates into account. The sensitivity analysis performed confirmed the result of the impairment test.

For the purpose of calculating value in use, a sensitivity analysis of the results was also carried out which confirmed the previous results.

Investments stated on an equity basis - Detail (€,000)	31/12/2010	31/12/2009
Investments in joint ventures:		
- Gruner + Jahr/Mondadori S,p,A,	3,939	3,817
- Milano Distribuzione Media Srl (formerly Ag. Lombarda Distr. Giornali e Riviste Srl)	217	73
- Harlequin Mondadori SpA	643	689
- Hearst Mondadori Editoriale Srl	300	170
- Mondadori Rodale Srl	134	203
- Edizioni Electa Bruno Mondadori Srl (liquidated)	-	73
- Edizioni EL Srl	3,102	2,902
- Gruppo Random House Mondadori	51,910	55,697
- Gruppo Attica Publications	31,431	37,528
- ACI-Mondadori SpA	807	832
- Mondolibri SpA	-	4,404
- Mediamond SpA	721	476
- Mondadori Independent Media LLC	854	567
- Mondadori Seec Advertising Co Ltd	-	-
- Editions Mondadori Axel Springer Snc	11,847	10,781
Total investments in joint ventures	105,923	118,212
Investments in associated companies:		
- Mach 2 Libri SpA	6,831	6,931
- Mach 2 Press Srl	792	-
- Società Europea Edizioni SpA	6,737	9,118
- Mondadori Printing SpA	11,065	8,949
- Venezia Musei Società per i servizi museali Scarl	7	7
- Venezia Accademia Società per i servizi museali Scarl	2	2
- Campania Arte Scarl	22	22
- Consorzio Covar (in liquidation)	2	2
- Consorzio Forma	1	1
- Roccella Scarl	21	21
- Novamusa Valdinoto Scarl	18	18
- Novamusa Valdemone Scarl	21	21
- Novamusa Gelmar Scarl	-	2
- Novamusa Val di Mazara Scarl	17	17
- Consorzio Editoriale Fridericiana	5	6
Total investments in associated companies	25,541	25,117
Total investments stated on an equity basis	131,464	143,329

The following tables show changes in investments in other companies stated at fair value.

Investments - Investments in other companies (€,000)	Net value
Balance at 31/12/2008	221
Movements during 2009	
- purchases and changes in consolidation area	-
- disposals and other movements	-
- changes in consolidation method	-
- writedowns	-
- dividends	-
Balance at 31/12/2009	221
Movements during 2010:	
- purchases and changes in consolidation area	1
- disposals and other movements	-
- changes in consolidation method	-
- writedowns	-
- dividends	-
Balance at 31/12/2010	222

The following table details investments in other companies.

Investments in other companies - Details (€,000)	31/12/2010	31/12/2009
Investments in other companies:		
- Società Editrice Il Mulino SpA	101	101
- Consuledit Srl	1	1
- Consorzio Sistemi Informativi Editoriali Distributivi	10	10
- Immobiliare Editori Giornali Srl	52	52
- Audiradio	21	21
- Consorzio Forte Montagnolo	1	-
- Aranova Freedom Scarl	30	30
- CTAV	3	3
- Sem Issy Media	3	3
Total investments in other companies	222	221

6. Deferred tax assets and liabilities

The following tables details “Deferred tax assets” and “Deferred tax liabilities”.

(€,000)	31/12/2010	31/12/2009
Deferred tax assets - IRES	42,870	43,414
Deferred tax assets - IRAP	2,809	2,824
Total deferred tax assets	45,679	46,238
Deferred tax liabilities – IRES	86,732	85,151
Deferred tax liabilities - IRAP	4,457	3,989
Total deferred tax liabilities	91,189	89,140

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

	31/12/2010			31/12/2009		
(€,000)	Amount of temporary difference	Tax rate	Deferred tax assets	Amount of temporary difference	Tax rate	Deferred tax assets
Difference between book value and tax basis of intangible assets	6,799	(*)	1,869	7,713	(*)	2,121
Difference between book value and tax basis of property investments and property, plant and equipment	2,062	(*)	568	4,164	(*)	1,145
Provision for bad debts	25,177	(*)	6,963	19,214	(*)	5,284
Inventory provision	15,331	(*)	4,215	14,628	(*)	4,023
Writedowns of advances to authors	17,153	(*)	4,717	16,779	(*)	4,614
Provisions	38,021	(*)	10,548	54,687	(*)	15,039
Agents' termination indemnity	5,147	(*)	1,415	5,113	(*)	1,406
Elimination of unrealised intragroup profitso	12,062	(*)	3,317	9,920	(*)	2,728
Other temporary differences	31,392	(*)	9,258	25,651	(*)	7,054
Total for IRES purposes	153,144		42,870	157,869		43,414
Difference between book value and tax basis of intangible assets	7,718	(*)	301	8,101	(*)	316
Difference between book value and tax basis of property investments and property, plant and equipment	815	(*)	32	1,795	(*)	70
Inventory provision	14,692	(*)	573	14,026	(*)	547
Writedowns of advances to authors	9,205	(*)	359	8,820	(*)	344
Provisions	13,718	(*)	535	14,897	(*)	581
Agents' termination indemnity	5,051	(*)	197	5,113	(*)	199
Elimination of unrealised intragroup profits	12,026	(*)	469	9,872	(*)	385
Other temporary differences	8,789	(*)	343	9,801	(*)	382
Total for IRAP purposes	72,014		2,809	72,425		2,824

(*) 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 tax liabilities.

	31/12/2010			31/12/2009		
(€,000)	Amount of temporary difference	Tax rate	Deferred tax liabilities	Amount of temporary difference	Tax rate	Deferred tax liabilities
Capital gains	3,538	(*)	973	6,516	(*)	1,792
Difference between book value and tax basis of intangible assets	256,238	(*)	80,411	282,330	(*)	77,641
Difference between book value and tax basis of property investments and property, plant and equipment	5,229	(*)	1,437	6,308	(*)	1,735
Employees' leaving entitlement	4,598	(*)	1,265	4,943	(*)	1,359
Agents' termination indemnity	1,168	(*)	321	1,106	(*)	304
Leased assets	542	(*)	149	542	(*)	149
Other temporary differences	7,200	(*)	2,176	7,896	(*)	2,171
Total for IRES purposes	278,513		86,732	309,641		85,151
Capital gains	3,256	(*)	127	6,487	(*)	253
Difference between book value and tax basis of intangible assets	100,097	(*)	3,904	84,872	(*)	3,310
Difference between book value and tax basis of property investments and property, plant and equipment	2,026	(*)	79	2,214	(*)	86
Agents' termination indemnity	1,178	(*)	46	990	(*)	39
Leased assets	542	(*)	21	542	(*)	21
Other temporary differences	7,177	(*)	280	7,179	(*)	280
Total for IRAP purposes	114,276		4,457	102,284		3,989

(*) 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 profits of subsidiary and associated companies.

The following table shows the total amount of past tax losses resulting from companies which did not adhered to the tax consolidation regime until 2010.

Unrecognised deferred taxes (€,000)	31/12/2010	31/12/2009
Temporary differences excluded from the determination f deferred tax assets and liabilities	-	-
Unused tax losses available to carry forward	1,124	230

7. Other non-current assets

Item "Other non-current assets" shows a remarkable reduction as a result of the collection of the deposit paid by Mondadori France as guarantee for the lease contract relative to the old offices.

Unrecognised deferred taxes (€,000)	31/12/2010	31/12/2009
Guarantee deposits	683	2,209
Confirmatory deposits	-	-
Advance IRES withholding tax on the employees' leaving entitlement	78	43
Other	629	645
Total other non-current assets	1,390	2,897

8. Tax receivables

Item "Tax receivables" shows an increase mainly due to receivables due from tax authorities for the reimbursement of direct and indirect taxes.

Tax receivables (€,000)	31/12/2010	31/12/2009
Receivables from tax authorities for IRAP	280	2,218
Receivables from tax authorities for IRES	4,237	8,309
Receivables from Fininvest for IRES	2,481	-
Receivables from tax authorities for tax reimbursements	21,711	13,051
Total tax receivables	28,709	23,578

9. Other current assets

The decrease in the balance compared with 31 December 2009 is mainly due to the collection of €11,300 thousand resulting from the disposal of the Mondadori Multicenter in Rome.

Other current assets (€,000)	31/12/2010	31/12/2009
Advances to agents	404	454
Advances to authors and collaborators	54,120	48,444
Advance to suppliers	9,724	11,141
Advances to personnel	691	622
Receivables for insurance compensation	-	-
Advances to social security institutions	202	29
Receivable for guarantee deposits	327	334
Confirmatory deposits	-	-
Prepayments	2,620	3,008
Other	13,579	23,010
Total other current assets	81,667	87,042

10. Inventories

Item "Inventory" does not show any relevant changes against the previous year, except for the €6.4 million deriving from the integral consolidation of Mondolibri SpA as of April 2010.

Item "Inventories" is broken down and commented on below.

Inventories (€,000)	31/12/2010	31/12/2009
Raw materials and consumables	11,463	10,278
Provision for raw materials and consumables	(174)	(293)
Total raw materials and consumables	11,289	9,985
Work in progress and semi-finished goods	25,663	25,309
Provision for work in progress and semi-finished goods	(1,083)	(1,189)
Total work in progress and semi-finished goods	24,580	24,120
Contract work in progress	2,593	2,347
Provision for contract work in progress	(22)	-
Total work in progress	2,571	2,347
Finished products and goods for resale	108,693	102,410
Provision for finished products and goods for resale	(15,649)	(14,852)
Total finished products and goods for resale	93,044	87,558
Advances	-	-
Total inventories	131,484	124,010

Raw materials include the value of paper, plates and ink owned by Mondadori France Group and Mondadori Education SpA, 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 re-sale in the retail sector and merchandising, paper transformation and gifts.

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

Inventories - Provisions (€,000)	Raw materials	Work in progress and semi-finished goods	Contract work in progress	Finished products and goods for resale
Balance at 31/12/2008	542	1,729	0	15,047
Movements during period:				
- provisions	244	393	-	5,594
- utilisations	(493)	(933)	-	(5,789)
- other movements	-	-	-	-
Balance at 31/12/2009	293	1,189	0	14,852
Movements during period:				
- provisions	64	104	22	5,255
- utilisations	(183)	-	-	(4,814)
- other movements	-	(210)	-	356
Balance at 31/12/2010	174	1,083	22	15,649

There are no inventories used to secure liabilities.

Decrease (increase) in inventories

The following table summarises the changes in inventories recognised under income statement in the financial year of reference.

Decrease (increase) in inventories (€,000)	2010	2009
Changes in finished products and goods	(1,551)	(2,269)
Charge to finished products and goods provision	5,255	5,594
Utilisation of finished products and goods provision	(4,814)	(5,789)
Total changes in inventories of finished products and goods	(1,110)	(2,464)
Changes in work in progress and semi-finished products	1,590	3,330
Charge to work in progress and semi-finished products provision	104	393
Utilisation of work in progress and semi-finished products provision	-	(933)
Total changes in inventories of work in progress and semi-finished products	1,694	2,790
Changes in work in progress orders	(246)	(192)
Charge to work in progress orders provision	22	-
Utilisation of work in progress orders provision	-	-
Total changes in inventories of work in progress orders	(224)	(192)
Changes in raw materials and consumables	(1,074)	(527)
Charge to raw materials and consumables provision	64	244
Utilisation of raw materials and consumables provision	(183)	(493)
Total changes in inventories of raw materials and consumables	(1,193)	(776)
Total decrease (increase) in inventories	(883)	(642)

11. Trade receivables

Item "Trade receivables" significantly reflects the change in the consolidation method used for Mondolibri SpA, which resulted in an increase of approximately €6.5 million.

