ANNUAL REPORT 2016

GRUPPO MONDADORI

ARNOLDO MONDADORI EDITORE S.p.A.

Share Capital Euro 67,979,168.40

Registered Office in Milan
Administrative Offices in Segrate (Milan)

ANNUAL
REPORT
2016

Mondadori Group
Consolidated Financial Statements
and
Arnoldo Mondadori Editore S.p.A.
Financial Statements
at 31 December 2016

NOTICE OF ANNUAL GENERAL MEETING

Those entitled to attend and exercise their voting rights are summoned to the Shareholders' Meeting in first call on 27 April 2017 at 3:00 PM in Via Mondadori 1, Segrate (MI), or, if necessary, in second call on 28 April 2017, at the same time and place, to resolve on the following:

Agenda

Ordinary session

1. Proposed confirmation of the co-opted Director, pursuant to art. 2386 of the Italian Civil Code, and consequent resolutions.
2. Company financial statements at 31 December 2016, Directors' Report on Operations and the reports from the Board of Statutory Auditors and the Independent Auditing Firm of Arnoldo Mondadori Editore S.p.A.. Presentation of Mondadori Group's consolidated financial statements at 31 December 2016. Resolutions on the approval of the financial statements at 31 December 2016.
3. Resolutions on the allocation of the 2016 results of Arnoldo Mondadori Editore S.p.A.
4. Company financial statements at 31 December 2016, Directors' Report on Operations and the reports from the Supervisory Body and the Independent Auditing Firm of Banzai Media S.r.l.; Resolutions on the approval of the financial statements at 31 December 2016.
5. Remuneration Report; resolutions on Section One, pursuant to art. 123-*ter*, par. 6, of Legislative Decree no. 58 of 24 February 1998.
6. Authorization for the purchase and sale of treasury shares, pursuant to the combined provisions of articles 2357 and 2357-*ter* of the Italian Civil Code.
7. Resolutions, pursuant to art. 114-*bis* of the TUF, on the granting of financial instruments.

Extraordinary session

1. Amendment to art. 7 of the Company by-laws: related and consequent resolutions.
2. Amendment to art. 17 of the Company by-laws: related and consequent resolutions.

Integration to the agenda or presentation of new proposals

Pursuant to art. 126-*bis* of Legislative Decree no. 58 of 24 February 1998 ("Finance Consolidation Act" or TUF), shareholders who, individually or jointly, represent at least 2.5% of the share capital with voting rights, may request in writing, within ten days after the publication of this call for notice (namely, by 7 April 2017), integrations to the list of matters to be discussed, and specify the additional items to discuss in the relevant request, or submit proposals on the items already on the agenda. The requests to add items on the agenda or to submit proposals may be presented by those shareholders in relation to which Arnoldo Mondadori Editore S.p.A. ("the Company") has received a specific communication certifying the relevant right to participation, made by an authorized intermediary, pursuant to art. 23 of the Regulations approved by joint decision of the Bank of Italy and of Consob on 22 February 2008, as amended. The requests shall be made in writing, within the abovementioned term, and sent by registered mail to the Company's registered office in Via Bianca di Savoia 12, Milan, addressed to the Department of Legal and Corporate Affairs, or by certified electronic mail to the following address: societario@pec.mondadori.it, together with a copy of the communication confirming ownership of the shares issued by the intermediaries who manage the accounts containing the applicant's shares. Within the abovementioned term and with the same criteria, any applying shareholders are invited to present a report specifying the motivation of the proposals submitted in relation to the new items they wish to be discussed, or the motivation underlying the additional proposals submitted on items already on the agenda. Integrations to the agenda or the presentation of additional proposals must be notified according to the same procedures that apply to the notification of meetings, at least fifteen days prior to the date set for the Shareholders' Meeting in first call. Concurrent to the publication of the integrations to the agenda or presentation of additional proposals on items already on the agenda, the abovementioned reports submitted by the applying shareholders shall be made available to the public according to the same criteria envisaged for the presentation of the documentation relating to the Shareholders' Meeting, along with any valuations from the Board of Directors. Mention should be made that integrations are not admitted for items upon which the Shareholders' Meeting resolves, pursuant to law, on proposals put forward by members of the Board of Directors or based on a project or report drafted by them, other than those provided for in art. 125-*ter*, par. 1, of the TUF.

Entitlement to attend the Shareholders' Meeting and to exercise voting rights

Holders of voting rights are entitled to attend the Shareholders' Meeting, in compliance with the provisions set out by current legislation and regulations. In this respect, pursuant to art. 83-*sexies* of the TUF and to art. 11 of the Company by-laws, entitlement to attend and to exercise voting rights in the Shareholders' Meeting is certified by a communication made to the Company by the intermediary, based on the accounting entries, in favour of the party holding the voting rights, based on evidence relating to the end of the accounting day on the seventh market trading day prior to the date set for the Shareholders' Meeting in first call (namely, 18 April 2017). Those who are confirmed to be holding Company shares only after such date, shall not be deemed entitled to attend and to exercise voting rights in the Shareholders' Meeting. The communication by 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 set for the Shareholders' Meeting in first call (namely, by 24 April 2017) without prejudice to the entitlement to attend and to exercise voting rights 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 first call. In this regard, those entitled to attend the Shareholders' Meeting are invited to arrive before the meeting time in order to facilitate registration procedures, which will begin at 2:00 PM.

Representation in the Shareholders' Meeting

Ordinary proxy

Under art. 12.1 of the Company by-laws, any person entitled to attend the Shareholders' Meeting may be represented by giving proxy in writing, pursuant to current legislation. To this end, the specifically authorized form may be used, which is made available at the Company's registered office, on the Company's website www.mondadori.it (Governance section) and at the authorized intermediaries. The proxy may be notified to the Company by means of registered mail sent to the Company's registered office, or by certified electronic mail to the following address: societario@pec.mondadori.it. Any prior 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.

Proxy to the Company's Appointed Representative

Pursuant to art. 12.3 of the Company by-laws, the proxy may be granted, with voting instructions on all or part of the proposals on the items on the agenda, to Computershare S.p.A., with registered office in via Lorenzo Mascheroni 19, 20145 Milan, appointed if necessary by the Company, pursuant to art. 135-*undecies* of the TUF by using the specific proxy form, prepared by the Appointed Representative, in agreement with the Company, available on the website www.mondadori.it (Governance section). The original proxy, with the voting instructions, shall be received in the original form by Computershare S.p.A. in via Lorenzo Mascheroni 19, 20145 Milan, by the end of the second market trading day before the date set for the Shareholders' Meeting, even in second call (namely, no later than 25 April 2017 or 26 April 2017). A copy of the proxy, accompanied by a statement that certifies its conformity with the original, may be sent in advance, within the above deadline, by telefax to no. +39 02 46776850 or as an e-mail attachment to *ufficiomilano@pecserviziotitoli.it*. The proxy, granted in such manner, shall be effective only for those proposals for which voting instructions have been given. The proxy and the voting instructions may be revoked within the same deadline as above.

The proxy form, with the relating instructions for completion and transmission of the form, are available at the Company's registered office and on its website www.mondadori.it (Governance section).

Any prior 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.

Share capital and voting rights

The website www.mondadori.com provides information on the share capital which, at the time this notice was drafted, amounted to euro 67,979,168.40 and is divided into 261,458,340 ordinary shares with a nominal value of 0.26 euro each.

To date, the Company holds no. 80,000 treasury shares representing 0.031% of the share capital, whose vote is suspended, pursuant to art. 2357-*ter*, par. 2, of the Italian Civil Code. Voting shares amount to no. 261,378,340.
Any change in treasury shares will be communicated at the beginning of the Shareholders' Meeting.

Right to submit questions on the items on the agenda before the Shareholders' Meeting
Those entitled to voting rights may submit questions on the items on the agenda also before the Shareholders' Meeting, in any case, in accordance with the provisions of art. 127-*ter*, par. 1-*bis*, of the TUF, by the final deadline of 24 April 2017, by registered mail at the Company's registered office in Via Bianca di Savoia 12, Milan, addressed to the Department of Legal and Corporate Affairs, or by sending a communication to the certified email address societario@pec.mondadori.it.
Entitlement to exercise voting rights is certified by the transmission to the Company to the abovementioned addresses, of a copy of the communication issued by the intermediaries who manage the accounts in which the ordinary shares owned by each shareholder are registered.
Questions received before 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 rights at the beginning of the Shareholders' Meeting shall be considered as given.

Documentation
The Directors' reports on the items on the agenda and on the relevant proposals, the annual financial report of Arnoldo Mondadori Editore S.p.A. and of Banzai Media S.r.l., the Information Document pursuant to art. 84-*bis* of the Issuer Regulation and any additional documentation relating to the Shareholders' Meeting prescribed by law, are made available to the public, within the time limits of law, at the Company's registered office, on the "1Info" authorized storage mechanism at www.1info.it, and on the Company's website www.mondadori.it (Governance section).
Shareholders may view and ask a copy of such documentation.

This call of notice was published on the Company's website www.mondadori.it (Governance section) on 28 March 2017, in accordance with the provisions of art. 125-*bis*, par. 2, of the TUF, and in summary form on the same date in the daily newspaper *"Il Giornale"*; the notice will also be available on the "1Info" authorized storage mechanism at www.1info.it.

The registered office of the Company is open to the public for consultation and/or delivery of the abovementioned documentation on work days from Monday to Friday, 9:00 AM - 6:00 PM.

Segrate, 28 March 2017

For the Board of Directors
The Chairman
Marina Berlusconi

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MONDADORI GROUP CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2016

ARNOLDO MONDADORI EDITORE S.P.A.
FINANCIAL STATEMENTS AT 31 DECEMBER 2016

MONDADORI GROUP HIGHLIGHTS 2016

(euro/millions)	2016	2016 like-for-like basis	2015	Var. %*
Mondadori Group				
Revenue	**1,262.9**	**1,090.5**	**1,123.2**	**12.4%**
Adjusted gross operating profit	**108.5**	**88.2**	**73.0**	**48.5%**
% EBITDA on revenue	*8.6%*	*8.1%*	*6.5%*	
EBITDA	**94.0**	**74.3**	**81.6**	**15.3%**
% EBITDA on revenue	*7.4%*	*6.8%*	*7.3%*	
EBIT	**60.0**	**47.8**	**54.5**	**10.2%**
% EBIT on revenue	*4.8%*	*4.4%*	*4.8%*	
Net result	**22.5**	**16.8**	**6.4**	**n.s.**
Business Areas				
Revenue	**1,262.9**	**1,090.5**	**1,123.2**	**12.4%**
Books	475.1	306.6	320.8	48.1%
Retail	199.6	196.6	196.4	1.6%
Magazines Italy	310.8	298.0	309.6	0.4%
Magazines France	321.6	321.6	334.6	(3.9%)
Corporate & Shared Services	23.2	23.2	22.7	2.4%
Intercompany	(67.4)	(55.5)	(60.9)	10.7%
Adjusted gross operating profit	**108.5**	**88.2**	**73.0**	**48.5%**
Books	75.3	55.8	42.7	76.4%
Retail	1.8	2.3	2.2	(17.5%)
Magazines Italy	10.5	9.1	3.5	196.6%
Magazines France	33.2	33.2	36.0	(8.0%)
Corporate & Shared Services	(12.3)	(12.3)	(11.4)	n.s.

Balance Sheet	31/12/2016	31/12/2016 like-for-like basis	31/12/2015	Var. %*
Equity	317.8	300.7	295.5	7.5%
Net financial position	(263.6)	-	(199.4)	32.2%
Human Resources				
End-of-period headcount	3,261	2,865	3,076	6.0%

* Changes in this report were calculated on amounts expressed in euro thousands

COMPOSITION
OF CORPORATE BODIES

CORPORATE OFFICES AND BOARDS

Board of Directors

CHAIRMAN
Marina Berlusconi

CEO
Ernesto Mauri

DIRECTORS
Pier Silvio Berlusconi
Paolo Ainio**
Pasquale Cannatelli
Alfredo Messina
Martina Forneron Mondadori*
Danilo Pellegrino
Roberto Poli
Oddone Pozzi
Angelo Renoldi*
Mario Resca
Cristina Rossello*
Marco Spadacini*

* Independent Directors pursuant to the Corporate Governance Code for Listed Companies
** Director Paolo Ainio was co-opted on 28 July 2016, following the resignation of Director Bruno Ermolli, and will remain in office together with the entire Board of Directors

Board of Statutory Auditors

CHAIRMAN
Ferdinando Superti Furga

STANDING STATUTORY AUDITORS
Francesco Antonio Giampaolo
Flavia Daunia Minutillo

SUBSTITUTE AUDITORS
Annalisa Firmani
Ezio Maria Simonelli
Francesco Vittadini

The Board of Directors and the Board of Statutory Auditors currently in office were appointed by the Shareholders' Meeting of 23 April 2015

MONDADORI GROUP ORGANIZATION*

ARNOLDO MONDADORI EDITORE S.P.A.

Books

- Mondadori Libri S.p.A. **100%**
  - Giulio Einaudi editore S.p.A. **100%**
    - Edizioni EL S.r.l. **50%**
  - Sperling & Kupfer Editori S.p.A. **100%**
  - Edizioni Piemme S.p.A. **100%**
  - Mondadori Education S.p.A. **100%**
  - Mondadori Electa S.p.A. **100%**
  - Rizzoli Libri S.p.A. **99.99%**
  - Mach 2 Libri S.p.A. **44.91%**

Retail

- Mondadori Retail S.p.A. **100%**
- Libreria Rizzoli S.r.l. (**100%** di Rizzoli Libri S.p.A.)

Magazines Italy

- AdKaora S.r.l. **100%**
- Mondadori International Business S.r.l. **100%**
  - Mondadori UK Ltd **100%**
- Attica Publications S.A. **41.98%**
- Press-di S.r.l. **100%**
- Mondadori Scienza S.p.A. **100%**
- Inthera S.p.A. **100%**
- Press-di Abbonamenti S.p.A. **100%**
  - Mediamond S.p.A. **50%**
  - Mondadori Seec (Beijing) Advertising Co.Ltd **50%**

Magazines France

- Mondadori France S.a.s. **100%**

Other business

- Società Europea di Edizioni S.p.A. **36.89%**
- Monradio S.r.l. **20%**

Legenda:

Subsidiary companies	Affiliated companies

Affiliated companies: Edizioni EL S.r.l., Mach 2 Libri S.p.A., Attica Publications S.A., Mediamond S.p.A., Mondadori Seec (Beijing) Advertising Co.Ltd, Società Europea di Edizioni S.p.A., Monradio S.r.l.

* As at the date of approval of this Annual Report 2016 (March 2017)

MONDADORI GROUP ORGANIZATION CHART

Marina Berlusconi*

Chairman

Ernesto Mauri*

Chief Executive Office

Federico Angrisano

Communications and Media Relations

Daniele Sacco

Group Human Resources and Organisation

Oddone Pozzi*

Group Finance, Procurement and IT Systems

Enrico Selva Coddè

Trade Books

Antonio Porro

Educational

Mario Maiocchi

Retail

Carlo Mandelli

Magazine Italy

Carmine Perna

Magazine France

* Board of Directors members
As at the date of approval of this Annual Report 2016 (March 2017)

OVERVIEW OF GROUP ACTIVITIES

Mondadori is one of Europe's top publishing groups: it is the leading publisher of books and magazines in Italy and ranks third in the consumer magazines segment in France. The Group also operates in the retail business with a network of over 600 stores throughout the Country.

BOOKS

The Mondadori Group is Italy's market leader in the Trade Books Area, holding a 29.3% share at end 2016, including the share of Rizzoli Libri; the publishing products that traditionally make up its core business are fiction, non-fiction, and books for young readers, both in print and electronic format.

The Group operates on this market under nine brands: Mondadori, Giulio Einaudi editore, Piemme, Sperling & Kupfer (which includes Frassinelli), Rizzoli, BUR, Fabbri Editori and Rizzoli Lizard.

The Mondadori Group also has operations in the school textbooks segment through Mondadori Education and Rizzoli Education, which boasts a leading position in the Italian market, with a 24.0% share and a catalogue of over 30 proprietary and distributed brands.

Lastly, the activities revolving around art and illustrated books, the management of museum concessions, and the organization and management of exhibitions and cultural events are managed in Italy by Mondadori Electa and internationally by the newly acquired Rizzoli International Publications (under the Rizzoli, Rizzoli New York and Universe brands).

RETAIL

The Mondadori Group operates across Italy through Mondadori Retail, which manages the largest network of bookstores in the Country, with approximately 600 stores. Activities are carried out under four different formats: megastores, directly-managed and franchised bookstores, and Mondadori *Point*, plus the online sales channels (mondadoristore.it and rizzolilibri.it) and the bookclub.
Books in this area account for 77% of store revenue: Mondadori Retail held a 14% market share in this segment in 2016.

MAGAZINES ITALY

With a 31.7% market share in terms of circulation at end 2016 and a total audience of over 37 million contacts/month, Mondadori is Italy's leading magazine publisher (both print and digital).

Over the years, in fact, Mondadori has strengthened its foothold in the magazines segment, by publishing weekly and monthly magazines in hard and soft copy, sold at newsstands or by subscription, and by developing websites and portals that have contributed to increasing readership figures, while enhancing the brands.

Thanks to the acquisition of Banzai's media business in June 2016, Mondadori has become Italy's leading digital publisher: by adding the audience acquired from Banzai, which includes established websites on the Italian market such as *Pianeta Donna, Giallo Zafferano, Studenti.it* and *Mypersonaltrainer*, Mondadori has achieved leadership in the women, food, and health & wellness vertical segments, strategic areas that allow the Group to integrate and expand the multi-channel offering of the brands already in its portfolio, and to benefit from the complementarity of the vertical segments of the two companies.

Through the subsidiary Press-di Distribuzione Stampa e Multimedia, the Group distributes its own and third-party magazines at newsstands and through subscriptions on a national level.

Mondadori also operates internationally through its subsidiary *Mondadori International Business*, with 31 international editions published in 26 countries, through joint ventures, on-the-ground presence or licensing agreements with international publishers. *Grazia* is the most prominent brand abroad. Today it counts 24 successful editions throughout the world, over 10 million copies sold per month, more than 17 million readers and 16 million unique users per month.

MAGAZINES FRANCE

The Mondadori Group has been operating in France since 2006 through Mondadori France, one of the major publishers in the country, ranking third in terms of circulation and second in advertising. With a portfolio of 31 magazines, *Mondadori France* boasts some of the most popular women's, men's and TV magazines, such as *Grazia, Closer, Pleine Vie, Science & Vie, and Télé Star*, in addition to *Auto Plus*, leader in the car segment published by EMAS, the joint venture with German publisher Axel Springer.

Mondadori France publishes both print and digital versions of its magazines, with an audience of approximately 9 million unique users/month at end 2016.

OTHER BUSINESS

Other business includes the investment in Società Europea di Edizioni, publisher of daily *Il Giornale* and, from 1 October 2015, the 20% interest in Monradio, active on the national radio broadcasting market through R101.

CORPORATE & SHARED SERVICES

The Corporate segment includes - besides the Group top management organizations - Parent Company functions providing services to Group companies and the various business areas.

These services are mainly associated with activities regarding Administration, Management Control and Planning, Treasury and Finance, IT, Human Resources, Legal and Corporate Affairs, Purchasing of General Services, and External and Institutional Relations.

Revenue is mainly referred to amounts billed to subsidiaries and associates, as well as other entities using the above services.

On 1 January 2016, following reorganization, Digital Marketing Service activities were transferred to Magazines Italy (previously included in Other Business, Corporate and Digital Innovation); accordingly, the Area's income statement was reclassified, for information sake, also in the prior year.

GROUP HISTORY MILESTONES

1907

Arnoldo Mondadori establishes **Luce**!, the first magazine with which he started his publishing house in Ostiglia (Mantua).

1920

1920s 1929 - Launch of ***Gialli Mondadori***, the first Italian series of crime novels.

1950

1950s 1954 - The Mondadori per Voi book shop chain is established, to re-launch domestic book circulation.

1960

1960s 1962 — Mondadori launches Italy's first news magazine: ***Panorama***.

1965 — The Italian book market is swept by the launch of the Mondadori ***Oscar*** series: the first budget price paperbacks sold also at newsstands.

1990

1990s 1991 - Mondadori becomes part of the Fininvest Group.

1995 - Following the launch of **Miti**, Italy's first series of budget paperbacks. Mondadori launches a new mass-market strategy designed to expand the book market in Italy.

1998 - Development of the franchising sector through the acquisition of the Gulliver series and the opening of a chain of franchised Mondadori bookstores.

2000

2000s - 2002 - Leonardo Mondadori passes away. Marina Berlusconi is appointed Group Chairman.

2003 - Mondadori acquires 70% of Piemme and an investment in Attica Publishing, a leader in the Greek magazines sector.

2005 - Mondadori lands in the radio industry with **R101**.

2006 - The Group further expands in the international market, acquiring Emap France, France's third magazine publisher. Establishment of Mondadori France. Mondadori's international expansion policy aims also at single brand licensing, in particular, ***Grazia*** which, starting with the English edition in 2005, grows into a broad global network in just few years.

2007 — Mondadori celebrates its 100th anniversary.

1930

1930s 1938 — Launch of **Grazia**,
the first large distribution
women's weekly.

1940

1940s 1948 - Mondadori publishes **Biblioteca Moderna Mondadori**, the first series of quality books at budget prices designed to reach a large number of readers, mainly young people.

1970

1970s 1975 - Inauguration of the new Mondadori headquarters at Segrate, designed by one of the most renowned architects of the 20th century, Oscar Niemeyer.

1980

1980s 1982 — The Group is listed on the Milan Stock Exchange.

1988 - Mondadori establishes Elemond, a publishing house that controls the established Electa and Einaudi brands.

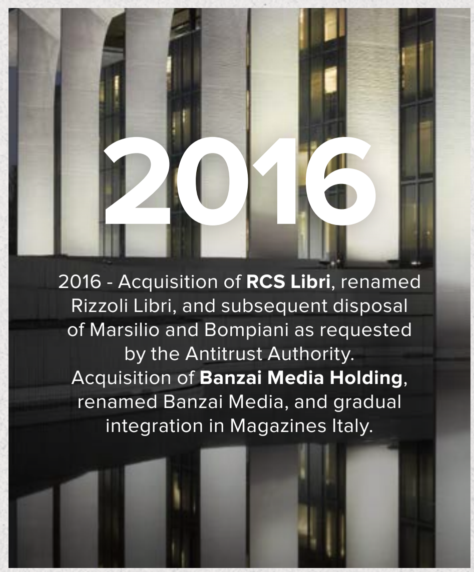
2010

2011 - The development strategy in the digital publishing market, launched in the previous year, picks up speed with the forging of new agreements with Amazon and Apple for the distribution of e-books.

2013 - The Group reorganizes its operating and top management structures, to concentrate on core activities (trade and educational books; magazines in Italy, France and international network; retail) and breathe new life into the development of the digital business.

2014 - Incorporation in Mediamond, the equally-held joint venture established with Publitalia '80, of Mondadori Pubblicità advertising sales activities focusing on magazines and radio stations; establishment of Mondadori Libri S.p.A., at the head of the Books Area.

2015 - Non-core assets disposed of (80% in Monradio, investment in the Harlequin Mondadori JV, and a property in Rome) in order to focus on the core business: agreement signed for the acquisition of RCS Libri, with investment in Gruner+Jahr/Mondadori JV (publisher of Focus) increased to reach 100%.



2016

2016 - Acquisition of **RCS Libri**, renamed Rizzoli Libri, and subsequent disposal of Marsilio and Bompiani as requested by the Antitrust Authority.
Acquisition of **Banzai Media Holding**, renamed Banzai Media, and gradual integration in Magazines Italy.

INVESTOR RELATIONS

Arnoldo Mondadori Editore S.p.A. ordinary shares have been listed on the Milan Stock Exchange since 1982 (ISIN Code: IT0001469383).
The Mondadori share is listed in the following indexes:

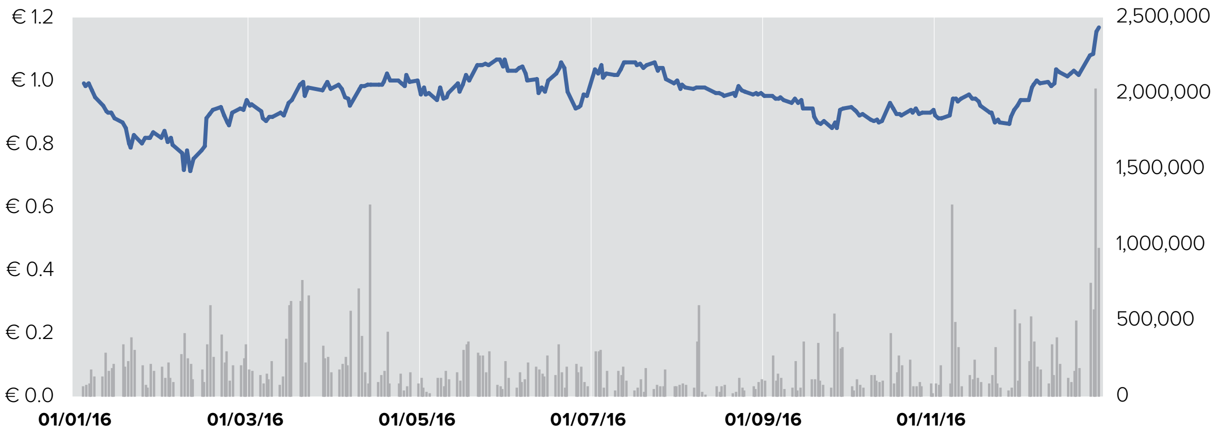
- Borsa Italiana indexes: FTSE Italia All Share, FTSE Italia Star and FTSE Italia Small Cap;
- Industry specific: FTSE Italia Servizi al consumo and FTSE Italia Media;
- National ethical: FTSE ECPI Italia SRI Benchmark and FTSE ECPI Italia SRI Leaders.

In 2016, Mondadori's share traded at an average price of 0.95 euro (average market capitalization 247.8 million euro).
On 30 December 2016, the last trading day of the year, Mondadori's share recorded a closing price of 1.171 euro, with a market capitalization of 306.2 million euro.
On 29 November 2016, Borsa Italiana S.p.A. admitted the Company's ordinary shares to trading on the STAR segment (Segment for High Requirement Shares) of the Electronic Stock Market (MTA). The first trading day on the STAR segment was Wednesday 07 December 2016.

Share price and share trading data	2016
Closing price in euro on 30/12/2016	1.171
Average price in euro	0.95
Maximum price in euro (30/12/2016)	1.171
Minimum price in euro (11/02/2016)	0.71
Average volume (thousands)	204.5
Maximum volume (thousands, 29/12/2016)	2,034.2
Minimum volume (thousands, 12/08/2016)	6.2
No. of ordinary shares (millions)*	261,458,340
Average market capitalization in euro millions*	247.8
Market capitalization at 30/12/2016 in euro millions	306.2

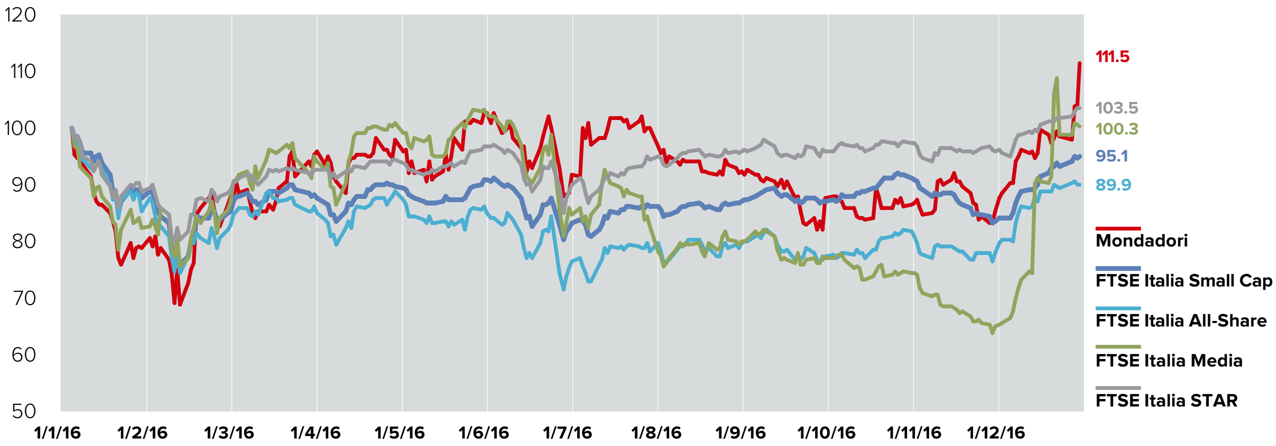
Source: Borsa Italiana
* Number of shares issued at 31 December 2016

MONDADORI SHARE PRICE PERFORMANCE IN 2016



Source: Bloomberg

MONDADORI SHARE PRICE PERFORMANCE AGAINST MAIN SE INDEXES IN 2016



Source: Bloomberg

THE INTERNATIONAL ECONOMIC ENVIRONMENT

The IMF estimates that **world GDP** will rise by +3.1% in 2016 and by +3.4% in 2017.
The ECB forecasts, instead, that the **Euro Area GDP** will grow by +1.7% both in 2016 and in 2017, down versus 2015.
Italy's[1] GDP is expected to grow moderately by **+0.9%** in 2016 and in 2017.

