ARNOLDO MONDADORI EDITORE S.p.A.

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

MONDADORI

Annual Report

Company Financial Statements at 31 December 2012
Group Consolidated Financial Statements at 31 December 2012
Directors' Report on Operations

Call Notice for Shareholders' Meeting

The persons eligible to intervene and exercise the right to vote are invited to participate in the ordinary Shareholders' Meeting in first call on 23 April 2013 at 10.30 a.m., in Segrate (Milan), via Mondadori 1 and, if needed, in second call on 24 April 2013, same time and place, to resolve upon the following:

Agenda

Ordinary Section

1. Proposals regarding the confirmation of the directors co-opted pursuant to article 2386 of the Italian Civil Code and inherent resolutions.
   - 1.1. Proposal for the confirmation of Director Ernesto Mauri.
   - 1.2. Proposal for the confirmation of Director Danilo Pellegrino.
2. Company financial statements at 31 December 2012, Directors' report on operations and the reports from the Board of Statutory Auditors and from the Independent Auditing Firm. Presentation of the Group consolidated financial statements at 31 December 2012. Resolutions relative to the approval of the financial statements at 31 December 2012.
3. Resolutions relative to the allocation of 2012 net income.
4. Report on Remuneration; resolutions relative to the First Section pursuant to article 123-*ter*, par. 6, of Italian Legislative Decree no. 58 of 24 February 1998.
5. Authorisation for the purchase and sale of Treasury Shares pursuant to the combined provisions set out in articles 2357 and 2357-*ter* of the Italian Civil Code.

Extraordinary Section

1. Amendments of articles 6, 9, 11, 12, 16, 17, 27 and 29 of the Company's By-Laws also in relation to the amendments and integrations contained in Italian Legislative Decree no. 91 of 18 June 2012 referring to the implementation of Directive CE/36/2007 regarding the exercise of rights by the shareholders of listed companies and the provisions set out in Italian Law no. 120/2011 in the matter of balanced proportion of genders participating in the board of directors and supervisory boards of listed companies; inherent and consequent resolutions and mandates.

Integration to the Agenda or presentation of new proposals to resolve upon

Pursuant to art. 126-*bis* of Italian Legislative Decree no. 58 of 24 February 1998, the Shareholders who represent at least 2.5% of the share capital with voting rights, may request, within ten days after the publication of this call for notice, integrations to the agenda to discuss, and specify the additional items to discuss in the relevant request, or submit proposals on the items already in the agenda. The request shall be made in writing within the afore mentioned term and sent by registered mail **to the Company's head offices** in Milan, via Bianca di Savoia 12, or by certified electronic mail to the following address: societario@pec.mondadori.it, together with a copy of the communication confirming the ownership of the shares held by the intermediaries responsible for the management of the accounts containing the applicant's shares. Within the afore mentioned term and with the same criteria, any eventual applying shareholders are invited to present a report specifying the motivation of the proposals submitted in relation to the new items for which they suggest a discussion or the motivation underlying the additional items supplemented for discussion on topics already included in the agenda. The integrations to the agenda and the additional proposed items that the Shareholders' Meeting is called to discuss, shall be advertised according to the same criteria used for the publication of the call of notice, at least fifteen days before the date of the Shareholders' Meeting in first call. Concurrently with the advertisement of the integrations to the agenda or presentation of additional items to discuss on topics already included in the agenda, the report submitted by the applying shareholders shall be made available to the public according to the same criteria envisaged for the presentation of the documentation to the Shareholders' Meeting, along with any valuations from the Board of Directors. It should be noted that integrations are not admitted for issues upon which the Shareholders' Meeting resolves, pursuant to law, on proposals advanced by members of the Board of Directors or based on a project or report drafted by them, other than those provided for in art. 125-*ter*, par. 1, of Italian Legislative Decree no. 58 of 24 February 1998.

Intervention in the Shareholders' Meeting

Holders of voting rights are eligible to intervene in the Shareholders' Meeting in compliance with the provisions set out in the currently applicable law. In this respect, pursuant to art. 83-*sexies* of Italian Legislative Decree no. 58 of 24 February 1998, the eligibility to intervene and to exercise the voting rights in the Shareholders' Meeting is confirmed by a communication served by the Company, prepared by the intermediary based on the accounting entries, in favour of the entity entitled to the voting rights, based on the evidence relative to the end of the seventh trading day prior to the date scheduled for the Shareholders' Meeting in first call (coinciding with 12 April 2013). Those who are confirmed to be holding Company shares only after such date, shall not be deemed eligible to intervene and exercise the right to vote in the Shareholders' Meeting. The communication of the intermediary as per this point shall be served to the Company by the end of the third market trading day prior to the date scheduled for the Shareholders' Meeting in first call (i.e. by 18 April 2013), without prejudice to the eligibility to intervene and exercise the right to vote in the case in which the communications are served to the Company after such term, provided that this is made before the beginning of the Shareholders' Meeting in single call.

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

The proxy may be conferred, without expenses to the charge of the delegating person, with voting instructions on all or only some of the items on the agenda, to Istifid S.p.A., Società Fiduciaria e di Revisione, Servizio Fiduciario, viale Jenner 51, 20159 Milano, as representative appointed by the Company pursuant to art. 135-*undecies* of Italian Legislative Decree no. 58 of 24 February 1998, provided that it is served in original copy to the same person, by the end of the second trading day before the date scheduled for the Shareholders' Meeting also in second call (i.e. by 19 April 2013 or 22 April 2013, respectively). Subject to the submission of the original copy of the proxy, the same may also be forwarded by certified electronic mail to the following address: 2013assemblea.ee57@istifidpec.it.
The proxy possibly given to Istifid S.p.A., Società Fiduciaria e di Revisione does not have any effect on the proposals for which no voting instructions are given. The proxy and the voting instructions are revocable within the afore mentioned term.
The proxy form and the relevant instructions, including the instructions for the compilation and forwarding of the form, are available at the Company's head offices and on the Company's website (www.mondadori.it; Governance section).

Share capital and voting rights

The share capital of euro 64,079,168.40 is divided in no. 246,458,340 ordinary shares with a nominal value of euro 0.26 each.

Considering the overall number of no. 14,953,500 Treasury Shares with suspended voting right pursuant to law, currently directly or indirectly held by the Company, the shares with voting right amount to no. 231,504,840.
Any change in Treasury Shares will be communicated at the beginning of the Shareholders' Meeting.

Questions on the items on the agenda

Shareholders with voting rights may submit questions on the items on the agenda also before the Meeting and definitely by 20 April 2013, by registered mail sent to the Company's legal offices in Milan, via Bianca di Savoia 12, or by certified electronic mail to the following address: societario@pec.mondadori.it.
The eligibility to exercise the voting right is confirmed by the forwarding to the Company to the afore specified addresses, of the communication issued by the intermediaries in charge of updating the accounts in which the ordinary shares owned by each shareholder are registered.
The questions received prior to the Shareholders' Meeting shall be answered during the Meeting at the latest. The Company may provide a single answer to multiple questions regarding the same issue. It should be noted that answers provided in writing distributed to all Shareholders with voting right at the beginning of the Shareholders' Meeting shall be considered as given.

Documentation

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

This call of notice is advertised on the Company's website (www.mondadori.it; Governance section) on 22 March 2013, pursuant to article 125-*bis*, par. 2, of Italian Legislative Decree no. 58 of 24 February 1998 and in "Il Sole 24 ORE" on the same date.

The head offices are open to the public for consultation and/or delivery of the afore mentioned documentation in work days, from Monday to Friday, 9:00 a.m. - 6:00 p.m.

Segrate, 22 March 2013

For the Board of Directors
The Chairman
Marina Berlusconi

Corporate Offices and Boards

Board of Directors

The Chairman
Marina Berlusconi

The Deputy Chairman and Chief Executive Officer
Ernesto Mauri (*)

Directors
Pier Silvio Berlusconi
Pasquale Cannatelli
Bruno Ermolli
Martina Forneron Mondadori
Danilo Pellegrino
Roberto Poli
Angelo Renoldi
Mario Resca
Cristina Rossello
Carlo Sangalli
Marco Spadacini
Carlo Maria Vismara (**)

Board of Statutory Auditors

Chief Statutory Auditor
Ferdinando Superti Furga

Standing Statutory Auditors
Francesco Antonio Giampaolo
Franco Carlo Papa

Substitute Statutory Auditors
Ezio Maria Simonelli
Francesco Vittadini

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

(*) Coopted on 20 March 2013 in replacement after Maurizio Costa's resignation
(**) Secretary

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Directors' Report on Operations

Directors' Report on Operations for the 2012 financial year

Dear Shareholders,

in the second half of 2012 the global economic scenario, particularly in the euro zone, continued to worsen; the effects of the financial tensions that hit several European countries during the year and the consequent public finance consolidation policies negatively affected economies that were already in crisis with further reductions in manufacturing, consumer spending and employment.

With specific reference to Italy, GDP in the fourth quarter dropped by 0.9% if compared to the same period in 2011, posting the sixth consecutive reduction and a reduction level on an annual basis (-2.4%) unprecedented in the last twenty years. The unemployment rate, which soared from 8.4% to 10.7% in one year, reached its highest level since 1993, while consumer spending was down 3.8%.

As to the main sectors of activity for Mondadori:

- the magazines market reflected the sharp crisis, with circulation figures at newsstands down 10.5% and, above all, with reductions in advertising investments equal to 18.4%; the market of add-ons in 2012 continued the downtrend registered in the past years (-15.4%);
- the difficult economic scenario also led to plummeting sales in the book market (-7.8%), mainly as a result of reduced cover prices and a drop in the paperback segment.

In France, in a less drastic economic scenario, but still registering growing unemployment (from 9.4% in 2011 to 10.2% in 2012) and consumer spending and GDP at zero growth, the values in the markets of reference for Mondadori were less negative:

- circulation (at newsstands) of magazines dropped 5.4% in value, while advertising investments were down 4.9%, with a sharp decrease in the second half of the year; subscriptions are still holding steady, with 2012 figures in line with those of past years.

The crisis has led to difficult situations in other sectors of activity for Mondadori in Italy as well: Retail, operating in a bearish market (-7.8% books; -18% DVDs; -14% music) and Radio *R101*, with advertising investments posting values that reflected the particularly negative performance in the year (-10.2%).

Mondadori Group closed 2012 with revenues down by 6.0% and EBITDA down 49.0% against 2011; the results after the impairment test on equity assets, showing impairment losses for a total of euro 194.3 million, resulted in negative values in income statement, dropping the net result to euro -167.3 million, which would instead have been positive by euro 12.0 million excluding impairment.

Below is a summary of the key financial indicators at 31 December 2012.

Consolidated net revenues totalled euro 1,416.1 million, down 6.0% against euro 1,507.2 million in 2011. Net of EMAS consolidation in Mondadori France, the revenue reduction would be equal to 8.6%.

Consolidated EBITDA totalled euro 66.5 million, down 49.0% against euro 130.4 million in 2011.
Excluding non-recurring items and restructuring costs, the reduction in EBITDA would be equal to 38.9%.

Consolidated EBIT was equal to euro -151.6 million (euro 103.8 million in 2011) after impairment for euro 194.3 million, essentially attributable to Mondadori France (euro 140.0 million) and Radio *R101* (euro 46.3 million). Amortisation and depreciation in the period amounted to euro 25.1 million (euro 23.3 million in 2011).

Consolidated profit before taxes totalled euro -173.8 million, (euro 82.7 million in 2011) with financial costs at euro 22.2 million (euro 20.5 million in 2011).

Consolidated net profit posted a negative value for euro 167.3 million, against the positive value of euro 49.6 million of 2011; net of the effect of impairment, 2012 would have closed with a positive consolidated net profit of euro 12.0 million.

As for the balance sheet, Shareholders' **equity** amounted to euro 433.8 million against euro 608.9 million at end 2011; the **Group's net financial position** was equal to euro -267.6 million, up euro 67.8 million against the end of 2011, also as a result of the transfer to Bertelsmann of the 50% interest held in Random House Mondadori, completed in November for a price of euro 54.5 million.

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

Financial and non-financial indicators

Consolidated income statement

(Euro/million)	FY 2012	FY 2011	Var.%
Revenues from sales and services (**)	1,416.1	1,507.2	(6.0%)
Personnel (***)	290.4	270.7	7.3%
Cost of sales and operating costs (*)	1,067.1	1,121.0	(4.8%)
Revenues (costs) from investments valued at equity	7.9	14.9	(47.0%)
EBITDA	66.5	130.4	(49.0%)
EBITDA margin	*4.7%*	*8.7%*	
Depreciation of properties, plant and equipment	11.8	12.1	(2.5%)
Amortisation and impairment loss of intangible assets	206.3	14.5	n.s.
EBIT	(151.6)	103.8	n.s.
EBIT margin	*(10.7%)*	*6.9%*	
Net financial revenues (costs)	(22.2)	(20.5)	8.3%
Revenues (costs) from other investments	-	(0.6)	n.s.
Profit before taxes for the period	(173.8)	82.7	n.s.
Income tax	(8.7)	33.2	n.s.
Third party profits	(2.2)	0.1	n.s.
Net result	(167.3)	49.6	n.s.

(*) This item includes the following sub-items: decrease (increase) in inventory; costs for raw, ancillary, consumption materials and goods; costs for services; other costs (revenues).
(**) On a like-for-like basis, difference is equal to (8.6%).
(***) On a like-for-like basis, difference is equal to (1.4%).

Consolidated revenues, down 6% against the previous year amounted to euro 1,416.1 million.

Sales by sector of activity

(Euro/million)	FY 2012	FY 2011	Var. %
Books	370.6	389.1	(4.8%)
Magazines Italy	383.9	458.8	(16.3%)
Magazines France	381.6	348.1	9.6%
Advertising services	172.9	219.9	(21.4%)
Direct	261.8	278.0	(5.8%)
Radio	13.9	16.3	(14.7%)
Corporate and other business	21.1	23.9	(11.7%)
Total aggregate revenues	1,605.8	1,734.1	(7.4%)
Intercompany revenues	(189.7)	(226.9)	(16.4%)
Total consolidated revenues	1,416.1	1,507.2	(6.0%)

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

Sales by geographical area

(Euro/million)	FY 2012	FY 2011	Var.%
Italy	1,007.4	1,133.4	(11.1%)
France	359.7	330.4	8.9%
Other EU countries	36.7	32.4	13.3%
USA	0.5	0.4	25.0%
Other countries	11.8	10.6	11.3%
Total consolidated revenues	1,416.1	1,507.2	(6.0%)

Books

Mondadori Group confirmed its leadership in the hard copy book and digital book market in Italy: the editorial products that traditionally make up its core business are Fiction, Non-Fiction, Paperbacks and Books for young readers.

The Group mainly operates through four publishing houses: Edizioni Mondadori, Giulio Einaudi editore S.p.A., Edizioni Piemme S.p.A. and Sperling & Kupfer S.p.A.

Through Mondadori Education S.p.A. the Group plays an important role in the Italian school textbook market, while Mondadori Electa S.p.A. is Italy's most prominent publisher in the sector of art and illustrated books and also operates in the provision of services for the management of museum shop concessions and in the organisation and management of exhibitions and cultural events.

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

Market performance

In relation to the Trade book market, Nielsen confirmed dropping sales both in terms of copies (-6.9%) and value (-7.8%) against 2011, with a lower than expected improvement in the last month of the year. The reduction was cross-sectional, across all the channels, including bookshops, hypermarkets and e-commerce, as specifically observed in the survey.

In this context the Mondadori Group increased its market share in value (27.6%), confirming its leadership in the Trade book market.

Publisher	Market share 2012	Market share 2011
Mondadori Group	27.6	26.5
RCS Group	11.3	11.8
Gems Group	10.0	10.2
Giunti Group	6.2	6.2
Feltrinelli Group	4.4	4.2
Newton & Compton	2.3	2.2
DeAgostini Group	2.0	1.6

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

The Book
Market performance

Revenues amounted to euro 370.6 million, down 4.8% against the previous year.

Production of new titles in 2012 included 2,714 titles of which 2,173 *trade* (2,168 in 2011), 188 of Mondadori Electa S.p.A. (197 in 2011) and 353 of Mondadori Education S.p.A. (369 in 2011), the total number of copies produced was 52 million.

Here below are the key financial highlights with regard to the Book Area: EBITDA reflected the downturn in revenues, though to a lesser degree, thanks to close attention to controlling the number of copies, the cost containment policy and the positive contribution deriving from the transfer of the interest held in the joint venture Random House Mondadori, completed in November.

Below is a detailed analysis of revenues by publishing house.

Books (Euro/million)	FY 2012	FY 2011	Var.%
Edizioni Mondadori	129.6	126.2	2.7%
Einaudi	42.4	49.4	(14.2%)
Sperling & Kupfer	22.3	24.1	(7.5%)
Edizioni Piemme	34.0	40.5	(16.0%)
Mondadori Electa	31.4	33.6	(6.5%)
Mondadori Education	76.4	77.7	(1.7%)
Distribuzione Libri	29.7	32.0	(7.2%)
Other revenues	4.8	5.6	(14.3%)
Total consolidated revenues	**370.6**	**389.1**	**(4.8%)**

Edizioni Mondadori

(Euro/million)	FY 2012	FY 2011
Revenues from the sales of books	365.7	383.5
Other revenues	4.9	5.6
	370.6	**389.1**
Operating costs	(310.6)	(321.3)
EBITDA	**60.0**	**67.8**
Amortisation, depreciation and impairment	(1.7)	(1.9)
EBIT	**58.3**	**65.9**

In 2012 Edizioni Mondadori increased its market shares in value (14.1% against 13.3% in 2011), thanks to the excellent performance of several publications: nine titles were best sellers in the ranking of the twenty best selling books of 2012 and twenty-six placed in the top 100.

2011 sales amounted to euro 129.6 million, up 2.7% against euro 126.2 million of the previous year.

Particularly relevant for Mondadori is the growth in foreign fiction, with the erotic trilogy by E.L. James, *Cinquanta sfumature di grigio, Cinquanta sfumature di nero* and *Cinquanta sfumature di rosso*, which exceeded 3,300,000 copies sold in Italy and 130,000 downloads in e-book format. The three books took first, third and fourth in the year's best seller list.
Mondadori also took home Italy's most prestigious literary prizes, including the Strega Prize in July 2012, with *Inseparabili* by Alessandro Piperno, and the Campiello Prize, in September 2012, with *La collina del vento,* by Carmine Abate.
Ken Follett's new book, *L'inverno del mondo*, posted an excellent performance, coming in sixth in the 2012 general rankings with over 300,000 copies sold and over 40,000 e-book downloads, as did the long-awaited second book by Paolo Giordano, *Il corpo umano*, printed in 300,000 copies.

In 2012, books from two other world-renowned authors were published: *Il prigioniero del cielo*, by Carlos Ruiz Zafón (200,000 copies sold and fifteenth in the general rankings), and the moving book *Caduto fuori dal tempo*, an autobiographical novel by David Grossman.

The Libellule series publishing initiative, launched at the beginning of the year, also did well, with fifteen new titles published in 2012 and over 400,000 copies sold, including the *Dizionario delle cose perdute,* by Francesco Guccini.

As for mainstream/popular fiction, worth mentioning is Valerio Massimo Manfredi's comeback with his fascinating tale of the legendary Ulysses, *Il mio nome è Nessuno. Il giuramento*, with 90,000 copies sold.
George R. R. Martin deserves praise for *Le Cronache del ghiaccio e del fuoco*, the fantasy novel that scaled the world rankings and of which a new chapter of the saga *Il trono di spade*, *La Danza dei Draghi,* is expected to be published in October in Italy.

As for Non-Fiction, the hardest hit segment in terms of sales, the Strade Blu series issued *Alto come un vaso di gerani,* by Giacomo Poretti (25,000 copies sold), *Voi avete gli orologi, noi abbiamo il tempo,* by Federico Rampini (40,000 copies) and the two authoritative political commentaries *L'Italia s'è ridesta,* by Aldo Cazzullo and *Il palazzo e la piazza,* by Bruno Vespa.

As for Non-Fiction, in various segments, the best selling books were: *Madame Sbatterflay* by Luciana Littizzetto, twelfth in the general rankings; *Amore e sesso nell'antica Roma,* by Alberto Angela (over 100,000 copies sold upon launch); *Giochiamo ancora* by Alessandro Del Piero (150,000 copies sold); the second volume of *GialloZafferano, Divertiti cucinando,* by Sonia Peronaci and *Le ricette della prova del cuoco,* by Antonella Clerici (150,000 copies sold upon launch).
In 2012, the Children's category

standout was *Hunger Games*, a trilogy that turned into the year's Young Adult publishing phenomenon; already at the top of US rankings, the trilogy scored an unprecedented success also in Italy, attracting an increasing number of young adults that made it become one of the top 100 best-selling books in the year. Waiting for the second film drawn from the saga, whose release is expected for the end of 2013, the trilogy exceeded 300,000 copies sold and 25,000 e-book downloads in the year.
In addition to *Hunger Games*, the Young Adult Chrysalide brand also published the new novels by two successful authors - Cassandra Clare and the much-loved Licia Troisi, who reached 2,000,000 copies sold with their sagas.

For Percy Jackson fans, Rick Riordan returns in *La piramide rossa*, a book from the new saga "The Kane Chronicles".

As for Paperback, a segment in which sales were down by over 10%, Mondadori maintained its leadership with the "Oscar" brand, with a market share of 29.2% in value and the best market performance.
With a view to reacting to the difficult economic scenario, more attention was focused on publishing design and an attentive exploitation of commercial opportunities presented by the release of new films, cultural anniversaries and public events, along with the traditional activity of catalogue management. Particularly significant is the performance of the tie-in edition of Margaret Mazzantini's *Venuto al mondo* (150,000 copies sold) and George R.R. Martin's novels, who in 2012 was the best-selling author in the Italian Paperback segment (440,000 copies sold overall).

In September two new websites were launched by the Publisher, www.librimondadori.it and www.ragazzimondadori.it, a meeting point for online marketing initiatives targeting the most loyal readers, in synergy with other traditional activities in other channels. The new graphics and the new functions also make a targeted interaction with the Mondadori pages on Facebook, Twitter and YouTube possible.

Giulio Einaudi editore

Einaudi closed 2012 with overall revenues at euro 42.4 million, down 14.2% against euro 49.4 million of the previous year. The market share for Einaudi in bookshops accounted for 5.5% in value in 2012, up 0.2 points against 2011.

E-book revenues, sharply up against 2011, totalled euro 694 thousands, with more than 600 titles available. Monthly production is aligned with the dates of hard copy releases and, last year, a project for the digitalization of the catalogue was launched, which involved over three hundred books with the objective of increasing the number of titles available in digital form. The performance of Haruki Murakami's *1Q84* books, which exceeded 12,000 downloads, was quite good. Also positive were *La ventisettesima città* by Jonathan Franzen, *Lo spettro* by Jo Nesbø and *Tre atti e due tempi* by Giorgio Faletti, with approximately 4,000 downloads each.

"Stile Libero", with revenues at euro 11.6 million, confirmed its status as the Publisher's second trademark, also thanks to the successful summer promotional campaign. The good performance of new books such as *Il momento è delicato,* by Niccolò Ammaniti (180,000 copies sold), *Lo spettro* by Jo Nesbø (97,000 copies), *Io sono il libanese* by Giancarlo De Cataldo (90,000 copies) and *Respiro Corto* by Massimo Carlotto, a new author for Einaudi, is certainly worth mentioning. *Open,* by Andre Agassi, released in 2011, had an excellent performance, remaining for a long period of time in the best seller rankings and topping 104,000 copies sold in 2012. Thanks to its untiring scouting activity, the Publisher acquired new young authors with good sales performance, including Giuliano Sangiorgi, Barbara Constantine, John Niven and Paola Soriga.

The Paperback line posted a 13.7% reduction in sales against 2011; this is the line which suffered the consequences of the new law governing discounts most. In fact, the result was affected by a shorter promotional period at the beginning of the year and a lower discount offered compared to the previous year. Uniform editions performed well (catalogue titles referring to Maurizio De Giovanni and Fred Vargas), accompanying the release of new important catalogue authors in a more focused way this year.

As for Foreign Fiction, the best sellers in 2012 were: *1Q84. Libro 1 and 2. Aprile-Settembre* and *1Q84. Libro 3. Ottobre-Dicembre* by Haruki Murakami, with 85,500 and 32,100 copies sold, respectively; *Miele*, the new novel by Ian McEwan (55,300 copies) and *Il senso di una fine* by Julian Barnes, winner of the 2011 Man Booker Prize.
Worth noting is also the good performance of *Rosa candida* by Audur Ava Ólafsdóttir, a new entry in Einaudi's catalogue.
Particularly relevant is the assignment of the 2012 Nobel Prize to Mo Yan, author in the Publisher's catalogue with *Le sei reincarnazioni di Ximen Nao,* in addition to other titles.

As for Italian Fiction, among the best sellers worth mentioning are *Il rumore dei baci a vuoto,* by Luciano Ligabue (143,000 copies sold); *Limbo,* by Melania Mazzucco (36,200 copies); *L'incontro,* by Michela Murgia (67,500 copies) and *Nel tempo di mezzo,* by Marcello Fois, a novel included in the set of five finalists at the 2012 Strega Prize and shortlisted at the Campiello Prize.
Non-Fiction sales dropped both in relation to new releases and catalogue titles. The best-selling books in this segment were *Credere e Conoscere,* by Ignazio Marino and Carlo Maria Martini (over 24,500 copies sold) and *Sotto una cupola stellata* by Margherita Hack (19,300 copies) for the "Vele" brand.
Though dedicated to a niche market, worth noting for the importance of the work and publishing commitment, are the following publications: *La storia di Genji,* by Murasaki Shikibu, a masterpiece of Japanese women's fiction, and the third and last volume of *Atlante della letteratura italiana* curated by Sergio Luzzatto and Gabriele Pedullà, a work that thanks to the contribution of several researchers provides a geographical review of Italian literature.

Sperling & Kupfer

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

Net revenues amounted to euro 22.3 million, down 7.5% against the same period in 2011, as a result of both the general reduction in consumer spending and falling sales, as well as the impact of the Levi Law on large retailers.
The market share was equal to 2.6%, up 2.4% against the previous year, mainly thanks to the performance posted by the books described here below.

In Fiction, *Léonie*, the new novel by Sveva Casati Modignani, posted excellent performance, remaining in the top ten for three months and topping the author's best performance with 227,000 copies sold.
Another relevant performance was registered by the new author Rachel Joyce, with *L'imprevedibile viaggio di Harold Fry*, released in September, which immediately climbed up to the ninth position in the Foreign Fiction rankings with 33,000 copies.
The good performance of other consolidated authors in the Publisher's stable should also not be overlooked. These are: Stephen King with *La leggenda del vento*, *La Torre Nera*; Guillaume Musso with *Il richiamo dell'angelo*; Danielle Steel with several titles released in the year and, last but not least, Nicholas Sparks.

As for Non-Fiction, Pierre Dukan's success consolidated at year end for a total of 627,000 copies sold on his titles overall, including *La dieta Dukan* and *Le ricette della dieta Dukan*, and, launched in 2012, *La dieta Dukan Illustrata*, *La dieta Dukan: i 100 alimenti a volontà* and *La pasticceria Dukan,* which climbed to the top of the rankings like his previous books.
Also worthy of note was the excellent performance of the two books by Rossella Calabrò, *Cinquanta sbavature di Gigio*, released in August, and *Cinquanta smagliature di Gina*, for a total of 132,700 copies sold.

In Non-Fiction, the standout was *Ciliegie o ciliege?* by Valeria Della Valle and Giuseppe Patota and, in the Music division, an excellent performance was turned in by the two volumes of the *One Direction* music band.

The performance of the catalogue activities published under the NumeriPrimi° trademark and in the Smart Collection series, as well as the promotional campaigns, also proved excellent.

Also worthy of mention was the sharp growth of titles in e-book format, with the top performance of Pierre Dukan's and Sveva Casati Modignani's books, as well as the e-book original *Miglio 81* by Stephen King, and the experimentation of a few titles in e-book format enhanced for iPad. Particularly successful was the launch of the new all-digital original Sperling Tips series, whose most important titles scored important results in terms of sales and achieved significant positions in the digital store rankings.

Edizioni Piemme

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

Piemme net revenues in 2012 accounted for euro 34 million, down 16% against euro 40.5 million of the previous year; the market share held steady at 4.2% in value in book stores.

As for Fiction, the success of Michael Connelly, both with *Il respiro del drago*, released in May (70,000 copies shipped) and *La svolta,* released in November (72,000 copies), was followed by *Vita di Pi* by Yann Martel (40,000 copies) and *La cattedrale ai confini del mondo,* by the new author Paloma Sànchez-Garnica (40,000 copies).

In Non-Fiction, the first positions in the rankings are held by religious books, a segment in which the Publisher enjoys recognised leadership. The number one best seller was *Nella terra delle meraviglie* by Paolo Brosio (59,700 copies), followed by *L'ultimo esorcista* by Padre Amorth (47,000 copies) and *Io ci credo* by Al Bano Carrisi (33,700 copies).
In the women's fiction category, important results were obtained by Sherry Argov, a portfolio author, with *La magnifica stronza* (36,000 copies). In the "food and diet" segment, Filippo Ongaro confirmed his success with *Mangia che dimagrisci* (34,400 copies). Excellent sales were also registered by *Belle per sempre* by Katherine Boo, winner of the Pulitzer Prize (26,000 copies).

As for Paperback - adult, *L'uomo di neve* by Jo Nesbø (42,000 copies) and *Profumo di Lavanda* by Paolo Brosio (26,500 copies), published under the Numeri Primi° trademark, proved best sellers.

The Junior category posted great results with the Stilton brand, both in the high-price series (best-selling books: *Ottavo viaggio nel regno della fantasia* with 135,000 copies; *Viaggio nel tempo 5* with 84,700 copies and *Le avventure di Marco Polo* with 51,300 copies) and in the medium-price novelty series, including "Le storie da ridere" (with two titles exceeding 33,000 copies) and "I Preistotopi".
Il Battello a Vapore confirmed the success of Luigi Garlando's GOL! series (four new books, all exceeding 16,000 copies sold) and the good performance of the "Ciponews" series.

The development of books in e-book version should also be noted, with the launch in April of the digital-only "Piemme Shots" series, with the significant performance of *La spesa della salute* by Filippo Ongaro, the strong presence of Michael Connelly and Jo Nesbø as well as *Vita di Pi* by Yann Martel and the launch of Stilton books for tablets.

Art books and exhibitions

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

In 2012 the process for the Publisher's repositioning, kicked off in 2011 to react to the changing scenario in the market in which Electa operates, continued.
The new strategy has already generated good results for the period, though in a general context characterised by the difficulties of the bookshop channel and the downturn in other channels traditionally considered important, such as Instalments, Coeditions and, above all, Sponsors.

Here below is the performance by area:
- Art & Architecture: Electa's performance remained steady in the bookshops. Positive signals also came from the launch of the new "Electa Kids" series, dedicated to children, while the re-launch of Flavio Caroli's series, inaugurated successfully in 2011 with *La Storia dell'arte*, continued in 2012 with the publication of three new titles;
- Sponsor (publishing by order): in 2012 the process for the rationalization of distribution was completed, resulting in a sharp reduction both in terms of number of titles and copies;
- Illustrated: revenues increased thanks to the success of the new titles. The extraordinary success of *Il diavolo e la rossumata* by Sveva Casati Modignani, with 150,000 copies sold and excellent reviews is certainly worth mentioning. This book inaugurated the new "Madeleines" series, which in 2013 is expected to include some of the most prominent Italian authors. Cookbooks performed well in 2012, thanks to the success of Luca Montersino and Simone Salvini, and also books dedicated to wellbeing with the exploit of *La dieta Sorrentino* by Nicola Sorrentino. Lastly, an excellent performance was also turned in by a few titles by well-known personalities, including Bear Grylls and Lavinia Biagiotti, both re-printed in the year of reference;
- Tourist Guides: the general difficulties in the sector led to dropping revenues. Despite that, Electa managed to keep its market share.

Given the difficulties of the Coeditions channel, a strategy was implemented to explore new markets. In this light, agreements with new partners for the sale of the rights to Electa publications were stipulated, which already generated positive results in the year under examination.

As to the management and organisation of exhibitions, revenues were up against 2011, thanks to the increased number of visitors at the Colosseum in Rome and the great success of the *Antinoo* exhibition in Tivoli and the *Costantino 313 d.C.* exhibition in Milan, with positive effects also on the sales of publishing products.

Conversely, bookshop revenues were down, largely as a result of the Venice Biennial Exhibition schedule, which called for a shorter program in 2012 than in 2011, and despite the excellent bookshop results at the Colosseum and the new point of sale in the Foro Romano-Palatino area in Rome.

Publishing revenues were in line with 2011, thanks to a few catalogues and, above all, to the extraordinary performance of Andrea Carandini's *Atlante di Roma antica*, a paramount work praised by reviewers and the public, with 2,500 copies sold in seven months.

As to government concessions, which will remain under extension until new tenders are launched, the situation of uncertainty is destined to continue due to the political instability and the appeals admitted by the Regional Administrative Tribunal concerning several tenders.

Mondadori Education

Mondadori Education is the company of the Mondadori Group operating in the Educational market through two areas of editorial activities: school textbooks and miscellaneous.
In school textbooks, the key sector, Mondadori Education offers textbooks,

courses, teaching tools and multimedia content for all school levels, from primary school to middle school and high schools, through thirteen proprietary brands and two distributed in English.
As for miscellaneous, Mondadori Education offer textbooks for universities under the Mondadori Università and Le Monnier Università brands, language texts for learning Italian and dictionaries under the Le Monnier trademark.

Thanks to its broad and varied offering, Mondadori Education maintained a good level of performance also in 2012 in the school textbooks market, confirmed its 12.8% share of books adopted, closing out the year with net revenues of euro 76.4 million against euro 77.7 million of the previous year.

The market scenario in 2012 did not include any changes from a regulatory standpoint, nor any departure from the trends already visible in 2011; reduced average sale price, expansion of the second-hand book market also as a consequence of the economic crisis and the gradual, irreversible transformation of school textbooks into "mixed" products (i.e. hard copy + digital content).

Only a few changes occurred in the primary school, given the continuing ban on the adoption of new textbooks. The changes were almost exclusively limited to religion textbooks, an area where Mondadori Eduction, under the Piemme Scuola brand, registered slightly increasing revenues. Sales of supplementary products also proved more than satisfactory given the current difficult economic scenario.

In the middle school segment, market share dropped slightly, in line with expectations, as a result of reduced production in the segment and the fluctuating performance of new products last year. The new edition of the Italian grammar text by Marcello Sensini exceeded 25,000 copies adopted and Rosanna Castello's music textbook, released last year, reached 60,000 copies.

For high schools, which showed the first effects of the reform of the curriculum for the last three years, envisaging the adoption of new programmes and new subjects, the Publisher concentrated its efforts with massive publishing investments, resulting in a slight increase in market share.
The most successful textbooks were: Antonio Caforio's physics textbook in the various versions with approximately 50,000 copies sold; an anthology of Italian literature, adapted to suit the various types of schools, with 30,000 copies sold, and an English literature textbook with 25,000 copies sold.

Though to a limited extent (less than 1%), adoptions of textbooks in digital format are catching up.

As for Dictionaries, it is important to remember the partnership with Oxford University Press, to which the rights for the use of the digital database of Devoto Oli were licensed out, and the extraordinary success of Devoto Junior, a dictionary for the primary school, exceeding 60,000 copies sold.

E-Book

The total number of downloads in 2012 for the Group Publishers belonging to the Trade Area exceeded one million, with a 2% incidence on net revenues of hardcopy products.

The titles most downloaded in the year were, in addition to the trilogy *Cinquanta sfumature di grigio*, *Cinquanta sfumature di nero* and *Cinquanta sfumature di rosso*, *L'inverno del mondo*, by Ken Follett; *La Dieta Dukan*, by Pierre Dukan; *Steve Jobs*, by Walter Isaacson; *1Q84*, by Haruki Murakami; the *Hunger Games* trilogy and the first book of the Diabolik series.

In general, Fiction was the category that posted the best results, in particular in relation to Romance, Thrillers and Comics. In addition to the digitalization of new books and catalogue products topping 4,000 titles, emphasis was also given to the development of titles enhanced for tablets, enriched with text content, animation and videos. In particular, the development was focused on children's books, with the launch of Geronimo Stilton in digital format, cookbooks like *GialloZafferano* and *Sale & Pepe* and other books, like *Il grande fiume Po*.

As for stores, noteworthy sales were registered by the Kobo platform, launched in the Italian market at the beginning of the last quarter of 2012.

Distribution and logistics

Book Distribution is handled by the Group's Distribution and Logistics unit and offers services for the management of inventory and distribution both for the Mondadori Group Publishing Houses and third party Publishing Houses, including Baldini e Castoldi Dalai Editore, Edizioni EL (50% owned by Giulio Einaudi editore) and ADD Editore.

Activities are carried out at the Logistics Centre of Verona and in addition to managing inventory, services are provided to control shipments to bookshops in relation to new publications, re-orders of books already in the catalogue and the processing of returns.
In 2012 a series of organizational actions were implemented, aimed at increasing the efficiency of the order fulfilment and shipment processes. The project involving the distribution of Mondadori Education S.p.A. books as of 1 January 2013 was completed and service contracts with the main distributed publishers were re-negotiated and, last but not least, new ones were added.

In 2012 service contracts included twenty publishers with over 53 million copies shipped, with an average distribution lead time of three days.

The Book Distribution activity in 2012 generated revenues amounting to euro 29.7 million, down 7.2% against the previous year.

Magazines

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

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

Magazines Italy

In a sharply recessive economic scenario, Mondadori magazines posted revenues in Italy totalling euro 383.9 million in 2012, down 16.3% against the previous year.

(Euro/million)	FY 2012	FY 2011
Revenues from magazines	349.3	422.1
Other revenues	34.6	36.7
	383.9	**458.8**
Operating costs	(381.1)	(398.1)
EBITDA	2.8	60.7
Amortisation, depreciation and impairment	(2.9)	(1.5)
EBIT	(0.1)	59.2

This result reflected not only the negative performance of economy, but also the effects of the structural changes that the magazines area is currently facing, mainly linked to the evolution of digital media and the different use of information and content, in particular by younger targets.

The circulation market was characterised by the launch of low cost magazines addressing mass targets, with significant effects on the estimated reduction in the sale of magazines at newsstands (-10.5%; -13.6% compared to the same number of magazines; internal source).

Advertising investments, down in all channels except for the web (+5.3%), posted the sharpest reductions for printed press, -17.6% for dailies and -18.4% for magazines, despite the presence of new magazines compared to the previous year.

The performance of Magazines Italy

Results, described in the table below, show different trends:
- revenues from circulation (-13.5%) were penalised by a sharp reduction both in the newsstand channel and for subscriptions, in addition to the lower number of copies sold in relation to add-on on-pack activities;
- revenues from add-ons, including co-editions (-18.3%), reflected the reduction in the sale of home videos, publishing products and gadgets;
- revenues from advertising in Mondadori magazines (-22.6%) showed a negative performance especially in family-targeted magazines, men's newsmagazines and interior design magazines, partially offset by the steady performance of women's magazines. Net of the closure of *Economy* and the restyling of *Flair*, the decrease in revenues from advertising would be smaller by about one percent;
- revenues from international activities (licensing +10.6%, advertising for the network +17.1%) and revenues from advertising in Mondadori websites (+37.4%) were sharply up and continue to grow, also thanks to new projects and activities.

The foregoing trends had a heavy impact on EBITDA and EBIT, also including impairment losses for brands and magazines accounted for approximately euro 2.1 million.

Mondadori titles

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

Mondadori is present in the women's world through various products, all appreciated in their segment of reference, reaching comprehensively 68% of the female public (Audipress data 2013/3).

Donna Moderna, the leading women's newsmagazine with 2.6 million readers, built its success essentially on three factors: problem solving, a unique positioning and steady contact with the readers.
To better respond to changes and the new

needs of women, *Donna Moderna*, after the restyling completed in June 2011 and the appointment of the new editor in chief in February 2013, is now carrying out a finetuning of its publishing formula.
In 2012 the "Experience Store" initiative proved very significant: meeting places were set up in various cities in Italy, enabling *Donna Moderna* and the participating companies to establish a relationship with readers and final consumers and interact with them directly.

Grazia is the weekly magazine which has always been considered as the qualified representative of the Made in Italy sector. Its ability to present fashion in a typical, unique and exclusive "Grazia style" to a target of refined and educated women makes it one of the privileged titles in the fashion and beauty segments. The strongly positive connotation of the brand led to the development of an important international network and to the success of territory-based events like the Milan Fashion Design, where *Grazia* organised genuine fashion shows in the city's piazzas on behalf of its fashion customers.
A new editor in chief was also appointed for *Grazia* and a project for the restyling of the magazine is currently under examination.

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

Among women's newsmagazines, an excellent performance was posted by *Starbene*, a monthly magazine dedicated to health and wellbeing, re-launched in 2012, which is absolute leader in its segment of reference with 1.5 million readers per month.

In the family-targeted/people premium price magazines, *Chi* confirmed its leadership in terms of copies sold at newsstands (281,000 in total), readers (3.3 million) and revenues from advertising.

Panorama maintains its leadership in the newsmagazines segment and advertising. In spring 2012, the weekly magazine launched a new version, increasing the gap with its direct competitor.
Considerable attention was also devoted to the magazines correlated to it. In 2012, *Panorama Icon*, dedicated to fashion and the male public, increased its presence along with *Flair*, dedicated to fashion and women's topics, proving extremely successful in the relevant advertising market.

Mondadori maintained its leadership in the following segments:

- Television, with a market share close to 50% in terms of copies distributed. *TV Sorrisi e Canzoni* is Italy's best selling weekly magazine. The audience, certified by Audipress, totalled approximately 4 million readers. In addition, Mondadori, thanks to the pocket guides, covers all the TV weekly magazine brackets in a balanced way: *Telepiù* controls the euro 1 price range and *Guida TV* represents the entry price product at euro 0.60 per copy;
- Furniture, Architecture and Design, thanks to the wide range of products and presence in each segment of reference (mass market, life-style design and professional). In particular, the segment of specialised magazines represents a point of excellence. Through its embedded communication system (magazines, annuals, onboard, events, Fuori Salone, travel guides and website), *Interni* continues to be the primary reference for design companies and operators, also worldwide, thanks to its event exhibitions and international projects;
- Gourmet, with *Sale&Pepe*, *Cucina Moderna*, *Cucina no problem* and *Guida Cucina*, capturing 55% of readers, for a total of 2.5 million per month. The Mondadori offering in this category also features *Cook&Books Academy*, the Mondadori gourmet school located on the third floor of the downtown Milan Mondadori Multicenter. In 2012 the "Food Experience" initiative was launched, aimed at attracting people to cuisine and the Mondadori brands.

Add-on sales

Since the beginning of the year the market was characterised by particularly successful publishing initiatives, undertaken by dailies for promotional purposes, some of which were based on a very low price promotion (euro 0.50-1.00). Thanks to these initiatives, the number of copies sold remained essentially steady (source: internal estimate), though the market value dropped by 15.4% as a result of the lower average sale price.
Mondadori, which bases its leadership on the diversification of its offering and, in particular, on home video and music, generated revenues (-18.3%) slightly lower than the market average, but maintained its leadership with 34% of market share, thus contributing to the Group result with a good profitability.
The differences relating to publishing products and home video products were particularly significant, because in addition to the current dire economic situation, additional negative effects added up as a result of a lower number of blockbuster movies, changing trends in consumer spending, in favour of digital and pay per view, and competition from the new e-commerce operators.
Add-ons involving music products and gadgets showed definitely better performances, slightly below the values of the previous year: in particular, the success of some animation series attached to *TV Sorrisi e Canzoni*, the Beatles music in CDs and the collectibles dedicated to cake design should be noted.

Press-Di Press Distribuzione Stampa e Multimedia

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

In 2012, the markets in which Press-Di operates registered a negative performance in terms of copies and value against 2011. The Newsstand/Large-Scale Retailers channel performance fell from -5% in 2011 to -10% in 2012 in value. Conversely, the Subscription channel slowed down the sharp downturn that had characterised it in 2011, going from -16% in 2011 to -6% in 2012 in terms of copies.

The fallout from this important reduction in volumes affected the entire distribution supply chain (National Distributors, Local Distributors, Newsstands), resulting in the shutting down of the activities of some Local Distributors, many newsstands and, among others, CDM, the distributor which relied on Press-Di for the commercial management of its product portfolio.

In this extremely challenging scenario, the Company firmly implemented actions to strengthen its competitive position:

- in the Newsstand channel, through the acquisition of the distribution of new publishers (including over 80% of the publishers previously managed by CDM) and the consolidation of the partnership with the Gruppo Editoriale Sprea, started at the end of 2011;
- in the Subscription channel, through the development of new promotional and marketing services for the Hearst and Sprea publishing houses.

Comprehensively, sales amounted to euro 454.4 million (516.9 million as at 31 December 2011). Net revenues at 31 December 2012 equalled euro 62.5 million, down by 7.3% against the previous year.

International

International activities, concentrated in the newly established company Mondadori International Business S.r.l. as of 31 October 2012, generated revenues of euro 9.3 million, +10.3% on a year on year basis.
International activities also included the three joint ventures consolidated with the equity method; Attica Publications S.A. (Greece and the Balkans), Mondadori Seec Advertising Co. Ltd (China) and Mondadori Independent Media LLC (Russia).

Licensing: the licensing activity consists in the publication of Mondadori magazines abroad through licensing agreements with local publishers.

The launch of three new editions in 2012 (Slovenia, South Africa and Poland) increased the number of *Grazia* editions in the world to twenty, of which eight are weeklies (including the main European markets: France, UK, Germany), two are issued bi-monthly (China and Poland) and ten monthly (Balkans and Asia).

In 2012, aggregate revenues from *Grazia International Network* amounted to euro 114 million (+8% against 2011), with room for additional growth in 2013 following the launch of *Grazia* Korea (bi-monthly) and *Grazia* Spain (weekly), started in February 2013.

As for the other international edition of Mondadori magazines, the launch of the German edition of *Flair* in partnership with the Klambt group, started in August 2012, was noteworthy.

Syndication and Photo rights: this activity consists in the sale of iconographic content and images produced by Mondadori and/or third parties, for which Mondadori acts as agent, to approximately one hundred different publishers in more than fourty countries.

The Syndication and Photo rights division provides high quality content and services in the sectors of fashion, interior decor and design and food, and represents a point of reference for publishing houses that publish Mondadori magazines abroad on the occasion of events and exclusive interviews.

Advertising: revenues in 2012 totalled euro 2.6 million, up 17.1% against the previous year.
Mondadori has traditionally focused on advertising in the sectors of Made in Italy fashion and interior design. From January 2013, through Mondadori International Business S.r.l., a dedicated company, it extended its activities to the French and Swiss markets, expanding its business horizons to include other product categories as well.

Investments: Mondadori is present in the markets of Greece, China and Russia through its investments in joint ventures with local partners.

- Attica Publications posted revenues equal to euro 46 million in 2012 (-3% against 2011). Considering the extremely difficult economic scenario, this performance is considered satisfactory, with a positive pre-tax result. In 2012, the deep crisis in Greece led two important competitors to Attica to file for bankruptcy. As a result, Attica has gained a virtual monopoly on the magazines market. The benefits deriving from such a dominant position in 2013 are expected to more than offset the negative effects of the ongoing recession in the country. In Greece, Attica Publications publishes eighteen magazines and has three radio stations, including Radio DJ, market leader in the international music rankings. In Bulgaria and Serbia it publishes seven and six magazines, respectively, through subsidiaries;
- Mondadori Seec Advertising Co. Ltd, exclusive advertising agency for the Chinese edition of *Grazia*, launched in 2009, posted a 56% increase in revenues on a year by year basis, reaching euro 11.1 million. This result enabled the company to show a profit for the financial year, one year ahead of the scheduled plans;
- Mondadori Independent Media LLC, publisher of *Grazia* in Russia, closed 2012 at break even, thanks to the good performance of sales from advertising, which totalled euro 5 million, up 21% against 2011.

Properties

In an advertising market showing sharp reduction across all segments (-14.3%), Internet (source: FCP Assointernet) was the only channel posting a positive performance for the year (+5.3%) against 2011, despite the slowdown registered in the last part of the year.
Group Properties, associated with the main magazines published by Mondadori, closed 2012 with excellent results both in terms of sales from advertising and traffic, distinctly outperforming the market (+25% of sales from advertising).
Here below are the details of the main websites:

- www.donnamoderna.com, registered a 22% increase in revenues and consolidated its position in the market of the main websites dedicated to women, with the best growth performance (+90% single users) against competitors. In 2012, the network was extended, doubling the number of publishing partners and reaching an average-per-month of 92 million page hits (in December more than 125 million hits and 8.5 million single users). The website gained and consolidated its leadership among women's newsmagazines on the social networks as well: over 150,000 fans on Facebook and over 150,000 followers on Twitter. The video strategy is currently being finetuned, focused on how-to-tainment, fun and feel-good, through the production of both special, video-user interactive formats in which readers can participate and branded content increasingly in the service of the website audience and investors in advertising;
- www.grazia.it, posted a 43% increase in revenues thanks to the massive contribution of the activities carried out in 2012, including the development of the *IT BLOGS network* and the restyling of the website graphics, paying particular attention to user experience. As to 2013, the commitment towards fashion events (fashion shows and streetstyle) is confirmed, as well as the commercial initiatives proposed in collaboration with the advertising agency; special attention will therefore be paid to improving the network, with the involvement of new partners to offer a broader range of services to users and the possibility of also exploring the growing offer through mobile devices;
- www.panorama.it, with revenues up 22% and a completely restyled version as of last June, this website enriched its format thanks to the development of content targeted to men through its proprietary brand, including Technology (Mytech), Style/Fashion (Icon) and the launch of service content (Horoscope, Meteo) and original video music formats (Unplugged, The History of Rock, Icon Songs). The activity on the social media was optimised and intensified with excellent performances (Facebook 38,000 fans (+11.7%), Twitter 59,000 followers (+138%) and G+ active since October 2012), which determined a significant growth in the traffic flowing from the social networks to the website (+75% in December 2012 against December 2011). The *Panorama* blog platform was also launched, hosting more than 50 bloggers, including members of the editorial staff and external contributors, working in complete independence.
- www.panorama.auto.it, concluded its first year since the launch (online since July 2011), confirming among the first automotive information websites with traffic showing an ongoing growth trend thanks also to the winning partnership with the www.patentati.it website. In 2012 several activities contributed to differentiating the website, capturing the interest of recently licensed drivers, women and professionals thanks to an extensive offering of content in synergy with the *Panoramauto* editorial staff. Worthy of mention is the extraordinary traffic performance on the occasion of sector events and trade shows; presence on the social networks was also very strong, including 123,000 fans on Facebook.

In 2012, activities were designed to develop and complete the offering of Mondadori digital magazines. The applications, with copy replicated browse modality, were made available in a pervasive way in the various markets (Apple, Google Play, Amazon and other platforms), both for tablets and smartphones.

In 2013, the project will also include the implementation of a system that is expected to allow the transfer of the magazine purchased to different platforms, the availability of promotional levers and custom commercial offers and the introduction of innovative payment methods.
Moreover, structural actions to treat and present digital contents are also envisaged: the current "copy replicated" experience will be enriched through image and video galleries that allow the experimentation of re-edited formats, based on the original content, for an optimised use for the digital media.

Magazines France

Mondadori Group has been present in France since 2006 through Mondadori France, one of the main Publishing Houses in the country, with a portfolio that includes some of the most popular magazines, among which *Closer*, *Pleine Vie*, *Science & Vie*, *Télé Star* and *Auto Plus*. In August 2009 Mondadori launched *Grazia France*, the first upscale women's fashion and news magazine in France.
The penetration of one of the most important European markets for magazines in terms of circulation and advertising sales was an important operation for Mondadori, increasing its international presence.

(Euro/million)	FY 2012	FY 2011
Revenues from magazines	371.3	334.7
Other revenues	10.3	13.4
	381.6	348.1
Operating costs	(342.7)	(314.7)
EBITDA	38.9	33.4
Amortisation, depreciation and impairment	(151.9)	(12.1)
EBIT	(113.0)	21.3

The market

The market of magazines in France registered a reduction in value in circulation at newsstands equal to 5.4% (source: internal estimate) and sales from advertising dropped 4.9% in value (source: Kantar Media).

The economic performance of Magazines France

Despite the difficult market scenario for magazines, Mondadori France realized good results for 2012.

Revenues equal euro 381.6 million, up 9.6% against the previous year. On a like-for-like basis, excluding the line-by-line consolidation of the joint venture Editions Mondadori Axel Springer S.n.c., revenues would have dropped 2.2% in the period.

The ongoing improvement in the publishing products, combined with a strong focus on cost containment, enabled the Company to register a 16.5% increase in EBITDA against 2011, reaching euro 38.9 million with a 10.2% incidence on revenues.

EBIT instead reflected the impairment losses resulting from the impairment test carried out, which amounted to euro 140 million comprehensively, including values allocated to magazines and goodwill.

Revenues from advertising: from an advertising perspective, revenues, on a like-for-like basis, posted a 2.4% reduction compared to the previous year. In terms of volume, Mondadori France registered a 1.4% decrease in a market that fell 5.7% (source: Kantar Media).
In the second half of the year, the advertising market showed a reversal against the first half, which had closed essentially in line with 2011 at the end of June. In this difficult market scenario, Mondadori sales from advertising held and improved for the fourth consecutive year in terms of market share and volume. In the performance rankings by volume, Mondadori is second.

This excellent performance is mainly due to the strong growth registered by the magazines of the Féminins Haut de Gamme segment: the weekly magazine *Grazia* (+7.2%), the monthly magazine *Biba* (+10.8%) and the monthly magazine *Pratique Modes & Travaux* (+9.1%). Other publications also performed well despite the very unfavourable market.

Revenues from circulation: revenues from circulation (newsstands and subscriptions) represented approximately 70% of total revenues, though showing a downturn (-2.2% on a like-for-like basis). Based DSH surveys on circulation, the circulation of magazines in 2012 dropped by 4.3% in terms of copies. Mondadori's reduction was 3.6%. For the third consecutive year Mondadori France performed better or in line with the market, with a growing market share.

In terms of value, sales at newsstands dropped 5% in the period. This reduction was in line with the market trend (-5.4% in the period; source: internal).

Subscriptions continued to grow (+0.5% against 2011). In the last five years, they have increased by 10%, topping 33.6% of Mondadori France revenues with a portfolio of more than three million subscribers.

The key factors underlying the good performance of the circulation of magazines are innovation and the quality of the publishing content.
In this context, Mondadori committed to the restyling of its magazines in 2012. *Biba* in February, *Auto-Journal* and *Télé Star Jeux* in March, *Revue Nationale de la Chasse* and *Réponses Photo* in September.
In addition to the restyling of the existing editions, Mondadori France has been pursuing for many years a brand extension policy on the existing magazines. This strategy was continued through the launch of *AutoPlus Classique* at the beginning of 2012 and two publications attached to the weekly *Closer*: *Closer C'est leur histoire* and *Closer Jeux*. The new newsmagazine *Faits divers à la une* was launched in June 2012.