Net of this change, the Group exposure is in line with 2009, though with a different business area composition.

The reduction in the results registered in the magazine and advertising areas is offset by the increase in the retail area, which is expanding, and the books area, which, instead, is affected by the general financial crisis.

Receivables from associated, parent and affiliated companies are detailed in the "Relations with related parties" appendix attached to these financial statements.
Commercial transactions with these companies are carried out under standard market conditions.

Trade receivables (€,000)	31/12/2010	31/12/2009
Receivables from customers	346,052	338,981
Receivables from associated companies	37,038	36,952
Receivables from parent companies	5	5
Receivables from affiliated companies	2,112	2,331
Total trade receivables	385,207	378,269

It should be noted that no trade receivables are due over five years and that the average collection period in 2010 was 78.2 days, up from the 73.3 days registered in 2009.

The following table details item "Receivables from customers".

Trade receivables Receivables from customers (€,000)	31/12/2010	31/12/2009
Trade receivables	511,730	506,930
Customers - returns to be received	(125,877)	(135,316)
Provision for bad debts	(39,801)	(32,633)
Total receivables from customers	346,052	338,981

With reference to the depreciation of trade receivables, 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.

The fund provision increase is partly due to the acquisition of subsidiary Mondolibri SpA, and partly to the increased unreliability of the client base.

Trade receivables - Receivables from customers - Provisions (€,000)	31/12/2010	31/12/2009
Balance at beginning of year	32,633	33,468
Movements during period:		
- provisions	14,152	12,228
- utilisations	(11,883)	(13,063)
- changes in scope of consolidation	4,899	-
- other movements	-	-
Total receivables from customers - Provisions	39,801	32,633

12. Financial assets

Item "Non-current financial assets", amounting to €1,889 thousand, include €1,283 thousand relative to a receivable due from Mondadori Magazines France (Mondadori France Group).

The remaining €606 thousand refer to two (floating-to-fix) interest rate swap contracts equal to €50 million each, used to hedge against part of a loan with a pool of Banche Popolari and to hedge against the entire loan with Mediobanca, coming to maturity in June 2015 and December 2017, respectively.

Non-current financial assets (€,000)	31/12/2010	31/12/2009
Financial receivables	1,283	483
Financial assets at fair value (changes recognised under income statement)	606	-
Available-for-sale financial assets	-	-
Assets resulting from derivative instruments	-	-
Total non-current financial assets	1,889	483

Changes in item "Current financial assets" against the previous year refer to the sale or anticipated re-payment of securities held in the portfolio.

Item "Available-for-sale financial assets" includes investments of Mondadori International.

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.

Other current financial assets (€,000)	31/12/2010	31/12/2009
Financial receivables from customers	2,067	1,655
Financial receivables from associated companies	1,399	2,508
Financial receivables from parent companies	-	-
Financial receivables from affiliated companies	-	-
Financial receivables from others	2,271	1,506
Total financial receivables	5,737	5,669
Financial assets at fair value with changes through the income statement	-	-
Available-for-sale financial assets	26,197	35,700
Assets resulting from derivative instruments	8	-
Total other current financial assets	31,942	41,369

Assets and liabilities resulting from derivative instruments

The following table shows assets and liabilities resulting from derivative instruments held as at 31 December 2010:

Assets and liabilities in derivative instruments - Details (€,000)	Type of derivatives	Fair value at 31/12/2010	Fair value At 31/12/2009
Non-current financial assets (liabilities)			
- Tax derivatives	Cash flow hedge	(5,306)	(4,660)
Current financial assets (liabilities)			
- Currency derivatives	Trading	8	(78)

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 retrospective tests at least quarterly.

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.

Retrospective 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.

Interest rate derivatives

Derivatives comprise:

- an interest rate swap (IRS) contract underwritten in August 2006 for a residual amount of €50 million as at 31 December 2010. This derivative made it possible to convert the floating interest rate (3-month Euribor) into a fixed interest rate equal to 3.845% and refers, as of June 2010, to part of the (€75 million) bilateral term loan underwritten with Intesa Sanpaolo for a total of €150 million and granted to Arnoldo Mondadori Editore SpA. Initially, the derivative referred to part of Mondadori International club deal. In 2010 Arnoldo Mondadori Editore SpA took over the derivative and redesigned the hedge;
- a basis swap contract was added to the IRS in order to exploit the difference between the three-month and one-month Euribor rates, which further reduced the fixed interest rate, currently equal to 3.745%;
- a floating-to-fix interest rate swap contract (IRS) was underwritten in March 2009 to hedge against the residual amount of €150 million of the term loan financed by the pool of Banche Popolari. This transaction made it possible to convert the floating interest rate into a fixed interest rate equal to 1.95%;
- three floating-to-fix interest rate swap contracts (IRS), forward starting on 27 July 2011, underwritten in February 2010, accounting for €50 million each, which made it possible to convert the floating interest rate (3-month Euribor) into a fixed rate equal to an averge 2.909% with expiry on 31 December 2014;
- a floating-to-fix interest rate swap contracts (IRS), forward starting on 27 July 2011, underwritten in July 2010, accounting for €50 million, which made it possible to convert the floating interest rate (1-month Euribor) into a fixed rate equal to 2.59% with expiry on 15 December 2017;
- a floating-to-fix interest rate swap contract (IRS), underwritten in August 2010, accounting for €50 million that made it possible to convert the floating interest rate (1-month Euribor) into a fixed rate equal to 1.29% with expiry on 30 June 2015. This transaction refers to part of the loan taken out with a pool of Banche Popolari for a total of €130 million, amortising over a period of five years.

n the first half of 2010 committed credit lines were replaced for a total of €150 million, thereby making it possible to obtain significant savings in terms of financial charges and, at the same time, increase the average duration of the existing credit lines. Specifically:

- in April 2010, a loan contract was entered into with a pool of Banche Popolari for a total of €130 million, amortising over a period of five years;
- in June 2010, a loan contract was entered into with Mediobanca for a total of €50 million with expiry on 15 December 2017.

The table below shows the hedge impact on income statement and shareholders' equity.

Cash flow hedge reserves (€,000)	31/12/2010	31/12/2009
Initial reserves	(4,660)	(4,076)
Amount stated during year	3,486	4,932
Amount endorsed from reserve and recognised under income statement		
- adjustments to expenses	354	1,521
- adjustments to income	(4,415)	(7,037)
Final reserves	(5,235)	(4,660)
Inefficient part of hedge	0	0

Currency derivatives

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 licencing contracts denominated in foreign currencies other than euros. In the latter case, the Group partially hedges against revenues deriving from budgeted sales..

As at 31 December 2010 currency risk hedge contracts referred to the purchase of forward contracts denominated in US dollars for a total of US $450 thousand (€335 thousand) and forward contracts denominated in sterling for a total amount of £1,435 thousand (€1,705 thousand).

13. Cash and cash equivalents

Item "Bank deposits" includes current account balances and bank deposits of Arnoldo Mondadori Editore SpA (€73.4 million), and Mondadori International SA (€7.7 million). Short-term bank deposits expire after three months, in line with the Group financial requirements.

The amount of cash and cash equivalents decreased significantly against the previous year as a result of the partial re-payment of deposits by Mondadori International.

Cash and cash equivalents (€,000)	31/12/2010	31/12/2009
Cash and other disposable assets	1,140	1,334
Cheques	40	102
Bank deposits	82,400	116,917
Post office deposits	1,321	1,274
Total cash and cash equivalents	84,901	119,627

The fair value of cash and cash equivalents as at 31 December 2010 is equal to the relevant carrying value.

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

Net financial position			
(€,000)		31/12/2010	31/12/2009
A	Cash	1,180	1,436
	-Bank deposits	82,400	116,917
	-Post office deposits	1,321	1,274
B	Other cash and cash equivalents	83,721	118,191
C	**Cash and cash equivalents and other financial assets (A+B)**	**84,901**	**119,627**
D	Securities held for trading	-	-
	-Financial receivables from associated companies	1,399	2,508
	-Financial assets measured at fair value	-	-
	-Available-for-sale financial assets	26,197	35,700
	-Derivative instruments and other financial assets	4,346	3,161
E	Receivables and other current financial assets	31,942	41,369
F	**Current financial assets (D+E)**	**31,942**	**41,369**
G	Current bank payables	786	5,816
	-Bonds	-	-
	-Mortgages	-	-
	-Loans	26,044	131,645
H	Current part of non-current payables	26,044	131,645
	-Payables due to associated companies	8,831	7,232
	-Derivative instruments and other financial payables	7,028	7,526
I	Other current financial payables	15,859	14,758
L	**Payables to banks and other current financial payables (G+H+I)**	**42,689**	**152,219**
M	**Current net financial position (C+F-L)**	**74,154**	**8,777**
	-Bonds	-	-
	-Mortgages	-	-
	-Loans	412,384	377,231
N	Part of non-current payables	412,384	377,231
O	Other non-current financial payables	6,084	4,956
P	**Non-current financial payables (N+O)**	**418,468**	**382,187**
Q	**Net financial position (M-P)**	**(344,314)**	**(373,410)**

Should the balance of "Non-current financial assets" (which is not included in the Consob format) be added to the above data, the Group net financial position would show a loss of €342,425 thousand.

Further information regarding the Group net financial position is detailed in paragraphs 12, 13 and 18 of these notes.

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".

The Mondadori Group is controlled by Fininvest SpA.

Share capital

The share capital of the parent company, Arnoldo Mondadori Editore SpA, equal to €67,452 thousand, is fully subscribed and paid up and is represented by 259,429,832 ordinary shares with a par value of €0.26 each. No new shares were issued in the year under examination.

Share premium reserve

Arnoldo Mondadori Editore SpA share premium reserve, accounting for €286,857 thousand, includes:

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

Treasury shares

This item, equal to €144,968 thousand, reflects the value at closing of treasury shares held in portfolio, including 17,850,101 ordinary shares held by Arnoldo Mondadori Editore SpA, and 4,517,486 ordinary shares held by Mondadori International SA.

Treasury shares for a total of €6,128 thousand were purchased in the period of reference.