FINANCIAL MARKETS

In 2016, the **developed countries** saw share indexes rise, benefiting from the fiscal expansion expectations in the USA and in Japan.

Eurozone financial markets equally enjoyed a bullish trend, buoyed by the Eurosystem's corporate and sovereign bond purchase programmes (launched on 8 June 2016).

At year end, the critical points still pending regard the uncertainties surrounding economic growth and bank profitability in the Euro Area.

The **Italian financial market** lost -10% versus 2015 (FTSE Italia All Share).
In the same period, the **Mondadori share** posted a **positive performance** of approximately **13%** versus end 2015, higher than both the Italian (FTSE Italia Media +1%) and European indices (Euro STOXX Media -6%), and moving in the opposite direction of the trend registered by the FTSE Italia Small Cap index (-4%) for shares of Italian medium/small capitalization companies.

In 2016, Mondadori shares traded on the market managed by Borsa Italiana S.p.A. reached the average daily equivalent of 196,125 euro (the maximum registered on 29 December 2016 was 2.4 million euro).

[1] Source: Banca d'Italia, *Economic Bulletin, January 2017*

OWNERSHIP STRUCTURE

At 31 December 2016, the Company's share capital amounted to 67,979,168.40 euro, equal to 261,458,340 ordinary shares with a par value of 0.26 euro each.

SHAREHOLDER BASE

At the same date, to the knowledge of the Company, based on the disclosures received pursuant to art. 120 of the TUF (Finance Consolidation Act) and other available information, the Company shareholding structure includes the following relevant equity investments.

Shareholders	Equity investment at 31/12/2016
Fininvest S.p.A.	50.4%*
Silchester International Investors Llp	11.5%

** On 15/02/2017 Fininvest S.p.A. announced an increase in its equity investment from 50.399% to 53.299%*

INVESTOR RELATIONS

The Mondadori Group pursues a policy of communication vis-à-vis the financial market players, hinged upon the disclosure of complete and correct news on corporate results, initiatives and strategies, in accordance with the rules set by Consob and Borsa Italiana and by confidentiality requirements that certain information may need, paying particular attention to ensure transparent and timely information to facilitate relations with the financial community. Communication and development of relations with shareholders, institutional investors and financial analysts continued during 2016 through numerous meetings organized in Milan and the main European markets. Specifically, its admission to the STAR segment of Borsa Italiana on 7 December 2016 marked a further step on the path of development that the Mondadori Group has taken over the past three years, positioning itself among the top companies listed on the Italian stock market. Its admission has further developed relations with the market and with Italian and international investors, which will shine greater light on the Mondadori Group's business activities, in order to enhance the value of the Company, also through corporate governance practices that are in line with best international standards and through high levels of liquidity of its share.

Additionally, the Group's corporate website, completely revamped in the period, through the Investor section in particular, represents a key tool for channeling information on the Company to the public, including financial results, developments, stock market performance and events calendar. Furthermore, a Governance section is available, where users can access all relevant information on the corporate governance system, corporate bodies and shareholders' meetings.

SUMMARY OF THE 2016 SUSTAINABILITY REPORT

The Mondadori Group 2016 Sustainability Report, this year at its sixth edition, was prepared, as for 2014 and 2015, in accordance with the GRI G4 Sustainability Reporting Guidelines issued by the Global Reporting Initiative (one of the leading independent international rule-setting bodies for sustainability reporting), including the G4 Media Sector Disclosures. The ”in accordance” option as declared by Mondadori is ‘in accordance – core’.

For financial data, the reporting scope refers to Arnoldo Mondadori Editore S.p.A. and all the companies consolidated on a line-by-line basis; for environmental and social data, the scope, instead, refers to Arnoldo Mondadori Editore S.p.A., the Italian companies consolidated on a line-by-line basis and, from this year, Mondadori France S.A.S. Data was collected with the aim of giving a balanced and clear picture of the Company’s actions and characteristics. The information and quantitative data collection process is structured in such a way as to guarantee that data can be compared over several years, to enable accurate reading of the information and a complete overview to all stakeholders interested in Mondadori’s performance.

As in the prior year, the materiality analysis was updated in accordance with the standard adopted; these are the main findings:

- the top issues in terms of materiality for Mondadori and its stakeholders are: **pursuit of publishing product quality, focus on core businesses, digital evolution, management of human capital; promotion of culture and reading and publishing independence;**
- most of the issues related to Mondadori’s specific business were considered to be material (**output accessibility, freedom of expression, publishing independence, pursuit of publishing product quality, privacy and data protection, media culture, intellectual property and promotion of culture and reading**).

As part of a major legislative initiative on the issue of the disclosure of non-financial information, it should be noted that Mondadori falls under the scope of Legislative Decree 254/2016 ("Implementation of Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014, amending Directive 2013/34/EU as regards disclosure of non-financial and diversity information by certain large undertakings and groups”). The decree requires, for disclosures of sustainability published starting from financial year 2017, the inclusion of non-financial information for the understanding of corporate business, performance, results and the impacts brought by non-financial information, providing a set of disclosures, the reporting of which appears mandatory, according to the wording of the rule. Pending a prevailing interpretation of the rule, and with a view to a gradual alignment, Mondadori has decided to continue the reporting of such disclosures, although the updated materiality analysis found some to be non-material.

HIGHLIGHTS OF THE 2016 SUSTAINABILITY REPORT

The introduction to the Sustainability Report shows the timeline of the path taken by Mondadori. A path that has its roots back in 1907 and has the turning point in 2016. A year marked by two major acquisitions for Mondadori: Rizzoli Libri and Banzai Media, which strengthen, respectively, the book publishing business and the portfolio of print and online brands.

The prominent role played by Mondadori in the publishing world reflects its total commitment as a publisher to offering quality content to an ever expanding and ever more varied audience, respecting the principles of diversity and public sensitivity. The audience is at the heart of the Group's project, which recognizes customer desires and expectations as core elements in today's publishing industry. In an increasingly interconnected and participatory world, listening has become a need, as well as the responsibility of offering readers and users accurate, meticulous and trustworthy information, and a multidimensional vision that leaves readers enough room for a subjective interpretation. In this context, Mondadori stays true to its guiding values, which are reflected in the Code of Ethics, and prioritizes the accessibility of its products and the presence in its offering of a broad spectrum of religious, political, scientific and social opinions that are well-represented in the books it publishes.

Additionally, the ability to intercept new business needs and the changes taking place in the Group's areas of operation, require constant and growing attention towards the components of the Company, lead players in a collective and individual growth plan aimed at sharpening skills and increasing professional expertise.

Lastly, for a publisher such as Mondadori, paper consumption and all those activities gravitating around the paper product life cycle play a prominent role in the measurement of its environmental footprint. For these reasons, Mondadori has gradually opted for the direct purchase of paper and currently uses certified paper for almost all its purchases.
Regarding the issues addressed in the Sustainability Report, to which reference is made for further details, the following section takes a close look at the creation of value for stakeholders.

CREATING VALUE FOR STAKEHOLDERS

In 2016, the economic value distributed by Mondadori was 1,229.0 million euro, the economic value generated was 1,275.8 million euro, while the economic value retained was approximately 47 million euro.

(euro/millions)	2016	2015	2014
Economic value generated	1,275.8	1,152.5	1,192.8

The distribution of economic value, as shown in the table below, is broken down as follows:
- operating costs amounted to 947.8 million euro (+12% versus 2015), 96% of which related to the payment of suppliers (911.7 million euro, +11% versus 2015);
- employee wages and salaries amounted to 236.5 million euro, up by 6.6% versus the prior year;
- payments to financial institutions amounted to 18.4 million euro, down by 2% versus 2015; payments to third shareholders amounted to approximately 4 million euro;
- payments to public administration amounted to approximately 20 million euro;
- gifts, membership fees and sponsorships amounted to 2.5 million euro, basically in line with the prior year.

Distribution of the economic value generated

(euro/millions)	2016
Operating costs	947.8
Employee wages and salaries	236.5
Payments to financial institutions and shareholders	22.3
Payments to public administration	19.9
Gifts, membership fees and sponsorships	2.5
Economic value distributed by the group	1,229.0

The economic value generated by the Group between 2015 and 2016 increased by 10.7%, from 1,152.5 to 1,275.8 million euro, while the economic value distributed rose from 1,110.3 to 1,229.0 million euro (+10.6%).

(euro/000)	Group consolidated	
	2016	2015
Economic value generated by the Group	**1,275,798**	**1,152,478**
Revenue	1,268,895	1,130,935
Other income	14,741	10,969
Financial revenue and interest accrued	829	2,366
Income/costs from the disposal of tangible and intangible assets	3,218	21,271
Value adjustments of tangible and intangible assets	(1,362)	(3,080)
Bad debt	(8,962)	(7,941)
Currency differences	(186)	383
Profit/loss on investments	(1,375)	(2,425)
Economic value distributed by the Group	**1,229,021**	**1,110,322**
Payments to suppliers	911,681	818,494
Lease and rental costs	29,001	24,856
Employee wages and salaries	236,517	221,800
Payments to financial institutions	18,352	18,788
Payments to shareholders[1]	3,994	3,380
Payments to public administration	19,852	16,450
Other operating costs	7,120	4,008
Gifts, membership fees and sponsorships	2,504	2,546
Economic value retained by the Group	**46,777**	**42,156**
Depreciation of property, plant and equipment	7,366	7,770
Amortization of intangible assets	23,329	13,149
Fund provisions	17,667	18,222
Fund utilizations	(25,264)	(15,772)
Deferred/pre-paid taxes	2,382	7,475
Write-down of Monradio asset due to asset disposal	-	5,592
Reserves	21,297	5,720

[1] Minority shareholders in the group consolidated

VALUE DISTRIBUTED TO THE COMMUNITY

The Group's commitment in terms of social responsibility also involves a series of initiatives in support of the communities in which it operates, which can be divided into two main areas:
- culture, education and training;
- social support and healthcare.

When selecting social assistance projects, Mondadori follows a specific procedure set out in the Code of Ethics, which governs its methods of selecting initiatives to promote and support, involves the members of the Sustainability Committee as a whole or individually, and involves collaboration with Fondazione Sodalitas and other non-profit organizations, such as Mediafriends and the Italian Institute for Donation.

The Group's social innovation strategy is expressed through:
- initiatives promoting culture;
- participation, through Mediafriends, in fundraising campaigns: the non-profit organization, founded in 2003 by Mondadori, Mediaset and Medusa, devises, plans, realizes and promotes events to finance targeted projects in a wide range of areas;
- raising awareness of social issues: through its magazines and other businesses activities (books, digital, direct marketing), Mondadori raises public awareness of social issues such as work, violence against women, environmental protection and so forth;
- direct donations: every year, the Group makes charitable donations to organizations and associations for projects involving social assistance and healthcare, children, women and the differently-abled;
- sponsorships: the magazine *Focus* is partner to the Osservatorio Permanente Giovani – Editori with the initiative named *FOCUScuola: redazioni di classe*, a competition now at its seventh edition dedicated to students from upper secondary schools;
- social marketing activities: Inthera, a Mondadori Group company, leader in Italy in relationship marketing, supports non-profit organizations in fundraising activities by drafting and managing strategic plans (target identification, measurement of the impacts of the campaign) using various communication channels (mailing, telemarketing);
- initiatives at the HQ: Mondadori organizes various charity and social initiatives at its headquarters (fundraising for non-profit organizations, blood donor days, recycling and delivery of meals to non-profit social welfare organizations);
- activities to promote sustainability: as member of associations such as Sodalitas, CSR Network and ValoreD, Mondadori takes an active part in their social projects; in 2016, it participated in Confindustria's Emergency Management Program dedicated to the earthquake stricken areas of Central Italy, which saw the gratuitous shipment of items by member companies.

(euro/000)	2016	2015	2014
Gifts	491.3	608.5	575.3
Membership fees	1,765.0	1,790.2	1,709.6
Sponsorships	248.3	147.9	307.7
Total	**2,504.6**	**2,546.5**	**2,592.6**

Gift and membership fee amounts over the three-year period include Mondadori France figures. In the 2015 amounts, 99,600 euro was reclassified as sponsorships (from membership fees)

In 2016, the Group allocated over 700 thousand euro to the community.

Regarding contribution type, calculated solely on the amount of gifts, 89% is made up of charitable cash donations, and 11% of contributions in kind (an estimate of the percentage of the "management of initiatives" category is unavailable at this time, nor were staff volunteering initiatives conducted in 2016).

Non-monetary allocations	11%
Monetary allocations	89%

Regarding initiative type, 39% is made up of investments in local communities, and only 1% of business initiatives. Donations accounted for 60% of the total.

Investments in local communities	39%
Donations	60%
Business initiatives with a social impact	1%

The areas of activity in 2016 are shown in the table below:

Young people and sport	4%
Culture, education and training	71%
Social support and healthcare	18%
Other	7%

Regarding geographical distribution, 90% of the amounts refers to the Italian scope, while donations from Mondadori France make for 10% of the total.

Initiatives in support of the community

The activities carried out in 2016 in support of single associations and projects to the wellbeing of the community involved the Group and the individual businesses and activities.

The Group continued its charitable donations last year, with a contribution for the end-of-year seasonal festivities to projects in line with its commitment to social responsibility. Specifically, in 2016, the contribution went to the Fatebenefratelli Children's Home in Milan and, more specifically, to the Multidisciplinary Centre for Teen Distress.

Created in May 2015, the Children's Home's peculiarity lies in its signature combination of healthcare and social and recreational therapies: these include the first facility in Italy used in the rehabilitation of young victims or perpetuators in the growing problem of cyberbullying. Every year, the team of psychologists, psychiatrists and child psychiatrists deals with more than 700 cases of bullying, whether cyber or traditional, as well as 300 situations involving vamping (messages, photos, and comments sent at nighttime) and catfishing (creating fake IDs to conceal one's identity).

Special mention must be made of Mondadori France's support every year to Restos du Coeur, the association created by actor Coluche in 1985. Restos du Coeur offers help, starting with the free distribution of meals, to disadvantaged individuals, from the homeless to families affected by the economic crisis. Over the past 30 years, the association has expanded its scope: its core activity remains food distribution (over 132 million meals), while other initiatives have been gradually added for reintegration into employment, legal advice, healthcare, and housing, educational and recreational aid.

DIRECTORS' REPORT ON MONDADORI GROUP OPERATIONS IN 2016

Dear Shareholders,

2016 was a truly important year in the history of the Mondadori Group, a year in which we successfully completed our strategic repositioning and laid the structural foundations to address the challenges of our new phase of growth.

To start with, we confirmed the positive outcome of the path of change that we embarked on in 2014 which, thanks to the steadfast commitment **to focus on our core businesses** - achieved also through a number of extraordinary transactions - and contain operating costs and overheads, brought a sharp **improvement in our results** and in Mondadori's ability to **generate financial resources**: in the space of 3 years, the Group has in fact:

- doubled adjusted EBITDA from 49.1 million euro to 108.5 million euro (approximately 100 million euro pro-forma[2]);
- reduced net debt at end 2016 by approximately 100 million euro versus end 2013 (-363.2 million euro), despite outlays for the acquisitions made in 2016 (approximately 133 million euro), net of disposals.

These positive results were used to reduce consolidated debt and to provide adequate resources to the strategic lines of the Group's development. 2016, in fact, was a year of transition to a new phase for Mondadori, in which the Company returned to investing in order to strengthen its competitiveness in the Group's strategic businesses and sustain its growth process.

A crucial step was taken with the acquisition of **Rizzoli Libri**, which has allowed Mondadori to increase the contribution of the Books business, to consolidate its presence in the Italian Trade market, and to gain a leadership position in the school textbooks market and in the international illustrated books business (USA in particular).

The acquisition of **Banzai Media** operations was a cornerstone in the growth strategy of Mondadori's magazine brands: the deal has made the Group Italy's top publisher also in the digital area.

2016 also marked a turning point in the relations with the financial market, following admission to the **STAR segment** of Borsa Italiana, the start of a path that will shine greater light on the Mondadori Group to enhance the value of the Company and of its activities.

[2] Consolidation of the companies acquired in 2016 (Rizzoli Libri and Banzai Media) assumed as from 1 January 2016

MAIN ELEMENTS IN MONDADORI BUSINESS AREAS

- In the **Trade Books** Area, in a basically steady market after years of persisting decline (-0.7% versus 2015), the Group retained its leadership position in Italy with a 29.3% market share, and with five of its books appearing in the top 10 bestselling titles of the year (*La ragazza del treno, L'arte di essere fragili. Come Leopardi può salvarti la vita, Io prima di te, Il nome di Dio è misericordia. Una conversazione con Andrea Tornielli* and *Dopo di te*).

- In the **school textbooks** market, following the integration of Rizzoli Education activities, Mondadori reported a textbook adoptions share of 24%, gaining a leadership position in the overall market.

  Mondadori Electa gave a solid performance in the management of museum concessions and the organization of exhibitions.

- In the **Retail Area**, the Group continued to implement strategic actions to align the organization and the sales channels to the developments of the market, which remained steady in the Books Area in 2016 too, focusing on operating costs reduction and steady format and network revision.
  In the Books segment (making for 77% of store revenue), Mondadori Retail's market share stood at 14.0% (13.8% at 31 December 2015), growing by 0.9%.

- **Magazines Italy**'s performance, on a portfolio like-for-like basis, was basically in line with the relevant sector, in terms of both advertising figures (print market -4.0%; web -2.3%) and newsstand and subscription trends (-10.6%). On the circulation front, Mondadori retained its market leader position with a 31.7% share at 31 December 2016. With a total audience of over 37 million contacts/month (21 million readers/ month and over 16 million unique users/month), Mondadori is **Italy's leading magazine publisher (both traditional and digital)**.

- **Magazines France**'s circulation figures fell slightly versus the prior year, due mainly to the negative performance of newsstand sales, driven down by the market trend (-5.4%), partly offset by the resilience of the subscription channel.
  Overall, the Area saw a decline in traditional activities, dropping by -2.9%, while digital activities enjoyed significant growth and rose by 11.6%, driven by the digital activities of the properties (+9.5%) and of *NaturaBuy* (+23.5%).
  The total **number of readers** of Mondadori France magazines reached **8.9 million** unique users, up by over 3% versus the average figure of 2015, while **mobile readers** reached an average of **5.2 million** unique users, up by 66% versus the average of 2015.

CONSOLIDATED FINANCIAL HIGHLIGHTS IN 2016

(euro/millions)	2016	*% on revenue*	2016 like-for-like basis	*% on revenue*	2015	*% on revenue*	Var. %	Var. % like-for-like basis
Revenue from sales and services	**1,262.9**	***100.0%***	**1,090.5**	***100.0%***	**1,123.2**	***100.0%***	**12.4%**	**-2.9%**
Cost of sold items	501.0	*39.7%*	410.0	*37.6%*	434.7	*38.7%*	15.3%	-5.7%
Variable costs	310.1	*24.6%*	276.1	*25.3%*	287.7	*25.6%*	7.8%	-4.0%
Fixed costs	122.5	*9.7%*	113.2	*10.4%*	116.8	*10.4%*	4.8%	-3.1%
Cost of personnel	225.3	*17.8%*	205.6	*18.9%*	207.7	*18.5%*	8.5%	-1.0%
Other costs/(income)	(3.8)	*-0.3%*	(1.9)	*-0.2%*	3.0	*0.3%*	n.s.	n.s.
Result - associates	0.5	*0.0%*	0.6	*0.1%*	(0.3)	*0.0%*	n.s.	n.s.
Adjusted EBITDA	**108.5**	***8.6%***	**88.2**	***8.1%***	**73.0**	***6.5%***	**48.5%**	**20.7%**
Restructuring costs	(10.8)		(10.2)		(12.7)		-15.3%	-19.5%
Non-ordinary items	(3.7)		(3.7)		21.2		n.s.	n.s.
EBITDA	**94.0**	***7.4%***	**74.3**	***6.8%***	**81.6**	***7.3%***	**15.3%**	**-8.9%**
Amortization, depreciation and impairment	34.0	*2.7%*	26.4	*2.4%*	27.1	*2.4%*	25.6%	-2.4%
EBIT	**60.0**	***4.8%***	**47.8**	***4.4%***	**54.5**	***4.8%***	**10.2%**	**-12.2%**
Net financial income (costs)	(17.7)	*-1.4%*	(12.6)	*-1.2%*	(16.0)	*-1.4%*	10.4%	-21.5%
Income (costs) from other investments	0.0	*0.0%*	0.0	*0.0%*	(0.1)			
Profit before taxes for the period	**42.3**	***3.3%***	**35.2**	***3.2%***	**38.3**	***3.4%***	**10.4%**	**-8.0%**
Income tax	18.0	*1.4%*	15.7	*1.4%*	20.5	*1.8%*	-12.1%	-23.2%
Minority shareholders' result	2.7	*0.2%*	2.7	*0.3%*	2.7	*0.2%*	0.4%	0.4%
Result from continuing operations	**21.6**	***1.7%***	**16.8**	***1.5%***	**15.1**	***1.3%***	**42.8%**	**11.2%**
Result from discontinued operations	1.0	*0.1%*	0.0	*0.0%*	(8.7)	*-0.8%*	n.s.	n.s.
Net result	**22.5**	***1.8%***	**16.8**	***1.5%***	**6.4**	***0.6%***	**n.s.**	**n.s.**

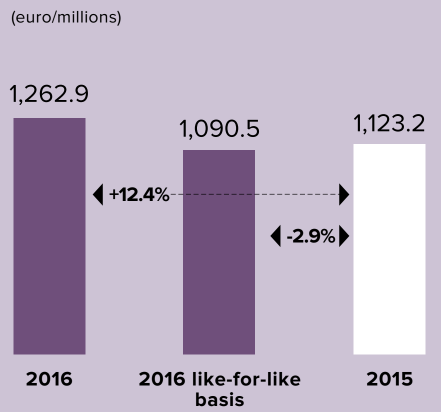
On 30 September 2015, the transfer of 80% of the share capital of Monradio S.r.l. to R.T.I. S.p.A. was completed. Pursuant to IFRS 5 (“Non-current assets held for sale”), the Group's radio business was classified as “discontinued operations” and as such entered in these consolidated financial statements. As a result, in the income statement for 2015, the results achieved in the period, along with the depreciation of operations made in order to bring their value in line with the consideration from the transfer, were classified under “Profit/(loss) from discontinued operations".

ALTERNATIVE PERFORMANCE MEASURES

This document, in addition to the statements and conventional financial measures required by IFRS, presents a number of reclassified statements and alternative performance measures in order to better evaluate the operating and financial performance of the Group, the definition of which is explained in the section “Glossary of terms and alternative performance measures used”.

INCOME STATEMENT

REVENUE

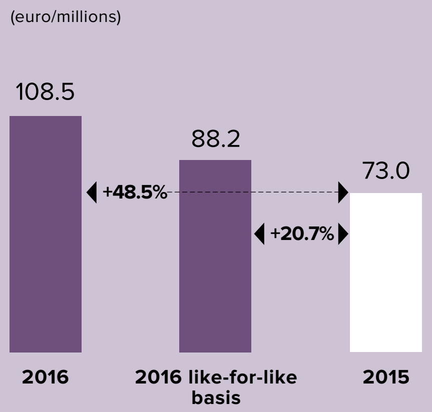


In 2016, **consolidated net revenue** totaled 1,262.9 million euro, **up by 12.4%** versus 1,123.2 million euro in 2015. Pro-forma revenue (based on the consolidation of the acquired companies as from 1 January) would amount to approximately 1,280 million euro.
On a like-for-like basis, the Group dropped by 2.9%.

Revenue by Business Area (euro/millions)	**2016**	**2016 like-for-like basis**	**2015**	**Var. %**	**Var. % like-for-like basis**
Books	475.1	306.6	320.8	48.1%	(4.4%)
Retail	199.6	196.6	196.4	1.6%	0.1%
Magazines Italy	310.8	298.0	309.6	0.4%	(3.8%)
Magazines France	321.6	321.6	334.6	(3.9%)	(3.9%)
Corporate & Shared Services	23.2	23.2	22.7	2.4%	2.4%
Total aggregate revenue	**1,330.4**	**1,146.0**	**1,184.1**	**12.4%**	**(3.2%)**
Intercompany revenue	(67.4)	(55.5)	(60.9)	10.7%	(8.8%)
Total consolidated revenue	**1,262.9**	**1,090.5**	**1,123.2**	**12.4%**	**(2.9%)**

Revenue by geographical area (euro/millions)	**2016**	**2015**	**Var. %**
Italy	894.5	766.5	16.7%
France	314.6	314.9	(0.1%)
Other EU countries	21.5	35.1	(38.7%)
Other extra EU countries	32.3	6.4	401.9%
Total consolidated revenue	**1,262.9**	**1,123.2**	**12.4%**

EBITDA



Consolidated adjusted EBITDA **improved sharply** in 2016 (+48.5%), amounting to **108.5 million euro** versus 73.0 million euro in the prior year (including the results of Rizzoli Libri and Banzai Media as from 1 January, pro-forma adjusted EBITDA would amount to approximately 100 million euro).
The **Books** Area **contributed strongly**, growing by 76% (by over 32 million euro reaching approximately 75 million euro, net of the negative contribution of Rizzoli Libri in the first quarter), while **Magazines Italy tripled its contribution**, closing at 10.5 million euro (excluding from consolidation the first 5 months of Banzai Media).
Even on a like-for-like basis, the Group achieved a remarkable performance, with adjusted EBITDA at 88.2 million euro, up by **over 20%** versus 2015.

The quarter-by-quarter results confirm the Group's ability to constantly improve its operational effectiveness, despite the challenging scenario of its relevant markets, deriving from the industrial revision actions and re-organization launched and implemented over the last three years, while still maintaining continuous improvement in the publishing quality of its brands as a key objective.

Adjusted EBITDA by Business Area (euro/millions)	**2016**	**2016 like-for-like basis**	**2015**	**Var. %**	**Var. % like-for-like basis**
Books	75.3	55.8	42.7	76.4%	30.8%
Retail	1.8	2.3	2.2	(17.5%)	3.6%
Magazines Italy	10.5	9.1	3.5	196.6%	158.6%
Magazines France	33.2	33.2	36.0	(8.0%)	(8.0%)
Corporate & Shared Services	(12.3)	(12.3)	(11.4)	n.s.	n.s.
Total adjusted EBITDA	**108.5**	**88.2**	**73.0**	**48.5%**	**20.7%**

EBITDA increased, on a like-for-like basis, thanks to:
- the lower percentage (-1.4%) of the cost of goods sold and of variable costs (from an overall 64.3% to 62.9% of revenue), specifically, in the Books Area, due to greater efficiency in the management of operating processes and to targeted pricing policies, and, in the Magazines Italy Area, to effective publishing revision actions;
- the reduction in fixed costs and cost of personnel, despite the drop in revenue, helped to maintain the same percentage on revenue (29.2%), through ongoing cost containment measures implemented across all corporate areas;
- the headcount at the end of the period dropped to 3,261 units, or by 6.9% on a like-for-like basis versus 31 December 2015, as a result of the ongoing reorganization process implemented both in Italy and in France.