Magazines that were already market leaders consolidated their positions: in the women's magazines *Modes & Travaux*, first among women's newsmagazines with 444,000 copies; *Top Santé*, first among magazines dedicated to women and health with 350,000 copies; *L'Ami des Jardins*, first among gardening magazines with 154,000 copies and *Closer*, the first people-targeted magazine with 366,000 copies.

Mondadori is the first publisher in the automotive sector (1.6 million copies per month, +2% against the previous year) and leader in the segment of scientific magazines under the *Science & Vie* brand and its variants (557,000 copies/month, +14%).

Grazia, launched in 2009, confirmed its success, increasing circulation by 3% (190,000 copies); also the monthly *Biba* registered a 4.2% increase, topping 340,000 copies.

Digital: in 2012, Mondadori France accelerated investments, resulting in a 28% increase in revenues. In particular:
- audience: reached 4.5 million single users in 2012 (source: Nielsen), up sharply against the average audience of 2.7 million in 2011;
- consolidation of the organisation and technology;
- internet websites: the new version of the *Grazia* website has been operational since May 2012 and the *AutoPlus* website since January 2013;
- digital newsstand: the Group magazines are present in the largest digital newsstands (Relay.com; lekiosk.com; AppleNewsstand). Sales of the digital version of magazines are increasing rapidly;
- iPad: the iPad versions of magazines are becoming increasingly popular. In February 2012 the iPad version of *AutoPlus* was launched. *Science & Vie Kids* (adjustment of the magazine *Science & Vie Découvertes* for iPad) is currently posting successful results. Lastly, the iPad application of *Télé Star* has been available free of charge since December.

At the end of August 2012 Mondadori France completed the acquisition of a 60% stake in NaturaBuy S.a.s. Established in 2007, Naturabuy.fr is a leading website for classifieds, personals and auction sales, and a "Boutique" for products associated with hunting and fishing. The website has a community of fans that includes 160,000 users and 1,500 companies; more than 140,000 products are marketed on the website, with a volume of transactions equal to more than euro 24 million a year. Last year, Mondadori France and Axel Springer acquired a majority stake in Auto Reflex.com, a website featuring car ads. This transaction is part of the company's strategy to grow and diversify in the digital industry.

Advertising services

The market

The persistently grim economic situation has had an inevitable negative impact also on the market of advertising investments, and the year closed with a performance of -14.3%, the worst in the last twenty years, falling for the first time since 2003 under the threshold of euro 8 billion at current prices and even below 1991 levels in real terms.

The table below, with market data in value broken down by the main advertising channels, shows that the most significant reduction is related to the print media - dailies (-17.6%) and magazines (-18.4%, or -21.4% if compared to the same number of magazines in 2011) - the segment in which Mondadori Pubblicità S.p.A. mainly operates.
Radio advertising was also down sharply and, after a positive start in 2012, sales fell below 2011 values by 10.2%.
Only the web showed a different trend (+5.3%), though also showing signs of a slight slowdown in the last part of the year.

In this context, all sectors reflected the significant cut of advertising investments carried out by operators.

Though facing increasingly determined and aggressive competition on fees, the advertising agency paid close attention to pricing, trying to emphasize the value of the magazines.

Advertising market

(Euro/million)	FY 2012	FY 2011	Var.%
Television	3,918	4,624	(15.3%)
Magazines	695	853	(18.4%)
Dailies	1,118	1,357	(17.6%)
Radio	389	433	(10.2%)
Internet	665	631	5.3%
Other	657	785	(16.3%)
Total advertising market	7,442	8,683	(14.3%)

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

The performance of the advertising agency

In 2012, Mondadori Pubblicità realized a reduction in revenues from advertising against the previous year, down from euro 219.9 million to euro 172.9 million.

Sales from advertising slumped 21.4%; all sectors were heavily hit by the crisis, including, in particular, Cosmetics, Interior Design, Travel and Automotive.

However, despite the difficult scenario for advertising investments that involved both monthly and weekly magazines published by the Mondadori Group, a few positive performances stood out.
In women's Life Style magazines, *Flair* recorded an excellent performance among investors operating in the fashion industry in the last part of the year; the weekly *Tu Style* was up 5.2% in terms of space and the weekly magazines *Sale&Pepe*, *Cucina Moderna* and *Ciak* rose by 11.7%, 1.2% and 2.9%, respectively.

Going strongly against the current trend of the magazines sector in general, in 2012 *Panorama Icon* again posted an overall growth of +14.7%, up both in terms of spaces sold (+0.8%) and price (+11.2%).

Revenues from advertising on the Radio channel, generated by the advertising agency, dropped 14.9% in 2012.
In particular, the cost containment policies adopted by customers belonging to the traditionally most important segments for advertising, namely Automotive, Consumer Products and Telecommunications, have had a significant impact.

The positive results, both in terms of volumes and customer turnover, generated with Fashion and Interior Design customers were not enough to offset plummeting sales from advertising by the most traditional radio investors.

Also in 2012, the organisation of events with the involvement of the main Group brands contributed to complete the offering. In addition to consolidated successful events, including the Milan Fashion Design, the Experience Store and participation in Pitti Immagine, Mondadori Pubblicità contributed to the organisation of Food Experience with excellent results in terms of visitors and an important appreciation by sponsors.
Overall, revenues from these initiatives rose by 48.9% against 2011.

The joint venture Mediamond S.p.A., with the twenty-eight vertical websites of its network and 12 million users on a monthly basis, represented one of the most significant specialised platforms for web advertising.
In 2012, Mondadori S.p.A. revenues were up 63.4% with all Mondadori Group websites showing steady growth: www.donnamoderna.com (+22%), www.grazia.it (+43%) and www.panorama.it (+22%) and for the RTI group, TgCom (+10.5%) and Sport Mediaset (+53%). Revenues from advertising were also sharply up for the www.videomediaset.it website, included in the perimeter of the advertising agency since January 2012.

(Euro/million)	FY 2012	FY 2011
Revenues from advertising	168.2	214.8
Other revenues	4.7	5.1
	172.9	219.9
Operating costs	(181.1)	(226.8)
EBITDA	(8.2)	(6.9)
Amortisation, depreciation and impairment	(0.1)	(0.1)
EBIT	(8.3)	(7.0)

Digital

Consistently with the new organisational structure and definition of internal reporting, digital activities are detailed in financial data as follows:
- publishing activities, e-book, properties, subscriptions and online advertising are under the businesses of reference, namely Books, Magazines Italy and Magazines France;
- e-commerce activities carried out through the www.inMondadori.it website and online book club under Direct;
- diversification and investment actitivities to support business, gambling, applications and CRM under Other Business.

Direct

The Direct Area, comprising retail business and direct marketing, operates through a network of 597 points of sale at end of 2012:
- bookshops: of which 21 directly managed and 311 in franchising, with an offering concentrated 80% on books and publishing products;
- multicenters: a total of 8 directly managed multicenters with a very broad offering, comprising media, dailies and magazines; multimedia products and services and consumer electronics, very similar to a department store;
- newsstands: 203 in franchising, a formula that combines the characteristics of a bookshop and a newsstand, offering a wide range of publishing and non-publishing products;
- 54 book clubs in total, with an offering exclusively dedicated to members of the six theme-based book clubs;

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

In 2012 a unified distribution model was developed under the "inMondadori" umbrella brand, combining off line and online bookshops and physical retail, resulting in a multi-platform system covering all sales channels.

The market

In 2012, with the exception of gift boxes and consumer electronics, up 6.5% and 6%, respectively (source: GFK), the markets of the main products offered by the Mondadori Direct S.p.A. network recorded remarkable drops in revenues: books, DVD-films and music were down 8%, 18% and 14%, respectively (source: GFK).

Advertising investments by companies in the traditional direct marketing channels (mailing, door-to-door, inserts and telemarketing) have been on a downturn for many years as a direct consequence of technological innovation and the progressive replacement of such means with web-based communication, mainly e-mail marketing and social media.

Thanks to the evolution of the new digital channels, the effects of the recession did not prove as punitive as in the other sectors of communication and marketing. Direct marketing channels often offer lower costs and better targeted alternatives compared to investments in media where it is difficult to quantify return on investment.

Economic trend of the Direct Area

In 2012, Group management concentrated on the following factors:
- rationalisation of the points of sale, decreased by 31 units, in line with a policy that envisaged format integration;
- ongoing investment in new product lines, also through the Emporio Mondadori proprietary brand which, together with "Box for You", played an important role in terms of presence and revenues, both within the Group network and in numerous, also prestigious, third party stores;
- further development of the customer loyalty programme through the Mondadori Card. In one year the number of cards in circulation more than doubled;
- re-definition, also following Amazon's entry in the Italian e-commerce market, of Bol's strategic vision, now concentrated on the synergetic integration with the retail universe according to a multi-channel approach. In this perspective, the new inMondadori brand was established, as an umbrella brand grouping all product and service sales channels;
- definition of the partnership agreement with Kobo Inc. for the exclusive Italian distribution rights to the new Kobo Touch e-reader in various versions and formats, in order to offer its customers a cutting edge solution for reading and exploring cultural contents;
- consolidation of the Cemit Digital Solution division, established in 2011, and development of the new local marketing service through face-to-face, mainly appreciated by customers of the fund raising segment.

The table below, detailing the main economic indicators for the last two years, illustrates the difficulty faced in the period under examination: revenues were down 5.8% and, consequently, EBITDA also dropped.

EBITDA also reflected impairment losses resulting after completion of the impairment test in relation to the residual value of fees paid for taking over the lease contracts of some owned stores, goodwill attributed to the book club activity and goodwill relative to Bol, for a total of euro 4.2 million.

Specifically, on a like-for-like basis, i.e. taking into account store closures in 2012, direct bookshops increased revenues by 2.4%, while revenues from franchised bookshops and newsstands fell by 2.5% and 3.6%, respectively.

Multicenters (-7.9%) and clubs (-24%) were particularly hit; Cemit suffered a slump of approximately 4.4%.

Given the afore described difficulties, even more attention was paid to cost containment policies; in particular, the lease contracts of a certain number of locations were re-negotiated, investments in new points of sale were rationalised and the employee count was reduced by approximately 30 units.

(Euro/million)	FY 2012	FY 2011
Revenues	254.6	271.3
Other revenues	7.2	6.7
	261.8	278.0
Operating costs	(263.0)	(274.1)
EBITDA	(1.2)	3.9
Amortisation, depreciation and impairment	(10.2)	(6.5)
EBIT	(11.4)	(2.6)

Radio

Mondadori is present in the Italian radio market through *R101* which, thanks to a publishing format based on current news and entertainment, well represented by its most recent "Forever Fun" claim, targets a mainly adult audience with a view to synergically completing the publishing offering of other Group products and services.

The extensive and high quality distribution of its frequency and the quality programme scheduling enabled *R101* to record audience rates that make it one of the most popular private radio stations in Italy.

Listeners in an average day totalled approximately 2.1 million (source: Eurisko Radio Monitor, January-December panel) and over 11.3 million over 7 days (source: Eurisko Radio Monitor, February-December panel); results on the average fifteen minute slot for the last quarter were also very positive, with a 18% growth against results of the first half of 2012 (source: Eurisko Radio Monitor).

(Euro/million)	FY 2012	FY 2011
Revenues	13.9	16.3
Other revenues	-	-
	13.9	16.3
Operating costs	(15.9)	(16.6)
EBITDA	(2.0)	(0.3)
Amortisation, depreciation and impairment	(48.0)	(1.6)
EBIT	(50.0)	(1.9)

Radio Area Performance

Revenues from advertising on the Radio channel, certified by Nielsen in 2012, fell 10.2%, with a progressively worsening trend over the months (June -5.5%, September -8.1% and December -10.2%).

In this context, *R101* closed 2012 with revenues plummeting by 13.7% against 2011 as a result of the significant cut on investments made by the main customers in the Automotive, Consumer Products and Telecommunications sectors, which accounted for more than 50% of its total revenues. Total revenues, including also revenues from the website and other initiatives promoted during the year, slumped by 14.7% against the previous year.

Consequently, EBITDA also fell; EBIT reflected the effects of the impairment loss on the reduced value of frequencies assigned upon completion of the impairment test and as a result of the analysis carried out by an external specialist, for a total of euro 46.3 million.

From the publishing perspective, 2012 was characterised by a detailed process aimed at restyling programme scheduling through new programmes and new announcers, especially during weekends. In the last quarter, with a view to providing listeners with an even more integrated current news-announcer-music connection, actions were undertaken both with reference to the news - with more frequent updates and full coverage during the day - and on the side of the music catalogue with a broader, more contextualised and enriched selection, also including contemporary hits.

2012 marketing actions concentrated on the organisation and sponsorship of important events in order to increase brand visibility at the national level. Among the most significant: "Quota 101" in the main Italian ski resorts, the "Stramilano" city marathon in spring and the "Giro d'Italia" bike race as official media partners during the various stops with events organised locally, interviews and live broadcasting; the traditional "Spiaggia 101" tour, hitting some of Italy's most popular beach locations, and the presence at the Venice Film Festival as official radio network.

The digital growth of *R101* in 2012 was also significant: the website reached an average of 200,000 single users per month and averaged more than 1.4 million page views per month, based on data furnished by Google Analytics. Through the official fan pages and proprietary channels it also increased its presence in the main social networks (Facebook 200,000 fan pages; Twitter 12,000 followers; YouTube 480,000 *R101* hits).

Corporate and other business

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

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

Mondadori International

The financial assets managed by the company at 31 December 2012 amounted to euro 70.9 million (euro 30.9 million at the end of 2011). In the period of reference, the company posted profits totalling euro 7.2 million.

The strong growth of assets managed, as well as the 2012 net result, derived from the transfer of the interest held in Random House Mondadori.

Financial assets at 31 December are broken down as follows:
- current accounts, cash equivalents and receivables due from the parent company as a result of the centralised management of liquidity for a total of euro 57.6 million;
- floating rate bonds available for sale, for a total of euro 13.3 million.

Financial position

Mondadori Group's financial position at 31 December 2012 equals to euro 267.6 million, shows an increase of euro 67.8 million if compared to 2011.
The main reason of the increase is strictly related to the sale of the interest held by Mondadori Group in the joint venture Random House Mondadori to Media Finance Holding (Bertelsmann group) for euro 54.5 million, as well as in the actions undertaken to optimise current asset management.

It should be pointed out that the net financial position would show a deficit of euro 273.2 million if calculated according to the method recommended by Consob in note 13 of the Explanatory Notes, as it would not include the balance of "Non-current financial assets".

Interest and exchange rate trends

Global economy risks, which characterised the first half of 2012, gradually mitigated during the last quarter following the slowdown of the financial tension in the euro zone and the agreement reached in the US to overcome the Fiscal Cliff.

However, global economy dynamics and international trade growth estimates are still weak; this weakness is particularly marked in Europe and, above all, in Italy, where access to credit is difficult and the unemployment rate is rising, making a recovery difficult.

Net financial position

(Euro/million)	31/12/2012	31/12/2011
Cash and cash equivalents	166.8	82.9
Financial assets at fair value	-	-
Held-for-sale financial assets	13.3	15.7
Assets (liabilities) in derivatives	(14.9)	(11.6)
Other financial assets (liabilities)	12.3	3.7
Loans (short and medium-long term)	(445.1)	(426.1)
Net financial position	(267.6)	(335.4)

The most recent projections envisage a return to growth in the second half of 2013, though at a modest pace and with broad uncertainty margins.

In this context, Euribor remained depressed, hitting a record low in mid-December (0.181%) and posting very limited increases in the last days of 2012. The average value for the period was equal to 0.574%; the average cost of the Mondadori Group debt in 2012 was equal to 3.00%.

The euro/dollar exchange rate was up and down in 2012: the dollar was strong until July (record low at 1.2061), but the euro recovered in the second half of the year thanks to the European Central Bank's planned actions, reaching 1.3193 at year end. The average euro/dollar exchange rate in 2012 was equal to 1.2860.
The euro/sterling exchange rate followed a similar trend, with a record low at 0.778 registered at the end of July, going up to approximately 0.82, and registering 0.8119 at year end. The average euro/sterling exchange rate in 2012 was equal to 0.811.

The overall credit lines available to the Group at 31 December 2012 amounted to euro 1,068.4 million, of which euro 755.6 million committed.

The Group's short-term loans, totalling euro 312.8 million and essentially unused at 31 December 2011, included overdraft credit lines on current accounts and advances subject to collection.

The main medium/long-term loans are:
- euro 320.0 million for a float rate bank loan with expiry in December 2014, granted by a pool of leading banks with international standing; the loan specifically includes a term loan for euro 150.0 million and a Revolving Facility for euro 170.0 million, still unutilised; some Interest Rate Swaps contracts have been attached to the term loan for the purpose of transforming the float rate into fixed;

- a float rate term loan granted by Intesa Sanpaolo for euro 50.0 million with expiry in May 2013;
- a float rate loan for euro 200.0 million, granted by Intesa Sanpaolo, with expiry in December 2016, broken down into a term loan for euro 50.0 million and a revolving facility for euro 150.0 million, used for a total of euro 45.0 million at 30 December; an Interest Rate Swap contract was attached to part of the Term Loan, with expiry in January 2014;
- a float rate amortising loan for euro 78.0 million, specifically a Term Loan, granted by a pool of leading Italian banks with expiry in June 2015; an Interest Rate Swap Amortising contract is attached to part of the loan;
- a float rate bullet loan for euro 50.0 million, specifically a term loan, granted by Mediobanca, with expiry in December 2017; an Interest Rate Swap contract was attached to the term loan for the purpose of transforming the float rate into fixed;
- a float rate bullet loan for euro 50.0 million, specifically a Revolving Credit Facility, granted by Mediobanca in July 2011 with expiry in December 2017, utilised for euro 15.0 million at 31 December.

Personnel

Human resources

Employees with a fixed-term or permanent labour contract employed by the Group companies at 31 December 2012 totalled 3,703 people, and the cost of personnel amounted to euro 290.4 million.

On a like-for-like basis, i.e. net of the effect of the line-by-line consolidation of the French joint venture Editions Mondadori Axel Springer S.n.c., this item shows a 1.3% decrease in employee count and a 1.4% reduction in the overall cost of personnel on a like-for-like basis and net of restructuring costs.

In addition to the already mentioned transaction with EMAS, "Cost of personnel" also takes into account the merger of the former joint venture Mondadori Rodale into Arnoldo Mondadori S.p.A. and the higher allocation of funds for the restructuring process started in the year under examination.

In addition to the ongoing rationalisation and efficiency actions undertaken in all Group companies since 2009, the results obtained were also due to specific re-organisation actions started in the Direct Area and, specifically, to the approval of a new restructuring plan that is expected to be completed by April 2014 for 152 redundant graphic-publishing workers operating in Arnoldo Mondadori Editore S.p.A., Mondadori Pubblicità S.p.A. and Press-Di Distribuzione Stampa e Multimedia S.r.l.

Personnel	31/12/2012	31/12/2011
Arnoldo Mondadori Editore S.p.A.:		
- Managers, journalists, office staff	1,126	1,153
- Blue collar workers	84	90
	1,210	1,243
Italian subsidiaries:		
- Managers, journalists, office staff	1,416	1,452
- Blue collar workers	55	57
	1,471	1,509
Foreign subsidiaries:		
- Managers, journalists, office staff	1,022	912
- Blue collar workers	-	-
	1,022	912
Total	3,703	3,664
Differences in the consolidation area	-	87
Total on a like-for-like basis	3,703	3,751

Since, for bureaucratic reasons, they were implemented only in the second half of the year, these actions had only a limited economic and quantitative impact on the financial year of reference.

These efficiency actions have been combined with company development and rationalization actions aimed at favouring the Group's growth strategy, with a view to enhancing its presence in the digital segment and internationally. In this respect, the establishment of Mondadori International Business S.r.l. is particularly relevant.

The table above a detailed overview of Group personnel at 31 December 2012.

Trade union relations

The ongoing recession, particularly severe in the publishing industry as a result of the effects of digital transformation of magazines and books, forced the Mondadori Group to start a series of important negotiations in 2012 with trade unions in order to define the restructuring plans envisaged for the Group companies. The business areas most involved were Magazines and Direct.

With reference to Magazines, an employee count reduction plan was formalised with the Italian Ministry of Labour in April 2012 affecting a total of 152 people through the use of early retirement schemes to be applied for by April 2014.

Specifically, the individual company agreements referred to 98 employees of Arnoldo Mondadori Editore S.p.A. Magazines and Central Divisions; 33 employees of Press-Di Distribuzione Stampa e Multimedia S.r.l. and 21 employees of Mondadori Pubblicità S.p.A., mainly personnel operating in the Milan, Rome and Verona offices.
The ministerial decrees that approved the early retirement plans for the first employees in 2012 were announced last October, shifting the majority of the resulting effects on cost containment to 2013.

In addition, it should be noted that in December 2012, also in the Arnoldo Mondadori Editore S.p.A. Magazines Area, negotiations were opened with the trade unions representing journalists, for the purpose of examining the consequences of the shutting down of five magazines and the re-organization of the publisher's remaining editorial staff. Negotiations are still underway.

In the Direct Area, where a rationalization process was started long ago on all points of sale, negotiations were started last December 2012 for the definition of job security agreements for the employees of the offices of Mondadori Direct S.p.A. in Milan, Brescia and Rimini, a total of 239 people: to date, an agreement has been reached for the Milan and Brescia offices (156 people) with salary reductions set at 10% for 12 months. An agreement on the Rimini offices is expected by February 2013 (82 people).
A similar job security agreement was reached for Mondadori Iniziative Editoriali S.p.A. for 18 people.

For Cemit Interactive Media S.p.A., an agreement was reached to reduce the number of jobs by 15 through redundancy payments and mobility.

Organisational evolution

Along with the restructuring plans envisaged for the Group's relevant sectors, the Group also pursued a rationalisation of the company structures in some business areas with a view to better facing the market and emerging opportunities.
The key new aspect in this perspective is the establishment of Mondadori International Business S.r.l. This Company have been created to concentrate all the international activities of the Group Magazines Area.

Training

The starting point for the development of training programmes in 2012 was the attentive and well-organised dialogue opened with representatives of the Mondadori Group activity areas and HR Managers in order to identify the needs and requirements within the companies and the business areas. The result was a tailor-made training offering, developed based on the Group objectives and growth strategies.

The 2012 Mondadori Training Program may be summarised in four key concepts: leading, supporting, improving and sharing the multiple experiences and expertise, and in three types of training: catalogue, *ad hoc* and corporate, specific training as well on the topics regarding employee health and safety in the workplace and the catalogue for journalist professional training.

For the purpose of increasing and strengthening employee competencies and skills, Mondadori finetuned a series of initiatives targeting all Group companies and broken down as follows: Management, Change Management, Matrix, Knowledge and Theme-based areas (training specifically focusing on the development of the professional profiles and skills present in the company: Administration, Finance and Control - Marketing - Digital - Publishing - Sales - Operations).

Thanks also to the process of revision and enlargement of the Performance Management system, which is still underway, it was possible to obtain more information on competencies and new professional profiles to develop with the support of specifically developed initiatives. Therefore, a gradual shift from catalogue training to *ad hoc* training was accomplished, better concentrated on real training needs and adjustable to the specific business requirements.

Ad hoc training in 2012 increased over the previous year, involving 150 participants for a total of 6,000 hours of training and an investment totalling euro 60,000. This trend is also strictly correlated to the need for ongoing training of managerial competencies and the development of cross-sectional paths to favour integration between the different Group areas.

Risks connected with health and safety

In 2012 the activity regarding monitoring of risks connected with employee health and safety continued, on the ordinary side, with the consolidation of the best practices adopted by the Group.
Specifically, reference is made to periodic meetings between the company and employee representatives in relation to drills, office evacuation drills and also ordinary training to prepare people dedicated to first aid as well as on site inspections with the physicians in charge of each individual company.
The afore described activities for Arnoldo Mondadori Editore S.p.A. are directly carried out by the Group's facility management division, which also has the task of directly co-ordinating all the people responsible for prevention and protection appointed within each individual company according to the provisions set out in the organizational chart regarding Group safety and security, specifically addressing the individual's personal responsibilities in the matter of employee health and safety.
In addition to the foregoing, where necessary, the relevant Risk Evaluation Documents were updated for each individual company and/or operating unit. For newly opened offices, Risk Evaluation Documents were also drafted.
It should be noted that a compulsory training programme was launched for all Group employees within the terms established by law. The working programme identified priorities in relation to the most exposed professional clusters. Training in 2012 was therefore concentrated on logistics and distribution through the organisation of classroom training.

As to 2013, training is expected to continue for all Group employees and will be provided with the support of an e-learning platform running a specific software for the management of health and safety, which was selected in 2012 and purchased at the beginning of 2013.

Capital expenditures

During the fiscal period closing on 31 December 2012, the Group made investments in technical assets for about euro 8.5 million, mostly for the purpose of replacing electronic office machinery, furniture, décor and equipment.

Goods were disposed of with a residual value of euro 0.3 million.

Performance of Arnoldo Mondadori Editore S.p.A.

The Annual Report of the Parent Company, Arnoldo Mondadori Editore S.p.A., for the year ended at 31 December 2012 shows a net loss of euro 39.6 million against net profits of euro 55.3 million in 2011.

The decrease was due to dropping revenues from publishing activities, particularly in the Magazines Area, where revenues plunged, both in terms of number of copies sold and the sale of add-ons, as well as in the sale of advertising space.

EBITDA reflected the business trend, down from euro 48.5 million in 2011 to euro 3.9 million in 2012.

This reduction aggregates trademark impairment for euro 1.4 million and the final balance of profits and losses from investments, including dividends received and impairments; in 2011 profits were equal to euro 35.4 million, in 2012 losses were equal to euro 30.8 million.

Main risks and uncertainties to which the Mondadori Group is exposed

Since 2008, the Mondadori Group has been defining and implementing a process aimed at identifying and managing the main risks and uncertainties it is exposed to in accordance with the guidelines of its Internal Control System, pursuant to the provisions of the Corporate Governance Code of listed companies and to Italian Legislative Decree 195/2007 on transparency. Concurrently, the Group's risk appetite was calculated, i.e. the risk the company is prepared to assume in pursuing its objectives, thus delineating the Group's risk profile.

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

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

The effects of every risk factor are connected to strategic goals both at the Group level, identified by the Deputy Chairman and CEO, and at the function level, according to the procedures defined by first line management.

The results of the process are submitted to the specific evaluation of the Risk and Control Committee, the Board of Auditors and the Board of Directors, and additional in-depth analyses by competent structures and bodies may be requested.

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

Based on the results of the analyses carried out, the following is a brief summary of the main risks and uncertainties the Group is exposed to, in the following risk spheres:
- risks related to the economic scenario;
- financial and credit risks;
- business risk: competitive scenario and strategic risk;
- regulatory risk;
- risk associated with brand protection.

Risks related to the economic scenario

In 2012 the criticalities of the difficult economic scenario in Italy persisted, as evidenced by the most recent indicators. The ongoing negative growth in GDP reflected, specifically, a downturn in internal demand, both in relation to investments and consumer spending. Data on manufacturing, in a context not yet showing conditions of stability in relation to access to credit, shows a general slump. Consumer spending also dipped, weakened by the difficulties emerging from the labour market, the low nominal income levels, particularly compared to inflation, and widespread uncertainty.

Forecasts for 2013 predict further reductions, though to a lesser degree, with a slight recovery in the second half of the year.
However, several uncertainties still remain, from the evolution of the sovereign debt crisis and the consequent effects on credit and investments to the performance of national and international demand; from the confidence projections of consumers and businesses to the dynamics of the labour markets and tax policies.

The conditions of such a market generate critical significant effects on the Mondadori Group sectors of activity. The latest Risk Assessment revealed once again that the main risk elements are the lower advertising investments of businesses and decreasing consumer spending. These are, in fact, systemic factors that the entire publishing industry is currently facing.

Main risk	Mitigating actions
Lower advertising investments, in terms of both sales volumes and average prices, in a context characterised by discontinuity in the advertising market.	Focus on multimedia and integration in line with advertisers' requirements, by exploring the Group's broad spectrum of business activities. Diversification of revenue sources, in particular through the organisation and management of events, improving the massive potential of the brands and portfolio magazines in a synergetic way.
Lower consumption in the markets of reference may reverberate on Group performance.	Continuous focus on product quality and innovation of the publishing offering also through targeted integration strategies with the development of digital activities, concentrating on the strength and value of essential assets like the brand and content.

Financial and credit risk

The critical issues linked to the current economic-financial situation are persisting longer than expected, with significant impacts on business trends and the Group's results, above all in a moment of remarkable technological/structural evolution towards the digital for the publishing industry.

In particular, due to the current market scenario, the Group is affected to a risk associated with the possibility of maintaining profitability levels, with impacts on the ability to generate cash flows, the definition of a mix of loans and holding values of the assets.
The risk associated with trade receivables is confirmed to stem from the extension of the average collection time (also when doing business with the Public Administration) and includes the risk of contract and counterparty default.

Based on the contingent situation and future trends, Mondadori has adopted policies and resolutions targeting the re-organisation of the structures and processes with a view to reducing operating costs.

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

Main risks	Mitigating actions
Difficulty in maintaining profitability levels and a correlation between cash flow and loans.	Ongoing monitoring of profitability levels in order to ensure that the objectives of financial performance are met, giving priority to the use of committed lines and compliance with covenants. Re-organisation of the structures and processes according to a saving and efficiency logic.
Inadequate support to the financial value of assets in the light of the current and future market trend and the Group's financial results.	Accurate monitoring to ensure that financial performance is in line with forecasts. Timely action by management in case of discrepancy, in order to improve performance and minimise the likelihood and scope of the risk. Diligent reporting to top management and the Board of Directors.
Worsened financial position as a result of the imbalance between cash inflows and payments, as well as the insolvency of any customers.	Continuous monitoring with *ad hoc* analysis of customers' credit exposure, aimed at achieving a sustainable balance in the needs of both sides. Regular Group recourse to adequate hedging instruments.
Exposure to the interest rate risk.	The Group has implemented a targeted strategy to reduce interest rate risk, mainly arising from credit lines and long-term financial liabilities.

Business risk: competitive scenario and strategic risk

The publishing and media industries are still facing considerable uncertainties. The persistent negative economic scenario, on one hand, and the essential transition towards new business models, on the other, including the development of digital media, represent elements of discontinuity that may have impacts on the traditional market balance. All sector operators are in fact focusing on proactively reacting to the changes by re-thinking their role and activities and improving their traditional assets (content, authors, brands, reader communities) in light of the new scenario.

As a result, the Group is exposed to business risks that refer to technological discontinuity aspects, which, in turn, are entirely or partially associated with other risk factors pertaining to competition, becoming harsher as a result of the pressure exercised by traditional competitors and the innovations brought about by extra-industry new entries (Google, Amazon), as well as business development and product innovation strategies.

Main risks	Mitigating actions
Technological discontinuity driving changes in traditional business models.	Continuous monitoring of digital developments in the publishing and media sector in order to explore the opportunities deriving from a prompt development of products and services targeting integration, taking advantage of the value of the Group's brands and intangible assets. Development of a cutting edge solution in the e-reader market thanks to the partnership with Kobo Inc.
Growing competition in the Group's markets, due to the growing competitiveness of existing players and to new players penetrating the market.	Ongoing investment in product quality, extending and re-thinking the offer with the aim of distinguishing it from its competitors', making the most of the resources and know-how generated, taking advantage of the power of the brands and content, business synergies and leadership position in the market.
Insufficient focus on product innovation and business development in line with market preferences.	Constant monitoring of changes in the market and consequent re-design of the organisation and internal structures with a view to optimally monitoring business evolution through brand-focused management and quality of content and publishing offer, combined with the identification of innovative patterns to integrate paper and digital. Consolidation and further development of the large potential offered by the international network.

Regulatory risk

The Mondadori Group operates in a complex regulatory context, given the variety of the business areas in which it is active. The regulatory evolution in terms of introduction of new regulations as well as changes to existing regulations may have an impact in terms of affecting competitiveness and market conditions in specific business areas, in addition to generating higher charges in the internal compliance processes with regard to specific issues at the governance level, including, among others, Italian Legislative Decree 231/2001, Italian Legislative Decree 196/2003 on Privacy and Italian Law 262/2005 in the matter of protection of savings and fiscal fulfilments.

In this respect, Mondadori Group promptly adopted the new regulations introduced through the update of the Governance Code of listed companies, defining an adequate internal control and risk management system which, through the identification and management of the main company risks, contributes to ensuring the protection of the company assets, the efficiency and effectiveness of company processes, the reliability of financial disclosures, compliance with laws and regulations, company by-laws and internal procedures.

Main risks	Mitigating actions
Criticalities associated with regulatory developments on specific business topics inherent to the activity areas in which the Group operates.	Continuous control and active participation in discussions for the issuance of new regulatory provisions, also thanks to the involvement of the main category associations (e.g. Fieg). Timely adjustment of business activities and products to regulatory novelties/changes, also through the adoption of newly enforced regulations in the Group's internal policies.
Higher charges and/or critical issues in fulfilling regulatory requirements with regard to applicable fiscal regulations.	The Legal and Tax Office division constantly monitors the evolution of tax regulations for all Group companies. The division is in charge of constantly monitoring the update of the regulatory framework, also thanks to the support of sector specialists, and is involved in acting as a hub for the dissemination of information and understanding of the relevance of fiscal matters.
Organisational and contractual management of resources in light of the regulatory changes applied by the Fornero labour reform.	Punctual management of the regulations introduced by the newly enforced regulation, assessing the specific cases of individual resources through weighted and shared decisions, so as to limit the occurrence of possible disputes, and ensuring timely monitoring of the activities and internal operation by protecting the company's human resources and know-how.

Risk associated with brand protection

The value and the prestige of the brands, content, authors and reader communities represent a relevant asset for the Group to develop and grow also in the new business areas of the publishing industry. Consequently, the Group's policies and activities are geared to maintaining and improving the value of such intangible assets.

Main risks	Mitigating actions
The occurrence of events that may damage the Group's image and brands could result in the loss of customers, profits and reputation.	Ongoing monitoring of the possible negative effects resulting from such situations, also through the implementation of preventive initiatives and events. The Group's commitment in relation to social responsibility matters, with particular focus on stakeholders and the social and environmental impact that the Group activities may generate is also worth noting.

Events occurred in the period

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

On 10 January 2012 the transfer to Pozzoni S.p.A. of the residual interest, equal to 20% of Mondadori Printing S.p.A., owned by Arnoldo Mondadori Editore S.p.A., was completed.

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

The call option was exercised at the price of euro 19.2 million, as defined in the 2008 agreement, generating a capital gain of euro 5.7 million.

As a result of the transaction, the Pozzoni group increased its interest in Mondadori Printing S.p.A. to 100% and extended the validity of the eight year printing contract defined between the parties concurrently with the stipulation of the aforementioned agreements in 2008.

Acquisition of 30% of Glaming S.r.l.

On 5 June 2012 Arnoldo Mondadori Editore S.p.A. acquired the entire stake owned in Glaming S.r.l. from Fun Gaming S.r.l.

The transaction, completed against the payment of a price equal to euro 828 thousands, enabled Mondadori to increase its interest in the company from 70% to 100%.

Acquisition of 60% of NaturaBuy S.a.s.

On 3 September 2012 Mondadori France underwrote an agreement for the acquisition of 60% of NaturaBuy S.a.s. for a price of approximately euro 2.8 million; based on the terms of the agreement, Mondadori France will have the possibility of increasing its share up to 100% in the next five years.

The company acquired operates a leading website for classifieds and personals, and online auction sales through which fans of outdoor activities may exchange products regarding hunting, fishing and free time.

As a result of this transaction, Mondadori France increased its leadership in the "Nature" business, completing the offering of the traditional magazines *Le Chasseur Français*, *La Revue Nationale de la Chasse* and *Grand Gibier*, boasting a circulation of over 400,000 copies.

Acquisition of 10% of Edizioni Piemme S.p.A.

On 29 November 2012 the purchase of shares equal to 10% of the share capital of Edizioni Piemme S.p.A. was completed; through the 3-million-worth transaction Arnoldo Mondadori Editore S.p.A. has become the publisher's sole shareholder.

Transfer of 50% of Random House Mondadori to the Bertelsmann group

At the end of November 2012 the transfer transaction to Media Finance Holding (Bertelsmann group) regarding the entire interest held by Mondadori Group in the joint venture Random House Mondadori, operating in the book trade segment in Spain and in the Spanish-speaking countries of Latin America, was completed for a final price of euro 54.5 million. The transaction generated a capital gain equal to euro 1.7 million and had an impact on the income statement, including the result generated by the joint venture in the period, equal to euro 2.8 million.

The agreement enables Mondadori to further focus on investments and resources targeting growth in the book trade and education sectors, also through the development of a model integrating hardcopy and digital product.

Relationship between Parent Company's Shareholders' equity and results and Group consolidated Shareholders' equity and results

The following table shows a comparison between Arnoldo Mondadori Editore S.p.A.'s Shareholders' equity and results in 2012 and the Group's consolidated Shareholders' equity and results.

(Euro/000)	Shareholders' equity	Net result for the period
Balance - Parent Company's financial statements	480,097	(39,575)
Dividends received by the Parent Company from subsidiary and associated companies		(28,282)
Cancellation of intercompany profits	(8,437)	284
Equity and financial contribution from directly associated companies	8,789	2,317
Equity and financial contribution from subsidiary and indirectly associated companies, net of the aforementioned items	(79,950)	(102,021)
Balance - Group's consolidated financial statements	400,499	(167,277)

Foreseeable evolution

The trend in the first months of 2013 continues to be strongly negative, with an impact on markets where the Company operates.
The reduction of operating costs implemented in past years allowed Mondadori to post positive results in 2012, before impairments loss. However, given the difficult scenario in which the Group is currently operating in all sectors of activity, for the purpose of recovering profitability in the medium term, the Group will implement the following measures with even greater emphasis:
- rationalization of the structure and reduction of industrial costs, in order to be more flexible in the changing levels of demand;
- implementation of the actions deemed necessary to improve high value added business lines and to recovery the profitability in the Area of Italian Magazines, with the ultimate aim of further reinforcing the Group's competitive position and making the most of any new opportunities, also in the Digital Area.

The completion of objectives stated above will require massive financial and economic investments; for 2013 a lower operating margin than in 2012 is expected.

Relevant events occurred after closure

Maurizio Costa, CEO and Deputy Chairman of Arnoldo Mondadori Editore S.p.A., communicated to the Board of Directors chaired by Marina Berlusconi on 28 February 2013 his intention to resign as of the date of the approval of the financial statements at 31 December 2012.

The Chairman subsequently informed the Directors that, in the Board meeting scheduled on 20 March 2013, she intends to propose the co-optation by the Board and the appointment to CEO of Ernesto Mauri, General Manager of Arnoldo Mondadori Editore S.p.A. Magazines as well as Chairman and General Manager of Mondadori France, after completion of the formalities by the Remuneration and Appointment Committee.
Arnoldo Mondadori Editore S.p.A.'s Board also co-opted Danilo Pellegrino, General Manager of Fininvest, to replace former director Roberto Briglia, who fulfilled the requirements for executive director in view of the managerial role previously covered within the company and who submitted his resignation with effective date as of the date of today's meeting.
Danilo Pellegrino's CV, which qualifies him as non-executive director in compliance with the provisions set out by the Borsa Italiana S.p.A. Governance Code, is available in the Governance section of the Company's website at www.mondadori.it.

Other information

Arnoldo Mondadori Editore S.p.A. did not engage in any research & development activities. At closure or during the financial year, it did not hold any shares in parent companies, including through trusts or trustees.

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

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

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

The amount comprehensively granted totalled euro 4.1 million.

Transactions with related parties

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

a) no transactions were concluded with related parties defined as relevant according to the Consob Regulation and the Procedures adopted by Arnoldo Mondadori Editore S.p.A. in compliance with art. 4 of the same Regulation;
b) no transactions were concluded with related parties as defined in article 2427, par. 2 of the Italian Civil Code, which had a significant impact on the Company's equity or performance;
c) no changes or developments are reported relativly to transactions with related parties which had a significant impact on the Company's equity or performance in the financial year of reference, as reported in the last Annual Report.

Moreover, also in relation to article 2427 par. 22-*bis* and *ter* of the Italian Civil Code, no atypical or unusual operations are reported outside the Company's standard operating procedures.

Transactions with related parties were regulated under normal market conditions: those concluded with Mondadori Group companies are intercompany current account trade and financial transactions, managed by Arnoldo Mondadori Editore S.p.A., to which the various subsidiaries and associated companies participate based on their relevant debt and credit positions. For further details, reference should be made to the Explanatory Notes to the Financial Statements of Arnoldo Mondadori Editore S.p.A. and to the Group's Consolidated Financial Statements.

Tax consolidation

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

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

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

Any credits or debits resulting from adherence to such tax consolidation agreement are posted as credits or debits to holding companies.

Tax transparency

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

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

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

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

Although Fininvest S.p.A. holds a controlling stake pursuant to art. 2359 of the Italian Civil Code, it does not exert any direction and coordination activity as defined in art. 2497-*bis* and following of the Italian Civil Code on Arnoldo Mondadori Editore S.p.A., managing the stake held in Arnoldo Mondadori Editore S.p.A. merely from a financial standpoint.
In relation to the companies controlled by Arnoldo Mondadori Editore S.p.A., the Board of Directors ascertained – pursuant to law requirements and bearing in mind that the Board of Directors defines the general strategic and organisational orientation for the subsidiaries as well – the exercise of direction and coordination activities pursuant to art. 2497 and following of the Italian Civil Code in relation to the following subsidiaries, pursuant to art. 2359 of the Italian Civil Code:

Cemit Interactive Media S.p.A.
Edizioni Piemme S.p.A.
Electa S.r.l.
Giulio Einaudi editore S.p.A.
Glaming S.r.l.
Mondadori Direct S.p.A.
Mondadori Education S.p.A.
Mondadori Electa S.p.A.
Mondadori International S.p.A.
Mondadori International Business S.r.l.
Mondadori Iniziative Editoriali S.p.A.
Mondadori Pubblicità S.p.A.
Monradio S.r.l.
Press-Di Distribuzione Stampa e Multimedia S.r.l.
Sperling & Kupfer Editori S.p.A.
Sporting Club Verona S.r.l. Società Sportiva Dilettantistica

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

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

It should be noted that, despite the regulatory changes introduced by Italian Legislative Decree no. 5 of 9 February 2012, converted into Italian Law no. 35 of 4 April 2012, which eliminated the obligation regarding the preparation of a Documento Programmatico sulla Sicurezza (Italian Safety and Security Policy) in the matter of treatment of personal data, data owner Arnoldo Mondadori Editore S.p.A. in any case prepares and periodically updates the Documento Programmatico sulla Sicurezza (Italian Safety and Security Policy) provided for in rule no. 19 of the minimum technical safety and security specifications (Annex B to Italian Legislative Decree 196/2003).

Operations relating to Treasury Shares Renewal of the authorisation to purchase and sell treasury shares

Pursuant to article 2357 and following of the Italian Civil Code, the Shareholders' Meeting of 19 April 2012 resolved upon the renewal of the authorisation to purchase and sell treasury shares, following the expiry of the preceding authorisation resolved upon on 21 April 2011, with the aim of retaining the applicability of law provisions in the matter of any additional re-purchase plans and, consequently, of picking up any investment and operational opportunities involving treasury shares.

Here below are the main elements of the re-purchase plan authorised by the Meeting.

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

2. Duration
Until the approval of the 2013 financial statements and in any case for a period not exceeding 18 months from the effective date of the resolution.

3. Maximum number of purchasable treasury shares
A maximum of no. 11,090,625 shares, equal to 4.50% of the current share capital.
Considering the shares already either directly or indirectly owned, the authorisation enables the Company to reach a cap of 10% of the Company's capital.

4. Criteria for purchasing treasury shares and indication of the minimum and maximum purchasing cap
Purchases shall be made on the regulated markets pursuant to article 144-*bis*, paragraph 1, letter B of Consob Regulation no. 11971/99, according to the operating criteria established in the organization and management regulations of the same markets, which do not allow the direct combination of the purchase negotiation proposals with pre-determined sale negotiation proposals.

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

In 2012, in the March-June time span, Arnoldo Mondadori Editore S.p.A. purchased a total of no. 2,630,583 treasury shares in the market according to the criteria defined in the relevant Board resolutions, for a total value of euro 3,039,364.08. The Company did not sell any treasury shares and subsidiary companies neither purchased nor sold treasury shares.

At the date of approval of this report, the Company holds no. 14,953,500 treasury shares in total (6.067% of the Company's share capital), of which no. 10,436,014 are held directly in the portfolio of Arnoldo Mondadori Editore S.p.A. (average unit price of euro 3.70) and no. 4,517,486 are owned by its subsidiary Mondadori International S.p.A. (average unit price euro 7.71).

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

The report on corporate governance and ownership structure containing information on the adoption by Arnoldo Mondadori Editore S.p.A. of the Corporate Governance Code of listed companies established by Borsa Italiana S.p.A., as well as further information pursuant to article 123-*bis* par. 1 and 2 of Italian Legislative Decree no. 58 of 24 February 1998 is available – together with this report on operations – in the Governance section of the Company's website at www.mondadori.it.

Proposals of the Board of Directors

Proposal for resolution

The Financial Statements as at 31 December 2012 show a loss for the financial year of euro 39,574,943.13.

First resolution:

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

resolves

to approve the Board of Directors' Report on Operations and the Financial Statements at 31 December 2012, including all the information and results therein contained.

Second resolution:

The Shareholders' Meeting of Arnoldo Mondadori Editore S.p.A., ordinarily convened, with reference to the loss of euro 39,574,943.13 resulting from the Financial Statements as at 31 December 2012

resolves

to entirely cover the loss for the period, equal to euro 39,574,943.13, using part of the "Share premium reserve".

For the Board of Directors
The Chairman
Marina Berlusconi

Arnoldo Mondadori Editore S.p.A.
Financial Statements
at 31 December 2012

Balance sheet

Assets (Euro)	Note	31/12/2012	31/12/2011
Intangible assets	1	88,554,135	90,638,979
Property investments	2	3,237,618	2,760,831
Land and buildings		7,417,967	7,965,386
Plant and equipment		3,952,450	4,508,202
Other tangible assets		3,523,198	3,963,266
Property, plant and equipment	3	14,893,615	16,436,854
Investments	4	563,746,814	638,857,192
Non-current financial assets	4	50,000,000	50,000,000
Anticipated tax assets	5	19,704,417	19,773,498
Other non-current assets	6	491,698	423,121
Total non-current assets		740,628,297	818,890,475
Tax receivables	7	43,916,152	25,163,635
Other current assets	8	42,588,211	40,486,942
Inventory	9	30,662,369	30,643,209
Trade receivables	10	174,890,995	195,077,560
Other current financial assets	11	108,738,023	100,182,014
Cash and cash equivalents	12	161,519,765	61,987,100
Total current assets		562,315,515	453,540,460
Assets held for sale or transferred		-	-
Total assets		1,302,943,812	1,272,430,935

Liabilities (Euro)	Note	31/12/2012	31/12/2011
Share capital		64,079,168	64,079,168
Share premium reserve		210,199,564	210,199,564
Treasury shares		(38,659,110)	(35,617,923)
Other reserves and results carried forward		284,052,215	230,435,463
Profit (loss) for the period		(39,574,943)	55,342,668
Total Shareholders' equity	13	480,096,894	524,438,940
Provisions	14	39,713,969	29,292,844
Post-employment benefits	15	24,053,494	24,467,870
Non-current financial liabilities	16	225,469,343	253,923,569
Deferred tax liabilities	5	23,175,235	21,185,854
Other non-current liabilities		-	-
Total non-current liabilities		312,412,041	328,870,137
Income tax payables	17	1,159,926	10,101,067
Other current liabilities	18	69,872,112	71,301,253
Trade payables	19	178,052,581	182,250,390
Payables due to banks and other financial liabilities	16	261,350,258	155,469,148
Total current liabilities		510,434,877	419,121,858
Liabilities held for sale or transferred		-	-
Total liabilities		1,302,943,812	1,272,430,935

Income statement

(Euro)	Note	FY 2012	FY 2011
Revenues from sales and services	20	626,221,333	720,912,296
Inventory decrease (increase)	9	(19,160)	1,296,358
Costs of raw, ancillary, consumption materials and goods	21	141,923,677	161,201,683
Cost of services	22	357,340,990	392,225,724
Cost of personnel	23	122,768,637	113,510,583
Other (income) cost	24	261,898	4,149,453
EBITDA		3,945,291	48,528,495
Depreciation of properties, plants and machinery	2-3	3,506,784	3,509,283
Amortisation and impairment loss of intangible assets	1	2,049,512	1,237,240
EBIT		(1,611,005)	43,781,972
Financial revenues (costs)	25	(11,643,453)	(7,473,361)
Revenues (costs) from investments	26	(30,752,231)	35,446,973
Pre-tax result		(44,006,689)	71,755,584
Income tax	27	(4,431,746)	16,412,916
Net result		(39,574,943)	55,342,668

Comprehensive income statement

(Euro)	Note	FY 2012	FY 2011
Net result		(39,574,943)	55,342,668
Effective portion of income (loss) on cash flow hedge instruments		(2,545,773)	(4,058,835)
Tax impact on differences		700,088	941,482
Comprehensive net result		(41,420,628)	52,225,315

For the Board of Directors
The Chairman
Marina Berlusconi

Table of changes in Shareholders' equity at 31 December 2012

(Euro/000)	Note	Share capital	Share premium reserve	Treasury shares	Stock option reserve	Other reserves	Income (loss) for the period	Total net equity
Balance at 01/01/2011		67,452	286,857	(110,130)	7,125	215,067	51,733	518,104
Changes in:								
- Profit allocation						10,664	(10,664)	
- Dividend payout							(41,069)	(41,069)
- (Purchase) of treasury shares				(5,518)				(5,518)
- Sale/cancellation of treasury shares		(3,373)	(76,657)	80,030				
- Stock options	23				(1,176)	1,872		696
- Other reserves								
- Comprehensive income for the period						((3,1179	55,343	52,226
Balance at 31/12/2011		64,079	210,200	(35,618)	5,949	224,486	55,343	524,439

(Euro/000)	Note	Share capital	Share premium reserve	Treasury shares	Stock option reserve	Other reserves	Income (loss) for the period	Total net equity
Balance at 01/01/2012		64,079	210,200	(35,618)	5,949	224,486	55,343	524,439
Changes in:								
- Profit allocation						55,343	(55,343)	
- Dividend payout								
- (Purchase) of treasury shares				(3,041)				(3,041)
- Sale/cancellation of treasury shares								
- Stock options	23				(2,193)	2,313		120
- Other reserves								
- Comprehensive income for the period						(1,846)	(39,575)	(41,421)
Balance at 31/12/2012		64,079	210,200	(38,659)	3,756	280,296	(39,575)	480,097

For the Board of Directors
The Chairman
Marina Berlusconi

Cash flow statement

(Euro/000)	Note	31/12/2012	31/12/2011
Net result for the period		(39,575)	55,343
Adjustments			
Amortisation, depreciation and impairment loss		63,666	17,280
Income tax	27	(4,432)	16,413
Stock options	23	96	648
Provision for post-employment benefits		6,543	3,680
Capital loss (gain) from the sale of intangible assets, properties, plants and machinery		909	(10,072)
Revenues from investments - dividends	26	(28,282)	(37,948)
Net financial costs (revenues) on loans and transactions with derivatives		7,475	9,633
Cash flow generated from operations		6,400	54,977
Trade receivables (increase) decrease		17,677	30,724
Inventory (increase) decrease		3,194	1,066
Trade payables increase (decrease)		(3,229)	8,703
Income tax payables		(14,014)	(17,733)
Increase (decrease) in the provisions for post-employment benefits		(5,947)	(5,847)
Net difference for other assets/liabilities		(4,898)	(8,866)
Cash flow generated from (absorbed by) operations		(817)	63,024
(Purchase) disposal of intangible assets		(861)	(1,027)
(Purchase) disposal of properties, plants and machinery		(1,499)	(4,217)
(Purchase) disposal of investments		18,901	922
Revenues from investments - dividends	26	28,282	37,948
(Purchase) disposal of securities and other financial assets	11	(9,538)	(6,523)
Cash flow generated from (absorbed by) investment activities		35,285	27,103
Increase (decrease) of payables due to banks		(74,464)	(31,912)
(Purchase) sale of Treasury shares	13	(3,041)	(5,518)
Net difference of other financial assets/liabilities	16	150,250	(15,879)
Collection of net financial revenues (payment of costs) on loans and transactions with derivatives		(6,912)	(7,988)
Dividend payout	13	(768)	(40,283)
Cash flow generated from (absorbed by) financing activities		65,065	(101,580)
Increase (decrease) in cash and cash equivalents		99,533	(11,453)
Cash and cash equivalent at the beginning of period	12	61,987	73,440
Cash and cash equivalent at the end of period	12	161,520	61,987
Cash and cash equivalent composition			
Cash, cheques and securities		3	4
Bank and postal deposits		161,517	61,983
		161,520	61,987

For the Board of Directors
The Chairman
Marina Berlusconi

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

Assets					
(Euro/000)	Note	31/12/2012	of which related parties (note 30)	31/12/2011	of which related parties (note 30)
Intangible assets	1	88,554		90,639	
Property investments	2	3,238		2,761	
Land and buildings		7,418		7,965	
Plants and machinery		3,952		4,508	
Other tangible assets		3,523		3,963	
Properties, plants and machinery	3	14,893		16.436	
Investments	4	563,747		638,857	
Non-current financial assets	4	50,000	50,000	50,000	50,000
Anticipated tax assets	5	19,704		19,774	
Other non-current assets	6	492		423	
Total non-current assets		740,628	50,000	818,890	50,000
Tax receivables	7	43,916	10,649	25,164	
Other current assets	8	42,588		40,487	
Inventory	9	30,662		30,643	
Trade receivables	10	174,891	108,957	195,078	125,399
Other current financial assets	11	108,738	94,576	100,182	96,685
Cash and cash equivalents	12	161,520		61,987	
Total current assets		562,315	214,182	453,541	222,084
Assets held for sale or transferred		-		-	
Total assets		1,302,943	264,182	1,272,431	272,084

Liabilities					
(Euro/000)	Note	31/12/2012	of which related parties (note 30)	31/12/2011	of which related parties (note 30)
Share capital		64,079		64,079	
Share premium reserve		210,200		210,200	
Treasury shares		(38,659)		(35,618)	
Other reserves and results carried forward		284,052		230,435	
Income (loss) for the period		(39,575)		55,343	
Total Shareholders' equity	13	480,097		524,439	
Provisions	14	39,714		29,293	
Post-employment benefits	15	24,053		24,468	
Non-current financial liabilities	16	225,469	70,250	253,924	65,000
Deferred tax liabilities	5	23,175		21,186	
Other non-current liabilities		-		-	
Total non-current liabilities		312,411	70,250	328,871	65,000
Income tax payables	17	1,160	1,160	10,101	10,101
Other current liabilities	18	69,872		71,301	
Trade payables	19	178,053	47,164	182,250	102,109
Payables due to banks and other financial liabilities	16	261,350	184,278	155,469	128,355
Total current liabilities		510,435	232,602	419,121	240,565
Liabilities held for sale or transferred		-		-	
Total liabilities		1,302,943	302,852	1,272,431	305,565

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

(Euro/000)	Note	FY 2012	of which related parties (note 30)	of which non-recurring costs (revenues) (note 29)	FY 2011	of which related parties (note 30)	of which non-recurring costs (revenues) (note 29)
Revenues from sales and services	20	626,221	437,024	-	720,912	529,120	-
Inventory decrease (increase)	9	(19)		-	1,296		-
Cost of raw, ancillary, consumption materials and goods	21	141,924	117,695	-	161,202	132,307	-
Costs for services	22	357,341	44,515	-	392,226	188,663	-
Personnel	23	122,769		1,435	113,511		-
Other costs (revenues)	24	262	(10,266)	(2,870)	4,149	(11,217)	-
EBITDA		3,944	285,080	1,435	48,528	219,367	0
Depreciation of properties, plants and machinery	2-3	3,507	-	-	3,509	-	-
Amortisation and impairment loss of intangible assets	1	2,049	-	-	1,237	-	-
EBIT		(1,612)	285,080)	1,435	43,782	219,367	0
Financial revenues (costs)	25	(11,643)	545	-	(7,473)	2,008	-
Revenues (costs) from investments	26	(30,752)	(30,752)	-	35,447	37,948	-
Pre-tax result		(44,007)	254,873	1,435	71,756	259,323	0
Income tax	27	(4,432)	-	(6,579)	16,413	-	-
Net result		(39,575)	254,873	8,014	55,343	259,323	0

Directors' Report on Operations

In relation to Arnoldo Mondadori Editore S.p.A. activities and results, number of employees, economic outlook and significant events occurred after closure, reference should be made to the "Directors' Report on Operations for the financial year 2012".