Other reserves and results carried forward

"Other reserves and results carried forward" as at 31 December 2010 amounted to €327,771 thousand and include:

- legal reserve for €13,490 thousand;
- reserves equal to €5,335 thousand for amounts paid out by the *Agenzia per la Promozione dello Sviluppo del Mezzogiorno* (Italian Ministerial Decrees of 28/6/1979 and 3/5/1989) to back industrial capex envisaged for the Pomezia (RM) plant and government subsidies granted by virtue of the Italian Law on Publishing no. 416 of 5/8/1981;

- a currency revaluation reserve used over the years for a total of €16,711 thousand;
- a cash flow hedge reserve, negative for €5,235 thousand, for the valuation of hedge derivatives;
- a fair value reserve, negative for €1,793 thousand, for "Financial assets available for sale". Further details are provided in note 12;
- a stock option reserve, amounting to €7,125 thousand, serving the stock option plan granted to Group directors and managers. This item increased by the cost of €724 thousand recognised under income statement and decreased by €300 thousand as a result of the cancellation of expired options. Further details are provided in note 25;
- the conversion reserve, negative for €610 thousand as at 31 December 2010 (-€567 thousand as at 31 December 2009), mainly resulting 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 31/12/2010	Spot 31/12/2009	Average 2010	Average 2009
US dollars	1,34	1,44	1,33	1,40
Argentinian pesos	5,32	5,48	5,20	5,21
Chilean pesos	625,34	731,03	678,11	781,35
Colombian pesos	2,563.83	2,943.15	2,547.32	3,037.51
Mexican pesos	16,50	18,84	16,87	18,96
Uruguayan pesos	26,59	28,16	26,56	31,34
Venezuelan bolivares	5,74	3,09	5,47	2,99
Russian roubles	40,82	43,15	40,26	43,97
Chinese yuan	8,82	9,84	8,97	9,53
Rumanian new leu	4,212	4,24	4,262	4,24
Bulgarian leva	1,96	1,96	1,96	1,96
Serbian dinars	103,04	95,88	105,75	93,93
Hungarian florins	275,00	270,84	277,95	280,32

- 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 (€,000)	31/12/2010	31/12/2009
Net debt	342.2	372.9
Capital (shareholders' equity)	581.0	546.3
Total capital and net debt	923.4	919.2
Ratio of net debt/capital to net debt	37.1%	40.6%
Treasury stock in portfolio	145.0	138.8

15. Capital, reserves and results attributable to third-party shareholders

This item includes third-party interests in Edizioni Piemme SpA and Electa Rmn Srl, as detailed here below.

Capital, reserves and results attributable to third party shareholders (€,000)	Edizioni Piemme SpA	Electa Rmn Srl
Shareholders' equity at 31/12/2009	1,778	-
Result for 2009	574	-
Shareholders' equity at 31/12/2010	1,746	4
Result for 2010	534	(1)

16. Provisions

Provisions for risks and charges are broken down and commented on here below.

Provisions (€,000)	31/12/2009	Provisions	Utilisations	Other movements	31/12/2010
Agents' contractual risks	2,553	20	-	(15)	2,558
Litigation	13,069	2,502	(1,107)	73	14,537
Equity investment risks	1,783	1,500	-	(416)	2,867
Tax disputes	2,146	294	(77)	-	2,363
Other risks	38,830	7,381	(25,143)	23	21,091
Total provisions	**58,381**	**11,697**	**(26,327)**	**(335)**	**43,416**

A provision for "Litigation" was set up mainly to deal with libel cases arising from articles published in magazines and claims for damages from authors and third parties in general.

A provision for "Equity investment risks" was set up to cover losses generated by companies valued according to the equity method in excess of the value of the Group's interest in such companies.

A provision for "Other risks" was mainly set up to include:
- amounts that Group companies are expected to pay in 2011 to third-party suppliers as a result of already underwritten contracts;
- a dispute regarding social security contributions following to an investigation requested by INPGI;
- allowances regarding the re-organisation and early retirement process, launched in 2009, continued in 2010 and expected to come to completion in 2011. Utilisations in the year mainly referred to the afore-described process.

17. Employees' termination benefits

Employee termination benefits are described and commented on here below.

Employee termination benefits (€,000)	31/12/2010	31/12/2009
Employee termination benefits (TFR)	46,298	51,949
Agents' termination indemnity (FISC)	6,436	6,678
Termination indemnity for journalists (IFGP)	425	410
Total employee termination benefits	**53,159**	**59,037**

Item "Employee termination benefits (TFR)" reflects the additional reduction due to the fact that in companies with more than 50 employees, the provision only includes the re-valuation component of the initial balance according to ISTAT parameters relative to the cost of living.

Employee termination benefits - Details (€,000)	TFR	FISC	IFGP
Balance at 31/12/2009	51,949	6,678	410
Movements during 2010:			
- provisions	812	902	12
- utilisations	(11,441)	(555)	-
- reversals	-	-	-
- discounting	1,952	-	-
- change in scope of consolidation and other changes	3,026	(589)	3
Balance at 31/12/2010	**46,298**	**6,436**	**425**

Employee termination benefits and agents' termination indemnity are measured by using an actuarial method in accordance with IAS 19 and IAS 37.

The following assumptions were used to measure the actuarial value of the employees' termination benefits:

Actuarial assumptions to measure employee termination benefits (TFR)	31/12/2010	31/12/2009
Economic assumptions:		
- increase in cost of living	2.0%	2.0%
- discount rate	4.5%	4.5%
- salary increases	3.0%-4.0%	3.0%-4.0%
Demographic assumptions:		
- probability of death	IPS 55 tables	IPS 55 tables
- probability of disability	INPS 2000 tables	INPS 2000 tables
- probability of leaving for other reasons	From 6.07% to 18.50%	From 7,21% to 12,50%
- retirement age	Current regulations	Current regulations

Costs relative to employee termination benefits, recognised under income statement, are shown in the table below:

Cost of employees' termination benefits (€,000)	2010	2009
Current cost of employees' termination benefits	1,660	1,294
Financial charges	1,952	2,241
Actuarial (gains) losses	(848)	75
Total cost of employees' termination benefits	**2,764**	**3,610**

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

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

Actuarial assumptions to measure agents' termination indemnity (FISC)	31/12/2010	31/12/2009
Economic assumptions:		
- discount rate	4.5%	4.5%
Demographic assumptions:		
- probability of death/disability	1.0%	1.0%
- probability of leaving service	1.0%	1.0%
- probability of voluntary resignation	1.5%-2.0%	1.5%-2.0%
- average retirement age	65	65

Other pension fund provisions have not been subject to discounting as the relevant impact was considered irrelevant.

18. Financial liabilities

In 2010 Mondadori Group continued its debt restructuring activity with the objective of ensuring debt application dates consistently with the Group's medium/long-term targets.

Item "Non-current financial liabilities", equal to €418,468 thousand, mainly includes:

- €148,384 thousand, representing the amortised cost of the pooled term loan;
- €75,000 thousand, representing the utilised part of the bilateral term loan underwritten with Intesa Sanpaolo and coming to maturity in May 2013;
- €35,000 thousand, representing the utilised part of the bilateral term loan underwritten with Intesa Sanpaolo and coming to maturity in December 2015;
- €50,000 thousand, representing the utilised part of the loan underwritten with Mediobanca and coming to maturity in December 2017;
- €104,000 thousand, representing the amortising loan with a pool of Banche Popolari coming to maturity in June 2015;
- €5,912 thousand, representing the fair value of current derivatives.

It should be noted that the actual interest rate applied to "Loans" corresponds to the weighted average between the actual rates applied to the subsidised loans and the actual interest rate applied to the term loan.

Non-current financial liabilities (€,000)	Effective interest rate	Due between 1 and 5 years	Due after 5 years	31/12/2010	31/12/2009
Bonds		-	-	-	-
Convertible bonds		-	-	-	-
Loans	3,3%	412,384	-	412,384	377,231
Amounts due to suppliers		-	-	-	-
Amounts due to associated companies		-	-	-	-
Amounts due to parent companies		-	-	-	-
Amounts due to affiliated companies		-	-	-	-
Amounts due for lease agreements	5.377% - 6.704%	172	-	172	265
Amounts due to shareholders for loans		-	-	-	-
Liabilities resulting from derivative instruments		5,912	-	5,912	4,691
Other financial liabilities		-	-	-	-
Total non-current financial liabilities		418,468	0	418,468	382,187

Item "Amounts payable to banks and other financial payables" mainly includes:

- €26,044 thousand relative to the utilisation of the short-term part of the amortising loan underwritten with a pool of Banche Popolari;
- €8,831 thousand relative to financial amounts due to associated companies using the intercompany current account. See "Transactions with related parties" appendix for more detailed information.

Amounts payable to banks and other financial and other financial payables (€,000)	Effective interest rate	31/12/2010	31/12/2009
Bank overdrafts		786	5,816
Bonds		-	-
Convertible bonds		-	-
Loans	2.49%	26,044	131,645
Amounts due to suppliers		1,786	2,440
Amounts due to associated companies		8,831	7,232
Amounts due to parent companies		-	-
Amounts due to affiliated companies		-	-
Amounts due for lease agreements		93	88
Amounts due to shareholders for loans		-	-
Liabilities resulting from derivative instruments		-	47
Other financial payables		5,149	4,951
Total amounts payable to banks and other financial payables		42,689	152,219

Committed loans require that specific financial covenants are complied with. Any default event may result in the anticipated re-payment of the loan.
Financial covenants attached to the credit lines granted include the leverage ratio, corresponding to the net debt-to-EBITDA ratio, calculated over a period of twelve consecutive months, as resulting from the Group's consolidated financial statements. The leverage ratio should be lower than or equal to 5.0 for the period of reference, taking the average for the four quarters into account.

As from 2010, leverage ratios are pre-determined on the basis of tables charting the level of debt reached and the corresponding spreads to apply for the use of the loan.

Quarterly analyses are performed based on the contract requirements. Mondadori Group has always complied with the financial covenants established in the relevant contracts.

See note 12 "Financial assets" in these notes for more detailed information concerning financial derivative instruments.

19. Income tax payables

Item "Income tax payables" is broken down as follows:

Income tax payables (€,000)	31/12/2010	31/12/2009
Payables due to tax authorities for IRAP	3,958	315
Payables due to tax authorities for IRES	174	185
Tax payables due to Fininvest for IRES	18,487	19,880
Total income tax payables	22,619	20,380

Item "Tax payables due to Fininvest for IRES" refers to tax payables due to Fininvest SpA, the consolidating entity, by the companies adhering to the tax consolidation regime.
The decrease in this item is attributable to reduced taxable income.

20. Other current liabilities

The decrease in item "Other current liabilitites" is mainly attributable to payables due to personnel for deferred salary items, holidays not taken and relevant contributions, as a result of the reduction in the number of employees.

Changes to the consolidation area had a minor effect.

Other current liabilities (€,000)	31/12/2010	31/12/2009
Customer advances	39,849	36,764
Income tax payables	13,579	15,903
Amounts due to pension funds and social security institutions	35,900	32,573
Other payables	161,638	171,491
Total other current liabilities	250,966	256,731

Item "Other payables" is broken down as follows

Other current liabilities - Other payables (€,000)	31/12/2010	31/12/2009
Payroll and other amounts due to personnel	37,973	41,123
Due to authors and collaborators	51,097	52,983
Due to agents	10,965	12,534
Due to subscription and instalment customers	51,064	53,503
Due to directors and statutory auditors	743	668
Prepaid rental income	61	234
Other payables, accrued expense and deferred income	9,735	10,446
Total other payables	161,638	171,491

21. Trade payables

This item increased against 31 December 2009 as a result of the consolidation of Mondolibri SpA. Net of this operation, this item shows a slight decrease.

Trade payables (€,000)	31/12/2010	31/12/2009
Suppliers	290,323	265,450
Associated companies	83,416	87,820
Parent companies	7	8
Affiliated companies	7,149	4,415
Total trade payables	380,895	357,693

See appendix "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 2010 was 105.8 days, up from 84.6 days registered on a like-for-like basis in 2009.

22. Revenues from sales and services

It is worth mentioning that Mondolibri SpA was integrally consolidated as of 30 April 2010. As a result, it is not possible to make direct comparisons with the data of the previous year because data is not homogeneous for some specific items.