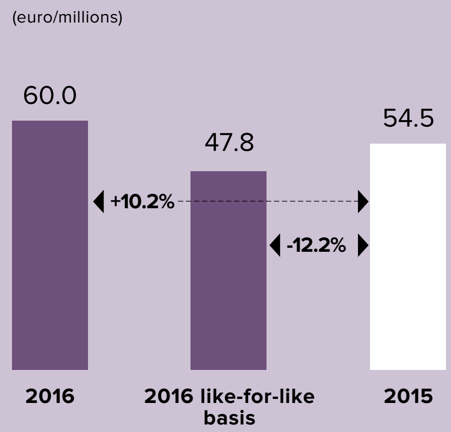
On a like-for-like basis, operational effectiveness **improved from 6.5% to 8.1% of consolidated revenue**. Including the companies acquired in 2016, the EBITDA margin increased by a further 0.5 percentage points (8.6%), benefiting from the integration synergies that contributed to reducing, from the very first year, the impact of the cost of personnel and of fixed costs on revenue by almost 2 percentage points, also as a result of the consolidation of Rizzoli Libri as from 1 April 2016.

Total EBITDA **grew by 15.3%**, from 81.6 million euro in 2015 to **94.0 million euro** in the reporting period. 2015 benefited from net positive non-recurring items of 21.2 million euro (from the disposal of certain assets) versus net negative non-recurring items of 3.7 million euro in 2016 related to expenses deriving from acquisitions made.

Adjusted EBITDA by Business Area (euro/millions)	**4Q16**	**4Q16 like-for-like basis**	**4Q15**	**Var. %**	**Var. % like-for-like basis**
Books	72.5	53.1	45.9	57.7%	15.6%
Retail	1.4	1.9	1.8	(23.3%)	2.6%
Magazines Italy	3.8	2.9	0.4	n.s.	n.s.
Magazines France	30.8	30.8	32.4	(5.0%)	(5.0%)
Corporate & Shared Services	(14.4)	(14.4)	0.9	n.s.	n.s.
Total adjusted EBITDA	**94.0**	**74.3**	**81.6**	**15.3%**	**(8.9%)**

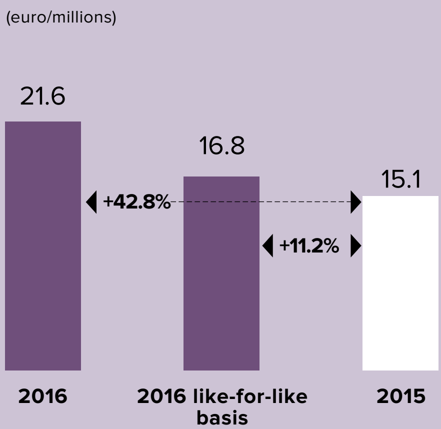
EBIT

Consolidated EBIT in the year **amounted to 60.0** million euro, **improving** by approximately **10%** versus 54.5 million euro in 2015, as a result of the abovementioned increased EBITDA, despite increased amortization of 7.6 million euro from the changed consolidation scope. In 2016, an impairment of 2 million euro (4 million euro in 2015) was recognized on the investment held in the Greek Attica Publications subsidiary (Magazines Italy Area). Regarding Attica Publications, the lingering financial woes of the country produced a deterioration of the main macroeconomic variables, and negatively affected the advertising market trend. Against this backdrop, Management revised the medium-long term plan approved in January 2016 and updated the impairment test, which resulted in an impairment of the investment of 2 million euro.



Consolidated EBIT by Business Area (euro/millions)	**2016**	**2016 like-for-like basis**	**2015**	**Var. %**	**Var. % like-for-like basis**
Books	62.0	47.8	42.5	45.9%	12.5%
Retail	(3.5)	(2.8)	(1.2)	n.s.	n.s.
Magazines Italy	(1.4)	(0.1)	(7.0)	n.s.	n.s.
Magazines France	18.9	18.9	21.0	(10.1%)	(10.1%)
Corporate & Shared Services	(15.9)	(15.9)	(0.9)	n.s.	n.s.
Total EBIT	**60.0**	**47.8**	**54.5**	**10.2%**	**(12.2%)**

PROFIT FROM CONTINUING OPERATIONS



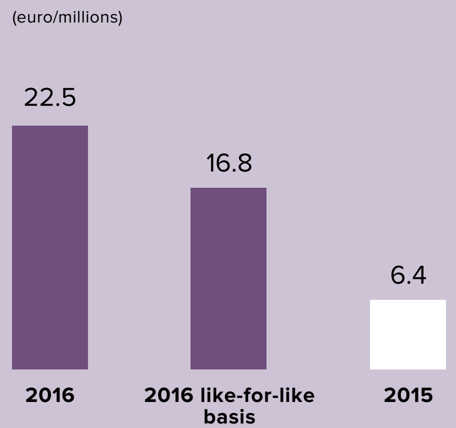
Consolidated profit before taxes came to a positive 42.3 million euro, **up by 10.4%** versus 38.3 million euro in 2015; **financial costs** in 2016 amounted to 17.7 million euro versus 16.0 million euro in 2015, which had benefited from the positive contribution of 1.6 million euro from the derecognition of a number of put options (Kiver, MUK and NaturaBuy), despite the significant investments made in the acquisition of Rizzoli Libri and Banzai Media, which increased average net debt for the year by approximately 7 million euro, offset by a decrease in the average debt rate of approximately 0.6 bps.

Tax costs in the reporting period came to 18.0 million euro (20.5 million euro in 2015, and included the impairment of deferred tax assets on prior-years' losses, following the IRES rate reduction introduced by the 2016 Stability Law, from 27.5% to 24% as of 1 January 2017).

The **consolidated net result from continuing operations**, after minority interests, came to a **positive 21.6 million euro, up by 43%** versus 15.1 million euro at 31 December 2015.

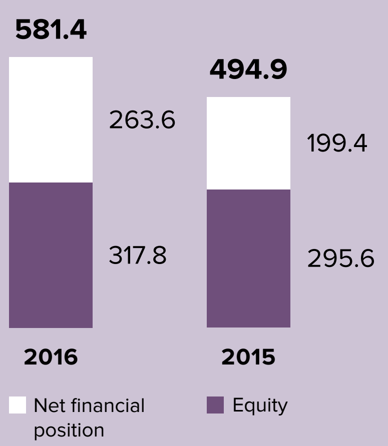
NET RESULT

Group profit at 31 December 2016 came to a **positive 22.5 million euro**, improving by 16.1 million euro and **tripling** versus the 6.4 million euro reported in 2015 (which included the loss of 8.7 million euro from the disposal of Monradio operations). Net profit in 2016 includes a capital gain of 1 million euro, net of relating expenses, from the disposal of Marsilio Editori S.p.A. and of the Bompiani BU.



FINANCIAL RESULTS

NET INVESTED CAPITAL



The **Group net invested capital** at 31 December 2016 came to 581.4 million euro, **up by approximately 86.5 million euro** versus 495.0 million euro at 31 December 2015.

On a like-for-like basis, the **net working capital** in 2016 (including provisions for risks and post-employment benefits) **dropped** by approximately 11 million euro, as a result of improved collection of trade and tax receivables and greater efficiency in the management of the relevant items.

Including the acquired companies, net working capital increased by 43 million euro, attributable mainly to Rizzoli Libri and consistent with the balance sheet dynamics of the business.
Fixed assets increased by 60 million euro, 30.8 million euro of which ascribable to Rizzoli Libri and 43.3 million euro to Banzai Media, with a decrease on a like-for-like basis of 14.1 million euro.

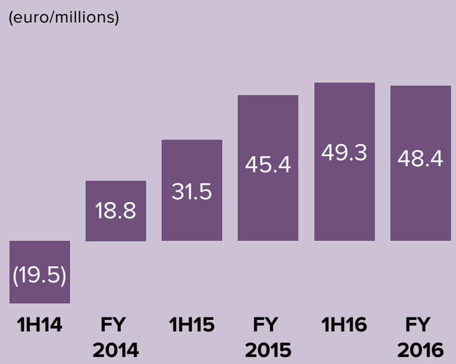
The **Group's net financial position** at 31 December 2016 came to **-263.6 million euro** versus **-199.4 million** euro at 31 December 2015, as a result of cash outlays for extraordinary transactions of 132 million euro, despite the Group's positive cash generation from ordinary operations of 68 million euro (48 million euro on a like-for-like basis).

CASH FLOW

At 31 December 2016, **cash flow from operations** came to a **positive 99.4 million euro** (74.4 million euro on a like-for-like basis); **ordinary cash flow** (after the cash-out for financial charges and taxes for the year) amounted to **67.9 million euro**, which is net of the cash outlays in the January-March quarter (not consolidated in 2016) of Rizzoli Libri, attributable to the investments made and to the seasonal nature of the Education business; on a like-for-like basis, Group **cash generation from ordinary operations** came to **48.4 million euro**, improving versus 45.4 million euro in 2015.

Cash flow from extraordinary operations came to -132.1 million euro as a result of:

- capital expenditure net of disposals of 132.6 million euro;
- restructuring costs of approximately 15 million euro;
- cash-ins from prior-years' taxes amounting to 15.5 million euro.



CONSOLIDATED FINANCIAL HIGHLIGHTS IN 4Q16

(euro/millions)	4Q16	*% on revenue*	4Q16 like-for-like basis	*% on revenue*	4Q15	*% on revenue*	Var. %	Var. % like-for-like basis
Revenue from sales and services	**327.7**	***100.0%***	**275.5**	***100.0%***	**304.9**	***100.0%***	**7.5%**	**(9.6%)**
Cost of sold items	125.5	*38.3%*	99.7	*36.2%*	121.3	*39.8%*	3.5%	(17.8%)
Variable costs	82.6	*25.2%*	73.5	*26.7%*	79.6	*26.1%*	3.7%	(7.7%)
Fixed costs	35.4	*10.8%*	30.2	*10.9%*	29.5	*9.7%*	20.0%	2.3%
Cost of personnel	55.1	*16.8%*	47.2	*17.1%*	47.9	*15.7%*	15.1%	(1.5%)
Other costs/(income)	(2.8)	*(0.8%)*	(3.2)	*(1.1%)*	2.8	*0.9%*	n.s.	n.s.
Result - associates	0.5	*0.1%*	0.7	*0.2%*	1.3	*0.4%*	n.s.	n.s.
Adjusted EBITDA	**32.3**	***9.9%***	**28.8**	***10.5%***	**25.1**	***8.2%***	**28.9%**	**15.0%**
Restructuring costs	(6.9)		(6.5)		(6.2)		11.6%	6.2%
Non-ordinary items	(1.7)		(1.7)		13.9		n.s.	n.s.
EBITDA	**23.8**	***7.3%***	**20.6**	***7.5%***	**32.8**	***10.7%***	**(27.4%)**	**(37.1%)**
Amortization, depreciation and impairment	11.8	*3.6%*	9.8	*3.5%*	8.3	*2.7%*	42.2%	18.2%
EBIT	**12.0**	***3.7%***	**10.8**	***3.9%***	**24.5**	***8.0%***	**(50.9%)**	**(55.7%)**
Net financial income (costs)	(5.0)	*(1.5%)*	(3.3)	*(1.2%)*	(2.3)	*(0.8%)*	119.1%	43.7%
Income (costs) from other investments	0.0	*0.0%*	0.0	*0.0%*	0.0			
Profit before taxes for the period	**7.0**	***2.1%***	**7.5**	***2.7%***	**22.2**	***7.3%***	**(68.5%)**	**(66.0%)**
Income tax	1.8	*0.5%*	3.2	*1.2%*	12.8	*4.2%*	(86.3%)	(74.9%)
Minority shareholders' result	0.8	*0.3%*	0.8	*0.3%*	0.9	*0.3%*	(8.5%)	(8.5%)
Result from continuing operations	**4.4**	***1.3%***	**3.5**	***1.3%***	**8.5**	***2.8%***	**(48.4%)**	**(58.8%)**
Result from discontinued operations	0.3	*0.1%*	0.0	*0.0%*	0.7	*0.2%*	n.s.	n.s.
Net result	**4.7**	***1.4%***	**3.5**	***1.3%***	**9.2**	***3.0%***	**(49.1%)**	**(61.9%)**

Consolidated revenue in 4Q16 amounted to 327.7 million euro, **up by 7.5%** versus 304.9 million euro in 4Q15, driven by the growth of the Books Area following the acquisition of Rizzoli Libri; on a like-for-like basis, revenue would drop by about -9.6%, due mainly to a widely different scheduling than in 4Q15 of the editorial plan of the Books Area, which had included a number of successful bestsellers. For the full year, in fact, the drop in revenue - on a like-for-like basis - by the Books Area was 4.4%, the result of an effective management policy that led to an increase in results both in absolute and percentage terms.

Revenue by Business Area (euro/millions)	4Q16	4Q16 like-for-like basis	4Q15	Var. %	Var. % like-for-like basis
Books	119.7	69.2	87.7	36.5%	(21.0%)
Retail	64.5	63.3	64.5	(0.0%)	(2.0%)
Magazines Italy	75.9	70.3	76.6	(0.9%)	(8.2%)
Magazines France	82.3	82.3	87.8	(6.2%)	(6.2%)
Corporate & Shared Services	6.1	6.1	5.6	10.2%	10.2%
Total aggregate revenue	**348.6**	**291.2**	**322.2**	**8.2%**	**(9.6%)**
Intercompany revenue	(20.9)	(15.8)	(17.3)	20.8%	(9.0%)
Total consolidated revenue	**327.7**	**275.5**	**304.9**	**7.5%**	**(9.6%)**

Adjusted EBITDA rose by 28.9% to 32.3 million euro in 4Q16 versus 25.1 million euro in 4Q15; on a like-for-like basis, adjusted EBITDA was **up by 15%,** driven by the Books Area (from 7.2 million euro to 13.9 million euro), as a result of the implementation of new management policies, and by Magazines Italy which, despite a backdrop of declining revenue, reported an increase of approximately 43% in the quarter.

Adjusted EBITDA by Business Area (euro/millions)	4Q16	4Q16 like-for-like basis	4Q15	Var. %	Var. % like-for-like basis
Books	16.6	13.9	7.2	132.1%	93.7%
Retail	4.5	4.8	5.3	(15.0%)	(10.3%)
Magazines Italy	3.6	2.6	1.8	96.9%	42.7%
Magazines France	11.9	11.9	13.9	(14.7%)	(14.7%)
Corporate & Shared Services	(4.3)	(4.3)	(3.2)	n.s.	n.s.
Total adjusted EBITDA	**32.3**	**28.8**	**25.1**	**28.9%**	**15.0%**

Consolidated EBITDA amounted to 23.8 million euro (20.6 million euro on a like-for-like basis) versus 32.8 million euro in 4Q15, which included approximately 14 million euro arising from positive non-recurring items related to the disposal of a property in Rome (in Corporate & Shared Services).

Consolidated EBITDA by Business Area (euro/millions)	**4Q16**	**4Q16 like-for-like basis**	**4Q15**	**Var. %**	**Var. % like-for-like basis**
Books	14.6	11.9	6.4	129.5%	86.4%
Retail	3.7	3.9	4.6	(19.3%)	(13.8%)
Magazines Italy	(1.6)	(2.3)	(0.4)	n.s.	n.s.
Magazines France	11.4	11.4	12.4	(8.0%)	(8.0%)
Corporate & Shared Services	(4.3)	(4.3)	9.8	n.s.	n.s.
Total EBITDA	**23.8**	**20.6**	**32.8**	**(27.4%)**	**(37.1%)**

PERFORMANCE BY BUSINESS AREA

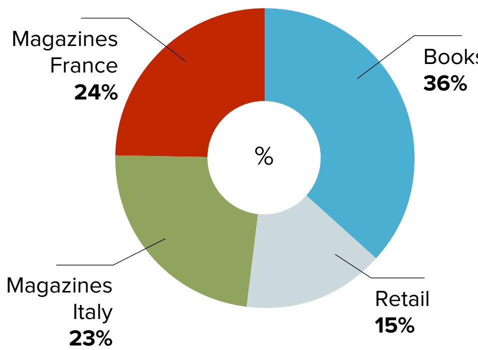
PERFORMANCE BY BUSINESS AREA

(euro/millions)	Revenue			Adjusted EBITDA			EBITDA			Amortization, depreciation and impairment			EBIT		
	2016	2016 like-for-like basis	2015	2016	2016 like-for-like basis	2015	2016	2016 like-for-like basis	2015	2016	2016 like-for-like basis	2015	2016	2016 like-for-like basis	2015
Books	475.1	306.6	320.8	75.3	55.8	42.7	72.5	53.1	45.9	10.5	5.3	3.4	62.0	47.8	42.5
Retail	199.6	196.6	196.4	1.8	2.3	2.2	1.4	1.9	1.8	4.9	4.7	3.0	(3.5)	(2.8)	(1.2)
Magazines Italy	310.8	298.0	309.6	10.5	9.1	3.5	3.8	2.9	0.4	3.6	1.4	5.6	(1.4)	(0.1)	(7.0)
Magazines France	321.6	321.6	334.6	33.2	33.2	36.0	30.8	30.8	32.4	11.9	11.9	11.4	18.9	18.9	21.0
Corporate & Shared Services	23.2	23.2	22.7	(10.8)	(10.8)	(11.9)	(12.9)	(12.9)	0.5	3.2	3.2	3.7	(14.5)	(14.5)	(1.3)
Adjustments and cancellations	(67.4)	(55.5)	(60.9)	(1.5)	(1.5)	0.5	(1.5)	(1.5)	0.5				(1.5)	(1.5)	0.5
Total	**1,262.9**	**1,090.5**	**1,123.2**	**108.5**	**88.2**	**73.0**	**94.0**	**74.3**	**81.6**	**34.0**	**26.4**	**27.1**	**60.0**	**47.8**	**54.5**

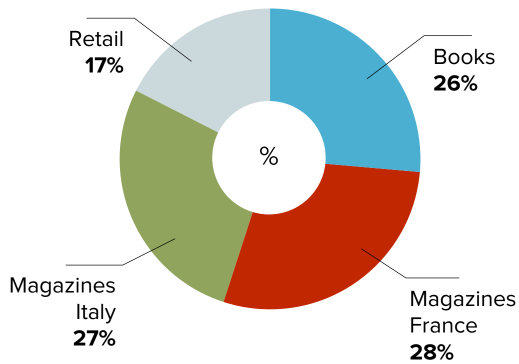
The breakdown of performance by business area reflects the system used by Management to oversee Group performance, in accordance with IFRS 8

REVENUE

2016



2015



BOOKS

Mondadori Libri S.p.A. is the company at the head of all Group activities in the Books Area.

The Mondadori Group is Italy's market leader in the **Trade Books** Area: the publishing products that traditionally make up the core business are fiction, non-fiction, and books for young readers, both in print and electronic format; the Mondadori Group operates under various publishing brands: Mondadori, Giulio Einaudi editore, Piemme, Sperling & Kupfer (including with Frassinelli), along with the Rizzoli Libri brands (Rizzoli, BUR, Fabbri Editori and Rizzoli Lizard).

In the **Educational** segment, the Group is also present in the Italian school textbooks, legal, professional and university publishing market through the publications of Mondadori Education and of the Rizzoli Libri brands (such as Fabbri, Etas, La Nuova Italia, Sansoni, and Tramontana), and in art and illustrated book publishing, management of museum concessions, and organization of exhibitions and cultural events through Mondadori Electa and Rizzoli Illustrati.

Following the acquisition of Rizzoli Libri, the Group is also active in the United States through Rizzoli International Publications under the Rizzoli, Rizzoli New York and Universe brands.

Relevant market performance

In 2016, the Italian **Trade** Books market ended basically at breakeven (-0.7%) versus 2015[3].

Looking at the sales channels:

- bookstore chains (accounting for 45.4% of the total) grew by +2.4%;
- independent bookstores (making for 27.6% of the total) fell by -6.5% versus 2015;
- e-commerce posted the strongest performance, increasing by +15.6%, today making for approximately 16.1% of the total market;
- large retailers confirmed a bearish trend, dropping by a further -15.7% and contributing 10.9% to the total market.

Looking at the digital books market, 2016 reported steady revenue from digital downloads versus the prior year, bringing the e-book penetration on the total physical market to 5.0% (4.6% in 2015)[4].

As for **products**, hardcovers (making for over 82% of the total market) were basically steady at -0.1%, while paperbacks, accounting for the remaining 18%, fell by -3.5%.

In this context, the Mondadori Group confirmed its **leadership position in the Trade Area with a 29.3% market share** including Rizzoli Libri brands, or 23.1% on a like-for-like basis (24.0% at December 2015).

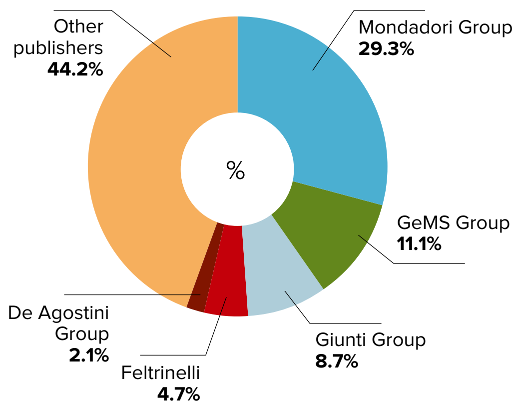
In the reporting period, the Group had 5 titles, in terms of value, among the 10 top bestsellers of the year[5] (*La ragazza del treno, Io prima di te, Il nome di Dio è misericordia. Una conversazione con Andrea Tornielli, L'arte di essere fragili. Come Leopardi può salvarti la vita* and *Dopo di te*) and was awarded the 2016 Strega Prize for *La scuola cattolica* by Edoardo Albinati (Rizzoli).

[3] Source: GFK, December 2016; data collection in 2016 based on 52 weeks (53 in 2015)
[4] Source: internal estimates, in terms of value (cover price)
[5] Source: GFK, December 2016, figures in terms of copies

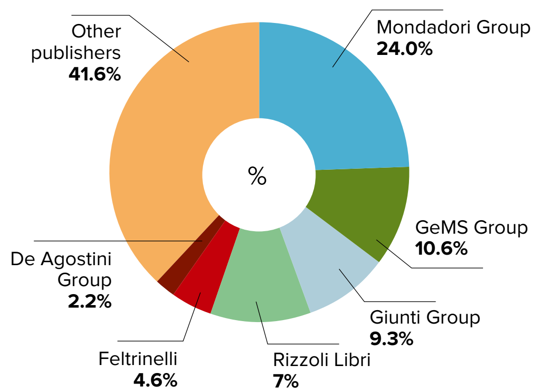
In the school textbooks market, following the integration of Mondadori Education and Rizzoli Education activities, Mondadori reported a textbook adoptions share of 24%[6], gaining a leadership position in the overall market. The market in 2016 witnessed a slight downward trend, with the Primary and lower Secondary segments reporting a steady performance, while the upper Secondary segment saw a sharper decline (-2.3%)[7].

TRADE AREA

2016



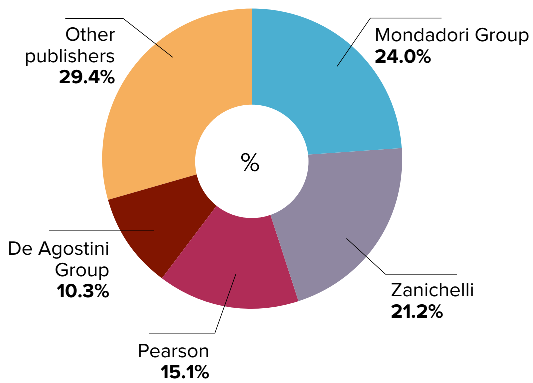
2015



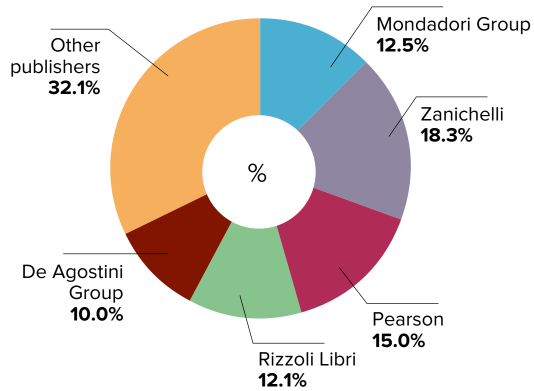
Source: GFK, figures at December in terms of value

EDUCATION MARKET

2016



2015



Source: AIE, 2016 (adopted sections)

[6] AIE, 2016 ministerial data based on textbook adoption (number of sections)
[7] Source: Databank, 2016 figures in terms of value

Performance of the Books Area

(euro/millions)	2016	2016 like-for-like basis	2015	Var. %	Var. % like-for-like basis
Revenue	475.1	306.6	320.8	48.1%	(4.4%)
Adjusted EBITDA	75.3	55.8	42.7	76.4%	30.8%
EBITDA	72.5	53.1	45.9	57.7%	15.6%
EBIT	62.0	47.8	42.5	45.9%	12.5%

Revenue

In 2016, revenue amounted to **475.1 million euro, up by 48.1%** versus the prior year, due basically to the effects of the consolidation of Rizzoli Libri from the second quarter.

Revenue generated by the Trade Books Area of Mondadori grew by 1.7%; the Educational segment remained basically steady (-1.0%), while distribution activities fell.

New titles produced in 2016 in the Trade segment amounted to 1,621 (1,791 including the newsstand channel, -7.3% versus 1,932 in 2015); 164 Mondadori Electa (206 in 2015), and 276 Mondadori Education (320 in 2015).

Trade Books Revenue (euro/millions)	2016	2015	Var. %
Mondadori Trade	**163.2**	**160.4**	**1.7%**
Rizzoli Trade	**62.5**		
Mondadori Electa	45.6	47.0	(3.2)%
Mondadori Education	71.3	70.3	1.4%
Mondadori Educational	**116.9**	**117.3**	**(0.4%)**
Rizzoli Education	81.0		
Rizzoli International Publications	25.5		
Rizzoli Libri Educational	**106.5**		
Distribution and other services – Third-party publishers	26.0	43.0	(39.5%)
Total revenue	**475.1**	**320.8**	**48.1%**

Trade Books Revenue

Revenue in 2016 **increased by 1.7%** versus the prior year, despite the selective publishing policy focused on improving efficiency and profitability; specifically, during the year, the amount of new titles (-7.3% versus 2015) and average print run was cut to reduce future unsold stock.

These targeted actions have and will be taken maintaining the priority objective of research and ongoing improvement of the quality of the publishing schedule, as shown by the ranking, in terms of value, of the top ten bestselling titles in 2016, with five of the Group's titles in the charts *(La ragazza del treno, Io prima di te, Il nome di Dio è misericordia. Una conversazione con Andrea Tornielli, L'arte di essere fragili. Come Leopardi può salvarti la vita* and *Dopo di te*).

In 2016, **Mondadori** confirmed its prominent position as the leading player, closing the year with a 10.6% market share (11.1% at 31 December 2015), despite posting lower revenue than the prior year, mainly as a result of the selective publishing schedule and the presence in 2015 of the novel *Grey* by E. L. James (315,000 copies sold) and *È tutta vita* by Fabio Volo (260,000).

[8] Fonte: GFK, dicembre 2016

In the **Hardcover** segment, the fiction bestsellers were "*L'arte di essere fragili*" by Alessandro D'Avenia (150,000 copies) and "*Il labirinto degli spiriti*" by Carlos Ruiz Zafon (90,000 copies).
As for Non-Fiction, the main tiles included the essays *"Le donne erediteranno la terra"* by Aldo Cazzullo and *"C'eravamo tanto amati"* by Bruno Vespa, Fabio Volo's new *"A cosa servono i desideri"* and Youtuber Sofia Viscardi's *"Succede"*. Bruce Springsteen's first autobiography sold 50,000 copies.

In the ***Paperback*** segment, Mondadori retained its market share (27.3% in 2016), by relaunching the new Oscar series and launching promotional initiatives.
The main titles of the year included "*Io prima di te*" by Jojo Moyes, with over 250,000 copies sold, and "*Inferno*" by Dan Brown (both re-proposed following their re-adaptation to screen), in addition to the cheap version of E.L. James' success title of 2015 "*Grey* ".

In the **Children's Books** segment, the success titles were those related to the debut of the new series by Rick Riordan "*Le sfide di Apollo*" and the first title under the license agreement "*Pokémon*".