Accounting principles and explanatory notes to the financial statements

1. General information

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

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

Amounts shown in the tables and in these notes are expressed in euro thousands unless otherwise specified.

The Arnoldo Mondadori Editore S.p.A. financial statements for the year closed at 31 December 2012 were approved by the Board of Directors on 20 March 2013 and published together with any additional documents making up the Company's Annual Report pursuant to art. 154-*ter* of the Italian Finance Consolidation Act and the Statutory Auditors' Report as well as the Report of the Independent Auditing Firm in compliance with the terms envisaged by law, at Borsa Italiana S.p.A. and on the Company's website. The financial statements will be published by means of filing with the Registrar of Companies within 30 days after the Shareholders' Meeting of 23 April 2013, called for the approval of the 2012 financial statements.

2. Contents

The financial statements at 31 December 2012 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).

This financial statement was drafted based on the historical cost, adjusted as requested to evaluate a few financial instruments, and also on the assumption of business continuity. The Company has decided that, despite the difficult economic and financial context, there is no significant uncertainty (as defined by IAS 1.25) surrounding its ability to continue operating in the future, partly as a result of the actions already undertaken to adjust to the changing levels in demand and to the industrial and financial flexibility of the Company.

The Mondadori Group adopted the body of the principles applied as of 1 January 2005, following the adoption of European Regulation no. 1606 of 19 July 2002.

It should be noted that the disclosures pursuant to IFRS 1, relative to the impact of the first adoption of the International Accounting Principles, are contained in a separate attachment "Transition to the IAS/IFRS accounting principles" to the 2005 Half-Year Interim Report and the Company's Financial Statements closed as at 31 December 2005, to which reference should be made.

The financial statements at 31 December 2012 were prepared in accordance with the accounting standards used for the preparation of IAS/IFRS financial statements as at 31 December 2011, taking into consideration any new amendments and standards with effect from 1 January 2011, which are referred to in note 3.25.

The financial statements were prepared in the following way:

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

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

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

3. Accounting principles and valuation criteria

The following is an explanation of the principles adopted by the Company in preparing the IAS/IFRS financial statements at 31 December 2012.

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 valued at cost, net of accumulated amortisation and any accumulated impairment losses.

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

Intangible assets with a finite useful life

The cost of intangible assets with a finite useful life is systematically amortized over the useful life of the asset from the moment that the asset is available for use.The amortisation criteria depend on how the relative future economic benefits contribute to the Company's result.

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

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

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

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

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

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

Intangible assets with indefinite useful life
Magazines
Brands
Goodwill

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

In cases where goodwill is 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.

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

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

Costs 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 amortized over the useful life of the asset. Depreciation criteria depend on how the relative future economic benefits accrue to the entity.

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

Property investments	Depreciation rate
Non-instrumental buildings	3%

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

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

Property investments are reclassified when there is a change in use following to specific events.

3.3 Property, plant and equipment
Any costs attributable to the purchase of property, plant and equipment are recognised as assets, on condition that the relevant costs can be reliably calculated and any relative future economic benefits accrued to the entity.

Assets booked to property, plant and equipment are valued at cost, including any accessory charges, and are stated net of 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 can improve the asset's yield.

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

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

The depreciation rates that generally reflect the useful lives attributed to Company property, plant and equipment are shown in the table below:

Property, plants and machinery	Depreciation rate
Instrumental buildings	3%
Plants	10% - 25%
Plants in external offices	based on lease contract duration
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 depreciation criteria applied are reviewed on an annual basis and adjusted, if necessary, at year end.

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

3.4 Finance lease assets

Assets acquired under finance leases, which transfer all the relevant risks and benefits to the Company, are recognised at current value or, if lower, at the value of the minimum lease payments, including the amount to be paid for exercising an eventual purchase option.

Liabilities arising from leasing contracts are recognised under financial liabilities.

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

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

3.5 Borrowings

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

3.6 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 will be a loss in value.

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 minus the sales cost and the value in use of the asset.

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

Discounting rates reflect 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 asset use.

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

If during subsequent financial years, when the impairment test is repeated, the reasons for the impairment no longer exist, the value of the asset, excluding goodwill, is reinstated to take into account the new recoverable value, which should never exceed the value that would have been stated had no loss in value been recognised.

3.7 Investments in subsidiaries, joint ventures and associated companies

Subsidiaries are companies in which the Company has the power to determine, both directly and indirectly, administrative and managerial decisions and obtain the resulting benefits. Generally, control is assumed when the Company owns, directly or indirectly, more than half of the voting rights in the ordinary Shareholders' Meeting, including any potential rights to vote resulting from convertible securities.

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

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

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

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

3.8 Inventory

Inventory is valued at the lower between the cost and the net realizable value. Inventory cost includes purchase costs, processing costs and other costs involved in bringing an item to its current location and condition, without taking financial charges into consideration.

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

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

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

3.9 Financial assets

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

Financial assets at fair value with adjustments recognised under income statement
This category includes financial assets held for trading, acquired for the purpose of sale in the short term.

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

Investments held to maturity
Assets that envisage fixed or determinable payments with a fixed maturity date, that the Company intends to hold in its portfolio, are classified as financial assets held to maturity.

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 fall into this category.

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

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

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

After being initially measured at cost, available-for-sale financial assets are measured at fair value. Income and loss from valuations are recognised in a separate item under

shareholders' equity for as long as the assets are held in the portfolio and for as long as no impairment loss is identified.

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

For investments where an active market does not exist, fair value is determined by valuations based on recent trading prices between independent parties, or on the basis of the current market value of a substantially similar financial instrument or on the analysis of discounted cash flows or option pricing models.
Available-for-sale financial assets also include investments in other companies.

3.10 Trade receivables and other receivables

Trade receivables and other receivables are initially recognised at cost, i.e. at the fair value of the price collected upon completion of the relevant transaction. Receivables are recognised at current values when the relevant financial impact linked to the expected collection time span is significant and the collection date can be reliably estimated.
Receivables are recognised in the financial statements at their estimated realizable value.

3.11 Treasury shares

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

3.12 Cash and cash equivalents

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

3.13 Financial liabilities

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

3.14 Derecognition of financial assets and liabilities

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

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

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

3.15 Impairment of financial assets

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

Financial assets valued at amortized cost

If there is objective evidence of a reduction in the value of loans and receivables, the loss amount is recognised under income statement and is calculated as the difference between the asset's book value and the current value of the estimated cash flows discounted based on the interest rate used initially for the asset.

If, 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 held for sale

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

Financial assets valued at cost

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

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 for hedge accounting purposes and its objectives for risk and strategy management purposes. The documentation includes the identification of the hedging instrument, the object or transaction subject to hedge, the nature of the risk and the criteria adopted by the Company to valuate hedging effectiveness in compensating exposure to fair value fluctuations of the object hedged or cash flows correlated to the risk hedged.

It is assumed that such hedges are sufficiently effective to compensate for the exposure of the object hedged against fair value fluctuations or cash flows correlated to the risk hedged. The valuation of the effectiveness of such hedges is carried out on an ongoing basis over the years of application.

Transactions that satisfy hedge accounting criteria are accounted for as follows:

Fair value hedge

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

Cash flow hedge

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

Income and loss associated with the ineffective part of a hedge are recognised under income statement. When a hedging instrument is terminated, but the transaction subject to hedge has not yet been carried out, the accumulated income and loss are kept in the reserve under shareholders' equity and will be reclassified under income statement upon completion of the transaction. Should the transaction subject to hedge be considered as no longer probable, any unrealized income and loss posted under the relevant shareholders' equity reserve are recognised under income statement.

When hedge accounting is not applicable, income and loss deriving from the fair value valuation of the derivative financial instrument are recognised under income statement.

3.17 Provisions

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

Provisions are valued at fair value based on each individual liability item.When the financial impact associated with the assumed time span for the outlay is relevant and the payment dates can be reliably foreseen, provisions include said financial component, which is recognised in financial income (expense) in the income statement.

3.18 Post-employment benefits

Benefits due to employees upon termination of the relevant labour contract are detailed as follows:

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

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

Post-employment benefits are calculated by applying actuarial criteria to the severance indemnity fund accrued until 31 December 2006, taking into account both demographic assumptions, including mortality rates and employee turnover, and financial assumptions, relating to discounts reflecting the time value of money and the inflation rate.

The amount recognised as a liability for defined benefit plans is represented by the current liability value at closing, net of the current value of plan assets, if any. This liability item is listed in the income statement and includes the following components:

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

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

The amounts accrued in favour of employees during the year and any applicable actuarial gains or losses are recognised under "Cost of personnel", while the relevant financial component, which represents the cost the Company would have to incur if it were to seek a loan on the market for the same amount, is recognised under "Financial income (expense)".

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

3.19 Stock options plans

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

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

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

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

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

3.20 Recognition of revenues and costs

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

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

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

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

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

3.21 Current, pre-paid and deferred taxes

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

Deferred tax assets and liabilities are calculated on all the temporary differences between the tax base of assets and liabilities and the relevant book values in the financial 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;
- in subsidiary, associated and jointly-controlled companies when:
  - the Company is in a position to control the timing for the reversal of temporary taxable differences and it is probable that such differences shall not reverse in the foreseeable future;
  - it is not probable that deductible temporary differences will reverse in the foreseeable future and that taxable income is available to cover such temporary differences.

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

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

3.22 Transactions denominated in foreign currencies

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

3.23 Grants and contributions

Grants and contributions are recognised if there is a reasonable certainty that they will be received and if all the conditions referring to them are satisfied. When grants refer to cost items, they are recognised as revenues and systematically distributed over the years so as to reflect the cost proportion they are intended to offset. When grants refer to assets, the relevant fair value is deferred in long-term liabilities and is recognised in equal amounts under income statement over the useful life of the asset.

3.24 Dividends

Dividends are recognised when shareholders acquire the relevant right. This normally corresponds to the date of the Shareholders' Meeting resolving upon dividend payout.

3.25 Assets and liabilities held for sale and discontinued operations

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

3.26 Accounting standards, amendments and IFRS interpretations with effect from 1 January 2012 and applicable to Arnoldo Mondadori Editore S.p.A.

The following accounting standards, amendments and interpretations were applied for the first time by the Company with effect from 1 January 2012.

On 7 October 2010 IASB published some amendments to *IFRS 7 - Financial instruments: Disclosures*. The amendments were issued with a view to improving disclosure information about derecognition of financial assets. In particular, the amendments require disclosure of information on risk exposure in the case of transfers of financial instruments where the transferring entity maintains some sort of continuing involvement in such assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period. The adoption of the amendment did not have any impact on these financial statements.

On 20 December 2010 IASB issued a minor amendment to *IAS 12 - Income tax* introducing the assumption that deferred taxes relative to property investments valued at fair value must be calculated based on the manner in which the book value of such assets is expected to be recovered (through their continuous use or sale). Specifically, the amendment is based on the assumption that the book value of a property investment valued at fair value pursuant to IAS 40 be fully recognized upon its sale and that the determination of deferred taxes, in the jurisdictions in which tax rates are different, reflects the tax rate corresponding to the disposal. The adoption of the amendment did not have any impact on these financial statements as at 31 December 2012.

3.27 Accounting standards, amendments and IFRS interpretations adopted by the European Union but not yet applicable and applied beforehand by the Company

On 12 May 2011 IASB issued *IFRS 12 - Disclosure of interests in other entities*, a new and exhaustive principle regarding disclosures to be made in the consolidated financial statements for any type of interest held, including those in subsidiaries, joint arrangements, associated companies and special purpose entities and other non-consolidated special purpose vehicles. The principle is effective retroactively as of 1 January 2014.

On 12 May 2011 IASB issued *IFRS 13 - Fair value measurement,* clarifying how to measure fair value for accounting purposes. It applies to all IFRS principles that require or permit the calculation of fair value or the presentation of information based on fair value, with a few limited exclusions. In addition, this principle requires more extensive disclosure of information regarding fair value determination (fair value hierarchy) than what is currently requested by IFRS 7. The principle is effective retroactively as of of 1 January 2013.

On 16 December 2011 IASB issued a few amendments to *IAS 32 - Financial Instruments*: *financial reporting*, clarifying its requirements for offsetting financial assets and financial liabilities as envisaged in IAS 32, making it more difficult. The amendments are applicable retroactively for the financial years beginning on or after 1 January 2014.

On 16 December 2011 IASB issued a few amendments to *IFRS 7 - Financial Instruments: additional disclosures*. The amendment requires information on the effects or potential effects of offsetting financial assets and financial liabilities on the balance sheet of an entity. The amendments are applicable for the financial years beginning on or after 1 January 2013. Disclosures must be provided retroactively.

On 16 June 2011 IASB issued an amendment to *IAS 1 - Presentation of financial statements* requiring entities to group all components under "Other comprehensive income" based on whether or not they can be reclassified at a later date under income statement. The amendment is effective starting from the financial years beginning on or after 1 July 2012.

On 16 June 2011 IASB issued an amendment to *IAS 19 - Employee benefits*, eliminating the option to enter actuarial gains and losses with the so-called "corridor approach" and requiring that all actuarial gains and losses be immediately recognized in "Other comprehensive income" so that the entire net amount of the provisions for defined benefits (net of plan-targeted assets) is recognized in the consolidated balance sheet. The amendments also require that differences, between one financial year and the next, in the provisions for defined benefits and plan-based assets be divided into three parts: the cost items associated with the working performance in the financial year must be recognised under income statement as "Service costs"; net financial expenses calculated by applying the appropriate discount rate to the net balance of the defined benefit provision net of assets resulting from the initial balance of the period must be recognized under income statement as such and actuarial gains and losses deriving from the new calculation of assets and liabilities must be recognised in "Other comprehensive income". In addition, the performance of assets included under net financial expenses as above indicated must be calculated based on the discount rate of liabilities and no longer on the expected performance of the assets. This amendment also requires disclosures of new information in the explanatory notes to the financial statements. The amendment is effective retroactively starting from the financial years beginning on or after 1 January 2013.

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

As at the date of these Financial Statements the competent bodies of the European Union had not yet completed the validation process necessary for the adoption of the amendments and principles detailed here below.

On 12 November 2009 IASB issued *IFRS 9 - Financial Instruments*: the same standard was later subject to amendment on 28 October 2010. The standard, in effect from 1 January 2015 retroactively, represents the first part of a process divided into phases aiming at entirely replacing IAS 39 and introduces new criteria for the classification and measurement of financial assets and liabilities. In particular, as to financial assets, the new standard applies a single approach based on the management criteria of financial instruments and the contractual cash flow characteristics of financial assets in order to determine a measurement standard that replaces the different rules envisaged by IAS 39. As to financial liabilities, the main change applied refers to the accounting of the fair value differences of a financial liability recognised as a financial liability valued at fair value through income statement in the case in which these differences are due to a variation in the credit risk of the same liability. According to the new principle such variations are recognised under "Other comprehensive income/(loss)" and no longer in the income statement.

Phase two and three of the project regarding financial instruments relative to impairment of financial assets and hedge accounting, respectively, are still underway. IASB is also evaluating some improvements to IFRS 9 in relation to the classification and measurement of financial assets.

On 17 May 2012 IASB issued the *Annual Improvements to IFRSs: 2009-2011 Cycle*, adopting the amendments to the standards in the context of the annual process for their improvement, concentrating on amendments deemed necessary but not urgent. Below is a description of the amended standards that are expected to imply changes in the presentation, recognition and measurement of items, neglecting those which will only imply changes in the terminology or editorial changes with minor effects in accounting, or those with an impact on standards or interpretations not applicable to the Company:

- *IAS 1 - Presentation of financial statements - Comparative information*, clarifying that comparitive information supplemented must be presented in compliance with IAS/IFRS standards. In addition, it is clarified that in case of modification of an accounting principle by an entity or a retroactive adjustment/reclassification, the same entity must present a balance sheet also at the beginning of the comparative period ("third balance sheet" in the tables), while in the notes to the financial statements comparative disclosures are not required also for such "third balance sheet", except for the items involved.
- *IAS 16 - Property, plant and equipment* - Classification of servicing equipment. A clarification is provided relating to servicing equipment which will be classified under item "Properties, plant and equipment" if used for over one year or otherwise under inventory.
- *IAS 32 - Financial instruments - Recognition* - Direct taxes on the payout to owners of financial instruments and on the costs regarding transactions with financial instruments: it is clarified that direct taxes relative to the afore described follow the rules set out in IAS 12.
- *IAS 34 - Interim financial reporting* - Total assets for a reportable segment: it is clarified that total assets must be reported only if information is provided by the chief operating decision maker of the entity and a substantial change has occurred in the relevant amount against the value reported in the latest annual report.

The effective date for the changes proposed is expected for the financial years starting from or after 1 January 2013 with possibility to apply them also beforehand.

On 28 June 2012 IASB issued the *Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12)*. In the first place the document clarifies the Board's intentions with reference to the transition rules of *IFRS 10 - Consolidated Financial Statements*. The document clarifies that, for an entity operating with a financial year coinciding with the calender year and the first application of IFRS 10 to the financial statements ended as at December 31, 2013, the initial effective date will be 1 January 2013.
In the case in which the conclusions on the consolidation area were the same according to IAS 27 and SIC 12 and according to IFRS 10 as at the date of initial reporting, the entity shall not be subject to any obligation. Similarly, no obligation applies in the case in which the interest held is transferred during the comparative period (and as such no longer present at the initial application date).

The purpose of the document is to clarify how an investor must retroactively adjust the comparative period/periods if the conclusions on the consolidation area are not the same according to IAS 27 / SIC 12 and IFRS 10 at the initial reporting date. In particular, when a retroactive adjustment is not possible as above described, any acquisition/transfer will be accounted for at the beginning of the presented comparative period with a subsequent adjustment recognised under profits carried forward.
Moreover, the Board issued an amendment to *IFRS 11 - Joint Arrangements* and *IFRS 12 - Disclosure of Interests in Other Entities* to also simplify the presentation of or changes in comparative information relative to periods prior to the one defined "*the immediately preceding period*" (i.e. the comparative period presented in the tables of the financial statements). IFRS 12 was further amended to limit the requirements for comparative information for disclosures relative to "structured entities" not consolidated in periods prior to the application of IFRS 12.
These amendments are applicable, together with the standards of reference, to the financial years starting from 1 January, 2014, unless applied previously.

On 31 October, 2012 amendments were issued to *IFRS 10, IFRS 12 and IAS 27 "Investment Entities"*, introducing an exception to the consolidation of subsidiaries for an investment entity, except in the cases in which the subsidiaries provide services that refer to the investment activities of such companies. In applying such amendments, an investment entity must evaluate its investments in subsidiary companies at fair value through income statement. In order to qualify as an investment entity, an entity must:

- obtain funds from one or more investors with a view to providing them with professional investment management services;
- commit towards investors that its core business is investing funds solely and exclusively to obtain returns from capital gains, receivables from investments or both;
- measure and evaluate the performance of all of its investments based on fair value.

These amendments are applicable to financial statements beginning on 1 January 2014 with possibility to apply them also beforehand.

On 19 March, 2011 IASB issued an amendment to *IFRS 1 - First adoption of International Financial Reporting Standards - Government Loans*, modifying the reference to the accounting of government loans in the transition phase to IFRS.

4. Use of estimates

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

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

Estimates are based on the current status of information available, are examined periodically and effects are reflected in income statement.

It should be noted that in the current macroeconomic context and in the specific scenario of the publishing industry, characterised by the ongoing financial and economic crisis, it was deemed necessary to make assumptions regarding the future trend showing substantial uncertainties. Consequently, it is not possible to exclude that in the upcoming years results might differ from estimates and that adjustments to the accounting value of items may prove necessary that cannot be either foreseen or quantified today, but which may nevertheless be significant.

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 discounted cash flow, with the relevant assumptions.

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

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

Returns to be received
In the publishing sector it is accepted practice that unsold books and magazines are returned to the publisher under pre-established conditions.

Therefore, at the end of each financial year the Company measures the quantities that are expected to be returned in the following year: this estimate is based on historical statistics and takes into account also the level of circulation.

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

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

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

Income tax
Income tax (both current and deferred) is calculated based on the applicable rates in Italy according to a prudent interpretation of currently applicable tax laws.

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

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

Details regarding the items of the financial statements
We noted that the amounts reported in the following notes are expressed in euro thousands with the exception of some ancillary data, which is expressed in euro millions. Amounts in brackets refer to 2011 figures.

Balance sheet

Assets

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

Intangible assets (Euro/000)	31/12/2012	31/12/2011
Intangible assets with finite useful life	1,017	1,276
Intangible assets with indefinite useful life	87,537	89,363
Total intangible assets	**88,554**	**90,639**

The following two tables show the changes in intangible assets with a finite useful life in 2011 and 2012.

The availability and use of intangible assets recognised in these financial statements are not subject to any lien or restriction.

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

Intangible assets with finite useful life (Euro/000)	Software	Marketing rights	Total
Cost at 01/01/2012	8,511	650	9,161
Investments	370	-	370
Disposals	-	-	0
Other changes	-	-	0
Cost at 31/12/2012	8,881	650	9,531
Depreciation and impairment loss at 01/01/2012	7,235	650	7,885
Depreciation	629	-	629
Impairment loss/reinstatement of value	-	-	0
Disposals	-	-	0
Other changes	-	-	0
Depreciation and impairment loss at 31/12/2012	7,864	650	8,514
Net value at 01/01/2012	1,276	-	1,276
Net book value at 31/12/2012	**1,017**	**0**	**1,017**

2012 investments, equal to euro 370 thousands, of which euro 8 thousands relative to intangible assets not yet used as of 31 December 2012, refer to the purchase of software.

The following two tables show the changes in intangible assets with an indefinite useful life in 2011 and 2012.

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

Intangible assets with indefinite useful life (Euro/000)	Magazines	Brands	Goodwill	Total
Cost at 01/01/2012	83,577	7,566	732	91,875
Investments	-	115	-	115
Disposals	-	-	-	0
Other changes	-	(521)	-	(521)
Cost at 31/12/2012	83,577	7,160	732	91,469
Impairment loss at 01/01/2011	-	(2,512)	-	(2,512)
Impairment loss/reinstatement of value	-	(1,420)	-	(1,420)
Impairment loss 31/12/2012	0	(3,932)	0	(3,932)
Net value at 01/01/2012	83,577	5,054	732	89,363
Net book value at 31/12/2012	**83,577**	**3,228**	**732**	**87,537**

Intangible assets with an indefinite useful life mainly refer to magazines (including, specifically, *TV Sorrisi e Canzoni* and *Chi*, each of which represents a different Cash Generating Unit) included in the acquisition of the business unit, former SBE, completed in 1994.
Other changes equal to euro 521 thousands refer to the contribution of the business unit to Mondadori International Business S.r.l. completed in October 2012.
Investments in the period corresponding to euro 115 thousands refer to the purchase of the Random House Mondadori and Cook and Book trademarks.

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

Amortisation and impairment loss of intangible assets (Euro/000)	FY 2012	FY 2011
Software	629	437
Marketing rights	-	-
Total amortisation of intangible assets	**629**	**437**
Impairment loss of intangible assets	1,420	800
Reinstatement of value of intangible assets		
Total impairment loss (reversal of impairment loss) of intangible assets	**1,420**	**800**
Total amortisation of intangible assets	**2,049**	**1,237**

Based on 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 or every time there is an indication of loss. In such context, it is worth noting that the list price reflects a capitalization lower than the Parent Company's net equity, it was deemed not necessary, based on the audits carried out, to account for impairment losses in excess of those already made, also based on the current volatility of the financial markets.
For the impairment tests carried out on magazines, brands and goodwill we will proceed to calculate the value in use.

The value of magazines with an indefinite useful life, each of which represents a Cash Generating Unit, refers to the acquisition of the company Silvio Berlusconi Editore, completed in 1994. The main magazines acquired were *Tv Sorrisi e Canzoni, Chi* and *Telepiù*.

The recoverable value of the Cash Generating Unit was determined based on the calculation of the value in use which is in turn based on the projections of the cash flows deriving from the relevant budgets prepared for the 2013-2015 three-year period and subsequently approved by the Board of Directors. The aforementioned cash flows were measured based on the current market scenario, considering also the uncertainties relatived to the expectations for growth in the sector in which the Company operates.

Data is derived from the income statements of the individual magazines, considered representative of the relevant cash flows, taking into account the immediate collection of revenues characterising magazines.
The economic results used for the projections include taxes; the discount rate before taxes, applied to cash flow projections, is equal to 7.53% (7.1% in 2011) and cash flows beyond the period of analytical projection deriving from medium-term plans, are assumed as constant (g=0).
The discount rate was defined in terms of Weighted Average Cost of Capital (WACC) for the individual Cash Generating Unit taken into account and includes taxes and inflation

consistently with the flows used, as requested by IAS 36.55.
WACC is an adjusted risk rate, measured directly based on the cost that the company must bear to collect resources from lending entities, internal and external, to finance any specific investment. WACC expresses an opportunity cost of capital and is calculated as the weighted average of the cost of the risk capital and the cost of the debt capital.

Based on the afore described parameters it was possible to determine the WACC by individual Cash Generating Unit.

According to the results of the impairment test, a euro 1,420 thousands impairment loss was made for the "PC Professionale" brand in order to adjust the relevant book value to the market value. The latter was calculated by making reference to the comparable royalty rates. Value related to other brands in use exceeds the relevant book value.

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 as stated above, this calculation confirmed the previous results as detailed above.

2. Property investments

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

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

Property investments (Euro/000)	Land	Non-instrumental buildings	Total
Cost at 01/01/2012	458	3,833	4,291
Investments	518	62	580
Disposals	-	-	0
Other changes	-	-	0
Cost at 31/12/2012	976	3,895	4,871
Depreciation and impairment loss at 01/01/2012	-	1,530	1,530
Depreciation	-	103	103
Impairment loss /reinstatement of value	-	-	0
Disposals	-	-	0
Other changes	-	-	0
Depreciation and impairment losses at 31/12/2012		1,633	1,633
Net value at 01/01/2012	458	2,303	2,761
Net book value at 31/12/2012	**976**	**2,262**	**3,238**

Directors estimate that the fair value of property investments at 31 December 2012 is not lower than the relevant book value.

Increases in the "Property investments" item in 2012 equal to euro 580 thousands mainly refer to the work performed at the Verona Sporting Club and the purchase of a parcel of land close to the Sporting Club with a "green area and public facilities for public use under agreement - public parks" destination of use, identified in the Land Register of the municipality of Verona as follows: sheet 224 - map 378 - HA 0.20.85 - urban body.

Depreciation of investment property
Depreciation for the year under item "Depreciation of property, plant and equipment", amounts to euro 103 thousands, up from euro 95 thousands registered in 2011.

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

Land is not subject to depreciation.

3. Property, plant and equipment

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

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

Property, plant and equipment (Euro/000)	Land	Instrumental buildings	Plant and equipment	Other assets	Total
Cost at 01/01/2012	1,114	16,876	23,710	45,800	87,500
Investments	-	35	628	1,258	1,921
Disposals	-	-	-	(304)	(304)
Other changes	-	-	-	(46)	(46)
Cost at 31/12/2012	1,114	16,911	24,338	46,708	89,071
Depreciation and impairment loss at 01/01/2012	-	10,024	19,202	41,837	71,063
Depreciation	-	583	1,184	1,637	3,404
Impairment loss/reinstatement of value	-	-	-	-	0
Disposals	-	-	-	(250)	(250)
Other changes	-	-	-	(39)	(39)
Depreciation and impairment loss at 31/12/2012	0	10,607	20,386	43,185	74,178
Net value at 01/01/2012	1,114	6,852	4,508	3,963	16,437
Net book value at 31/12/2012	**1,114**	**6,304**	**3,952**	**3,523**	**14,893**

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

Other tangible assets (Euro/000)	31/12/2012	31/12/2011
Industrial and commercial equipment	298	305
Electronic office machines	1,743	2,266
Office furniture, and machines	911	913
Motor vehicles and transport vehicles	9	56
Leasehold improvements	518	55
Assets under construction and advances	44	368
Total other tangible assets	3,523	3,963

Following the contribution on 29 October 2012 of the business unit to company Mondadori International Business S.r.l., the cost and the depreciation of other tangible assets decreased by euro 46 thousands and euro 39 thousands, respectively.

Investments in the period include:
- technology upgrades in the book and magazine editing offices;
- upgrade of data processing tools (personal computers and local networks) and the purchase of machinery and equipment.
- leasehold improvements, mainly relative to the property of corso Como, Milan.

Investments in the period, including those relative to "Other tangible assets", equal to euro 1,921 thousands, of which euro 44 thousands referring to assets not yet used at 31 December 2012, comprise:
- Verona plant (Books & Magazines Warehouse/ Magazines shipment and buildings) euro 29 thousands
- Milan offices (editorial office automation, office automation, furniture and equipment) euro 1,892 thousands

Divestments totalling euro 304 thousands, including those relative to "Other tangible assets", mainly refer to disposals of office equipment (furniture, office machines and electronic machines) and scrapping of vehicles, which generated a positive economic effect equal to euro 10 thousands.

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

Depreciation of property, plant and equipment (Euro/000)	FY 2012	FY 2011
Instrumental buildings	583	576
Plants and machinery	1,184	1,190
Equipment	140	130
Electronic office machines	1,155	1,091
Furniture and office machines	253	255
Motor vehicles and transport vehicles	40	161
Leasehold improvements	49	11
Total depreciation of property, plant and equipment	3,404	3,414

In 2012 no indications for impairment losses were identified.

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

4. Financial assets

Investments

Investments totalling euro 563,746 thousands (euro 638,857 thousands) are broken down and commented on below with the relevant changes of the period.

The total of item "Investments", net of provisions for losses/impairment, includes shares and units of limited liability companies for a total of euro 509,045 thousands and capital contribution payments amounting to euro 52,066 thousands.

In addition, the "Investments" item includes euro 2,635 thousands resulting from the application of IFRS 2 on the stock options assigned by Arnoldo Mondadori Editore S.p.A. to executives and directors of subsidiary companies who perform strategic functions for the attainment of the Group's targets. The detail for each subsidiary and associated company is reported in Annexes A and B to which reference should be made to compare the book value entered and the relevant portion of net equity.

Subsidiaries (Euro/000)	Shares and units owned	Capital contribution	Stock options assigned	Total value
Value at 31/12/2011	546,422	51,298	2,612	600,332
Increases:				
- Purchases, establishments and capital increases	6,628	13,900		20,528
- Payments to cover losses				
- Stock option assignment			23	23
- Other changes				
Total increases	6,628	13,900	23	20,551
Decreases:				
- Impairment loss	(745)			(745)
- Coverage of losses	(1,620)	(13,751)		(15,371)
- Other changes	(7,856)			(7,856)
Total decreases	(10,221)	(13,751)		(23,972)
Changes in the provision for losses/impairment:				
- Provisions	(53,806)			(53,806)
- Uses/reclassifications	14,732			14,732
Value at 31/12/2012	503,755	51,447	2,635	557,837

Affiliated companies and other enterprises (Euro/000)	Shares and units owned	Capital contributions	Stock options assigned	Total value
Value at 31/12/2011	**36,056**	**2,214**	**255**	**38,525**
Increases:				
- Purchases, establishments and capital increases	10			10
- Payments to cover losses				
- Stock option assignment				
- Other changes				
Total increases	**10**			**10**
Decreases:				
- Impairment loss				
- Coverage of losses		(1,595)		(1,595)
- Other changes	(29,451)		(255)	(29,706)
Total decreases	**(29,451)**	**(1,595)**	**(255)**	**(31,301)**
Changes in the provision for losses/impairment:				
- Provisions	(1,899)			(1,899)
- Uses/reclassifications	574			574
Value at 31/12/2012	**5,290**	**619**	**0**	**5,909**

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

Increases mainly refer to the acquisition of a 10% interest in Edizioni Piemme S.p.A. for euro 3,000 thousands; 30% in Glaming S.r.l. for euro 828 thousands and in Consorzio Edicola Italiana for euro 10 thousands.
In addition, through the contribution of the business unit "International magazines" by Armoldo Mondadori Editore S.p.A., the company Mondadori International Business S.r.l. was established on 29 October 2012, entirely owned by Arnoldo Mondadori Editore S.p.A.

Data referring to the aforementioned contribution are detailed here below:

(Euro/000)	
Intangible assets	520
Tangible assets	13
Trade receivables	3,706
Other receivables	62
Cash and other cash equivalents	1,790
Trade payables	(2,829)
Post-employment benefits	(82)
Other payables	(380)
Net assets from contributions	**2,800**

Decreases include:
- the coverage of losses in Società Europea di Edizioni S.p.A. for euro 1,595 thousands;
- the coverage of losses in Mondadori Pubblicità S.p.A. for euro 5,781 thousands;
- the coverage of losses in Mondadori Direct S.p.A. for euro 2,001 thousands;
- the coverage of losses in Monradio S.r.l. for euro 3,031 thousands;
- the coverage of losses in Sporting Club Verona S.r.l. for euro 169 thousands;
- the coverage of losses in Glaming S.r.l. for euro 1,076 thousands;
- the coverage of losses in Mondadori Iniziative Editoriali S.p.A. for euro 1,693 ;
- the disposal of the interest held in Prisco Spain S.A. for euro 7,856 thousands;

- the disposal of the interest held in Mondadori Printing S.p.A. for euro 15,864 thousands;
- the disposal of the interest held in Random House Mondadori S.A. for euro 13,842 thousands.

In relation to the disposals of the interests held in Prisco Spain S.A., Mondadori Printing S.p.A. and Random House Mondadori S.A. reference should be made to the relevant items in income statement for details regarding their impact.
Consistently with IAS/IFRS accounting standards, in case of a potential impairment loss, interests held are subject to an impairment test, using the higher between the value in use and the fair value. This resulted in an impairment loss for a total value of euro 55,705 thousands, broken down as follows: Società Europea di Edizioni S.p.A. for euro 1,061 thousands; Mondadori Pubblicità S.p.A. for euro 6,509 thousands; Monradio S.r.l. for euro 33,742 thousands; Mondadori Direct S.p.A. for euro 4,049 thousands; Glaming S.r.l. for euro 5,867 thousands; Mondadori Iniziative Editoriali S.p.A. for euro 3,507 thousands, Sporting Club Verona for euro 132 thousands and Mach 2 Libri S.p.A. for euro 838 thousands. As to Monradio S.r.l., the impairment loss for the interest held was calculated based on an analysis carried out by an independent company, which established the fair value of radio frequencies at 31 December 2012. Since the value of the interest held is calculated based on Monradio S.r.l. financial results according to IAS/IFRS standards for uniformity, the value determination of radio frequencies led to an impairment loss to the charge of Monradio S.r.l. according to the international accounting standards, which resulted in a lower value of the subsidiary's Shareholders' equity at 31 December 2012.

Below is a commented analysis of the main changes in the book value of investments and the relevant portions of Shareholders' equity, as better detailed in the relevant attachments to these financial statements.

The higher book values of the interest held in Cemit Interactive Media S.p.A., Mondadori Education S.p.A., Sperling & Kupfer S.p.A. and in Edizioni Piemme S.p.A., against the corresponding portions of Shareholders' equity, reflect the value of the relevant production and commercial potential supported in the 2013-2015 three-year plans.

Capital contributions
The amount of euro 52,066 thousands at 31 December 2012 (euro 53,512 thousands in 2011) includes euro 38,210 thousands for Monradio S.r.l; euro 3,007 thousands for Mondadori Iniziative Editoriali S.p.A.; euro 4,199 thousands for Glaming S.r.l.; euro 31 thousands for Sporting Club Verona; euro 6,000 thousands for Mondadori Pubblicità S.p.A.; and euro 619 thousands for Società Europea di Edizioni S.p.A.

The difference mainly refers to capital contribution payments to Mondadori Pubblicità S.p.A. for euro 6,000 thousands; Glaming S.r.l. for euro 3,700 thousands; Mondadori Iniziative Editoriali S.p.A. for 4,000 thousands; Sporting Club Verona for euro 200 thousands and uses of capital contributions to cover the losses of Monradio S.r.l. for euro 3,031 thousands; Mondadori Pubblicità S.p.A. for euro 5,781 thousands; Mondadori Direct S.p.A. for euro 2,001 thousands; Mondadori Iniziative Editoriali S.p.A. for euro 1,693 thousands; Sporting Club Verona S.r.l. for euro 169 thousands; Glaming S.r.l. for euro 1,076 thousands and Società Europea di Edizioni S.p.A. for euro 1,595 thousands.

Non-current financial assets

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

5. Deferred tax assets and liabilities

Tax assets equal to euro 19,704 thousands (euro 19,773 thousands) and tax liabilities equal to euro 23,175 thousands (euro 21,186 thousands) are recognised and determined based on the temporary differences between equity values stated in the financial statements and the corresponding values recognised for fiscal purposes, as summarised here below:

(Euro/000)	31/12/2012	31/12/2011
Deferred tax assets - IRES	18,740	18,715
Deferred tax assets - IRAP	964	1,058
Total deferred tax assets	19,704	19,773
Deferred tax liabilities – IRES	20,895	19,017
Deferred tax liabilities - IRAP	2,280	2,169
Total deferred tax liabilities	23,175	21,186

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

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

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

	31/12/2012			31/12/2011		
(Euro/000)	Amount of temporary difference	Applicable tax rate	Anticipated tax amount	Amount of temporary differences	Applicable tax rate	Anticipated tax amount
Difference between book value and fiscal value of assets	5,299	27.50%	1,457	4,651	27.50%	1,279
Provision for bad debt	8,171	27.50%	2,247	9,615	27.50%	2,644
Inventory provision	1,945	27.50%	535	5,156	27.50%	1,418
Provisions	42,443	27.50%	11,672	40,651	27.50%	11,179
Other temporary differences	10,287	27.50%	2,829	7,981	27.50%	2,195
Total for IRES purposes	68,145		18,740	68,054		18,715
Difference between book value and fiscal value of assets	5,385	3.9%	210	4,795	3.9%	187
Inventory provision	1,256	3.9%	49	4,256	3.9%	166
Provisions	11,872	3.9%	463	11,872	3.9%	463
Other temporary differences	6,205	3.9%	242	6,205	3.9%	242
Total for IRAP purposes	24,718		964	27,128		1,058

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

	31/12/2012			31/12/2011		
(Euro/000)	Amount of temporary differences	Applicable tax rate	Deferred tax amount	Amount of temporary differences	Applicable tax rate	Deferred tax amount
Difference between book value and fiscal value of assets	69,764	27.50%	19,185	62,291	27.50%	17,130
Post-employment benefits/FISC	1,930	27.50%	531	2,575	27.50%	708
Other temporary differences	4,287	27.50%	1,179	4,287	27.50%	1,179
Total for IRES purposes	75,981		20,895	69,153		19,017
Difference between book value and fiscal value of assets	45,923	3.9%	1,791	52,641	3.9%	2,053
Other temporary differences	11,923	3.9%	465	2,282	3.9%	89
FISC	615	3.9%	24	692	3.9%	27
Total for IRAP purposes	58,461		2,280	55,615		2,169

Changes in deferred tax assets let to a cost of euro 2,759 thousands as shown in note 27. It should be noted that all financial assets are covered by the company's provisions for tax assets, except for impairment losses deriving from investments, for which it is not possible to reasonably foresee the moment in which the temporary differences will be cancelled and for audits in progress which led to the recognition of cost under income statement.

6. Other non-current assets

Other non-current assets, equal to euro 492 thousands (euro 423 thousands) are broken down and commented on below.

Other non-current assets (Euro/000)	31/12/2012	31/12/2011
Guarantee deposits	269	131
Trade receivables	107	105
Other	116	187
Total non-current assets	492	423

"Trade receivables", equal to euro 107 thousands (euro 105 thousands), refer to booksellers.

7. Tax receivables

Item "Tax receivables", amounting to euro 43,916 thousands (euro 25,164 thousands), is detailed and commented on below.

Tax receivables (Euro/000)	31/12/2012	31/12/2011
Receivables due from the Inland Revenue Office for IRES	1,938	1,938
Receivables due from Fininvest for IRES	10,649	-
Receivables due from Inland Revenue Office for direct and indirect taxes to recover	25,442	18,595
Advances for disputes	3,834	3,808
Receivables due from Inland Revenue Office for IRAP	2,053	823
Total tax receivables	43,916	25,164

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

Receivables for IRAP, equal to euro 2,053 thousands, refer to higher advances paid on the IRAP amount due.
The advances equal to euro 3,834 thousands (euro 3,808 thousands) refer to payments made provisionally in relation to pending disputes.
Receivables for direct and indirect taxes to recover, equal to euro 25,442 thousands (euro 18,595 thousands) refer to VAT receivables for the period carried forward for euro 19,985 thousands and taxes to be reimbursed for euro 5,457 thousands.

The receivable amount due from Fininvest S.p.A., equal to euro 4,465 thousands, includes the amount due from Fininvest S.p.A. for IRES following the adherence to the tax consolidation regime introduced through Italian Legislative Decree no. 344/2003 modifying income tax regimes. The receivable amount due from Fininvest S.p.A. is for euro 6,184 thousands relative to higher IRES paid in the 2007-2011 tax periods due to the unaccomplished deduction of IRAP relative to the tax amount of cost of personnel and collaborators under temporary contracts, net of deductions due pursuant to art. 11, par. 1, letter a), 1-*bis*, 4-bis 1 of Italian Legislative Decree no. 446/1997. Art. 2, par. 1-*quater* of Italian Legislative Decree 201/2001 (introduced by Italian Legislative Decree no. 16/2012) envisaged the possibility of applying for the reimbursement for the years 2007-2011 for the higher amount of IRES paid as a result of the aforementioned non-deductibility. Considering that the Company contributes to the group's tax amount with Fininvest S.p.A. as consolidating entity which, on behalf of the entire Group, pays IRES, but also applies for the relevant reimbursement, the receivable amount is recognized to Fininvest S.p.A.

The discipline regarding the tax consolidation regime envisages that the consolidating entity of a group be given the possibility to exercise the option for tax consolidation on behalf of the consolidating entity and its subsidiaries. The regime is characterised by one single tax amount for IRES purposes determined by the algebraic sum of tax assets and liabilities contributed by the group companies included within the tax consolidation perimeter. The parent company/consolidating entity therefore presents a consolidated tax return, based on the tax returns submitted by the individual consolidated companies, and provides for the payment of the overall tax amount due. The individual consolidated companies pay their relevant IRES amounts, if due, not directly to the Inland Revenue Office but to the parent company, which, in turn, provides for the payment of one single consolidated IRES amount.

8. Other current assets

Item "Other current assets", equal to euro 42,588 thousands (euro 40,487 thousands), are detailed and commented on below:

Other current assets (Euro/000)	31/12/2012	31/12/2011
Advances to agents	48	87
Advances to authors and collaborators	36,431	33,701
Advances to suppliers	651	837
Advances to personnel	236	258
Advances to social security institutes	11	7
Prepayments	3,898	3,637
Other	1,313	1,960
Total other current assets	42,588	40,487

Advances to authors and collaborators are net of the relevant provision for copyright advances and equal to euro 8,137 thousands.

Prepayments equal to euro 3,898 thousands (euro 3,637 thousands) include:

(Euro/000)	31/12/2012	31/12/2011
Third publishers' editions for copies sold in 2012	2,576	2,636
Rents	541	54
Other accrued income	26	17
Other prepayments (rents, subscriptions, membership fees)	755	930
Total prepayments	3,898	3,637

Prepayments on third publishers' editions refer to costs borne on behalf of company Harlequin Mondadori S.p.A. for the purchase of books that will be marketed in 2013.

9. Inventory

Item "Inventory", equal to euro 30,662 thousands (euro 30,643 thousands), are detailed and commented on below.

Inventory (Euro/000)	31/12/2012	31/12/2011
Raw materials and consumption materials	66	78
Provision for raw materials and consumption materials	-	-
Total raw materials and consumption materials	66	78
Work in progress and semi-finished goods	13,776	16,063
Provision for work in progress and semi-finished goods	(516)	(516)
Total work in progress and semi-finished goods	13,260	15,547
Finished products and goods	18,676	19,571
Provision for finished products and goods	(1,340)	(4,553)
Total finished products and goods	17,336	15,018
Total inventory	30,662	30,643

With reference to inventory of finished products, existing stocks of books as at 31 December 2012 were valued based on the provisions set out in Italian Ministerial Resolution no. 9/995 of 11 August 1977 in the matter of stocks of books.

Decrease (increase) of inventory
The following table summarises the changes in inventory recognised under income statement in the financial year of reference.

Decrease (increase) of inventory (Euro/000)	FY 2012	FY 2011
Changes in finished products and goods	895	(1,865)
Provision for finished products and goods	-	284
Utilisation of the provisions for finished products and goods	(3,213)	-
Total changes in inventory of finished products and goods	**(2,318)**	**(1,581)**
Changes in semi-finished products	2,287	2,877
Provision for semi-finished products	-	-
Utilisation of the provision for semi-finished products	-	-
Total changes in inventory of semi-finished products	**2,287**	**2,877**
Changes in raw, ancillary and consumption materials	12	-
Provision for raw, ancillary, consumption materials	-	-
Utilisation of the provisions for raw, ancillary, consumption materials	-	-
Total changes in inventory of raw, ancillary, consumption materials	**12**	**-**
Total decrease (increase) in inventory	**(19)**	**1,296**

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

10. Trade receivables

Item "Trade receivables", equal to euro 174,891 thousands (euro 195,078 thousands), is detailed and commented on below:

Trade receivables (Euro/000)	31/12/2012	31/12/2011
Receivables from customers	66,134	69,838
Receivables from associated companies	25,251	24,778
Receivables from subsidiaries	83,506	100,462
Receivables from parent companies	-	-
Total trade receivables	**174,891**	**195,078**

It should be noted that no trade receivables are due over five years and that the average collection period in 2012 was 99.5 days (94.6 days in 2011).

Information by geographical area is provided in the relevant separate section.

Receivables from subsidiaries of euro 83,506 thousands (euro 100,462 thousands) and receivables from associated companies of euro 25,251 thousands (euro 24,778 thousands) refer to trade transactions performed at standard market conditions. The breakdown by company and the changes against the previous year are reported in Annex C1.

Receivables from customers include receivables from Fininvest group companies of euro 200 thousands (euro 159 thousands) and mainly include RTI S.p.A. for euro 139 thousands (euro 105 thousands) and other enterprises for a total of euro 61 thousands.
Trade transactions with the Fininvest group are carried out under standard market conditions.

"Receivables from customers", equal to euro 66,134 thousands (euro 69,838 thousands) include:

Trade receivables - Receivables from customers (Euro/000)	31/12/2012	31/12/2011
Receivables from customers	91,748	106,783
Customers – returns to receive	(16,709)	(26,819)
Provision for bad debt	(8,905)	(10,126)
Total receivables from customers	**66,134**	**69,838**

The changes in provision for bad debt of euro 8,905 thousands (euro 10,126 thousands) are detailed here below:

Trade receivables - Receivables from customers Bad debt provision (Euro/000)	31/12/2012	31/12/2011
Balance at beginning of year	10,126	10,692
Changes in the period:		
- Provisions	2,404	370
- Utilisations	(3,438)	(936)
- Contribution of Mondadori International Business S.r.l.	(187)	-
Total provision for bad debt	**8,905**	**10,126**

The provision, considered congruent to cover presumable risks of insolvencies, was determined by analytically considering receivables under dispute and any situation of unrecoverability for the other receivables.

11. Other current financial assets

Item "Other current financial assets", equal to euro 108,738 thousands (euro 100,182 thousands), is detailed and commented on below:

Other current financial assets (Euro/000)	31/12/2012	31/12/2011
- Financial receivables from subsidiaries	94,376	96,684
- Financial receivables from associated companies	200	1
- Other financial receivables	14,162	3,497
Total financial receivables	**108,738**	**100,182**
Total other current financial assets	**108,738**	**100,182**

Financial receivables from subsidiaries of euro 94,376 thousands (euro 96,684 thousands) and financial receivables from associated companies of euro 200 thousands (euro 1 thousand) mainly refer to current account transactions amounting to euro 82,376 thousands traded at interest rates in line with market quotations and loans granted to subsidiaries for a total amount of euro 12,000 thousands, specifically to Mondadori Direct S.p.A.
The breakdown by company and the changes against the previous year are reported in Annex C1.

Other financial receivables of euro 14,162 thousands (euro 3,497 thousands) include accrued income relative to financial components and other financial receivables from others.

Assets and liabilities resulting from derivative instruments
The following table shows assets and liabilities resulting from derivative instruments held at 31 December 2012.

Assets and liabilities in derivative instruments - Details (Euro/000)	Type of derivative instrument	Fair value at 31/12/2012	Fair value at 31/12/2011
Current financial assets/liabilitites			
- Currency derivatives	Trading	(18)	(18)

Currency derivatives
The Company stipulates currency derivative agreements to hedge against currency risk. The currency derivatives used exclusively refer to forward contracts for the purchase and sale of foreign currencies.
The main types of currency risks in the Group refer to the purchase of book copyrights and revenues from licensing contracts denominated in currencies other than euros. In the latter case, the Group partially hedges against revenues deriving from budgeted sales.
At 31 December 2012 currency risk hedge contracts referred to the purchase of forward contracts denominated in US dollars for a total of US $ 16,275 thousands (euro 12,406 thousands) stipulated in the name and on behalf of companies Edizioni Piemme and Mondadori Direct.

12. Cash and cash equivalents

Item "Cash and cash equivalents", equal to euro 161,520 thousands (euro 61,987 thousands), includes postal accounts for a total of euro 58 thousands (euro 34 thousands), receivables from banks of euro 161,459 thousands (euro 61,949 thousands) and euro 3 thousands (euro 4 thousands) of cash and cash equivalents.

Cash and cash equivalents (Euro/000)	31/12/2012	31/12/2011
Cash and other disposable assets	3	4
Bank deposits	161,459	61,949
Postal deposits	58	34
Total cash and cash equivalents	161,520	61,987

Short-term deposits expire variably from one week to three months in line with the Company's financial requirements and accrue interest based on the relevant short-term rate. The fair value of cash and cash equivalents as at 31 December 2012 is equal to the relevant book value.
To better understand the changes in the item, reference should be made to the relevant details provided in the cash flow statement section.

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

Liabilities

13. Shareholders' equity

The share capital of euro 64,079,168,40 is fully underwritten and paid up and is represented by 246,458,340 ordinary shares with a par value of euro 0.26 each.

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

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

(Euro/000)	Share capital	Share premium reserve	Treasury shares	Stock option reserve	Other reserves	Period income (loss)	Total Shareholders' equity
Balance at 01/01/2012	64,079	210,200	(35,618)	5,949	224,486	55,343	524,439
Changes in:							
- Profit allocation					55,343	(55,343)	
- Dividend paid out							
- Purchase of treasury shares			(3,041)				(3,041)
- Sale/cancellation of treasury shares							
- Stock options				(2,193)	2,313		120
- Other reserves							
- Comprehensive income for the period					(1,846)	(39,575)	(41,421)
Balance at 31/12/2012	64,079	210,200	(38,659)	3,756	280,296	(39,575)	480,097

Following the adoption of IAS 32 as of 1 January 2005, treasury shares are recognised to reduce Shareholders' equity. It should be noted that such portfolio, equal to 3.17% of the share capital, includes no. 7,805,431 ordinary shares with a par value of euro 0.26 each, purchased for a total of euro 35,618 thousands in line with the resolutions made from time to time by the Shareholders' Meeting and on 19 April 2012.

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

Nature/description (Euro/000)	Amount	Possible use	Available portion	Summary of past utilisations: for dividend payout	Summary of past utilisations: for other reasons
Share capital	64,079				
Capital reserves:					
- share premium reserve	183,222	A,B,C	144,653		
- saving share conversion reserve	26,978	A,B,C	26,978		
- capital contribution reserve	5,335	B			
Income reserves:					
- revaluation reserve					
• it. Law no. 72 of 19/03/1983	12,022	A,B			
• it. Law no. 413 of 30/12/1991	4,689	A,B			
- legal reserve	13,490	B			
- extraordinary reserve	249,801	A,B,C	219,320	195,426	784
- reserve for It. Law no. 675 of 12/08/1977	351	A,B			
- reserve for It. Law no. 904 of 16/12/1977	751	A,B			3,329
- reserve pursuant to art. 13 of It. Law no. 124/93	160	A,B			
- merger reserve	478	A,B,C	478		
- reserve for It. Law no. 576 of 02/12/1975					3,128
- reserve waived dividends	5,873	A,B,C	5,873		
Transitions to IAS/IFRS:					
- positive transition reserve	14,008	A,B,C	9,618		
- negative transition reserve	(30,481)	-			
- stock option reserve	3,756	A,B,C	1,120		
- stock option cancellation reserve	6,788	A,B,C	6,788		
- reserve for treasury share transactions	1,359	A,B,C	1,359		
- cash flow hedge reserve	(4,328)				
Treasury shares	(38,659)				
Total	519,672		416,097	195,426	7,241
Undistributable portion (1)			5,740		
Residual distributable portion			410,357		

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

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

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

The ***share premium and saving share conversion reserve*** of euro 210,200 thousands (euro 210,200 thousands) includes:

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

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

Reserves made for tax purposes are classified as follows:

(Euro/000)	a - until 2007	a - since 2008	b	c	Total
Share premium reserve	-	-	-	183,222	183,222
Saving shares conversion reserve	-	-	-	26,978	26,978
					210,200
Reserve ex It. Law no. 72 of 19/03/1983	-	-	12,022	-	12,022
Reserve ex It. Law no. 413 of 30/12/1991	-	-	4,689	-	4,689
					16,711
Legal reserve	13,490	-	-	-	13,490
					13,490
Extraordinary reserve	54,799	195,002	-	-	249,801
Reserve ex It. Law no. 675 of 12/08/1977	-	-	351	-	351
Reserve ex It. Law no. 904 of 16/12/1977	-	-	751	-	751
Capital contribution reserve	-	-	5,335	-	5,335
Reserve ex art. 13 of It. Law no. 124/93	-	-	160	-	160
Reserve for merger	478	-	-	-	478
Reserve for waived dividends	4,292	1,581	-	-	5,873
IAS/IFRS application reserve	(8,821)	(77)	-	-	(8,898)
					267,341
Total reserves	64,238	196,506	23,308	210,200	494,252
Total free capital increases with utilisation of reserves	784	0	6,457	0	7,241

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

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

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

14. Provisions

Item "Provisions", equal to euro 39,714 thousands (euro 29,293 thousands) is broken down here below.