Revenues from sales and services (€,000)	2010	2009	% change
Revenues from the sale of goods:			
- books	328,356	338,385	(3.0%)
- magazines	554,254	581,528	(4.7%)
- direct	39,259	4,455	n.a.
- retail	216,798	192,262	12.8%
- other goods	4,760	2,323	104.9%
Revenues from services:			
- sales of publishing rights	14,869	14,661	1.4%
- advertising services	314,568	320,789	(1.9%)
- direct	23,381	20,456	14.3%
- tickets and exhibition organisation	11,435	11,811	(3.2%)
- other services	50,622	53,458	(5.3%)
Total revenues from sales and services	1,558,302	1,540,128	1.2%

The previous table illustrates that:

- revenues from the sale of books slightly decreased due to decreased sales reported by all of the Group's publishing houses, with the exception of Sperling & Kupfer and Edizioni Piemme;
- magazines registered a heavier drop due to the persistent negative trend in add-on sales and a further reduction in the number of copies sold;
- revenues from direct marketing reflected the contribution from Mondolibri SpA; net of this phenomenon, revenues grew over 9% thanks to Mondadori France excellent performance;
- revenues from the retail sector also reflected the result of Mondolibri SpA consolidation, without which a 4.6% revenue growth would have been posted as a result of the opening of new outlets in the franchising network.

Revenues from services deriving from advertising sales dropped due to the termination of the contract with the publisher of Il Giornale and the concentration of online advertising sales in Mediamond SpA, a joint venture set up specifically for this purpose with Publitalia '80 SpA.

On a like-for-like basis a 3% growth is registered, mainly attributable to the excellent results obtained in the French market.

For more information reference should be made to the Directors' report on operations, including in-depth analyses of revenues and performance trends of the various business segments in which the Group operates.

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

On a like-for-like basis, item "Cost of raw materials, ancillary materials and consumption materials and goods " shows a 2.9% decrease mainly attributable to "Goods for resale", reduced purchases of gifts, decreased sales of add-ons and reduced purchases from sales outlets directly owned by the Group.

Cost of raw materials, ancillary materials and consumption materials and goods (€,000)	2010	2009
Paper	47,801	51,754
Electricity, water, gas, fuel	6,011	6,066
Other production materials	5,840	5,377
Total cost of raw materials and ancillary materials	59,652	63,197
Goods for resale	160,645	165,548
Consumption and maintenance materials	3,270	2,433
Other	31,343	23,051
Total cost of consumption materials and goods for resale	195,258	191,032
Total cost of raw materials, ancillary materials and consumption materials and goods	254,910	254,229

24. Cost of services

Item "Cost of services" also heavily reflected the effects of the consolidation of Mondolibri SpA. 2010 data, without considering such phenomenon, would result in a 2.3% drop. Item "Publisher's share", which in 2009 also included the purchase cost of advertising space in Il Giornale, is the item mainly responsible for the decrease.

On a like-for-like basis, a slight decrease was registered among production items, including "Rights and royalties", "Commissions" and "Third-party processing", which reflected the book and magazine revenue trends.

Cost of services (€,000)	2010	2009
Rights and royalties	132,212	138,288
Third-party consultancy and collaboration	74,137	71,670
Commissions	65,407	59,169
Third-party processing	264,175	264,940
Transport and shipping	60,778	53,444
Purchase of advertising space and publicity expense	59,678	58,024
Travel and other expense reimbursements	11,568	10,675
Maintenance	7,675	7,181
Warehousing and porter costs	12,694	9,658
Postal and telephone	11,460	7,408
Catering and cleaning services	7,675	8,653
Market research	5,110	5,239
Insurance	3,341	3,430
Subscriptions management	29,323	32,184
Publisher's share	33,287	44,739
Job order services	7,346	5,674
Bank services and commission	2,353	2,458
Directors' and statutory auditors' fees	3,819	3,646
Other services	40,499	38,306
Total cost of services	832,537	824,786

It should also be noted that item "Directors' and statutory auditors' fees" comprises fees paid to directors and statutory auditors for €3,377 thousand and €442 thousand, respectively.

25. Personnel costs

This item is broken down here below:

Personnel costs (€,000)	2010	2009
Salaries and wages	193,557	193,413
Stock options	724	1,186
Social security charges	56,752	57,841
Employees' termination benefits to increase the TFR fund	812	1,369
TFR for supplementary pension plan schemes	9,029	9,272
Retirement indemnities and similar	12	5
Other	10,622	39,737
Total personnel costs	271,508	302,823

Personnel costs amounted to €271.5 million, down 10.3% against the previous year. 2009 and 2010 data is not homogeneous, since 2010 results include Mondolibri SpA consolidation since April 2010.

Net of this phenomenon, this item's reduction would have amounted to 12.6%.

The table below details Group personnel.

Personnel	At 31/12/2010	At 31/12/2009	Average 2010	Average 2009
Managers	153	143	148	148
Journalists	770	861	818	898
White-collars and middle managers	2,572	2,610	2,580	2,656
Blue-collars	154	136	151	149
Total	3,649	3,750	3,697	3,851

Information about stock option plans

Following to the expiry of the stock option plan for the 2006-2008 period, Arnoldo Mondadori Editore SpA shareholders' meeting of 29 April 2009 approved a resolution regarding the establishment of a new three-year stock option plan (the "Plan") in favour of company and subsidiary managers holding strategically important positions for the attainment of the Group's targets; company and subsidiary directors; journalists employed by the company and its subsidiaries, holding chief editor or deputy chief editor positions; parent company managers, appointed directors, operating in the company's interest.

The shareholders' meeting entrusted the Board of Directors with the task of managing the plan, granting the Board all the broadest powers necessary for the identification of eligible participants, definition of performance objectives, assignment of option rights and development of all the aspects pertaining to the plan. The shareholders' meeting also entrusted the Board of Directors with the task of defining the Plan implementation rules.

The rules for the 2009-2011 Plan approved by the Board of Directors specifically envisage the assignment of personal and non-transferable option rights to the eligible participants in the Plan for each Plan year for the purchase of Arnoldo Mondadori SpA ordinary shares in a ratio of one share, giving right to regular dividend, for every option exercised.

The strike prices for the year are established by the Board of Directors with reference to the arithmetic average reference price for Mondadori shares in the period going from option assignment to the same day in the previous calendar month.

Options may be exercised only once during the exercise period, as specified in the table below, starting from the lapse of the vesting period of 36 months after the option assignment date. The Plan rules further specify that the Board of Directors defines the conditions for exercising the options assigned to eligible participants as a function of the attainment of specific economic and/or financial performance parameters established on a yearly basis; fulfilment of the exercise conditions is verified by the Board of Directors for each Plan year within the first half of the year after that in which the options have been assigned.

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

No provision was made for the granting of loans or other facilities for the purchase of shares pursuant to article 2358, paragraph 3 of the Italian Civil Code.

The table below shows the situation as at 31 December 2010 regarding the total number of assigned options that can still be exercised, the relevant price and exercise term:

Stock option	2005	2006	2007	2009	2010
In circulation at 01/01/2010	2,160,000	2,165,000	2,455,000	2,270,000	-
- assigned during year	-	-	-	-	1,800,000
- cancelled during year	(105,000)	(90,000)	(140,000)	(140,000)	(70,000)
- exercised during year	-	-	-	-	
- expired during year	-	-	-	-	
In circulation at 31/12/2010	2,055,000	2,075,000	2,315,000	2,130,000	1,730,000
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 euros	7.87	7.507	7.458	3.4198	2.4693
Exercisable at 31/12/2010	2,055,000	2,075,000	2,315,000	-	-

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

Parameters for the option measuring model	2005	2006	2007	2009	2010
Exercise price of the option	7.87	7.507	7.458	3.4198	2.4693
Option term (residual period)	0.5	1.5	2.5	4.75	5.5
Market price of the underlying shares at the grant date in euros	7.865	7.415	7.15	3.53	2.415
Expected volatility of share price	18.45%	19.45%	17.00%	32.00%	35.40%
Dividend yield	4.45%	4.72%	4.90%	5.66%	8.28%
Risk free interest rate for the option term	2.65%	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 "Personnel costs" under income statement, totalled €724 thousand in the period of reference.

26. Other (income) expense

This item is broken down as follows:

Other (income) expense (€,000)	2010	2009
Other revenues and income	(34,180)	(34,064)
Cost of use of third-party assets	48,775	47,902
Other operating costs	42,001	41,238
Total other (income) expense	56,596	55,076

The balance of item "Other (income) expense" is in line with the amount posted in 2009, despite Mondolibri consolidation that contributed for approximately €1.6 million.

Other (income) expense - Other revenues and income (€,000)	2010	2009
Revenue grants	156	73
Capital gains on disposal of fixed assets	1,144	1,909
Supplier rebates and other third-party contributions	1,473	1,294
Insurance reimbursements	198	218
Rental income	1,279	1,278
Prior year income	3,305	2,836
Expense recovered from third parties	17,845	17,214
Others	8,780	9,242
Total other revenues and income	34,180	34,064

Also item "Cost of use of third-party assets" is in line with the previous year, despite Mondolibri consolidation that contributed for €1.7 million.

Other (income) expense - Cost of use of third-party assets (€,000)	2010	2009
Rental expense	39,721	38,166
Data processing, leasing and hire purchase payments	7,341	8,197
Others	1,713	1,539
Total cost of use of third-party assets	48,775	47,902

Item "Other operating costs" is in line with the amount posted as at 31 December 2009.

Other (income) expense - Other operating costs (€,000)	2010	2009
Compensation and settlements	5,526	4,174
Bad debts	11,359	10,245
Charges to provisions	28,384	32,078
Utilisation of provisions	(26,040)	(21,988)
Contributions and grants	1,799	1,808
Prior year expense	6,852	1,917
Capital losses on the sale of fixed assets	173	428
Information material, entertainment expense and gifts	5,010	4,338
Taxes and dues	5,953	5,403
Other expense	2,985	2,835
Total other operating costs	42,001	41,238

27. Results of investments stated on an equity basis

The table below details 2010 and 2009 results of companies valued at net equity.

Income (expense) from investments valued at net equity (€,000)	2010	2009
- Hearst Mondadori Editoriale Srl	130	16
- Gruner + Jahr/Mondadori SpA	1,578	1,318
- Harlequin Mondadori SpA	449	349
- Milano Distribuzione Media Srl (formerly Ag. Lombarda Distr. Giornali e Riviste Srl)	30	(18)
- ACI-Mondadori SpA	(25)	(156)
- Mondadori Rodale Srl	(69)	-
- Gruppo Attica Publications	(6,097)	(521)
- Società Europea di Edizioni SpA	(2,824)	(6,190)
- Gruppo Random House Mondadori	(4,080)	8,794
- Edizioni Electa Bruno Mondadori Srl (liquidated)	(1)	193
- Mach 2 Libri SpA	384	440
- Mach 2 Press Srl	(46)	-
- Mondadori Independent Media LLC	(598)	(2,274)
- Edizioni EL Srl	931	717
- Mondadori Printing SpA	2,116	(116)
- Mondolibri SpA	(344)	(27)
- Novamusa Gelmar Scarl	(2)	-
- Venezia Musei Società per i servizi museali Scarl	-	1
- Mediamond SpA	(505)	(274)
- Consorzio Editoriale Fridericiana	(1)	(8)
- Roccella Scarl	-	(6)
- Mondadori Seec Advertising Co Ltd	(614)	(1,889)
- Editions Mondadori Axel Springer Snc	3,506	1,951
Income from purchase of control of Mondolibri SpA	2,690	-
Total income (expense) from investments valued at net equity	(3,392)	2,300

2010 result for Attica Publications Group includes a €5.2 million writedown; 2010 result for Random House Mondadori Group includes a €6.1 million loss as a result of the Mexican and Venezuelan market trends, while 2009 result had benefited for the first time from the recognition of anticipated taxes for approximately €6.7 million.