At December 2016, **Piemme** held a 3.9% market share (4.2% at 31 December 2015); *La ragazza del treno* by Paula Hawkins did rather well; after selling over 300,000 copies in 2015, it was still one of the top ten best-selling titles in 2016 with over 200,000 copies. In Non-Fiction, instead, the interview-book with Pope Francis *Il nome di Dio è misericordia. Una conversazione con Andrea Tornielli* achieved an overwhelming success with 350,000 distributed copies.

In the Children's Books segment, Piemme retained its market leadership position (12.2% share) with the character Geronimo Stilton and the brand Battello a Vapore.

In the reporting period, **Sperling & Kupfer** saw a slight drop in revenue and market share (2.9% in 2016 versus 3.2% in 2015), attributable to the remarkable success in 2015 of the series *After* by writer Anna Todd (approximately 550,000 copies sold with five different titles). Sales of the series continued in 2016, along with the new titles "*Before*" and the series "*Nothing more*". "*Dieci e lode*", the new novel by Sveva Casati Modignani (over 100,000 copies) and "*Nei tuoi occhi*" by Nicholas Sparks (approximately 100,000 copies), also performed well.

In 2016, **Einaudi** confirmed its third position in Italy with a 5.5% market share, in line with the prior year (5.4%).

The bestsellers included "*Mio fratello rincorre i dinosauri*" by Giacomo Mazzariol (94,000 copies sold), "*L'estate fredda*" by Gianrico Carofiglio (85,000 copies) and "*Passeggeri Notturni*" (60,000 copies).
Additionally, with "*La prima verità*", Simona Vinci won the 2016 Campiello Prize.

The newly-acquired **Rizzoli** saw its market share drop in 2016 to 6.2% versus 7.0% in 2015, which included the good performance in the Children's Books Area of the character "*Masha & Orso*" (440,000 copies) and of the title "*Città di carta*" by John Green, whose cheap version was launched concurrent to the re-adaptation to screen (277,000 copies sold).

In the Hardcover segment, the Non-Fiction best-sellers included *Vietato smettere di sognare* by Benji & Fede (68,000 copies sold) and Eliana Liotta with *La dieta smart food* (67,000 copies).

In Fiction, with over 50,000 copies, *La scuola cattolica* by Edoardo Albinati, winner of the 2016 Strega Prize, was the most significant title. Foreign Fiction saw the success of the series "*Miss Peregrine*" in December, linked also to the release of Tim Burton's film (over 90,000 total copies).

The Paperback segment, represented by the BUR brand, basically confirmed the 2015 performance.

Educational Books Revenue
In this segment, the Group achieved revenue of 116.9 million euro in 2016, basically in line with the prior year, thanks to the good performance of Mondadori Education (+1.4%), which offset the

drop by Mondadori Electa (-3.2%), as part of the management of museum concessions and the organization of exhibitions.

Mondadori Education

Mondadori Education is the Mondadori Group company operating in two areas of publishing activities:

- as for "School textbooks" (the key segment), Mondadori Education produces textbooks, courses, teaching tools and multimedia content for all school levels, from primary school to the first and second-level secondary schools, through thirteen proprietary brands and one distributed in English;
- as for "Miscellaneous", Mondadori Education offers textbooks for universities under the Mondadori Università and Le Monnier Università brands, language books for the teaching of Italian, and dictionaries under the Le Monnier trademark.

In 2016, Mondadori Education retained its high-ranking position in the school textbooks segment, firmly at third place for number of sections in terms of books adopted, with a market share in line with 2015 (12.5%[9]). Revenue in 2016 grew (+1.4%) mainly for the positive performance of the first-level secondary school.

Specifically:

- in **primary** schools, Mondadori Education's market share dropped from 11.7% to 11.1%;
- in **first-level secondary schools**, Mondadori Education posted a good performance in terms of adoptions, which allowed it to increase its market share (12.2% versus 11.6% in 2015), while the market share in **second-level secondary schools** was 13.0% (versus 13.1% in 2015).

The sale of digital books brought no significant impact and remained steady versus 2015.

Mondadori Electa

Mondadori Electa publishes trademarked books:

- Electa in the Kids and Art & Architecture areas, including exhibition catalogues, museum guides and sponsor books;
- Mondadori in the Illustrated, Miscellaneous, Non-Fiction, Manuals and Tourist Guides areas.

In 2016, Electa's revenue dropped by 3.2% overall versus the prior year.

The **management and organization of exhibitions** saw a drop in activities (-5.4%) versus 2015, which had benefited from the higher turnout figures at Expo Milan, due to lower bookshop revenue, despite the growth in exhibitions at archeological sites, where the company operates on a provisional basis (particularly at Pompeii and the Archaeological Museum of Naples). Electa continued to strengthen and develop exhibitions in Milan (Palazzo Reale, Museo del 900 and Triennale, winning the tender for the long-term management of the bookstore) and Mantua (Palazzo Ducale).

In 2016, as part of the activities revolving around **the publication of books and catalogues,** Mondadori Electa **increased revenue by 5.2%**, as well as its market share (0.9%), thanks to the bright performance of **Various**, specifically, of the webstar series, tied to the success of youtubers such as I Mates and *Youdream* by Alberico De Giglio, despite market adversity in the **Arts, Architecture and Sponsor** segments (book on order).

Rizzoli Education

Rizzoli Education achieved revenue of 81.0 million euro in the April-December 2016 period:

- in **primary** schools, the Fabbri brand performed well, in terms of both adoptions and copies sold, which offset the drop by distributed publishers;
- in **secondary** schools, due also to the market environment, adoptions were negative in both cycles, while copies sold grew in **first-level secondary schools**.

Oxford University Press retained its undisputed leadership position in English language teaching, despite the slight drop in a number of teaching cycles.

Rizzoli International Publications

In 2016, the US book market segment of Rizzoli USA (Adult Non-Fiction at a cover price above $50)

[9] Source: AIE, 2016

lost 3% in terms of volumes. In line with this decline, made even higher by the depreciation of the British Pound for sales in the UK, the company's revenue came to 25.5 million euro in the consolidation period of 2016, and includes the Rizzoli Bookstore in NYC (1133 Broadway).

Revenue from distribution activities and other services
Revenue from distribution activities and other services carried out on behalf of Third Publishers dropped by 39.5% versus the prior year, due mainly to the termination of the cooperation agreement with Harper Collins, following the disposal (September 2015) by Mondadori Libri of its investment in Harlequin/Mondadori.

E-book
In 2016, digital revenue of the Books Area **increased by over 15%**, as a result of the consolidation of revenue from the sale of Rizzoli Libri e-books (1.7 million euro), accounting for **5.7%** of total Trade revenue; on a like-for-like basis, revenue dropped by 1.2% versus the prior year, with digital sales contributing **6.1%** to total Trade (6.2% at 31 December 2015).

Total downloads in the year amounted to 2.0 million, with a daily average of 5,400 at an average price up by 12% versus the prior year; the top downloads were "*La ragazza del treno*" by Paula Hawkins, "*Io prima di te*" and "*Io dopo di te*" by Jojo Moyes and "*È tutta vita*" by Fabio Volo.

At 31 December 2016, the e-book catalogue included over 11,600 titles. The digitization process of the most significant part of the Group's catalogue has thus come to completion.
The most downloaded books from the Rizzoli Libri catalogue were "*La scuola cattolica*" by Edoardo Albinati, "*Il bacio d'acciaio*" by J. Deaver and "*La dieta smart food*" by E. Liotta.

EBITDA
Adjusted EBITDA increased by approximately 76% to reach **75.3 million euro versus 42.7 million euro in 2015**.

A result ascribable to the **30.8% increase on a like-for-like basis** and to the consolidation of Rizzoli Libri as from 1 April 2016.

The reporting period reaped the benefits of the new management policy launched in 2015, focused on a targeted publishing policy and on the ongoing optimization of the operating processes in the Trade segment, which significantly increased the contribution margin; concurrently, action continued on containing fixed costs which, together with the increased performance of Mondadori's Educational Area, contributed to further improving **profitability**, which stood at **18.2%** versus 13.3% in the prior year.

In the April-December consolidation period, Rizzoli Libri contributed 19.4 million euro to reported EBITDA, mainly as a result of the positive performance of the schools segment, which excludes the negative contribution in the first quarter from the seasonal nature of the Education business.

The Area's **reported EBITDA** came to **72.5 million euro, up by 57.7%** versus 45.9 million euro in 2015, which included the capital gain of 7.6 million euro from the transfer of the investment held in the Harlequin Mondadori JV, despite a higher percentage of restructuring costs versus the prior year (4.3 million euro in 2016 versus 0.5 million euro in 2015). 2016, instead, included non-recurring charges of 2.3 million euro for the acquisition of Rizzoli Libri.

RETAIL

The Mondadori Group operates in Italy with a network of approximately 580 stores composed of directly managed stores (30), including bookstores (20) and megastores (10), and other franchised stores, including bookstores (326), Mondadori Points (221), in addition to shop-in-shops (52), and web channels (www.mondadoristore.it) and book clubs.

Relevant market performance

Books

The relevant market for the Retail Area is Books (77% of revenue[10]), which fell slightly by -0.7%[11] in 2016 versus the prior year, while chains grew by 2.4%.

In this segment, Mondadori Retail's market share stood at 14.0% (13.8% at 31 December 2015), with the Book Product up by 0.9%.

Following the acquisition of Rizzoli Libri, the Retail network now includes the established bookstore in Galleria Vittorio Emanuele, Milan, and the e-commerce site www.rizzolilibri.it.

Non-book

The relevant markets in the "non-book"[12] sector showed different performance patterns based on the product. In particular:

- consumer electronics reversed the trend, growing by 2.4%, while showing high volatility among the different product categories: tablets and e-readers recorded a double-digit decline, while telephony products confirmed the positive trend seen in recent months with a +7.0% increase YoY;
- entertainment continued to grow, with a +0.6% increase versus the prior year, thanks to the rebound in the sales of music with +2.5%.

Mondadori Retail network trend

Stores	Dec. 2015	Var. 12M16	Dec. 2016
Megastores	9	+1	10
Directly-managed bookstores	20		20
Franchised bookstores	541	+6	547
Total	**570**	**+7**	**577**

[10] Store revenue
[11] Source: GFK, 2016
[12] Source: GFK, 2016

Main activities in 2016

In 2016, numerous actions were taken to gain back market shares and sustain profitability. Specifically:

- the **ongoing network and format revision**: April saw the opening of the tenth Megastore in the new Arese mall, the first store in line with the new concept; the Duomo store in Milan, then the Via Marghera store, were both renovated. The Bologna, Turin and Marcianise megastores were carefully downsized to include shop-in-shops. 41 new franchised stores opened in 2016, while 35 closed;
- the **organization of** in store **events**;
- the launch of the **new Payback loyalty program**, which allows access to a relational platform of over 10 million customers and co-marketing opportunities with leading players in their respective markets (such as: Carrefour, Esso, H3g, Mediaset Premium, Zalando);
- the launch of the new "**Mondadori Store Book Club**", with the aim of creating a new concept of club, by building the loyalty of current customers and increasing the competitive value of the stores;
- implementation of a **cross-channel strategy** integrating the online channel with the physical libraries to increase customer services;
- reorganization and integration of the central functions of the Segrate and Rimini offices.

Performance of the Retail Area

(euro/millions)	**2016**	**2016 like-for-like basis**	**2015**	**Var. %**	**Var. % like-for-like basis**
Revenue	199.6	196.6	196.4	1.6%	0.1%
Adjusted EBITDA	1.8	2.3	2.2	(17.5%)	3.6%
EBITDA	1.4	1.9	1.8	(23.3%)	2.6%
EBIT	(3.5)	(2.8)	(1.2)	n.s.	n.s.

Revenues

In 2016, revenue generated by the Retail Area was in line with the prior year on a like-for-like basis.
As of 1 April 2016, following the consolidation of the acquisition of Rizzoli Libri, activities relating to Librerie Rizzoli have been absorbed by the Retail Area; as a result, the Area **increased revenue by an overall 1.6%**.

Revenue - Retail (euro/millions)	**2016**	**2015**	**Var. %**
Megastores	51.7	50.5	2.4%
Directly-managed bookstores	29.7	31.2	(4.8%)
Franchised bookstores	84.1	83.9	0.2%
Online	11.4	10.5	8.6%
Stores	**176.9**	**176.0**	**0.5%**
Book clubs and other	19.7	20.4	(3.4%)
Librerie Rizzoli	3.0		
Total revenue	199.6	196.4	1.6%
Total revenue on a like-for-like basis	**196.6**	**196.4**	**0.1%**

Store revenue was **up by 0.5%** on a like-for-like basis versus 2015. By type of product:

- **Books** were the predominant product category, making for 77% of the total, **up by 2.4%**;
- **Non-Book revenue** fell marginally by -0.5%, owing to the decline in Consumer Electronics (-6.3%), while the impulse (+2.9%) and media (+7.1%) categories rose.

The analysis by channel shows the following:

- the 4.8% drop of directly-managed Bookstores, ascribable to the relocation of a store in Rome to a smaller space inside the same mall, and to the closure of the store in Limbiate. Sales continued to grow for the fourth consecutive year on a like-for-like basis (+2.7% in 2016);
- the good performance of Franchised bookstores (+0.2%), driven by the development of the network (-1.9% on a like-for-like basis);
- the growth in Megastores (+2.4%), driven by the openings of Milano San Pietro all'Orto (June 2015) and Arese (April 2016). On a like-for-like basis, a drop (-5.5%) was reported, due mainly to the negative performance of Consumer Electronics (-11.4% on a like-for-like basis);
- the growth of the online channel (+8.6%), specifically in the Book product (+12%);
- the drop by the book club segment, which managed to curb the structural decline seen in prior years (-20% in 2014, -15% in 2015).

EBITDA

In 2016, the Retail Area's **adjusted EBITDA** amounted to 2.3 million euro on a like-for-like basis, up by 3.6% versus the prior year (1.8 million euro including the result of Librerie Rizzoli).

A result achieved through ongoing cost-curbing measures, which led to a lower percentage of overheads and personnel costs, despite the reduction in the product margin arising from the different product/channel mix, related also to the structural decline of the book clubs channel.

Reported EBITDA in 2016 amounted to 1.9 million euro (1.4 million euro including the result of Librerie Rizzoli) versus 1.8 million euro in the prior year.

MAGAZINES

Mondadori is **Italy**'s leading magazine publisher by market share (31.7%[13]) and number of titles (25), and ranks second in **France** (with a portfolio of 31 titles) in the advertising market (10.9% share[14]). It has expanded its presence in the sector over time, covering different segments of activity.

In addition to the publication of weekly and monthly magazines sold at newsstands or in digital version, and by subscription, the Group has developed add-on sales and has created websites and portals that enable it to reach out to a higher number of Mondadori readers, counting a total of 40 brands, also following the acquisition of the portfolio of Banzai's media business; thanks to the acquisition, completed in June 2016, Mondadori has become **Italy's leading digital publisher**: by adding the audience acquired from Banzai, which includes established websites on the Italian market such as *PianetaDonna, Giallo Zafferano, Studenti.it* and *Mypersonaltrainer,* Mondadori has achieved leadership in the women, food, and health & wellness vertical segments, strategic areas which allow the Group to integrate and expand the multi-channel offering of the brands already in its portfolio, and to benefit from the complementarity of the vertical segments of the two companies.

Through its subsidiary *Press-di Distribuzione Stampa e Multimedia*, the Group is the second distributor of magazines, dailies and multimedia products in the Newsstand channel and leader in the Large Retailer and Subscription channels in Italy. The customer portfolio includes publishers belonging to the Mondadori Group and independent publishers (which account for approximately 60% of total revenue). The most important customers include Bonelli, RBA, Panini-Disney and Sprea for magazines, and Libero, Il Giornale and Avvenire for newspapers in the Newsstand and Large Retailer channels; Panini-Disney, Condé Nast, Hearst, RBA and RCS MediaGroup in the Subscription channel. In October 2016, the company began distributing the new daily *La Verità*.

Mondadori also has an **international** presence, operating directly, through joint ventures or licensing agreements with international publishers: there are 31 international editions of Mondadori magazines in 26 countries (24 for *Grazia International Network*).

Magazines Italy

Relevant market performance

2016 witnessed a continued drop in the relevant markets:

- broadly speaking, the advertising market rebounded to grow by an overall +1.7% versus the prior year, falling, however, by -4.0% and -2.3% respectively[15] with the Magazines and Internet segments;
- the magazine sales market (newsstands and subscriptions) lost -10.6% (in terms of value). Against this backdrop, Mondadori, whose circulation (on a portfolio like-for-like basis) was in line with the market, as a result of the focus on the publishing quality of its magazines, secured its leadership with a 31.7% market share (steady versus December 2015)[16];
- revenue from add-on sales was affected by the drop - in terms of value - of dailies (-6.7%) and magazines (-12.8%), reporting an overall decrease by 9.3%. Mondadori outperformed the market, with an overall share of 32.3%, up versus the prior year (30.6%).

[13] Internal source Press-di, figure in terms of value at December 2016
[14] Source: Kantar Media, figure in terms of volume at December 2016
[15] Source: Nielsen, December 2016
[16] Internal source: Press-di, December 2016

Performance of Magazines Italy

(euro/millions)	2016	2016 like-for-like basis	2015	Var. %	Var. % like-for-like basis
Revenue	310.8	298.0	309.6	0.4%	(3.8%)
Adjusted EBITDA	10.5	9.1	3.5	n.s.	n.s.
EBITDA	3.8	2.9	0.4	n.s.	n.s.
EBIT	(1.4)	(0.1)	(7.0)	n.s.	n.s.

On 1 January 2016, following reorganization, Digital Marketing Service activities and the central unit focused on the digital business of the Mondadori brands were transferred to Magazines Italy (previously included in Other Business, Corporate and Digital Innovation); the Area's income statement was therefore reclassified, for information sake, also for 2015.

Revenue

Revenue generated by the Magazines Italy Division amounted to 310.8 million euro in 2016, basically **steady versus the prior year** (-3.8% on a like-for-like basis, net of the effects of the acquisition of Banzai Media, consolidated as from 1 June 2016).

Magazines Italy (euro/millions)	2016	2015	Var. %
Circulation	123.1	127.2	(3.2%)
Add-on sales	50.7	51.0	(0.6%)
Advertising	72.6	75.5	(3.8%)
Distribution and revenue towards third publishers	21.6	22.6	(4.6%)
Other revenue	30.0	33.3	(9.9%)
Total revenue on a like-for-like basis	**298.0**	**309.6**	**(3.8%)**
Banzai Media	12.8	-	-
Total revenue	**310.8**	**309.6**	**0.4%**

- **Circulation** revenue fell by approximately 3.0%; on a portfolio like-for-like basis (net of the contribution of Mondadori Scienza), the drop is in line with the market, confirming the Company's leadership with a 31.7% market share (steady versus December 2015)[17];

[17] Internal source: Press-di, December 2016

- Revenue from **add-on products** (DVDs, CDs, books and gadgets) sold in attachment to Group magazines, was basically in line with 2015 (-0.6%), driven by the positive performance of a number of initiatives from the home-video products - related to the sale of DVD series, Disney Classics in particular - which offset the reduction in sales from music CDs and gadgets;
- Regarding **distribution and revenue towards third parties**, despite the drop in copies sold reported by ADS in the Newsstand/Large Retailer channel in 2016, -9% in newspapers and -7% in magazines, and -9% in newspapers and -11% in magazines in the Subscription channel, in the reporting period the Area lost 1.5% versus the prior year, outperforming by far the market trend, driven by the ongoing commitment to the development of the portfolio of distributed publishers in both the Newsstand (distribution was up by 5% versus 2015), and Subscription channel;
- Total **advertising** revenue in 2016 grew by approximately **13.0%**, pushed by the acquisition of Banzai Media; on a like-for-like basis, gross advertising sales on Mondadori brands in Italy fell by 3.8%: print advertising sales declined by 4.5%, basically in line with the relevant market trend, while advertising sales on **websites** shrank by 3.1%;
- Other revenue includes:
  - **International operations**, which achieved revenue of 5.7 million euro in the reporting period (down from 7.1 million euro in 2015), as a result of the drop in licensing activities caused by the deteriorated international market environment and the negative effect of the British Pound exchange rate; e-commerce activities relating to the *Graziashop* platform were transferred from July under a license agreement to a leading player on the UK market. On 5 April, Mondadori disposed of its interest in *Grazia Russia*[18], which continues to be published under a long-term license agreement;
  - revenue from **Digital Marketing Service** activities (12.8 million euro) fell by approximately 4%, as a result of delayed orders referring to traditional services, despite the positive results of the product range in the DB management, CRM and content data Area in the last quarter of the year.

Banzai Media's contribution to the Area's revenue in the seven months of 2016 (consolidated as of June) was approximately 12.8 million euro, bringing overall revenue of the properties at approximately 18.0 million euro in 2016, basically tripling the figure versus 2015, and **accounting for 21% of total advertising revenue.**

The **Mondadori Group** reaches a **unique audience of 16.0 million/month**,[19] and has become **Italy's top digital publisher**, a position corroborated by comScore surveys, which reported in December 2016 an audience of **23.7 million unique users/month**. As a result of the complementarities and synergies between Banzai Media and the brands already held in its portfolio, Mondadori has achieved leadership in key vertical segments such as women, food, health & wellness, in particular:

- Donna Moderna was the top Italian property in the Women's segment, followed by *Pianeta Donna*;
- Starbene became the top property in the Health & Wellness segment;
- *Giallo Zafferano* retained its leadership in the Kitchen segment;
- Studenti was the leader in the Youth segment.

The Mediamond advertising agency has further strengthened its position on the Italian market by launching a new multi-target sales proposition, adding more value to the Group's digital properties.

The combination of the innovative platform and skills of Banzai Media and Mondadori's outstanding content, will enable the Group to develop the positioning of its brands in the digital segment, based on a business model capable, on the one hand, of intercepting new users and audiences and, on the other, of expanding its range of digital marketing services, also leveraging on product innovation and brand extension initiatives, the first regarding the launch of the print version of *Giallo Zafferano* (monthly magazine out on newsstands from 18 March).

[18] In accordance with the legislation adopted in late 2014, which limits foreign ownership - whether direct or indirect - in a Russian company operating in the media industry to 20%
[19] Source: Audiweb at December 2016

EBITDA

Adjusted EBITDA in the **Magazines Italy** Area **improved sharply**, rising from 3.5 million euro to **10.5 million euro**, despite the drop in revenue triggered by the market context, driven by the **effective review** of the publishing structure and by the containment of promotional activities, while retaining the traditional focus on the publishing quality of the titles. The reporting period additionally saw a sharp drop in industrial costs, achieved also as a result of the renegotiation of printing contracts.

Net of the contribution of Banzai Media in the June-December period, EBITDA **on a like-for-like basis** would amount to **9.1 million euro**.

The Area's **reported EBITDA** confirmed the **growth trend**, increasing from 0.4 million euro to 3.8 million euro, as a result of the above actions and despite higher restructuring costs; net of the consolidation of Banzai Media, reported EBITDA came to 2.9 million euro.

The result includes the contribution of a number of companies consolidated at equity, **totaling 1.3 million euro**, in line with the prior year:

- several foreign subsidiaries (including Attica Publications - leading publisher in Greece for magazines and radio stations, Mondadori Seec Advertising - exclusive agency for the sale of advertising spaces in the Chinese edition of *Grazia*, and *Grazia Russia*), whose overall contribution in the reporting period came to a **positive 1.2 million euro** (1.8 million euro in the prior year, including the results of the associate Mondadori Scienza, fully consolidated in 2016);
- the **Mediamond** joint venture, whose pro-rata result in 2016 came to **0.1 million euro** (-0.5 million euro at 31 December 2015).

MAGAZINES FRANCE

Relevant market performance

In 2016, the relevant markets of Mondadori France continued to drop:

- sales in the newsstand channel fell (-5.4%, excluding the extraordinary edition of Charlie Hebdo)[20];
- in the subscription channel (-3.0% in terms of volume)[21];
- in print advertising sales (-8.4%)[22], where Mondadori France retained its position as second player with its share (in terms of volume) steady at 10.9%;

while digital advertising sales grew by 7%[23] in the year.

Performance of Magazines France

(euro/millions)	2016	2015	Var. %
Revenue	321.6	334.6	(3.9%)
Adjusted EBITDA	33.2	36.0	(8.0%)
EBITDA	30.8	32.4	(5.0%)
EBIT	18.9	21.0	(10.1%)

Revenue

Mondadori France's revenue came to 321.6 million euro in 2016, down by -3.9% versus 2015 (334.6 million euro).

Digital activities shot up by 11.6%, driven by the digital activities of the properties (+9.5%) and by *NaturaBuy* activities (+23.5%).

Magazines France (euro/millions)	2016	2015	Var. %
Advertising	74.5	79.7	(6.5%)
Circulation	231.1	238.1	(2.9%)
Other revenue	16.0	16.8	(4.8%)
Total revenue	**321.6**	**334.6**	**(3.9%)**

[20] Internal source, figures at December
[21] Internal source, figures at December
[22] Source: Kantar Media, figures at December
[23] Source: PwC, SRI, UDECAM

Advertising revenue

In a continually shrinking market, Mondadori France's aggregate advertising revenue (print+digital) fell by -6.5% versus 2015.

- Revenue from **print advertising sales** in the French magazines dropped by -10.3% in value versus 2015;
  Mondadori France retained its position as second player in the magazine advertising market, with its share (in terms of volume) steady at 10.9%.
- Revenue from the **digital segment** rose by over **+16%**, making for almost **18%** of **total advertising revenue**, as a result of the sharp increase in audience and the significantly strong performance in sponsored link activities, which partly offset the decrease from print advertising sales.

Circulation revenue

Circulation revenue (newsstands and subscriptions), which accounts for approximately 75% of the total, showed an overall -2.9% decline, slightly improving versus the prior year, thanks to the steady performance of subscriptions, which make for over half the total (53%). Specifically:

- revenue from the newsstand channel fell by -6.5%, in line with the relevant market trend;
- on the other hand, subscription channel revenue reported a steady performance versus 2015, thanks to the good trend in volumes, propelled by the ongoing promotional initiatives and by price stability, confirming the strategic opportunity to further invest in this channel.

These performances were achieved thanks to the constant attention paid to publishing quality and innovation. In 2016, Mondadori France, in fact, continued to improve the quality of its products by restyling five titles (*TéléStar, Science & Vie Guerres & Histoire, L'Ami des Jardins, Nous Deux* and *Top Santé*), and launching various brand extensions, for a total of **180 editions** in 2016 (+34 versus 2015), using a platform of content shared by all its editorial offices.

Digital and Diversification Activities

The **total number of web readers** of Mondadori France magazines reached **8.9 million** unique users[24], up by over approximately 3% versus the average figure of 2015, while **mobile readers** reached an average of **5.2 million** unique users[25], up by 66% versus the average of 2015. These results were achieved thanks also to the gradual digitization of the editorial teams, which enabled the daily production of new content in parallel for both offline and online magazines.

In the reporting period, parallel to their print versions, the **websites** of the following magazines were also re-launched: *Auto Plus*, *Closer*, and *Grazia*. *Auto Plus* and *Closer* also started publishing their editorial content on Facebook instant articles.

Additionally, Mondadori France continued to explore opportunities for business diversification: following the launch of a TV adaptation of *Science & Vie*, a second TV theme channel, *Mon Science & Vie Junior*, was launched in February 2016.

[24] Source: Nielsen, average figure January - November 2016
[25] Source: Nielsen, average figure January - October 2016

EBITDA

Adjusted EBITDA came to **33.2 million euro**, down by 8% versus the prior year, due mainly to M&A costs in the year (approximately 1.0 million euro), with margins on revenue again above 10% (10.3% in 2016 versus 10.8% in 2015).

In 2016, Mondadori France continued to focus its strategy on editorial and overhead cost containment to counter the lingering weakness of the relevant markets, with a view to further adjusting the organization to market changes, while retaining the ability to make investments in quality and in the gradual digitization of publishing activities. **Digital activities** continued to enjoy **positively growing margins** in the reporting period versus 2015.

Reported EBITDA, amounting to 30.8 million euro, was down by 5.0% versus 2015 (32.4 million euro), to a lesser extent as a result also of lower restructuring costs.

CORPORATE & SHARED SERVICES

The **Corporate & Shared Services** segment includes - besides the Group's top management organizations - Parent Company functions providing services to Group companies and the different business areas. These services are mainly associated with activities regarding: Administration, Management Control and Planning, Treasury and Finance, IT, Human Resources, Legal and Corporate Affairs, and External and Institutional Relations.