Provisions *(Euro/000)*	31/12/2011	Provisions	Utilisations	Other changes	31/12/2012
Provision for personnel re-organisation risks	2,111	4,790	1,480	-	5,421
Provision for bad debt	1,069	-	-	-	1,069
Provision for legal risks	14,311	2,040	1,001	-	15,350
Provision for INPGI contribution dispute	1,899	-	-	-	1,899
Provision for equity impairment exceeding cost	311	1,626	311	-	1,626
Provision for charges on advertising receivables	6,185	1,500	1,470	-	6,215
Provision for charges on subscription receivables	1,460	900	1,268	-	1,092
Provision for charges on Mediamond receivables	120	-	1	-	119
Provision for other charges	1,827	5,096	-	-	6,923
Total provisions	29,293	15,952	5,531	0	39,714

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

15. Post-employment benefits

Item "Post-employment benefits" is detailed and commented on below:

Post-employment benefits (Euro/000)	31/12/ 2012	31/12/2011
Provision for post-employment benefits (TFR)	22,646	23,087
Provision for supplementary agents' indemnity (FISC)	1,014	933
Provision for journalists (IFGP)	394	448
Total post-employment benefits	24,054	24,468

Changes in the period of reference are detailed below:

Post-employment benefits (TFR) - Details (Euro/000)	TFR	FISC	IFGP	Total
Balance at 31/12/2011	23,087	933	448	24,468
Changes in 2012:				
- provisions	823	103	-	926
- utilisations	(1,842)	(91)	(53)	(1,986)
- reversals	-	-	-	0
- discounting	573	69	-	642
- other	5		(1)	4
Balance at 31/12/2012	22,646	1,014	394	24,054

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

Consistently with the previous year, the following assumptions were used to measure the actuarial value of post-employment benefits:

Actuarial assumptions to measure post-employment benefits	31/12/2012	31/12/2011
Economic assumptions:		
- increase in cost of living	2.0%	2.0%
- discounting rate	4.0%	4.5%
Demographic assumptions:		
- probability of death	IPS.55 tables	IPS.55 tables
- probability of disability	INPS 2000 tables	INPS 2000 tables
- probability of leaving for other reasons	15.38%	15.98%
- retirement age	Applicable regulations	Applicable regulations

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

Actuarial assumptions to measure FISC	31/12/2012	31/12/2011
Economic assumptions:		
- discounting rate	4.00%	4.50%
Demographic assumptions:		
- probability of death/disability	1.0%	1.0%
- probability of leaving service	1.0%	1.0%
- probability of voluntary resignation	1.50%	1.50%
- average age of agency contract termination	65	65

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

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

Cost of post-employment benefits (Euro/000)	FY 2012	FY 2011
Cost of post-employment benefits allocated to supplementary pension plans	5,798	5,808
Current cost of employee severance	822	1,040
Actuarial (income)/(losses)	(426)	(635)
	6,194	6,213
Financial charges	999	1,010
Total cost of post-employment benefits	7,193	7,223

It should be noted that item "Current cost of employee post-employment benefits" and item "Actuarial (income)/losses" are recognised in "Cost of personnel" under income statement, while the financial component is accounted for under financial expenses for the period.

16. Financial liabilities

This item, equal to euro 225,469 thousands (euro 253,924 thousands), is detailed and commented on below.

Non-current financial liabilities (Euro/000)	Effective interest rate	Due over 5 years	31/12/2012	31/12/2011
Liabilities resulting from derivatives	-		5,969	3,424
Medium/long-term loans and borrowings	1.339%		219,500	250,500
Total non-current financial liabilities	1.811%		225,469	253,924

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

- euro 95,000 thousands, the use of part of the term loan of the bilateral contract stipulated with Intesa Sanpaolo, coming to maturity in December 2016;
- euro 65,000 thousands, the use of the loan stipulated with Mediobanca, coming to maturity in December 2017;
- euro 52,000 thousands, the use of the medium/long-term portion of the five-year amortising loan stipulated with a pool of Italian banche popolari, coming to maturity in June 2015;
- euro 7,500 thousands, the use of the loan stipulated with GE Capital, stipulated in May 2011, coming to maturity in May 2016.

Committed loans require that specific financial covenants be complied with. Any instance of default may result in the anticipated re-payment of the loan.
The currently applicable covenants make reference to the leverage ratio, corresponding to the ratio between EBITDA, calculated over a period of twelve consecutive months, and net debt as resulting from the Group's consolidated quarterly and half-year financial statements. The leverage ratio should be lower than or equal to 3.75 for the period of reference, taking the average for the four quarters into account. The leverage ratios are pre-determined based on specific grids which, according to the debt level reached,

envisage different spread levels to apply on the use of the loan.
Liabilities in derivative instruments equal to euro 5,969 thousands include the fair value relative to the existing derivative contracts. Derivative agreements comprise:

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

"Payables due to banks and other financial liabilities" equal euro 261,350 thousands (euro 155,469 thousands) and include:

Payables due to banks and other financial liabilities (Euro/000)	31/12/2012	31/12/2011
Payables due to banks	1	1
Payables due to associated companies	3,931	3,689
Payables due to subsidiaries	180,347	124,666
Other financial liabilities	76,733	26,616
Accrued liabilities and deferred income	338	497
Total payables due to banks and other financial liabilities	261,350	155,469

Payables due to banks of euro 1 thousand (euro 1 thousand) include current account overdraft short-term payables.

Payables due to subsidiaries of euro 180,347 thousands (euro 124,666 thousands) and payables due to associated companies of euro 3,931 thousands (euro 3,689 thousands) mainly refer to current account transactions negotiated at interest rates in line with market rates.
The breakdown by company and the changes against the previous year are specified in Annex D1.

Other financial liabilities of euro 76,733 thousands (euro 26,616 thousands) include euro 26,000 thousands relative to the short-term amortising loan portion underwritten with a pool led by Italian banche popolari and euro 50,000 thousands relative to a loan contract stipulated with Banca Intesa coming to maturity in May 2013.

Accrued liabilities and deferred income of euro 338 thousands (euro 497 thousands) were determined on an accrual basis and refer to short-term loan interest rates.

The Company's comprehensive financial position at 31 December 2012, shown in the table below, highlights a net debt of euro 166,471 thousands (euro 197,223 thousands).

Net debt (Euro/000)	31/12/2012	31/12/2011
A Cash and cash equivalents	3	4
- Bank deposits	161,459	61,950
- Postal deposits	58	34
B Other cash and cash equivalents	161,517	61,984
C Cash and cash equivalents and other financial assets (A+B)	**161,520**	**61,988**
D Securities held for trading		
- Financial receivables due from subsidiaries	144,376	146,684
- Financial receivables due from associated companies	200	1
- Financial assets receivables at fair value	-	-
- Derivatives and other financial assets	14,162	3,497
E Receivables and other current financial assets	158,738	150,182
F Current and non-current financial assets (D+E)	**158,738**	**150,182**
G Current payables due to banks	1	1
- Bonds	-	-
- Loans	-	-
- Borrowings	76,000	26,000
H Current portion of non-current debt	76,000	26,000
- Financial payables due to subsidiaries	180,347	124,666
- Financial payables due to associated companies	3,931	3,689
- Derivatives and other financial assets	982	1,113
I Other current financial liabilities	185,260	129,468
L Payables due to banks and other current financial liabilities (G+H+I)	**261,260**	**155,469**
M Current and non-current net financial position (C+F-L)	**58,998**	**56,701**
- Bonds	-	-
- Loans	-	-
- Borrowings	-	-
N Debt non-current portion	-	-
O Other non-current financial liabilities	225,469	253,924
P Non-current net debt (N+O)	**225,469**	**253,924**
Q Net debt (M-P)	**(166,471)**	**(197,223)**

It should be noted that the Company's net financial position, determined pursuant to Consob recommendation, would be negative with an amount equal to euro 216,471 thousands (euro 247,223 thousands), because it would not include the balance of "Non-current financial assets", represented by the loan granted to subsidiary Mondadori France S.A. equal to euro 50,000 thousands.

For the analysis of the Company's net financial position and the relevant changes reference should be made to the Cash flow statement attached to these financial statements.

17. Income tax payables

Item "Income tax payables", equal to euro 1,160 thousands (euro 10,101 thousands), is detailed and commented on below:

Income tax payables (Euro/000)	31/12/2012	31/12/2011
Payables due to Fininvest for IRES	1,160	10,101
Total income tax payables	**1,160**	**10,101**

The payable due to Fininvest S.p.A., equal to euro 1,160 thousands, refers to the amount due for the definition, pursuant to article 48, par. 5, of Italian Legislative Decree no. 542/1992 relative to the notice of assessment relative to IRES of 2004.

The Company's income amounts are defined for fiscal purposes along with the corresponding tax amounts paid until 2007, except for the indications provided in note 28 "Commitments and potential liabilities".

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

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

18. Other current liabilities

The "Other current liabilities" item, equal to euro 69,872 thousands (euro 71,301 thousands), is detailed and commented on below:

Other current liabilities (Euro/000)	31/12/2012	31/12/2011
Advances to customers	297	366
Tax payables	4,871	4,842
Cost of post-employment benefits allocated to supplementary pension plans	2,570	2,565
Payables due to welfare and social security entities	10,496	12,588
Other payables	50,045	48,987
Accrued liabilities and deferred income	1,593	1,953
Total other current payables	69,872	71,301

Advances to customers of euro 297 thousands (euro 366 thousands) decreased by euro 69 thousands against the previous year.
Tax payables of euro 4,871 thousands (euro 4,842 thousands) refer to IRPEF amounts on employee salaries and professional fees paid in January 2013.

Cost for post-employment benefits allocated to supplementary pension plans of euro 2,570 thousands (euro 2,565 thousands) refer to pension funds (mainly post-employment benefits for journalists), also including post-employment benefits paid in January 2013.
Payables due to welfare and social security entities of euro 10,496 thousands (euro 12,588 thousands) include euro 5,899 thousands (euro 7,064 thousands) for contributions on salaries relating to December and paid in January 2013; euro 4,597 thousands (euro 5,524 thousands) for contributions allocated for deferred salary items.

Other payables of euro 50,045 thousands (euro 48,987 thousands) are broken down as follows:

Other current liabilities - Other payables (Euro/000)	31/12/2012	31/12/2011
Payroll and other amounts due to personnel	20,681	18,389
Payables due to authors and collaborators	26,687	28,745
Payables due to agents	651	774
Payables to directors and statutory auditors	402	370
Other	1,624	709
Total other payables	50,045	48,987

"Accrued liabilities and deferred income" of euro 1,593 thousands (euro 1,953 thousands) were determined on an accrual basis and are broken down as follows:

(Euro/000)	31/12/2012	31/12/2011
Insurance, membership fees and other prepayments	771	815
Total accrued liabilities	771	815
Revenues from advertising per copy for magazines in 2012	628	848
Rentals	-	-
Other	194	290
Total deferred income	822	1,138
Total accrued liabilities and deferred income	1,593	1,953

19. Trade payables

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

Trade payables (Euro/000)	31/12/2012	31/12/2011
Payables due to suppliers	136,575	83,101
Payables due to subsidiaries	36,038	41,964
Payables due to associated companies	5,433	57,178
Payables due to parent company	7	7
Total trade payables	178,053	182,250

Payables due to suppliers amount to euro 136,575 thousands (euro 83,101 thousands) and include payables for the purchase of fixed assets for a total amount of euro 1,431 thousands (euro 1,703 thousands).
This item also includes:
- trade payables due to Fininvest group companies totalling euro 5,676 thousands (euro 2,871 thousands), of which the most significant refer to Publitalia 80 S.p.A. of euro 3,762 thousands (euro 2,310 thousands), Mediaset S.p.A. of euro 103 thousands (euro 90 thousands), RTI S.p.A. of euro 1,769 thousands (euro 225 thousands), Medusa Film S.p.A. of euro 6 thousands and other minor payables for a total amount of euro 36 thousands (euro 233 thousands).

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

Trade payables due to subsidiaries of euro 36,038 thousands (euro 41,964 thousands) and trade payables due to affiliated companies of euro 5,433 thousands (euro 57,178 thousands) refer to trade transactions performed at standard market conditions.

The breakdown by company and the changes against the previous year are specified in Annex D1. Information by geographical area is provided in the relevant separate section.

It should be noted that no trade payables are due over 5 years and that the average payment period in 2012 equalled 122.4 days (107.5 days in 2011); in addition it should also be highlighted that supplier payment conditions have been re-defined.

Income statement

(Intercompany trade transactions in 2012 with related parties are detailed in Annexes C2 and D2).

20. Revenues from sales and services

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

Revenues are detailed in the following tables:

Revenues from sales and services (Euro/000)	FY 2012	FY 2011	Var.%
Revenues from the sale of goods:			
- books	257,237	266,095	(3.33%)
- magazines/publications	194,473	233,392	(16.68%)
- magazines/subscriptions	23,374	25,591	(8.66%)
- corporate and other business:			
Reproduction rights	7,391	13,572	(45.54%)
Commercial items and special initiatives	921	1,627	(43.39%)
Sub-products and scrap material	1,873	1,792	4.52%
Storage material and other	-	707	-
Revenues from the sale of services:			
- advertising services	110,052	142,649	(22.85%)
- corporate and other business:			
Online revenues, content deal and website management	602	1,415	(57.46%)
Other services, consulting and assistance	30,298	34,072	(11.08%)
Total revenues	626,221	720,912	(4.06%)

The decrease in the revenues from the sale of magazines/publications of euro 38,919 thousands is mainly due to the performance in the market of reference, which resulted in plummeting sales in 2012.
For further details on the main phenomena underlying the variation in revenues, reference should be made to the relevant separate section in the Directors' Report on Operations.

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

Geographical area (Euro/000)	Books	Magazines	Rights	Advertising and other	2012	2011
Italy	253,279	217,469	1,003	140,946	612,697	707,662
EU countries	2,678	176	4,923	2,012	9,789	9,182
USA	96	37	65	17	215	211
Switzerland	978	2	37	336	1,353	1,206
Other countries	206	163	1,363	435	2,167	2,651
Total	257,237	217,847	7,391	143,746	626,221	720,912

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

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

Cost of raw, ancillary, consumption materials and goods (Euro/000)	FY 2012	FY 2011
Paper for special initiatives	111	158
Electricity, water, gas and fuel	-	2,059
Production material	606	-
Total cost of raw and ancillary materials	717	2,217
Goods for re-sale	140,459	135,980
Consumption and maintenance materials	748	23,005
Total cost of consumption materials and goods	141,207	158,985
Total cost of raw, ancillary, consumption materials and goods	141,924	161,202

22. Cost of services

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

Cost of services (Euro/000)	FY 2012	FY 2011
Rights and royalties	71,814	78,371
Third party collaborations	26,723	26,433
Consultancy services	13,135	14,309
Commissions	3,515	3,652
Third party graphical processing:		
- print, packaging and other	94,650	101,402
- paper	50,064	60,362
Transport and shipping	25,425	26,404
Advertising services	32,775	37,248
Other services	11,502	16,934
Travel and other expense reimbursements	3,791	4,769
Maintenance	2,279	3,365
Postal costs and telephone	2,203	2,310
Utilities (electricity, gas, water)	2,274	-
Catering and cleaning services	3,737	3,804
Market research	1,941	1,506
Insurance	1,425	1,577
Subscription management	7,557	7,192
Press agency	482	701
Fees for company boards:		
- Chairman and Board of Directors	1,804	1,721
- Board of Statutory Auditors	245	166
Total cost of services	357,341	392,226

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

23. Cost of personnel

This item is detailed and commented on here below:

Cost of personnel (Euro/000)	FY 2012	FY 2011
Salaries and wages	81,079	82,371
Stock options	96	648
Social security charges	23,621	24,249
Post-employment benefits, retirement indemnity and supplementary pension scheme plans	15,089	8,483
Provision/utilisation for risks for personnel re-organization	3,310	(1,605)
Discounting (net of interest cost)	(426)	(635)
Total cost of personnel	122,769	113,511

Cost of personnel by category is broken down here below:

(Euro/000)	FY 2012	FY 2011
Executives	27,176	27,312
White collars and managers	39,336	36,332
Journalists	52,981	46,432
Blue collars	3,276	3,435
Total	122,769	113,511

At 31 December 2012 the Company has 1,210 employees, 33 employees less than in the previous year.

Employees	Actual 31/12/2012	Actual 31/12/2011	Average FY 2012	Average FY 2011
Executives	78	90	85	89
Journalists	363	369	367	366
White collars and managers	685	694	710	694
Blue collars	84	90	85	91
Total	1,210	1,243	1,247	1,240

In the year of reference the average number of employees is 1,247 units (1,240 in 2011).

Information about stock option plans

With reference to the stock option plans applied by Parent Company Arnoldo Mondadori Editore S.p.A. for the three year 2006-2007-2008 and 2009-2010-2011 time spans and described in the Directors' Report on Operations, the table below summarises the situation of the options assigned and still to be exercised at 31 December 2012 with indication of the prices and relevant exercise period.

Stock options	2006	2007	2009	2010
In circulation at 01/01/2012	2,045,000	2,255,000	2,070,000	1,680,000
- assigned during the year	-	-	-	-
- cancelled during the year	-	(160,000)	(160,000)	(270,000)
- exercised during the year	-	-	-	-
- expired during the year	(2,045,000)	-	-	-
In circulation at 31/12/2012	-	2,095,000	1,910,000	1,410,000
Exercise term	18/07/2009-17/07/2012	26/06/2010-25/6/2013	16/10/2012-16/10/2015	22/07/2013-21/07/2016
Rents	7.507	7.458	3.4198	2.4693
Exercisable at 31/12/2012		2,095,000	1,910,000	

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

Parameters for the option measuring model	2007	2009	2010
Price to exercise the option	7.458	3.4198	2.4693
Option term (residual years)	0.50	2.83	3.58
Average price at date of assignment	7.15	3.53	2.415
Expected volatility of the share price	17.00%	32.00%	35.40%
Dividend yield	4.90%	5.66%	8.28%
Risk free interest rate for the option term	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, under the Plan rules, these options are not exercisable.

Lastly, the cost of share-based payments recognised in item "Cost of personnel" under income statement, deriving from share-based payments, totals euro 96 thousands.

24. Other (income) cost

This item is detailed and commented on here below:

Other (income) cost (Euro/000)	FY 2012	FY 2011
Other revenues and income	(21,672)	(22,348)
Cost of use of third party assets	11,754	12,025
Various operating costs	10,180	14,472
Total other (income) cost	262	4,149

"Other revenues and income", equal to euro 21,672 thousands (euro 22,348 thousands), include:

Other (income) cost Other revenues and income (Euro/000)	FY 2012	FY 2011
Total other revenues and income	(215)	(548)
Supplier rebates and paper contributions	(3,263)	(130)
Third party expense recovery:		
- expense recovered from development, distribution and marketing	(5,657)	(5,988)
- expense recovered from advertising development	(1,468)	(2,109)
- labour costs recovered from temporary employees	(4,032)	(3,553)
- other	(3,544)	(8,330)
Other (promotions, rents, publishing facilities)	(3,493)	(1,690)
Total other revenues and income	(21,672)	(22,348)

"Third-party assets use", equal to euro 11,754 thousands (euro 12,025 thousands), include:

Other (income) cost Third-party assets use (Euro/000)	FY 2012	FY 2011
Rental expense	7,909	7,996
Rental of vehicles and other	2,530	2,690
Data processing fees and other	1,315	1,339
Total cost of third party assets use	11,754	12,025

"Other operating costs", equal to euro 10,180 thousands (euro 14,472 thousands), include:

Other (income) cost - Other operating costs (Euro/000)	FY 2012	FY 2011
Compensation, settlements and allowances	3,471	4,994
Bad debt	1,281	936
Contributions and grants	576	1,393
Temporary personnel	-	428
Information material	671	773
Entertainment expenses	1,668	797
Other expenses	1,129	290
Capital loss and contingent losses	170	17
Provision for bad debt	2,404	370
Provision for legal risks	2,040	2,650
Provision for other risks	4,026	6,312
(Utilisation) provision for bad debt	(3,438)	(935)
(Utilisation) provision for legal risks	(1,002)	(1,217)
(Utilisation) provision for other risks	(4,249)	(3,642)
Council tax	234	124
Other taxes and duties	1,199	1,182
Total other operating costs	10,180	14,472

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

25. Financial income (cost)

This item with the expense amount, equal to euro 11,643 thousands (euro 7,473 thousands), include:

Financial income (cost) (Euro/000)	FY 2012	FY 2011
Interest from banks and post offices	383	279
Interest from affiliated companies	26	1
Interest from subsidiaries	4,079	4,959
Financial income from derivatives	222	2,573
Other interest and financial income	79	111
Total interest income and other financial income	4,789	7,923
Interest to banks and post offices	(88)	(8,273)
Interest due to affiliated companies	(48)	(81)
Interest to subsidiaries	(977)	(1,248)
Interest due to parent company	(149)	(164)
Financial costs from derivatives	(1,809)	(2,617)
Other financial costs for discounting assets/liabilities	(999)	(1,010)
Other interest paid and financial costs	(12,399)	(2,066)
Total interest expense and other financial costs	(16,469)	(15,459)
Realised currency gains	31	67
Unrealised currency gains	6	(4)
Total income (loss) on currency transactions	37	63
Total financial income (cost)	(11,643)	(7,473)

The increase in financial costs against the previous year is due to a lower incidence of financial revenues.

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

26. Income (cost) from investments

This item is detailed and commented on below:

Income (cost) from investments (Euro/000)	FY 2012	FY 2011
Dividends	28,282	37,948
Impairment loss	(58,109)	(12,534)
Capital gains/losses from transfer/liquidation	(925)	10,033
Total income (cost) from investments	(30,752)	35,447

Dividends collected in the period are broken down below:

(Euro/000)	FY 2012	FY 2011
Subsidiaries:		
Press-Di Distribuzione Stampa e Multimedia S.r.l.	4,800	5,400
Mondadori Pubblicità S.p.A.	-	-
Giulio Einaudi editore S.p.A.	6,900	6,440
Mondadori Iniziative Editoriali S.p.A.	-	-
Mondadori Education S.p.A.	8,160	10,200
Cemit Interactive Media S.p.A.	959	1,696
Mondadori Electa S.p.A.	-	-
Edizioni Piemme S.p.A.	3,650	4,800
Mondadori Franchising S.p.A.	-	5,627
Sperling & Kupfer S.p.A.	1,815	1,245
Total subsidiaries	26,284	35,408
Affiliated companies:		
Gruner + Jahr/Mondadori S.p.A.	1,157	1,625
Harlequin Mondadori S.p.A.	450	445
Mach 2 Libri S.p.A.	391	470
Total affiliated companies	1,998	2,540
Total dividends	28,282	37,948

The impairment loss of euro 58,109 thousands (euro 12,534 thousands) refer to the impairment test performed to adjust the cost of investments to their recoverable value.

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

(Euro/000)	FY 2012	FY 2011
Coverage of losses	16,966	15,030
Capital reduction and reserves/impairment on interest	744	13,747
	17,710	28,777
Provision for losses/impairment loss:		
- provisions	55,705	14,216
- utilisations	(15,306)	(30,459)
	40,399	(16,243)
Other	-	-
Total	58,109	12,534

The capital gains resulting from the transfer of interest equal to euro 6,366 thousands refer to the transfer of Mondadori Printing S.p.A. for euro 3,323 thousands and the transfer of Prisco Spain for euro 3,043 thousands.
Capital losses on interests refer to the transfer of the interest held in Random House S.A. for euro 7,291 thousands.

The amounts relative to the transactions for the transfer of the interests held in Mondadori Printing S.A., Prisco Spain S.A. and Random House Mondadori S.A. were entirely collected at 31 December 2012.

27. Income taxes

The balance of the "Income tax" item is euro 4,432 thousands (euro 16,413 thousands). The main components for the financial years 2012 and 2011 are illustrated in the table below:

Income taxes (Euro/000)	FY 2012	FY 2011
IRES tax on income for the period	(10,864)	7,474
IRAP for the period	3,674	5,720
Total current taxes	(7,190)	13,194
Deferred/(anticipated) taxes for IRES	2,554	3,204
Deferred/(anticipated) taxes for IRAP	204	15
Total deferred/(anticipated) taxes	2,758	3,219
Total income taxes	(4,432)	16,413

As evidenced in the sections relative to tax assets and liabilities, since it adheres to Fininvest S.p.A. tax consolidation regime, the Company believes that it will be possible to recover the tax loss for the period under examination, equal to euro 4,444 thousands in the upcoming years, also in consideration of the medium term plans approved by the Board of Directors.

It should be noted that with reference to the tax dispute, regarding 2004, relative to the deductibility for the purpose of IRES of the loss deriving from the evaluation of a derivative contract, the assessment was completed in March 2013 pursuant to art. 48, par. 5 of Italian Legislative Decree no. 542/1992. The Company has therefore deemed opportune to recognise the relevant charge amount under income taxes for 2012, net of accessory cost items, for euro 1,024 thousands.

In relation to the changes occurred in current taxes reference should be made to note 28 - "Commitments and contingent liabilities".

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

	FY 2012			FY 2011		
(Euro/000)	Pre-tax result amount	Taxes	Current tax rate	Pre-tax result amount	Taxes	Current tax rate
Theoretical IRES tax charge	(44,007)	(12,102)	27,50%	71,756	19,733	27.50%
Theoretical IRAP tax charge		(1,716)	3,90%		2,798	3.90%
Total theoretical tax charge/rate	**(44,007)**	**(13,818)**	**31,40%**	**71,756**	**22,531**	**31.40%**
Actual IRES tax charge	(44,007)	(8,311)	18,89%	71,756	10,678	14.88%
Actual IRAP tax charge		3,879	(8,81%)		5,735	7.99%
Total actual tax charge/rate	**(44,007)**	**(4,432)**	**10,07%**	**71,756**	**16,413**	**22.87%**
Theoretical tax charge/rate	**(44,007)**	**(13,818)**	**31,40%**	**71,756**	**22,531**	**31.40%**
Effect relating to dividends	(26,890)	(7,395)	16,80%	(36,073)	(9,921)	(13.83%)
Effect of provisions for impairment on investments	58,109	15,980	(36,31%)	12,844	3,533	4.92%
Net effect relating to other permanent differences for IRES	12,328	3,391	(7,71%)	1,987	547	0.76%
Effect relating to a different taxable amount for IRAP (labour cost, collaborations, financial and extraordinary cost/income, bad debt)	143,487	5,596	(12,72%)	75,308	2,937	4.09%
Other	(29,763)	(8,186)	(18,60%)	(11,684)	(3,214)	(4.48%)
Actual tax charge/effective tax rate		**(4,432)**	**10,07%**		**16,413**	**22.87%**

28. Commitments and contingent liabilities

Item "Commitments and contingent liabilities" is detailed and commented on below.

Item "Commitments" is broken down as follows:

		Other	Total	
(Euro/000)	Guarantees	sureties	31/12/2012	31/12/2011
Guarantees, sureties, endorsements:				
- in favour of subsidiaries	62,877		62,877	66,242
- in favour of affiliated companies	2,705		2,705	4,280
- in favour of other enterprises	24,919		24,919	10,191
	90,501		90,501	80,713
Other	24,812		24,812	3,496
Total	115,313		115,313	84,209

Guarantees, sureties, endorsements:

- *in favour of subsidiaries*: euro 62,877 thousands (euro 66,242 thousands) mainly refer to guarantees against payment obligations in favour of the VAT office of Milan in the interest of subsidiaries for the excess amount of the VAT receivable offset in the framework of the Group liquidation and euro 9,000 thousands refer to a letter of patronage issued in favour of Siic de Paris on behalf of Mondadori Magazine France;

- *in favour of affiliated companies*: euro 2,705 thousands (euro 4,280 thousands) refer to guarantees against payment obligations in favour of the VAT office of Milan in the interest of Mondadori Printing S.p.A., a former subsidiary; and a binding letter of patronage issued to Intesa Sanpaolo for the loan granted to Mondadori Seec (China);

- *in favour of other enterprises*: euro 24,919 thousands (euro 10,191 thousands) refer to sureties issued by the Company against guarantees issued by credit institutes:
  - in the interests of the Lombardy Regional Inland Revenue Office and the Italian Ministry of Production Activities to support premium contests attached to the sale of magazines of euro 7,926 thousands;
  - to the Gaming Monopoly Authority for euro 1,631 thousands;
  - to UBI Factor for euro 15,000 thousands;
  - to other entities and enterprises for a total of euro 362 thousands.

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

- Year 1979: the II District Division of Inland Revenue Office of Milan opposed for euro 504 thousands relative to IRPEG and ILOR plus applicable ancillary charges, the application of the provisions set out in art. 34 of Italian Law no. 576/1975 in the matter of tax abatement on the capital gain resulting from the sale of business units. The afore mentioned Division filed an appeal before the Central Tax Commission after the favourable opinion expressed by the first level and second level Tax Commission to admit the Company's defence, declaring the claims made by the Division illegitimate. Also the Central Inland Revenue Office admitted the Company's defence and declared the claims made by the District Division illegitimate.
- Years 1996-1997-1998-1999: following inspection by the Italian Social Security Division for Journalists and the Finance Police, the Inland Revenue Office notified tax assessments containing the request for additional withholding taxes for a total of euro 186 thousands plus applicable ancillary charges as a result of failed payment of withholding taxes.

The Company filed an appeal before the Tax Commission. In this respect the following should be noted:

- the tax assessments relative to the 1996-1998 years have been suspended by the Provincial Tax Commission pending resolution of the proceedings before the labour judge;
- the tax assessment relative to 1999 was cancelled by the Provincial Tax Commission; the Division filed an appeal before the Regional Tax Commission; the Regional Tax Commission suspended the proceedings pending resolution of the proceedings before the labour judge.

- Year 2004: the Central Division of the Lombardy Region submitted findings relative to the application of a 12.50% withholding tax on the interest paid on a loan stock in favour of a subsidiary for a total of euro 999 thousands plus applicable ancillary charges; as of today's date the proceedings have been filed with the Court of Cassation.
- Year 2005: the Central Division of the Lombardy Region challenged the omitted payment of a 12.50% withholding for a total of euro 3,051 thousands plus applicable ancillary charges by means of a tax assessment, in relation to interest paid on a loan stock stated in 2004. The Company filed an appeal before the Provincial Tax Commission; the hearing was held on 30 January 2013; as of today's date the Company has not received any response.

For the above indicated contingent liabilities, as confirmed by tax advisors, it is not probable that the Company shall lose the cases and, therefore, no provisions for risks and charges were allocated in 2012.

29. Non-recurring (income) cost

In accordance with Consob Resolution no. 15519 of 27 July 2006, it should be noted that the Company carried out the following non-recurring transactions in 2012:

- company restructuring following the application for the status of crisis with reference to the Company's Magazines and Central Units areas with a negative effect of euro 1,435 thousands;
- recognition of the income amount deriving from the submitted application for the contribution in the form of tax credit calculated on 10% of the cost of paper used to print publishing products in 2011, as envisaged in art. 1, par. 40, of Italian Law no. 220/2012 and art. 4, par. 181-186, of Italian Law no. 350/2003; such adherence generated a positive effect on the result for the period of euro 2,870 thousands;
- recognition of the income amount deriving from the application for the reimbursement of higher IRES amounts paid from 2007 to 2011 in relation to the relevant deductions introduced by Italian Legislative Decree no. 16/2012 for euro 6,184 thousands.

The afore described transactions, net of the relevant tax effect, generated a positive impact on 2012 for a total of euro 8,014 thousands.

30. Related parties

Transactions carried out with related parties, including intercompany transactions, do not qualify as either atypical or unusual, since they refer to standard business activities performed by Group companies. When performed out of the scope of standard conditions or when they are imposed by specific regulatory conditions, transactions with related parties are in any case carried out under market conditions.
Annexes C1, C2, D1, D2 detail the economic and financial impacts of transactions with parent companies, subsidiaries, affiliated companies and associated companies performed in 2011 and 2012.

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

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

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

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

The overall Policy objective is to minimize financial risks, by using appropriate tools available on the market. Financial derivative instruments are exclusively used to hedge against financial risks directly referring to Arnoldo Mondadori Editore S.p.A. or its subsidiaries.
Financial derivative instruments may not be used for speculative purposes.

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

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

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

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

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

Sensitivity analysis (Euro/million)	Underlying	Interest rate increase/(decrease)	Income (costs)
2012	(143.5)	1%	(1.4)
2011	(183.5)	1%	(1.8)
2012	(143.5)	(0.2%)	0.3
2011	(183.5)	(0.2%)	0.4

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

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

The basic assumptions underlying the sensitivity analysis are:
- an initial parallel shift of the interest curve of ± 100/-20 basis points (+100/-100 basis points in 2011);
- the analysis is carried out on the assumption that all the other risk variables remain constant;
- for the purpose of comparability, the same analysis is performed both on the current year and the previous year.

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

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

The Company has underwritten forward contracts in order to hedge against the exchange rate risk resulting from US dollars and pound sterling purchase and sale transactions.

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

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

In 2012 the type of exposure and the hedge policy adopted for exchange rate risks did not show any particular variations against previous years.

The results of the sensitivity analysis performed on the exchange rate risk showed an insignificant economic impact, considering the low level of average exposure in 2011 and 2012.

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

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

Liquidity risk
Liquidity risk refers to the possibility that the Company may not be able to face payment obligations as a result of its inability to raise new funds (funding liquidity risk), or its inability to sell assets on the market (asset liquidity risk), thereby being forced to sustain excessively high costs for the purpose of meeting obligations. The Company's exposure to liquidity risk mainly refers to existing loans and borrowings.

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

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

At 31 December 2012 liquidity risk was managed by the Company by resorting to its own financial resources and the financial resources of its subsidiaries.

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

Liquidity risk			Analysis of maturity periods at 31/12/2011				
(Euro/million)	< 6 months	6-12 months	1-2 years	2-5 years	5-10 years	> 10 years	Total
Trade payables	83.1						83.1
Medium/long-term intercompany loans							
Medium/long-term third party loans	30.1	4.7	80.3	117.3	75.6		308.0
Other financial liabilities:							
- committed lines							
- uncommitted lines	1.2						1.2
Other liabilities	32.8						32.8
Intercompany payables	227.5						227.5
Total	374.7	4.7	80.3	117.3	75.6		652.8
Derivatives on rate risk	(0.3)	0.2	(1.3)	(0.8)	0.1		(2.0)
Total exposure	375.0	4.4	81.6	118.2	75.5		654.7

Liquidity risk			Analysis of maturity periods at 31/12/2012				
(Euro/million)	< 6 months	6-12 months	1-2 years	2-5 years	5-10 years	> 10 years	Total
Trade payables	136.6						136.6
Medium/long-term intercompany loans							
Medium/long-term third party loans	78.1	3.0	32.8	286.2			400.1
Other financial liabilities:							
- committed lines							
- uncommitted lines	1.1						1.1
Other liabilities	31.3						31.3
Intercompany payables	225.7						225.7
Total	**472.7**	**3.0**	**32.8**	**286.2**			**794.8**
Derivatives on rate risk	0.8	0.8	1.5	3.1			6.3
Total exposure	**473.6**	**3.8**	**34.3**	**289.3**			**801.1**

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

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

Credit risk

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

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

Each individual Company Division is responsible for the management of trade receivables in compliance with the Company financial objectives, commercial strategies and operating procedures, restricting the sale of products and services to customers whose credit profile or provision of collateral guarantees does not conform to the standards set. The balance 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. Maximum risk exposure is accounted for before the effects of mitigation deriving from compensation agreements and guarantees.

Credit risk		
(Euro/million)	31/12/2012	31/12/2011
Deposits	161.5	62.0
Receivables and loans		
- trade receivables and other current financial assets	256.5	279.1
- trade receivables and other non-current financial assets	0.5	62.4
- Guarantees	2.0	3.6
Total maximum exposure to credit risk	**482.5**	**407.1**

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

Credit risk concentration			%	%
(Euro/million)	31/12/2012	31/12/2011	31/12/2012	31/12/2011
By business area:				
Books	95.5	100.7	54.6%	51.6%
Magazines	68.8	82.6	39.3%	42.3%
Other	10.6	11.8	6.1%	6.1%
Total	**174.9**	**195.1**	**100.0%**	**100.0%**
By geographical area:				
Italy	171.7	190.6	98.2%	97.7%
Other countries	3.2	4.5	1.8%	2.3%
Total	**174.9**	**195.1**	**100.0%**	**100.0%**

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

Books

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

Magazines

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

Advertising

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

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

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

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

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

Other information requested pursuant to IFRS 7

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

Classification	Book value						Fair value	
	Total		current		non-current			
(Euro/million)	31/12/2012	31/12/2011	31/12/2012	31/12/2011	31/12/2012	31/12/2011	31/12/2012	31/12/2011
Receivables and loans:								
- cash and other cash equivalents	161.5	62.0	161.5	62.0			161.5	62.0
- trade receivables	58.9	62.3	58.8	62.2	0.1	0.1	58.9	62.3
- other financial assets	6.9	7.3	6.5	7.0	0.4	0.3	6.9	7.3
- receivables due from subsidiaries, affiliated companies	253.1	271.9	191.1	209.9	62.0	62.0	253.1	271.9
Financial assets held for sale (investments)	0.2	0.2	0.2	0.2			0.2	0.2
Cash flow hedge instruments								
Total financial assets	480.6	403.7	418.1	341,2	62.5	62,4	480.6	403.7
Financial liabilities at amortised cost:								
- trade payables	136.6	83.1	136.6	83.1			136.6	83.1
- liabilities due to banks and other financial liabilities	327.9	310.5	108.4	60.0	219.5	250.5	341.9	325.3
- liabilities due to subsidiaries, affiliated companies	225.7	227.5	225.7	227.5			225.7	227.5
Cash flow hedge instruments	6.0	3.4			6.0	3.4	6.0	
Total financial liabilities	696.1	624.6	470.7	370.6	225.5	253.9	710.2	635.9

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

Income and loss from financial instruments (Euro/million)	FY 2012	FY 2011
Net income on financial liabilities at amortised cost		
Net income on derivative instruments		
Interest earned on financial assets not valued at fair value:		
- deposits	0.4	0.3
- intercompany receivables		
- other financial assets	4.1	5.0
Total income	4.5	5.3
Net loss on derivative instruments	1.6	
Net loss on financial liabilities, loans and receivables	0.1	0.1
Interest due on financial liabilities not valued at fair value:		
- deposits	0.1	0.2
- loans	5.9	8.1
- intercompany payables	1.2	1.5
- other	6.3	2.4
Losses deriving from impaired financial instruments		
- trade receivables	0.2	
Total expenses	15.4	12.3
Total	(10.9)	(7.0)

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

The table below, drafted pursuant to article 149-*duodecies* of Consob Issuer Regulation, summarises fees paid in 2012 (net of ancillary expenses) for auditing activities and other services provided by Deloitte & Touche S.p.A. and by other entities belonging to the same network.

(Euro/000)	Entity providing the service	Amount in 2012
Auditing	Deloitte & Touche S.p.A.	341.9
Certification	Deloitte & Touche S.p.A. (1)	98.9
Other services	Deloitte ERS Enterprise Risk Services S.r.l. (2)	41.0
Total		481.8

(1) Attestazione Circolazione Stampa (circulation auditing). Company financial statements auditing, tax return audits.
(2) Technical and methodological support for the project regarding "Support to the Executive Manager responsible for the drafting of corporate accounting documents"

Supplementary tables

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

Consolidated financial statements

Attached is the Group's consolidated financial statements at 31 December 2012.

For the Board of Directors
The Chairman
Marina Berlusconi

Annexes to the Financial Statements

Annex A: Table of investments

Description (Euro/000)	Legal Offices	Share capital	Shareholders' equity	Profit (Loss) in the period	Total shareholders's equity	% of interest	Net equity of competence	Balance sheet values: Purchase/ establishment	Shareholders' payments	Impairment loss provision	Total
Subsidiary companies:											
Cemit Interactive Media S.p.A.	S.Mauro Torinese (TO)	3,835	7,671	(446)	7,225	100.00%	7,225	15,601			15,601
Edizioni Piemme S.p.A.	Milan	567	12,169	1,584	13,753	100.00%	13,753	25,107			25,107
Giulio Einaudi editore S.p.A.	Turin	23,920	33,542	5,795	39,337	100.00%	39,337	28,490			28,490
Glaming S.r.l.	Milan	20	5,613	(6,408)	(795)	100.00%	(795)	1,668	4,199	(5,867)	0
Mondadori Direct S.p.A.	Milan	2,700	11,066	(4,046)	7,020	100.00%	7,020	11,066		(4,049)	7,017
Mondadori Education S.p.A.	Milan	10,608	39,523	7,655	47,178	100.00%	47,178	56,217			56,217
Mondadori Electa SpA	Milan	1,594	5,486	1,162	6,648	100.00%	6,648	6,333			6,333
Mondadori Iniziative Editoriali S.p.A.	Milan	500	3,507	(4,328)	(821)	100.00%	(821)	500	3,007	(3,507)	0
Mondadori International S.p.A.	Milan	350,736	388,474	9,378	397,852	100.00%	397,852	357,012			357,012
Mondadori International Business S.r.l.	Milan	2,800	2,800	639	3,439	100.00%	3,439	2,800			2,800
Mondadori Pubblicità S.p.A.	Milan	3,120	9,045	(6,509)	2,536	100.00%	2,536	3,045	6,000	(6,509)	2,536
Monradio S.r.l.	Milan	3,030	33,487	(12,583)	20,904	100.00%	20,904	40,875	38,210	(33,822)	45,263
Press-Di Distribuzione Stampa e Multimedia S.r.l.	Milan	1,095	2,118	4,768	6,886	100.00%	6,886	1,095			1,095
Sperling & Kupfer Editori S.p.A.	Milan	1,556	2,454	1,023	3,477	100.00%	3,477	10,366			10,366
Sporting Club Verona S.r.l.	Milan	100	131	(183)	(52)	100.00%	(52)	100	31	(131)	0
Total							564,953	560,275	51,447	(53,885)	557,837
Affiliated companies:											
ACI-Mondadori S.p.A.	Milan	590	1,195	(257)	938	50.00%	469	540			540
Gruner + Jahr/Mondadori S.p.A.	Milan	2,600	4,518	2,324	6,842	50.00%	3,421	1,203			1,203
Harlequin Mondadori S.p.A.	Milan	258	435	1,238	1,673	50.00%	837	402			402
Mach 2 Libri S.p.A.	Peschiera Borromeo (Mi)	646	10,058	1,268 (b)	11,326	34.91%	3,954	3,947		(838)	3,109
Società Europea de Edizioni S.p.A.	Milan	2,529	8,529	4,234 (b)	4,205	36.90%	1,552	933	619	(1,061)	491
Total							10,233	7,025	619	(1,899)	5,745
Other companies:											
Consorzio Edicola Italiana	Milan	60			-	16.67%	-	10			10
Consuledit Società consortile a r.l. (in liquidation)	Milan	20	40		40 (a)	9.56%	4	1			1
Editrice Portoria S.p.A. (in banckruptcy)	Milan	364	300		300	16.78%	50	61		(61)	0
Immobiliare Editori Giornali S.r.l.	Rome	830	5,890		5,890	7.88%	464	52			52
Soc. Editrice Il Mulino S.p.A.	Bologna	1,175	1,685		1,685	7.05%	119	101			101
Total							637	225	0	(61)	164
Total of directly owned investments							565,457	567,525	52,066	(55,845)	563,746

(a) Shareholders' equity at 31/12/1999.
(b) Shareholders' equity and Profit (loss) for FY 2011.

Note: values refer to balance sheet and income statement data drafted in compliance with the accounting principles used for the preparation of the individual financial statements of the Group companies.

Annex B1: List of the main indirectly owned subsidiaries and affiliated companies at 31 December 2012

Description (Values in currency/000)	Legal Offices		Share capital	Shareholders' equity	Profit (loss) in the period	Total shareholders' equity	% owned by the Group	Net equity of competence denominated in currency	Net equity of competence in euro (a)
Subsidiary companies:									
ABS Finance Fund Sicav	Luxembourg	Euro	1,549	1,545		1,545	70.57%	1,090	1,090
Editions Taitbout S.A.	Montrouge	Euro	3,049	48,227	3,177	51,404	100.00%	51,402	51,402
Electa S.r.l.	Milan	Euro	20	219	(5)	241	100.00%	214	214
EMAS "Editions Mondadori Axel Springer" S.n.c.	France	Euro	152	6,703		6,703	50.00%	3,352	3,352
Mondadori France S.a.s.	Montrouge	Euro	50,000	310,688	(32,694)	277,994	100.00%	277,994	277,994
Mondadori Magazines France S.a.s.	Montrouge	Euro	56,957	474,210	(59,860)	414,350	100.00%	414,350	414,350
Total									748,402
Affiliated companies:									
Companies belonging to the Attica Group:									
Airlink S.A.	Athens	Euro	801				41.98%		
Argos S.A.	Athens	Euro	2,910				2.75%		
Attica Publications S.A.	Athens	Euro	4,590				41.98%		
Attica Media Bulgaria Ltd	Sofia	Lev	155				28.90%		
Attica Media Serbia Ltd	Belgrade	Euro	1,659				38.18%		
Attica-Imako Media Ltd	Bucharest	Ron	700				20.99%		
Civico Ltd	Cyprus	US$	2				41.98%		
E-One S.A. (in liquidation)	Athens	Euro	339				10.50%		
Ennalaktikes Publications S.A. (in liquidation)	Athens	Euro	487				20.57%		
HRS Ltd	Athens	Euro	18				41.98%		
International Radio Networks Holdings S.A.	Luxembourg	Euro	2,507				41.98%		
International Radio Networks S.A.	Athens	Euro	380				41.85%		
Ionikes Publishing S.A.	Athens	Euro	1,374				27.92%		
Lampsi Publishing Radio & Radio Enterprises S.A.	Athens	Euro	3,251				41.98%		
Attica Media Romenia Ltd (ex PBR Publication Ltd)	Bucharest	Ron	1				41.98%		
Radio Zita	Thessaloniki	Euro	746				20.99%		
Tilerama S.A.	Athens	Euro	1,467				20.99%		
(Attica consolidated results)	Athens	Euro	4,590				41.98%		
Campania Arte S.c.ar.l.	Rome	Euro	100	100		100	22.00%	22	22
Consorzio Covar (in liquidation)	Rome	Euro	15	8		8	25.00%	2	2
Consorzio Forma	Pisa	Euro	4	3		3	25.00%	1	1
Edizioni EL S.r.l.	Trieste	Euro	620	6,379		6,379	50.00%	3,190	3,190
Mach 2 Press S.r.l.	Peschiera Borromeo (Mi)	Euro	200	1,905		1,905	46.98%	895	895
MDM Milano Distribuzione Media S.r.l.	Milan	Euro	520	1,196	32	1,228	20.00%	246	246
Mediamond S.p.A.	Milan	Euro	1,500	2,051	563	2,614	50.00%	1,307	1,307
Mondadori Independent Media LLC	Moscow	Rub	92,232	70,119		70,119	50.00%	35,060	859
Mondadori Seec (Beijing) Advertising Co. Ltd	Beijing	Cny	40,000	(12,364)		(12,364)	50.00%	(6,182)	(629)
Nuovamusa Val di Mazara Sic.ar.l.	Messina	Euro	90	83		83	20.00%	17	17
Nuovamusa Val di Noto Sic.ar.l.	Messina	Euro	90	90		90	20.00%	18	18
Nuovamusa Valdemone Sic.ar.l.	Messina	Euro	90	107		107	20.00%	21	21
Roccella Sic.ar.l. (in liquidation)	Naples	Euro	100	43		43	49.50%	21	21
Selcon S.r.l.	Milan	Euro	21	945		945	25.60%	242	242
Venezia Accademia Società per i servizi museali S.c.ar.l.	Venice	Euro	10	10		10	25.00%	3	3
Venezia Musei Società per i servizi museali S.c.ar.l. (in liquidation)	Venice	Euro	10	22		22	34.00%	7	7
Total									6,221

(a) Exchange rates: US$ / Euro 1,3362 - Cny / Euro 9,835 - Rub / Euro 40,820

Annex B2: Table of relevant investments (equal or above 10% of share capital directly or indirectly held through controlled companies)

Arnoldo Mondadori Editore S.p.A. reference date 31 December 2012

Company name	Currency	Share capital	% owned	Ownership mode	Holder	% owned	Offices	Tax code	Date of establishment
ACI-Mondadori S.p.A. (Italy)	Euro	590,290	50%	direct	Arnoldo Mondadori Editore S.p.A.	50%	Milan - via Bianca di Savoia 12	13277400159	17/11/2000
Aranova Freedom S.c.ar.l. (Italy)	Euro	19,200	16.67%	indirect	Monradio S.r.l.	16.67%	Bologna - via Guinizzelli 3	02532501208	24/01/2005
Campania Arte S.c.ar.l. (Italy)	Euro	100,000	22%	indirect	Mondadori Electa S.p.A.	22%	Rome - via Tunisi 4	09086401008	18/07/2006
Cemit Interactive Media S.p.A. (Italy)	Euro	3,835,000	100%	direct	Arnoldo Mondadori Editore S.p.A.	100%	Turin - corso Giulio Cesare 268	04742700018	13/12/1984
Club Dab Italia Società consortile per azioni (Italy)	Euro	240,000	12.50%	indirect	Monradio S.r.l.	12.5%	Milan - Foro Bonaparte 71	97174850152	01/02/1996
Editrice Portoria S.p.A. in bankrupcy (Italy)	Euro	364,000	16.786%	direct	Arnoldo Mondadori Editore S.p.A.	16.786%	Milan - via Chiossetto 1	02305160158	26/03/1975
Edizioni EL S.r.l. (Italy)	Euro	620,000	50%	indirect	Giulio Einaudi editore S.p.A.	50%	Trieste - San Dorligo della Valle - via J. Ressel 5	00627340326	07/05/1984
Edizioni Piemme S.p.A. (Italy)	Euro	566,661	100%	direct	Arnoldo Mondadori Editore S.p.A.	100%	Milan - via Bianca di Savoia 12	00798930053	29/09/1982
Electa S.r.l. (Italy)	Euro	20,000	100%	indirect	Mondadori Electa S.p.A.	100%	Milan - via Bianca di Savoia 12	07136630964	08/09/2010
Giulio Einaudi editore S.p.A. (Italy)	Euro	23,920,000	100%	direct	Arnoldo Mondadori Editore S.p.A.	100%	Torino - via U. Biancamano 2	08367150151	03/06/1986
Glaming S.r.l.	Euro	20,000	100%	direct	Arnoldo Mondadori Editore S.p.A.	100%	Milan - via Bianca di Savoia 12	07428570969	21/04/2011
Gruner + Jahr/Mondadori S.p.A. (Italy)	Euro	2,600,000	50%	direct	Arnoldo Mondadori Editore S.p.A.	50%	Milan - via Luisa Battistotti Sassi 11/A	09440000157	19/09/1988
Harlequin Mondadori S.p.A. (Italy)	Euro	258,250	50%	direct	Arnoldo Mondadori Editore S.p.A.	50%	Milan - via Marco D'Aviano 2	05946780151	15/10/1980
Mach 2 Libri S.p.A. (Italy)	Euro	646,250	34.91%	direct	Arnoldo Mondadori Editore S.p.A.	30.91%	Peschiera Borromeo (MI) - via Galileo Galilei 1	03782990158	06/05/1983
				indirect	Sperling & Kupfer Ed. S.p.A.	4%			
Mach 2 Press S.r.l. (Italy)	Euro	200,000	40%	indirect	Press-Di Distribuzione Stampa e Multimedia S.r.l.	40%	Peschiera Borromeo (MI) - via Galileo Galilei 1	07014150960	27/04/2010
MDM Milano Distribuzione Media S.r.l. (Italy)	Euro	520,000	20%	indirect	Press-Di Distribuzione Stampa e Multimedia S.r.l.	20%	Milan - via Carlo Cazzaniga 19	10463540152	02/10/1991
Mediamond S.p.A. (Italy)	Euro	1,500,000	50%	indirect	Mondadori Pubblicità S.p.A.	50%	Milan - via Bianca di Savoia 12	06703540960	30/07/2009
Mondadori Direct S.p.A. (Italy)	Euro	2,700,000	100%	direct	Arnoldo Mondadori Editore S.p.A.	100%	Milan - via Bianca di Savoia 12	00212560239	19/11/1946
Mondadori Education S.p.A. (Italy)	Euro	10,608,000	100%	direct	Arnoldo Mondadori Editore S.p.A.	100%	Milan - via Bianca di Savoia 12	03261490969	01/10/2001
Mondadori Electa S.p.A. (Italy)	Euro	1,593,735	100%	direct	Arnoldo Mondadori Editore S.p.A.	100%	Milan - via Trentacoste 7	01829090123	23/02/1989
Mondadori Iniziative Editoriali S.p.A. (Italy)	Euro	500,000	100%	direct	Arnoldo Mondadori Editore S.p.A.	100%	Milan - via Bianca di Savoia 12	03619240967	08/07/2002
Mondadori International S.p.A. (Italy)	Euro	350,736,076	100%	direct	Arnoldo Mondadori Editore S.p.A.	100%	Milan - via Bianca di Savoia 12	07231790960	18/09/1970
Mondadori International Business S.r.l. (Italy)	Euro	2,800,000	100%	direct	Arnoldo Mondadori Editore S.p.A.	100%	Milan - via Bianca di Savoia 12	08009080964	29/10/2012
Mondadori Pubblicità S.p.A. (Italy)	Euro	3,120,000	100%	direct	Arnoldo Mondadori Editore S.p.A.	100%	Milan - via Bianca di Savoia 12	08696660151	12/02/1987
Monradio S.r.l. (Italy)	Euro	3,030,000	100%	direct	Arnoldo Mondadori Editore S.p.A.	100%	Milan - via Bianca di Savoia 12	04571350968	15/10/2004
Novamusa Val di Mazara S.c.ar.l. (Italy)	Euro	90,000	20%	indirect	Mondadori Electa S.p.A.	20%	Messina - via Industriale 86	02812180830	20/04/2005
Novamusa Valdemone S.c.ar.l. (Italy)	Euro	90,000	20%	indirect	Mondadori Electa S.p.A.	20%	Messina - via Acireale Z.I.R.	02704680830	16/04/2003
Novamusa Val di Noto S.c.ar.l. (Italy)	Euro	90,000	20%	indirect	Mondadori Electa S.p.A.	20%	Messina - via Acireale Z.I.R.	02704670831	16/04/2003
Press-Di Distribuzione Stampa e Multimedia S.r.l. (Italy)	Euro	1,095,000	100%	direct	Arnoldo Mondadori Editore S.p.A.	100%	Milan - via Bianca di Savoia 12	03864370964	19/02/2003
Roccella S.c.ar.l. in liquidation (Italy)	Euro	100,000	49.50%	indirect	Mondadori Electa S.p.A.	49.50%	Naples - vico Sergente Maggiore 21	05053571211	21/03/2005
Società Europea di Edizioni S.p.A. (Italy)	Euro	2,528,875	36.898%	direct	Arnoldo Mondadori Editore S.p.A.	36.898%	Milan - via G. Negri 4	01790590150	27/02/1974
Sperling & Kupfer Editori S.p.A. (Italy)	Euro	1,555,800	100%	direct	Arnoldo Mondadori Editore S.p.A.	100%	Milan - via Bianca di Savoia 12	00802780155	03/11/1927
Sporting Club Verona S.r.l. - Società Sportiva Dilettantistica (Italy)	Euro	100,000	100%	direct	Arnoldo Mondadori Editore S.p.A.	100%	Milan - via Bianca di Savoia 12	07231600961	03/12/2010
Venezia Accademia Società per i servizi museali S.c.ar.l. (Italy)	Euro	10,000	25%	indirect	Mondadori Electa S.p.A.	25%	Venice - via L. Einaudi 74	03808820272	11/01/2008
Venezia Musei Società per i servizi museali S.c.ar.l. in liquidation (Italy)	Euro	10,000	34%	indirect	Mondadori Electa S.p.A.	34%	Venice - via L. Einaudi 74	03534350271	22/04/2004
ABS Finance Fund Sicav (Luxembourg)	Euro	1,548,753,85	70.575%	indirect	Mondadori International S.p.A.	70.57%	Luxembourg - 19-21 Boulevard du Prince Henri		03/02/1999
Attica Publications S.A. (Greece)	Euro	4,590,000	41.987%	indirect	Mondadori International S.p.A.	41.987%	Greece - Athens - Maroussi, 40 Kifissias Avenue		01/08/1994
Editions Mondadori Axel Springer S.n.c (France)	Euro	152,500	50%	indirect	Mondadori France S.a.s.	50%	France - Montrouge Cedex - 8, rue Fançois Ory		09/12/1999
Editions Taitbout S.A. (France)	Euro	3,048,980	99.997%	indirect	Mondadori France S.a.s.	99.997%	France - Montrouge Cedex - 8, rue Fançois Ory		31/01/1989
EMAS Digital S.a.s. (France)	Euro	15,275,400	50%	indirect	Mondadori France S.a.s.	50%	France - Levallois Perret - 68, rue Marjolin		13/09/2011
Mondadori France S.a.s. (France) (ex AME France S.àr.l.)	Euro	50,000,000	100%	indirect	Mondadori International S.p.A.	100%	France - Montrouge Cedex - 8, rue Fançois Ory		23/06/2004
Mondadori Independent Media LLC (Russia)	Rublo	92,232,160	50%	indirect	Mondadori International S.p.A.	50%	Russia - Moscow - 3, Bldg. 1, Polkovaya Str.		26/12/2007
Mondadori Magazines France S.a.s. (France)	Euro	56,957,458	100%	indirect	Mondadori France S.a.s.	100%	France - Montrouge Cedex - 8, rue Fançois Ory		30/03/2004
Mondadori Seec (Beijing) Advertising Co. Ltd	Cny	40,000,000	50%	indirect	Mondadori Pubblicità S.p.A.	50%	China - Beijing - Chaoyang District - Fan Li Plaza, 22, Chaowai Avenue, Level 10, Room B2		26/09/2008
NaturaBuy S.a.s. (France)	Euro	9,150,00	60%	indirect	Mondadori France S.a.s.	60%	France - Senlins - 9, rue de Quemiset		25/04/2007
Star Presse Hollande B.V. in liquidation (The Netherlands)	Euro	18,151,21	100%	indirect	Mondadori France S.a.s.	100%	The Netherlands - Amsterdam - Rokin 55		28/09/1994

Related Parties
Annex C1: Receivables due from subsidiaries and affiliated companies at 31 December 2012

(Euro/000)	31/12/2012	31/12/2011
Current account transactions and financial receivables:		
Subsidiary companies:		
Edizioni Piemme S.p.A.	7,086	1,039
Glaming S.r.l.	4	-
Mondadori Electa S.p.A.	-	1,988
Mondadori France S.a.s.	51,557	61,254
Mondadori Iniziative Editoriali S.p.A.	-	368
Mondadori Pubblicità S.p.A.	13,753	6,845
Mondadori Direct S.p.A.	36,307	37,695
Monradio S.r.l.	33,402	32,828
Press-Di Distribuzione Stampa e Multimedia S.r.l.	36	45
Sperling & Kupfer Editori S.p.A.	2,231	4,622
Affiliated companies:		
Harlequin Mondadori S.p.A.	200	-
Mach 2 Libri S.p.A.	-	1
Other companies for amounts lower than euro 52,000 (*)	-	-
Total	144,576	146,685
% of incidence	91.1%	97.7%

(*) The amounts of the previous year also include receivables due from companies transferred during 2012.