The balance for the year also includes income calculated on the already owned stake pursuant to IFRS 3, deriving from the majority control acquisition in Mondolibri SpA.

28. Financial income (expense)

Item "Financial expense" increased against the previous mainly as a result of the extraordinary income resulting from the termination of the cross currency swap contract (€14.5 million) underwritten in 2009.

Net of this component, the €1.5 million increase is due to lower financial income from asset management and minor changes in financial expense.

The item is broken down as follows.

Financial income (expense) (€,000)	2010	2009
Interest from banks and post offices	246	1,465
Interest from associated companies	52	22
Interest from other companies	-	-
Interest from bonds and loans	-	-
Financial income from derivative instrument operations	1,785	19,539
Other interest and financial income	2,197	1,271
Total interest income and other financial income	4,280	22,297
Interest to banks	91	31
Interest to associated companies	86	191
Interest to other companies	449	534
Interest paid for bonds, mortgages and loans	13,480	18,798
Financial expense from derivative instrument operations	6,656	11,496
Financial charges from discounting assets/liabilities	1,952	2,451
Other interest paid and financial expense	5,173	3,774
Total interest expense and other financial expense	27,887	37,275
Realised foreign exchange gains	497	1,366
Unrealised foreign exchange gains	40	69
Realised foreign exchange losses	(279)	(323)
Unrealised foreign exchange losses	(23)	(8)
Total profit (loss) on foreign exchange operations	235	1,104
Income (expense) from financial assets	(547)	5,992
Total financial income (expense)	(23,919)	(7,882)

29. Income taxes

The table below shows the breakdown of current, anticipated and deferred taxes.

Compared with the previous year, there is a significant impact in relation to the utilisation of provisions for anticipated taxes in 2009, specifically referring to pre-retirement transactions.

"Other tax items" include a payment of €8,653 thousand made pursuant to Italian law 73 of 22 May 2010 in the matter of pending tax disputes, specifically referring to the pending litigation with the Financial Authorities in relation to the tax recognition of the deficit identified in 1991 resulting from the merger by incorporation of Arnoldo Mondadori Editore SpA into AME Finanziaria (AMEF).

Income taxes (€,000)	2010	2009
IRES tax on income for the year	23,583	26,646
IRAP for the year	11,289	10,984
Total current taxesi	34,872	37,630
Deferred tax (income) expense - IRES	3,494	(6,647)
Deferred tax (income) expense - IRAP	528	348
Total deferred tax (income) expense	4,022	(6,299)
Other tax items	8,739	(2,320)
Total income taxes	47,633	29,011

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

(€,000)	2010 Profits before taxes	2010 Taxes	2010 Current tax rate	2009 Profits before taxes	2009 Taxes	2009 Current tax rate
Theoretical IRES tax charge	90,267	24,823	27.50%	63,918	17,577	27.50%
Theoretical IRAP tax charge	90,267	3,520	3.90%	63,918	2,493	3.90%
Total theoretical tax charge/rate		28,343	31.40%		20,070	31.40%
Actual IRES tax charge		35,668	39.51%		18,158	28.40%
Actual IRAP tax charge		11,965	13.26%		10,853	16.98%
Actual tax charge/effective tax rate		47,633	52.77%		29,011	45.38%

(€,000)	2010		2009	
Theoretical tax charge/rate	28,343	31;40%	20,070	31;40%
Effect relating to consolidation entries	456	0;51%	743	1;16%
Effect deriving from the payment of taxes or the definition of pending tax disputes	8,653	9;59%	-	-
Effect of utilisation of tax losses from previous years	-	-	-	-
Effect of differences of tax rates on taxable income of foreign subsidiaries	(757)	(0;84%)	782	1;22%
Net effect of other permanent differences	2,493	2;75%	(944)	(1;48%)
Effect of different IRAP tax base	8,445	9;36%	8,360	13;08%
Actual tax charge/effective tax rate	47,633	52;77%	29,011	45;38%

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.

	2010	2009
Net profit for the period (€,000)	42,101	34,333
Average number of ordinary shares outstanding (thousands)	237,346	239,332
Basic profit per share (euros)	0.177	0.143

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.

	2010	2009
Net profit for the period (€,000)	42,101	34,333
Average number of ordinary shares outstanding (thousands)	237,346	239,332
Number of options with dilutive effect (thousands)	0	0
Diluted earnings per share (euros)	0.177	0.143

31. Commitments and contingent liabilities

As at 31 December 2010 Mondadori Group holds commitments totalling €155,141 thousand (€133,721 thousand as at 31 December 2009), almost entirely represented by sureties issued for VAT reimbursement claims, competitions and contests. Future foreign currency purchase/sale contracts accounted for €2,039 thousand.

The increase against 2009 is attributable to the consolidation of Mondolibri SpA; comfort letters released in favour of the owner of the new headquarters of Mondadori France, and competitions and contests.

In addition to the information already provided in these notes in relation to the parent company (note 28 - Commitments and contingent liabilities), it should be also noted that a number of queries were raised following to tax inspections performed by the Guardia di Finanza (Financial Police) in some Group subsidiaries. Such queries specifically refer to Mondadori Retail SpA for 2003, 2004, 2005, 2006 and 2007. To date, the Italian tax authorities have filed two tax assessments worth €275 thousand plus accessory charges and €957 thousand plus accessory charges, respectively. Both assessments have been challenged before the Provincial Tax Commission.
As for Guilio Einaudi editore SpA, the financial periods from 2005 to 2009 are still pending definition. The assessment for 2005 was challenged before Provincial Tax Commission, while no notices for tax assessments have been issued yet by the tax authorities for the subsequent years.
The Group believes that the risk level is low and, as a result, the Group made no provision. Concurrently, the Group challenged against the notices of assessment already received.

32. Non-recurring expense (income)

In accordance with Consob resolution 15519 of 27 July 2006, Mondadori Group posted non-recurring expense for €8,653 thousand in 2010, including taxes paid pursuant to legislative decree no. 40 of 25 March 2010 in the matter of pending tax disputes as referred to in note 29 above.

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 in favour of managers holding strategic positions

Managers holding strategic positions in relation to business activity planning, managing and controlling in the interest of Mondadori Group are listed below.

Directors	
Maurizio Costa	Deputy Chairman and Chief Executive Officer
Carlo Maria Vismara	Chief Financial Officer
Roberto Briglia	Chief Content Officer
Managers	
Stefano De Alessandri	General Manager Magazines Italy
Rossella Citterio	Director of External Relations and Communications
Ernesto Mauri	General Manager of Magazines France
Riccardo Cavallero	General Manager of Trade Books
Antonio Baravalle	General Manager of Educational Books
Angelo Sajeva	Managing Director of Mondadori Pubblicità
Carlo Luigi Mandelli	Managing Director of Monradio
Renato Rodenghi	General Manager of Direct Marketing Division, Managing Director of Direct Marketing Division companies and Chairman of Mondadori Franchising
Enrico Selva Coddè	Director Personnel, Organisation and IT
Vittorio Veltroni	General Manager of Digital Division

Overall compensation paid by Arnoldo Mondadori Editore SpA and the Group companies to managers holding strategic positions accounted for €13.7 million.

Transactions with parent companies, subsidiaries and associated companies

Here below is a detailed description of equity and cash flow effects resulting from transactions with parent companies, subsidiaries and associated companies in 2009 and 2010.

Balances and transactions with related parties at 31 December 2010

(€,000)	Trade receivables	Financial receivables	Tax receivables	Trade payables	Financial payables	Tax payables	Revenues	Purchase of raw materials prime	Purchase of services	Other (income) expense	Financial income (expense)
Parent company:											
- Fininvest SpA	5	-	2,481	7	-	18,487	6	-	10	76	(162)
Associated companies:											
- Gruner + Jahr/Mondadori SpA	4,978	-	-	6,833	154	-	3,267	80	6,563	(589)	(13)
- Mach 2 Libri SpA	20,416	-	-	14	-	-	33,088	3	388	(6)	-
- MDM Milano Distribuzione Media Srl (formerly Agenzia Lombarda Distribuz. Giornali e Riviste Srl)	992	-	-	-	-	-	-	-	342	1	-
- Venezia Musei Società per i servizi museali Scarl	31	-	-	-	-	-	14	-	41	-	-
- Hearst Mondadori Editoriale Srl	327	332	-	2,615	-	-	938	-	3,974	59	(4)
- Harlequin Mondadori SpA	1,733	183	-	-	5,462	-	578	10,510	1	(132)	(23)
- Mondadori Rodale Srl	705	554	-	3,209	-	-	2,321	-	5,257	(531)	(7)
- Gruppo Attica Publications	91	-	-	6	-	-	154	-	35	-	-
- Edizioni Electa Bruno Mondadori Srl (liquidated)	-	-	-	-	-	-	3	-	-	-	-
- Edizioni EL Srl	919	-	-	4,911	-	-	863	7,433	24	(721)	-
- Gruppo Random House Mondadori	176	-	-	15	-	-	317	-	104	-	-
- Società Europea di Edizioni SpA	1,010	-	-	5,436	-	-	4,122	271	9	(499)	-
- ACI-Mondadori SpA	521	-	-	1,390	589	-	2,214	17	1,708	(102)	(10)
- Consorzio COVAR (in liquidation)	4	-	-	-	-	-	-	-	-	-	-
- Mondolibri SpA (associated until 30/04/2010)	-	-	-	-	-	-	2,425	89	1,404	(272)	-
- Roccella Scarl (in liquidation)	-	160	-	60	-	-	-	-	-	-	-
- Campania Arte Scarl	65	134	-	68	-	-	13	-	18	-	-
- Editions Mondadori Axel Springer Snc	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 Scarl	-	25	-	44	-	-	5	7	133	-	-
- Mondadori Printing SpA	927	-	-	56,608	-	-	2,444	681	172,762	89	(5)
- Artes Graficas Toledo SA	-	-	-	569	-	-	-	-	870	-	-
- Consorzio Fridericiana	-	-	-	5	-	-	-	-	-	-	-
- Mediamond SpA	1,872	-	-	235	265	-	3,490	-	618	(455)	24
- Mondadori Seec Advertising Co Ltd	110	-	-	87	-	-	110	-	178	-	-
- Mach 2 Press Srl	-	-	-	433	-	-	-	30	824	-	-
Total associated companies	37,038	1,399	0	83,416	8,831	0	64,014	19,132	196,064	(6,513)	(34)