Revenue is mainly referred to amounts billed to subsidiaries and associates as well as other entities using the services described above.

On 1 January 2016, following reorganization, Digital Marketing Service activities and the central unit focused on the digital business of the Mondadori brands were transferred to Magazines Italy (previously included in Corporate and Digital Innovation); the Area's income statement was therefore reclassified, for information sake, also for 2015.

Also included are the results of the minority interests in Monradio S.r.l. (20%) and Società Europea di Edizioni S.p.A., publisher of the daily *Il Giornale*.

Monradio: the results of R101, 80% of which was sold to R.T.I. S.p.A. on 30 September 2015, for the share attributable to the Mondadori Group, came to -1.0 million euro in 2016, while the results of the company in 2015 had been reclassified under "Assets held for sale".

Società Europea di Edizioni: in 2016, the publisher of *Il Giornale* posted a profit of 0.3 million euro before extraordinary items versus 0.1 million euro in 2015, as a result of ongoing cost reduction.

Overall, **Corporate & Shared Services** adjusted EBITDA came to -12.3 million euro versus -11.4 million euro in 2015, due mainly to the change in the suspension of intercompany margins from the sales of products from Books to Retail; including non-recurring items, EBITDA came to -14.4 million euro versus 0.9 million euro in 2015, as a result of a capital gain (approximately 14 million euro) recognized in 2015 from the sale of a property.

BALANCE SHEET

In 4Q16, the 3-month Euribor continued its downward trend, dropping to a low of -0.319% in December, below the average of -0.265% in 2016; the average cost of debt (net of long-term charges) of the Mondadori Group on the interest rate component in 2016 was **3.13%** versus 3.74% in 2015.

The Mondadori Group's financial position at 31 December 2016 showed a debt of 263.6 million euro versus 199.4 million euro at 31 December 2015. The increase in debt is explained by the cash outlays for extraordinary transactions, which include the acquisition of RCS Libri and Banzai Media completed in the year, partly offset by the positive cash generation from ordinary operations.

Net financial position (euro/millions)	**31/12/2016**	**31/12/2015**
Cash and cash equivalents	77.6	30.7
Assets (liabilities) from derivative instruments	(1.6)	(0.0)
Other financial assets (liabilities)	(13.4)	(3.4)
Loans (short and medium/long term)	(326.2)	(226.6)
Net financial position	**(263.6)**	**(199.4)**

The overall credit lines available to the Group at 31 December 2016 amounted to 680.0 million euro, 475 million euro of which committed.

The following table shows the movements in committed lines in 2016:

	Balance at 1/1/2016	Increases	Decreases	Balance at 31/12/2016
Term Loan A1 (Refinancing)	232.5		(41.9) (1)	190.6
Term Loan A2 (Line for acquisition of Rizzoli Libri)	132.5		(28.1) (2)	104.4
Revolving Facility B	100.0			100.0
Acquisition Line C	50.0	30.0 (3)		80.0
Total loans	**515.0**	**30.0**	**(70.0)**	**475.0**

((1) Decreases Line A1: Repayment from disposal of Marsilio 5.8 million euro, Repayment from disposal of Bompiani 10.7 million euro, 2016 Instalment 6.0 million euro, Voluntary repayment (with increase in Line C) 19.4 million euro
(2) Decreases Line A2: Lower utilization 5.4 million euro, Repayment from disposal of Marsilio 3.1 million euro, Repayment from disposal of Bompiani 5.8 million euro, 2016 Instalment 3.2 million euro, Voluntary repayment (with increase in Line C) 10.6 million euro
(3) Increase in Line C from voluntary repayment Lines A1 and A2 of 30 million euro

The Group's short-term loans, amounting to 205.0 million euro, 0.9 million euro of which drawn down at 31 December 2016, include overdraft credit lines on current accounts, advances subject to collection and "hot money" flows.

At 31 December 2016, the 475.0 million euro pool consisted of:

(euro/millions)	Bank pool	of which: unutilized	of which: with interest rate hedge
Term Loan A1 (Refinancing)	190.7 (1)	-	145.9
Term Loan A2 (Line for acquisition of RCS Libri)	104.3 (2)	-	
Revolving Facility B	100.0 (3)	100.0	-
Acquisition Line C	80.0 (4)	43.8	
Total loans	**475.0**	**143.8**	**145.9**

(1) Maturity dates: 16.1 million euro December 2017, 21.5 million euro December 2018 and December 2019, 131.7 million euro December 2020
(2) Maturity dates: 8.8 million euro December 2017, 11.8 million euro December 2018 and December 2019, 72.0 million euro December 2020
(3) bullet loan, coming to maturity in December 2020
(4) bullet loan coming to maturity in December 2020, increasable up to 105.0 million euro, with concurrent reduction of A1 or A2 lines

The Group's Net Financial Position and the relating cash flow in the reporting period are detailed below:

(euro/millions)	2016 Like-for-like basis	2016 Total	2015
NFP beginning of period		**(199.4)**	**(291.8)**
EBITDA before non-recurring items	88.2	108.6	73.0
Effect of shareholdings/dividends	(5.1)	(4.7)	(3.7)
Change in NWC + provision	4.3	12.6	14.2
CAPEX	(13.0)	(17.1)	(13.5)
Cash flow from operations	**74.4**	**99.4**	**70.0**
Financial costs	(12.6)	(17.7)	(17.6)
Taxes	(13.4)	(13.8)	(6.9)
Cash flow from ordinary operations	**48.4**	**67.9**	**45.4**
Restructuring costs		(14.9)	(21.2)
Extraordinary tax amounts/prior years		15.5	8.0
Asset acquisition/disposal		(132.6)	60.2
Cash flow from extraordinary operations		**(132.1)**	**47.0**
Total Cash Flow		**(64.2)**	**92.4**
NFP end of period		**(263.6)**	**(199.4)**

The Mondadori Group's negative **net financial position** at 31 December 2016 increased by approximately 64 million euro versus 31 December 2015, as a result of cash outlays for extraordinary transactions of approximately 132 million euro and cash generation from operations of approximately 68 million euro.

In 2016, on a like-for-like basis, the Mondadori Group generated a cash flow from operations of 74.4 million euro, as a result of the positive performance of operations, net of non-recurring items (88.2 million euro), and of the improvement in net working capital and provisions (3.5 million euro), mitigated by capital expenditure for the costs incurred in the development of new publishing products in the school textbooks segment and in the Retail Area, in the opening of new stores and maintenance of the existing network, for a total of 12.2 million euro.

Cash flow from ordinary operations on a like-for-like basis, including outflows relating to taxes and financial costs, came to a **positive 48.4 million euro**, continuing the steady improvement.

Overall cash flow from ordinary operations, including the effects of the companies acquired in the year, amounted to 67.9 million euro, benefiting also from the consolidation of Rizzoli Libri as from 1 April 2016, net of the cash flow of Rizzoli Libri in the January-March quarter, attributable to capital expenditure and the seasonal nature of the Education business.

Cash flow from extraordinary operations came to -132.1 million euro and included:

- the net impact from the acquisition of Rizzoli Libri and Banzai Media of -109.9 million euro and 40.4 million euro, respectively;
- the positive effects of the disposal of Marsilio Editori S.p.A. (8.9 million euro) and of the Bompiani BU (16.5 million euro);
- cash-outs for restructuring costs of 14.9 million euro;
- partial collection of tax receivables (VAT and IRES for IRAP reimbursement) accrued in the prior years (+15.5 million euro).

Net working capital on a like-for-like basis at 31 December 2016:

(euro/millions)	31/12/2016	31/12/2015	Var.
Net receivables	234.2	242.1	(7.9)
Net inventory	106.7	108.2	(1.5)
Trade payables	(344.9)	(349.6)	4.7
Other assets/(liabilities)	(40.6)	(31.7)	(8.9)
Net working capital	**(44.5)**	**(30.9)**	**(13.6)**
Provisions	(56.8)	(58.6)	1.8
Post-employment benefits	(43.8)	(44.1)	0.3
Provisions	**(100.7)**	**(102.6)**	**2.1**
Total	**(145.2)**	**(133.5)**	**(11.7)**

On a like-for-like basis, net working capital and provisions improved significantly and amounted to **11.7 million euro** versus 31 December 2015, as a result of:

- reduced trade receivables due to improved collection management (-7.9 million euro);
- reduced inventory of 1.5 million euro;
- decrease in other assets/liabilities of 8.9 million euro, due mainly to the net change in tax items, attributable primarily to the extraordinary collection of VAT receivables accrued in prior years,

despite the reduction in trade payables, which resulted in a decrease in the overdue component.

(euro/millions)	31/12/2016	31/12/2015	Var.
Net trade receivables	300.1	242.1	58.0
Inventory	143.4	108.2	35.2
Trade payables	(416.4)	(349.6)	(66.8)
Other assets/(liabilities)	(14.6)	(31.7)	17.1
Net working capital	**12.5**	**(30.9)**	**43.4**
Intangible assets	612.2	552.3	59.9
Tangible assets	33.3	31.2	2.1
Investments	43.0	44.9	(1.9)
Net fixed assets	**688.5**	**628.5**	**60.0**
Provisions	(68.6)	(58.6)	(10.0)
Post-employment benefits	(51.0)	(44.1)	(6.9)
Net invested capital	**581.4**	**494.9**	**86.5**
Share capital	68.0	68.0	0.0
Minority shareholders' reserves and equity	227.3	221.1	6.2
Net result	22.5	6.4	16.1
Equity	**317.8**	**295.5**	**22.3**
NFP	**263.6**	**199.4**	**64.2**
Total equity	**581.4**	**494.9**	**86.5**

Following the consolidation of Rizzoli Libri and Banzai Media, net working capital versus 31 December 2015 increased by 43.4 million euro, attributable mainly to Rizzoli Libri, which follows the same pattern of Books Area companies and shows a positive working capital resulting from advances to authors, inventory of finished products and raw materials, and trade receivables that exceed trade payables.

Net invested capital, amounting to 581.4 million euro, **increased by 86.5 million euro** versus the prior year, as a result of the above and following the recognition of trademarks, other intangible assets and goodwill of 22.7 million euro (Rizzoli Libri) and 43.4 million euro (Banzai Media) on the Purchase Price Allocation.

PERSONNEL

HUMAN RESOURCES

Group employees with a fixed-term or permanent labour contract at 31 December 2016 amounted to **3,261** units, up versus 3,076 units in 2015 (+6.0%).
Headcount movements show a change in the corporate scope at end 2016 versus the prior year, as a result of two extraordinary transactions that brought in approximately 400 new employees:

- the acquisition in April of Rizzoli Libri S.p.A. with the subsidiaries Librerie Rizzoli and Rizzoli International Publishing;
- the acquisition in June of Banzai Media with the subsidiary Adkaora.

Net of these acquisitions, Group headcount was down by 211 units (-6.9%) versus 2015; including the 27 units who left the consolidation scope following their transfer to the Mediamond JV, the decrease would amount to 7.7% versus 2015, also counting the 25 units less following the integration of the new acquisitions.

The Group's actual headcount at 31 December 2016, broken down by company and business area, is shown below:

Headcount	31/12/2016	31/12/2015
Arnoldo Mondadori Editore S.p.A.:		
- Managers, journalists, office staff	822	813
- Blue collars	5	5
	827	**818**
Italian subsidiaries:		
- Managers, journalists, office staff	1,485	1,282
- Blue collars	99	100
	1,584	**1,382**
Foreign subsidiaries:		
- Managers, journalists, office staff	850	876
- Blue collars	-	-
	850	**876**
Total	**3,261**	**3,076**

Headcount by Business Area	31/12/2016	31/12/2015	Var. %
Books*	524	537	(2.4%)
Retail	436	469	(7.0%)
Magazines Italy	663	746	(11.1%)
Magazines France	801	851	(5.9%)
Corporate, CRM and Shared Services*	441	473	(6.8%)
Total on a like-for-like basis	**2,865**	**3,076**	**(6.9%)**
Rizzoli Libri	265		
Banzai Media**	131		
Total	**3,261**	**3,076**	**6.0%**

* At 31 December 2016, the Books Area includes 48 contracts made permanent (December 2015), while the Corporate and Shared Services Area includes resources transferred from Group companies/activities (16)

** The Area does not include the resources seconded from 1 September 2016 to the associate Mediamond

The cost of employed personnel in the year, before restructuring costs, amounted to 225.3 million euro, up by 8.5% versus 2015; on a like-for-like basis, the cost of personnel dropped by 1.0%; net of the contribution of Mondadori Scienza, the drop would amount to 2.2%.

(euro/millions)	2016	2015	Var. %
Cost of personnel (before restructuring)	**225.3**	207.7	8.5%
Cost of personnel (before restructuring) **on a like-for-like basis**	**205.6**	207.7	(1.0%)
Cost of personnel (including restructuring)	**236.0**	220.4	7.1%

The reduction in cost of personnel on a like-for-like basis is the result of the ongoing actions aimed at achieving greater efficiency through the implementation of restructuring and rationalization projects in all Group companies, both in Italy and in France. Over the past year, these actions, after intense industrial relations activity, resulted in a reduction in the headcount across all business areas.

The main restructuring actions implemented in the year were:

- the centralization of administrative activities of the Mondadori Retail offices in Rimini to the Segrate HQ;
- the reorganization, in Magazines, of Mondadori Scienza;
- the transfer of resources from former Mondadori Pubblicità to Mediamond, with the resulting

integration of the remaining operational functions in Magazines of Arnoldo Mondadori Editore.

These actions were complemented with a 6% efficiency gain on employed personnel achieved in the second half of the year on the organizations of the acquired companies Rizzoli Libri and Banzai Media.

On the international level, headcount was reduced by 8% in the wake of the rationalization measures set out in the 2016 social plan on the subsidiary Mondadori France, and following closure of the London-based e-commerce company Mondadori UK.

ORGANIZATIONAL DEVELOPMENT

In 2016, organizational projects played a key, strategic role.
The reasons lie, on the one hand, in the acquisition policy adopted by the Group following refocus on core businesses and, on the other, in the efforts to seek further efficiencies resulting from the reorganization of structures and processes.

Both ends were met in the projects launched in each business area between 2015 and 2016.
Regarding Books, both Trade and Education, the main project revolved around the integration of Rizzoli Libri in the existing businesses.

Once the acquisition was completed in April 2016, while the company still remained physically located at the RCS MediaGroup HQ, its individual business areas were integrated in the respective Mondadori areas of Books, Trade, Educational and Retail.

The second phase in September saw the physical transfer of Rizzoli Libri offices to the various Mondadori locations (mainly in Segrate and Milan), consistent with the corresponding businesses.
Lastly, the third ongoing phase involves integration of the organizational structures and operating processes.

Regarding Magazines, 2016 saw the integration of two acquisitions:

- former Gruner und Jahr – Mondadori, renamed Mondadori Scienza, fully acquired in the second half of 2015 from the Bertelsmann Group. The company, which was already a publishing hub hinged upon the publication of the Focus system, retained its market specialization while being integrated in early 2016 in the Magazines Area.
- Banzai Media, acquired with its subsidiaries in June 2016. The new company, long a market leader in the website segment, was integrated, from a management and strategic perspective, in Magazines, akin to this type of product, while being located separately to facilitate operating autonomy.

Consistent with this organizational scheme, Mondadori brought together its established digital properties in Magazines under Banzai to form a single hub focused on web publishing development; concurrently, in order to strengthen its identity, Banzai was merged into Arnoldo Mondadori Editore S.p.A.

To place further focus on direct activities towards consumers, 2016 saw the merger of Kiver S.r.l. in Cemit S.p.A., renamed Inthera S.p.A., while in November, "subscriptions and collections" was spun off from Press-di S.r.l. to the new Press-di Abbonamenti.

Regarding Retail, in addition to ongoing store rationalization and the abovementioned acquisition of the Rizzoli bookstore in Milan, the reporting period saw completion of the centralization of all the administrative, marketing and management activities in the Segrate offices, with the concurrent closure, which started in the second half of 2015, of the Rimini offices (former Mondadori Franchising) which, to date, remain open solely for the presence of a logistics warehouse.

In 2016, the Central Offices of the Parent Company (AFC, IT, Purchasing, Legal, Human Resources & Organization, and External and Institutional

Relations) equally absorbed the corresponding activities carried out for Rizzoli Libri, Banzai Media and Gruner und Jahr – Mondadori, previously performed by specific units outside the acquisition scope or subsequently rationalized.

Lastly, the Group implemented a number of organizational projects for its international operations.

INDUSTRIAL RELATIONS

In the frame of industrial relations, priority was placed in 2016 on management of the acquisitions.

The integration of the Rizzoli Libri staff, in fact, required the conclusion, in both the Trade Books and Mondadori Educational areas, of second-tier agreements with the trade unions on the harmonization of salary schemes; moreover, regarding Banzai Media, as a result of the merger of the company in Arnoldo Mondadori, in addition to the provisions of art. 47 of Law 428/1990, a series of meetings were held with the professional trade unions to discuss the transition from Trade Collective Labour Contracts to Graphical-Publishing Contracts, which took effect as from 1 January 2017.

Agreements with the trade unions were equally concluded on the spin-off of Press-di Abbonamenti and the incorporation of Kiver in Cemit, with the creation of Inthera.

Regarding Magazines, the reporting period was marked by industrial relations focused on managing the two-year state of crisis which started in July 2015, which required the redundancy of 38 journalists. Attention was placed on the use of outside contractors by editorial offices, as well as on an extraordinary incentive plan implemented in December 2016.

In February 2016, the Company signed an agreement with the Editorial Committee, which superseded the previous provisions held in second-tier bargaining for journalists regarding "refresher programs". The agreement resulted in the establishment of "*Academy Giornalisti Mondadori*", a training program intended to bring journalists' skills in line with business needs.

Lastly, in November 2016, Mondadori Scienza started negotiations with FIEG (publishers) and FNSI (journalists) national federations to introduce social shock absorbers to cope with the continuing decline in revenue. On 19 January 2017, an agreement was reached on an individual incentive scheme and the adoption of a Solidarity Contract until September 2018.

Regarding Retail, the union agreement concluded in late 2015 was implemented in 2016 on the transfer of staff personnel from the Rimini offices to the Segrate HQ, approved by just over 10% of employees, which resulted, for the remaining staff, in the adoption of an incentivized leaving plan with resulting redundancy.

In light of the centralization of all staff activities on the Parent Company, the existing solidarity contract (30%) regarding Retail staff at the Segrate HQ was terminated from July 2016, with the full-time reinstatement of all the personnel.

Additionally, union agreements were reached in February and July 2016 on the management of reorganization at the Rome and Genoa stores.

The foreign subsidiary Mondadori France held talks with the workers' representatives, which resulted in the conclusion of a new social plan and the continuation of the ongoing efficiency measures, with the reduction of approximately 80 employees.

In 2016, the Mondadori Group continued its active presence in the negotiations on the renewal of the collective labour agreements involving journalists and the graphical-publishing industry, which expired more than a year ago and are still open in an attempt to find an appropriate financial balance consistent with the structural downsizing of the relevant markets.

TRAINING

A training program focused on quality, dynamic and adaptable to the skills acquired and to those required for the Company's growth needs, was the common thread of the courses delivered to Mondadori employees in 2016.

The program content is regularly renewed in an increasingly business-oriented fashion.

Applied in 2016 to the Magazines and Retail Areas, Mondadori Academy is a flexible model that identifies the pivotal professionals in each business unit. Through ongoing monitoring of skills, it aims to provide the knowledge for bridging educational gaps.

The range of courses is constantly expanded and adjusted to employee preferences and to the emerging issues in the industry: the digital training courses are complemented with language programs and those intended to sharpen management and technical skills.

Academy Giornalisti was conceived to align with the changes shaping the professional and editorial landscape, and to offer tailor-made business-oriented training designed to sustain professional journalistic growth.
The Academy offers twenty courses, which include the Digital Bootcamp - a training program addressing digital topics directly from one of the major innovation campuses - digital writing courses, storytelling, web marketing, smartphone photography, to finish off with magazine management.
Constant monitoring and reviewing by the Academy Board allows the regular refreshing of training content.

As part of the organizational action undertaken by Mondadori Retail, the Master in Book Retail Management organized in partnership with the University of Parma ended on a positive tone. The project aimed to develop management and management process skills in Mondadori's Retail segment, extending industry knowledge and providing management tools to develop professional expertise.

The specialist-managerial training projects in 2016 involved a total of 809 participants, for a total of 7,858 hours delivered.

RISKS ASSOCIATED WITH HEALTH AND SAFETY

Employee health and safety in the workplace have always been key priorities for the Mondadori Group. As in the prior year, the Group planned, fulfilled and recorded all the periodic obligations required under Legislative Decree 81/08 on existing offices, as well as on the new companies that joined the Group during the period.

The various acquisitions made by the Mondadori Group in 2016 required, in fact, ongoing review, monitoring and adjustment to the Company's safety standards; the personnel transferred to the Mondadori offices was duly informed of the new references and procedures to adopt in case of emergency. The inspections conducted at the newly-acquired locations checked compliance with current regulations on fire prevention and safety; the necessary adjustments were made, and the Heads of the Prevention and Protection Service and the relevant Officers were appointed.

In 2016, the new employees of the Mondadori Group continued to undergo the mandatory training on safety issues (launched in 2013 for the whole workforce); all the training programs were delivered on an e-learning basis, with a specific experimental project presented and authorized by the relevant AUSL (local health unit).
Under the above manners, over 300 workplace safety courses were organized in 2016, attended not only by newly-hired staff (for the general and specific part), but also by store managers, the Heads of the Prevention and Protection Service, and the Workers' Health and Safety Representatives for their respective refresher sessions.

Additionally, in 2016, an organizational review was carried out on the Group's Healthcare Service; the analysis allowed the shift from an in-house unit to a contract with the San Raffaele Resnati Hospital for the management of occupational medicine, effective as from January 2017, which aims to benefit from a service associated with one of the leading companies in the field.

During the year, work was completed on the IT system for health and workplace safety management adopted by the Mondadori Group; in addition to complying with the relevant legal obligations and to managing staff training aspects, the required implementations and setups were carried out on the identification of staff subject to health vigilance, the scheduling of visits by competent physicians, and the fully computerized and encrypted management of medical records.

While not a legal requirement, as proof of the efforts expended by the Company in supporting the culture of safety, all the Segrate employees (not part of the emergency firefighting teams) had the opportunity, on a voluntary basis and only after passing a theoretical training session, to undergo a practical fire extinguishing test with the use of an extinguisher.
Additionally, the parent company HQ were fitted with an AED (Automated External Defibrillator) placed in a continually supervised area, used when required by the nursing unit and by the 118 volunteers who have made themselves available for the company.

Lastly, to comply more closely with the requirements set out in the safety legislation at December 2016, an organizational review was made of the Group's Prevention and Protection Service: besides confirming its centralized coordination, the service was reorganized also from a territorial point of view, prioritizing a local presence and grouping references together by geographical distribution.

PERFORMANCE OF ARNOLDO MONDADORI EDITORE S.P.A.

The financial statements of the Parent company for the year ended 31 December 2016 show revenue of 239.2 million euro, down versus 252 million euro in the prior year.

The Parent comprises Magazines Italy activities, whose revenue dropped versus the prior year, as well as activities from services provided to other Group companies, which amounted to 23.2 million euro, basically in line with the prior year.

The Parent also comprises the corporate structures of the Digital Area.

Adjusted EBITDA improved from -12.9 million euro to -7.2 million euro.

2015 had seen the adjustment to equity of the measurement of subsidiaries and associates, amounting to 24.7 million euro versus 10.6 million euro in 2016, as well as net positive non-recurring items of 12.6 million euro, mainly from the disposal of the property in Via Sicilia, Rome, while 2016 saw dividends of 12 million euro received from the subsidiary Press-di.

2016 also comprised:

- net financial costs of 4.8 million euro, up versus 1.0 million euro in 2015 from the two acquisitions made in 2016;
- negative non-ordinary items of 6.1 million euro, as a result of restructuring costs for incentives granted to employees and contractors, and of non-recurring costs for the acquisition of Banzai Media.

The Parent ended the year with a loss of 15.2 million euro, improving versus the loss of 32 million euro in the prior year.

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 and Risk Management 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 ready to undertake 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 CEO, and at the function level, according to the procedures defined by the 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.

During the year, updates were made to the Risk Management Guide Lines to take account of the recent inputs from the Corporate Governance Code.

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

RISKS ASSOCIATED WITH THE ECONOMIC SCENARIO

Preliminary estimates on GDP point to an approximately one percentage point increase in 2016, offering encouraging signs on the economy, thanks also to the positive figures from the manufacturing sector, coupled with improved household purchasing power and increased investments. Still, Italy's recovery remains weaker than in other major European countries, and shows the existence of a structural gap that is hard to fill in the short term, especially in light of the modest growth forecasts for 2017 (consensus below 1%).

On the economic front, Italian confidence indexes show mixed trends, mainly negative with the exception of business confidence. The public debt is on the rise.

Against this market backdrop, which has a significant direct impact on the Group's core segments, relevant market trends still continue to be the main risk being faced.

Main risks	Mitigation actions
Relevant market trends may reverberate on Group performance.	Ongoing focus on product quality and innovation of the publishing offering also through targeted integration strategies with the development of digital activities, concentrating on the power and value of essential assets like the brand and contents.

FINANCIAL AND CREDIT RISKS

The current market context, which has been set out in detail in the foregoing paragraph, is mirrored in additional elements of risk tied to trade receivables, arising from lengthened average collection times, potential contract non-fulfilment and cases of insolvency of counterparties, to poor warehousing in terms of misguided planning processes in purchasing and print runs, and to inadequate support given to the assets of the Company's balance sheet.

Main risks	Mitigation actions
Inadequate support to the assets on the Company's balance sheet, in light of the current and future market trend and of the Group's financial results.	Ongoing monitoring of assets and write-off in order to ensure that the economic-financial performance is in line with the company plans.
Risk related to ineffective warehousing, in terms of erroneous procurement/print run planning processes, with possible reverberations on stock breakage or high quantities of stock to be depreciated.	Improvement in publishing efficiency and process rationalization.
Trade receivables: longer payment collection time and increased counterparty defaults	Continuous monitoring of customers' credit exposure and recourse to adequate hedging instruments. Preventive analysis of customer solvency. Introduction of financial balance among management incentives parameters.

BUSINESS RISKS: COMPETITIVE SCENARIO AND STRATEGIC RISKS

The publishing and media industries are still facing considerable uncertainties. Uncertainty arising from relevant market trends on the one hand, and the crucial transition towards new business models on the other, represent elements of discontinuity that may have reverberations on the traditional market balance.

In this context, the risk generated by the increased level of competition in the main areas remains a priority.

Main risks	Mitigation actions
Growing pressure on relevant markets, due to fiercer competition from existing players and/or to new players coming into the market.	Ongoing investment in improving publishing content and product quality. Integration of the sales networks to target cost and revenue synergies.

REGULATORY RISKS

The Mondadori Group operates in a complex regulatory context given the variety of the business areas in which it operates.

The 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, Legislative Decree 231/2001, Legislative Decree 196/2003 on Privacy and Italian Law 262/2005 in the matter of protection of savings and fiscal fulfilments. In this respect, the Mondadori Group, in line with the requirements set out in the Governance Code of Listed Companies, defined 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, the compliance with laws and regulations, the company by-laws and internal procedures.

Main risks	Mitigation actions
Criticalities associated with regulatory developments on specific business topics inherent to the activity areas in which the Group operates.	Constant control and active participation in discussions for the issuance of new regulatory provisions also thanks to the involvement of the main category associations. Timely adjustment of business activities and products to regulatory changes also through the adoption of newly enforced regulations in the Group's internal policies.

RISKS ASSOCIATED WITH BRAND PROTECTION

The value and the prestige of the brands, contents, 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	Mitigation actions
The occurrence of events that may damage the Group’s image and brands could result in the loss of customers, profits and reputation.	Monitoring and prompt actions on different information sources through appointed functions (external relations, sustainability, and social media).

SIGNIFICANT EVENTS DURING THE YEAR

ACQUISITION OF RCS LIBRI

On **22 January 2016**, the Antitrust Authority announced the opening of an investigation into the acquisition of RCS Libri.