(Euro/000)	31/12/2012	31/12/2011
Trade transactions:		
Subsidiary companies:		
Cemit Interactive Media S.p.A.	228	578
Edizioni Piemme S.p.A.	1,021	1,302
Giulio Einaudi editore S.p.A.	3,120	2,944
Glaming S.r.l.	295	224
Mondadori Education S.p.A.	566	689
Mondadori Electa S.p.A.	566	664
Mondadori France S.a.s.	180	393
Mondadori France Digital S.a.s.	-	1,278
Mondadori International S.p.A.	45	45
Mondadori International Business S.r.l.	185	-
Mondadori Magazines France S.a.s.	1,518	-
Mondadori Pubblicità S.p.A.	52,061	62,491
Mondadori Direct S.p.A.	9,465	14,976
Monradio S.r.l.	736	715
Mondadori Iniziative Editoriali S.p.A.	997	1,614
Press-Di Distribuzione Stampa e Multimedia S.r.l.	11,314	11,261
Sperling & Kupfer Editori S.p.A.	1,209	1,288
Affiliated companies:		
ACI-Mondadori S.p.A.	158	207
Attica Media Bulgaria Ltd	-	41
Attica Media Serbia Ltd	-	67
Attica Publications S.A.	-	74
Edizioni EL S.r.l.	339	377
Gruner + Jahr/Mondadori S.p.A.	117	100
Harlequin Mondadori S.p.A.	66	96
Mach 2 Libri S.p.A.	24,124	22,756
Mediamond S.p.A.	131	220
Mondadori Independent Media LLC	43	69
Mondadori Printing S.p.A.	-	214
Mondadori Seec Advertising Co. Ltd	264	342
Random House Mondadori S.A.	-	215
Società Europea di Edizioni S.p.A.	9	-
Parent Company:		
Fininvest S.p.A.	-	-
Associated companies:		
Fininvest Gestione Servizi S.p.A.	4	2
Milan A.C. S.p.A.	33	-
RTI S.p.A.	139	105
Publitalia 80 S.p.A.	-	9
Taodue S.r.l.	24	20
Videotime S.p.A.	-	12
Other companies for amounts lower than euro 52,000 (*)	-	11
Total	108,957	125,399
% of incidence	62.3%	64.3%
Tax receivables		
Parent Company:		
Fininvest S.p.A.	10,649	-
Total	10,649	0

(*) The amounts of the previous year also include receivables due from companies transferred during 2012.

Annex C2: Intercompany transactions in 2012

(Euro/000)

Related parties	Revenues from sales and services	Other income	Financial income	Income from investments	Total
Parent Company:					
Fininvest S.p.A.					0
Subsidiary companies:					
Ame Publishing Ltd					0
Arnoweb S.A.					0
Cemit Interactive Media S.p.A.	624	139	7	959	1,729
Diana S.a.s.					0
Edizioni Piemme S.p.A.	2,501	612	85	3,650	6,848
Excelsior Publications S.a.s.					0
Mondadori Education S.p.A.	1,564	414	38	8,160	10,176
Giulio Einaudi editore S.p.A.	4,539	196	41	6,900	11,676
Glaming S.r.l.	790	49	15		854
Mondadori Electa S.p.A.	1,779	672	55		2,506
Mondadori France S.a.s.			1,083		1,083
Mondadori International S.p.A.	150				150
Mondadori International Business S.r.l.	78	119	13		210
Mondadori Iniziative Editoriali S.p.A.	2,204	64	13		2,281
Mondadori Magazines France S.a.s.	1,308	1,725			3,033
Mondadori Pubblicita' S.p.A.	109,795	5,040	535		115,370
Mondadori Direct S.p.A.	38,172	1,569	1,076		40,817
Press-Di Distribuzione Stampa e Multimedia S.r.l.	239,672	1,237	22	4,800	245,731
Prisco Spain S.A.				3,043	3,043
Monradio S.r.l.	453	941	982	1,815	4,191
Sperling & Kupfer Editori S.p.A.	2,216	497	126		2,839
Sporting Club Verona S.r.l.		7			
Total	405,845	13,281	4,091	29,327	452,537
Affiliated companies:					
ACI-Mondadori S.p.A.	451	92	1		544
Agenzia Lombarda Distrib.Giornali e Riviste S.r.l.					0
Attica Media Publications S.A.	104				104
Edizioni EL S.r.l.	815				815
Gruner + Jahr/Mondadori S.p.A.	94	31		1,157	1,282
Harlequin Mondadori S.p.A.	61	97		450	608
Hearst Mondadori Editoriale S.r.l.					0
Mach 2 Libri S.p.A.	28,406	5	25	391	28,827
Mediamond S.p.A.	352	54			406
Mondadori Independent Media LLC	215	15			230
Mondadori Rodale S.r.l.					0
Mondadori Printing S.p.A.				3,323	3,323
Mondadori Seec Advertising Co. Ltd	274				274
Random House Mondadori S.A.	162				162
Società Europea di Edizioni S.p.A.	8	2			10
Total	30,942	296	26	5,321	36,585

(Euro/000)

Related parties	Revenues from sales and services	Other income	Financial income	Income from investments	Total
Fininvest Group companies:					
Alba Servizi Aerotrasporti S.p.A.					0
Banca Mediolanum S.p.A.					0
Elettronica industriale S.p.A.					0
Digitalia 08 S.r.l.					0
Fininvest Gestione Servizi S.p.A.	3				3
Il Teatro Manzoni S.p.A.					0
Milan A.C. S.p.A.	32				32
Mediaset S.p.A.					0
Media Shopping S.p.A.					0
Mediobanca S.p.A.			192		192
Medusa Film S.p.A.					0
Publitalia 80 S.p.A.					0
RTI Reti Televisive Italiane S.p.A.	182	1			183
Taodue S.r.l.	20				20
Videotime S.p.A.					0
Sub-total	237	1	192	0	430
Total	437,024	13,578	4,309	34,648	489,552
% of incidence	69.79%	62.66%	89.29%	100.00%	71.22%

Annex D1: Payables due to Parent Company, subsidiary and affiliated companies at 31 December 2012

(Euro/000)	31/12/2012	31/12/2011
Current account transactions and financial payables		
Subsidiary companies:		
Cemit Interactive Media S.p.A.	7,294	9,625
Electa S.r.l.	210	238
Mondadori Education S.p.A.	44,240	46,874
Mondadori Electa S.p.A.	5,295	-
Giulio Einaudi editore S.p.A.	20,790	22,092
Glaming S.r.l.	-	1,413
Mondadori Iniziative Editoriali S.p.A.	896	-
Mondadori International S.p.A.	56,341	768
Mondadori International Business S.r.l.	762	-
Press-Di Distribuzione Stampa e Multimedia S.r.l.	43,556	43,656
Sporting Club Verona S.r.l.	963	-
Affiliated companies:		
ACI-Mondadori S.p.A.	1	308
Gruner + Jahr/Mondadori S.p.A.	149	177
Harlequin Mondadori S.p.A.	3,163	2,725
Mach 2 Libri S.p.A.	34	-
Mediamond Sp.A.	584	479
Parent Company:		
Fininvest S.p.A.	-	-
Associated companies:		
Mediobanca S.p.A.	70,250	65,000
Other companies for amounts lower than euro 52,000 (*)	-	-
Total	**254,528**	**193,355**
% of incidence	**52.3%**	**47.2%**

(*) The amounts of the previous year also include payables due to companies transferred during 2012.

(Euro/000)	31/12/2012	31/12/2011
Trade transactions:		
Subsidiary companies:		
Cemit Interactive Media S.p.A.	61	45
Edizioni Piemme S.p.A.	8,973	11,312
Mondadori Education S.p.A.	100	129
Giulio Einaudi editore S.p.A.	11,189	13,225
Mondadori Electa S.p.A.	2,663	2,150
Mondadori International Business S.r.l.	2	-
Mondadori Magazines France S.a.s.	72	5
Mondadori Pubblicità S.p.A.	2,605	2,656
Mondadori Direct S.p.A.	1,787	135
Monradio S.r.l.	43	2
Press-Di Distribuzione Stampa e Multimedia S.r.l.	4,636	5,260
Sperling & Kupfer Editori S.p.A.	3,907	7,044

(Euro/000)	31/12/2012	31/12/2011
Affiliated companies:		
ACI-Mondadori S.r.l	-	11
Artes Graficas Toledo S.A.	-	353
Attica Media Bulgaria Ltd	2	3
Attica Media Serbia Ltd	-	18
Attica Publications SA	-	11
Edizioni EL S.r.l.	4,957	4,602
Gruner + Jahr/Mondadori S.p.A.	5	162
Harlequin Mondadori S.p.A.	217	944
Mach 2 Libri S.p.A.	59	-
Mediamond S.p.A.	42	48
Mondadori Printing S.p.A.	-	50,803
Mondadori Rodale S.r.l.	-	-
Mondadori Seec Advertising Co. Ltd	149	220
Random House Mondadori S.A.	-	1
Società Europea di Edizioni S.p.A.	2	2
Parent Company:		
Fininvest S.p.A.	7	7
Associated companies:		
Alba Servizi Aerotrasporti S.p.A.	16	-
The Space Cinema	19	-
RTI S.p.A.	1,461	225
Publitalia 80 S.p.A.	3,762	2,310
Mediaset S.p.A.	103	90
Medusa Film S.p.A.	156	233
Other related parties:		
Sin&rgetica	169	42
Sineris	-	48
Other companies for amounts lower than euro 52,000 (*)	-	13
Total	**47,164**	**102,109**
% of incidence	**26.5%**	**56.0%**
Income tax payables		
Parent Company:		
Fininvest S.p.A.	1,160	10,101
Total	**1,160**	**10,101**

(*) The amounts of the previous year also include payables due to companies transferred during 2012.

Annex D2: Intercompany transactions in 2012

(Euro/000)

Related parties	Raw, ancillary, consumption materials and goods	Services	Other costs	Financial charges	Costs from investments	Total
Parent Company:						
Fininvest S.p.A.	0	20	4	149		173
Subsidiary companies:						
Ame France S.a.s.						0
Ame Publishing Ltd						0
Arnoldo Mondadori Deutschland GmbH						0
Cemit Interactive Media S.p.A.		462	1	64		527
Diana sas						0
Edizioni Piemme S.p.A.	32,790	47	2	41		32,880
Electa S.r.l.				1		1
Giulio Einaudi editore S.p.A.	35,207	238		147		35,592
Glaming S.r.l.				2	(3)	(1)
Mondadori Electa S.p.A.	8,582	563	18	2		9,165
Mondadori Education S.p.A.		180	66	199		445
Mondadori France S.a.s.						0
Mondadori Magazines France S.a.s.		142				142
Mondadori Franchising S.p.A.						0
Mondadori Iniziative Editoriali S.p.A.				9	9,867	9,876
Mondadori International S.p.A.						0
Mondadori International Business S.r.l.		1		166		167
Mondadori Pubblicità S.p.A.	1,757	2,753	1,673	20	6,509	12,712
Mondadori Direct S.p.A.	207	1,855	177	2	4,774	7,015
Mondolibri S.p.A.						0
Press-Di Distribuzione Stampa e Multimedia S.r.l.		25,111	1,311	319		26,741
Monradio S.r.l.		74		38	33,742	33,854
Monradio Servizi S.r.l. (former Rock FM S.r.l.)						0
Sperling & Kupfer Editori S.p.A.	21,626	32				21,658
Sporting Club Verona S.r.l.				5	300	305
Total	100,169	31,458	3,248	1,015	55,189	191,079
Affiliated companies:						
ACI-Mondadori S.p.A.		18		1		19
Artes Graficas Toledo S.A.						0
Attica Media Serbia Ltd						0
Attica Publications S.A.		46				46
Edizioni EL S.r.l.	6,265					6,265
Gruner + Jahr/Mondadori S.p.A.		109		17		126
Harlequin Mondadori S.p.A.	9,525			25		9,550
Hearst Mondadori Editoriale S.r.l.						0
Mach 2 Libri S.p.A.		120			838	958
Mediamond S.p.A.		99	1	5		105
Mondadori Independent Media LLC						0
Mondadori Rodale S.r.l.						0
Mondadori Printing S.p.A.						0
Mondadori Seec Advertising Co. Ltd		147				147
Random House Mondadori S.A.		34			7,291	7,325
Società Europea di Edizioni S.p.A.			5		2,082	2,087
Total	15,790	573	6	48	10,211	26,628

(Euro/000)

Related parties	Raw, ancillary, consumption materials and goods	Services	Other costs	Financial charges	Costs from investments	Total
Fininvest Group companies:						
Alba Servizi Aerotrasporti S.p.A.			27			27
Consorzio Campus Multimedia						0
Digitalia 08 S.r.l.		29				29
Il Teatro Manzoni S.p.A.						0
Fininvest Gestione Servizi S.p.A.			21			21
Mediaset S.p.A.		85				85
Mediobanca S.p.A.				2,552		2,552
Medusa Film S.p.A.		404				404
Medusa Video S.r.l.						0
Milan A.C. S.p.A.			6			6
Milan Entertainment S.r.l.						0
Promoservice Italia S.r.l.						0
Publitalia 80 S.p.A.		11,266				11,266
Radio e Reti S.r.l.						0
RTI Reti Televisive Italiane S.p.A.	1,736	304				2,040
Taodue S.r.l.		20				20
The Space Cinema 1 S.p.A.		16				16
Total	1,736	12,124	54	2,552	0	16,450
Other related parties:						
Sin&rgetica		340				340
Sineris						0
Sub-total	0	340	0	0	0	340
Total	117,695	44,515	3,312	3,764	65,400	234,670
% of incidence	82.93%	12.46%	15.07%	22.86%	100.00%	38.87%

Annex E: Financial highlights of subsidiaries drafted in compliance with statutory accounting principles

(Euro/000)	Mondadori International	Monradio	Mondadori Iniziative Edit.	Sporting Club Verona	Glaming
Financial year	31/12/2012	31/12/2012	31/12/2012	31/12/2012	31/12/2012
Balance sheet					
Assets					
Intangible assets	-	39,158	76	19	746
Tangible assets	-	6,178	7	46	40
Financial assets	327,213	130	-	-	24
Total fixed assets	327,213	45,466	83	65	810
Inventory	-	-	1,916	-	-
Receivables due from customers	-	6,814	457	22	2
Receivables due from Group companies	208,310	43	896	963	-
Other receivables	350	8,371	1,774	-	490
Financial assets (no fixed assets)	13,668	-	-	-	-
Cash and cash equivalents	168	-	-	47	9
Total current assets	222,496	15,228	5,043	1,032	501
Accrued income and deferred liabilities	70	25	27	5	12
Total assets	**549,779**	**60,719**	**5,153**	**1,102**	**1,323**
Liabilities					
Share capital	350,736	3,030	500	100	20
Reserves	37,738	14,554	-	-	1,180
Shareholders' payments	-	15,903	3,007	31	4,413
Income (loss) for the period	9,378	(12,583)	(4,328)	(183)	(6,408)
Total Shareholders' equity	397,852	20,904	(821)	(52)	(795)
Provision for risks and charges	25	1,012	17		
Post-employment benefits	-	433	207	34	18
Payables due to banks	150,000	-	16	-	-
Payables due to suppliers	61	2,556	4,453	284	782
Payables due to Group companies	45	34,138	1,006	-	298
Other payables	262	1,581	275	111	1,019
Accrued liabilities and deferred income	1,534	95	-	725	1
Total liabilities	**549,779**	**60,719**	**5,153**	**1,102**	**1,323**

(Euro/000)	Mondadori International	Monradio	Mondadori Iniziative Edit.	Sporting Club Verona	Glaming
Financial year	2012	2012	2012	2012	2012
Income statement					
Revenues from sales	-	13,884	13,133	1,657	585
Differences in inventory	-	-	-	-	-
Other revenues	2	1,658	-	43	38
Total value of production	2	15,542	13,133	1,700	623
Purchases and services	355	13,996	15,070	1,369	5,089
Personnel	-	1,838	1,205	453	694
Amortisation, depreciation and impairment loss	-	14,574	2,691	18	618
Differences in raw materials and goods	-	-	192	-	-
Provisions	-	30	-	-	-
Other operating costs	1	764	(72)	47	16
Total cost of production	356	31,202	19,086	1,887	6,417
Revenues from investments	-	-	-	-	-
Financial revenues (costs)	1,268	(945)	(5)	5	(6)
Total financial revenues (costs)	1,268	(945)	(5)	5	(6)
Revaluations (impairment loss)	1,624	-	-	-	-
Extraordinary revenues (costs)	6,828	16	(5)	12	(596)
Pre-tax result	9,366	(16,589)	(5,963)	(170)	(6,396)
Income tax	(12)	(4,006)	(1,635)	13	13
Net income (loss) for the period	**9,378**	**(12,583)**	**(4,328)**	**(183)**	**(6,409)**

Annex E: Financial highlights of subsidiaries according to IAS international accounting principles

(Euro/000)	Cemit Interactive Media	Edizioni Piemme	Mondadori Education	Giulio Einaudi editore	Mondadori Electa	Mondadori Pubblicità	Press-Di Distrib. Stampa e Multimedia	Mondadori Direct	Mondadori International Business	Sperling & Kupfer Editori
Financial year	31/12/2012	31/12/2012	31/12/2012	31/12/2012	31/12/2012	31/12/2012	31/12/2012	31/12/2012	31/12/2012	31/12/2012
Balance sheet										
Assets										
Intangible assets	-	556	23,753	33	135	-	5	16,895	521	83
Property investments	-	-	-	-	-	-	-	-	-	-
Property, plants and machinery	365	569	216	160	715	596	27	16,119	8	57
Investments	-	-	-	1,332	377	2,847	763	-	-	26
Non-current financial assets	-	-	-	-	-	2,144	-	-	-	-
Anticipated tax assets	263	1,600	3,026	4,945	2,467	900	1,012	4,359	1	729
Other non-current assets	3	8	110	-	19	-	-	401	-	12
Total non-current assets	631	2,733	27,105	6,470	3,713	6,487	1,807	37,774	530	907
Tax receivables	322	5,506	773	657	391	2,757	53	6,566	-	269
Other current assets	159	9,308	490	10,229	1,586	304	2,759	1,879	4	6,194
Inventory	544	5,907	9,318	4,508	6,758	-	169	64,205	-	3,054
Trade receivables	6,997	9,947	6,772	20,322	10,685	89,835	42,480	36,520	4,859	4,387
Securities and other current financial assets	7,294	42	44,240	20,805	5,542	631	43,556	-	762	-
Cash and cash equivalents	40	3	26	10	26	4	462	2,130	853	2
Total current assets	15,356	30,713	61,619	56,531	24,988	93,531	89,479	111,300	6,478	13,906
Assets held for sale or transferred	-	-	-	-	-	-	-	-	-	-
Total assets	**15,987**	**33,446**	**88,724**	**63,001**	**28,701**	**100,018**	**91,286**	**149,074**	**7,008**	**14,813**
Liabilities										
Shareholders' equity	3,835	567	10,608	23,920	1,594	3,120	1,095	2,700	2,800	1,556
Reserves	3,836	11,602	28,915	9,622	3,892	5,925	1,023	8,366	-	898
Income (loss) for the period	(446)	1,584	7,655	5,795	1,162	(6,509)	4,768	(4,046)	639	1,023
Total net equity	7,225	13,753	47,178	39,337	6,648	2,536	6,886	7,020	3,439	3,477
Provisions	592	-	6,088	1,964	4,439	985	930	3,654	-	-
Post-employment benefits	1,514	833	5,290	2,958	898	2,521	1,403	6,174	78	726
Non-current financial liabilities	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	49	445	5,418	36	21	40	27	198	46	22
Other non-current liabilities	-	-	-	-	-	-	-	-	-	-
Total non-current liabilities	2,155	1,278	16,796	4,958	5,358	3,546	2,360	10,026	124	748
Income tax payables	-	-	2,635	2,218	1,105	(158)	1,865	-	315	391
Other current liabilities	1,240	6,878	15,953	9,629	4,375	4,726	33,471	12,779	1,582	4,273
Trade payables	5,367	4,450	5,907	6,846	10,856	75,168	46,648	82,811	1,547	3,693
Payables due to banks and other financial liabilities	-	7,087	255	13	359	14,200	56	36,438	1	2,231
Total current liabilities	6,607	18,415	24,750	18,706	16,695	93,936	82,040	132,028	3,445	10,588
Assets held for sale or transferred	-	-	-	-	-	-	-	-	-	-
Total liabilities	**15,987**	**33,446**	**88,724**	**63,001**	**28,701**	**100,018**	**91,286**	**149,074**	**7,008**	**14,813**

(follows)

Annex E: Financial highlights of subsidiaries according to IAS international accounting principles

(follow)

(Euro/000)	Cemit Interactive Media	Edizioni Piemme	Mondadori Education	Giulio Einaudi editore	Mondadori Electa	Mondadori Pubblicità	Press-Di Distrib. Stampa e Multimedia	Mondadori Direct	Mondadori International Business	Sperling & Kupfer Editori
Financial year	2012	2012	2012	2012	2012	2012	2012	2012	2012	2012
Income statement										
Revenues from sales and services	17,281	34,184	76,724	42,353	35,460	172,866	62,543	235,268	2,423	22,467
Inventory decrease (increase)	(239)	351	1,444	640	1,652	-	(57)	2,268	-	254
Purchase of raw, ancillary, consumption materials and goods	4,326	643	7,260	911	2,269	-	1,912	134,836	2	93
Purchases of services	7,982	27,389	47,603	27,841	18,991	171,477	53,118	50,447	886	17,885
Personnel	5,108	3,200	8,691	5,934	4,699	9,242	5,817	27,186	435	2,394
Other costs (revenues)	746	296	734	(472)	5,732	607	(5,055)	17,824	48	376
Income from investments valued at equity	-	-	-	-	-	-	(34)	-	-	-
EBITDA	(642)	2,305	10,992	7,499	2,117	(8,460)	6,842	2,707	1,052	1,465
Depreciation of property, plants and machinery	32	103	175	98	137	77	23	3,755	1	30
Amortisation of intangible assets	-	28	70	36	130	-	193	3,805	-	17
EBIT	(674)	2,174	10,747	7,365	1,850	(8,537)	6,626	(4,853)	1,051	1,418
Financial revenues (costs)	(8)	(66)	61	38	(99)	(721)	190	(1,219)	(32)	(168)
Income (costs) from investments	-	-	-	651	(59)	-	-	-	-	51
Pre-tax result	(682)	2,108	10,808	8,054	1,692	(9,258)	6,816	(6,072)	1,019	1,301
Income tax	(236)	524	3,153	2,259	530	(2,749)	2,048	(2,026)	380	278
Net result	**(446)**	**1,584**	**7,655**	**5,795**	**1,162**	**(6,509)**	**4,768**	**(4,046)**	**639**	**1,023**

Annex F: Financial highlights of the main indirectly owned subsidiaries

(Euro/000)	Mondadori France S.a.s (100% owned by Mondadori International S.p.A.)
Financial year at	31/12/2012
Balance sheet	
Assets	
Intangible assets	-
Property investments	-
Property, plants and machinery	-
Investments	714,288
Non-current financial assets	-
Anticipated tax assets	-
Other non-current assets	-
Total non-current assets	714,288
Tax receivables	-
Other current assets	6,040
Inventory	-
Trade receivables	804
Securities and other current financial assets	-
Cash and cash equivalents	-
Total current assets	6,844
Assets held for sale or transferred	-
Total assets	**721, 132**
Liabilities	
Share capital	50,000
Reserves	260,688
Income (loss) for the period	(32,694)
Total net equity	277,994
Provisions	282
Post-employment benefits	-
Non-current financial liabilities	-
Deferred tax liabilities	-
Other non-current liabilities	-
Total non-current liabilities	282
Income tax payables	-
Other current liabilities	2,266
Trade payables	84
Payables due to banks and other financial liabilities	440,506
Total current liabilities	442,856
Assets held for sale or transferred	-
Total liabilities	**721,132**

(Euro/000)	Mondadori France S.a.s (100% owned by Mondadori International S.p.A.)
Financial year	2012
Income statement	
Revenues from sales and services	2,776
Inventory decrease (increase)	-
Purchase of raw, ancillary, consumption materials and goods	-
Purchases of services	1,136
Personnel	1,461
Other costs (revenues)	752
EBITDA	(573)
Depreciation of property, plants and machinery	-
Amortisation of intangible assets	-
EBIT	(573)
Financial revenues (costs)	(48,718)
Income (costs) from investments	15,260
Pre-tax result	(34,031)
Income tax	(1,337)
Net result	**(32,694)**

Annex G: Financial highlights of affiliated companies

(Euro/000)	ACI-Mondadori	MDM Milano Distrib. Media	Gruner + Jahr/ Mondadori	Harlequin Mondadori	Mach 2 Libri	Società Europea di Edizioni
Financial year at	31/12/2012	31/12/2012	31/12/2011	31/12/2012	31/12/2011	31/12/2011
Balance sheet						
Assets						
Intangible assets	1	38	416	51	458	8,813
Tangible assets	8	39	87	20	226	938
Financial assets	-	-	62	508	530	738
Total assets	9	77	565	579	1,214	10,489
Inventory	193	-	1,222	230	15,010	908
Receivables due from customers	638	2,221	10,897	2,694	37,497	15,411
Receivables due from Group companies	1,552	166	-	-	186	3,229
Other receivables	112	4,831	9,177	269	17,662	431
Financial assets (no fixed assets)	-	-	-	-	-	-
Cash and cash equivalents	388	-	991	914	1,661	36
Total current assets	2,883	7,218	22,287	4,107	72,016	20,015
Accrued income and deferred liabilities	14	5	70	289	120	902
Total assets	**2,906**	**7,300**	**22,922**	**4,975**	**73,350**	**31,406**
Liabilities						
Share capital	590	520	2,600	258	646	2,529
Reserves	605	676	1,918	177	9,412	6,000
Shareholders' payments	-	-	-	-	-	-
Income (loss) for the period	(257)	32	2,324	1,238	1,268	(4,324)
Total net equity	938	1,228	6,842	1,673	11,326	4,205
Provision for risks and charges	197	35	39	-	2,408	5,133
Post-employment benefits	349	377	1,893	680	1,139	5,022
Payables due to banks	-	-	-	-	7,904	4,225
Payables due to suppliers	861	376	8,037	1,921	27,796	7,434
Payables due to Group companies	158	2,255	-	-	21,162	124
Other payables	358	3,029	5,942	649	1,615	4,776
Accrued liabilities and deferred income	45	-	169	52	-	487
Total liabilities	**2,906**	**7,300**	**22,922**	**4,975**	**73,350**	**31,406**

(follows)

Annex G: Financial highlights of affiliated companies

(follow)

(Euro/000)	ACI-Mondadori	MDM Milano Distrib. Media	Gruner + Jahr/ Mondadori	Harlequin Mondadori	Mach 2 Libri	Società Europea di Edizioni
Financial year	2012	2012	2011	2012	2011	2011
Income statement						
Revenues from sales	6,293	11,128	37,020	10,072	108,701	61,301
Inventory differences	(37)		(1)	82	-	-
Other revenues	145	2,926	1,812	560	2,129	2,454
Total value of production	6,401	14,054	38,831	10,714	110,830	63,755
Purchases and services	5,540	13,028	22,439	7,068	106,005	39,228
Personnel	1,043	780	11,391	1,833	4,997	19,611
Amortisation, depreciation and impairment losses	6	155	311	-	482	3,721
Differences in inventory of raw materials and goods	-	-	353	-	(4,009)	493
Provisions	-	-	20	69	1,352	2,347
Other operating costs	46	23	441	83	261	1,410
Total cost of production	6,635	13,986	34,955	9,053	109,088	66,810
Revenues from investments	-	-	-	-	-	-
Financial revenues (costs)	3	-	126	40	299	(143)
Total financial revenues (costs)	3	0	126	40	299	(143)
Revaluations (impairment loss)	-	-	-	-	(120)	-
Extraordinary revenues (costs)	1	-	-	77	-	(503)
Pre-tax result	(230)	68	4,002	1,778	1,921	(3,701)
Income tax	27	36	1,678	540	653	623
Profit (loss) in the period	**(257)**	**32**	**2,324**	**1,238**	**1,268**	**(4,324)**

Annex H: Breakdown of receivables and payables by geographical area

(Euro/000)	Italy	Other EU countries	USA	Switzerland	Canada	Other countries	Total
Receivables:							
Non-current assets:							
Non-current financial assets		50,000					50,000
Anticipated tax assets	20,151						20,151
Other non-current assets	492						492
Current assets:							
Tax receivables	42,071						42,071
Other current assets	22,535	4,666	12,047	262	184	1,694	41,388
Trade receivables	171,686	2,101	46	493	6	559	174,891
Securities and other current financial assets	104,561	1,557					106,118
Total receivables	361,496	58,324	12,093	755	190	2,253	435,111
Payables:							
Non-current liabilities:							
Non-current financial liabilities	275,469						275,469
Deferred tax liabilities	23,175						23,175
Other non-current liabilities							0
Current liabilities:							
Income tax payables	4,465						4,465
Other current liabilities	67,444	1,019	1,250	38	28	93	69,872
Trade payables	174,283	3,270	232	57	3	208	178,053
Payables due to banks and other financial liabilities	212,510						212,510
Total payables	757,346	4,289	1,482	95	31	301	763,544

Statement of the Group's consolidated financial statements pursuant to Art. 81-*ter* of Consob Regulation no. 11971 of 14 May, 1999 and subsequent changes and supplements

1. The undersigned Maurizio Costa in his capacity as Deputy Chairman and CEO and Carlo Maria Vismara in his capacity as Executive Manager responsible for the drafting of the corporate accounting documents of Arnoldo Mondadori Editore S.p.A., also in compliance with the provisions set out in art. 154-*bis*, par. 3 and 4, of Italian Legislative Decree no. 58 of 24 February 1998, hereby declare:
   - the adequacy in relation to the Group's characteristics and
   - the effective application of the administrative and accounting procedures for the drafting of the Company's financial statements closed at 31 December 2012.
2. The valuation of the adequacy of the administrative and accounting procedures for the drafting of the Company's financial statements at 31 December 2012 was carried out based on a specific process defined by Arnoldo Mondadori Editore S.p.A. consistently with the Internal Control – Integrated Framework model issued by the Committee of Sponsoring Organizations of the Treadway Commission, which groups together a set of general principles of reference for internal control generally accepted at the international level.
3. We also hereby declare that:

3.1 the Group's consolidated financial statements at 31 December 2012:

a) were drafted in compliance with the applicable international accounting standards acknowledged at the EU level pursuant to EC Regulation no. 1606/2002 of the EU Parliament and Council of 19 July 2002 as well as the provisions set out for the implementation of art. 9 of Italian Legislative Decree no. 38/2005;

b) reflect the accounting books and entries;

c) provide a true and fair description of the financial position and results of operations of the Company;

3.2 the report on operations includes a reliable analysis of the Company's performance and results, the financial position of the Company and the companies included in the consolidation area, along with the description of the main risks and uncertainties they are exposed to.

20 March 2013

The Deputy Chairman and CEO
(Maurizio Costa)

The Executive Manager responsible for the
drafting of corporate accounting documents
(Carlo Maria Vismara)

Mondadori Group Consolidated Financial Statements at 31 December 2012

Group consolidated balance sheet

Assets (Euro/000)	Note	31/12/2012	31/12/2011
Intangible assets	2	745,999	947,303
Property investments	3	3,238	2,761
Land and buildings		9,258	10,215
Plant and equipment		14,178	12,405
Other tangible assets		26,318	30,651
Property, plant and equipment	4	49,754	53,271
Investments valued at equity		59,125	126,134
Other investments		1,374	995
Total investments	5	60,499	127,129
Non-current financial assets	12	5,571	6,925
Anticipated tax assets	6	50,630	48,137
Other non-current assets	7	1,965	1,052
Total non-current assets		917,656	1,186,578
Tax receivables	8	61,872	40,831
Other current assets	9	85,225	80,280
Inventory	10	129,627	137,066
Trade receivables	11	335,423	360,369
Other current financial assets	12	32,073	24,583
Cash and cash equivalents	13	166,838	82,942
Total current assets		811,058	726,071
Assets held for sale or transferred		-	-
Total assets		1,728,714	1,912,649

Liabilities (Euro/000)	Note	31/12/2012	31/12/2011
Share capital		64,079	64,079
Share premium reserve		210,200	210,200
Treasury shares		(73,497)	(70,456)
Other reserves and result carried forward		366,994	320,367
Profit (loss) for the period		(167,277)	49,621
Group's Shareholders' equity	14	400,499	573,811
Minority shareholders' equity and reserves	15	33,313	35,068
Total Shareholders' equity		433,812	608,879
Provisions	16	61,858	47,443
Post-employment benefits	17	53,877	53,508
Non-current financial liabilities	18	387,321	412,812
Deferred tax liabilities	6	89,393	103,259
Other non-current liabilities		-	-
Total non-current liabilities		592,449	617,022
Income tax payables	19	2,689	22,938
Other current liabilities	20	248,191	259,932
Trade payables	21	366,811	366,837
Payables due to banks and other financial liabilities	18	84,762	37,041
Total current liabilities		702,453	686,748
Liabilities held for sale or transferred		-	-
Total liabilities		1,728,714	1,912,649

Group consolidated income statement

(Euro/000)	Note	FY 2012	FY 2011
Revenues from sales and services	22	1,416,093	1,507,151
Decrease (increase) of inventory	10	7,340	(4,102)
Cost of raw, ancillary, consumption materials and goods	23	216,611	238,657
Cost of services	24	794,655	844,474
Cost of personnel	25	290,415	270,748
Other (income) cost	26	48,510	41,969
Revenues (costs) from investments valued at equity	27	14,949	(3,392)
EBITDA		66,502	130,354
Depreciation and impairment loss on investments, plants and machinery	3-4	11,794	12,117
Amortisation and impairment loss on intangible assets	2	206,257	14,464
EBIT		(151,549)	103,773
Financial income (costs)	28	(22,260)	(20,504)
Revenues (costs) form other investments		-	(597)
Pre-tax result		(173,809)	82,672
Income tax	29	(8,718)	33,196
Result from operations		(165,091)	49,476
Revenues (costs) from assets/liabilities held for sale or transferred		-	-
Net result		(165,091)	49,476
Attributable to:			
- Minority shareholders		2,186	(145)
- Parent Company's shareholders		(167,277)	49,621
Net earnings per share (in Euro units)	30	(0.720)	0.210
Diluted net earnings per share (in Euro units)	30	(0.720)	0.210

For the Board of Directors
The Chairman
Marina Berlusconi

Group's consolidated comprehensive income statement

(Euro/000)	Note	FY 2012	FY 2011
Net result before minority interests		(165,091)	49,476
Income (loss) deriving from the conversion of currency denominated financial statements of foreign companies	14	-	(5)
Other income (loss) from companies valued at equity	14	(142)	(1,615)
Effective portion of income (loss) on cash flow hedge instruments	12	(3,087)	(6,165)
Income (loss) deriving from assets held for sale (fair value)	12	(2,175)	(2,603)
Tax impact relative to other income (loss)		700	941
Total other income (loss) net of taxes		(354)	(9,477)
Comprehensive income for the period		(165,445)	40,029
Attributable to:			
- Parent Company's shareholders		(167,631)	40,174
- Minority shareholders		2,186	(145)

For the Board of Directors
The Chairman
Marina Berlusconi

Table of changes in the Group's consolidated shareholders' equity at 31 December 2011

(Euro/000)	Note	Share capital	Share premium reserve	Treasury shares	Stock options reserve	Cash flow hedge reserve	Fair value reserve	Currency reserve	Other reserve	Income (loss) for the period	Total Group's equity	Minority shareholders' equity	Total
Balance at 01/01/2011		67,452	286,857	(144,968)	7,125	(5,235)	(1,793)	(610)	328,284	42,101	579,213	1,750	580,963
- Allocation of net income									1,800	(1,800)			
- Dividend payout										(40,301)	(40,301)	(533)	(40,834)
- Changes in the consolidation area												34,000	34,000
- Disposal of Treasury shares	14	(3,373)	(76,657)	80,030							-		0
- Transactions on Treasury shares	14			(5,518)							(5,518)		(5,518)
- Stock options	25				(1,176)				1,871		695		695
- Other changes									(452)		(452)	(4)	(456)
- Comprehensive income (loss)						(5,224)	(2,603)	(1,620)		49,621	40,174	(145)	40,029
Balance at 31/12/2011		64,009	210,200	(70,456)	5,949	(10,459)	(4,396)	(2,230)	331,503	49,621	573,811	35,068	608,879

Table of changes in the Group's consolidated shareholders' equity at 31 December 2012

(Euro/000)	Note	Share capital	Share premium reserve	Treasury shares	Stock options reserve	Cash flow hedge reserve	Fair value reserve	Currency reserve	Other reserve	Income (loss) for the period	Total Group's equity	Minority shareholders' equity	Total
Balance at 01/01/2012		64,079	210,200	(70,456)	5,949	(10,459)	(4,396)	(2,230)	331,503	49,621	573,811	35,068	608,879
- Allocation of net income									49,621	(49,621)			
- Dividend payout												(3,680)	(3,680)
- Changes in the consolidation area								2,465	(5,204)		(2,739)	(261)	(3,000)
- Disposal of Treasury shares	14												
- Transactions on Treasury shares	14			(3,041)							(3,041)		(3,041)
- Stock options	25				(2,193)				2,312		119		119
- Other changes	14								(20)		(20)		(20)
- Comprehensive income (loss)						(2,387)	2,175	(142)		(167,277)	(167,631)	2,186	(165,445)
Balance at 31/12/2012		64,079	210,200	(73,497)	3,756	(12,846)	(2,221)	93	378,212	(167,277)	400,499	33,313	433,812

For the Board of Directors
The Chairman
Marina Berlusconi

Group consolidated cash flow statement

(Euro/000)	Note	31/12/2012	31/12/2011
Net result for the period		(167,277)	49,621
Adjustments			
Amortisation, depreciation and impairment	2-3-4	218,051	26,581
Income tax for the period	29	(8,718)	33,196
Stock options	25	119	695
Fund provisions (utilisation) and post-employment benefits		2,972	9,843
Capital loss (gain) from the transfer of intangible assets, properties, plant and equipment, investments		(7,434)	(2,823)
Capital loss (gain) from financial assets valuation	28	(208)	557
(Revenues) costs of companies valued at equity	27	(554)	(14,949)
Net financial costs on loans and transactions with derivatives	28	13,914	15,832
Cash flow generations from operations		50,865	118,553
Trade receivable (increase) decrease		25,740	33,235
Inventory (increase) decrease		6,900	(4,798)
Trade payable increase (decrease)		(3,608)	(14,709)
Income tax payments		(43,626)	(33,088)
Advances and post-employment benefits		(5,240)	(4,681)
Net difference for other assets/liabilities		(4,433)	(11,437)
Cash flow generated (absorbed by) operations		26,598	83,075
Price collected (paid) net of cash transferred/acquired	1	(1,932)	985
(Purchase) disposal of intangible assets		(2,381)	852
(Purchase) disposal of properties, plant and equipment		(5,104)	(16,758)
(Purchase) disposal of investments		71,537	8,633
(Purchase) disposal of financial assets		(6,140)	(3,918)
Cash flow generated (absorbed by) investment activities		55,980	(10,206)
Net difference in financial liabilities		19,172	(15,608)
Payment of net financial costs on loans and transactions with derivatives		(14,813)	(13,401)
(Purchase) transfer of treasury shares	14	(3,041)	(5,518)
Dividends paid out	14	-	(40,301)
Cash flow generated (absorbed by) financing activities		1,318	(74,828)
Increase (decrease) in cash and cash equivalents		83,896	(1,959)
Cash and cash equivalents at the beginning of period	13	82,942	84,901
Cash and cash equivalents at the end of period	13	166,838	82,942
Cash and other cash equivalents composition			
Cash, cheques and securities		1,994	2,159
Bank and postal deposits		164,844	80,783
		166,838	82,942

For the Board of Directors
The Chairman
Marina Berlusconi

Group consolidated balance sheet
pursuant to Consob Resolution no. 15519 of 27 July 2006

Assets

(Euro/000)	Note	31/12/2012	of which related parties (note 33)	31/12/2011	of which related parties (note 33)
Intangible assets	2	745,999	-	947,303	-
Property investments	3	3,238	-	2,761	-
Land and buildings		9,258	-	10,215	-
Plant and equipment		14,178	-	12,405	-
Other tangible assets		26,318	-	30,651	-
Property, plant and equipment	4	49,754	0	53,271	0
Investments valued at equity		59,125	-	126,134	-
Other investments		1,374	-	995	-
Total investments	5	60,499	0	127,129	0
Non-current financial assets	12	5,571	5,144	6,925	6,477
Anticipated tax assets	6	50,630	-	48,137	-
Other non-current assets	7	1,965	-	1,052	-
Total non-current assets		917,656	5,144	1,186,578	6,477
Tax receivables	8	61,872	15,847	40,831	2,470
Other current assets	9	85,225	226	80,280	-
Inventory	10	129,627	-	137,066	-
Trade receivables	11	335,423	40,339	360,369	38,478
Other current financial assets	12	32,073	3,589	24,583	3,057
Cash and cash equivalents	13	166,838	-	82,942	-
Total current assets		811,058	60,001	726,071	44,005
Assets held for sale or transferred		-	-	-	-
Total assets		1,728,714	65,145	1,912,649	50,482

Liabilities

(Euro/000)	Note	31/12/2012	of which related parties (note 33)	31/12/2011	of which related parties (note 33)
Share capital		64,079	-	64,079	-
Share premium reserve		210,200	-	210,200	-
Treasury shares		(73,497)	-	(70,456)	-
Other reserves and results carried forward		366,994	-	320,367	-
Profit (loss) for the period		(167,277)	-	49,621	-
Group's shareholders' equity	14	400,499	0	573,811	0
Minority shareholders' equity and reserves	15	33,313	-	35,068	-
Total net equity		433,812	0	608,879	0
Provisions	16	61,858	-	47,443	-
Post-employment benefits	17	53,877	-	53,508	-
Non-current financial liabilities	18	387,321	70,251	412,812	65,000
Deferred tax liabilities	6	89,393	-	103,259	-
Other non-current liabilities		-	-	-	-
Total non-current liabilities		592,449	70,251	617,022	65,000
Income tax payables	19	2,689	1,160	22,938	13,953
Other current liabilities	20	248,191	55	259,932	-
Trade payables	21	366,811	24,601	366,837	84,509
Payables due to banks and other financial liabilities	18	84,762	3,879	37,041	3,689
Total current liabilities		702,453	29,695	686,748	102,151
Liabilities held for sale or transferred		-	-	-	-
Total liabilities		1,728,714	99,946	1,912,649	167,151

Group consolidated income statement pursuant to Consob Resolution no. 15519 of 27 July 2006

(Euro/000)	Note	FY 2012	of which related parties (note 33)	of which non-recurring costs (revenues) (nota 32)	FY 2011	of which related parties (note 33)	of which non-recurring costs (revenues) (note 32)
Revenues from sales and services	22	1,416,093	51,176	-	1,507,151	61,548	-
Decrease (increase) of inventory	10	7,340	-	-	(4,102)	-	-
Cost of raw, ancillary, consumption materials and goods	23	216,611	18,452	-	238,657	19,841	-
Cost of services	24	794,655	24,566	-	844,474	206,931	-
Cost of personnel	25	290,415	-	2,157	270,748	-	-
Other (income) cost	26	48,510	(1,207)	(3,904)	41,969	(6,588)	-
Revenues (costs) from investments valued at equity	27	7,940	-	178	14,949	-	-
EBITDA		66,502	9,365	1,925	130,354	(158,636)	0
Depreciation and impairment loss on investments, plant and equipment	3-4	11,794	-	-	12,117	-	-
Amortisation and impairment loss on intangible assets	2	206,257	-	-	14,464	-	-
EBIT		(151,549)	9,365	1,925	103,773	(158,636)	0
Financial revenues (costs)	28	(22,260)	(2,426)	-	(20,504)	(1,690)	-
Revenues (costs) from other investments		-	-	-	(597)	-	-
Pre-tax result		(173,809)	6,939	1,925	82,672	(160,326)	0
Income tax	29	(8,718)	-	(9,942)	33,196	-	-
Result from operations		(165,091)	6,939	11,867	49,476	(160,326)	0
Revenues (costs) from assets/liabilities held for sale or transferred		-	-	-	-	-	-
Net result		(165,091)	6,939	11,867	49,476	(160,326)	0
Attributable to:							
- Minority shareholders		2,186	-	43	(145)	-	-
- Parent Company's shareholders		(167,277)	-	11,824	49,621	-	-

Accounting principles and explanatory notes to the financial statements

Accounting principles and other information

1. General information
The core business of Arnoldo Mondadori Editore S.p.A. and of its directly or indirectly owned companies (hereinafter jointly referred to as the "Mondadori Group" or the "Group") is the performance of activities in the publishing sector of books, magazines, radio broadcasting and the sale of advertising space.

The Group also carries out retailing activities through directly owned stores and franchised stores present throughout Italy and a direct marketing and mail order selling activity for publishing products.

In 2011 Mondadori extended its offer of products and services of all of its business areas, to be used with cutting edge technology.

Arnoldo Mondadori Editore S.p.A. has its legal offices in Milan, via Bianca di Savoia 12. The headquarters are located in Segrate, Milan, Strada privata Mondadori.

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

The advertisement of Mondadori Group's consolidated financial statements ended at 31 December 2012 was authorised by the Board of Directors' resolution of 20 March 2013.

2. Form and content
The consolidated financial statements as at 31 December 2012 were drafted in compliance with the International Accounting Standards (IAS/IFRS) issued by the International Accounting Standards Board (IASB) and approved by the EU and in compliance with the International Financial Reporting Interpretations Committee (SIC/IFRIC).

The financial statements were prepared with the understanding that the company will continue to operate in the future. The Group has decided that, despite the difficult economic and financial context, there is no significant uncertainty (as defined by IAS 1.25) surrounding its ability to continue operating in the future, partly as a result of the actions already undertaken to adjust to the changes that are currently involving some products and markets in which the Group operates and to the industrial and financial flexibility of the Group.

The Mondadori Group adopted the body of the principles applied as of 1 January 2005, following the adoption of European Regulation no. 1606 of 19 July 2002.

The financial statements at 31 December, 2012 were prepared in accordance with the accounting standards used for the preparation of IAS/IFRS financial statements as at 31 December, 2011, taking into consideration any new amendments and standards with effect from 1 January 2012, which are referred to in note 6.26.

The financial statements were prepared in the following way:
- current and non-current assets and current and non-current liabilities are shown separately in the consolidated balance sheet;
- in the consolidated separate income statement, the analysis of costs is carried out on the basis of the nature of the costs, since the Group decided that this method is more representative than an analysis by function;

- the consolidated comprehensive income statement contains revenue and cost items that are not recognised under income (loss) for the period as required or allowed by the other IAS/IFRS accounting standards;
- the cash flow statement has been prepared using the indirect method.

With reference to the requirements of Consob Resolution 15519 of 27 July 2006 concerning the tables to the financial statements, specific supplementary tables were included to highlight significant transactions with "Related parties" and "Non-recurring transactions".

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

3. Consolidation principles

Mondadori Group consolidated financial statements include:
- the financial statements of the Parent Company and the financial statements of directly or indirectly owned Italian and foreign companies according to the provisions set out in IAS 27. In these cases the financial statements are consolidated on a line-by-line basis in accordance with IAS 27;
- the financial statements of Italian and foreign companies in which Arnoldo Mondadori Editore S.p.A. has joint control, either directly or indirectly, pursuant to IAS 31. In these cases investments are recognised in compliance with the equity method;
- the financial statements of Italian and foreign companies in which Arnoldo Mondadori Editore S.p.A. has a direct or indirect investment in an associated company pursuant to IAS 28. In these cases investments are recognised in compliance with the equity method.

The application of the above mentioned consolidation policies has led to the following adjustments:
- the book value of investments in companies included in the consolidation area is discharged against the related net equity;
- the difference between the cost borne for the acquisition of the investment and the relevant share of net equity is recognised on the date of purchase and allocated to the specific asset and liability items at fair value. Any positive difference is recognised under goodwill; any negative difference is recognised under income statement;
- consolidated equity amounts, reserves and the financial result attributable to third party minority interests are recognised under separate items in consolidated shareholders' equity and income statement;
- in preparing the consolidated financial statements, receivables and payables, revenues and expenses resulting from transactions between companies included in the consolidation area are discharged as are any unrealised gains or losses on intercompany operations.

The financial statements of companies included in the consolidation area are prepared at the same closing date of Arnoldo Mondadori Editore S.p.A., in accordance with IAS/IFRS.

In cases where the closing date is different from the Parent Company's closing date, adjustments are made in order to recognise the effects of any significant transactions or events that have occurred between that date and the Parent Company's closing date.

The most significant transactions occurred in the period are:
- the transfer of the residual 20% interest in Mondadori Printing S.p.A.;
- the acquisition of the residual 30% interest in Glaming S.r.l.;
- the acquisition by Mondadori France S.A. of 60% of NaturaBuy S.a.s.;
- the acquisition of the residual 10% interest in Edizioni Piemme S.p.A.;

- the transfer of the entire interest owned in the Random House Mondadori Group, equal to 50%;
- the establishment of Mondadori International Business S.r.l., a company dedicated to the management and development of Group licensing activities.

Other transactions mainly included the acquisition, transfer and liquidation of minority interests.