Balances and transactions with related parties at 31 December 2010

(€,000)	Trade receivables	Financial receivables	Tax receivables	Trade payables	Financial payables	Tax payables	Revenues	Purchase of raw materials prime	Purchase of services	Other (income) expense	Financial income (expense)
Affiliated companies:											
- RTI - Reti Televisive Italiane SpA	829	-	-	2,318	-	-	2,369	78	567	(14)	-
- Publitalia '80 SpA	9	-	-	3,739	-	-	9	-	15,994	-	-
- Digitalia '08 Srl (formerly Promoservice Italia Srl)	300	-	-	76	-	-	257	-	159	-	-
- Fininvest Gestione Servizi SpA (formerly Finedim Italia SpA)	3	-	-	-	-	-	3	-	-	21	-
- Il Teatro Manzoni SpA	2	-	-	8	-	-	1	-	-	9	-
- Banca Mediolanum SpA	18	-	-	-	-	-	182	-	-	-	-
- Medusa Film SpA	26	-	-	247	-	-	51	468	340	-	-
- Alba Servizi Aerotrasporti SpA	-	-	-	19	-	-	-	-	-	28	-
- Consorzio Servizi Vigilanza	-	-	-	-	-	-	-	-	-	-	-
- Radio e Reti Srl	9	-	-	-	-	-	-	-	-	-	-
- Isim SpA	-	-	-	2	-	-	-	-	-	-	-
- Videotime SpA	12	-	-	-	-	-	11	-	-	-	-
- Mediaset SpA	41	-	-	60	-	-	41	-	150	-	-
- A.C. Milan SpA	-	-	-	-	-	-	-	-	-	10	-
- Elettronica Industriale SpA	5	-	-	-	-	-	5	-	-	-	-
- Media Shopping SpA	74	-	-	50	-	-	274	7	74	-	-
- Publieurope Ltd	778	-	-	630	-	-	2,186	-	630	-	-
- The Space Cinema 2 SpA (formerly Medusa Cinema SpA)	-	-	-	-	-	-	6	-	-	-	-
- Taodue Srl	-	-	-	-	-	-	-	-	32	-	-
- Milan Entertainment Srl	-	-	-	-	-	-	-	-	17	-	-
- Boing SpA	6	-	-	-	-	-	5	-	-	-	-
- Mediobanca SpA	-	-	-	-	50,000	-	-	-	-	-	(916)
Total affiliated companies	2,112	0	0	7,149	50,000	0	5,400	553	17,963	54	(916)
Other related parties:											
- Sin&ergetica Srl	-	-	-	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)
Percentage of financial statements	10.2%	4.1%	8.6%	23.9%	12.8%	81.7%	4.5%	7.7%	25.8%	n.a.	32.8%

Balances and transactions with related parties at 31 December 2009

(€,000)	Trade receivables	Financial receivables	Tax receivables	Trade payables	Financial payables	Tax payables	Revenues	Purchase of raw materials prime	Purchase of services	Other (income) expense	Financial income (expense)
Parent company:											
- Fininvest SpA	5	-	-	8	-	19,880	5	-	10	4	(227)
Associated companies:											
- Gruner + Jahr/Mondadori SpA	5,605	620	-	9,409	46	-	3,259	56	8,742	(831)	(29)
- Mach 2 Libri SpA	18,961	-	-	272	-	-	32,342	67	1,044	-	(1)
- Agenzia Lombarda Distribuzione Giornali e Riviste Srl	593	-	-	-	-	-	-	-	650	(3)	-
- Venezia Musei Società per i servizi museali Scarl	252	-	-	179	-	-	215	9	541	-	-
- Hearst Mondadori Editoriale Srl	450	445	-	2,838	-	-	1,481	-	4,831	(436)	(10)
- Harlequin Mondadori SpA	563	168	-	18	4,571	-	444	10,415	3	(128)	(47)
- Mondadori Rodale Srl	584	885	-	3,524	-	-	2,818	1	5,976	(792)	(17)
- Gruppo Attica Publications	255	-	-	118	-	-	225	-	109	-	-
- Edizioni Electa Bruno Mondadori Srl	37	-	-	-	-	-	77	-	-	-	-
- Edizioni EL Srl	772	-	-	4,262	-	-	722	6,473	30	(633)	-
- Gruppo Random House Mondadori	182	-	-	13	-	-	198	-	34	-	-
- Società Europea di Edizioni SpA	1,325	-	-	10,632	675	-	4,522	445	8,660	(430)	-
- ACI-Mondadori SpA	464	-	-	1,639	1,304	-	1,844	8	2,294	(308)	(38)
- Consorzio COVAR (in liquidation)	4	-	-	-	-	-	-	-	-	-	-
- Mondolibri SpA	2,860	-	-	1,148	-	-	7,622	177	3,457	(1,048)	-
- Roccella Scarl	75	228	-	203	-	-	-	-	-	-	-
- Campania Arte Scarl	48	134	-	86	-	-	24	-	41	8	-
- Editions Mondadori Axel Springer Snc	2,644	3	-	1,236	610	-	6,254	5	600	(2,890)	(44)
- Mondadori Independent Media LLC	17	-	-	1	-	-	17	-	29	-	17
- Venezia Accademia Società per i servizi museali Scarl	-	25	-	171	-	-	-	10	141	-	-
- Mondadori Printing SpA	1,070	-	-	50,041	-	-	2,322	7,153	182,320	(533)	-
- Artes Graficas Toledo SA	2	-	-	1,994	-	-	3	-	6,749	-	-
- Consorzio Fridericiana	-	-	-	5	-	-	-	-	-	-	-
- Mediamond SpA	189	-	-	-	26	-	150	-	-	(1)	-
- Mondadori Seec Advertising Co Ltd	-	-	-	31	-	-	-	-	45	-	-
Total associated companies	**36,952**	**2,508**	**0**	**87,820**	**7,232**	**0**	**64,539**	**24,819**	**226,296**	**(8,025)**	**(169)**

Balances and transactions with related parties at 31 December 2009

(€,000)	Trade receivables	Financial receivables	Tax receivables	Trade payables	Financial payables	Tax payables	Revenues	Purchase of raw materials prime	Purchase of services	Other (income) expense	Financial income (expense)
Affiliated companies:											
- RTI - Reti Televisive Italiane SpA	1,462	-	-	1,193	-	-	3,323	125	420	(76)	-
- Publitalia '80 SpA	8	-	-	2,754	-	-	8	-	15,335	-	-
- Medusa Video SpA	14	-	-	341	-	-	33	5	95	-	-
- Digitalia '08 Srl (formerly Promoservice Italia Srl)	161	-	-	18	-	-	295	-	202	-	-
- Fininvest Gestione Servizi SpA (formerly Finedim Italia SpA)	4	-	-	-	-	-	4	-	-	21	-
- Il Teatro Manzoni SpA	2	-	-	-	-	-	13	-	13	-	-
- Banca Mediolanum SpA	38	-	-	-	-	-	210	-	-	-	-
- Medusa Film SpA	25	-	-	2	-	-	101	-	2	(2)	-
- Alba Servizi Aerotrasporti SpA	-	-	-	-	-	-	-	-	-	35	-
- Radio e Reti Srl	9	-	-	22	-	-	-	-	5	-	-
- Isim SpA	-	-	-	2	-	-	-	-	-	-	-
- Videotime SpA	11	-	-	-	-	-	10	-	10	-	-
- Mediaset SpA	50	-	-	30	-	-	47	-	50	-	-
- A.C. Milan SpA	3	-	-	-	-	-	3	-	-	4	-
- Elettronica Industriale SpA	5	-	-	-	-	-	5	-	-	-	-
- Media Shopping SpA	90	-	-	20	-	-	322	6	55	-	-
- Mediolanum Comunicazione SpA	-	-	-	-	-	-	6	-	-	-	-
- Milan Entertainment Srl	-	-	-	9	-	-	-	-	49	-	-
- Publieurope Ltd	441	-	-	-	-	-	2,211	-	559	-	-
- The Space Cinema 2 SpA (formerly Medusa Cinema SpA)	7	-	-	-	-	-	6	-	-	-	-
- Taodue Srl	1	-	-	24	-	-	-	-	-	-	-
- Consorzio Campus Multimedia In-Formazione	-	-	-	-	-	-	30	-	30	-	-
Total affiliated companies	2,331	0	0	4,415	0	0	6,627	136	16,825	(18)	0
Total related parties	39,288	2,508	0	92,243	7,232	19,880	71,171	24,955	243,131	(8,039)	(396)
Percentage of financial statements	10.4%	6.0%	0.0%	25.8%	1.4%	97.5%	4.6%	9.8%	29.5%	n.a.	5.0%

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

In performing 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 is to identify any changes. The Policy is adopted by the parent company, Arnoldo Mondadori Editore SpA, and all Group companies.

Mondadori Group analyses and measures its exposure to financial risks for the purpose of defining management and hedge strategies. The Group relies on the following risk assessment measures:

- 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;
- Value at Risk: VaR allows to measure the maximum possible loss for any specific position or portfolio in a specific time span and according to a specific probability level.

The overall Policy objective is to minimise financial risks, by using appropriate tools available in the market. Financial derivative instruments are exclusively used to hedge against financial risks directly referring to Arnoldo Mondadori Editore SpA 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.

<u>Interest rate risk</u>

Interest rate risk refers to the possibility that losses may be incurred in the 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 prudentially 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 in 2006 by a pool of international banks (Club Deal), subject to restructuring in December 2009; bilateral credit lines granted by Intesa Sanpaolo in 2008 and 2009; the amortising loan coming to maturity in June 2015 and granted in 2010 by a pool of leading Italian banks; and the bullet loan coming to maturity in December 2017 and granted in 2010 by Mediobanca.

Interest rate risk hedging is ensured through interest rate swap contracts, converting exposure from floating to fixed rate.

In particular:

- a 3.745% fixed interest hedge against 3-month Euribor, comprising an interest rate swap linked to a 1-month against 3-month Euribor basis swap, with a notional value of €50 million;
- a 1.95% fixed interest hedge against 1-month Euribor, comprising an interest rate swap for a notional value of €150 million, coming to maturity end of July 2011 and a 2.91% fixed interest hedge against 3-month Euribor for the same notional value, comprising interest rate swaps coming into force as of end of July 2011;
- a 1.29% fixed interest hedge against 1-month Euribor, comprising an amortising interest rate swap for a notional €50 million initially, with annual amortisation;
- a 2.59% fixed interest hedge against 1-month Euribor, comprising an interest rate swap for a notional €50 million with forward starting end of July 2011.

For more detailed information regarding debt, reference should be made to note 12, "Financial assets", and note 18, "Financial liabilities".

The table below shows the results of the sensitivity analysis carried out on interest rate risks, specifying the relevant pre-tax impact on the Group's consolidated balance sheet and income statement pursuant to IFRS 7.

Sensitivity analysis (€m)	Underlying	Increase/(decrease) in interest rates	Revenues (charges)	Increase (decrease) in net equity
2010	(200.7)	1%	(1.7)	10.1
2009	(30.4)	1%	(0.3)	2.8
2010	(200.7)	(1%)	1.7	(10.1)
2009	(30.4)	(0.3%)	0.1	(0.8)

While identifying potential impact correlated to positive and negative interest rate variations, floating-rate loans were also analysed.

The impact of the sensitivity analysis on floating-rate loans refers to future cash flows, while in case of fixed-rate liabilities changes in fair value were identified.

The basic assumptions underlying the sensitivity analysis are:

- an initial parallel shift of the interest curve of + 100 basis points/ -100 basis points (-30 basis points in 2009, considering that rates were well below 1%);
- in calculating the variations associated with floating-rate financial instruments, it is assumed that no interest rates are fixed;
- the analysis is carried out on the assumption that all the other risk variables remain steady;
- for the purpose of comparability, the same analysis is performed both on the current year and the previous year.

<u>Exchange rate risk</u>

Exchange rate risk 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.
Mondadori Group is not particularly exposed to exchange rate risks.

In order to hedge against the exchange rate risk resulting from purchase and sale transactions denominated in US dollars and sterlings, the Group underwrote relevant forward sales contracts.
Despite the fact that these contracts are specifically entered into for hedge purposes, they do no fully meet the requirements envisaged by the international accounting standards in the matter of hedge accounting, and are therefore accounted for as trading derivatives.
The Group has a policy aiming at hedging a percentage of the positions included in the budget in order to protect the Group operational profitability against the negative impact resulting from exchange rate fluctuations.

In 2010 the type of exposure and the hedge policy adopted for exchange rate risks resulted similar to previous years.
The results of the sensitivity analysis performed on the exchange rate risk showed irrelevant economic impact, considering the low level of average exposure in 2009 and 2010.