On **23 March 2016**, the Antitrust Authority announced the closure of the investigation into the acquisition of RCS Libri, with a conditional authorization requiring:

- the disposal of the Bompiani publishing house and of the investment in Marsilio to acquirers approved in advance by the Authority;
- behavioural measures to encourage competition in the publishing and distribution of books:
  - waiver of option, preference and pre-emption provisions in agreements with authors, signed or to be signed by Mondadori and RCS Libri, relating to both Italian and foreign fiction and non-fiction works (with the exclusion of Marsilio, Sonzogno and Bompiani);
  - the e-book catalogue to be made available to those sales platforms who may so request;
  - the catalogue to be made available to active/potential players in the distribution of miscellaneous books to large retailers;
  - constraints to ensure the presence and visibility of third-publishers' books in the Mondadori sales network;
  - financial support amounting to 225,000 euro for the organization and management of the next three editions of the "Più Libri più Liberi" Fair;
  - non-damaging contractual conditions applied to independent bookstores and chains;
  - donation of books to schools and public libraries, juvenile prisons and hospitals;
  - continuation and development of "!In libreria per la classe", a project hinged upon activities and workshops at libraries "to teach the pleasure of reading";
  - disclosure to the Antitrust Authority of actions taken for the "effective and full implementation of the measures set forth".

On **14 April 2016**, the Mondadori Group, following the go-ahead from the relevant Authorities, completed the acquisition of RCS Libri through its subsidiary Mondadori Libri S.p.A., in execution of the agreement signed and disclosed to the market on 4 October 2015.

The scope of the transaction includes the entire investment (99.99%) held by RCS MediaGroup S.p.A. in RCS Libri S.p.A., including the underlying subsidiaries, and the exclusive ownership of all the trademarks in the books segment, including Rizzoli.

The price of the transaction, which incorporates certain contractual adjustments, is 127.1 million euro, settled in cash through a dedicated credit line made available to the Group.

The net financial position of the scope at 31 March 2016 shows a positive figure (cash) of approximately 29 million euro, reduced in April following the cash-out of approximately 9 million euro for the purchase of a 43.71% investment in Marsilio Editori S.p.A. (increasing the total investment to 94.71%), while at closing, it shows an estimated positive net financial position of approximately 16 million euro.

Under specific contractual clauses, the price may be subject to adjustments of up to +/-5 million euro, if certain financial targets are met in 2015, as resulting in the 2015 financial statements of RCS Libri S.p.A., which will be determined and disclosed in accordance with the contractual agreements. The agreement also provides for an earn-out of up to 2.5 million euro to RCS MediaGroup S.p.A., based on the achievement in 2017 of specific results in the Books Area of the Mondadori Group.

This scope, consolidated as from 1 April 2016, achieved in 2015 the following pro-forma figures: revenue of 225 million euro and EBITDA before non-recurring costs of 13.6 million euro.

Under the authorization of the Antitrust Authority, as part of the remedies set out therein, Mondadori will dispose of Marsilio Editori S.p.A. and of the business unit of the Bompiani publisher.

Following completion of the transaction, RCS Libri S.p.A. changed its name to Rizzoli Libri S.p.A.. The members of the new Board of Directors of the company are: Ernesto Mauri (Chairman), Paolo Mieli, Antonio Porro, Oddone Pozzi and Enrico Selva Coddè. Specifically, Enrico Selva Coddè, Managing Director of the Trade Area of Mondadori Libri S.p.A., will head the Trade Area of Rizzoli Libri S.p.A., while Antonio Porro, Managing Director of the Educational Area of Mondadori Libri S.p.A., will head the Educational books and International Illustrated books areas of the company.

ACQUISITION OF BANZAI MEDIA HOLDING

On **17 March 2016**, the Company announced it had submitted an offer to Banzai S.p.A. for the acquisition of Banzai Media Holding (Vertical Content Division), and had obtained an exclusive negotiation period until 30 April 2016.

On **10 May 2016**, the Mondadori Group signed an agreement with Banzai S.p.A., finalized on **8 June 2016**, on the acquisition of Banzai Media Holding S.r.l., the Vertical Content division of the Banzai Group.

The terms of the transaction give Banzai Media Holding an enterprise value of 45 million euro, split up into a fixed component of 41 million euro and an earn-out of 4 million euro.

The acquisition price paid at closing - net of a net normalized financial debt of 16.4 million euro (including financial payables to the parent Banzai S.p.A. and 3.3 million euro for deferred price components related to certain investments) - is 24.6 million euro. The earn-out will be paid to Banzai S.p.A. if certain established results for the 2016-2018 three-year period are met.

In 2015, the acquired scope, which excludes the news segment, posted revenue of 24 million euro and EBITDA (before non-recurring items) of 4 million euro, with 17.1 million unique users.
The transaction allows the Mondadori Group to become Italy's leading digital publisher and to benefit from the complementarity of the vertical segments of the two companies.

By adding to the over 8.9 million active unique users the audience acquired from Banzai - which includes established websites on the Italian market such as *PianetaDonna, Giallo Zafferano, Studenti.it* and *Mypersonaltrainer* - Mondadori will achieve leadership in the women, food, and health & wellness vertical segments, strategic areas which allow the integration and expansion of the multi-channel offering of the brands already held in the portfolio, with significant growth potential also through product innovation and brand extension initiatives. The extensive know-how and solid technological expertise of Banzai Media Holding, complemented with the brand value and the high-quality publishing content of Mondadori, will enable the Group to step up the development process in the digital segment. Additionally, the combination will allow audience profiling into specific targets, offering greater monetization opportunities.

The understandings with Banzai also include the opportunity to identify a number of Mondadori Retail stores to extend the Pick&Pay network of the Banzai Group.

DISPOSAL OF MARSILIO AND BOMPIANI

On **26 July 2016**, the Mondadori Group completed the disposal, through the subsidiary Rizzoli Libri S.p.A., of its 94.71% investment in the share capital of Marsilio Editori S.p.A. to GEM S.r.l..
The price of the transaction is 8.9 million euro, based on an Enterprise Value in line with the price of the acquisition of the investment, part of the Rizzoli Libri transaction completed last 14 April 2016; the amount includes an adjusted positive net financial position of 1.3 million euro.
The disposal of Marsilio Editori S.p.A. - authorized by the relevant Authorities - was completed in accordance with the remedies set out in the provision issued by the Antitrust Authority.
GEM S.r.l., a company operating in the publishing industry, headed by the De Michelis family, had held an investment in Marsilio Editori S.p.A. from 1985 to April 2016.
Based on the 2016 budget, Marsilio Editori is expected to achieve revenue of approximately 9.4 million euro and EBITDA of 1 million euro.

On **01 December 2016**, the Mondadori Group completed the disposal, through the subsidiary Rizzoli Libri S.p.A., of the Bompiani publishing unit to Giunti Editore S.p.A.
The total price of the transaction amounted to 16.5 million euro, 5.3 million euro of which related to assets transferred to the buyer.

ADMITTANCE TO THE STAR SEGMENT OF BORSA ITALIANA

On **29 November 2016**, Borsa Italiana S.p.A. approved the admittance of the Company's ordinary shares to trading on the STAR segment (Segment for High Requirement Shares) of the Electronic Stock Market (MTA).
The first trading day on the STAR segment was Wednesday **07 December 2016**.

PURCHASE OF TREASURY SHARES

On **6 December 2016**, Arnoldo Mondadori Editore S.p.A. announced the purchase on the MTA (Electronic Stock Market), in the period from 30 November to 2 December 2016, of a total of no. 80,000 treasury shares (0.031% of the share capital) at an average unit price of 0.9133 euro, for a total amount of 73,061.5 euro, under the authorization to purchase treasury shares resolved by the Shareholders' Meeting on 21 April 2016 (previously subject to disclosure also pursuant to art. 144-bis of Consob Regulation 11971/1999), a purchase instrumental in the Specialist's support to the liquidity of the share on the STAR segment.

Date of purchase	No. treasury shares purchased	Weighted average price (euro)	Price (euro)
30/11/2016	30,000	0.9098	27,294.0
01/12/2016	25,000	0.9192	22,980.0
02/12/2016	25,000	0.9115	22,787.5
Total	**80,000**	**0.9133**	**73,061.5**

At 31 December 2016, Arnoldo Mondadori Editore S.p.A. directly owned no. 80,000 treasury shares, equal to 0.031% of the share capital.

SIGNIFICANT EVENTS AFTER YEAR END

APPOINTMENT OF A NEW GROUP HEAD OF HUMAN RESOURCES AND ORGANIZATION

On **9 January 2017**, Daniele Sacco was appointed Head of Human Resources and Organization of the Mondadori Group, reporting directly to the CEO Ernesto Mauri.

Born in Milan in 1961, Sacco earned a degree in political science at the Catholic University in 1986. He started his professional career at HP Italiana S.p.A. as HR coordinator (1986-1990). Following a stint at Cedborsa S.p.A. (1990-1993) as HR and Organization Director, in 1993 he returned to HP, holding increasing responsibilities until becoming HR and Hardcopy Division Director at HP Italy (1994-1997). From 1997 to 2004, Sacco worked with the Kraft Food Group, initially as HR Director of Kraft Jacobs Suchard Italia S.p.A. (1997-1999), then as Management and Organizational Development Director Europe at Kraft Food International. From 2004 to 2011, he held positions of increasing responsibility at Ferrero International, becoming Global HR and Commercial Organization Director, reporting directly to the CEO, and board member of various group companies (2010-2011). From 2011 to 2016 he was at Rio Tinto, until 2013 as Vice President HR Diamonds and Minerals, then as Chief Operating Officer HR.

MERGER OF BANZAI MEDIA S.R.L. IN ARNOLDO MONDADORI EDITORE S.P.A.

On 29 September 2016, the Board of Directors approved the plan on the merger by incorporation of the subsidiary Banzai Media S.r.l. in Arnoldo Mondadori Editore S.p.A., prepared pursuant to art. 2501-ter and art. 2505, par. 1, of the Italian Civil Code, concurrently approved by the Board of Directors of Banzai Media S.r.l.

The transaction aims to achieve the full integration of Banzai Media activities with the digital properties of Magazines Italy. The value of Banzai Media's brands will, instead, remain separate and distinct. The merger will give birth to a unified product range with the potential to present itself as a leader to both advertisers and users, improving time to market and sharing the wealth of mutual assets and know-how, leveraging on greater streamlined business processes.

On 8 November, the Board of Directors approved the merger by incorporation, with no share exchange, of the wholly-owned company Banzai Media S.r.l., in accordance with the previously approved merger plan.

The merger, signed on 10 January, took effect for statutory purposes as from 15 January 2017, and for accounting and tax purposes as from 1 January 2017.

BUSINESS OUTLOOK

In 2016, the Group accomplished the goals of strategic repositioning and business-financial stability it had set three years ago, securing itself a leadership position and positive profitability in all its business areas, while continuing to push strongly on **efficiency measures** consistent with the relevant market trends.

Additionally, the Group significantly improved overall profitability in the period, with adjusted EBITDA (pro-forma)[26] *at approximately 100 million euro, as well as cash flow from operations, reducing total net debt to adjusted EBITDA (pro-forma) within 2.6x.*

Over the **2017-2019 three-year period**, the Group will continue efforts to **strengthen its competitive position and improve the business and financial performance** of its core businesses, through ongoing focus on **publishing quality** and **optimization** of operational processes and cost structure, while paying particular attention to the achievement of synergies arising from the integration of Rizzoli Libri, to the **development** of the **Digital Area** of Magazines Italy, and to the plan to **expand** the **Franchising channel** in the Retail Area.

In line with the above strategy, the plan sets operational targets which, based on the current scope, allow the Group to estimate for **2019** consolidated revenue above 1.3 billion euro, adjusted EBITDA of approximately 115 million euro, a net profit of 35 million euro, cash generation from ordinary operations close to 60 million euro, and a negative net financial position of around 155 million euro, net of the impact of any dividend distribution.

In light of today's relevant context, it is reasonable to predict for **2017** basically steady pro-forma revenue versus 2016 and a "high single-digit" **growth of adjusted EBITDA**, with a resulting improvement in profit margins. The net profit for the year is expected to rise sharply by approximately 30%.
Lastly, **net debt** at end 2017 is estimated to drop versus 31 December 2016, with a **debt/adjusted EBITDA** ratio at 2.2/2x.

[26] Pro-forma figures: consolidation of the companies acquired in 2016 (Rizzoli Libri and Banzai Media) assumed as from 1 January 2016

OTHER INFORMATION

In the reporting period, Arnoldo Mondadori Editore S.p.A. did not carry out any research & development activities. At closure or during the period, it did not hold any shares in parent companies, not even through trusts or trustees.

RELATIONSHIP BETWEEN PARENT COMPANY EQUITY AND RESULTS AND GROUP CONSOLIDATED EQUITY AND RESULTS

(euro/000)	Equity	Net result for the year
Balance - Parent Company financial statements	**145,386**	**(15,176)**
Dividends received by the Parent Company from subsidiaries and associates	(12,000)	(12,000)
Elimination of intercompany income	(8,290)	(1,069)
Equity and financial contribution from direct associates	6,589	254
Equity and financial contribution from subsidiaries and indirect associates, net of the aforementioned items	143,638	50,535
Balance - Group consolidated financial statements	**287,323**	**22,544**

TRANSACTIONS WITH RELATED PARTIES

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

a) no transactions were completed with related parties that could be qualified as of greater relevance under the provisions of the Consob Regulation and of the Procedures adopted by Arnoldo Mondadori Editore S.p.A. in compliance with art. 4 of the Regulation;
b) no transactions were completed with related parties as defined under art. 2427, par. 2, of the Italian Civil Code, which had an impact on the Company's equity or performance;
c) no changes or developments relating to the transactions with related parties illustrated in the last Annual Report are reported which had a significant impact on the Company’s equity or performance in the financial year of reference.

Additionally, also in relation to art. 2427, par. 22 bis and ter of the Italian Civil Code, no atypical or unusual operations are reported outside the Company’s ordinary management of operations.

Transactions with related parties were 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 associates contributed 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. renewed the option in 2016 also for its subsidiaries (Mondadori Group) to adhere to the tax consolidation regime with Fininvest S.p.A. as consolidating company for the 2016-2018 three-year period. The consolidation agreement contains a protection clause according to which Arnoldo Mondadori Editore S.p.A. and its subsidiaries adhering to tax consolidation shall not be required to pay more income tax than the Group would have paid if Arnoldo Mondadori Editore S.p.A. and its subsidiaries had created its own tax consolidation agreement. Therefore, this protection clause is aimed at only accounting the tax amount that would have been paid by the subsidiaries excluded from the fiscal unit belonging to Fininvest S.p.A. as a result of the application of the so-called "demultiplier".
The agreement sets the priority for the Mondadori Group to offset current tax receivables against payables (i.e. referred to the same year in which tax payment is due) transferred by the adhering companies and, in the case of residual taxable income, to subsequently use prior-year tax losses within the limits set by current legislation. Pursuant to the currently applicable regulations in the matter, the agreement allows the transfer, within the consolidation area, of tax benefits enjoyed by the adhering companies, which are transferred or made available to the fiscal unit against recognition of a compensation (paid at a rate corresponding to the ordinary IRES tax value) by the companies benefiting from it.
Any tax receivables or payables resulting from adherence to such tax consolidation agreement are posted as receivables or payables to holding companies, with the latter acting as "clearing house".

TAX TRANSPARENCY

With reference to art. 115 of Italian Presidential Decree 917/1986, the "tax transparency" option was exercised by Press-di Abbonamenti S.p.A. and Mediamond S.p.A.

After exercising this option, the taxable income and tax losses of the aforementioned companies concur to form the taxable income of Mondadori Pubblicità S.p.A., in proportion to their shareholding.

DIRECTION AND COORDINATION ACTIVITIES (ARTICLE 2497 AND FOLLOWING OF THE ITALIAN CIVIL CODE)

Although Fininvest S.p.A. holds a controlling stake pursuant to art. 2359 of the Italian Civil Code, it does not exert any direction and coordination activity as defined in art. 2497 bis and following of the Italian Civil Code on Arnoldo Mondadori Editore S.p.A.; it manages the investment 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 organizational 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:
Inthera S.p.A.
Edizioni Piemme S.p.A.
Giulio Einaudi editore S.p.A.
Glaming S.r.l. in liquidation
Mondadori Retail S.p.A.
Mondadori Education S.p.A.
Mondadori Electa S.p.A.
Mondadori International Business S.r.l.
Mondadori Libri S.p.A.
Mondadori Pubblicità S.p.A.
Mondadori Scienza S.p.A.
Press-di Distribuzione Stampa e Multimedia S.r.l.
Sperling & Kupfer Editori S.p.A.
Banzai Media S.r.l.

AdKaora S.r.l.
Librerie Rizzoli S.r.l.
Rizzoli Libri S.p.A.

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)

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, the Mondadori Group and, specifically, Arnoldo Mondadori Editore S.p.A., in any case sees to the keeping of 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). Following the publication of Regulation (EU) no. 2016/679 on privacy, which will fully supersede the existing legal framework as from 25 May 2018, the Mondadori Group has launched an internal process to review the entire system for the management and processing of personal data, in order to achieve total conformity and compliance with the new regulations by such date.

TRANSACTIONS RELATING TO TREASURY SHARES

Renewal of the authorization to purchase and sell treasury shares

Pursuant to article 2357 and following of the Italian Civil Code, the Shareholders’ Meeting of 21 April 2016 resolved upon the renewal of the authorization to purchase and sell treasury shares, following the expiry of the preceding authorization resolved upon on 23 April 2015, with the aim of retaining the applicability of law provisions in the matter of any additional re-purchase plans and, consequently, of picking up any investment and operational opportunities involving Treasury Shares.

Here below are the main elements of the repurchase plan authorized by the Shareholders’ Meeting:

Motivations

- to use the treasury shares purchased as compensation for the acquisition of investments within the framework of the Company’s investments;
- to use the treasury shares purchased against the exercise of option rights, including conversion rights, deriving from financial instruments issued by the Company, its subsidiaries or third parties and to use the treasury shares for exchange or transfer transactions or to support extraordinary transactions on the Company's capital or financing transactions that imply the transfer or sale of treasury shares;
- to possibly rely on investment or divestment 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.

Duration

Until the Shareholders’ Meeting called to approve the financial statements at 31 December 2016 and, in any case, for a period not exceeding 18 months from the effective date of the resolution made by the Shareholders' Meeting.

Maximum number of purchasable treasury shares

The authorization refers to the purchase of a maximum number of ordinary shares with a nominal value of euro 0.26 each up to a cap of 10% of the Company's share capital.

Given that no treasury shares were directly or indirectly held by the Company at the date of approval, shares subject to purchase amount to a maximum number of 26,145,834, or 10% of the share capital.

Criteria for purchasing treasury shares and indication of the minimum and maximum purchasing cap

Purchases shall be made on the regulated markets pursuant to art. 132 of Legislative Decree n. 58 of 24 February 1998, and art. 144 bis, par. 1, letter b) of Consob Regulation 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 and also in compliance with any additional applicable regulations.

The minimum and maximum purchase price is determined under the same conditions established by the preceding Shareholders' Meeting authorizations 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 prices and volumes, the purchase transactions would be completed in compliance with the conditions established in art. 5 of EC Regulation no. 2273/2003, and, specifically:

- the Company shall not purchase treasury shares at a price higher than the higher 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 Arnoldo Mondadori Editore S.p.A. shares traded in the regulated market in the 20 trading days preceding the dates of purchase.

Pursuant to the resolution adopted on 21 April 2016, Arnoldo Mondadori Editore S.p.A. purchased a total of no. 80,000 treasury shares on the market, equal to 0.031% of the share capital.

REPORT ON CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE (ART. 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 art. 123 bis, par. 1 and 2 of the Italian Legislative Decree 58 of 24 February 1998 is available – together with this report on operations on the www.mondadori.it website under the Governance section, and through the storage mechanism www.1info.it.

ADHESION TO THE LEGISLATIVE SIMPLIFICATION PROCESS ADOPTED BY CONSOB RESOLUTION NO. 18079 OF JANUARY 20, 2012. DISCLOSURE PURSUANT TO ART. 70, PAR. 8, AND ART. 71, PAR. 1-BIS OF CONSOB REGULATION NO. 11971/99 AND SUBSEQUENT AMENDMENTS

On and with effect from 13 November 2012, the Board of Directors of Arnoldo Mondadori Editore S.p.A., pursuant to art. 3 of Consob Resolution no. 18079 of 20 January 2012 and in relation to the provisions set out in Article. 70, par. 8, and art. 71, par. 1-bis of Consob Regulation no. 11971/1999, resolved to avail itself of the faculty of waiving the obligation of disclosure envisaged by the aforementioned Consob Regulation on the occasion of significant transactions relating to mergers, spin-off and capital increases through contribution of assets in nature, acquisitions and transfers.

GLOSSARY OF TERMS AND ALTERNATIVE PERFORMANCE MEASURES USED

This document, in addition to the conventional statements and financial measures required by IFRS, presents a number of reclassified statements and alternative performance measures, in order to provide a better understanding of the operating and financial performance of the Group. These statements and measures should not be considered as a replacement of those required by IFRS. With regard to these figures, in accordance with the recommendations contained in Consob Communication no. 6064293 of 28 July 2006, and in Consob communication no. 0092543 of 3 December 2015, as well as with the 2015/1415 ESMA guidelines on alternative performance measures ("Non-GAAP Measures"), explanations are given on the criteria adopted in their preparation and the relevant notes to the items appearing in the mandatory statements.
Specifically, the alternative measures used include:

Gross Operating Profit (EBITDA): EBITDA, or gross operating profit, is equal to earnings before interest, tax, depreciation and amortization. The Group also provides information on the percentage of EBITDA on net sales. EBITDA computed by the Group allows operating results to be compared with those of other companies, net of any effects from financial and tax items, and of depreciation and amortization, which may vary from company to company for reasons unrelated to general operating performance

Adjusted gross operating profit (adjusted EBITDA) is gross operating profit as explained above, net of income and expenses of a non-ordinary nature such as:

(i) income and expenses from restructuring, reorganization and business combinations;
(ii) clearly identified income and expenses not directly related to the ordinary course of business;
(iii) as well as any income and expenses from non-recurring events and transactions as set out in Consob Communication DEM6064293 of 28/07/2006.

(euro/000)	2016	2015
EBITDA (as in Consolidated Financial Statements)	**94,038**	**81,566**
Restructuring costs included in "Personnel Costs" - NOTE 34	10,763	12,707
Transaction costs relating to M&A activities - NOTE 10 & NOTE 33	3,663	
Capital gains from transfer of assets/associates - NOTE 33, NOTE 35 & NOTE 36		(21,230)
Adjusted EBITDA (as in Directors' Report)	**108,464**	**73,043**

Operating profit (EBIT): net result for the period before income tax, and other income and expenses.

Net invested capital is equal to the algebraic sum of Fixed Capital, which includes non-current assets and non-current liabilities (net of non-current financial liabilities included in the Net Financial Position) and Net Working Capital, which includes current assets (net of cash and cash equivalents and current financial assets included in the Net Financial Position), and current liabilities (net of current financial liabilities included in the Net Financial Position).

Cash flow from operations: adjusted EBITDA, as explained above, plus or minus the decrease/(increase) in working capital in the period, minus capital expenditure (CAPEX/Investment) and income and expenses from equity investments.

Cash flow from ordinary operations is cash flow from operations as explained above, net of financial expenses and taxes paid in the period.

LTM cash flow from ordinary operations: cash flow from ordinary operations in the last twelve months.

Cash flow from extraordinary operations: cash flow generated/used in transactions that are not considered ordinary, such as company restructuring and reorganization, share capital transactions and acquisitions/disposals.

PROPOSED RESOLUTIONS OF THE BOARD OF DIRECTORS

The Financial Statements as at 31 December 2016 show a loss for the year of 15,175,940.15 euro.

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 2016, 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 15,175,940.15 euro resulting from the Financial Statements as at 31 December 2016

resolves

to entirely cover the loss for the year of 15,175,940.15 euro by partly resorting to the available portion of the extraordinary reserve under "Other reserves and profit/(loss) carried forward".

For the Board of Directors
The Chairman
Marina Berlusconi

MONDADORI GROUP CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2016

CONSOLIDATED BALANCE SHEET

Assets (euro/000)	**Notes**	**31/12/2016**	**31/12/2015**
Intangible assets	12	**612,147**	**552,340**
Property investments	13	**2,937**	**3,028**
Land and buildings		5,651	6,032
Plant and equipment		7,952	9,028
Other tangible assets		16,785	13,148
Property, plant and equipment	14	**30,388**	**28,208**
Investments booked at equity		42,538	44,457
Other investments		453	443
Total investments	15	**42,991**	**44,900**
Non-current financial assets	22	**267**	**293**
Pre-paid tax assets	16	**81,212**	**62,076**
Other non-current assets	17	**3,333**	**1,466**
Total non-current assets		**773,275**	**692,311**
Tax receivables	18	**30,436**	**39,814**
Other current assets	19	**94,010**	**77,650**
Inventory	20	**143,437**	**108,221**
Trade receivables	21	**300,138**	**242,121**
Other current financial assets	22	**3,382**	**2,700**
Cash and cash equivalents	23	**77,590**	**30,684**
Total current assets		**648,993**	**501,190**
Discontinued assets		**-**	**-**
Total assets		**1,422,268**	**1,193,501**

Liabilities (euro/000)	Notes	31/12/2016	31/12/2015
Share capital		**67,979**	**67,979**
Share premium reserve		**-**	**-**
Treasury shares		**(73)**	**-**
Other reserves and profit/(loss) carried forward		**196,873**	**189,643**
Profit (loss) for the year		**22,544**	**6,365**
Group equity	24	**287,323**	**263,987**
Minority shareholders' equity and reserves	25	**30,475**	**31,522**
Total equity		**317,798**	**295,509**
Provisions	26	**68,591**	**58,559**
Post-employment benefits	27	**50,989**	**44,076**
Non-current financial liabilities	28	**307,434**	**222,553**
Deferred tax liabilities	16	**75,028**	**67,969**
Other non-current liabilities		**-**	**-**
Total non-current liabilities		**502,042**	**393,157**
Income tax payables	18	**1,788**	**5,446**
Other current liabilities	29	**229,489**	**196,237**
Trade payables	30	**333,763**	**292,610**
Payables due to banks and other financial liabilities	28	**37,388**	**10,542**
Total current liabilities		**602,428**	**504,835**
Discontinued liabilities		**-**	**-**
Total liabilities		**1,422,268**	**1,193,501**

CONSOLIDATED INCOME STATEMENT

(euro/000)	Notes	2016	2015
Revenue from sales and services	31	**1,262,911**	**1,123,203**
Decrease (increase) of inventory	20	11,761	429
Cost of raw and ancillary materials, consumables and goods	32	234,020	210,249
Cost of services	33	685,426	626,509
Cost of personnel	34	236,013	220,402
Other (income) costs	35	2,074	(6,739)
Income (costs) from investments valued at equity	36	421	9,213
EBITDA		**94,038**	**81,566**
Depreciation and impairment loss on property, plant and equipment	13-14	8,527	6,862
Amortization and impairment loss on intangible assets	12	23,497	16,229
Impairment loss on investments valued at equity and other enterprises	15	2,000	4,000
EBIT		**60,014**	**54,475**
Financial income (costs)	37	(17,710)	(16,036)
Income/(costs) from other investments		-	(125)
Profit before taxes for the year		**42,304**	**38,314**
Income tax	38	17,993	20,476
Profit from continuing operations		**24,311**	**17,838**
Result from discontinued operations	11	**979**	**(8,738)**
Net profit		**25,290**	**9,100**
Attributable to:			
- Minority shareholders	25	**2,746**	**2,735**
- Parent Company's shareholders		**22,544**	**6,365**
Net earnings per share (in euro units)	40	0.086	0.024
Diluted net earnings per share (in euro units)	40	0.086	0.024