Company name	Registered office	Business	Currency	Share capital expressed in local currency	% held as of 31/12/2012	% held as of 31/12/2011
Companies consolidated using line-by-line method						
Arnoldo Mondadori Editore S.p.A.	Milan	Publishing	Euro	64,079,168.40		
Italian subsidiaries						
Cemit Interactive Media S.p.A.	S. Mauro Torinese (TO)	Trade	Euro	3,835,000.00	100.00	100.00
Edizioni Piemme S.p.A.	Milan	Publishing	Euro	566,661.00	100.00	90.00
Mondadori Education S.p.A.	Milan	Publishing	Euro	10,608,000.00	100.00	100.00
Mondadori Electa S.p.A.	Milan	Publishing	Euro	1,593,735.00	100.00	100.00
Electa S.r.l.	Milan	Services	Euro	20,000.00	100.00	100.00
Mondadori Direct S.p.A.	Milan	Trade	Euro	2,700,000.00	100.00	100.00
Giulio Einaudi editore S.p.A.	Turin	Publishing	Euro	23,920,000.00	100.00	100.00
Glaming S.r.l.	Milan	Gambling	Euro	20,000.00	100.00	70.00
Mondadori International S.p.A.	Milan	Finance	Euro	350,736,076.00	100.00	100.00
Mondadori International Business S.r.l.	Milan	Publishing	Euro	2,800,000.00	100.00	-
Mondadori Pubblicità S.p.A.	Milan	Advert. ag.	Euro	3,120,000.00	100.00	100.00
Mondadori Iniziative Editoriali S.p.A.	Milan	Trade publ.	Euro	500,000.00	100.00	100.00
Press-Di Distr. Stampa e Multimedia S.r.l.	Milan	Services	Euro	1,095,000.00	100.00	100.00
Monradio S.r.l.	Milan	Radio	Euro	3,030,000.00	100.00	100.00
Sperling & Kupfer Editori S.p.A.	Milan	Publishing	Euro	1,555,800.00	100.00	100.00
Sporting Club Verona S.r.l.	Milan	Sports club	Euro	100,000.00	100.00	100.00
Foreign subsidiaries						
ABS Finance Fund Sicav	Luxembourg	Finance	Euro	1,544,829.98	70.57	70.57
Gruppo Mondadori France	Paris	Publishing	Euro	50,000,000.00	100.00	100.00
Prisco Spain S.A.						100.00

Company name	Registered office	Business	Currency	Share capital expressed in local currency	% held as of 31/12/2012	% held as of 31/12/2011
Companies valued at equity						
ACI-Mondadori S.p.A.	Milan	Publishing	Euro	590,290.00	50.00	50.00
MDM Milano Distribuzione Media S.r.l.	Milan	Trade	Euro	520,000.00	20.00	20.00
Group Attica Publications	Athens	Publishing	Euro	4,590,000.00	41.98	41.98
Campania Arte S.c.ar.l.	Rome	Services	Euro	100,000.00	22.00	22.00
Consorzio Covar (in liquidation)	Rome	Services	Euro	15,493.70	25.00	25.00
Consorzio Forma	Pisa	Services	Euro	3,615.00	25.00	25.00
Edizioni EL S.r.l.	Trieste	Publishing	Euro	620,000.00	50.00	50.00
Group Random House Mondadori						50.00
Gruner + Jahr/Mondadori S.p.A.	Milan	Publishing	Euro	2,600,000.00	50.00	50.00
Harlequin Mondadori S.p.A.	Milan	Publishing	Euro	258,250.00	50.00	50.00
Mach 2 Libri S.p.A.	Peschiera Borromeo (MI)	Trade	Euro	646,250.00	34.91	34.91
Mach 2 Press S.r.l.	Peschiera Borromeo (MI)	Trade	Euro	200,000.00	46.98	46.98
Mediamond S.p.A.	Milan	Advert. ag.	Euro	1,500,000.00	50.00	50.00
Mondadori Independent Media LLC	Moscow	Publishing	Rub	92,232,160.00	50.00	50.00
Mondadori Seec Advertising Co. Ltd.	Beijing	Publishing	Cny	40,000,000.00	50.00	50.00
Mondadori Printing S.p.A.	Cisano Berg. (BG)	Printing	Euro			20.00
Novamusa Val di Noto S.c.ar.l.	Messina	Services	Euro	90,000.00	20.00	20.00
Novamusa Valdemone S.c.ar.l.	Messina	Services	Euro	90,000.00	20.00	20.00
Novamusa Val di Mazara S.c.ar.l.	Messina	Services	Euro	90,000.00	20.00	20.00
Roccella S.c.ar.l. (in liquidation)	Naples	Services	Euro	100,000.00	49.50	49.50
Società Europea di Edizioni S.p.A.	Milan	Publishing	Euro	2,528,875.00	36.89	36.89
Venezia Musei Società per i servizi museali S.c.ar.l. (in liquidation)	Venice	Services	Euro	10,000.00	34.00	34.00
Venezia Musei Società per i servizi museali S.c.ar.l.	Venice	Services	Euro	10,000.00	25.00	25.00
Companies valued at equity						
Aranova Freedom Società Consortile ar.l.	Bologna	Radio	Euro	19,200.00	16.66	16.66
Audiradio S.r.l. (in liquidation)	Milan	Services	Euro	258,000.00	9.05	9.05
Club Dab Italia S.c.p.A.	Milan	Radio	Euro	240,000.00	12.50	-
Consuledit S.r.l. (in liquidation)	Milan	Services	Euro	20,000.00	9.56	9.56
Consorzio Edicola Italiana	Milan	Services	Euro	60,000.00	16.67	-
Consorzio Forte Montagnolo	Civitanova Marche	Radio	Euro	26,000.00	3.85	3.85
Consorzio Riqualificazione Monte Gennaro	Rome	Radio	Euro	15,000.00	6.67	6.67
Consorzio Antenna Colbuccaro	Ascoli Piceno	Radio	Euro	180,000.00	4.44	4.44
Consorzio Camaldoli 1	Naples	Radio	Euro	42,000.00	4.76	4.76
Consorzio Sistemi Informativi Editoriali Distributivi	Milan	Services	Euro	103,291.38	10.00	10.00
Editrice Portoria S.p.A.	Milan	Publishing	Euro	364,000.00	16.78	16.78
Editrice Storia Illustrata S.r.l.						8.39
Giulio Einaudi editore S.p.A. (in receivership)						7.35
Immobiliare Editori Giornali S.r.l.	Rome	Real Estate	Euro	830,462.00	7.88	7.88
SCABEC S.p.A.	Naples	Services	Euro	1,000,000.00	10.78	10.78
Selcon S.r.l.	Milan	Services	Euro	20,800.00	25.60	25.60
Società Editrice Il Mulino S.p.A.	Bologna	Publishing	Euro	1,175,000.00	7.05	7.05

4. Conversion of financial statements denominated in foreign currencies

All amounts in the Mondadori Group consolidated financial statements are in euros, which is the Group's functional and presentation currency.
When the financial statements of companies are denominated in a different currency, they are converted into the entity's presentation currency as follows:
- assets and liabilities are converted at the exchange rate ruling at closing;
- income statement items are converted at the average exchange rate for the period.

Currency exchange rate differences that arise from these conversions are recognised in a specific reserve under shareholders' equity.

5. Segment information

The information required by IFRS 8 reflects the Group organisational structure which includes the following Areas: Books, Magazines Italy and Magazines France, Advertising, Direct, Radio, Corporate and Other Business.

This structure gives a clear representation of the Group's differentiation in terms of products sold and services rendered and is used as the basis for corporate reporting in the definition of corporate strategies and plans as well as in the valuation of investment opportunities and allocation of resources.

Information relating to segment reporting is included in the notes here below.

6. Accounting principles and valuation criteria

The following is an explanation of the principles adopted by Mondadori Group in preparing the IAS/IFRS financial statements as at 31 December 2012.

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 valued at cost, net of accumulated amortisation and any accumulated impairment losses.

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

Intangible assets with a finite useful life
The cost of intangible assets with a finite useful life is systematically amortised over the useful life of the asset from the moment that the asset is available for use. The amortisation criteria depend on how the relative future economic benefits contribute to the Company's result.

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

Intangible assets with finite useful life	Useful life
Magazines	Duration of license/30 years
Replacement charges for lease contracts	Duration of the lease contract
Goods under concession or license	Duration of the concession or license
Software	Straight line over 3 years
Patents and rights	Straight line over 3-5 years
Other intangible assets	Straight line over 3-5 years

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

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

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

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

Intangible assets with indefinite useful life
Magazines
Series
Radio stations
Brands
Goodwill

Goodwill represents the excess of the cost of a business combination over the Group's share in the fair value of the assets, liabilities and potential liabilities, as identified at the time of purchase. Goodwill and other intangible assets with an indefinite useful life are not subject to amortisation but to an impairment test of their book value at least once a year. This test concerns the value of the individual assets or of cash generating unit and is performed out whenever it is believed that there would be a loss of value and that 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 value, on condition that the cost of the asset can be reliably measured and that future economic benefits will flow to the entity.

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

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

The cost of property investments, except for that part pertaining to the cost of the land, is systematically amortized over the useful life of the asset. Depreciation criteria depend on how the relative future economic benefits accrue to the entity.

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

Property investments	Depreciation rate
Non-instrumental buildings	3%

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

Income and losses deriving from the disposal of property investments are recognised in the income statement pertaining to 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 entity.

Assets booked to property, plant and equipment are valued at cost, including any accessory charges, and are stated net of 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 can improve the asset yield.

Assets booked to property, plant and equipment purchased as part of acquisitions and business combinations are initially recognised at fair value as determined at the time of purchase and, subsequently, at cost.

Assets recognised as property, plant and equipment, with the exception of land, are depreciated on a straight line basis during the useful life of the asset from the moment the assets are available for use.

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

The depreciation rates that generally reflect the useful lives attributed to Group property, plant and equipment are shown in the table below:

Property, plant and equipment	Depreciation rate
Instrumental buildings	3%
Plants	10%-25%
Machinery	15.5%
Equipment	12.5%-25%
Electronic office machines	30%
Office furniture and machines	12%
Motor vehicles and transport vehicles	20%-30%
Other assets	20%

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

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

6.4 Finance lease assets
Assets acquired under finance leases, which transfer all the relevant risks and benefits to the Group, are recognised at current value or, if lower, at the value of the minimum lease payments, including the amount to be paid for exercising an eventual purchase option.

Liabilities arising from leasing contracts are recognised under financial liabilities.

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

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

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

6.6 Impairment
The carrying value of intangible assets, investment property and property, plant and equipment is subject to an impairment test whenever it is believed that it will be a loss in value.

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 amount whit the higher amount between the fair value minus the sales cost and the value in use of the asset.

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

Discounting rates reflect 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 asset use.

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

If during subsequent financial years, when the impairment test is repeated, the reasons for the impairment no longer exist, the value of the asset, excluding goodwill, is reinstated in order to consider the new recoverable value, which should never exceed the value that would have been stated if had no loss in value been recognised.

6.7 Investments in subsidiaries, joint ventures and affiliated 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 affiliated companies are initially recognised at cost and subsequently adjusted as a result of any changes in the interest the Group holds in the relevant equity.
The Group's share of any income and loss of such companies is recognised under income statement.

The relevant book value also contains any excess cost paid and attributable to goodwill.

The risk resulting from any loss exceeding Shareholders' equity is recognised as a liability to the extent to which the Group is legally bound or held liable or has made payments on behalf of the company in question.

6.8 Inventory

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

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

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

The presumed net value for raw, ancillary and consumption materials corresponds to the cost of their replacement, while for semi-finished and finished products it corresponds to the standard estimated sales price net of estimated cost to completion and sales cost, respectively.

6.9 Financial assets

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

Financial assets at fair value with adjustments recognised under income statement
In accordance with IAS 39, this category includes:
- financial assets/liabilities which the Group posted at fair value through income and loss under income statement upon first recognition;
- financial assets/liabilities held for trading as:
  - classified as held for trading, i.e. purchased or committed to for the purpose of gaining benefits from short-term price fluctuations;
  - part of a portfolio of specific financial instruments that are managed en bloc and for which there is recent, reliable evidence of short-term benefits.

In an active market, the fair value of these instruments is calculated by making reference to the market value at closing, while financial evaluation techniques are used in case of no active market. Profit and losses deriving from fair value evaluation of assets held for trading are recognised under income statement.

Held-to-maturity investments
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. Income and loss are recognised under income statement when loans and receivables are cancelled out or in case of impairment, as well as through amortisation.

The Group includes trade receivables, both financial and other receivables into this category. These are due within 12 months and are therefore recognised at nominal value (net of any impairment loss). This category also includes item "Cash and other cash equivalents".

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

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

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

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

Available-for-sale financial assets also include investments in other companies, which are valued at cost since the fair value cannot be reliably calculated.

6.10 Trade receivables and other receivables
Trade receivables and other receivables are initially recognised at cost, i.e. at the fair value of the price collected upon completion of the relevant transaction. Receivables are recognised at current values when the relevant financial impact linked to the expected collection time span is significant and the collection date can be reliably estimated.
Receivables are recognised in the financial statements at their estimated realisable value.

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

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

6.13 Financial liabilities
Financial liabilities include financial payables, derivative instruments, payables associated with financial leasing contracts and trade payables. All financial liabilities other than derivative financial instruments are initially valued at fair value, increased by any transaction costs, and are subsequently valued at amortised cost using the interest rate method.

Financial liabilities hedged by derivative instruments against the risk of changes in value (fair value hedges), are valued at fair value, in accordance with IAS 39 hedge accounting. Income and loss resulting from subsequent variations in fair value are recognised under income statement. Any changes linked to the effective hedge portion are compensated for by adjusting the value of the relevant derivative instruments.
Financial liabilities hedged by derivative instruments against the risk of changes in cash flow (cash flow hedges), are valued at amortised cost in compliance with IAS 39 - Hedge accounting.

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

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

6.15 Impairment loss on financial assets
Upon closing, the Group carries out an impairment test in order to determine whether a financial asset or group of financial assets has decreased in value.

Financial assets valued at amortised cost
If there is objective evidence of a reduction in the value of loans and receivables, the loss amount is recognised under income statement and is calculated as the difference between the asset's book value and the current value of the estimated cash flows discounted based on the interest rate used initially for the asset.

If, 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.

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

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

6.16 Derivative financial instruments
Derivative financial instruments are initially recognised at fair value at the date they are stipulated. 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.

Transactions that satisfy hedge accounting criteria are accounted for as follows:

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

As for the fair value hedge of items recognised at amortised cost, the adjustment of the carrying value is amortised under income statement throughout the period before maturity. Any adjustments to the carrying value of any hedged financial instrument for which the interest rate method is applied, are amortised under income statement.

The amortisation may begin as soon as an adjustment is identified but it may not be extended after the date in which the object hedged ceases to be subject to fair value adjustments attributable to the hedging risk. If the hedged object is cancelled, the fair value that has not been amortised is immediately recognised under income statement.

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

Income and loss associated with the ineffective part of a hedge are recognised under income statement. When a hedging instrument is terminated, but the transaction subject to hedge has not yet been carried out, the accumulated income and loss are kept in the reserve under shareholders' equity and will be reclassified under income statement upon completion of the transaction. Should the transaction subject to hedge be considered as no longer probable, any unrealised income and loss posted under the relevant shareholders' equity reserve are recognised under income statement.

When hedge accounting is not applicable, income and loss deriving from the fair value valuation of the derivative financial instrument are recognised under income statement.

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

Provisions are valued at fair value based on each individual liability item. When the financial impact associated with the assumed time span for the outlay is relevant and the payment dates can be reliably foreseen, provisions include said financial component, which is recognised in financial income (expense) in the income statement.

6.18 Post-employment benefits
Benefits due to employees upon termination of the relevant labour contract are broken down according to their economic nature as follows:
- defined contribution plans, represented by the sums accrued as of 1 January 2007 for Group companies with more than 50 employees;
- defined benefit plans, represented by the severance indemnity fund for companies with less than 50 employees and the severance indemnity fund accrued until 31 December 2006 for the other Group companies.

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

Post-employment benefits for companies with more than 50 employees are calculated by applying actuarial criteria to the severance indemnity fund accrued until 31 December 2006, taking into account both demographic assumptions (including mortality rates and employee turnover) and financial assumptions (discounts reflecting the time value of money and the inflation rate).

Post-employment benefits for companies with less than 50 employees are calculated by applying the same actuarial criteria, taking into account current and future salary levels.

The amount recognised as a liability for defined benefit plans is represented by the current liability value at closing, net of the current value of plan assets, if any. This liability item is listed in the income statement and includes the following components:
- social security costs relative to current labour;
- cost of interest;
- actuarial gains and loss;
- the expected return from any asset plan, if any.

The Group recognises all actuarial gains and losses directly under income statement.

The amounts accrued in favour of employees during the year and any applicable actuarial gains or losses are recognised under "Costs of 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 (cost)".

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

6.19 Stock options plans
The Group grants additional benefits to directors and managers whose functions are strategically relevant for the attainment of the company's results, through the provision of equity-settled stock option plans.

Stock options are stated at fair value upon delivery. Fair value is determined on the basis of a binomial model and subject to the provisions of the individual plans.

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

At the end of each financial year, the previously calculated fair value of every option is neither adjusted nor updated; at closing, the estimate of the number of options expected to be exercised to maturity (and therefore the number of employees entitled to exercise these options) is updated. Any change in this estimate is recognised in item "Reserve for stock options" with a counter-item in personnel costs under income statement.

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

The dilution effect of options that have not yet been exercised is reflected in the calculation of diluted earnings per share.

The Mondadori Group implemented the provisions contained in IFRS 2 for all stock option plans granted after 7 November 2002.

6.20 Recognition of revenues and costs

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

Revenues from the sale of magazines and advertising spaces are recognised on the basis of the 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, in any case, on an accrual basis.

6.21 Current, pre-paid and deferred taxes

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

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

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

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

Taxes relating to items directly recognised under equity are recognised directly under Shareholders' equity.

6.22 Transactions denominated in foreign currencies

Revenues and costs deriving from transactions denominated in foreign currencies are posted in the relevant currency at the exchange rate applied on the transaction date.
Monetary assets and liabilities denominated in foreign currencies are converted at the exchange rate ruling at 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 applied on the relevant transaction date. Non-monetary items recognised at fair value in a foreign currency are converted using the exchange rates applied on the fair value calculation date.

6.23 Grants and contributions

Grants and contributions are recognised if there is a reasonable certainty that they will be received and if all the conditions referring to them are satisfied. When grants refer to cost items, they are recognised as revenues and systematically distributed over the years so as to reflect the cost proportion they are intended to offset. When grants refer to assets, the relevant fair value is deferred in long-term liabilities and is recognised in equal amounts under income statement over the useful life of the asset.

6.24 Earnings per share

Earnings per share refer to the Group's net profit divided by the weighted average number of outstanding shares in the period of reference.
For the purpose of calculating diluted earnings per share, the weighted average number of outstanding shares is adjusted on the assumption of converting shares with a dilution effect.

6.25 Assets and liabilities held for sale and discontinued operations

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

6.26 Accounting standards and interpretations adopted by the European Union with effect from 1 January 2012 and applied by Mondadori Group

IAS 12 - Income taxes

In December 2010 IASB revised IAS 12 – *Income taxes*, introducing the assumption that deferred taxes relative to property investments valued at fair value pursuant to IAS 40 must be determined considering that the book value of such asset is expected to be recovered through the sale of the asset.
The amendment is effective retroactively as of 1 January 2012 and does not have any significant impact on the Group's financial statements.

IFRS 7 – Financial instruments: Disclosures.

On October 7, 2010 IASB published some amendments to IFRS 7 – *Financial instruments: Disclosures.*
The amendments were issued with a view to improving disclosure information about the derecognition of financial assets.
In particular, the amendments require disclosure of information on risk exposure in the case of transfers of financial instruments where the transferring entity keeps a sort of continuing involvement in such assets.
The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.
The adoption of the amendment did not have any impact on these financial statements.

6.27 New standards and interpretations not yet in effect and applicable to the Mondadori Group

IFRS 10 – Consolidated Financial Statements

On 12 May 2011 IASB issued IFRS 10 – *Consolidated financial statements* replacing SIC12 Consolidation – Special purpose entities and part of IAS 27 – Consolidated and separate financial statements, which will be re-named separate financial statements, regulating the accounting rules applicable to investment entities booked in the separate financial statements. The main variations established in these new principles are the following:

- based on IFRS 10, there is one single basic principle to consolidate entities, which is control. This variation eliminates the perceived inconsistency between the previous IAS 27 (based on control) and SIC 12 (based on risks and benefits);
- control is defined more strongly than in the past, based on three elements: (a) control of the acquired entity; (b) exposure, or right, to variable performance deriving from involvement with the same; (c) ability to exercise control on the results of said performance;
- IFRS 10 requires that for the purpose of evaluating control of an acquired entity, an investor must focus on the activities that significantly impact the performance of the same entity;
- IFRS 10 requires that, in evaluating control, only essential rights be taken into account, i.e. those rights that can be concretely exercised when relevant decisions need to be made regarding the acquired entity;
- IFRS 10 envisages practical support guidelines in the evaluation in case of control in complex situations, such as, concretely, potential voting rights and the situations in which it is necessary to determine whether the person empowered to resolve is acting as agent or principal, etc.

In general terms, the application of IFRS 10 requires a significant level of knowledge about a certain number of operating aspects.
The principle will be effective retroactively as of 1 January 2014.
An analysis, which is still in progress, reveals that the application of these new provisions does not appear to have an impact on the consolidation area.

IFRS 11 - Joint arrangements

On 12 May 2011 IASB issued IFRS 11 – *Joint arrangements*, to replace IAS 31 – Interests in joint ventures and SIC13 – Jointly controlled entities – Non-monetary contributions by venture partners.
Without prejudice to the criteria for the identification of joint control, this new principle provides rules for the accounting of joint arrangements based on rights and obligations deriving from agreements rather than from the relevant legal form of the same and, consequently, requires that interests in joint ventures be evaluated at equity in the consolidated financial statements. According to IFRS 11, the existence of a separate special purpose entity is not a sufficient condition to qualify a joint arrangement as a joint venture.
The principle will be effective retroactively as of 1 January 2014. Following validation of the aforementioned principle, IAS 28 - Investments in associates and joint ventures - was modified to also include joint control entities in its sphere of application as of the effective date of the standard.
An analysis, which is still in progress, reveals that the application of these new provisions does not appear to have an impact on the consolidated financial statements.

IFRS 12 - Disclosure of interests in other entities

On 12 May 2011 IASB issued IFRS 12 – *Disclosure of interests in other entities*, a new and exhaustive principle regarding disclosures to be made in the consolidated financial statements for any type of interest held, including those in subsidiaries, joint arrangements, associated companies and special purpose entities and other non-consolidated special purpose vehicles. The principle is effective retroactively as of 1 January 2014.

IFRS 13 – Fair value measurement

On 12 May 2011 IASB issued IFRS 13 – *Fair value measurement,* clarifying how to measure fair value for accounting purposes. It applies to all IFRS principles that require or permit the calculation at fair value or the presentation of information based on fair value, with a few limited exclusions. In addition, this principle requires disclosure of information regarding fair value determination (fair value hierarchy) more extended than the one currently requested by IFRS 7. The principle is effective retroactively as of 1 January 2013.

IAS 32 – Financial instruments

On 16 December 2011 IASB issued a few amendments to IAS 32 - *Financial instruments*: financial reporting, clarifying its requirements for offsetting financial assets and financial liabilities as envisaged in IAS 32, making it more difficult. The amendments are applicable retroactively for the financial years beginning on or after 1 January 2014.

IFRS 7 – Financial instruments: Additional information

On 16 December 2011 IASB published some amendments, applicable retroactively for the financial years beginning on or after 1 January 2013, requiring information on the effects or potential effects of compensating financial assets and liabilities on an entity's balance sheet.

IAS 1 – Presentation of financial statements

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

IAS 19 - Employee benefits

On 16 June 2011 IASB issued an amendment to IAS 19 - *Employee benefits*, eliminating the option to account for actuarial gains and losses with the so-called "corridor

approach" and requiring that all actuarial gains and losses be immediately recognized in "Other comprehensive income" so that the entire net amount of the provisions for defined benefits (net of plan-targeted assets) be recognised in the consolidated balance sheet.
The amendments also include that differences, between one financial year and the next, in the provisions for defined benefits and plan-based assets are divided into three parts:

- the cost items associated with the working performance in the financial year must be recognised under income statement as "Service costs";
- net financial expenses calculated by applying the appropriate discount rate to the net balance of the defined benefit provision net of assets resulting from the initial balance of the period must be recognised under income statement as such;
- actuarial gains and losses deriving from the new calculation of assets and liabilities must be recognised in "Other comprehensive income".

In addition, the performance of assets included under net financial expenses as above indicated must be calculated based on the discount rate of liabilities and no longer on the expected performance of assets.

This amendment also requires disclosures of new information in the explanatory notes to the financial statements. The amendment is effective retroactively starting from the financial years beginning on or after 1 January 2013.

7. Use of estimates

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

Estimates are based on the current status of information available, are examined periodically and effects are reflected in income statement.

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

The most significant accounting estimates that involve a high level of subjective 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 discounted cash flow, with the relevant assumptions.

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

Inventory provision
The Group estimates the amount of inventory to subject to write-down based on specific analyses ascertaining finished product marketability and the relevant turnover rates, and, for orders in progress, the Group considers the relevant risk of failed completion.

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

Returns to be received
In the publishing sector it is accepted practice that unsold books and magazines are returned to the publisher under pre-established conditions.
Therefore, at the end of each financial year the Group measures the quantities that are expected to be returned in the following year: this estimate is based on historical statistics and takes into account also the level of circulation.

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.

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

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

8. Business combinations and other acquisitions

Business combinations are recognised using the purchase cost method pursuant to IFRS 3.
Upon acquisition date, assets and liabilities pertaining to the transaction are recognised at fair value, except for any anticipated and deferred taxes and assets and liabilities relating to benefits in favour of employees, which are valued according to the relevant reference principle.
Accessory charges relating to the transaction are recognised under income statement in the financial year in which they are incurred.

Goodwill represents the difference between acquisition price, minority shareholders' equity and the fair value of any interest previously held in the acquired company against the fair value of the net assets and liabilities acquired upon completion of the transaction.

When the value of the net assets and liabilities purchased on the acquisition date exceeds the acquisition price, the minority shareholders' equity and the fair value of any interest previously held in the acquired company, such excess amount is recognised under income statement in the year in which the acquisition transaction is completed.

Minority Shareholders' equity may be valued, at acquisition date, either at fair value or pro-rata of the net assets recognised for the acquired company.
The valuation method is selected on a case-by-case basis.

For the purpose of calculating goodwill, any prices relating to the acquisition subject to the conditions of, and envisaged by business combination contracts, are valued at fair value as at the acquisition date and included in the relevant acquisition price.
Any subsequent changes in the fair value, referred to as adjustments deriving from additional information provided about facts and circumstances existing on the business combination completion date and in any case identified within the subsequent twelve months, are retroactively included in the value of goodwill.

In case of business combinations accomplished in subsequent steps, the interest previously held in the acquired company is subject to revaluation at fair value from the date of control acquisition and any resulting income or loss is recognised under income statement in the year in which the transaction is completed.

Should the values of the assets and liabilities acquired be incomplete as at the date of drafting of these financial statements, the Group recognises provisional values that will be later subject to adjustments in the financial year of reference within twelve months thereafter, so as to take into account any new information about facts and circumstances existing at the acquisition date, that, if made available earlier, would have had an impact on the value of the assets and liabilities recognised on that same date.

Business combinations completed before 1 January 2010 are recognised pursuant to the provisions contained in the previous version of IFRS 3.

Below are the most important data regarding company transactions completed in 2012.

8.1 Transfer of the residual 20% interest in Mondadori Printing S.p.A.
In May 2012 the transfer to Pozzoni S.p.A. of the residual interest owned by Arnoldo Mondadori Editore S.p.A., equal to 20% of Mondadori Printing S.p.A., was completed for a price of euro 19.2 million.

The transaction generated a capital gain totalling euro 5.7 million.

8.2 Acquisition of 30% of Glaming S.r.l.
In June 2012 Arnoldo Mondadori Editore S.p.A. acquired from Fun Gaming S.r.l. the latter's interest in Glaming S.r.l. for euro 828 thousands, thus increasing its shareholding from 70% to 100%.

The transaction does not qualify as a business combination pursuant to IFRS 3.

8.3 Acquisition of 60% of NaturaBuy Sa.s.
In September 2012 Mondadori France underwrote an agreement for the acquisition of 60% of NaturaBuy S.a.s. for a price of approximately euro 2.8 million; based on the terms of the agreement, Mondadori France has an option to increase its share up to 100% in the next five years.

The company acquired operates a leading website for classifieds, personals and online auction sales, through which fans of outdoor pastimes can exchange products regarding hunting, fishing and other leisure time activities.

The transaction, whose details are specified here below, qualifies as a business combination.

(Euro/000)	Fair value
Business	215
Cash and cash equivalents	837
Liabilities	(85)
Acquired net assets	967
Price paid	2,769
Put option evaluation	3,957
Goodwill	5,759

8.4 Transfer of 50% of Random House Mondadori
In November, a transfer transaction was completed involving the entire interest held by Mondadori Group in Random House Mondadori, a joint venture with the Bertelsmann group operating in Spain and in the Spanish-speaking countries of Latin America.

The transfer price, equal to euro 54.5 million, generated a capital gain totalling euro 1.7 million.

8.5 Acquisition of 10% of Edizioni Piemme S.p.A.
At the end of November the purchase of shares equal to 10% of the share capital of Edizioni Piemme S.p.A. was completed; the 3-million-worth transaction made Arnoldo Mondadori Editore S.p.A. the publisher's sole shareholder.

The transaction does not qualify as a business combination pursuant to IFRS 3.

8.6 Definition of acquisitions completed in the previous year
It should be noted that in 2012 the process for the identification and evaluation of assets and liabilities deriving from the acquisition of the majority stake of Editions Mondadori Axel Springer S.n.c. and EMAS Digital S.a.s. was completed without any need to make significant adjustments to the formerly recognised values.

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

1. Acquisitions and transfers in the year

In the financial year ended at 31 December 2012 extraordinary transactions for the acquisition and transfer of investments were completed as illustrated in section 8 "Accounting principles and other information".

2. Intangible assets

Intangible assets and the changes in the period are described and commented on below:

Intangible assets (Euro/000)	31/12/2012	31/12/2011
Intangible assets with finite useful life	228,419	241,780
Intangible assets with indefinite useful life	517,580	705,523
Total intangible assets	745,999	947,303

The following two tables show the changes in intangible assets with a finite useful life in 2011 and 2012.

Intangible assets with definite useful life (Euro/000)	Magazines	Customer lists	Charges on shop lease contract taking over	Software	Licenses, patents and rights	Other intangible assets	Intangible assets under construction and advances	Total
Cost at 31/12/2010	222,000	-	31,736	19,387	1,046	4,314	719	279,202
Investments	26,000	8,000	-	1,966	390	162	143	36,661
Disposals	-	-	(249)	(351)	-	-	-	(600)
Changes in the consolidation area	-	-	-	238	-	-	-	238
Other changes	-	-	-	87	470	(206)	(719)	(368)
Cost at 31/12/2011	248,000	8,000	31,487	21,327	1,906	4,270	143	315,133
Depreciation and impairment loss at 31/12/2010	28,573	-	10,380	16,696	959	3,606	-	60,214
Depreciation	7,164	-	1,771	1,858	146	195	-	11,134
Impairment/ (reinstatement of value)	2,200	-	-	-	-	-	-	2,200
Disposals	-	-	(145)	(349)	-	-	-	(494)
Changes in the consolidation area	-	-	-	203	-	-	-	203
Other changes	-	-	-	(210)	191	115	-	96
Depreciation and impairment loss at 31/12/2011	37,937	0	12,006	18,198	1,296	3,916	0	73,353
Net book value at 31/12/2010	193,427	0	21,356	2,691	87	708	719	218,988
Net book value at 31/12/2011	210,063	8,000	19,481	3,129	610	354	143	241,780

In 2012 investments, of limited amount, mainly concentrated in software and IT programmes.

Intangible assets with definite useful life (Euro/000)	Magazines	Customer lists	Charges on shop lease contract taking over	Software	Licenses, patents and rights	Other intangible assets	Intangible assets under construction and advances	Total
Cost at 31/12/2011	248,000	8,000	31,487	21,327	1,906	4,270	143	315,133
Investments	-	-	-	1,871	6	70	32	1,979
Disposals	-	-	-	(251)	-	-	-	(251)
Changes in the consolidation area	-	-	-	91	-	-	-	91
Other changes	-	-	-	(322)	-	28	(143)	(437)
Cost at 31/12/2012	248,000	8,000	31,487	22,716	1,912	4,368	32	316,515
Depreciation and impairment loss at 31/12/2011	37,937	-	12,006	18,198	1,296	3,916	-	73,353
Depreciation	8,145	1,333	1,592	2,076	169	232	-	13,547
Impairment (reinstatement of value)	-	-	1,850	-	-	-	-	1,850
Disposals	-	-	-	(251)	-	-	-	(251)
Changes in the consolidation area	-	-	-	34	-	-	-	34
Other changes	-	-	-	(441)	-	4	-	(437)
Depreciation and impairment loss at 31/12/2012	46,082	1,333	15,448	19,616	1,465	4,152	0	88,096
Net book value at 31/12/2011	210,063	8,000	19,481	3,129	610	354	143	241,780
Net book value at 31/12/2012	**201,918**	**6,667**	**16,039**	**3,100**	**447**	**216**	**32**	**228,419**

Intangible assets with a definite useful life mainly include the magazines published by Mondadori France Group (*Télé Star*, *Closer*, *Pleine Vie*, *Le Chasseur Français, Auto Plus*); the useful life of these assets, each of which represents a Cash Generating Unit, is estimated in thirty years; also EMAS list of customers with subscription is included in thte same CGU and the relevant value is amortised over a period of six years.

The availability and use of intangible assets recognised in these financial statements are not subject to any lien or restriction.

The table below illustrates data relative to intangible assets with an indefinite useful life.

Intangible assets with an indefinite useful life (Euro/000)	Magazines	Series	Brands	Radio stations	Goodwill	Total
Cost at 31/12/2010	98,158	31,509	6,530	127,696	435,197	699,090
Investments	-	-	-	1,160	47,811	48,971
Disposals	-	-	-	(1,460)	(23,338)	(24,798)
Changes in the consolidation area	-	-	-	-	-	0
Other changes	-	-	-	-	-	0
Cost at 31/12/2011	98,158	31,509	6,530	127,396	459,670	723,263
Impairment loss 31/12/2010	10,226	-	2,827	2,910	647	16,610
Impairment/(reinstatement of value)	-	-	800	1	329	1,130
Other changes	-	-	-	-	-	0
Impairment loss 31/12/2011	10,226	0	3,627	2,911	976	17,740
Net book value at 31/12/2010	87,932	31,509	3,703	124,786	434,550	682,480
Net book value at 31/12/2011	**87,932**	**31,509**	**2,903**	**124,485**	**458,694**	**705,523**

Worth to mention for this item in 2012 is the acquisition of NaturaBuy S.a.s., already detailed in the previous note 8.3 of section "Accounting principles and other information", generating goodwill amounting to euro 5,759 thousands.

Other changes are mainly attributed to the radio sector in relation to the purchase or swap of radio frequencies and to the completion of the evaluation process referred to in note 8.6 of section "Accounting principles and other information".

Intangible assets with an indefinite useful life (Euro/000)	Magazines	Series	Brands	Radio stations	Goodwill	Total
Cost at 31/12/2011	98,158	31,509	6,530	127,396	459,670	723,263
Investments	-	-	135	1,658	5,759	7,552
Disposals	-	-	-	(1,450)	-	(1,450)
Changes in the consolidation area	-	-	-	-	-	0
Other changes	-	-	-	-	(3,857)	(3,857)
Cost at 31/12/2012	98,158	31,509	6,665	127,604	461,572	725,508
Impairment loss 31/12/2011	10,226	-	3,627	2,911	976	17,740
Impairment (reinstatement of value)	868	-	1,487	46,324	142,181	190,860
Other changes	-	-	-	-	(672)	(672)
Impairment loss 31/12/2012	11,094	0	5,114	49,235	142,485	207,928
Net book value at 31/12/2011	87,932	31,509	2,903	124,485	458,694	705,523
Net book value at 31/12/2012	**87,064**	**31,509**	**1,551**	**78,369**	**319,087**	**517,580**

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

Amortisation and impairment loss of intangible assets (Euro/000)	FY 2012	FY 2011
Magazines	8,145	7,164
Customer lists	1,333	-
Charges on shop lease contract taking over	1,592	1,771
Software	2,076	1,858
Licenses, patents and rights	169	146
Other intangible assets	232	195
Total amortisation of intangible assets	**13,547**	**11,134**
Impairment loss of intangible assets	192,710	3,330
Reinstatement of value of intangible assets	-	-
Total impairment loss (reversal of impairment loss) of intangible assets	**192,710**	**3,330**
Total amortisation and impairment loss of intangible assets	**206,257**	**14,464**

Impairment test
Based on 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 or every time there is an indication of loss. In such context, it is worth noting that even in the list price reflects a capitalisation lower than the Company's net equity, it was deemed not necessary, based on the audits carried out, to account for impairment losses in excess to those already made given also based on the current volatility of the financial markets. For the impairment tests carried out on magazines, brands and goodwill we will proceed to calculate the value in use.

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 values already net of impairment losses identified in the period, shown in the table below:

Cash Generating Unit (Euro/000)	Magazines	Customer lists	Series	Brands	Radio stations	Goodwill	Location	Total
Group of CGU magazines former Silvio Berlusconi Editore	83,579					731		84,310
Group of CGU magazines former Elemond	1,647			12		228		1,887
CGU Einaudi			2,991			286		3,277
CGU Sperling & Kupfer			1,817			731		2,548
CGU Mondadori Education			18,933			12,042		30,975
CGU Piemme			7,768	519		5,059		13,346
Group of CGU *R101*				372	78,369			78,741
Group of CGU Mondadori France	201,649	6,667				295,010		503,326
Group of CGU location retail							16,039	16,039
Other CGU	2,107			648		5,000		7,755
	288,982	6,667	31,509	1,551	78,369	319,087	16,039	742,204

The following table shows the key elements, better defined below, used to calculate the recoverable value.

Cash Generating Unit	Criterion used	Economics	Growth rate on terminal value	Discounting rate
Group of CGU magazines former Silvio Berlusconi Editore	Value in use	PMT 2013-2015 EBITDA	g = 0	7.53%
Group of CGU magazines former Elemond	Value in use	PMT 2013-2015 EBITDA	g = 0	7.53%
Group of CGU Mondadori France	Value in use	PMT 2013-2017 EBITDA	g = 0	6.62%
	Fair value	PMT 2013-2017 revenues	g = 0	6.62%
CGU Einaudi	Value in use	PMT 2013-2015 EBITDA	g = 0	7.53%
CGU Sperling & Kupfer	Value in use	PMT 2013-2015 EBITDA	g = 0	7.53%
CGU Mondadori Education	Value in use	PMT 2013-2015 EBITDA	g = 0	7.53%
CGU Piemme	Value in use	PMT 2013-2015 EBITDA	g = 0	7.53%
Group of CGU R101	Fair value	n.s.	n.s.	n.s.
Group of CGU location retail	Value in use	PMT 2013-2015 EBITDA	g = 0	7.53%
	Fair value	n.s.		
Other CGU	Value in use	PMT 2013-2015 EBITDA	g = 0	7.53%

<u>*Group of CGU magazines former Silvio Berlusconi Editore*</u>
The value of magazines with an indefinite useful life, each of which represents a Cash Generating Unit, refers to the acquisition of the company Silvio Berlusconi Editore, completed in 1994. The main magazines acquired are *Tv Sorrisi e Canzoni, Chi* and *Telepiù.*

The recoverable value of the Cash Generating Unit was determined based on the calculation of the value in use which is in turn based on the projections of the cash flows deriving from the relevant budgets for the 2013-2015 three-year period and subsequently approved by the Board of Directors. The afore mentioned cash flows were measured based on the current market scenario, considering also the uncertainties relative to the expectations for growth in the sector.

Data is derived from the income statements of the individual magazines, considered representative of the relevant cash flows, taking into account the immediate collection of revenues characterizing magazines.

The economic results used for the projections include taxes; the discount rate before taxes, applied to cash flow projections, is equal to 7.53% (7.10% in 2011) and cash flows beyond the period of analytical projection deriving from medium-term plans, are always

assumed as constant (g=0).
After completing the analysis, the directors did not identify any need for impairment on the activities belonging to the Cash Generating Unit under examination nor on its goodwill.

<u>*Group of CGU magazines former Elemond*</u>
The value of magazines with an indefinite useful life, each of which represents a Cash Generating Unit, refers to the acquisition of the Elemond Group, completed in more than one tranche between 1989 and 1994.
The main magazines acquired are *Interni* and *Casabella*, the book value of which had been posted at the beginning of the year.

The recoverable value of the Cash Generating Unit was determined based on the calculation of the value in use which is in turn based on the projections of the cash flows deriving from the relevant budgets for the 2013-2015 three-year period and subsequently approved by the Board of Directors. The afore mentioned cash flows were measured based on the current market scenario, considering also the uncertainties relative to the expectations for growth in the sector.

Data is derived from the income statements of the individual magazines, considered representative of the relevant cash flows, taking into account the immediate collection of revenues characterizing magazines.

The economic results used for the projections include taxes; the discount rate before taxes, applied to cash flow projections, is equal to 7.53% (7.10% in 2011) and cash flows beyond the period of analytical projection deriving from medium-term plans, are always assumed as constant (g=0).

After completing the analysis, the directors deemed it necessary to cancel the residual value attributed to magazine *Casabella* (euro 599 thousands) and, proportionately, as requested by the international accounting standards, goodwill attributed to the Cash Generating Unit under examination (euro 83 thousands).

<u>*Cash Generating Unit Einaudi*</u>
This Cash Generating Unit includes Casa Editrice Einaudi series, acquired indirectly through the transaction completed in more than one tranche between 1989 and 1994 with the Elemond Group.
Considering the changes in the structure and in the positioning of the different series of the company acquired, the directors deemed it more appropriate to consider, for the purpose of the impairment test, the entire legal entity, to which also goodwill acquired upon acquisition is attributed, as cash generating unit.

The recoverable value of the Cash Generating Unit was determined based on the calculation of the value in use which is in turn based on the projections of the cash flows deriving from the relevant financial budgets for the 2013-2015 three-year period and subsequently approved by the Board of Directors. The afore mentioned cash flows were measured based on the current market scenario, considering also the uncertainties relative to the expectations for growth in the sector.

The economic results used for the projections include taxes and financial revenues and costs; the discount rate before taxes, applied to cash flow projections, is equal to 7.53% (7.10% in 2011) and cash flows beyond the period of analytical projection deriving from medium-term plans, are always assumed as constant (g=0).

After completing the analysis, the directors did not identify any need for impairment on the activities belonging to the Cash Generating Unit under examination.

Cash Generating Unit Sperling & Kupfer
This Cash Generating Unit includes the series published by Sperling & Kupfer, a company acquired in 1995.
Considering the changes in the structure and in the positioning of the different series of the company acquired, the directors deemed it more appropriate to consider, for the purpose of the impairment test, the entire legal entity, to which also goodwill acquired upon acquisition is attributed, as cash generating unit.

The recoverable value of the Cash Generating Unit was determined based on the calculation of the value in use which is in turn based on the projections of the cash flows deriving from the relevant financial budgets for the 2013-2015 three-year period and subsequently approved by the Board of Directors. The afore mentioned cash flows were measured based on the current market scenario, considering also the uncertainties relative to the expectations for growth in the sector.

The economic results used for the projections include taxes and financial revenues and costs; the discount rate before taxes, applied to cash flow projections, is equal to 7.53% (7.10% in 2011) and cash flows beyond the period of analytical projection deriving from medium-term plans, are always assumed as constant (g=0).

After completing the analysis, the directors did not identify any need for impairment on the activities belonging to the Cash Generating Unit under examination.

Cash Generating Unit Mondadori Education
The Cash Generating Unit Mondadori Education includes series and publishing lines referring to the production of text books for the different levels and grades of the Italian school system.
The Cash Generating Unit groups the values deriving from acquisition transactions completed over time. In particular, reference is made to some publishers acquired through the Elemond Group transaction, completed in several instalments between 1989 and 1994 (euro 6,483 thousands), the acquisition of the Le Monnier Group between 1999 and 2011 (euro 12,070 thousands) and the acquisition of Texto, publisher of school texts under the Piemme Scuola brand, completed in 2004 (euro 882 thousands). Goodwill deriving from the afore mentioned transactions as a residual portion compared to the higher price paid, and from other acquisitions completed in 1992 (Juvenilia), between 1999 and 2002 (Poseidonia), in 1999 (Mursia) and in 2008 (Edizioni Electa Bruno Mondadori) for a total of euro 12,042 thousands add up to the afore indicated values.

It was considered appropriate to consider the value of the series and goodwill relating to the Cash Generating Unit as coinciding with the entire entity, instead of making reference to the residual value of each business unit acquired. This is because, since the transactions were completed over time for the purpose of rationalising publishing structures, the catalogue composition, the sales network and the business units currently included under the umbrella of Mondadori Education S.p.A. are very different from those acquired and, consequently, no longer representative of the company acquired.

The recoverable value of the Cash Generating Unit was determined based on the calculation of the value in use which is in turn based on the projections of the cash flows deriving from the relevant financial budgets for the 2013-2015 three-year period and subsequently approved by the Board of Directors. The afore mentioned cash flows were measured based on the current market scenario, considering also the uncertainties relative to the expectations for growth in the sector.

The economic results used for the projections include taxes and financial revenues and costs; the discount rate before taxes, applied to cash flow projections, is equal to 7.53% (7.10% in 2011) and cash flows beyond the period of analytical projection deriving from medium-term plans, are always assumed as constant (g=0).

After completing the analysis, the directors did not identify any need for impairment on the activities belonging to the Cash Generating Unit under examination.

Cash Generating Unit Piemme
This Cash Generating Unit includes the Casa Editrice Edizioni Piemme series, acquired in more than one instalment between 2003 and 2012.
Upon acquisition, the higher price paid compared to book value had not been attributed to the single series and publishing lines. As a result, in line with the decision made at that time, the cash generating unit coincides with the parent company, to which the goodwill transferred upon acquisition is also allocated, for the purpose of the impairment test.

The recoverable value of the Cash Generating Unit was determined based on the calculation of the value in use which is in turn based on the projections of the cash flows deriving from the relevant financial budgets for the 2013-2015 three-year period and subsequently approved by the Board of Directors. The afore mentioned cash flows were measured based on the current market scenario, considering also the uncertainties relative to the expectations for growth in the sector.

The economic results used for the projections include taxes and financial revenues and costs; the discount rate before taxes, applied to cash flow projections, is equal to 7.53% (7.10% in 2011) and cash flows beyond the period of analytical projection deriving from medium-term plans, are always assumed as constant (g=0).

After completing the analysis, the directors did not identify any need for impairment on the activities belonging to the Cash Generating Unit under examination.

Cash Generating Unit R101
This Cash Generating Unit includes the brands and radio frequencies of Monradio S.r.l., which controls *R101*.
The values recognised in the assets of the consolidated balance sheet refer to different transactions regarding the acquisition of companies or single frequencies operated since 2005, the first and most important of which was the acquisition of the One-O-One business unit from the bankruptcy proceedings against Radio Milano International.

Each frequency is considered a Cash Generating Unit.

The recoverable value of the cash generating unit was determined based on the higher between value in use and fair value.

First the value in use was calculated based on the projections of the company's cash flows before taxes, deriving from the relevant budgets for the 2013-2015 three-year period and subsequently approved by the Board of Directors. The afore mentioned cash flows were measured based on the current market scenario, considering also the uncertainties relative to the expectations for growth in the sector.

To cash flow projections a pre-tax discount rate equal to 7.53% (7.10% in 2011) was applied and cash flows beyond the period of analytical projection deriving from medium-term plans, were always assumed as constant (g=0).

Subsequently, given the results of the value in use, the directors gave mandate to a third independent expert, specialised in the radio market, to estimate the fair value of the company's assets including equipment and frequencies.

Considering the complexity of the economic evaluation of equipment and radio frequencies, the expert relied, as is standard practice, on several parameters and assumptions in order to formulate an opinion.

These are detailed here below:
- quality of equipment, determined by the service area theoretically calculated and possibly compared to inspections carried out on site:
- area of radioelectric coverage for the radio station and population possibly reached with equal or higher quality than the one indicated in "Recommendation 412-4" of CCIR, considering only the minimum values for the service in large cities;
- finetuning and knowledge of frequencies by users, determined by their experience, signal quality, brand quality and awareness referring to the Issuer's radio station and its programmes;
- availability of radioelectric resources and/or ministerial grants for broadcasting in Italy;
- quality and ownership of technology, determined by the type of availability of radio broadcasting stations, their type, equipment adjustments to the regulations in the matter of employee safety and security, the possibility of developing new installations or applying changes in the sites where the stations are installed;
- quality and ownership of high frequency installations, determined by the brands of the equipment used, their technological quality, conditions of use and correct maintenance;
- evaluation as a function of the number of inhabitants potentially reached by the plant and the number of potential listeners reached;
- trend and performance of the purchase/sale market of radio equipment in light of the consolidation of the radioelectric coverage stations in the territory by the main Italian national networks and the new digital broadcasting technology;
- audience indexes, performance of the radio advertising market and other elements that contribute to the plant economic evaluation.

After completing the analysis and based on the conclusions drawn by the independent expert in charge of determining the value of the Group's network equipment and frequencies, the directors deemed it necessary to recognise an impairment loss for these assets equal to euro 46,324 thousands, before taxes.

Cash Generating Unit Mondadori France
In August 2006 Mondadori acquired a 100% interest in Emap Group France, the third largest publisher of magazines in France with over forty magazines dedicated to men, women, sports, entertainment and television programmes.
The most important magazines are: *Télé Star, Télé Poche, Top Santé*, *Biba*, *Pleine Vie, Le Chasseur Français.*

Following acquisition and after completion of the purchase price allocation process, the higher price paid against the accounting values acquired, was attributed to the different magazines included in the portfolio and for the residual portion to goodwill.

At first, the magazines, considered assets with an indefinite useful life, had been clustered, each identifying a cash generating unit, but already in July 2008 they were redefined as separate cash generating units and subjected to amortisation based on their useful life, estimated at thirty years.

Goodwill, which had been initially allocated proportionately to the clusters, was attributed to the Cash Generating Units, coinciding with the entire French Group.

The recoverable value of the cash generating unit was determined based on the higher between value in use and fair value.

First the value in use was calculated based on the projections of the company's cash flows before taxes, deriving from the relevant budgets of the single magazines for the 2013-2017 three-year period and subsequently approved by the Board of Directors. The cash flows were then calculated based on the current market scenario.

Data is derived from the income statements of the individual magazines, considered representative of the relevant cash flows, taking into account the immediate collection of revenues characterizing magazines.

The economic results used for the projections include taxes; the discount rate before taxes, applied to cash flow projections, is equal to 6.62% (6.34% in 2011) and cash flows beyond the period of analytical projection deriving from medium-term plans, were always assumed as constant (g=0).

The directors also deemed it appropriate to determine the fair value of the individual magazines by applying the method of the royalties, based on estimated revenues in the medium term of each magazine.
For the purpose of calculating the fair value, in addition to estimated revenues, the following parameters were used: a royalty rate, defined for each individual magazine based also on similar market transactions; a residual useful life aligned with that defined for the calculation of the value in use; and a revenue growth rate, beyond the last year of the medium-term plan, equal to zero.

After completing the analysis, the directors deemed it necessary to recognise an impairment loss to the charge of *Ami des Jardins* for euro 269 thousands.

Subsequently, a second level impairment test was performed with a view to verifying the recoverable value of goodwill allocated to the group of cash generating units represented by the individual magazines.

First the value in use was calculated based on the financial pre-tax result of the entire French group, deriving from the relevant plans for the 2013-2017 three-year period and for the projection of the relevant cash flows a pre-tax rate equal to 6.62% (6.34% in 2011).

After completing the analysis, the directors deemed it necessary to recognise an impairment loss of euro 139,765 thousands.

Cash Generating Unit location retail
This Cash Generating Unit includes key money paid over the years by Mondadori Direct for lease takeovers of some prestigious and commercially strategic locations, occupied by other entities and open flagship stores and, in particular, multicenters.
These costs are amortised based on the residual duration of the lease contract of the store of reference which also coincides with the cash generating unit.

As at 31 December 2012, after accounting of amortisation for the period, directors deemed it appropriate to perform an impairment test on the residual value of each location, considering the economics included in the 2013-2015 medium-term plan not particularly positive.

The recoverable value of the Cash Generating Unit was determined based on the calculation of the value in use which is in turn based on the projections of the cash flows deriving from the relevant budgets for the 2013-2015 three-year period and subsequently approved by the Board of Directors.

Data used are derived from the income statements of the individual stores considered representative of the relevant cash flows, taking also into account that payments are made cash.

The economic results used for the projections include taxes and financial revenues and costs; the discount rate before taxes, applied to cash flow projections, is equal to 7.53% (7.10% in 2011) and cash flows beyond the period of analytical projection deriving from medium-term plans, were always assumed as constant (g=0).

After completing the analysis, the directors deemed it necessary to recognise an impairment loss for the locations of euro 1,850 thousands before taxes.

<u>Other Cash Generating Units</u>
This group of Cash Generating Units include values referred to some assets, whose values may be considered residual.
Among these, the most important are goodwill recognised upon acquisition of the *Bol* brand and platform and goodwill determined following the acquisition of 50% of Mondolibri S.p.A., completed in 2010, essentially referring to mail order selling activities to book club subscribers.

Data used for the impairment test are: pre-tax results included in the medium-term plan for the 2013-2015 three-year period; pre-tax discount rate equal to 7.53% (7.10% in 2011), growth factor applied to data in addition to those indicated in the plan, equal to zero (g=0).

Following the top management decision to review the positioning of the presence of Mondadori Direct in e-commerce through the synergic integration with retail with a view to targeting multi-channel, *inMondadori* was launched as an umbrella brand comprising all products and services proposed for sale and a new operating platform was developed to generate and implement new strategies. Due to the abandonment of the *Bol* brand and platform, it was necessary to cancel the brand value (euro 60 thousands) and goodwill relative to the corresponding commercial platform (euro 1,530 thousands).
With reference to mail order selling activities, exercised through book clubs, the directors deemed it necessary to recognise an impairment loss on goodwill for euro 803 thousands.

<u>Determination of the rate</u>
The discount rate was defined in terms of Weighted Average Cost of Capital (WACC) for the individual Cash Generating Unit/country taken into account and it includes taxes and inflation as requested by IAS 36.55.
It was then adjusted to take into account the impact of inflation in order to maintain consistency with the definition of the assumed cash flow.
WACC is an adjusted risk rate, measured directly based on the cost that the company must bear to collect resources from lending entities, internal and external, to finance any specific investment. WACC expresses an opportunity cost of capital and is calculated as the weighted average of the cost of the risk capital and the cost of the debt capital.

The individual parameters that contribute to the determination of WACC are the following:
- Cost of equity (ke) is quantified based on the CAPM (Capital Asset Pricing Model) model, as also required by IAS 36. Based on CAPM, the cost of equity is determined as the sum resulting from risk-free investment performance and a risk premium, determined as a function of the systematic risk on the investment under examination. The risk premium is quantified through the product resulting from the beta coefficient (β) and the difference between market performance (mp) and risk-free (equity risk premium), determined by taking into account a sufficiently large time horizon. For the purpose of quantification of the individual parameters, the following parameters were taken into account to adequately quantify the level of risk included in the Company's cash flows. The risk-free rate was determined by taking into account the yield to maturity for the securities of the countries to which the Cash Generating Units are referred as at the date of the impairment test. Therefore, the reference rate is not a pure risk-free rate, but it includes a premium for the country risk, which is consequently considered and included in the model. This quantification also considers any market data affected by marked market speculations. To calculate the beta (β) coefficient it is necessary to consider Arnoldo Mondadori Editore's stock price as quantified by the data provider Bloomberg (0.876 at 31 December 2012). The equity risk premium was calculated based on historical statistics in a 4-6% range.
- The cost of debt (kd) was quantified by making reference to the rate that the company would pay under current market conditions in order to obtain a new medium long-term loan. The calculation of the Cost of Debt (kd) is based on the analysis of the specific financial structure of the Cash Generating Unit/country of reference. This, considered the specific financial structures of the Cash Generating Units/countries, makes reference to the available market data.
- The average cost of debt is de-taxed as a result of deductibility of interest due from taxable income according to the specific tax rate "t" of the individual Cash Generating Unit/country.
- The weight attributed to Shareholders' equity and minority shareholders' equity was calculated taking into account that the financial structure of the Cash Generating Unit/country at the date of reference is that sustainable over the medium-long term and, therefore, reflecting the market average conditions.