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 steady;
- 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 commitments as a result of its inability to raise new funds (funding liquidity risk), or its inability to sell assets on the market (asset liquidity risk), thereby been forced to sustain excessively high costs for the purpose of meeting obligations.

The Group exposure to liquidity risk mainly refers to existing loans and borrowings. The Group currently has medium/long-term loan contracts underwritten with credit institutes.
In addition, if deemed necessary, the Group may resort to pre-authorised short-term credit lines. The Group objective is to maintain steady balance and flexibility between financial sources and commitments. For more detailed information regarding non-current financial liabilities, reference should be made to note 18, "Financial liabilities.

As at 31 December 2010, liquidity risk was managed by Mondadori Group through the following tools:
- bank and post office deposits totalling €84.9 million;
- an investment portfolio totalling €26.2 million;
- committed credit lines totalling approximately €750 million (€310 million of which unused) and uncommitted credit lines for €356.2 million, unused as at 31 December 2010;
- 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 31/12/2010						
(€m)	< 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 associated companies	92.3	-	-	-	-	-	92.3
Total	516.9	7.5	38.2	371.4	55.5	0	989.5
Derivatives on tax risks	1.3	0.8	2.7	(0.9)	(1.4)	-	2.5
Derivatives on exchange risk	-	-	-	-	-	-	0
Total exposure	518.2	8.3	40.9	370.5	54.1	0	992.0

Liquidity risk	Analysis of maturity periods at 31/12/2009						
(€m)	< 6 months	6-12 months	1-2 years	2-5 years	5-10 years	> 10 years	Total
Trade payables	269.9	-	-	-	-	-	269.9
Medium/long-term loans	125.6	8.2	18.1	384.2	69.8	-	605.9
Other financial liabilities:							
- committed credit lines	1.3	-	-	-	-	-	1.3
- uncommitted credit lines	11.8	1.4	-	-	-	-	13.2
Other liabilities	88.6	-	-	-	-	-	88.6
Payables to associated companies	95.1	-	-	-	-	-	95.1
Total	592.3	9.6	18.1	384.2	69.8	0	1.074.0
Derivatives on tax risks	2.3	1.5	1.3	-	-	-	5.1
Derivatives on exchange risk	0.1	-	-	-	-	-	0.1
Total exposure	594.7	11.1	19.4	384.2	69.8	0	1.079.2

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 reporte 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 unlevered free cash flow.

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 with its contractual obligations and thus no positive cash flow is generated in favour of the Group.

Mondadori 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 not qualifying in terms of credit profile or provision of collateral guarantees. 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 (€m)	31/12/2010	31/12/2009
Deposits	83.8	118.3
Receivables and loans:		
- trade receivables and other current financial assets	401.5	404.7
- trade receivables and other non-current financial assets	17.6	19.9
Available-for-sale assets	26.4	35.9
Receivables for hedged derivative financial instruments	-	-
Guarantees	3.6	1.6
Total of maximum exposure to credit risks	532.9	580.4

Below is a detailed description of the Group exposure to credit risk by geographical area.

Exposure to commercial risk credit (€m)	31/12/2010	31/12/2009	% 31/12/2010	% 31/12/2009
Distribution area:				
Italy	319,9	314,8	83,1%	83,2%
France	65,3	63,5	16,9%	16,8%
Other countries	-	-	-	-
Total	385,2	378,3	100,0%	100,0%

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

Books
The Group adopted a specific procedure to measure the risk profile of any new customer. Such 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 Group exposure in the Italian market refers to local distributors, mainly represented by small and medium enterprises.

Contractual agreements provide for the collection of significant advances on supplies. Hence, exposure mainly refers to residual sales generated in the month of December.

In addition, the Group took out an insurance policy to minimise credit risk.

The French magazine distribution market only includes two country-wide operators, part-owned also by the country's main publishers.

As a result, considering counterparty financial soundness and solvency, the Group believes that credit risk exposure is low.

Advertising
Most of the Group exposure refers to small/medium enterprises purchasing advertising spaces. Credit risk vis-à-vis such entities is monitored through a reliability analysis performed before the provision of any service in case of large investment amounts, and, subsequently, credit risk is monitored on an ongoing basis through the relationships maintained by the sales network.

Exposure vis-à-vis media centres, managing sales of advertising spaces on behalf of their customers, shows a higher level of credit risk.

The Group monitors credit risk exposure vis-à-vis such entities on an ongoing basis and collects commercial information about their solvency.

With reference to the Group policy in the matter of write downs, it should be noted that each Group company is responsible for making specific write downs based on the identification of particularly relevant positions.

The total amount of write downs takes into consideration the estimated recoverable amount, collection dates, recovery costs as well as any guarantees received.

In case of positions not subject to specific write downs, Group companies set up a provision based on historical data and statistics.

The table below details the Group exposure to credit risk by business area.

Exposure to trade credit risk (€m)	Analysis by maturity at 31/12/2010 Net due amounts					
	Net at due date	0-30 days	30-60 days	60-90 days	>90 days	Writedown reserve
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
Direct and Retail	23.6	6.5	4.7	2.3	2.2	6.2
Radio	0.2	-	-	-	-	0.1
Other business	0.9	0.6	-	-	-	0.1
Total	**304.3**	**33.6**	**14.3**	**6.5**	**26.5**	**39.8**

Exposure to trade credit risk (€m)	Analysis by maturity at 31/12/2009 Net due amounts					
	Net at due date	0-30 days	30-60 days	60-90 days	>90 days	Writedown reserve
Books	111.2	6.1	4.2	1.7	6.0	16.9
Magazines Italy	32.0	8.1	0.8	0.1	1.3	8.5
Magazines France	52.7	6.5	2.3	1.3	0.7	4.3
Advertising	76.6	11.6	4.6	2.8	20.1	1.3
Retail	21.9	1.3	0.5	0.3	1.1	1.4
Radio	-	-	-	-	-	0.1
Other business	2.5	-	-	-	-	0.1
Total	**296.9**	**33.6**	**12.4**	**6.2**	**29.2**	**32.6**

Price risk

Price risk mainly refers to variations in the market price of equity instruments and financial assets/liabilities value loss as a result of variations in commodity prices.

The key objective of price risk management is to reduce the impact of price fluctuations in raw materials on the financial results of Group companies involved.

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	Carrying value						Fair value	
	Total		Current		Non-current			
(€m)	31/12/2010	31/12/2009	31/12/2010	31/12/2009	31/12/2010	31/12/2009	31/12/2010	31/12/2009
Financial assets held for trading, valued at fair value with changes recognised under income statement	-	-	-	-	-	-	-	-
Receivables and loans:								
- cash and cash equivalents	84.9	119.6	84.9	119.6	-	-	84.9	119.6
- trade receivables	348.2	341.3	339.9	332.1	8.3	9.2	348.2	341.3
- other financial assets	32.6	43.9	30.0	40.6	2.6	3.3	32.6	43.9
- receivables from associated companies and joint ventures	38.4	39.5	38.4	39.5	-	-	38.4	39.5
Financial assets available for sale	26.4	35.9	26.4	35.9	-	-	26.4	35.9
Derivative products	0.6	-	-	-	0.6	-	0.6	-
Total financial assets	**531.1**	**580.2**	**519.6**	**567.7**	**11.5**	**12.5**	**531.1**	**580.2**
Fair value of financial liabilities:								
- non-hedged derivatives	-	0.1	-	0.1	-	-	0.1	0.1
Amortised cost of financial liabilities:								
- trade payables	297.5	269.9	297.5	269.9	-	-	297.5	269.9
- liabilities due to banks and other financial payables	534.5	611.0	121.9	233.4	412.6	377.5	606.1	963.4
- receivables from associated companies and joint ventures	92.3	95.1	92.3	95.1	-	-	92.3	95.1
Derivative products	5.9	4.7	-	-	5.9	4.7	5.9	4.7
Total financial liabilitiesie	**930.2**	**980.8**	**511.7**	**598.5**	**418.5**	**382.2**	**1.001.9**	**1.333.29**

The table below details fair value valuations of financial assets (stocks) available for sale 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 stocks 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 valuated based on inputs having a significant impact on fair value and which are not based on observable market data.

In 2010 no transfers from one Level to another were identified.

(€m)	Total	Level 1	Level 2	Level 3
Fair value at 31/12/2009	**35.7**	**3.0**	**2.9**	**29.8**
Sales/refunds	(9.0)	(1.2)	(0.4)	(7.4)
Realised net profit (loss)	0.2	-	-	0.2
Non-realised profit (loss)	(0.7)	-	0.6	(1.3)
Fair value at 31/12/2010	**26.2**	**1.8**	**3.1**	**21.3**

As at 31 December 2010, 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.

Profit and loss from financial instruments (€m)	31/12/2010	31/12/2009
Net profit from instruments held for trading and valued at fair value with changes recognised under income statement	-	4.2
Net profit from receivables and loans	-	1.9
Net profit from financial derivative instruments	-	8.3
Interest earned on financial assets not valued at fair value		
- deposits	0.3	1.5
- other financial assets	2.1	1.1
Total income	2.4	17.0
Net loss on instruments instruments held for trading and valued at fair value with changes recognised under income statement	-	0.1
Net loss on loans and receivables	-	0.2
Net loss on available-for-sale assets	0.6	-
Net loss on financial liabilities at amortised cost	-	-
Net loss on financial derivative instruments	4.9	-
Interest paid on financial liabilities not valued at fair value:		
- deposits	0.1	-
- bonds	-	11.8
- loans	13.5	7.0
- others	4.1	3.8
Losses from financial instrument writedowns:		
- trade receivables	15.0	9.5
Expense and commission not included in effective interest rates	1.6	0.7
Total expense	39.8	33.1
Total	(37.4)	(16.1)

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 2010 for auditing activities and other services provided by Deloitte & Touche SpA and by other entities belonging to the same network.

Service	Service provider	Company receiving services		Amount (€.000)
Audit	Deloitte & Touche SpA	Arnoldo Mondadori Editore SpA		327.0
	Deloitte & Touche SpA	Subsidiary companies		402.5
	Deloitte & Associés SA	Subsidiary companies		110.0
	Deloitte & Touche SA	Subsidiary companies		14.0
Certification services	Deloitte & Touche SpA	Arnoldo Mondadori Editore SpA	(1)	43.0
	Deloitte & Associés SA	Subsidiary companies	(3)	7.0
Other services	Deloitte ERS Enterprise Risk Services Srl	Arnoldo Mondadori Editore SpA	(2)	10.0
Total				913.5

(1) Agreed upon auditing activities.
(2) Technical and methodological support for the updating of the Safety Policy Document.
(3) Other services.