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

(euro/000)	Notes	2016	2015
Net profit		**25,290**	**9,100**
Items reclassifiable to income statement			
Profit (loss) deriving from the conversion of currency denominated financial statements of foreign companies	24	126	(128)
Other profit/(loss) from companies valued at equity	24	198	64
Effective part of profit (loss) on cash flow hedge instruments (cash flow hedge)	22-28	(913)	(39)
Profit (loss) from held-for-sale assets (fair value)	22-28	-	-
Tax impact on other profit (loss) reclassifiable to income statement		462	11
Items reclassified to income statement			
Profit (loss) on cash flow hedge instruments		1,012	968
Profit (loss) from held-for-sale assets (fair value)		-	-
Tax impact on other profit (loss) reclassifiable to income statement		(278)	(479)
Items not reclassifiable to income statement			
Actuarial profit (loss)	27	(1,425)	921
Tax impact on other profit (loss) not reclassifiable to income statement		100	(256)
Total other profit (loss) net of tax effect		**(718)**	**1,062**
Comprehensive profit for the year		**24,572**	**10,162**
Attributable to:			
- Minority shareholders		**2,746**	**2,732**
- Parent Company's shareholders		**21,826**	**7,430**

For the Board of Directors
The Chairman
Marina Berlusconi

CONSOLIDATED INCOME STATEMENT - FOURTH QUARTER

(euro/000)	4Q16	4Q15
Revenue from sales and services	**327,655**	**304,856**
Decrease (increase) of inventory	7,174	1,974
Cost of raw and ancillary materials, consumables and goods	62,982	57,008
Cost of services	172,147	171,765
Cost of personnel	61,994	54,060
Other (income) costs	146	(10,585)
Income (costs) from investments valued at equity	567	2,129
EBITDA	**23,779**	**32,763**
Depreciation and impairment loss on property, plant and equipment	3,011	1,804
Amortization and impairment loss on intangible assets	6,749	6,467
Impairment loss on investments valued at equity and other enterprises	2,000	-
EBIT	**12,019**	**24,492**
Financial income (costs)	(5,031)	(2,297)
Income/(costs) from other investments	-	-
Profit before taxes for the year	**6,988**	**22,195**
Income tax	1,750	12,763
Profit from continuing operations	**5,238**	**9,432**
Result from discontinued operations	279	673
Net profit	**5,517**	**10,105**
Attributable to:		
- Minority shareholders	**845**	**923**
- Parent Company's shareholders	**4,672**	**9,182**

For the Board of Directors
The Chairman
Marina Berlusconi

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY AT 31 DECEMBER 2015 AND 2016

(euro/000)	Notes	Share capital	Share premium reserve	Treasury shares	Stock option reserve	Cash flow hedge reserve
Balance at 1 January 2015		**67,979**	**12,000**	**-**	**1,101**	**(2,984)**
- Allocation of result			(12,000)			
- Dividends paid						
- Change in consolidation scope						
- Capital increase						
- Transactions on treasury shares						
- Stock options					(833)	
- Other changes	24					
- Comprehensive profit (loss)						461
Balance at 31 December 2015		**67,979**	**0**	**0**	**268**	**(2,523)**

(euro/000)	Notes	Share capital	Share premium reserve	Treasury shares	Stock option reserve	Cash flow hedge reserve
Balance at 1 January 2016		**67,979**	**-**	**-**	**268**	**(2,523)**
- Allocation of result					(268)	
- Dividends paid						
- Change in consolidation scope						
- Capital increase						
- Transactions on treasury shares				(73)		
- Stock options						
- Other changes	24					
- Comprehensive profit (loss)						283
Balance at 31 December 2016		**67,979**	**0**	**(73)**	**0**	**(2,240)**

Fair value reserve	Currency reserve	Post-employment discounting reserve	Other reserves	Profit (loss) for the year	Total Group NFP	Minority shareholders' NFP	Total
-	**(163)**	**(110)**	**178,862**	**618**	**257,303**	**31,818**	**289,121**
			12,618	(618)	-		-
					-	(3,380)	(3,380)
					-		-
					-		-
					-		-
			833		-		-
		(60)	(686)		(746)	352	(394)
	25	652	(73)	6,365	7,430	2,732	10,162
0	**(138)**	**482**	**191,554**	**6,365**	**263,987**	**31,522**	**295,509**

Fair value reserve	Currency reserve	Post-employment discounting reserve	Other reserves	Profit (loss) for the year	Total Group NFP	Minority shareholders' NFP	Total
-	**(138)**	**482**	**191,554**	**6,365**	**263,987**	**31,522**	**295,509**
		(194)	6,827	(6,365)	-		-
					-	(3,758)	(3,758)
	1,656				1,656	13	1,669
					-		-
					(73)		(73)
					-		-
			(73)		(73)	(48)	(121)
	406	(1,325)	(82)	22,544	21,826	2,746	24,572
0	**1,924**	**(1,037)**	**198,226**	**22,544**	**287,323**	**30,475**	**317,798**

For the Board of Directors
The Chairman
Marina Berlusconi

CONSOLIDATED CASH FLOW STATEMENT

(euro/000)	Notes	31/12/2016	31/12/2015
Net profit for the year from continuing operations		22,544	16,175
Adjustments			
Amortization, depreciation and impairment	12-13-14	32,024	23,091
Income tax for the year	38	16,025	18,427
Stock options		-	-
Fund provisions (utilization) and post-employment benefits		(11,233)	(2,785)
Capital loss (gain) from the transfer of intangible assets, property, plant and equipment, investments		(275)	(21,271)
Capital loss (gain) from financial assets valuation		-	-
(Income) costs of companies valued at equity	36	(519)	2,425
Net financial costs on loans and transactions with derivatives	37	14,278	13,702
Cash flow generated from operations		**72,844**	**49,764**
(Increase) decrease in trade receivables		10,127	23,987
(Increase) decrease in inventory		16,857	403
Increase (decrease) in trade payables		(11,073)	2,866
Income tax payments		(13,757)	(9,057)
Advances and post-employment benefits		(3,684)	(3,887)
Net difference for other assets/liabilities		24,044	1,262
Cash flow generated from (absorbed by) operations		**95,358**	**65,338**
Price collected (paid) net of cash transferred/acquired		(143,790)	35,561
(Purchase) disposal of intangible assets		448	(7,544)
(Purchase) disposal of property, plant and equipment		(3,621)	7,342
(Purchase) disposal of investments		7,609	3,535
(Purchase) disposal of financial assets		(643)	10,183
Cash flow generated from (absorbed by) investment activities		**(139,997)**	**49,077**
Net difference in financial liabilities		106,036	(80,955)
Payment of net financial costs on loans and transactions with derivatives		(14,418)	(15,742)
Capital increase		-	-
(Purchase) disposal of treasury shares		(73)	-
Dividends paid		-	-
Cash flow generated from (absorbed by) financing activities		**91,545**	**(96,697)**
Increase (decrease) in cash and cash equivalents		**46,906**	**17,718**
Cash and cash equivalents at the beginning of the period	23	**30,684**	**12,966**
Cash and cash equivalents at the end of the period	23	**77,590**	**30,684**

For the Board of Directors
The Chairman
Marina Berlusconi

CONSOLIDATED BALANCE SHEET PURSUANT TO CONSOB RESOLUTION NO. 15519 OF 27 JULY 2006

Assets (euro/000)	**Notes**	**31/12/2016**	**of which related parties (Note 43)**	**31/12/2015**	**of which related parties (Note 43)**
Intangible assets	12	**612,147**	**-**	**552,340**	**-**
Property investments	13	**2,937**	**-**	**3,028**	**-**
Land and buildings		5,651	-	6,032	-
Plant and equipment		7,952	-	9,028	-
Other tangible assets		16,785	-	13,148	-
Property, plant and equipment	14	**30,388**	**0**	**28,208**	**0**
Investments booked at equity		42,538	-	44,457	-
Other investments		453	-	443	-
Total investments	15	**42,991**	**0**	**44,900**	**0**
Non-current financial assets	22	**267**	**-**	**293**	**-**
Pre-paid tax assets	16	**81,212**	**-**	**62,076**	**-**
Other non-current assets	17	**3,333**	**-**	**1,466**	**-**
Total non-current assets		**773,275**	**0**	**692,311**	**0**
Tax receivables	18	**30,436**	**10,058**	**39,814**	**8,786**
Other current assets	19	**94,010**	**199**	**77,650**	**40**
Inventory	20	**143,437**	**-**	**108,221**	**-**
Trade receivables	21	**300,138**	**54,842**	**242,121**	**39,867**
Other current financial assets	22	**3,382**	**692**	**2,700**	**1,037**
Cash and cash equivalents	23	**77,590**	**-**	**30,684**	**-**
Total current assets		**648,993**	**65,791**	**501,190**	**49,730**
Discontinued assets		**-**	**-**	**-**	**-**
Total assets		**1,422,268**	**65,791**	**1,193,501**	**49,730**

Liabilities (euro/000)	Notes	31/12/2016	of which related parties (Note 43)	31/12/2015	of which related parties (Note 43)
Share capital		**67,979**	**-**	**67,979**	**-**
Share premium reserve		**-**	**-**	**-**	**-**
Treasury shares		**(73)**	**-**	**-**	**-**
Other reserves and profit/(loss) carried forward		**196,873**	**-**	**189,643**	**-**
Profit (loss) for the year		**22,544**	**-**	**6,365**	**-**
Group equity	24	**287,323**	**0**	**263,987**	**0**
Minority shareholders' equity and reserves	25	**30,475**	**-**	**31,522**	**-**
Total equity		**317,798**	**0**	**295,509**	**0**
Provisions	26	**68,591**	**-**	**58,559**	**-**
Post-employment benefits	27	**50,989**	**-**	**44,076**	**-**
Non-current financial liabilities	28	**307,434**	**-**	**222,553**	**-**
Deferred tax liabilities	16	**75,028**	**-**	**67,969**	**-**
Other non-current liabilities		**-**	**-**	**-**	**-**
Total non-current liabilities		**502,042**	**0**	**393,157**	**0**
Income tax payables	18	**1,788**	**182**	**5,446**	**4,765**
Other current liabilities	29	**229,489**	**200**	**196,237**	**602**
Trade payables	30	**333,763**	**15,063**	**292,610**	**16,827**
Payables due to banks and other financial liabilities	28	**37,388**	**26**	**10,542**	**61**
Total current liabilities		**602,428**	**15,471**	**504,835**	**22,255**
Discontinued liabilities		**-**	**-**	**-**	**-**
Total liabilities		**1,422,268**	**15,471**	**1,193,501**	**22,255**

CONSOLIDATED INCOME STATEMENT PURSUANT TO CONSOB RESOLUTION NO. 15519 OF 27 JULY 2006

(euro/000)	Notes	2016	of which related parties (Note 43)	of which non-recurring (income) costs (Note 42)	2015	of which related parties (Note 43)	of which non-recurring (income) costs (Note 42)
Revenue from sales and services	31	**1,262,911**	**99,870**	**-**	**1,123,203**	**100,728**	**-**
Decrease (increase) of inventory	20	11,761	-	-	429	-	-
Cost of raw and ancillary materials, consumables and goods	32	234,020	11,764	-	210,249	18,519	-
Cost of services	33	685,426	17,501	-	626,509	13,631	-
Cost of personnel	34	236,013	(341)	-	220,402	-	-
Other (income) costs	35	2,074	(132)	-	(6,739)	(94)	-
Income (costs) from investments valued at equity	36	421	-	-	9,213	-	-
EBITDA		**94,038**	**71,078**	**0**	**81,566**	**68,672**	**0**
Depreciation and impairment loss on property, plant and equipment	13-14	8,527	-	-	6,862	-	-
Amortization and impairment loss on intangible assets	12	23,497	-	-	16,229	-	-
Impairment loss on investments valued at equity and other enterprises	15	2,000	-	-	4,000	-	-
EBIT		**60,014**	**71,078**	**0**	**54,475**	**68,672**	**0**
Financial income (costs)	37	(17,710)	23	-	(16,036)	(2,785)	-
Income (costs) from other investments		-	-	-	(125)	-	-
Profit before taxes for the year		**42,304**	**71,101**	**0**	**38,314**	**65,887**	**0**
Income tax	38	17,993	-	-	20,476	-	-
Profit from continuing operations		**24,311**	**71,101**	**0**	**17,838**	**65,887**	**0**
Result from discontinued operations	11	979	-	-	(8,738)	5,899	-
Net profit		**25,290**	**71,101**	**0**	**9,100**	**71,786**	**0**
Attributable to:							
- Minority shareholders	25	**2,746**	**-**	**-**	**2,735**	**-**	**-**
- Parent Company's shareholders		**22,544**	**71,101**	**-**	**6,365**	**71,786**	**-**

EXPLANATORY NOTES

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 publishing of books and magazines.

The Group also carries out retailing activities through directly-owned stores and franchised stores located across Italy.

Mondadori’s business areas offer products and services that harness cutting-edge technology, thus expanding the sales portfolio.

Arnoldo Mondadori Editore S.p.A., with registered office in Via Bianca di Savoia 12, Milan, and headquarters in Strada privata Mondadori, Segrate/Milan, is listed on the STAR segment of the Mercato Telematico Azionario - MTA (electronic stock market) of Borsa Italiana S.p.A.

The publication of the consolidated financial statements of the Mondadori Group for the year ended 31 December 2016 was authorized by the Board of Directors’ resolution of 21 March 2017.

2. FORM AND CONTENT

The Group’s consolidated financial statements at 31 December 2016 were drafted, based on the principle of business continuity; the Directors verified the Group’s ability to fulfill future commitments and believe there is no significant uncertainty, as defined by IAS 1.25, concerning its ability to continue operating in the future.

The risks and uncertainties the Group is exposed to in relation to the business activities performed and the risk mitigation measures adopted are explained in the appropriate section of the Directors’ Report on Operations.

These financial statements were drafted in compliance with the International Accounting Standards (IAS/IFRS) issued by the International Accounting Standard Board (IASB) and approved by the EU, and in compliance with the International Financial Reporting Interpretations Committee (SIC/IFRIC).

These financial statements were drafted, based on the cost principle, except for certain financial instruments measured at fair value, and in compliance with the accounting standards adopted in the preparation of the financial statements at 31 December 2015, considering the amendments and the new standards effective as of 1 January 2016, as per Note 6.26.

The following criteria were adopted in the drafting of these financial statements:
- in the consolidated balance sheet, current and non-current assets and current and non-current liabilities are shown separately;
- in the separate consolidated 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 recognized under income (loss) for the year as required or allowed by the IAS/IFRS accounting standards;
- the cash flow statement has been prepared using the indirect method.

Regarding the requirements of Consob Resolution 15519 of 27 July 2006, specific supplementary tables were prepared 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 stated.

3. CONSOLIDATION PRINCIPLES AND SCOPE

The financial statements of the consolidated companies are drafted with the same closing date of Arnoldo Mondadori Editore S.p.A., according to the IAS/IFRS standards.

In cases where the closing date is different from the Parent Company’s closing date, adjustments are made in order to recognize the effects of any significant transactions or events that have occurred between that date and the Parent Company’s closing date.

The Mondadori Group consolidated financial statements include:
- the financial statements of the Parent Company and the financial statements of Italian and foreign companies directly or indirectly owned by Arnoldo Mondadori Editore S.p.A., according to the provisions set out in IAS 10. In these cases the financial statements are consolidated on a line-by-line basis;
- 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 IFRS 11. In these cases investments are recognized 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 associate pursuant to IFRS 11. In these cases, in compliance with the same standard, investments are valued at equity.

The application of the abovementioned consolidation policies has led to the following adjustments:
- the book value of investments in companies included in the consolidation scope is cancelled out 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 recognized on the date of purchase and allocated to the specific asset and liability items at fair value. Any positive difference is recognized under goodwill; any negative difference is recognized under income statement;
- consolidated equity amounts, reserves and the financial result attributable to minority shareholders' interests are recognized under separate items in consolidated equity and income statement;
- in preparing the consolidated financial statements, receivables and payables, revenue and expenses resulting from transactions between companies included in the consolidation area are cancelled out as are any unrealized gains or losses on intercompany transactions.

Minority shareholders' equity and result for the period are recognized separately in the consolidated balance sheet and income statement.

In 2016, the consolidation scope was subject to the following changes:
- on 5 April, the deed of disposal of the 50% investment in the share capital of Mondadori Independent Media LLC was concluded;
- on 14 April, Mondadori Libri S.p.A., holding company of the Mondadori Group in the Books Area, wholly owned by Arnoldo Mondadori Editore S.p.A., acquired the entire investment held by RCS MediaGroup (99.99%) in RCS Libri S.p.A., renamed Rizzoli Libri S.p.A. on the same date; following the acquisition, the consolidation scope now includes Librerie Rizzoli S.r.l., RCS International Books BV, Rizzoli International Publications Inc., and Rizzoli Bookstore Inc.;
- on 8 June, Arnoldo Mondadori Editore S.p.A. completed the acquisition of 100% of Banzai Media Holding S.r.l., the holding company of the Banzai Group active in vertical content activities;
- on 15 June, Campania Arte S.c.ar.l. disposed of the entire investment held in SCABEC S.p.A.;
- on 26 July, Rizzoli Libri S.p.A. completed the disposal of its 94.71% investment in the share capital of Marsilio Editori S.p.A.;
- Consorzio Covar, Consorzio Forma and Glaming S.r.l. completed their winding up proceedings.

Companies in the scope of the Group consolidated financial statements and relating consolidation method:

Company name	Location	Business	Currency	Share capital expressed in local currency	Group interest held % 31/12/2016	Group interest held % 31/12/2015
Companies consolidated on a line-by-line basis						
Arnoldo Mondadori Editore S.p.A.	Milan	Publishing	Euro	67,979,168.40		
Italian subsidiaries						
Inthera 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	100.00
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
Mondadori Retail S.p.A.	Milan	Trade	Euro	2,700,000.00	100.00	100.00
Giulio Einaudi editore S.p.A.	Turin	Publishing	Euro	23,920,000.00	100.00	100.00
Glaming S.r.l. in liquidation						100.00
Mondadori Scienza S.p.A.	Milan	Publishing	Euro	2,600,000.00	100.00	100.00
Mondadori International Business S.r.l.	Milan	Publishing	Euro	1,800,000.00	100.00	100.00
Mondadori Libri S.p.A.	Milan	Publishing	Euro	30,050,000.00	100.00	100.00
Mondadori Pubblicità S.p.A.	Milan	Advert. agency	Euro	3,120,000.00	100.00	100.00
Press-di Distr. Stampa e Mult. S.r.l.	Milan	Services	Euro	1,095,000.00	100.00	100.00
Sperling & Kupfer Editori S.p.A.	Milan	Publishing	Euro	1,555,800.00	100.00	100.00
Rizzoli Libri S.p.A.	Milan	Publishing	Euro	42,405,000.00	99.99	-
Librerie Rizzoli S.r.l.	Milan	Trade	Euro	500,000.00	99.99	-
Banzai Media S.r.l.	Milan	Publishing	Euro	110,000.00	100.00	-
AdKaora S.r.l.	Milan	Trade	Euro	15,000.00	100.00	-
Foreign subsidiaries						
Mondadori France Group	Paris	Publishing	Euro	50,000,000.00	100.00	100.00
Mondadori UK Ltd in liquidation	London	Trade	Gbp	2,895.19	100.00	100.00
RCS International Books BV	Amsterdam	Financial holding	Euro	500,000.00	99.99	-
Rizzoli International Publications Inc.	New York	Publishing	Usd	26,900,000.00	99.99	-
Rizzoli Bookstore Inc.	New York	Trade	Usd	3,498,900.00	99.99	-
Companies valued at equity						
Attica Publications Group	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						25.00
Consorzio Forma						25.00
Consorzio Scuola Digitale	Milan	Internet	Euro	40,000.00	50.00	25.00
Edizioni EL S.r.l.	Trieste	Publishing	Euro	620,000.00	50.00	50.00
Mach 2 Libri S.p.A.	Peschiera Borromeo	Trade	Euro	646,250.00	44.91	34.91
GD Media Service S.r.l.	Peschiera Borromeo	Trade	Euro	789,474.00	28.89	28.89
Mediamond S.p.A.	Milan	Advert. agency	Euro	2,400,000.00	50.00	50.00
Mondadori Independent Media LLC						50.00
Mondadori Seec Advertising Co. Ltd	Beijing	Publishing	Cny	40,000,000.00	50.00	50.00
Monradio S.r.l.	Milan	Radio	Euro	3,030,000.00	20.00	20.00
Società Europea di Edizioni S.p.A.	Milan	Publishing	Euro	2,528,875.00	36.89	36.89
Venezia Musei Società per i servizi museali S.c.ar.l. in liquidation	Venice	Services	Euro	10,000.00	34.00	34.00
Venezia Accademia Società per i servizi museali S.c.ar.l.	Venice	Services	Euro	10,000.00	25.00	25.00

Company name	Location	Business	Currency	Share capital expressed in local currency	Group interest held % 31/12/2016	Group interest held % 31/12/2015
Skira Rizzoli Publications Inc.	New York	Publishing	Usd	1,000.00	49.00	-
Gold 5 S.r.l.	Milan	Services	Euro	250,000.00	30.00	-
Companies measured at fair value						
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	16.67
Cons. Sistemi Informativi Editoriali Distributivi	Milan	Services	Euro	103,291.38	10.00	10.00
Immobiliare Editori Giornali S.r.l.	Rome	Real Estate	Euro	830,462.00	7.88	7.88
MDM Milano Distribuzione Media S.r.l.	Milan	Trade	Euro	611,765.00	17.00	17.00
SCABEC S.p.A.						10.78
Società Editrice Il Mulino S.p.A.	Bologna	Publishing	Euro	2,350,000.00	7.61	7.61

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 year.

Currency exchange rate differences that arise from these conversions are recognized in a specific reserve under equity.

5. SEGMENT REPORTING

The reporting required by IFRS 8 reflects the Group's organizational structure, which includes the following segments: Books, Magazines Italy and Magazines France, Retail, Corporate & Shared Services.

This structure gives a clear representation of the Group's differentiation in terms of products sold and services rendered and is used by the Top Management 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.

6. ACCOUNTING STANDARDS AND VALUATION CRITERIA

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 and magazines are recognized in the income statement for the year in question.

Subsequent to initial recognition, intangible assets are valued at cost, net of accumulated amortization 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 recognized at cost, while those purchased as part of business combination transactions carried out after the first adoption of IAS/IFRS are initially recognized at fair value.

Intangible assets with 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 amortization criteria depend on how the relating future economic benefits contribute to the Company's result.

The amortization 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
Goods under concession or license	Duration of the concession and 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 amortization 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 recognized by modifying the period or method of amortization, 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 Mondadori Group.

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

Intangible assets with indefinite useful life
Magazines
Series
Trademarks
Goodwill

Goodwill represents the excess of the cost of a business combination over the Group's purchased share in the fair value of the assets, liabilities and contingent liabilities acquired, as identifiable at the time of purchase.

Goodwill and other intangible assets with an indefinite useful life are not subject to amortization 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.

6.2 Property investments

A property investment is recognized 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. Amortization criteria depend on how the relating future economic benefits accrue to the entity.

The amortization rates reflecting the useful lives attributed to Group's property investments are as follows:

Property investments	Amortization 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 amortization rate for the year in question and for successive year is adjusted.

Income and losses deriving from the disposal of property investments are recognized 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 recognized as assets, on condition that the relevant costs can be reliably calculated and any relating future economic benefits accrue to the entity.

Assets booked to property, plant and equipment are valued based on the purchase method, including any accessory charges, and are stated net of depreciation and any impairment.

Costs which arise after the initial purchase are recognized 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 recognized at fair value as determined at the time of purchase and, subsequently, at cost.

Assets recognized 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%
Plant	10%-25%
Machinery	15,5%
Equipment	12.5%-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 recognized 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 recognized 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 recognized 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 recognized in the income statement for the entire duration of contract term.

6.5 Financial costs

The financial costs resulting from asset purchase, development or production are capitalized. In case failed identification of assets justifying capitalization, the costs are recognized under income statement in the year in which they are borne.

6.6 Impairment

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

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

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

The value in use of an asset is 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 recognized as a reduction in the value of the asset and recognized 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 recognized.

6.7 Investments

The investments in those companies in which the Group exercises control, pursuant to IFRS 10, are consolidated on a line-by-line basis.

The IFRS's definition holds that an investor controls an investee if and only the investor has all of the following elements:

- power over the investee, that is to say, the investor has existing rights that give it the ability to direct the relevant activities;
- exposure, or rights, to variable returns from its involvement in the investee;
- the ability to use its power over the investee to affect the amount of the investor's variable returns.

Variations determined by acquisitions or disposals in the stakes held in a subsidiary, without this leading to a loss of control, are treated as transactions with shareholders. The difference between the fair value of the consideration paid or received for such transactions and the adjustment made to the minority interests is recognized directly in the parent company's equity.

Investments in companies in which strategic financial and managerial decisions on the economic activities require the unanimous consent of all of the parties that share control, pursuant to IFRS 11, are qualified as a joint operation or a joint venture, based on the evaluation of their own rights and of their own obligations.

Joint operations are valued based on the relevant share of assets and liabilities upon which the Group holds right to assets and obligations to liabilities, and the share of the relevant costs and revenue; joint ventures are consolidated at equity.

Investments in those companies in which the Group does not exercise control, but has a notable influence on the company's financial and strategic decisions, pursuant to IFRS 11, are consolidated using the equity method.

Investments in joint ventures and associates are initially recognized 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 recognized under income statement.
The book value of investments in joint operations, joint ventures and associates include any higher cost paid attributable to goodwill.

Investments in the companies in which the Group does not have control nor does it exercise a notable influence on the financial and strategic decisions of the company, pursuant to IAS 39, are booked at their fair value.

Information required by IFRS 12 is given on all the investments.

6.8 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 of inventory is based on the weighted average cost of raw materials, consumables and finished products purchased for sale. The FIFO method is used for finished products.

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

The presumed net value for raw and ancillary materials and consumables 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 recognized at fair value, increased by accessory purchase charges. Purchases and sales of financial assets are recognized as of the trading date, which corresponds to the date in which the Group agrees to purchase the assets in question. After initial recognition, financial assets are posted according to the relevant classification, as outlined below:

Financial assets at fair value with adjustments recognized 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 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 recognized in income statement.

Held-to-maturity investments
Assets that envisage fixed or determinable payments with a fixed maturity date, that the Group 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 amortized 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 amortized 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
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 recognized at amortized cost using the discounting method. Income and loss are recognized under income statement when loans and receivables are cancelled out or in case of impairment, as well as through amortization.

The Group includes trade receivables, both financial and other receivables into this category. These are due within 12 months and are therefore recognized at face value (net of any impairment loss). This category also includes item “Cash and other cash equivalents”.

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

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

Held-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 recognized at cost, i.e. at the fair value of the price collected upon completion of the relevant transaction. Receivables are recognized 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 recognized in the financial statements at their estimated realizable value.

6.11 Cash, liquidity and cash equivalents

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

6.12 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 recognized 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 measured at fair value, in accordance with IAS 39 - *Hedge accounting*. Income and loss resulting from subsequent variations in fair value are recognized 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*.

6.13 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 derecognized 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 derecognized when the underlying obligation has been discharged, cancelled or expired.

6.14 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 recognized 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 recognized loss of value is reversed up to the amount the asset would have had, taking amortization 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 recognized under income statement.

Value reversals relating to equity instruments classified as available for sale are not recognized under income statement. Value reversals relating to debt instruments are recognized 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 recognized 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.

6.15 Derivative financial instruments

Derivative financial instruments are initially recognized 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 evaluate 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 recognized 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 recognized under income statement.

As for the fair value hedge of items recognized at amortized cost, the adjustment of the carrying value is amortized 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 amortized under income statement.

The amortization 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 amortized is immediately recognized 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 recognized in a special reserve under equity. The accumulated income or loss is written off from the equity reserve and recognized under income statement, when the results of the transaction subject to hedge are recognized under income statement.

Income and loss associated with the ineffective part of a hedge are recognized 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 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 equity reserve are recognized under income statement.

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

6.16 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 recognized 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 measured 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 recognized in financial income (expense) in the income statement.

6.17 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 provision accrued until the date of the financial statements, 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.

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 recognized 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 relating to current labour, when fulfilling the relevant requirements;
- cost of interest.

The amounts accrued in favour of employees during the year are recognized 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 recognized under "Financial income (costs)".

Actuarial income and loss are recognized in a specific item under equity and in the comprehensive income statement.

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 recognized under “Other costs (income)”.

6.18 Recognition of revenue and costs

Revenue from the sale of goods is recognized 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.

Revenue from the sale of magazines and advertising spaces is recognized on the basis of the relevant date of publication.

Revenue from barter transactions is recognized 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.

Revenue from services is recognized 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.

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

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

6.19 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 any of the Group companies has its registered offices.