Based on the afore described parameters, it was possible to determine WACC by individual Cash Generating Unit/country.
The discounting rate obtained is an amount net of taxes and, therefore, subject to conversion to include taxes as specifically requested by IAS 36.55.

Since the business plan used for the purpose of the impairment test does not take into account inflation, the rates were adjusted as requested by IAS 36.40.

<u>Sensitivity to changes in the assumptions</u>
With reference to the determination of the value in use of the different Cash Generating Units, the directors believed that, considering the distinctly conservative assumptions made in the drafting of the business plans used, and also taking into account the current specific economic scenario in all the countries in which the Group operates, it is reasonable to assume that no changes will occur that will necessitate a reduction in the recoverable value calculated.

A sensitivity analysis on the results obtained was performed, varying the assumptions considered most significant. The analysis confirmed the reasonableness of the results obtained.

3. Property investments

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

Property investments (Euro/000)	Land	Non-instrumental buildings	Total
Cost at 31/12/2010	458	3,360	3,818
Investments	-	473	473
Disposals	-	-	0
Other changes	-	-	0
Cost at 31/12/2011	458	3,833	4,291
Depreciation and impairment losses at 31/12/2010	-	1,435	1,435
Depreciation	-	95	95
Impairment loss/reinstatement of value	-	-	0
Disposals	-	-	0
Other changes	-	-	0
Depreciation and impairment losses at 31/12/2011	0	1,530	1,530
Net book value at 31/12/2010	458	1,925	2,383
Net book value at 31/12/2011	**458**	**2,303**	**2,761**

During the year the piece of land adjacent to the property of the Verona Sporting Club was purchased; the directors estimated that the fair value of property investments at 31 December 2012 was not lower than the net book value.

Property investments (Euro/000)	Land	Non-instrumental buildings	Total
Cost at 31/12/2011	458	3,833	4,291
Investments	518	62	580
Disposals	-	-	0
Other changes	-	-	0
Cost at 31/12/2012	976	3,895	4,871
Depreciation and impairment losses at 31/12/2011	-	1,530	1,530
Depreciation	-	103	103
Impairment loss/reinstatement of value	-	-	0
Disposals	-	-	0
Other changes	-	-	0
Depreciation and impairment losses at 31/12/2012	0	1,633	1,633
Net book value at 31/12/2011	458	2,303	2,761
Net book value at 31/12/2012	**976**	**2,262**	**3,238**

Depreciation of investment property

Depreciation for the year under item "Depreciation and impairment loss of property, plant and equipment", amount to euro 103 thousands (euro 95 thousands in 2011).

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

4. Property, plant and equipment

The table below shows the item's composition and changes in the period of reference and in the previous year.

Property, plant and equipment (Euro/000)	Land	Instrumental buildings	Plant and equipment	Other assets	Total
Cost at 31/12/2010	1,434	19,449	29,349	135,995	186,227
Investments	-	214	1,412	7,917	9,543
Disposals	-	-	(45)	(3,366)	(3,411)
Changes in the consolidation area	-	-	-	334	334
Other changes	-	30	7,853	(8,186)	(303)
Cost at 31/12/2011	1,434	19,693	38,569	132,694	192,390
Depreciation and impairment loss at 31/12/2010	-	10,203	23,836	96,229	130,268
Depreciation	-	709	2,370	8,943	12,022
Impairment (reinstatement of value)	-	-	-	-	0
Disposals	-	-	(42)	(2,941)	(2,983)
Changes in the consolidation area	-	-	-	293	293
Other changes	-	-	-	(481)	(481)
Depreciation and impairment loss at 31/12/2011	0	10,912	26,164	102,043	139,119
Net book value at 31/12/2010	1,434	9,246	5,513	39,766	55,959
Net book value at 31/12/2011	**1,434**	**8,781**	**12,405**	**30,651**	**53,271**

Property, plant and equipment (Euro/000)	Land	Instrumental buildings	Plant and equipment	Other assets	Total
Cost at 31/12/2011	1,434	19,693	38,569	132,694	192,390
Investments	-	36	883	7,602	8,521
Disposals	-	-	(181)	(4,926)	(5,107)
Changes in the consolidation area	-	-	8	10	18
Other changes	-	-	9,568	(9,609)	(41)
Cost at 31/12/2012	1,434	19,729	48,847	125,771	195,781
Depreciation and impairment loss at 31/12/2011	-	10,912	26,164	102,043	139,119
Depreciation	-	710	3,474	7,224	11,408
Impairment (reinstatement of value)	-	283	-	-	283
Disposals	-	-	(174)	(4,617)	(4,791)
Changes in the consolidation area	-	-	-	8	8
Other changes	-	-	5,205	(5,205)	0
Depreciation and impairment loss at 31/12/2012	0	11,905	34,669	99,453	146,027
Net book value at 31/12/2011	1,434	8,781	12,405	30,651	53,271
Net book value at 31/12/2012	**1,434**	**7,824**	**14,178**	**26,318**	**49,754**

In 2012 investments of euro 8,521 thousands mainly refer to furniture, office machines, tools and electronic office equipment to fit out new book stores and replace obsolete equipment.

Item "Other changes" includes primarily reclassifications of costs borne for the purchase of equipment relating to proprietary book shops, recognised under "Plant and equipment" in the previous years.
"Impairment (reinstatement of value)" refers to the adjustment to market values of an industrial shed owned by Edizioni Piemme S.p.A., to which a portion of the higher price paid in 2003 was allocated upon acquisition of the controlling stake.

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

Other tangible assets (Euro/000)	31/12/2012	31/12/2011
Industrial and commercial equipment	5,497	9,790
Electronic office machines	3,968	4,627
Office furniture and machines	8,361	8,651
Motor vehicles and transport vehicles	31	101
Leasehold improvements	6,765	6,648
Other assets	500	130
Assets under construction and advances	1,196	704
Total other tangible assets	26,318	30,651

Depreciation of property, plant and equipment
Depreciation for the year under item "Depreciation and impairment loss of property, plant and equipment" in the income statement, amount to euro 11,691 thousands, as illustrated below.

In 2012 impairment losses of assets in "Property, plant and equipment" were identified for a total of euro 283 thousands.

Depreciation of property, plant and equipment (Euro/000)	FY 2012	FY 2011
Instrumental buildings	710	709
Plant and equipment	3,474	2,370
Equipment	1,780	2,817
Electronic office machines	2,471	2,317
Furniture and office machines	1,669	1,953
Motor vehicles and transport vehicles	73	302
Leasehold improvements	1,168	1,514
Other assets	63	40
Total depreciation of property, plant and equipment	11,408	12,022
Impairment loss of tangible assets	283	-
Reinstatement of value of tangible assets	-	-
Total impairment loss (reversal of impairment loss) of tangible assets	283	0
Total depreciation and impairment loss of tangible assets	11,691	12,022

Leased assets
The table below shows the value of assets purchased through financial leasing contracts at 31 December 2012 and recognised under "Property, plant and equipment":

	31/12/2012			31/12/2011		
(Euro/000)	Gross value	Depreciation	Net value	Gross value	Depreciation	Net value
Instrumental buildings	775	(313)	462	775	(290)	485
Plant and equipment	138	(110)	28	138	(83)	55
Other assets	300	(180)	120	300	(135)	165
Total assets in leasing	1,213	(603)	610	1,213	(508)	705

During the year no new financial leasing contracts were underwritten.

With reference to instrumental buildings, contracts have already been redeemed, while for other categories of assets the relevant contracts have a duration of four and five years. The rents paid in the year of reference amounted to euro 103 thousands, of which euro 3 thousands refer to financial charges.

Rents were calculated according to the French depreciation plan, indexed on the three-month Euribor rate, with an initial reference rate of 5.377%.

There are no restrictions or liens in relation to the above mentioned contracts with reference to dividend payout, the stipulation of additional leasing contracts or loan contracts.

5. Investments

Investments in companies valued at equity and investments in other companies amount to euro 60,499 thousands.

Investments (Euro/000)	31/12/2012	31/12/2011
Investments valued at equity	59,125	126,134
Investments in other companies	1,374	995
Total investments	60,499	127,129

Changes occurred over the past two years in investments valued at equity are illustrated below.

In 2012 the most significant transaction under "Investments valued at equity" is the transfer of the entire interest owned, equal to 50%, in Random House Mondadori.
The effect in income statement amounts to euro 2.8 million.

Worth noting is also the transfer of the residual interest held in Mondadori Printing S.p.A. and equal to 20% of the capital, which generated a capital gain of euro 5.7 million.

As to acquisitions, in December, an additional interest of AR Technology S.a.s. was acquired, increasing the shareholding in the French joint venture EMAS Digital S.a.s. to 86.46%.

Investments - Investments valued at equity (Euro/000)	Net value
Balance at 31/12/2010	131,464
Changes in 2011:	
- purchases and changes in consolidation area	8,764
- changes in consolidation method	(11,321)
- disposals and other changes	(811)
- revaluations	9,250
- impairment loss	(3,946)
- dividends	(7,266)
Balance at 31/12/2011	126,134
Changes in 2012:	
- purchases and changes in consolidation area	1,676
- changes in consolidation method	-
- disposals and other changes	(66,505)
- revaluations	4,035
- impairment loss	(3,481)
- dividends	(2,734)
Balance at 31/12/2012	59,125

Below is a breakdown of “Investments valued at equity”, whose evolution has already been illustrated before with regard to the most important aspects.

For the purpose of calculating the recoverable value of Mondadori Group investments, Mondadori calculated first value in use. When an impairment loss is identified, the fair value method minus costs of sale is applied before proceeding with the recognition of impairment loss.

Impairment tests are carried out for each individual investment representing a separate Cash Generating Unit.

For the purpose of calculating value in use, projections contained in the 3-5-year plans drafted by the individual companies were used, as integrating part of the medium-term Plan, the guidelines of which have been approved by Mondadori Board of Directors on 28 February 2013.

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 Attica Group.

In this context, the discount rate used is equal to 7.53% and the growth rate on the terminal value was kept at zero (g=0).

With regard to the Greek company acquired, a 7.9% average discount rate and a differentiated growth rate (g comprised between 0 and 3%) were used to take into account the different markets and sectors in which the Group operates.

With reference to the determination of the fair value a sensitivity analysis on the results was performed, which confirmed the previous findings.

After completing the impairment test process, the directors deemed it necessary to recognise an impairment loss in Mach 2 Libri S.p.A. for euro 1.3 million.

Investments valued at equity – Details (Euro/000)	31/12/2012	31/12/2011
Investments in joint ventures:		
- Gruner + Jahr/Mondadori S.p.A.	1,958	3,519
- Milano Distribuzione Media S.r.l.	253	281
- Harlequin Mondadori S.p.A.	865	717
- Edizioni EL S.r.l.	3,020	3,053
- Random House Mondadori Group	-	51,948
- Attica Publications Group	29,530	29,639
- ACI-Mondadori S.p.A.	478	610
- Mediamond S.p.A.	1,307	1,026
- Mondadori Independent Media LLC	845	839
- Mondadori Seec Advertising Co. Ltd	-	-
- EMAS Digital S.a.s.	8,676	5,990
Total investments in joint ventures	**46,932**	**97,622**
Investments in affiliated companies:		
- Mach 2 Libri S.p.A.	4,969	6,690
- Mach 2 Press S.r.l.	415	574
- Società Europea Edizioni S.p.A.	6,673	7,667
- Mondadori Printing S.p.A.	-	13,479
- Venezia Musei Società per i servizi museali S.c.ar.l.	-	-
- Venezia Accademia Società per i servizi museali S.c.ar.l.	34	-
- Campania Arte S.c.ar.l.	22	22
- Consorzio Covar (in liquidation)	2	2
- Consorzio Forma	1	1
- Roccella S.c.ar.l.	21	21
- Novamusa Val di Noto S.c.ar.l.	18	18
- Novamusa Valdemone S.c.ar.l.	21	21
- Novamusa Val di Mazara S.c.ar.l.	17	17
Total investments in affiliated companies	**12,193**	**28,512**
Total investments valued at equity	**59,125**	**126,134**

The tables below show changes in item “Investments in other companies” valued at fair value.

In 2012 the payment made by Mondadori France S.A. in favour to Presstalis for euro 339 thousands is worth noting.

Investments – Investments in other companies (Euro/000)	Net value
Balance at 31/12/2010	222
Changes in 2011:	
- purchases and changes in consolidation area	1,370
- disposals and other changes	-
- changes in consolidation method	-
- impairment loss	(597)
- dividends	-
Balance at 31/12/2011	995
Changes in 2012:	
- purchases and changes in consolidation area	379
- disposals and other changes	-
- changes in consolidation method	-
- impairment loss	-
- dividends	-
Balance at 31/12/2012	1,374

Below is the composition of item "Investments in other companies".

Investments in other companies - Details (Euro/000)	31/12/2012	31/12/2011
Investments in other companies:		
- Società Editrice Il Mulino S.p.A.	101	101
- Consuledit S.r.l.	1	1
- Consorzio Sistemi Informativi Editoriali Distributivi	10	10
- Immobiliare Editori Giornali S.r.l.	52	52
- Audiradio	23	23
- Consorzio Forte Montagnolo	1	1
- Consorzio Riqualificazione Monte Gennaro	1	1
- Consorzio Camaldoli 1	2	2
- Consorzio Antenna Colbuccaro	8	8
- Aranova Freedom S.c.ar.l.	30	30
- Club Dab Italia	30	-
- Consorzio Edicola Italiana	10	-
- CTAV	3	3
- MLP	758	758
- Presstalis	341	2
- Sem Issy Media	3	3
Total investments in other companies	1,374	995

6. Deferred tax assets and liabilities

The following tables details "Deferred tax assets" and "Deferred tax liabilities".

(Euro/000)	31/12/2012	31/12/2011
Deferred tax assets - IRES	47,773	45,324
Deferred tax assets - IRAP	2,857	2,813
Total deferred tax assets	50,630	48,137
Deferred tax liabilities – IRES	85,515	98,364
Deferred tax liabilities - IRAP	3,878	4,895
Total deferred tax liabilities	89,393	103,259

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

	31/12/2012			31/12/2011		
(Euro/000)	Amount of temporary differences	Applicable tax rate	Anticipated tax amount	Amount of temporary differences	Applicable tax amount	Anticipated tax amount
Difference between book value and tax base of intangible assets	12,720	(*)	3,498	5,939	(*)	1,633
Difference between book value and tax base of property investments and investments in property, plant and equipment	2,362	(*)	650	2,512	(*)	691
Provision for bad debt	30,186	(*)	8,386	31,531	(*)	8,742
Inventory provision	12,070	(*)	3,319	15,139	(*)	4,163
Provision for advances to authors	21,062	(*)	5,792	21,356	(*)	5,873
Provisions	49,801	(*)	13,899	36,656	(*)	10,324
Supplementary agent indemnity	4,515	(*)	1,242	4,663	(*)	1,282
Elimination of intercompany income	12,199	(*)	3,382	12,713	(*)	3,496
Other temporary differences	24,846	(*)	7,605	30,714	(*)	9,120
Total for IRES purposes	169,761		47,773	161,223		45,324
Difference between book value and tax base of intangible assets	11,144	(*)	435	6,756	(*)	263
Difference between book value and tax base of property investments and investments in property, plant and equipment	890	(*)	35	858	(*)	33
Inventory provision	9,485	(*)	370	14,200	(*)	554
Provision for advances to authors	13,101	(*)	511	12,180	(*)	475
Provisions	13,931	(*)	543	12,307	(*)	480
Supplementary agent indemnity	4,113	(*)	160	4,112	(*)	160
Elimination of intercompany income	12,299	(*)	480	12,718	(*)	496
Other temporary differences	8,289	(*)	323	9,005	(*)	352
Total for IRAP purposes	73,252		2,857	72,136		2,813

(*) 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 the temporary differences that led to the recognition of deferred taxes

(Euro/000)	31/12/2012 Amount of temporary differences	Applicable tax rate	Deferred tax amount	31/12/2011 Amount of temporary differences	Applicable tax rate	Deferred tax amount
Capital gains in instalments	138	(*)	38	211	(*)	58
Difference between book value and tax base of intangible assets	261,237	(*)	82,130	300,776	(*)	94,320
Difference between book value and tax base of property investments and investments in property, plant and equipment	3,492	(*)	960	4,486	(*)	1,234
Post-employment benefits	2,973	(*)	818	4,095	(*)	1,126
Supplementary agent indemnity	886	(*)	244	952	(*)	262
Leased assets	520	(*)	143	543	(*)	149
Other temporary differences	4,299	(*)	1,182	4,419	(*)	1,215
Total for IRES purposes	**273,545**		**85,515**	**315,482**		**98,364**
Capital gains in instalments	-	(*)	-	-	(*)	-
Difference between book value and tax base of intangible assets	93,833	(*)	3,659	119,710	(*)	4,669
Difference between book value and tax base of property investments and investments in property, plant and equipment	1,964	(*)	77	2,045	(*)	80
Supplementary agent indemnity	836	(*)	33	921	(*)	36
Leased assets	520	(*)	20	543	(*)	21
Other temporary differences	2,282	(*)	89	2,282	(*)	89
Total for IRAP purposes	**99,435**		**3,878**	**125,501**		**4,895**

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

It should be noted that no deferred taxes were allocated for undistributed income of subsidiary and affiliated companies

The following table shows the total amount of past tax losses resulting from companies which did not adhered to the tax consolidation regime until 2012.

Unrecognised deferred taxes (Euro/000)	31/12/2012	31/12/2011
Temporary differences excluded from the determination of deferred tax assets and liabilities	-	-
Tax losses to carry forward	7,339	2,201

7. Other non-current assets

Item "Other non-current assets" increased mainly as a result of a different classification under item "Guarantee deposits" in 2011, allocated to "Other current assets".

Other non-current assets (Euro/000)	31/12/2012	31/12/2011
Guarantee deposits	1,822	837
Confirmation deposits	-	-
Receivables due to the Inland Revenue Office for IRES on post-employment benefits	27	27
Other	116	188
Total other non-current assets	**1,965**	**1,052**

8. Tax receivables

Item "Tax receivables" increased significantly against 31 December 2011 mainly for the following three reasons:
- receivables in favour of Fininvest S.p.A. due from Group companies regarding the compensation for the tax loss of the year conveyed into tax consolidation;
- receivables in favour of Fininvest S.p.A. due from Group companies in relation to the IRES amount to recover following the possibility to partially deduct IRAP for the 2007-2011 financial years. The relevant application for reimbursement was filed in March 2013;
- higher VAT credit to recover.

Tax receivables (Euro/000)	31/12/2012	31/12/2011
Receivables due from the Inland Revenue Office for IRAP	3,751	2,118
Receivables due from the Inland Revenue Office for IRES	2,037	907
Receivables due from Fininvest for IRES	15,847	2,470
Receivables from Inland Revenue Office for VAT, direct taxes to recover and advances on disputes	40,237	35,336
Total tax receivables	**61,872**	**40,831**

9. Other current assets

This item increased against 31 December 2011 as a result of the increase in advances paid to authors for products to publish and collaborators.

Other current assets (Euro/000)	31/12/2012	31/12/2011
Receivables from agents	285	336
Receivables from authors and collaborators	61,844	57,856
Receivables from suppliers	3,612	5,198
Receivables from personnel	502	497
Receivables for insurance compensation	-	-
Receivables from social security institutions	189	233
Receivable for guarantee deposits	219	351
Other receivables from affiliated companies	226	-
Accruals	4,197	3,192
Other	14,151	12,617
Total other current assets	**85,225**	**80,280**

10. Inventory

The difficult market scenario in which the Group companies operated led to an optimisation of the production of books and magazines aimed at keeping an appropriate, and not excessive, level of stocks, and resulting in decreased inventory across every category.

Item "Inventory" is broken down and commented on below.

Inventory (Euro/000)	31/12/2012	31/12/2011
Raw materials and consumption materials	12,171	14,068
Provision for raw materials and consumption materials	(242)	(424)
Total raw materials and consumption materials	11,929	13,644
Work in progress and semi-finished goods	19,671	23,837
Provision for work in progress and semi-finished goods	(1,330)	(1,386)
Total work in progress and semi-finished goods	18,341	22,451
Contract work in progress	2,977	2,697
Provision for contract work in progress	(86)	(82)
Total contract work in progress	2,891	2,615
Finished products and goods	109,507	114,285
Provision for finished products and goods	(13,041)	(15,929)
Total finished products and goods	96,466	98,356
Advances	-	-
Total inventory	129,627	137,066

Raw materials include the value of paper, plates and ink owned by Mondadori France Group and Mondadori Education S.p.A., which directly carry out printing, while other Group companies have outsourced the printing activity.

Orders in progress include costs borne for client publications.

Finished products include books produced by the Group, third-party publishers' books purchased for resale in the retail sector and merchandising, paper processing and gifts.

Inventory depreciation is made separately and analytically by each Group company, taking into account finished product marketability and any failed revenue generation from orders in progress and semi-finished products.

Inventory-Provisions (Euro/000)	Raw materials	Work in progress and semi-finished products	Contract work in progress	Finished products and goods
Balance at 31/12/2010	174	1,083	22	15,649
Changes in the period:				
- Provisions	116	335	60	5,876
- Utilisations	(8)	(32)	-	(5,807)
- Other changes	142	-	-	211
Balance at 31/12/2011	424	1,386	82	15,929
Changes in the period:				
- Provisions	104	143	4	5,069
- Utilisations	(286)	(199)	-	(8,057)
- Other changes	-	-	-	100
Balance at 31/12/2012	242	1,330	86	13,041

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

Decrease (increase) of inventory

The following table summarises the changes in inventory recognised under income statement in the financial year of reference.

Decrease (increase) of inventory (Euro/000)	FY 2012	FY 2011
Changes in finished products and goods	4,778	(5,381)
Provision for finished products and goods	5,069	5,876
Utilisation of the provisions for finished products and goods	(8,057)	(5,807)
Total changes in inventory of finished products and goods	1,790	(5,312)
Changes in work in progress and semi-finished products	4,167	1,982
Provision for work in progress and semi-finished products	143	335
Utilisation of work in progress and semi-finished products	(199)	(32)
Total changes in work in progress and semi-finished products	4,111	2,285
Changes for contract work in progress	(280)	(46)
Provision for contract work in progress	4	60
Utilisation of contract work in progress	-	-
Total changes in contract work in progress	(276)	14
Changes in raw, ancillary and consumption materials	1,897	(1,197)
Provision for raw, ancillary, consumption materials	104	116
Utilisation of the provisions for raw, ancillary, consumption materials	(286)	(8)
Total changes in inventory of raw, ancillary, consumption materials	1,715	(1,089)
Total decrease (increase) in inventory	7,340	(4,102)

11. Trade receivables

Item "Trade receivables" decreased as a result of the performance of the Group business segments, all showing a downturn against the previous year.

The detailed breakdown of receivables due from affiliated companies, parent companies and associated companies is provided in Annex "Transactions with related parties".
Commercial transactions with these companies are carried out under standard market conditions.

Trade receivables (Euro/000)	31/12/2012	31/12/2011
Receivables from customers	295,084	321,891
Receivables from affiliated companies	39,002	36,596
Receivables from parent companies	-	-
Receivables from associated companies	1,337	1,882
Total trade receivables	335,423	360,369

It should be noted that no trade receivables are due over five years and that the average collection period in 2012 was 84.3 days, up from the 80.8 days of the previous year.

The following table details item "Receivables from customers".

Trade receivables Receivables from customers (Euro/000)	31/12/2012	31/12/2011
Receivables from customers	474,758	502,136
Customers – returns to receive	(139,791)	(139,695)
Provision for bad debt	(39,883)	(40,550)
Total receivables from customers	295,084	321,891

With reference to the provision for bad debt, it should be noted that each Group company performs an accurate analysis of each individual debt item position in order to calculate the amount to be allocated for.

Trade receivables Receivables from customers - Bad debt provision (Euro/000)	31/12/2012	31/12/2011
Balance at beginning of year	40,550	39,801
Changes in the period:		
- provisions	12,618	14,404
- utilisations	(13,285)	(14,126)
- changes in consolidation area	-	471
- other changes	-	-
Total bad debt provision	39,883	40,550

12. Financial assets

Item "Non-current financial assets", amounting to euro 5,571 thousands, include the medium-long portion of financial receivables vis-à-vis the affiliated companies EMAS Digital S.a.s., Mondadori Seec Advertising Co. Ltd and Attica for a total amount of euro 5,144 thousands. The residual amount refers to receivables from third party relating to Mondadori Magazines France S.A.

Non-current financial assets (Euro/000)	31/12/2012	31/12/2011
Financial receivables due from associated companies	5,144	6,477
Financial receivables	427	448
Financial assets at fair value with adjustments recognised under income statement	-	-
Held-for-sale financial assets	-	-
Assets resulting from derivative instruments	-	-
Total non-current financial assets	5,571	6,925

Changes in item "Current financial assets" against the previous year mainly refer to the increase in financial receivables due from others.
Financial assets decreased as a result of disposals completed in the period.

Item "Held-for-sale financial assets " include Mondadori International S.p.A.'s investments.

All financial assets are valued at fair value. For listed assets, the reference value is regulated by market prices. For unlisted assets the relevant price is either determined by the depositary banks holding the securities or by the relevant market makers. For bonds classified under item "Available-for-sale financial assets", with no active market, a valuation model based on the discounting of the expected cash flows was used.

Item "Financial receivables from affiliated companies" includes receivables becoming due within the year vis-à-vis EMAS Digital S.a.s. and Mondadori Seec Advertising Co. Ltd.

Other current financial assets (Euro/000)	31/12/2012	31/12/2011
Financial receivables due from customers	85	1,657
Financial receivables due from affiliated companies	3,589	3,057
Financial receivables due from parent companies	-	-
Financial receivables due from associated companies	-	-
Financial receivables due from others	15,037	4,062
Total financial receivables	18,711	8,776
Financial assets at fair value with adjustments recognised under income statement	-	-
Held-for-sale financial assets	13,320	15,709
Assets resulting from derivative instruments	42	98
Total other current financial assets	32,073	24,583

Assets and liabilities resulting from derivative instruments
The following table shows assets and liabilities resulting from derivative instruments held at 31 December 2012.

Assets and liabilities in derivative instruments - Details (Euro/000)	Type of derivative instrument	Fair value at 31/12/2012	Fair value at 31/12/2011
Non-current financial assets (liabilities)			
- Rate derivatives	Cash flow hedge	(14,789)	(11,701)
Current financial assets (liabilitites)			
- Currency derivatives	Trading	(100)	80

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 currency risk management.

The Group has adopted a Financial Risk Management policy. The use of derivative instruments is in line with the guidelines contained in such policy. In order to verify hedging efficiency, the Group performs a series of perspective and retroactive tests at least on a quarterly basis.

Perspective tests envisage that at the beginning of a hedge transaction and for its entire duration, each individual hedge proves highly effective. This means that any changes in the fair value or cash flow of the hedged item almost completely offset any changes in the fair value or cash flow of the hedged instrument.

Retroactive tests envisage that a hedge proves highly effective, when its results fall in a 80%-125% range. Tests can be performed periodically, with each test beginning immediately after the end of the previous one, or on a cumulative basis starting from any specific date.

Group criteria to test effectiveness include statistic regression analyses and the Dollar Offset Method or Ratio Analysis.

In addition, the Group calculates the fair value of current hedge transactions on a monthly basis. Such value can be obtained by either using mark to market in case of financial instruments listed on active markets, or, in case of financial instruments for which prices are not available in the market, by requesting an independent valuation from a market counterparty and/or using appropriate mark to models criteria.

Interest rate derivatives

Derivatives comprise:

- three Interest Rate Swap (IRS) floating to fix contracts of euro 50 million converting the floating rate (3-month Euribor) into fixed at 2.909% on average, with expiry on 31 December 2014, referring to the portion of the Term Loan underwritten in pool with UniCredit;
- an Interest Rate Swap (IRS) floating to fix contract of euro 50 million converting the floating rate (1-month Euribor) into fixed at 2.59% with expiry on 15 December 2017 to hedge the loan contract underwritten with Mediobanca;
- an Interest Rate Swap (IRS) floating to fix amortising contract stipulated in August 2010, of euro 30 million converting the floating rate (1-month Euribor) into fixed at 1.29% with expiry on 30 June 2015, referring to a portion of the loan contract stipulated with a pool led by Italian banche popolari for a total amount of euro 130 million over five years;
- an Interest Rate Swap (IRS) floating to fix contract, stipulated in September 2011, amounting to euro 25 million, converting the floating rate (1-month Euribor) into fixed at 0.96% with expiry on 13 January 2014 and referring to the portion of the loan contract underwritten with Intesa Sanpaolo.

The table below shows the hedge impact on income statement and shareholders' equity:

Cash flow hedge reserve (Euro/000)	31/12/2012	31/12/2011
Initial balance gross of the tax impact	(11,400)	(5,235)
Amount recognised in the period	1,830	(2,909)
Amount endorsed from reserve and recognised under income statement:		
- adjustments to expenses	(6,456)	(6,093)
- adjustments to revenues	1,539	2,837
Final balance gross of the tax impact	**(14,487)**	**(11,400)**
Inefficient part of hedge	0	0

Currency derivatives

The Group enters into currency derivative agreements to hedge against the currency risk. The currency derivatives used exclusively refer to forward contracts for the purchase and sale of foreign currencies.

The main types of currency risks in the Group refer to the purchase of book copyrights and the purchase of multimedia products denominated in currencies other than euros. In the latter case, the Group partially hedges against revenues deriving from budgeted sales.

At 31 December 2012 currency risk hedge contracts referred to the purchase of forward contracts denominated in US dollars for a total of US$ 16,275 thousands (euro 12,406 thousands).

13. Cash and other cash equivalents

Item "Bank deposits" includes current account balances and bank deposits of Arnoldo Mondadori Editore S.p.A. (euro 75.0 million of bank deposits at 31 December 2012). Short-term bank deposits expire after three months, in line with the Group financial requirements.

The increase in bank deposits against the previous year is mainly due to the transfer of the interest held in Random House Mondadori, completed at the end of November 2012.

Cash and other cash equivalents (Euro/000)	31/12/2012	31/12/2011
Cash and other disposable assets	1,944	2,158
Cheques	50	1
Bank deposits	163,996	79,381
Postal deposits	848	1,402
Total cash and other cash equivalents	**166,838**	**82,942**

The fair value of cash and cash equivalents as at 31 December 2012 is equal to the relevant book value.

For additional information regarding changes occurred in cash and cash equivalents reference should be made to the Group's consolidated cash flow statement.

The following table shows the Group net financial position in accordance with Consob recommendations.

Net financial position (Euro/000)		31/12/2012	31/12/2011
A	Cash	1,994	2,159
	- Bank deposits	163,996	79,381
	- Postal deposits	848	1,402
B	Other cash and cash equivalents	164,844	80,783
C	**Cash and cash equivalents and other financial assets (A+B)**	**166,838**	**82,942**
D	Securities held for trading		
	- Financial receivables due from affiliated companies	3,589	3,057
	- Financial assets receivables at fair value	-	-
	- Held-for-sale financial assets	13,320	15,709
	- Derivatives and other financial assets	15,164	5,817
E	Receivables and other current financial assets	32,073	24,583
F	**Current financial assets (D+E)**	**32,073**	**24,583**
G	Current payables due to banks	1,363	371
	- Bonds	-	-
	- Loans	-	-
	- Borrowings	76,567	26,863
H	Current portion of non-current debt	76,567	26,863
	- Financial payables due to affiliated companies	3,879	3,689
	- Derivatives and other financial assets	2,953	6,118
I	Other current financial liabilities	6,832	9,807
L	**Payables due to banks and other current financial liabilities (G+H+I)**	**84,762**	**37,041**
M	**Current net financial position (C+F-L)**	**114,149**	**70,484**
	- Bonds	-	-
	- Loans	-	-
	- Borrowings	368,572	399,231
N	Debt non-current portion	368,572	399,231
O	Other non-current financial liabilities	18,749	13,581
P	**Non-current net debt (N+O)**	**387,321**	**412,812**
Q	**Net debt (M-P)**	**(273,172)**	**(342,328)**

Should the balance of "Non-current financial assets", not included in the Consob format, be added to the above data, the Group net financial position would show a loss of euro 267,601 thousands.

Further information regarding the Group net financial position is detailed in the notes 12, 13 and 18.

14. Shareholders' equity

More information concerning the composition and changes in shareholders' equity is detailed in the table dedicated to "Changes in consolidated shareholders' equity".

It should be noted that the legal entity controlling the Mondadori Group is Fininvest S.p.A.

Share capital

Arnoldo Mondadori Editore S.p.A.'s share capital is divided in no. 246,458,340 ordinary shares with a par value of euro 0.26 each at 31 December 2012; during the year no new shares were issued.

Share premium reserve

Arnoldo Mondadori Editore S.p.A. share premium reserve, accounting for euro 210,200 thousands, includes:

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

Treasury shares

Treasury shares owned by Arnoldo Mondadori Editore S.p.A. account for n. 10,436,014 ordinary shares and by Mondadori International S.p.A. n. 4,517,486 ordinary shares, corresponding to a total amount of euro 73,497 thousands.

A total of 2,630,583 ordinary shares were acquired in 2012.

Other reserves and results carried forward

"Other reserves and results carried forward" at 31 December 2012 amount to euro 366.994 thousands and include:

- legal reserve for euro 13,490 thousands;

- reserves equal to euro 5,335 thousands for amounts paid out by the Agency for the Promotion and Development of the South of Italy (Italian Ministerial Decrees of 28/6/1979 and 3/5/1989) and the Government by virtue of the Italian Law on Publishing no. 416 of 5 August 1981;
- a revaluation reserve used over the years for a total of euro 16,711 thousands;
- a cash flow hedge reserve, negative for euro 12,846 thousands, net of the relevant tax impact, for the valuation of hedge derivatives;
- a fair value reserve, negative for euro 2,221 thousands, for "Available-for-sale financial assets". Further details are provided in note 12;
- a stock option reserve, amounting to euro 3,756 thousands serving the stock option plans granted to Group directors and managers. This item increased by the cost of euro 119 thousands recognised under income statement and decreased following to cancellation of expired options and outgoing personnel for a total amount of euro 2,312 thousands. Further details are provided in note 25;
- the conversion reserve, positive for euro 93 thousands as at 31 December 2012 (euro -2,230 thousands as at 31 December 2011), mainly resulting from the conversion of the financial statements of the 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 significant change in the period refers to the transfer of the interest held in Random House Mondandori Group. The exchange rates used for the conversion of financial statements denominated in foreign currencies are summarised in the table below:

Currency	Spot 31/12/2012	Spot 31/12/2011	Average FY 2012	Average FY 2011
US dollars	-	1.29	-	1.40
Argentinian pesos	-	5.57	-	5.76
Chilean pesos	-	672.00	-	671.00
Colombian pesos	-	2,508.00	-	2,590.00
Mexican pesos	-	18.02	-	17.39
Uruguaian pesos	-	25.20	-	26.81
Venezuelan bolivares	-	5.56	-	5.99
Russian roubles	40.33	41.76	39.93	40.88
Chinese yuan	8.22	8.16	8.11	8.90
New Rumenian leu	4.45	4.32	4.46	4.21
Bulgarian leva	1.96	-	1.96	-
Serbian dinars	112.60	104.69	113.04	101.97

- the residual balance represents reserves for retained earnings.

Capital management

Mondadori Group share capital is managed mainly in relation to the Group overall financial structure, taking into account a correct balance between net debt and capital.

The main index used by the Group for measuring capital adequacy compares net debt with capital to net debt. Net debt includes all liabilities (bonds and liabilities due to banks) net of cash and cash equivalents.

Capital management (Euro/million)	31/12/2012	31/12/2011
Net debt	267.6	335.4
Capital (Shareholders' equity)	433.8	608.9
Total capital and net debt	701.4	944.3
Ratio of net debt/capital to net debt	38.2%	35.5%
Treasury shares in portfolio	73.5	70.5

15. Capital, reserves and results attributable to minority shareholders

In 2012 three transactions were completed, leading to changes in this item: the acquisition of the residual interest in Edizioni Piemme S.p.A. and Glaming S.r.l. and 60% of NaturaBuy S.a.s.

The table below details minority interests:

Capital, reserves and results attributable to minority shareholders (Euro/000)	Edizioni Piemme S.p.A.	Glaming S.r.l.	EMAS S.n.c.	NaturaBuy S.a.s.
Shareholders' equity at 31/12/2011	1,622	(554)	34,000	-
Result for 2011	409	(554)	-	-
Shareholders' equity at 31/12/2012	-	-	33,274	39
Result for 2012	158	(560)	2,549	39

16. Provisions

Provisions for risks and charges are broken down and commented on below:

Provisions (Euro/000)	31/12/2011	Provisions	Utilisations	Other changes	31/12/2012
Provision for agents' contractual risks	4,422	284	(595)	464	4,575
Provision for legal risks	15,769	2,211	(1,343)	455	17,092
Provision for equity investment risks	1,815	-	-	(87)	1,728
Provision for tax disputes	2,927	-	(279)	-	2,648
Other risk provisions	22,510	22,238	(8,480)	(453)	35,815
Total provisions	**47,443**	**24,733**	**(10,697)**	**379**	**61,858**

It should be noted that "Provision for legal risks" is set up mainly to cover losses generated from actions for libel associated with articles published in magazines and requests for compensation by authors and third parties in general.

"Provision for equity investment risks" is set up to cover losses generated by companies valued at equity in excess of the value of the Group's interest in such companies.

"Other risk provisions" include, among others, the amounts that the Group companies will have to pay in 2013 to third parties in relation to previously undertaken commitments, and specific provisions allocated to cover a litigation regarding social security issues vis-à-vis INPGI and allocated amounts relative to the process of re-organisation and early retirement begun in 2012, which will also be extended to the two subsequent years.

17. Post-employment benefits

Item "Post-employment benefits" is detailed and commented on here below:

Post-employment benefits (Euro/000)	31/12/2012	31/12/2011
Provision for post-employment benefits (TFR)	46,531	46,505
Provision for supplementary agents' indemnity (FISC)	6,952	6,555
Provision for retirement and similar obligations	394	448
Total post-employment benefits	**53,877**	**53,508**

The balance amount of "Provision for post-employment benefits (TFR)" is higher than that of the preceding year, because of the line-by-line consolidation of EMAS; net of such change in the consolidation area, a euro 1 million reduction would be obtained, due to the fact that in companies with more than 50 employees, the provision is represented solely by the revaluation component of the initial provision according to ISTAT parameters on the cost of living.

Post-employment benefits - Details (Euro/000)	TFR	FISC	Provision for retirement
Balance at 31/12/2011	46,505	6,555	448
Changes in 2012:			
- provisions	2,161	1,616	-
- utilisations	(4,159)	(1,219)	(54)
- reversals	-	-	-
- discounting	2,024	-	-
- changes in the consolidation area and other changes	-	-	-
Balance at 31/12/2012	**46,531**	**6,952**	**394**

Post-employment benefits and the supplementary agents' indemnity have been determined by applying an actuarial method in compliance with IAS 19 and IAS 37.

It should be noted that for both calculations a discounting rate based on the iBoxx benchmark, euro area, rating A and with a 10+ duration was used consistently with past evaluations.

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

Actuarial assumptions to measure TFR	31/12/2012	31/12/2011
Economic assumptions:		
- increase in cost of living	2.0%	2.0%
- discounting rate	4.0%	4.5%
- salary increase	3.0%-4.0%	3.0%-4.0%
Demographic assumptions:		
- probability of death	IPS 55 tables	IPS 55 tables
- probability of disability	INPS 2000 tables	INPS 2000 tables
- probability of leaving for other reasons	from 1% to 19.04%	from 0.50% to 19.07%
- retirement age	applicable regulations	applicable regulations

It should be noted that the effect due to the change in the discounting rate from 4.5% to 4% amounts to euro 0.9 million of higher costs; the cost of post-employment benefits, recognised in income statement, is as follows:

Cost of post-employment benefits (Euro/000)	FY 2012	FY 2011
Current cost of post-employment benefits	2,788	2,097
Financial charges	2,024	2,053
Actuarial income (losses)	(627)	(1,382)
Total cost of post-employment benefits	4,185	2,768

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

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

Actuarial assumptions to measure FISC	31/12/2012	31/12/2011
Economic assumptions:		
- discounting rate	4.0%	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 age of agency contract termination	applicable regulations	applicable regulations

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

18. Financial liabilities

Item "Non-current financial liabilities" equal to euro 387,321 thousands mainly include:
- euro 149,072 thousands regarding the amortised cost of the Term Loan underwritten in pool by Mondadori International S.p.A.;
- euro 95,000 thousands, the use of the term loan of the bilateral contract stipulated with Intesa Sanpaolo, coming to maturity in December 2016;
- euro 65,000 thousands, the use of the loan stipulated with Mediobanca, coming to maturity in December 2017;
- euro 52,000 thousands, the use of the amortising loan stipulated with a pool of Banche Popolari, coming to maturity in June 2015;
- euro 7,500 thousands, the use of the loan stipulated with GE Capital, coming to maturity in May 2016;
- euro 14,789 thousands, the fair value of the stipulated derivative contracts;
- euro 3,957 thousands, the fair value of the option relative to the acquisition of NaturaBuy S.a.s.

It should be noted that the actual interest rate relative to "Borrowings" is the weighted average of the actual rates calculated on borrowings.

Non-current financial liabilities (Euro/000)	Actual interest rate	Expiry 1-5 years	Expiry over 5 years	31/12/2012	31/12/2011
Bonds		-	-	-	-
Convertible bonds		-	-	-	-
Borrowings	1.607%	368,572	-	368,572	399,231
Payables due to suppliers		-	-	-	-
Payables due to affiliated companies		-	-	-	-
Payables due to parent companies		-	-	-	-
Payables due to associated companies		-	-	-	-
Payables due for lease agreements	5.377%-6.704%	3	-	3	72
Payables for shareholders' contributions		-	-	-	-
Liabilities resulting from derivatives		14,789	-	14,789	11,701
Other financial liabilities		3,957	-	3,957	1,808
Total non-current financial liabilities		387,321	0	387,321	412,812

"Payables due to banks and other financial liabilities" mainly include:
- euro 26,000 thousands, relative to the utilisation of the short-term part of the amortising loan underwritten with a pool led by Banche Popolari;
- euro 50,000 thousands, relative to the utilisation of the bilateral loan contract stipulated with Intesa Sanpaolo, coming to maturity in May 2013;
- euro 3,879 thousands, relative to financial payables due to affiliated companies using the intercompany current account. See annex "Transactions with related parties" for more detailed information.

Payables due to banks and other financial liabilities (Euro/000)	Actual interest rate	31/12/2012	31/12/2011
Bank deposits		1,363	371
Bonds		-	-
Convertible bonds		-	-
Borrowings	1.611%	76,567	26,863
Payables due to suppliers		367	2,232
Payables due to affiliated companies		3,879	3,689
Payables due to parent companies		-	-
Payables due to associated companies		-	-
Payables due for lease agreements		69	100
Payables for shareholders' contributions		-	-
Liabilities resulting from derivatives		142	18
Other financial liabilities		2,375	3,768
Total payables due to banks and other financial liabilities		84,762	37,041

Committed loans require that specific financial covenants be complied with. Any instance of default may result in the anticipated re-payment of the loan.

The currently applicable covenants make reference to the leverage ratio, corresponding to the ratio between net debt and EBITDA, calculated over a period of twelve consecutive months, as resulting from the Group's consolidated financial statements.

In 2012, the Mondadori Group met the financial covenants established in the relevant contracts at a leverage ratio average level of 3.75.

The leverage ratios are pre-determined based on specific grids which, according to the level reached, envisage different spread levels to apply on the use of the loan.

For information relative to the financial instruments reference should be made to note 12 "Financial assets" in these Notes.

19. Income tax payables

This item, whose composition is broken down in the table below, decreased as a result of the financial results obtained by the Group companies, mainly negative, upon which tax receivables accrued following the adherence to the tax consolidation regime with Fininvest S.p.A.

Income tax payables (Euro/000)	31/12/2012	31/12/2011
Payables due to Inland Revenue Office for IRAP	140	235
Payables due to Inland Revenue Office for IRES	1,389	8,750
Payables due to Fininvest for IRES	1,160	13,953
Total income tax payables	2,689	22,938

The item "Payables due to Inland Revenue Office for IRES" reflects the tax position of the companies outside the tax consolidation perimeter.

20. Other current liabilities

The decrease in this item against the previous year involves all sub-items and is mainly attributable to reduced revenues from the Group companies and to the reduction in employee count.

Other current liabilities (Euro/000)	31/12/2012	31/12/2011
Advances to customers	36,261	38,396
Tax payables	15,081	17,999
Payables due to welfare and social security entities	34,134	36,469
Payables due to affiliated companies	55	-
Other payables	162,660	167,068
Total other current liabilities	248,191	259,932

Item "Other payables" is broken down below.

Other current liabilities – Other payables (Euro/000)	31/12/2012	31/12/2011
Payroll and other amounts due to personnel	35,847	36,071
Payables due to authors and collaborators	53,735	57,694
Payables due to agents	9,588	11,643
Payables to subscription and instalment customers	48,084	49,541
Payables to directors and statutory auditors	702	683
Deferred income for anticipated rents	52	-
Other payables, accrued liabilities and deferred income	14,652	11,436
Total other payables	162,660	167,068

21. Trade payables

"Trade payables" is in line with the previous year, despite the reduction in the purchase of raw materials, products and services, thanks to the re-negotiation of payment terms with suppliers and an accurate management of accounts payable.

Trade payables (Euro/000)	31/12/2012	31/12/2011
Payables due to suppliers	342,379	282,418
Payables due to affiliated companies	16,118	79,875
Payables due to parent company	7	7
Payables due to associated companies	8,307	4,537
Total trade payables	366,811	366,837

For the detailed breakdown of payables due to affiliated companies, parent company and associated companies reference should be made to the Annex "Relations with related parties".

It should be noted that no trade payables are due over five years and that the average collection period in 2012 was 109.3 days, up from the 101.7 days of the previous year.

22. Revenues from sales and services

Revenues, detailed here below and broken down based on revenues from the sale of products and revenues from the sale of services, show a negative trend compared to 2011. Transport costs charged back to third parties amounting to approximately euro 2.7 million were reclassified under item "Other costs (revenues)" in 2011.

Because Editions Mondadori Axel Springer S.n.c. was consolidated starting in 2012, the data is not directly comparable; on a like-for-like basis, that is, summing up the revenues of the previous year and those generated by the joint venture, the reduction would be equal to 8.6%.

The Group's overall revenues in 2012 were down 6% compared to the previous year. Almost all the market segments in which the Group operates were significantly penalised by the current global economic crisis which slowed down household consumption and, above all, non-commodities.

The table below shows falling revenues in almost all the business areas in which the Group operates; the reduced volumes are particularly conspicuous in the direct marketing activity and mail order sales, mainly through the book club, and advertising in owned and third party magazines and radio stations.

The trend differs in the two countries in which the Group performs the afore mentioned activities. In Italy, the reduction amounted to 21.4%, while in France it was limited to 2.4%.

Revenues from sales and services (Euro/000)	FY 2012	FY 2011	Var. %
Revenues from the sale of products:			
- books	293,295	303,573	(3.4%)
- magazines	532,324	547,721	(2.8%)
- direct	27,986	41,431	(32.5%)
- retail	201,849	201,515	0.2%
- other products	16,234	14,101	15.1%
Revenues from the sale of services:			
- transfer of publication rights	6,074	6,089	(0.2%)
- advertising services	265,568	304,657	(12.8%)
- direct marketing	16,435	17,821	(7.8%)
- ticket sale and organisation of exhibitions	11,486	10,789	6.5%
- other services	44,842	59,454	(24.6%)
Total revenues from sales and services	1,416,093	1,507,151	(6.0%)

For further information reference should be made to the Directors' Report on Operations, including details about sale volumes and the performance of the segments of activity in which the Group operates.

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

Dropping revenues also generated cost cutting, which, together with the different classification of the expenses relative to "Electricity, water, gas and fuel" in "Cost of services", resulted in a 9.2% reduction in this item.

Cost of raw, ancillary, consumption materials and goods (Euro/000)	FY 2012	FY 2011
Paper	49,959	49,522
Electricity, water, gas and fuel	-	7,968
Other production materials	4,912	4,013
Total cost of raw and ancillary materials	54,871	61,503
Goods for re-sale	149,400	147,375
Consumption and maintenance materials	1,606	3,287
Other	10,734	26,492
Total cost of consumption materials and goods	161,740	177,154
Total cost of raw, ancillary, consumption materials and goods	216,611	238,657

24. Cost of services

"Cost of services" also shows a significantly lower balance than the value registered the previous year, both as a result of dropping revenues, which generated a reduction of variable costs, and of the cost containment policy implemented.

Cost of services (Euro/000)	FY 2012	FY 2011
Rights and royalties	116,662	125,083
Consultancy services and third party collaborations	79,817	81,106
Commissions	64,952	65,638
Third party graphical processing	243,228	271,280
Transport and shipping	66,602	66,217
Purchase of advertising space and promotion expenses	61,612	64,305
Travel and other expense reimbursements	10,883	12,525
Maintenance expenses	7,073	8,169
Warehouse and porterage expenses	15,249	11,201
Telephone and postal expenses	10,227	12,008
Catering and cleaning services	8,577	8,213
Market research	4,686	4,333
Insurance	2,934	3,150
Subscriptions management	32,568	29,760
Publisher's costs	19,155	28,611
Electricity, water, gas and fuel	8,437	-
Bank services and commissions	3,032	2,165
Directors' and statutory auditors' fees	3,318	3,500
Other services	35,643	47,210
Total cost of services	794,655	844,474

It should also be noted that item "Directors' and statutory auditors' fees" comprises fees paid to Directors and Statutory Auditors for euro 2,740 thousands and euro 578 thousands, respectively.

25. Cost of personnel

This item is detailed and commented on here below:

Cost of personnel (Euro/000)	FY 2012	FY 2011
Salaries and wages	189,979	186,561
Stock options	119	695
Social security charges	56,966	56,864
Post-employment benefits TFR	2,161	715
Supplementary pension scheme plans	9,634	9,609
Retirement indemnity and similar obligations	-	18
Other costs	31,556	16,286
Total cost of personnel	290,415	270,748

On a like-for-like basis, i.e. net of the effect of the line-by-line consolidation of the French joint venture Editions Mondadori Axel Springer S.n.c., this item shows a 1.3% decrease in employee count and a 1.4% reduction in the overall cost of personnel.

In addition to the already mentioned transaction with EMAS, “Cost of personnel” also takes into account the merger of the former joint venture Mondadori Rodale into Arnoldo Mondadori S.p.A. and the higher allocation of funds for the restructuring process started in the year under examination.

The table below shows information regarding Group employees.

Employees	Actual 31/12/2012	Actual 31/12/2011	Average FY 2012	Average FY 2011
Executives	150	156	151	156
Journalists	905	805	905	807
White collars and managers	2,509	2,556	2,559	2,570
Blue collars	139	147	147	154
Total	3,703	3,664	3,762	3,687

Information about stock option plans

With reference to the stock option plans applied by Parent Company Arnoldo Mondadori Editore S.p.A. for the three year 2006-2007-2008 and 2009-2010-2011 time spans and described in the Remuneration Report pursuant to article 123-*ter* of Italian Legislative Decree no. 58 of 24 February 1998, advertised concurrently with this Annual Report, the table below summarises the situation of the options assigned and still to be exercised at 31 December 2012 with indication of the prices and relevant exercise period.

It should be noted that the granting of loans or other facilities for the purchase of shares is not admitted pursuant to art. 2358, par. 3, of the Italian Civil Code.

Stock options	2006	2007	2009	2010
In circulation at 01/01/2012	2,045,000	2,255,000	2,070,000	1,680,000
- assigned during the year	-	-	-	-
- cancelled during the year	-	(160,000)	(160,000)	(270,000)
- exercised during the year	-	-	-	-
- expired during the year	(2,045,000)	-	-	-
In circulation at 31/12/2012	-	2,095,000	1,910,000	1,410,000
Exercise term	18/07/2009-17/07/2012	26/06/2010-25/06/2013	16/10/2012-16/10/2015	22/07/2013-21/07/2016
Exercise price in euro	7.507	7.458	3.4198	2.4693
Exercisable at 31/12/2012	-	2,095,000	1,910,000	-

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

Parameters for the option measuring model	2007	2009	2010
Exercise price of the option	7,458	3,4198	2,4693
Option term (residual years)	0,5	2,83	3,58
Market price of the underlying shares at the grant date in euro	7,15	3,53	2,415
Expected volatility of the share price	17.00%	32.00%	35.40%
Dividend yield	4.90%	5.66%	8.28%
Risk-free interest rate for the option term	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, under the Plan rules, these options are not exercisable.

As to 2011, the Board of Directors of Arnoldo Mondadori Editore S.p.A. resolved, upon proposal made by the Remuneration Committee, to waive the assignment of options, given the availability of other forms of incentives and loyalty schemes considered adequate to provide the Group with a significant advantage in the medium-long period.

Lastly, the cost of share-based payments recognised in item “Cost of personnel” under income statement, deriving from share-based payments, totals euro 119 thousands.

26. Other (income) cost

This item is detailed and commented on here below:

Other (income) cost (Euro/000)	FY 2012	FY 2011
Other revenues and income	(29,419)	(42,003)
Cost of use of third party assets	43,388	44,100
Various operating costs	34,541	39,872
Total other (income) cost	48,510	41,969

The decrease in item "Other (income) cost" is mainly attributed to lower cost amounts recovered from third parties following the downtrend in sales generated by the Group.

Item "Year's contributions" mainly includes the contribution in the form of tax receivable, recognised by the government in relation to the consumption of paper in 2011.

Other (income) cost – Other revenues and income (Euro/000)	FY 2012	FY 2011
Year's contributions	4,359	5
Capital gains from the transfer of assets	205	3,707
Supplier rebates and other third party contributions	149	276
Insurance reimbursements	6	170
Rentals	1,413	1,233
Contingent assets	3,391	3,756
Third party expense reimbursements	12,170	23,940
Other	7,726	8,916
Total other revenues and income	29,419	42,003

"Cost of third party assets use" is in line with the previous year.

Other (income) cost – Cost of third party assets use (Euro/000)	FY 2012	FY 2011
Rental expense	35,473	34,935
Data processing fees, leases and rentals	7,765	7,189
Other	150	1,976
Total cost of third party assets use	43,388	44,100

"Other operating costs" dropped against 2011 mainly as a result of lower net provisions; in the detail, a few sub-items increased mainly following the different consolidation perimeter of 2012 which also includes EMAS.

Other (income) cost – Other operating costs (Euro/000)	FY 2012	FY 2011
Compensation and settlements	1,607	1,953
Bad debt	10,092	13,621
Provisions	22,788	30,704
Utilisations	(19,025)	(24,169)
Contributions and grants	621	1,725
Contingent liabilities	2,555	2,518
Capital loss from the transfer of assets	157	287
Entertainment expenses, gifts and information material	7,324	5,355
Other taxes and duties	6,402	5,813
Other	2,020	2,065
Total other operating costs	34,541	39,872

27. Total income (cost) from investments valued at equity

The table below details 2012 and 2011 results of companies valued at equity.