For the Board of Directors
Chairman
Marina Berlusconi

Segment information

Segment information for the year ended at 31 December 2010

(€ 000)	Books	Magazines Italy	Magazines France	Advertising services	Direct & Retail	Radio	*Corporate* & other *business*	Consolidation adjustments	Consolidated financial statements
Revenues from sales and services to external customers	354,988	348,385	344,199	229,673	275,618	516	4,923	-	1,558,302
Revenues from sales and services to other sectors	58,895	123,060	-	4,244	4,075	13,992	14,113	(218,379)	0
Income (expense) from investments using equity method	(2,320)	(5,711)	3,506	(505)	2,346	-	(708)	-	(3,392)
Gross operating profit	68,591	48,482	28,567	(5,485)	13,693	(949)	(12,707)	-	140,192
Operating profit	66,530	46,890	16,489	(5,633)	7,959	(2,699)	(15,312)	-	114,224
Financial income (expense)	-	-	-	-	-	-	(23,919)	-	(23,919)
Profit before taxes and minority interests	66,530	46,890	16,489	(5,633)	7,959	(2,732)	(39,236)	-	90,267
Income taxes	-	-	-	-	-	-	47,633	-	47,633
Result attributable to minority interests	533	-	-	-	-	-	-	-	533
Net profit	65,997	46,890	16,489	(5,633)	7,959	(2,732)	(86,869)	-	42,101
Depreciation, amortisation and impairment	2,061	1,592	12,078	148	5,734	1,750	2,605	-	25,968
Non-monetary costs	16,681	8,557	6,050	2,022	5,349	194	359	-	39,212
Non-recurring income (charges)	-	-	-	-	-	-	(8,653)	-	(8,653)
Investments	1,427	1,444	11,248	56	13,643	2,849	2,539	-	33,206
Investments accounted for the equity method	62,620	38,474	11,847	721	-	-	17,802	-	131,464
Total assets	377,741	258,675	713,411	111,289	143,668	139,804	243,356	(103,580)	1,884,364
Total liabilities	159,310	230,422	160,105	114,651	121,855	6,435	614,203	(103,580)	1,303,401

	Revenues from sales and services	Non-current assets
Italian market	1,181,467	346,207
France	328,240	613,603
Other EU markets	39,298	-
USA market	367	-
Other countries	8,930	-
Consolidated financial statements	1,558,302	959,810

Segment information for the year ended at 31 December 2009

(€ 000)	Books	Magazines Italy	Magazines France	Advertising services	Direct & Retail	Radio	*Corporate* & other *business*	Consolidation adjustments	Consolidated financial statements
Revenues from sales and services to external customers	367,174	363,944	343,464	245,227	212,850	232	7,237	-	1,540,128
Revenues from sales and services to other sectors	55,972	127,831	-	5,129	1,956	13,574	10,479	(214,941)	0
Income (expense) from investments using equity method	10,480	(3,524)	1,951	(274)	(27)	-	(6,306)	-	2,300
Gross operating profit	81,551	28,426	13,020	(4,720)	10,391	(2,065)	(20,447)	-	106,156
Operating profit	78,303	26,592	(7,190)	(4,960)	5,329	(3,777)	(22,497)	-	71,800
Financial income (expense)	-	-	-	-	-	-	(7,882)	-	(7,882)
Profit before taxes and minority interests	78,303	26,592	(7,190)	(4,960)	5,329	(3,777)	(30,379)	-	63,918
Income taxes	-	-	-	-	-	-	29,011	-	29,011
Result attributable to minority interests	574	-	-	-	-	-	-	-	574
Net profit	77,729	26,592	(7,190)	(4,960)	5,329	(3,777)	(59,390)	-	34,333
Depreciation, amortisation and impairment	3,248	1,834	20,210	240	5,062	1,712	2,050	-	34,356
Non-monetary costs	17,542	18,859	16,824	2,592	1,879	283	1,908	-	59,887
Non-recurring income (charges)	(384)	(18,400)	(11,693)	(1,080)	(100)	-	17,536	-	(14,121)
Investments	1,177	338	1,204	837	6,170	5,022	1,095	-	15,843
Investments accounted for the equity method	66,411	43,190	10,781	476	4,404	-	18,067	-	143,329
Total assets	374,087	267,598	712,725	122,591	117,506	138,780	287,307	(98,473)	1,922,121
Total liabilities	143,680	253,295	168,548	119,549	98,791	5,485	684,965	(98,473)	1,375,840

	Revenues from sales and services	Non-current assets
Italian market	1,172,713	339,552
France	328,631	615,483
Other EU markets	31,692	18
USA market	437	5
Other countries	6,655	-
Consolidated financial statements	1,540,128	955,058

Certification of the Consolidated Financial Statements for the year as per article 81-ter of Consob regulation 11971 of 14 May 1999 and subsequent modifications and integrations

1. The undersigned Maurizio Costa, in his role as deputy chairman and chief executive, and Carlo Maria Vismara, in his role as director responsible for compiling the company financial documents of Arnoldo Mondadori Editore SpA, certify, in accordance with article 154-*bis*, paragraphs 3 and 4 of legislative decree no. 58 of 24 February 1998:

   - the appropriateness in relation to the characteristics of the company, and
   - the effective application

   of the administrative and accounting procedures for representing the financial statements during 2010.

2. The evaluation of the appropriateness of the administrative and accounting procedures for representing the financial statements at 31 December 2010 is based on a process established by Arnoldo Mondadori Editore SpA that conforms to the Internal Control - Integrated Framework model issued by the Committee of Sponsoring Organizations of the Treadway Commission, which represents an internationally accepted general reference framework.

3. It is also certified that:

3.1 the financial statements at 31 December 2010:

   a) have been compiled in conformity with the applicable International Financial Reporting Standards adopted by the European Union in European Parliament and Council Regulation 1606/2002 (EC) and with the measures implementing art. 9, legislative decree 38/2005;
   b) correspond to the data in the registers and accounting records;
   c) provide a true and correct representation of the asset and liability, economic and financial situation of the company;

3.2 the report on the year includes a reliable analysis of the performance and the result and of the situation of the company and the companies included in the consolidation, together with a description of the main risks and uncertainties to which they are exposed.

21 March 2011

Deputy chairman and chief executive
(Maurizio Costa)

Director responsible for compiling
the company financial documents
(Carlo Maria Vismara)

Statutory Auditors' Report

Report of the board of statutory auditors to the shareholders' meeting called to approve the financial statements for the year ended 31 december 2010 (article 153, legislative decree 58/98)

Shareholders,
In 2010 we performed the supervisory activities envisaged by the law and as required by Consob Notice 1025564, 6 April 2001 and subsequent amendments, and taking into account the principles of conduct recommended by the "Consiglio nazionale dei dottori commercialisti e degli esperti contabili" (the Italian accounting profession).

In particular, we:

- ensured that legal requirements were fulfilled and that the articles of association and the principles of correct administration were adhered to;
- took part in all Meetings of Shareholders, of the Board of Directors and subcommittees of the Board, obtaining from the Directors, pursuant to article 150, legislative decree 58/1998, information on the general performance of the Company, the probable future development of business activities and the significant operations affecting the company's economic and financial position, ensuring that resolutions taken and implemented are not manifestly imprudent, risky, potentially in conflict or contrast with the resolutions of the Shareholders' Meetings or likely to compromise the company's equity;
- examined the company's organisational structure and oversaw its adequacy, to the extent of our responsibility, by direct observation and through information provided by the company and meetings with the independent auditors, Deloitte & Touche SpA, retained for the statutory auditing of the separate and consolidated financial statements and limited auditing of the short-form 1st half financial statements, held also for the exchange of information and data, from which no significant aspects emerged;
- assessed and oversaw the adequacy of the company's internal control system, the activities carried out by the internal control officer, the administrative-accounting system and the reliability of the latter in representing the company's operations by obtaining information, examining company documents and analysing the results of the work carried out by the independent auditors. We also had regular meetings with the head of internal control, with whom we exchanged information on the results of the procedures also performed at subsidiary companies and took part in meetings of the internal control committee;
- ensured that the corporate governance rules contained in the code of corporate governance adopted by the company were respected. In particular, we verified the independence requisites of the non-executive directors defined as independent by the board of directors and of the Board of Statutory Auditors, on an annual basis;
- verified, pursuant to legislative decree 39/2010, the independence of the external auditing firm Deloitte & Touche SpA, also on the basis of the declaration provided pursuant to article 17, c.9, letter a) of the abovementioned Legislative Decree 39/2010;
- assessed and oversaw the adequacy of the instructions given to subsidiary companies pursuant to article 114, paragraph 2, legislative decree 58/1998. Such instructions enabled the subsidiaries to provide the parent company with the information it needs to comply with legal disclosure obligations;
- verified the legal compliance of the company's separate financial statements and the Group's consolidated financial statements at 31 December 2010 (to IAS/IFRS standards) and of the respective annual reports through direct checks and discussions with the independent auditors.

During the performance of the activities described above, no significant omissions, reprehensible acts or irregularities emerged such as to require us to report them either to the competent external supervisory authorities or discuss them in this report.
In 2010, the body entrusted with overseeing the effectiveness, application and updating of the organisation, management and control model for the purposes of legislative decree 231/01 did not advise us of any important matters.
Likewise, the annual report of the Board of Directors on corporate governance did not reveal anything that need be brought to your attention.
In line with Consob recommendations, the Board of Statutory Auditors states the following:

- we did not find any atypical and/or unusual operations, including intragroup operations and related party transactions;
- the information provided by the Board of Directors, including information concerning intragroup operations and transactions with related parties, is considered complete. In particular, intragroup operations were connected with and relevant to the corporate purpose, and the nature and economic effects of such ordinary operations are reported in the notes to the financial statements and are to be considered

appropriate and in line with the company's business interests. In addition, we did not identify in this context any conflict of interest or any operations able to have a significant impact on the company's economic or financial position;

- with the adoption of its self-regulation code, the company is substantially in compliance with that of Borsa Italiana SpA's Committee of Corporate Governance for listed companies, as indicated in the Board of Directors' Report;
- during the year:
  - regular meetings were held to exchange information with representatives of Deloitte & Touche SpA and, while we have yet to see the reports of the independent auditors on the separate financial statements and consolidated financial statements, we have reason to believe that the Auditors' opinions will not be qualified;
  - 9 meetings of the Board of Directors and 13 meetings of the Board of Statutory Auditors were held;
  - the Board of Statutory Auditors presented a motivated proposal to the Annual General Meeting of the Shareholders on 27 April 2010, pursuant to article 13, c:1, of legislative decree 39/2010, regarding the appointment of independent auditors for the legal audit of the company's financial statements and the Group's consolidated financial statements for the years 2010-2018;
  - the company assigned further agreed verification activities to Deloitte & Touche SpA for a cost of euro 43,000;
  - the company appointed companies that are part of the Deloitte & Touche SpA network to carry out the following:
    - Deloitte ERS Enterprise Risk Service Srl: provision of technical and methodological support for the updating of the company's security programme document (DPS documento programmatico per la sicurezza) at a cost of €10,000;
    - Deloitte & Associés SA: preparation of agreed verification procedures relating to obtaining facilitated postal charges at a cost of €7,000;
  - the Board of Statutory Auditors received no indications or complaints pursuant to article 2408, Italian Civil Code.

In conclusion, after taking into account the foregoing and to the extent of its responsibility, the Board of Statutory Auditors is able to state that it has found no

impediment to approving the separate financial statements at 31 December 2010, which show a net profit for the year of €51,733,096.46, nor to the allocation of the entire net profit as proposed by the Board of Directors.

Segrate, 28 March 2011

The Board Of Statutory Auditors
Ferdinando Superti Furga – Chairman
Franco Carlo Papa
Francesco Antonio Giampaolo

Independent Auditors' Report

Auditors' reports
Pursuant to art. 14 and 16 of 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, 2010, and the income statement, statement of comprehensive income, 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 n° 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 auditors' report issued by other auditors on April 6, 2010.

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, 2010, 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 n° 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 n. 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 n. 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 n. 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, 2010.

March 30, 2011
Milan, Italy

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.

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, 2010, and the consolidated income statement, consolidated statement of comprehensive income, statement of changes in consolidated equity and 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 n° 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 by other auditors on April 6, 2010.

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, 2010, 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 n° 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 n. 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 n. 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 n. 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, 2010.

March 30, 2011
Milan, Italy

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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