Income (costs) from investments valued at equity (Euro/000)	FY 2012	FY 2011
- Hearst Mondadori Editoriale S.r.l.	-	(223)
- Gruner + Jahr/Mondadori S.p.A.	(404)	1,205
- Harlequin Mondadori S.p.A.	598	519
- Milano Distribuzione Media S.r.l.	6	64
- ACI-Mondadori S.p.A.	(132)	(197)
- Ame Editoriale Wellness S.r.l. (former Mondadori Rodale S.r.l.)	-	116
- Attica Publications Group	(139)	(842)
- Società Europea di Edizioni S.p.A.	(994)	(1,284)
- Group Random House Mondadori	1,055	247
- Mach 2 Libri S.p.A.	5	390
- Mach 2 Press S.r.l.	(159)	(218)
- Mondadori Independent Media LLC	(24)	(325)
- Edizioni EL S.r.l.	618	705
- Mondadori Printing S.p.A.	-	2,414
- Venezia Musei Società per i servizi museali S.c.ar.l.	(72)	(61)
- Mediamond S.p.A.	281	55
- Venezia Accademia Società per i servizi museali S.c.ar.l.	27	(33)
- Mondadori Seec Advertising Co. Ltd	124	(270)
- Editions Mondadori Axel Springer S.n.c.	-	3,052
- EMAS Digital S.a.s.	1,048	(10)
Capital gain from transfer of Hearst Mondadori Editoriale S.r.l.	-	10,054
Acquisition of controlling interest in Editions Mondadori Axel Springer S.n.c.	-	(409)
Impairment test Mach 2 Libri S.p.A.	(1,284)	-
Capital gain from transfer of Mondadori Printing S.p.A.	5,707	-
Capital gain from transfer of Group Random House Mondadori	1,679	-
Total income (cost) from investments valued at equity	7,940	14,949

The amount of income/cost from investments valued at equity has almost halved against the previous year.

However, in 2011 and in 2012, the balance included the effects of a few non-recurring transactions. In particular, in 2011, the item includes the positive impact deriving from the transfer of Hearst Mondadori Editoriale S.r.l., while in 2012 the item reflects the capital gains from the transfer of Mondadori Printing S.p.A. and Random House Mondadori, in addition to the partial impairment of the book value of Mach 2 Libri S.p.A.

Excluding the foregoing, the contribution from affiliated companies and joint ventures would in any case have been down by approximately euro 3 million as a result of the lower results achieved.

28. Financial income (costs)

This item is broken down as follows:

Financial income (costs) (Euro/000)	FY 2012	FY 2011
Interest from banks and post offices	635	560
Financial income from derivatives	1,368	4,577
Financial income	1,816	1,695
Other interest	138	50
Total interest and other financial income	3,957	6,882
Interest to banks and post offices	99	223
Interest on bonds, loans and borrowings	16,956	16,627
Financial costs from derivatives	6,494	7,541
Financial costs for discounting assets/liabilities	2,024	2,053
Other interest	761	420
Total interest expense and other financial costs	26,334	26,864
Realised positive currency differences	238	489
Unrealised positive currency differences	18	24
Realised negative currency differences	(329)	(454)
Unrealised negative currency differences	(18)	(24)
Total income (loss) on currency transactions	(91)	35
Income (cost) from financial assets	208	(557)
Total financial income (costs)	(22,260)	(20,504)

Lower financial income refers to the increase in the negative difference resulting from derivative contracts.

29. Income taxes

The table below shows the composition of current, anticipated and deferred taxes.

The tax burden for the period significantly reflects the reduction in the economic performance of the Group companies; given the different taxable base IRAP decreases less than IRES and the corresponding French tax, proportionately.

For these reasons and as a result of the recognition in income statement of the tax asset deriving from the receivable resulting from the higher deductible portion of IRAP for the purpose of IRES in the 2007-2011 financial years, for which applications for reimbursement were filed with the Inland Revenue Office in March 2013, the overall economic impact is positive.

Income taxes (Euro/000)	FY 2012	FY 2011
IRES tax on income for the period	6,763	25,776
IRAP for the period	7,220	10,181
Total current taxes	13,983	35,957
Deferred (anticipated) taxes for IRES	(12,451)	(3,214)
Deferred (anticipated) taxes for IRAP	(1,060)	441
Total deferred (anticipated) taxes	(13,511)	(2,773)
Other tax items	(9,190)	12
Total income taxes	(8,718)	33,196

Reconciliation between the theoretical tax charge and the current tax charge

	FY 2012			FY 2011		
(Euro/000)	Pre-tax result	Tax amount	Current tax rate	Pre-tax result	Tax amount	Current tax rate
Theoretical IRES tax charge	(173,809)	(47,797)	27.50%	82,672	22,735	27.50%
Theoretical IRAP tax charge	(173,809)	(6,779)	3.90%	82,672	3,224	3.90%
Total theoretical tax charge/rate		(54,576)	31.40%		25,959	31.40%
Actual IRES tax charge		(14,874)	8.56%		22,562	27.29%
Actual IRAP tax charge		6,156	(3.54)%		10,634	12.86%
Total actual tax charge/rate		(8,718)	5.02%		33,196	40.15%
Theoretical tax charge/rate		(54,576)	31.40%		25,959	31.40%
Effect relating to consolidation entries		38,066	(21.90%)		(1,326)	(1.60%)
Effect relative to the recognition of taxes relative to previous years		(8,890)	5.11%		(790)	(0.96%)
Effect relative to companies posting losses		1,445	(0.83%)		138	0.17%
Effect of differences in tax rates on taxable income of foreign subsidiaries		2,743	(1.58%)		1,978	2.39%
Net effect of other permanent differences		(441)	0.26%		(173)	(0.21%)
Effect of different IRAP tax base		12,935	(7.44%)		7,410	8.96%
Current tax amount/rate		(8,718)	5.02%		33,196	40.15%

30. Earnings per share

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

	FY 2012	FY 2011
Net income for the period (euro/000)	(167,277)	49,621
Average number of outstanding ordinary shares (no./000)	232,340	236,126
Basic earnings per share (euro)	(0.720)	0.210

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

	FY 2012	FY 2011
Net income for the period (euro/000)	(167,277)	49,621
Average number of outstanding ordinary shares (no./000)	232,340	236,126
Number of options with diluted effect (no./000)	0	0
Diluted earnings per share (euro)	(0.720)	0.210

31. Commitments and contingent liabilities

At 31 December 2012 Mondadori Group has commitments underwritten for a total amount of euro 115,287 thousands (euro 102,444 thousands at 31 December 2011) almost entirely represented by guarantees issued vis-à-vis VAT receivables subject to reimbursement and premium contests transactions; euro 12,406 thousands refer to forward currency purchase/sale contracts.

The increase against the previous year is mainly attributed to the forward currency purchase/sale contracts in relation to the purchase of e-readers and tablets from Kobo Inc.

In addition to the details provided in these Notes in relation to the Parent Company (note 27 "Income tax" and note 28 "Commitments and contingent liabilities", to which reference is made), it should be noted that the Tax Authorities submitted findings in relation to specific tax investigations performed in some Group companies.

As to Mondadori Direct S.p.A. (former Mondadori Retail S.p.A.) tax assessments for IRES, IRAP and VAT relative to the 2003-2006 tax years have been notified. All these tax assessments have been challenged before the Provincial Tax Commission. The Provincial Tax Commission accepted the appeal presented for IRAP for the 2004 year; the Commission later appealed to the Regional Tax Commission.
All the other appeals are still pending with the Provincial Tax Commission.
As to Giulio Einaudi editore S.p.A. the 2005-2009 tax years are still pending settlement. All these tax assessments relative to the afore indicated years have been challenged before the Provincial Tax Commission. On 12 March 2013 a hearing was held to negotiate appeals. To date, the response is not yet known.
For the above indicated contingent liabilities, the risk of loss is deemed not probable and accordingly, no provisions for risks have been accrued in 2012.

32. Non-recurring (income) cost

In accordance with Consob Resolution no. 15519 of 27 July 2006, it should be noted that the Group carried out non-recurring transactions, as listed here below:
- costs relatived to pre-pension schemes recognised in "Cost of personnel" for euro 2,157 thousands;
- revenues equal to euro 3,904 thousands relatived to the state subsidies granted in relation to the consumption of paper in 2011, recognised in item "Other (income) cost" and euro 178 thousands attributable to companies valued at equity recognised in the corresponding item;
- the tax effects relative to the afore mentioned points, as well as tax revenues for IRES due to the undeducted IRAP amount in the 2077-2011 years, relativly to the tax rate of expenses for employees and collaborators, net of the deductions due pursuant to article 11, par. 1, letter a), 1-*bis*, 4-*bis* of Italian Legislative Decree no. 446/1997. The latter effect is recognised in "Income tax" and amounts to euro 9,501 thousands.

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 conditions or when they are imposed by specific regulatory conditions, transactions with related parties were in any case carried out under market conditions.

Benefits to executives with strategically relevant functions
Executives holding responsibilities in relation to Mondadori Group planning, direction and control activities are listed below:

Directors	
Maurizio Costa	Deputy Chairman and CEO
Carlo Maria Vismara	Chief Financial Officer
Roberto Briglia	Chief Content Officer (terminated on 31 December 2012)
Executives	
Stefano De Alessandri	CEO of Monradio S.r.l.
Rossella Citterio	Head of Public Relations and Communication
Ernesto Mauri	Manager of Magazines area and Chairman of Mondadori France S.a.s.
Riccardo Cavallero	General Manager Trade Books
Antonio Porro	Manager Books Educational area
Angelo Sajeva	Chairman and CEO of Mondadori Pubblicità S.p.A.
Carlo Luigi Mandelli	Manager Magazines Italy area
Renato Rodenghi	Manager Direct area
Enrico Selva Coddè	Manager of Human Resources, IT systems and Operations

The overall amount due for compensation by Arnoldo Mondadori Editore S.p.A. or by the Group companies to executives holding strategically relevant positions is equal to euro 13.1 million. The value comparable with the previous year, however, is equal to euro 9.2 million, down 15%, mainly as a result of the reduction in MBOs (Management by Objectives) amounts. In addition, LTI (Long-Term Incentive) amounts accrued and not yet paid were added according to the following percentages: 50% for the 2010-2012 plans; 100% for the 2007-2009 plan objectives set by the CEO.

Transactions with parent companies, affiliated and associated companies
Below is a detail of the economic and financial impact of transactions with parent companies, affiliated and associated companies relative to 2011 and 2012.

Transactions with related parties: figures as at 31 December 2012

(Euro/000)	Trade receivables	Financial receivables	Tax receivables	Other current assets	Trade payables	Financial payables	Tax payables	Other current liabilities	Revenues	Purchases of raw materials	Purchases of services	Other (revenues) costs	Financial revenues (costs)
Parent company:													
- Fininvest S.p.A.	-	-	15,847	-	7	-	1,160	-	-	-	31	4	(149)
Affiliated companies:													
- Gruner + Jahr/Mondadori S.p.A.	4,882	-	-	-	6,249	97	-	52	3,132	73	4,649	(78)	(17)
- Mach 2 Libri S.p.A.	24,378	-	-	-	75	34	-	-	28,453	-	166	(4)	25
- Milano Distribuzione Media S.r.l.	1,000	-	-	-	19	-	-	-	-	-	305	14	-
- Venezia Musei Società per i servizi museali S.c.ar.l.	260	-	-	-	-	-	-	-	-	-	-	-	-
- Harlequin Mondadori S.p.A.	181	-	-	200	217	3,163	-	-	476	9,535	-	(105)	(25)
- Attica Publications Group	187	507	-	-	25	-	-	-	137	-	59	-	7
- Edizioni EL S.r.l.	718	-	-	22	4,990	-	-	3	843	6,349	13	(602)	-
- Gruppo Random House Mondadori (until 30/11/2012)	-	-	-	-	-	-	-	-	203	-	34	-	-
- Società Europea di Edizioni S.p.A.	585	-	-	-	1,979	-	-	-	3,254	134	18	(10)	-
- ACI-Mondadori S.p.A.	297	-	-	-	633	1	-	-	1,037	8	1,136	(132)	(3)
- Consorzio Covar (in liquidation)	-	-	-	4	-	-	-	-	-	-	-	-	-
- EMAS Digital S.a.s.	-	5,127	-	-	-	-	-	-	-	-	-	-	101
- Roccella S.c.ar.l. (in liquidation)	-	165	-	-	60	-	-	-	-	-	-	-	-
- Campania Arte S.c.ar.l.	32	134	-	-	23	-	-	-	7	-	12	-	-
- Mondadori Independent Media LLC	90	-	-	-	-	-	-	-	261	-	-	(15)	-
- Venezia Accademia Soc. per i servizi museali S.c.ar.l.	9	25	-	-	47	-	-	-	-	1	93	(32)	-
- Mediamond S.p.A.	5,851	80	-	-	1,165	584	-	-	9,962	5	2,298	(581)	(5)
- Mondadori Seec Advertising Co. Ltd	532	2,695	-	-	202	-	-	-	542	-	147	-	-
- Mach 2 Press S.r.l.	-	-	-	-	434	-	-	-	-	-	1,299	-	-
Total affiliated companies	39,002	8,733	0	226	16,118	3,879	0	55	48,307	16,105	10,229	(1,545)	83

Transactions with related parties: figures as at 31 December 2012

(Euro/000)	Trade receivables	Financial receivables	Tax receivables	Other current assets	Trade payables	Financial payables	Tax payables	Other current liabilities	Revenues	Purchases of raw materials	Purchases of services	Other (revenues) costs	Financial revenues (costs)
Associated companies:													
- RTI - Reti Televisive Italiane S.p.A.	521	-	-	-	2,704	-	-	-	768	1,914	335	4	-
- Publitalia '80 S.p.A.	-	-	-	-	4,912	-	-	-	-	-	12,413	-	-
- Digitalia '08 S.r.l. (former Promoservice Italia S.r.l.)	181	-	-	-	-	-	-	-	-	-	51	-	-
- Fininvest Gest. Servizi S.p.A. (former Finedim Italia S.p.A.)	3	-	-	-	-	-	-	-	3	-	-	21	-
- Banca Mediolanum S.p.A.	38	-	-	-	-	-	-	-	204	-	-	-	-
- Medusa Film S.p.A.	21	-	-	-	524	-	-	-	99	432	412	-	-
- Alba Servizi Aerotrasporti S.p.A.	-	-	-	-	16	-	-	-	-	-	-	27	-
- Radio e Reti S.r.l.	9	-	-	-	-	-	-	-	-	-	-	-	-
- Isim S.p.A.	-	-	-	-	2	-	-	-	-	-	-	-	-
- Mediaset S.p.A.	8	-	-	-	103	-	-	-	8	-	85	-	-
- A.C. Milan S.p.A.	34	-	-	-	-	-	-	-	33	-	-	6	-
- Media Shopping S.p.A.	10	-	-	-	27	-	-	-	23	-	29	-	-
- Publieurope Ltd	485	-	-	-	-	-	-	-	1,711	-	406	-	-
- The Space Cinema 2 S.p.A. (former Medusa Cinema S.p.A.)	-	-	-	-	19	-	-	-	-	-	16	-	-
- Taodue S.r.l.	24	-	-	-	-	-	-	-	20	-	20	-	-
- Milan Entertainment S.r.l.	3	-	-	-	-	-	-	-	-	-	5	12	-
- Towertel S.p.A.	-	-	-	-	-	-	-	-	-	1	194	264	-
- Mediobanca S.p.A.	-	-	-	-	-	70,251	-	-	-	-	-	-	(2,360)
Total associated companies	1,337	0	0	0	8,307	70,251	0	0	2,869	2,347	13,966	334	(2,360)
Other related parties:													
- Sin&rgetica S.r.l.	-	-	-	-	169	-	-	-	-	-	340	-	-
Total other related parties	0	0	0	0	169	0	0	0	0	0	340	0	0
Total related parties	40,339	8,733	15,847	226	24,601	74,130	1,160	55	51,176	18,452	24,566	(1,207)	(2,426)
% of incidence	12.0%	23.2%	25.6%	0.3%	6.7%	15.7%	43.1%	n.s.	3.6%	8.5%	3.1%	n.s.	10.9%

Transactions with related parties: figures as at 31 December 2011

(Euro/000)	Trade receivables	Financial receivables	Tax receivables	Trade payables	Financial payables	Tax payables	Revenues	Purchases of raw materials	Purchases of services	Other (revenues) costs	Financial revenues (costs)
Parent company:											
- Fininvest S.p.A.	-	-	2,470	7	-	13,953	-	-	10	4	(164)
Affiliated companies:											
- Gruner + Jahr/Mondadori S.p.A.	5,176	-	-	6,707	177	-	2,877	112	5,617	(759)	(27)
- Mach 2 Libri S.p.A.	22,971	1	-	7	-	-	31,348	-	53	(4)	-
- MDM Milano Distribuzione Media S.r.l.											
(former Agenzia Lombarda Distribuz. Giornali e Riviste S.r.l.)	1,008	-	-	13	-	-	-	-	311	10	-
- Venezia Musei Società per i servizi museali S.c.ar.l.	260	-	-	-	-	-	-	-	-	-	-
- Hearst Mond. Editoriale S.r.l. (affiliated until 30/06/2011)	-	-	-	-	-	-	609	-	2,384	(300)	(2)
- Harlequin Mondadori S.p.A.	281	-	-	947	2,725	-	511	10,567	-	(111)	(36)
- Ame Editoriale Wellness S.r.l. (affiliated until 30/06/2011)	-	-	-	-	-	-	666	-	2,362	(314)	(10)
- Attica Publications Group	182	-	-	32	-	-	119	-	43	-	-
- Edizioni EL S.r.l.	1,064	-	-	4,718	-	-	876	7,126	24	(667)	-
- Random House Mondadori Group	215	-	-	2	-	-	196	-	86	-	-
- Società Europea di Edizioni S.p.A.	789	-	-	2,918	-	-	3,775	366	-	(4)	-
- ACI-Mondadori S.p.A.	434	-	-	911	308	-	1,397	7	1,491	(180)	(12)
- Consorzio Covar (in liquidation)	4	-	-	-	-	-	-	-	-	-	-
- EMAS Digital S.a.s.	-	6,519	-	-	-	-	-	-	-	-	19
- Roccella S.c.ar.l. (in liquidation)	-	160	-	60	-	-	-	-	-	-	-
- Campania Arte S.c. a r.l.	24	134	-	10	-	-	6	-	10	1	-
- Editions Mondadori Axel Springer S.n.c	-	-	-	-	-	-	7,996	87	741	(3,807)	17
- Mondadori Independent Media LLC	70	-	-	-	-	-	137	-	-	-	-
- Venezia Accademia Società per i servizi museali S.c.ar.l.	9	25	-	95	-	-	8	6	73	(1)	-
- Mondadori Printing S.p.A.	606	-	-	61,385	-	-	1,568	427	174,077	32	1
- Artes Graficas Toledo S.A.	-	-	-	566	-	-	-	-	-	-	-
- Mediamond S.p.A.	3,161	-	-	948	479	-	5,244	-	1,089	(568)	(7)
- Mondadori Seec Advertising Co. Ltd	342	2,695	-	220	-	-	307	-	166	-	-
- Mach 2 Press S.r.l.	-	-	-	336	-	-	-	-	1,225	-	-
Total affiliated companies	36,596	9,534	0	79,785	3,689	0	57,640	18,698	189,752	(6,672)	(57)

Transactions with related parties: figures as at 31 December 2011

(Euro/000)	Trade receivables	Financial receivables	Tax receivables	Trade payables	Financial payables	Tax payables	Revenues	Purchases of raw materials	Purchases of services	Other (revenues) costs	Financial revenues (costs)
Associated companies:											
- RTI - Reti Televisive Italiane S.p.A.	898	-	-	1,264	-	-	1,378	601	719	4	-
- Publitalia 80 S.p.A.	9	-	-	2,310	-	-	9	-	14,322	-	-
- Digitalia 08 S.r.l. (former Promoservice Italia S.r.l.)	226	-	-	12	-	-	10	-	135	-	-
- Fininvest Gest. Servizi S.p.A. (former Finedim Italia S.p.A.)	2	-	-	-	-	-	2	-	-	21	-
- Il Teatro Manzoni S.p.A.	2	-	-	-	-	-	2	-	-	-	-
- Banca Mediolanum S.p.A.	9	-	-	-	-	-	157	-	-	-	-
- Medusa Film S.p.A.	10	-	-	271	-	-	46	542	662	-	-
- Alba Servizi Aerotrasporti S.p.A.	-	-	-	-	-	-	-	-	-	37	-
- El Towers S.p.A.	6	-	-	-	-	-	5	-	-	-	-
- Radio e Reti S.r.l.	9	-	-	-	-	-	-	-	-	-	-
- Isim S.p.A.	-	-	-	2	-	-	-	-	-	-	-
- Videotime S.p.A.	12	-	-	-	-	-	12	-	-	-	-
- Mediaset S.p.A.	17	-	-	90	-	-	17	-	151	-	-
- A.C. Milan S.p.A.	-	-	-	-	-	-	-	-	-	18	-
- Media Shopping S.p.A.	144	-	-	11	-	-	272	-	15	-	-
- Publieurope Ltd	510	-	-	577	-	-	1,998	-	578	-	-
- The Space Cinema 2 S.p.A. (former Medusa Cinema S.p.A.)	-	-	-	-	-	-	-	-	-	-	-
- Taodue S.r.l.	20	-	-	-	-	-	-	-	-	-	-
- Milan Entertainment S.r.l.	8	-	-	-	-	-	-	-	8	-	-
- Boing S.p.A.	-	-	-	-	-	-	-	-	-	-	-
- Mediobanca S.p.A.	-	-	-	-	65,000	-	-	-	-	-	(1,469)
Total associated companies	1,882	0	0	4,537	65,000	0	3,908	1,143	16,590	80	(1,469)
Other related parties:											
- Sin&rgetica S.r.l.	-	-	-	42	-	-	-	-	539	-	-
- Sineris S.r.l.	-	-	-	48	-	-	-	-	40	-	-
Total other related parties	0	0	0	90	0	0	0	0	579	0	0
Total related parties	38,478	9,534	2,470	84,509	68,689	13,953	61,548	19,841	206,931	(6,588)	(1,690)
% of incidence	10.7%	30.3%	6.0%	23.0%	15.3%	60.8%	4.1%	8.3%	24.5%	n.s.	8.2%

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

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

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

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

The overall Policy objective is to minimise financial risks, by using appropriate tools available on the market. Financial derivative instruments are exclusively used to hedge against financial risks directly referring to Arnoldo Mondadori Editore S.p.A. or its subsidiaries.
Financial derivative instruments may not be used for speculative purposes.

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

Interest rate risk

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

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

The Group exposure to interest rate risk mainly refers to long-term loans, and, in particular: the loan granted by a pool of international banks (Club Deal); the bilateral credit lines granted by Intesa Sanpaolo; the amortising loan coming to maturity in June 2015 granted by a pool of leading Italian banche popolari and the bullet loan coming to maturity in December 2017 granted by Mediobanca.

Interest rate risk hedging is ensured through interest rate swap contracts, converting exposure from floating to fixed rate.

In particular:
- a 2.91%, fixed interest 3-month Euribor hedge with a notional value of euro 150 million comprising interest rate swap contracts coming into force as of end of July 2011;
- a 1.29% fixed interest 1-month Euribor hedge, comprising an amortising interest rate swap for a notional euro 30 million initially, with annual amortisation;
- a 2.59% fixed interest 1-month Euribor hedge, comprising an interest rate swap for a notional value of euro 50 million, with forward start as of end of July 2011;
- a 0.96% fixed rate 1-month Euribor hedge, comprising an interest rate swap of a notional value of euro 25 million, coming into force as of September 2011.

For more detailed information regarding debt, reference should be made to note 12. "Financial assets", and note 18. "Financial liabilities".

The following table illustrates the findings of the sensitivity analysis on the interest rate risk with indication of the relevant impact on income statement, gross of any tax effects, as requested by IFRS 7.

Sensitivity analysis (Euro/million)	Underlying	Interest rate increase (decrease)	Income (costs)	Shareholders' equity increase (decrease)
2012	(177.7)	1%	(1.6)	2.1
2011	(192.1)	1%	(1.8)	2.2
2012	(177.7)	(0.2%)	0.3	(0.4)
2011	(192.1)	(0.2%)	0.4	(0.4)

While identifying potential impact correlated to positive and negative interest rate variations, floating-rate loans were also analysed.

The impact of the sensitivity analysis refers to future cash flows on the payment of floating-rate loans, while in the case of fixed rate liabilities refers to variations in the fair value.

The basic assumptions underlying the sensitivity analysis are:
- an initial parallel shift of the interest curve of ± 100/-20 basis points (+100/-100 basis points in 2011);
- the analysis is carried out on the assumption that all the other risk variables remain constant;
- for the purpose of comparability, the same analysis is performed both on the current year and the previous year.

Currency risk

Currency 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.
The Group is not particularly exposed to exchange rate risks.

The Group has underwritten forward contracts in order to hedge against the currency risk resulting from US dollars sale transactions.
Despite the fact that these contracts are specifically entered into for hedge purposes, they do not fully meet the requirements envisaged by international accounting standards in the matter of hedge accounting, and are therefore accounted for as trading derivatives. The Group has a policy of hedging a percentage of the positions included in the budget in order to protect its operational profitability against the negative impact resulting from exchange rate fluctuations.

In 2012 the type of exposure and the hedge policy adopted for exchange rate risks did not show any particular variations against previous years.
The results of the sensitivity analysis performed on the currency risk showed an insignificant economic impact, considering the low level of average exposure in 2011 and 2012.
No impact was identified on Shareholders' equity, as a result of the fact that the derivative instruments stipulated for the purpose of exchange rate risk management do not qualify for hedge accounting.

The basic assumptions underlying the sensitivity analysis are:
- exchange rate shock at closing equal for all currencies the Group is exposed to, corresponding to ± 10%;

- the analysis is carried out on the assumption that all the other risk variables remain constant;
- for the purpose of comparability, the same analysis is performed both on the current year and the previous year.

Liquidity risk

Liquidity risk refers to the possibility that the Group may not be able to face payment obligations as a result of its inability to raise new funds (funding liquidity risk), or its inability to sell assets on the market (asset liquidity risk), thereby being forced to sustain excessively high costs for the purpose of meeting obligations.

The Group's exposure to liquidity risk mainly refers to existing loans and borrowings. Currently, the Group has medium-long term loans (loans granted in pool, bilateral loans) with banks.
In addition, if deemed necessary, the Group may resort to pre-authorised short-term credit lines. For more detailed information regarding current and non-current financial liabilities, reference should be made to note 18 "Financial liabilities".

At 31 December 2012 liquidity risk was managed by Mondadori Group through the following tools:
- bank and post office deposits totalling euro 164.8 million;
- committed credit lines totalling approximately euro 755.6 million (euro 260 million of which unused) and uncommitted credit lines of euro 312.8 million unused at 31 December 2012.

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

Liquidity risk	Analysis of maturity periods at 31/12/2012						
(Euro/million)	< 6 months	6-12 months	1-2 years	2-5 years	5-10 years	> 10 years	Total
Trade payables	350.7	-	-	-	-	-	350.7
Medium/long-term loans	79.4	5.5	189.4	286.2	-	-	560.6
Other financial liabilities:							
- committed lines	-	-	-	-	-	-	0
- uncommitted lines	5.7	-	-	-	-	-	5.7
Other liabilities	92.8	-	-	-	-	-	92.8
Payables due to affiliated companies	20.0	-	-	-	-	-	20.0
Total	**548.6**	**5.5**	**189.4**	**286.2**	**0**	**0**	**1,029.7**
Derivatives on rate risk	6.0	0.5	4.9	4.9	0.9	-	12.3
Derivatives on currency risk	-	0.1	-	-	-	-	0.1
Total exposure	**554.6**	**6.1**	**194.3**	**291.1**	**0.9**	**0**	**1,042.1**

Liquidity risk	Analysis of maturity periods at 31/12/2011						
(Euro/million)	< 6 months	6-12 months	1-2 years	2-5 years	5-10 years	> 10 years	Total
Trade payables	287.0	-	-	-	-	-	287.0
Medium/long-term loans	32.5	7.4	84.2	272.8	75.6	-	472.5
Other financial liabilities:							
- committed lines	-	-	-	-	-	-	0
- uncommitted lines	6.4	-	-	-	-	-	6.4
Other liabilities	96.5	-	-	-	-	-	96.5
Payables due to affiliated companies	83.6	-	-	-	-	-	83.6
Total	**506.0**	**7.4**	**84.2**	**272.8**	**75.6**	**0**	**946.0**
Derivatives on rate risk	1.5	0.4	4.4	3.5	(0.1)	-	9.7
Derivatives on currency risk	-	-	-	-	-	-	0
Total exposure	**507.5**	**7.8**	**88.6**	**276.3**	**75.5**	**0**	**955.7**

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

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

Credit risk

Credit risk refers to the possibility of incurring financial losses as a result of counterparty default in complying with contractual obligations.

Credit risk includes counterparty/replacement risk in case of derivative instruments. In the latter case, the risk is associated with any deferred gains as a result of the possibility that the counterparty fails to live up to its contractual obligations and thus no positive cash flow is generated in favour of the Group.

The Group is exposed to credit risk only to a limited extent, since the counterparties of derivative instrument contracts are leading financial institutions with high ratings.

The objective is to limit the risk for losses due to the unreliability of market counterparties or to the difficulty of converting or replacing existing financial positions. Hence, transactions with non-authorised counterparties are not allowed.

When approving the Policy, the Board of Directors also approved a list of authorised counterparties for financial risk hedging. Transactions with such authorised counterparties are constantly monitored and reports are periodically drafted.

Each individual Group company is responsible for the management of trade receivables in compliance with the Group financial objectives, commercial strategies and operating procedures, restricting the sale of products and services to customers whose credit profile or provision of collateral guarantees does not conform to the standards set. The balance relative to trade receivables is monitored throughout the year, so as to ensure that the amount of exposure to losses is kept low.

The table below illustrates maximum exposure to credit risk for financial statements items, including derivative instruments. Maximum risk exposure is accounted for before the effects of mitigation deriving from compensation agreements and guarantees.

Credit risk (Euro/million)	31/12/2012	31/12/2011
Deposits	164.9	81.2
Receivables and loans:		
- trade receivables and other current financial assets	363.6	373.9
- trade receivables and other non-current financial assets	16.3	15.9
Available-for-sale assets	14.7	16.7
Receivables from hedge derivatives	-	-
Guarantees	2.0	3.6
Total maximum exposure to credit risk	**561.5**	**491.3**

The table below illustrates the Group's exposure to credit risk by geographical area:

Credit risk concentration (Euro/million)	31/12/2012	31/12/2011	% 31/12/2012	% 31/12/2011
By geographical area:				
Italy	276.7	294.8	82.5%	81.8%
France	58.7	65.6	17.5%	18.2%
Other countries	-	-	-	-
Total	**335.4**	**360.4**	**100.0%**	**100.0%**

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

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

Magazines
With reference to the Italian market, the Group's exposure relates to local distributors mainly represented by small-medium enterprises.

Given the fact that contractual provisions establish the collection of significant advances on supplies, exposure is represented by the residual amount of sales relative to the month of December.

In addition, for the purpose of limiting the credit risk, the Group stipulated an insurance.

The French market of magazines is characterised by only two national players, whose stake is also owned by the main French publishers.

Therefore, considering counterparty financial robustness and solvency, the Group does not consider credit risk relevant.

Advertising
The Group's exposure refers to small-medium advertising agencies; the credit risk vis-à-vis said entities is monitored through the performance of reliability analyses before the delivery of the relevant services in relation to investments of significant amount. The same risk is monitored on an ongoing basis through the trade relations with the sales network.

Exposure vis-à-vis media centres, managing advertising on behalf of their customers, is characterised by a higher credit risk concentration.

In relation to said entities, the Group constantly monitors exposures and collects trade information to confirm solvency.

With reference to bad debt, it should be noted that each Group company allocates individual provisions for the individually significant positions.

The amount of bad debt takes into account an estimate of the recoverable amount, collection dates, charges and expenses, as well as any guarantees received.

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

The Group credit risk exposure by business area is detailed below:

Credit risk concentration (Euro/million)	Analysis of maturity periods at 31/12/2012					
		Net overdraft				
	Net to maturity	0-30 dd	30-60 dd	60-90 dd	over	Bad debt provision
Books	95.1	1.5	3.8	0.5	5.9	18.5
Magazines Italy	27.8	11.8	0.6	0.2	1.8	10.7
Magazines France	46.7	7.1	4.2	0.7	-	4.0
Advertising	54.0	9.9	3.7	1.7	17.4	1.4
Direct	26.6	5.0	2.3	1.3	4.3	5.1
Radio	-	-	-	-	-	-
Other business	0.7	0.2	0.2	0.4	-	0.2
Total	**250.9**	**35.5**	**14.8**	**4.8**	**29.4**	**39.9**

Credit risk concentration (Euro/million)	Analysis of maturity periods at 31/12/2011					
		Net overdraft				
	Net to maturity	0-30 dd	30-60 dd	60-90 dd	over	Bad debt provision
Books	97.6	1.3	1.3	1.5	9.2	18.8
Magazines Italy	32.6	8.2	0.4	0.7	2.2	10.4
Magazines France	56.4	6.0	3.0	0.1	0.1	3.4
Advertising	62.1	12.7	5.1	3.1	15.7	1.4
Direct	27.3	5.7	1.5	1.0	3.7	5.8
Radio	0.4	-	-	-	-	0.2
Other business	1.1	0.3	0.1	-	-	0.1
Total	**277.5**	**34.2**	**11.4**	**6.4**	**30.9**	**40.1**

Price risk
Price risk mainly refers to variations in the market price of equity instruments and financial assets/liabilities value impairment as a result of variations in commodity prices.

The key objective of price risk management is to reduce the impact of fluctuations in the price of raw materials on the financial results of companies.

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

Other information requested pursuant to IFRS 7

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

Classification	Book value						Fair value	
	Total		- current		- non-current			
(Euro/million)	31/12/2012	31/12/2011	31/12/2012	31/12/2011	31/12/2012	31/12/2011	31/12/2012	31/12/2011
Financial assets valued at fair value with differences recognised under income statement, held for trading	-	0.1	-	0.1	-	-		0.1
Receivables and loans:								
- cash and other cash equivalents	166.8	82.9	166.8	82.9	-	-	166.8	82.9
- trade receivables	296.4	323.8	288.8	316.1	7.6	7.7	296.4	323.8
- other financial assets	40.9	26.4	38.5	24.8	2.4	1.6	40.9	26.4
- receivables from affiliated companies and joint ventures	47.7	46.1	42.6	39.7	5.1	6.4	47.7	46.1
Held-for-sale financial assets	14.7	16.7	14.7	16.7	-	-	14.7	16.7
Derivatives	-	-	-	-	-	-	-	-
Total financial assets	**566.5**	**496.0**	**551.4**	**480.3**	**15.1**	**15.7**	**566.5**	**496.0**
Financial liabilities at fair value:								
- non-hedge derivatives	0.1	-	0.1	-	-	-	0.1	-
Financial liabilities at amortised cost:								
- trade payables	350.7	287.0	350.7	287.0	-	-	350.7	287.0
- payables to banks and other financial liabilities	497.6	530.9	175.1	129.8	322.5	401.1	564.2	552.2
- payables to affiliated companies and joint ventures	20.0	83.6	20.0	83.6	-	-	20.0	83.6
Derivatives	14.8	11.7		-	14.8	11.7	14.8	11.7
Total financial liabilities	**883.2**	**913.2**	**545.9**	**500.4**	**337.3**	**412.8**	**949.8**	**934.5**

The table below details fair value valuations of available-for-sale financial assets (securities) pursuant to IFRS 7, reconciling initial and final balances based on the variations and results occurred in the period of reference.

IFRS 7 requires that values are classified based on a scale of levels reflecting input significance, used when calculating fair value.

Level 1 includes securities whose evaluation is based on listed prices (not adjusted) on an active market for identical assets or liabilities; Level 2 includes procedures to either directly or indirectly monitor inputs having a significant impact on fair value; Level 3 includes stocks valued based on inputs having a significant impact on fair value and which are not based on observable market data.

In 2012 no transfers from one Level to another were identified.

(Euro/million)	Total	Level 1	Level 2	Level 3
Fair value at 31/12/2011	**15.7**	**0.0**	**2.0**	**13.7**
Sales/refunds	(4.4)	-	(1.4)	(3.0)
Realised net income (loss)	0.3	-	0.2	0.1
Unrealised net income (loss)	1.7	-	(0.0)	1.7
Fair value at 31/12/2012	**13.3**	**0.0**	**0.8**	**12.5**

Moreover, as at 31 December 2012, the Group had current and non-current financial liabilities in the form of derivative instruments as described in note 18 “Financial liabilities”, that were classified as Level 2.

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

Income and loss from financial instruments (Euro/million)	31/12/2012	31/12/2011
Net income from instruments held for trading and valued at fair value with changes recognised under income statement	-	0.2
Net income from receivables and loans	-	-
Net income on derivative instruments	-	-
Net income from held-for-sale financial assets	0.3	-
Interest earned on financial assets not valued at fair value:		
- deposits	0.6	0.6
- other financial assets	2.0	1.7
Total income	2.9	2.5
Net loss from instruments held for trading and valued at fair value with changes recognised under income statement	0.2	-
Net loss on loans and receivables	0.1	-
Net loss on held-for-sale financial assets	-	1.3
Net loss on financial liabilities at amortised cost	-	-
Net loss on derivative instruments	4.9	3.0
Interest due on financial liabilities not valued at fair value:		
- deposits	0.1	0.2
- bonds	-	-
- loans	8.8	13.0
- other	7.7	3.7
Losses from financial instrument impairment:		
- trade receivables	9.8	12.4
Expense and commission not included in effective interest rates	1.2	0.4
Total expenses	32.8	34.0
Total	(29.9)	(31.5)

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 2012 for auditing activities and other services provided by Deloitte & Touche S.p.A. and by other entities belonging to the same network.

Service	Entity providing the service	Beneficiary of the service		Amount (Euro/000)
Auditing	Deloitte & Touche S.p.A.	Arnoldo Mondadori Editore S.p.A.		341.9
	Deloitte & Touche S.p.A.	Subsidiaries		476.1
	Deloitte & Associés S.A.	Subsidiaries		271.3
Certification	Deloitte & Touche S.p.A.	Arnoldo Mondadori Editore S.p.A.	(1)	98.9
	Deloitte & Touche S.p.A.	Subsidiaries	(2)	14.1
	Deloitte & Associés S.A.	Subsidiaries	(3)	11.0
Other services	Deloitte ERS Enterprise Risk Services S.r.l.	Arnoldo Mondadori Editore S.p.A.	(4)	41.0
	Deloitte & Associés S.A.	Subsidiaries	(4)	32.0
Total				1,286.3

(1) Attestazione Circolazione Stampa (circulation auditing). Company financial statements auditing, tax return audits.
(2) Audits for underwriting of tax returns.
(3) Auditing procedure for the obtaining of subsidised postal tariffs (CPAPP).
(4) Technical and methodological support for the project regarding "Support to the Executive Manager responsible for the drafting of the Company accounting documents".

For the Board of Directors
The Chairman
Marina Berlusconi

Segment Information

Segment information: figures as at 31 December 2012

(Euro/000)	Books	Magazines Italy	Magazines France	Avertising	Direct	Radio	Corporate & other business	Adjustments for consolidation	Consolidated result
Revenues from sales and services from external customers	333,093	273,902	381,465	168,394	254,354	361	4,524	-	1,416,093
Revenues from sales and services from other sectors	37,462	110,018	145	4,471	7,420	13,523	16,552	(189,591)	0
Revenues (costs) from investments valued at NE	2,626	(728)	1,048	281	-	-	4,713	-	7,940
EBITDA	59,978	2,765	38,939	(8,178)	(1,205)	(1,978)	(23,819)	-	66,502
EBIT	58,345	(97)	(113,040)	(8,255)	(11,425)	(49,982)	(27,095)	-	(151,549)
Financial revenues (costs)	-	-	-	-	-	-	(22,260)	-	(22,260)
Result before taxes and minority interests	58,345	(97)	(113,040)	(8,255)	(11,425)	(49,982)	(49,355)	-	(173,809)
Income tax	-	-	-	-	-	-	(8,718)	-	(8,718)
Minority shareholders' result	158	-	2,588	-	-	-	(560)	-	2,186
Net result	58,187	(97)	(115,628)	(8,255)	(11,425)	(49,982)	(40,077)	-	(167,277)
Amortisation, depreciation and impairment loss	1,633	2,862	151,979	77	10,220	48,004	3,276	-	218,051
Non-monetary costs	13,184	8,426	13,253	2,038	5,304	98	3,501	-	45,804
Non-recurring revenues (costs)	1,537	1,892	-	(249)	97	-	8,547	-	11,824
Investments	883	348	9,278	577	4,435	2,481	2,676	-	20,678
Investments valued at NE	8,990	33,479	8,676	1,307	-	-	6,673	-	59,125
Total assets	294,911	231,058	606,714	92,042	150,032	92,174	356,771	(94,988)	1,728,714
Total liabilities	151,094	225,882	163,402	84,660	118,504	5,676	628,373	(82,689)	1,294,902

	Revenues from sales and services	Fixed assets
Italy	1,007,401	285,273
France	359,662	513,718
Other EU countries	36,668	-
USA	537	-
Other countries	11,825	-
Consolidated result	1,416,093	798,991

Segment information: figures as at 31 December 2011

(Euro/000)	Books	Magazines Italy	Magazines France	Avertising	Direct	Radio	Corporate & other business	Adjustments for consolidation	Consolidated result
Revenues from sales and services from external customers	346,444	320,541	348,105	215,023	271,242	797	4,999	-	1,507,151
Revenues from sales and services from other sectors	42,690	138,300	19	4,918	6,767	15,455	18,857	(227,006)	0
Revenues (costs) from investments valued at NE	1,767	9,364	2,633	55	-	-	1,130	-	14,949
EBITDA	67,833	60,737	33,388	(6,944)	3,878	(289)	(27,599)	(650)	130,354
EBIT	65,942	59,186	21,297	(7,036)	(2,554)	(1,919)	(30,493)	(650)	103,773
Financial revenues (costs)	-	-	-	-	-	-	(20,504)	-	(20,504)
Result before taxes and minority interests	65,942	59,186	20,700	(7,036)	(2,554)	(1,919)	(50,997)	(650)	82,672
Income tax	-	-	-	-	-	-	33,196	-	33,196
Minority shareholders' result	409	-	-	-	-	-	(554)	-	(145)
Net result	65,533	59,186	20,700	(7,036)	(2,554)	(1,919)	(83,639)	(650)	49,621
Amortisation, depreciation and impairment loss	1,891	1,551	12,091	92	6,432	1,630	2,894	-	26,581
Non-monetary costs	14,797	9,091	8,083	2,863	6,988	195	1,652	-	43,669
Non-recurring revenues (costs)	-	-	-	-	-	-	-	-	0
Investments	891	703	66,630	41	4,067	2,159	4,465	-	78,956
Investments valued at NE	62,510	35,462	5,990	1,026	-	-	21,146	-	126,134
Total assets	355,753	252,186	757,610	103,363	155,786	140,021	257,979	(110,049)	1,912,649
Total liabilities	157,717	226,570	164,047	102,473	116,157	6,656	627,486	(97,336)	1,303,770

	Revenues from sales and services	Fixed assets
Italy	1,133,324	341,754
France	330,428	661,581
Other EU countries	32,394	-
USA	434	-
Other countries	10,571	-
Consolidated result	1,507,151	1,003,335

Statement of the Group's consolidated financial statements pursuant to article 81-*ter* of Consob Resolution no. 11971 of 14 May 1999 and subsequent changes and supplements

1. The undersigned Maurizio Costa in his capacity as Deputy Chairman and CEO and Carlo Maria Vismara in his capacity as Executive Manager responsible for the drafting of the corporate accounting documents of Arnoldo Mondadori Editore S.p.A., also in compliance with the provisions set out in art. 154-*bis*, par. 3 and 4, of Italian Legislative Decree no. 58 of 24 February 1998, hereby declare:

   - the adequacy in relation to the Group's characteristics and
   - the effective application of the administrative and accounting procedures for the drafting of the Group's consolidated financial statements closed at 31 December 2012.

2. The valuation of the adequacy of the administrative and accounting procedures for the drafting of the Group's consolidated financial statements at 31 December 2012 was carried out based on a specific process defined by Arnoldo Mondadori Editore S.p.A. consistently with the Internal Control – Integrated Framework model issued by the Committee of Sponsoring Organizations of the Treadway Commission, which groups together a set of general principles of reference for internal control generally accepted at the international level.

3. We also hereby declare that:

3.1 the Group's consolidated financial statements at 31 December 2012:

a) were drafted in compliance with the applicable international accounting standards acknowledged at the EU level pursuant to EC regulation no. 1606/2002 of the EU Parliament and Council of 19 July 2002 as well as the provisions set out for the implementation of art. 9 of Italian Legislative Decree no. 38/2005;

b) reflect the accounting books and entries;

c) provide a true and fair description of the financial position and results of operations of the Company and the group of companies included in the consolidation area;

3.2 the report on operations includes a reliable analysis of the Group's performance and results, the financial position of the Group and the companies included in the consolidation area, along with the description of the main risks and uncertainties they are exposed to.

20 March 2013

The Deputy Chairman and CEO
(Maurizio Costa)

The Executive Manager responsible for the drafting of corporate accounting documents
(Carlo Maria Vismara)

Report from the Board of Auditors

Statutory Auditors' report to the Shareholders' Meeting called for the approval of the financial statements at 31 December 2012 (art.153 of Italian Legislative Decree no. 58/98)

Dear Shareholders,
in 2012 we carried out auditing activities pursuant to law and in accordance with Consob Resolution no. 1025564 of 6 April 2001 and subsequent amendments, taking also into account the principles recommended by the Italian National Council of certified accountants and auditors.

In particular:
- we have audited compliance with the applicable law provisions, the memorandum of association and compliance with the principles of correct management;
- we have attended Shareholders' Meetings, Board of Directors' meetings and the meetings of the Board's internal Committees, and we have received from the Directors, pursuant to art. 150 of Italian Legislative Decree no. 59/1998, periodic information on the Company's general performance and foreseeable outlook, information on financially relevant transactions and the Company's financial highlights, making sure that the resolutions made and implemented were not manifestly imprudent, risky, in potential conflict of interest, in contrast with the Shareholders' Meeting's resolutions or such as to compromise the integrity of Shareholders' equity;
- we have acquired knowledge and we have audited the adequacy of the Company's organizational structure with regard to the aspects falling under our competence through direct observations, the collection of information and meetings with the representatives of the independent auditing firm Deloitte & Touche S.p.A., entrusted with the legal auditing of the Group's consolidated financial statements and the Company's separate financial statements as well as the limited auditing of the half-year abbreviated financial statements, also for the purpose of exchanging relevant data and information. In this respect, no relevant aspects have been identified;
- we have reviewed and audited the adequacy of the internal control system, the activity performed by the person responsible for internal control and the accounting system, as well as the latter's accountability to correctly represent management data through the obtaining of information, the examination of corporate documents and the analysis of the findings resulting from the independent auditors' review. We have also had regular meetings with the person responsible for internal control, with whom we have exchanged information about the audits performed also in the subsidiaries and we have attended the meetings of the Internal Control Committee;
- we have audited the effective implementation of the corporate governance provisions established in the corporate governance code which the Company has adopted according to the criteria specified in the Report on Corporate Governance and Ownership Structure. In particular, we have audited annually the fulfilment of the independence requirements by non-executive directors qualified as independent by the Board of Directors and we have also ascertained the fulfilment of the independence requirements by Statutory Auditors;
- we have audited, with reference to compliance with the provisions of Italian Legislative Decree 39/2010, the independence of the independent auditing firm Deloitte & Touche S.p.A., based also on the statement issued pursuant to art. 17, par. 9, letter a) of the afore mentioned Italian Legislative Decree 39/2010;
- we have verified and audited the adequacy of the provisions provided to subsidiaries pursuant to art. 114, par. 2, of Italian Legislative Decree 58/1998. Said provisions allowed subsidiaries to promptly supply the necessary information to the parent company to fulfil disclosure obligations pursuant to law;
- we have audited compliance with the law provisions in the matter of preparation of the Company's separate and Group's consolidated financial statements at 31 December 2012, drafted in accordance with IAS/IFRS international accounting standards and the relevant reports on operations through direct auditing and information obtained from the independent auditing company;
- we have audited compliance with the procedures in the matter of transactions with related parties adopted by the Board of Directors in accordance with Consob Resolution no. 17221 of 12 March 2010 and the relevant compliance;
- we have expressed a favourable opinion pursuant to article 2389 of the Italian Civil Code in relation to the proposals submitted by the Remuneration Committee concerning the compensation recognised to directors holding special offices in compliance with the Company's By-Laws and the compensation recognised to directors members of the internal committees established from within the Board of Directors.
- During the performance of the afore described auditing activity no omissions, reprehensible events or irregularities were found which would require reporting to the competent external supervisory and control boards or mention in this report.
- In 2012 the company function responsible for the supervision on the effectiveness, compliance and updating of the organizational, management and control Model adopted pursuant to Italian Legislative Decree no. 231/2011 did not report any significant event.

Similarly, the Directors' Report on Corporate Governance and Ownership Structure did not identify any issues that need to be submitted to your attention.
In accordance with the recommendations and indications issued by Consob, the Board of Statutory Auditors herewith specifies that:

- no atypical and/or unusual transactions were carried out also in relation to intercompany transactions and transactions with related parties;
- the information supplied by the Board of Directors also with specific reference to intercompany transactions and transactions with related parties is considered adequate. In particular, the latter are associated with and inherent to the fulfilment of the company's scope and the characteristics and economic impact of such transactions of ordinary nature are indicated in the explanatory notes to the financial statements and are considered congruent and corresponding to the Company interest. Moreover, in this respect, no events in conflict of interest were found and no transactions were carried out which could have a remarkable impact on the Company's financial situation;
- the Company has essentially adopted the Corporate Governance guidelines of the Committee for corporate governance of listed companies of Borsa Italiana S.p.A., as resulting from the relevant Board of Directors' report;
- during the year of reference:
  - the Board of Statutory Auditors had regular meetings and exchanged information with representatives of Deloitte & Touche S.p.A. and, though the auditing reports on the Company's separate financial statements and the Group's consolidated financial statements have not yet been submitted, the Board of Statutory Auditors has reasonable grounds to believe that they will contain no relevant noteworthy findings;
  - the Board of Directors had 6 meetings and the Board of Statutory Auditors had 11 meetings;
  - the Company entrusted Deloitte & Touche S.p.A., the company in charge of auditing the Company's separate financial statements and the Group's consolidated financial statements, with the additional activities in relation to:
    - ADS audits (circulation auditing) for the year 2011 for a total of Euro 51,200;
    - the auditing of the CSR report at 31 December 2012 for a total of Euro 45,000;
    - audits for the underwriting of the tax returns for a total of Euro 16,750 (of which Euro 2,650 relative to the parent company).
  - The Company entrusted the following activities to entities associated with the independent auditors through ongoing relations:
    - Deloitte ERS Enterprise Risk Service S.r.l.: technical and methodological support for the project "Support to the executive manager in charge of drafting the accounting documents" for a total of Euro 41,000;

    - Deloitte & Associates S.A.: agreed procedure auditing for the purpose of obtaining subsidized postal tariffs for a total of Euro 11,000;
    - Deloitte & Associes S.A.: technical and methodological support for the project "Support to the executive manager in charge of drafting the accounting documents" (France) for a total of Euro 32,000.
  - The Board of Statutory Auditors did not receive any reports pursuant to article 2408 of Italian Civil Code or complaints.

In brief, considering the above indications and in relation to its competences, the Board of Statutory Auditors did not identify any impediments to the approval of the financial statements at 31 December 2012, posting a loss of Euro 39,574,943.13 nor to the proposal to cover such loss by using a portion of the amount allocated to the premium share reserve as proposed by the Board of Directors.

Segrate, 28 March 2013

For the Board of Auditors
The Chief Statutory Auditor
Ferdinando Superti Furga

Report from the Independent Auditing Firm

Report from the Independent Auditing Firm pursuant to art. 14 and 16 of Italian Legislative Decree no. 39 of January 27, 2010

Deloitte.

To the Shareholders of
Arnoldo Mondadori Editore S.p.A.

1. We have audited the financial statements of Arnoldo Mondadori Editore S.p.A., which comprise the statement of balance sheet as of December 31, 2012, and the income statement, comprehensive income statement, statement of changes in shareholders' equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes. These financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/2005 are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with the Auditing Standards recommended by CONSOB, the Italian Commission for listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

   For the opinion on the prior year's financial statements, whose data are presented for comparative purposes, reference should be made to our auditors' report issued on March 28, 2012.

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, 2012, and of the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/2005.

4. The Directors of Arnoldo Mondadori Editore S.p.A. are responsible for the preparation of the report of the Board of Directors and the annual report on the corporate governance and the ownership structure in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the report of the Board of Directors and of the information reported in compliance with art. 123-bis of Italian Legislative Decree no. 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) in the annual report on corporate governance, with the financial statements, as required by law. For this purpose, we have performed the procedures required under Auditing Standard no. 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion, the report of the Board of Directors and the information reported in compliance with art. 123-bis of Italian Legislative Decree no. 58/1998 paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) included in the annual report on the corporate governance and the ownership structure are consistent with the financial statements of Arnoldo Mondadori Editore S.p.A. as of December 31, 2012.

Milan, Italy
March 28, 2013

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.

Deloitte.

To the Shareholders of
Arnoldo Mondadori Editore S.p.A.

1. We have audited the consolidated financial statements of Arnoldo Mondadori Editore S.p.A. and its subsidiaries the ("Mondadori Group"), which comprise the consolidated balance sheet as of December 31, 2012, and the consolidated income statement, consolidated comprehensive income statement, statement of changes in consolidated shareholders' equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes. These consolidated financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/2005 are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

2. We conducted our audit in accordance with the Auditing Standards recommended by CONSOB, the Italian Commission for listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

   For the opinion on the prior year's consolidated financial statements, whose data are presented for comparative purposes, reference should be made to our auditors' report issued on March 28, 2012.

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, 2012, and of the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/2005.

4. The Directors of Arnoldo Mondadori Editore S.p.A. are responsible for the preparation of the report of the Board of Directors and the annual report on the corporate governance and the ownership structure in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the report of the Board of Directors and of the information reported in compliance with art. 123-bis of Italian Legislative Decree no. 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) in the annual report on corporate governance, with the financial statements, as required by law. For this purpose, we have performed the procedures required under Auditing Standard no. 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion, the report of the Board of Directors and the information reported in compliance with art. 123-bis of Italian Legislative Decree no. 58/1998 paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) included in the annual report on the corporate governance and the ownership structure are consistent with the consolidated financial statements of Mondadori Group as of December 31, 2012.

Milan, Italy,
March 28, 2013

Deloitte & Touche S.p.A.
Patrizia Arienti
Partner

Fabrizio Arienti

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