Deferred and pre-paid taxes are calculated on all the temporary differences between recognized assets and liabilities and the relevant book values booked in the financial statements for tax purposes, 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 relating to the value of the shareholding held in subsidiary, associates 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 value of prepaid tax amounts 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 and prepaid tax amounts 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.

Deferred and prepaid tax amounts relating to items directly recognized under equity are recognized directly under equity.

6.20 Transactions denominated in foreign currencies

Revenue 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 recognized under income statement, except for the differences deriving from loans denominated in foreign currency taken out to pay for the acquisition of an investment in a foreign company. In the latter case, such differences are recognized under 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 recognized at fair value in a foreign currency are converted using the exchange rates applied on the fair value calculation date.

6.21 Grants and contributions

Grants and contributions are recognized 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 recognized as revenue 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 recognized in equal amounts under income statement over the useful life of the asset.

6.22 Earnings per share

Earnings per share refer to the Group's net profit divided by the weighted average number of outstanding shares in the reporting period.
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.

6.23 Discontinued assets and liabilities (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 recognized separately from other assets and liabilities in the balance sheet. Such assets and liabilities are classified as "Held-for-sale assets" 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 recognized in a separate item in the income statement.

6.24 Accounting standards, amendments and interpretations adopted by the European Union with effect from 1 January 2016 and applied by the Mondadori Group

The following accounting standards, amendments and IFRS interpretations have been applied by the Group for the first time with effect from 1 January 2016:

- amendments to IAS 19 *Defined Benefit Plans: Employee Contributions* (published on 21 November 2013): referring to the accounting of contributions made by employees or third parties to defined benefit plans. The adoption of these amendments had no impact on the Group's consolidated financial statements;
- amendments to IFRS 11 *Accounting for acquisitions of interests in joint operations* (published on 6 May 2014): referring to the accounting of the acquisition of interests in a joint operation that is a business. The adoption of these amendments had no impact on the Group's consolidated financial statements;
- amendments to IAS 16 and to IAS 38 *Clarification of acceptable methods of depreciation and amortization* (published on 12 May 2014): under which a revenue-based method of depreciation is generally considered not appropriate, because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset, a condition which is, instead, required for depreciation. The adoption of this amendment had no impact on the Group's consolidation financial statements;
- amendment to IAS 1 *Disclosure Initiative* (published on 18 December 2014): the amendments intend to provide clarification on disclosures that may be perceived as impediments to a clear and understandable preparation of financial statements. The adoption of this amendment had no impact on the Group's consolidation financial statements.

Lastly, in the annual process of revision of the standards, on 12 December 2013, IASB published "Annual Improvements to IFRSs: 2010-2012 Cycle" (including IFRS 2 *Share Based Payments – Definition of vesting condition*, IFRS 3 *Business Combination – Accounting for contingent consideration*, IFRS 8 *Operating segments – Aggregation of operating segments* and *Reconciliation of total of the reportable segments' assets to the entity's assets*, IFRS 13 *Fair Value Measurement – Short-term receivables and payables*) and, on 25 September 2014, "Annual Improvements to IFRSs: 2012-2014 Cycle" (including: IFRS 5 – *Non-current Assets Held for Sale and Discontinued Operations*, IFRS 7 – *Financial Instruments*: *Disclosure* and IAS 19 – *Employee Benefits*), which partly supplement the existing standards. The adoption of these amendments had no impact on the Group's consolidated financial statements.

6.25 Accounting standards, amendments and IFRS and IFRIC interpretations validated by the European Union but not yet applicable on a compulsory basis and not adopted in advance by the Group at 31 December 2016

The following new and amended standards, which have been issued but have not come into effect yet, have not been applied by the Group.

- IFRS 15 – *Revenue from Contracts with Customers* (published on 28 May 2014 and supplemented with additional clarification published on 12 April 2016), which will replace IAS 18 – *Revenue* and IAS 11 – *Construction Contracts*, as well as IFRIC 13 – *Customer Loyalty Programmes*, IFRIC 15 – *Agreements for the Construction of Real Estate*, IFRIC 18 – *Transfers of Assets from Customers* and SIC 31 – *Revenues-Barter Transactions Involving Advertising Services*. The standard establishes a new model for the recognition of revenue, which will be applied to all contracts stipulated with customers except for those falling within the application of other IAS/IFRS standards as leasing, insurance contracts and financial instruments. The key steps in the accounting of revenue based on this new model are:
  - identification of the contract with the customer;
  - identification of the performance obligations included in the contract;
  - pricing;

- price allocation based on the performance obligations included in the contract;
- the criteria for the recognition of revenue when the entity meets each performance obligation.

The standard is applicable as of 1 January 2018, but early adoption is allowed. The amendments to IFRS 15, *Clarifications to IFRS 15 - Revenue from Contracts with Customers*, published by IASB on 12 April 2016, are, instead, still awaiting validation by the European Union. The directors expect that the application of IFRS 15 may have an impact on Group revenue and on the relevant disclosure included in the consolidated financial statements. The effects and the relating impacts are currently being assessed and measured.

• Final version of IFRS 9 – *Financial Instruments* (published on 24 July 2014). The document includes the findings of the IASB project to replace IAS 39:
- it introduces new criteria for the classification and measurement of financial assets and liabilities;
- in relation to the impairment model, the new standard requires an entity to base its measurement of expected credit losses (not on the incurred losses model used by IAS 39) on reasonable and supportable information that is available without undue cost or effort, and that includes historical, current and forecast information;
- it introduces a new hedge accounting model (broadening of the transaction types eligible for hedge accounting, changes in the accounting of forward contracts and options when included in a hedge accounting relationship, changes in the effectiveness test).

The greater flexibility of the new accounting rules is balanced by additional requests for disclosure on the company's risk management activities.

This new standard must be applied in the financial statements starting from 1 January 2018 or later.
The directors expect that the application of IFRS 9 may have an impact on the amounts and on the disclosures contained in the Group's consolidated financial statements. The relating analysis is currently underway.

6.26 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 required for the adoption of the amendments and standards listed below.
• IFRS 16 – *Leases* (published on 13 January 2016), which will replace IAS 17 – *Leases*, and the interpretations IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases - Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.
The new standard provides a new definition of lease and introduces a criterion based on the control (right of use) of an asset to distinguish leases from service contracts, the differences lying in: the identification of the asset, the right to replace the asset, the right to essentially receive all the financial benefits arising from the use of the asset, and the right to control the use of the asset underlying the contract.
The standard introduces a single lessee accounting model, by which an asset under a lease, including an operating lease, is recognized in assets with an offsetting financial liability. The model also provides the possibility of not recognizing as leases those contracts regarding low-value assets and leases with a term of 12 months or less. Conversely, the standard introduces no material changes for the lessor.
The standard is applicable as of 1 January 2019; early adoption is allowed only for those companies that apply IFRS 15 *Revenue from Contracts with Customers* in advance. The directors expect that the application of IFRS 16 may have a significant impact on the accounting of leases and on the relating disclosures contained in the Group's consolidated financial statements. Nonetheless, a reasonable estimate can be given only when the Group will have conducted a thorough analysis.

- Amendment to IAS 12 *Recognition of Deferred Tax Assets for Unrealized Losses* (published on 19 January 2016). The document intends to provide clarification on the recognition of deferred tax assets for unrealized losses when certain circumstances occur, and on estimated taxable income for future years. The amendments are effective as of 1 January 2017, but early adoption is allowed. The directors are currently assessing the possible impacts from the adoption of these amendments on the Group's consolidated financial statements;
- Amendment to IAS 7 *Disclosure Initiative* (published on 29 January 2016). The document intends to provide clarification on how to improve disclosures on financial liabilities. Specifically, the amendments require to disclose information that enables users of the financial statements to understand the changes in liabilities arising from financing transactions. The amendments are effective as of 1 January 2017, but early adoption is allowed. No comparative information relating to prior years is required. The directors are currently assessing the possible impacts from the adoption of these amendments on the Group's consolidated financial statements;
- "Annual Improvements to IFRSs: 2014-2016 Cycle", published on 8 December 2016, which acknowledges the amendments to a number of standards (including IFRS 1 *First-Time Adoption of International Financial Reporting Standards - Deletion of short-term exemptions for first-time adopters*, IAS 28 *Investments in Associates and Joint Ventures – Measuring investees at fair value through profit or loss: an investment-by-investment choice or a consistent policy choice*, IFRS 12 *Disclosure of Interests in Other Entities – Clarification of the scope of the Standard*), which partly supplement existing standards. The directors are currently assessing the possible impacts from the adoption of these amendments to the Group's consolidated financial statements;
- Interpretation IFRIC 22 *Foreign Currency Transactions and Advance Consideration* (published on 8 December 2016). The interpretation intends to provide guidelines on foreign currency transactions if non-monetary advances or payments have been recognized before the recognition of the relating asset, expense or income. The document provides guidance on how an entity should determine the date of a transaction and, therefore, the spot exchange rate to use in the event of foreign currency transactions where payment is made or received in advance. IFRIC 22 is applicable as of 1 January 2018, but early adoption is allowed. The directors are currently assessing the possible impacts from the adoption of these amendments on the Group's consolidated financial statements;
- Amendment to IAS 40 *Transfers of Investment Property* (published on 8 December 2016). The amendments clarify the transfers of a property to, or from, investment properties. Specifically, an entity should reclassify a property into, or from, investment properties only when there is an evident change in use of the property. Such a change must be traced back to a specific event that occurred and should, therefore, not be restricted to a change of intentions by the Management of an entity. The amendments are applicable as of 1 January 2018, but early adoption is allowed. The directors do not expect any significant impact in the Group's consolidated financial statements resulting from the adoption of these amendments;
- Amendment to IFRS 10 and IAS 28 *Sales or Contribution of Assets between an Investor and its Associate or Joint Venture* (published on 11 September 2014). The document was published to solve the current conflict between IAS 28 and IFRS 10 on the measurement of gain or loss resulting from the sale or contribution of a non-monetary asset to a joint venture or an associate in return for an investment in the latter. IASB has currently suspended the application of this amendment; the directors are evaluating the possible impacts deriving from the introduction of these amendments on the Group's consolidated financial statements.

7. USE OF ESTIMATES

The drafting of these financial statements and the notes required the use of estimates and assumptions by the Directors, which have an impact on the value of assets and liabilities and on the disclosures relating to potential assets and liabilities at closing, based on the application of the IAS/IFRS accounting standards.

Estimates are based on the current status of information available, are examined periodically and effects reflected in the income statement. Specifically, estimates on future trends have been made in light of the high level of uncertainty on the current macroeconomic and market environment, made unstable by the lingering financial crisis. Therefore, one cannot rule out the possibility in the future of seeing results that differ from estimates, requiring adjustments to the accounting value of items which cannot be foreseen or measured at this time.

The most significant accounting estimates are outlined below:

Goodwill and intangible assets
The value reduction relating to goodwill and intangible assets is tested for impairment by comparing the book value of the Cash Generating Units 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.

Depreciation of inventory
The Group 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 Group considers the relevant risk of failed completion.

Provision for bad debt
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.

Future returns
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 costs for 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 based on the applicable rates in each individual country in which the Group operates, according to a prudent interpretation of currently applicable tax laws.

8. BUSINESS COMBINATIONS AND OTHER ACQUISITIONS

Business combinations are recognized using the purchase cost method pursuant to IFRS 3.

Upon acquisition date, assets and liabilities pertaining to the transaction are recognized at fair value, except for any anticipated and deferred taxes and assets and liabilities relating to benefits in favour of employees, any stock option plans as well as assets classified as held for sale, which are valued according to the relevant reference standard.

Accessory charges relating to the transaction are recognized 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 recognized 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 recognized 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 measured 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 investment 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 recognized 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 recognizes 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 recognized on that same date.

Business combinations completed before 1 January 2010 are recognized pursuant to the provisions contained in the previous version of IFRS 3.

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 recognized 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 these "Explanatory notes to the financial statements".

10. ACQUISITIONS AND TRANSFERS IN THE YEAR

The main transactions that have had an impact on the Group's consolidation scope are outlined below:

Disposal of Mondadori Independent Media
On 5 April 2016, Arnoldo Mondadori Editore S.p.A. disposed of its investment in the Mondadori Independent Media LLC joint venture, magazine publisher on the Russian market.
The disposal was completed for a total price of 839 thousand euro, resulting in a loss of 98 thousand euro.

Acquisition of 99.99% of RCS Libri S.p.A.

The transaction
On 14 April 2016, Arnoldo Mondadori Editore S.p.A., through its subsidiary Mondadori Libri S.p.A., completed the acquisition of 99.99% of RCS Libri S.p.A., the Rizzoli Group holding in the book segment.

The scope of the transaction includes RCS Libri S.p.A. (today Rizzoli Libri S.p.A.), the underlying subsidiaries, and the exclusive ownership of all the trademarks in the books segment.

The price of the transaction, which incorporates certain contractual adjustments, was 125.1 million euro. The agreement also provides for an earn-out of up to 2.5 million euro to RCS MediaGroup S.p.A., based on the achievement in 2017 of specific results in the Books Area of the Mondadori Group.

The authorization issued by the Antitrust Authority, served on 23 March 2016, required a number of remedies, including the disposal of the investment in Marsilio Editori S.p.A. and of the Bompiani publishing BU (Trade and Education books).

In the period from the acquisition date to the disposal date of the investment and of the BU, under the Authority's decision, Mondadori entrusted the operational management of Marsilio and of Bompiani to an independent trustee, the appointment of which was approved by the Authority. As the assumption of control under IFRS 10 does not apply, the operating results of the company and of the BU in the above period were excluded from the consolidation scope. The relating balance sheet amounts have been recognized under held-for-sale assets and liabilities.

The transaction is classified as a business combination under IFRS 3, which requires the acquirer to allocate the cost by measuring the fair value of all assets, liabilities and contingent liabilities in order to meet the recognition criteria at the acquisition date.
The acquired scope was consolidated effective from 1 April 2016.

Cost of acquisition

The cost of the acquisition was 125,127 thousand euro, net of the costs incurred for the transaction of 1,683 thousand euro:

Acquisition of RCS Libri S.p.A. (euro/000)	
Cost of acquisition of 99.99% of RCS Libri S.p.A.	**125,127**
Cash used for acquisition:	
- payments made	(127,105)
- price adjustment to collect	1,978
- RCS Libri Group liquidity position	15,495
Net cash flows absorbed by acquisition	**(109,632)**

Outlays for the acquisition amounted to 127,105 thousand euro, settled through payment made by the acquirer Mondadori Libri S.p.A.. Following payment, the price as per contract was adjusted in accordance with the terms of the contract, and a receivable of 1,978 thousand euro was recognized from the adjustment.
No shares or similar instruments were issued, nor derivatives as acquisition cost items.

The acquisition was financed by the parent company Arnoldo Mondadori Editore S.p.A., which took out a loan with a pool of lenders last year, with UniCredit Bank AG acting as agent.
The outstanding loan includes a term loan line maturing in December 2020 and concluded to cover the acquisition of the RCS Libri Group.

Fair value calculation of assets acquired and liabilities assumed

Details of the fair value of assets acquired and liabilities assumed and relating fair value adjustments recognized on purchase price allocation:

Amounts in (euro/000)	**Notes**	**Current amounts at acquisition date**	**Purchase price allocation**	**Fair value**
Goodwill		-	1,634	1,634
Trademarks		1,273	13,421	14,694
Other intangible assets		10,399	-	10,399
Intangible assets	I	**11,672**	**15,055**	**26,727**
Property investments		**-**	**-**	**-**
Land and buildings		-	-	-
Plant and equipment		8	-	8
Other tangible assets		4,831	-	4,831
Property, plant and equipment		**4,839**	**-**	**4,839**
Total investments		**1,042**	**-**	**1,042**
Non-current financial assets		-	-	-
Pre-paid tax assets	II	30,891	(1,376)	29,515
Other non-current assets		2,003	-	2,003
Total non-current assets		**50,447**	**13,679**	**64,126**
Tax receivables		3,522	-	3,522
Other current assets		22,125	-	22,125
Inventory		48,784	-	48,784
Trade receivables		51,987	-	51,987
Other current financial assets		20,862	-	20,862
Cash and cash equivalents		511	-	511
Total current assets		**147,791**	**-**	**147,791**
Assets held for sale		21,026	7,655	28,681
Total assets		**219,264**	**21,334**	**240,598**
Provisions		10,499	-	10,499
Post-employment benefits		5,727	-	5,727
Non-current financial liabilities		-	-	-
Deferred tax liabilities	II	-	2,368	2,368
Other non-current liabilities		-	-	-
Total non-current liabilities		**16,226**	**2,368**	**18,594**
Income tax payables		2,191	-	2,191
Other current liabilities		39,231	-	39,231
Trade payables		44,691	-	44,691
Payables due to banks and other financial liabilities		5,878	-	5,878
Total current liabilities		**91,991**	**-**	**91,991**
Liabilities held for sale		3,516	1,370	4,886
Total liabilities		**111,733**	**3,738**	**115,471**
Net acquired assets		107,531	17,596	125,127
Price paid		125,127	-	125,127
Difference to allocate		**(17,596)**	**17,596**	**-**

The fair value of assets acquired and liabilities assumed was calculated as follows:

I - Intangible assets
The fair value of trademarks lies in the value attributed to publishing trademarks in the Education and Trade segments.

Goodwill was determined as the residual value of the difference between the cost of the transaction and equity acquired, after representing all assets and liabilities from the transaction at fair value.

The value attributed by Management to the publishing trademarks and to goodwill was confirmed by an assessment specifically performed by an independent consultant.

II - Pre-paid tax assets and deferred tax liabilities
The determination of the fair value of assets acquired and liabilities assumed resulted in the recognition of temporary differences between their fair value and the corresponding tax value.
Tax liabilities were therefore recognized from the recognition of publishing trademarks at fair value.

Other information
The operating and financial effects of the acquisition of Rizzoli Libri S.p.A., under IFRS 3, reflected in the consolidated financial statements of the Mondadori Group from the acquisition date, concurrent to the acquisition of control over the acquired companies.

In accordance with IFRS 3, a final accounting of the acquisition was made with regard to the fair value of the assets acquired and liabilities assumed, while a provisional accounting was made with regard to the acquisition price.

Income statement impact on 2016 figures from the consolidation of the RCS Libri scope.

Acquisition of Rizzoli Libri (euro/000)	
Revenue from sales and services	**170,787**
Cost of raw materials and change in inventory	(95,531)
Cost of services	(32,766)
Cost of personnel	(15,186)
Other income (costs)	(8,410)
EBITDA	**18,894**
EBIT	**13,496**
Net result	**11,304**

Acquisition of 100% of Banzai Media Holding

The transaction
On 8 June 2016, Arnoldo Mondadori Editore S.p.A. completed the acquisition of 100% of Banzai Media Holding S.r.l. (vertical content division of the Banzai Group); the acquired scope does not include the news segment, composed of Banzai’s investment in Il Post S.r.l. and of the Giornalettismo website BU.

The price of the transaction was 24.6 million euro, based on an enterprise value of 41 million euro and a net debt of 16.4 million euro; the agreement includes the payment of an earn-out of 4 million euro, in addition to the earn out of 3.3 million already recognized in the Banzai Group for previous acquisitions and recognized in these financial statements, deeming them probable.

The transaction is classified as a business combination under IFRS 3, which requires the acquirer to allocate the cost by measuring the fair value of all assets, liabilities and contingent liabilities in order to meet the recognition criteria at the acquisition date.

Cost of acquisition

The cost of the acquisition was 30,945 thousand euro, net of the costs incurred for the transaction of 838 thousand euro:

Acquisition of Banzai Media Holding (euro/000)	
Cost of acquisition:	
- price	24,660
- discounted earn out	6,285
Cost of acquisition of 100% of Banzai Media Holding	**30,945**
Cash used for acquisition:	
- payments made	(24,660)
- concurrent repayment of shareholder loan	(11,593)
- liquidity acquired from the Banzai Media Group	2,095
Net cash flows absorbed by acquisition	**(34,158)**

Outlays for the acquisition were financed through a dedicated credit line (line C), which is part of the abovementioned medium-long term loan.
Cash flow from the acquisition amounted to 34,158 thousand euro: 24,660 thousand euro for the price paid and 11,593 thousand euro to settle the financial payable the acquired company had with the seller, net of cash acquired of 2,095 thousand euro.

The impact on the Group’s net financial position amounted to 40,443 thousand euro, including discounted financial payables from earn-out.

No shares or similar instruments were issued, nor derivatives as acquisition cost items.

Fair value calculation of assets acquired and liabilities assumed

Details of the fair value of assets acquired and liabilities assumed and relating fair value adjustments recognized on purchase price allocation:

Amounts in (euro/000)	**Notes**	**Current amounts at acquisition date**	**Purchase price allocation**	**Fair value**
Goodwill		-	23,865	23,865
Trademarks		1	12,951	12,952
Other intangible assets		1,369	6,565	7,934
Intangible assets	I	**1,370**	**43,381**	**44,751**
Property investments		**-**	**-**	**-**
Land and buildings		-	-	-
Plant and equipment		6	-	6
Other tangible assets		477	-	477
Property, plant and equipment		**483**	**-**	**483**
Total investments		**87**	**-**	**87**
Non-current financial assets		-	-	-
Pre-paid tax assets		1,624	-	1,624
Other non-current assets		59	-	59
Total non-current assets		**3,623**	**43,381**	**47,004**
Tax receivables		338	-	338
Other current assets		358	-	358
Inventory		-	-	-
Trade receivables		10,136	-	10,136
Other current financial assets		215	-	215
Cash and cash equivalents		1,910	-	1,910
Total current assets		**12,957**	**-**	**12,957**
Assets held for sale		-	-	-
Total assets		**16,580**	**43,381**	**59,961**
Provisions		297	-	297
Post-employment benefits		1,460	-	1,460
Non-current financial liabilities		-	-	-
Deferred tax liabilities	II	13	5,445	5,458
Other non-current liabilities		-	-	-
Total non-current liabilities		**1,770**	**5,445**	**7,215**
Income tax payables		111	-	111
Other current liabilities		3,951	-	3,951
Trade payables		6,116	-	6,116
Payables due to banks and other financial liabilities		11,623	-	11,623
Total current liabilities		**21,801**	**-**	**21,801**
Liabilities held for sale		-	-	-
Total liabilities		**23,571**	**5,445**	**29,016**
Net acquired assets		(6,991)	37,936	30,945
Price paid		30,945	-	3,945
Difference to allocate		**(37,936)**	**37,936**	**-**

The fair value of assets acquired and liabilities assumed was calculated as follows:

I - Intangible assets

The fair value of trademarks includes the value attributed:

- to the eleven "vertical" websites ("Vertical Content") active in the four main segments: Women, Kitchen, Youth and News;
- to the two platforms "Altervista" and "Smartworld" (Android).

The fair value of other intangible assets mainly includes the value of content, IT platforms and software.

Goodwill was determined as the residual value of the difference between the cost of the transaction and equity acquired, after representing all assets and liabilities from the transaction at fair value.

The value attributed by Management to the trademarks and to goodwill was confirmed by an assessment specifically performed by an independent consultant.

II - Deferred tax liabilities

The determination of the fair value of assets acquired and liabilities assumed resulted in temporary differences between their fair value and the corresponding tax value.
Accordingly, a total of 5,445 thousand euro was recorded in deferred tax.

Other information

The operating and financial effects of the acquisition of the Banzai Media Group, under IFRS 3, reflected in the consolidated financial statements of the Mondadori Group from the acquisition date, concurrent to the acquisition of control over the acquired Group.

In accordance with IFRS 3, a final accounting of the acquisition was made.

Income statement impact on 2016 figures from the consolidation of the Banzai Media scope.

Acquisition of Banzai Media (euro/000)	
Revenue from sales and services	**10,375**
Cost of raw materials and consumables	(12)
Cost of services	(5,477)
Cost of personnel	(4,856)
Other income (costs)	(188)
EBITDA	**(158)**
EBIT	**(2,406)**
Net result	**(2,943)**

Comparability of data

In light of the above acquisitions, comparability of data at 31 December 2016 with the corresponding figures of the prior year is not fully consistent.
To offer a clearer picture of balance sheet figures, the contribution of the acquisitions is appropriately shown; as for the income statement, Note 10 presents the details of the contribution of the acquired companies.

11. INFORMATION RELATING TO IFRS 5

As mentioned in Note 10, the authorization issued by the Antitrust Authority on the acquisition of Rizzoli Libri S.p.A. required Mondadori to satisfy certain remedies, including the disposal of the investment in Marsilio Editori S.p.A. and of the Bompiani publishing BU (Trade books).

On 26 July 2016, Mondadori, through the subsidiary Rizzoli Libri S.p.A., completed the disposal to GEM S.r.l. of its entire investment (94.71%) in the share capital of Marsilio Editori S.p.A..
Consideration from the disposal, settled concurrent to the conclusion of the deed of sale, was 8.9 million euro; the transaction resulted in a capital gain of 0.7 million euro, shown in the income statement under "Result from discontinued operations".

On 1 December 2016, Mondadori, through the subsidiary Rizzoli Libri S.p.A., completed the disposal of the Bompiani publishing unit to Giunti Editore S.p.A..
Consideration from the disposal, settled concurrent to the conclusion of the deed of sale, was 16.5 million euro; the income statement impact of the transaction came to an overall 0.3 million euro; the details are found in Note 39 "Result from discontinued operations".

12. INTANGIBLE ASSETS

"Intangible assets" increased versus 2015 and amounted to 59,807 thousand euro, due mainly to the acquisitions made in the year; the contribution to the balance from the acquisitions at end 2016 came to 68,072 thousand euro.

Intangible assets (euro/000)	**31/12/2016**	**31/12/2015**
Intangible assets with finite useful life	200,359	180,605
Intangible assets with indefinite useful life	411,788	371,735
Total intangible assets	**612,147**	**552,340**

Intangible assets with a finite useful life mainly comprise titles published by the Mondadori France Group, such as *Télé Star, Closer, Pleine Vie, Le Chasseur Français,* and *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 the same CGU and the relevant value is amortized over a period of six years.

Intangible assets with finite useful life (euro/000)	**Magazines**	**Customer lists**	**Charges on shop lease contract takeovers**	**Software**	**Licenses, patents and rights**	**Other intangible assets - intangible assets in progress and advances**	**Total**
Cost at 31/12/2014	247,200	8,000	7,443	24,864	1,624	11,428	300,559
Capital expenditures	-	1,684	-	3,340	-	7,601	12,625
Disposals	-	-	-	(160)	-	-	(160)
Change in the consolidation scope	-	-	-	78	(5)	13	86
Other changes	-	-	(67)	(1,786)	(527)	(75)	(2,455)
Cost at 31/12/2015	247,200	9,684	7,376	26,336	1,092	18,967	310,655
Depreciation and impairment loss provision at 31/12/2014	78,692	3,999	7,439	22,484	1,617	5,155	119,386
Amortization, depreciation	7,373	1,333	4	1,707	6	2,726	13,149
Impairment/(reinstatement of value)	-	-	-	-	-	-	0
Disposals	-	-	-	(74)	-	-	(74)
Change in the consolidation scope	-	-	-	28	(5)	12	35
Other changes	-	-	(67)	(1,847)	(527)	(5)	(2,446)
Depreciation and impairment loss provision at 31/12/2015	86,065	5,332	7,376	22,298	1,091	7,888	130,050
Net book value at 31/12/2014	168,508	4,001	4	2,380	7	6,273	181,173
Net book value at 31/12/2015	**161,135**	**4,352**	**0**	**4,038**	**1**	**11,079**	**180,605**

The most significant changes in “Intangible assets with a finite useful life” in 2016 are broken down as follows:

- the acquisition of Rizzoli Libri and Banzai, which increased the net value of software (2,620 thousand euro), patents, licenses and rights (4,513 thousand euro), development costs and other intangible assets (8,361 thousand euro);
- total capital expenditures of 11,204 thousand euro, made mainly by Mondadori Education and Rizzoli Libri for the development of publishing products (5,632 thousand euro and 2,899 thousand euro, respectively), by Mondadori France (1,203 thousand euro) and by other Group companies for the purchase of software.

The impairment test showed no loss in value, therefore, no impairment was recognized; the details appear in the specific section.

Intangible assets with finite useful life (euro/000)	Magazines	Customer lists	Charges on shop lease contract takeovers	Software	Licenses, patents and rights	Other intangible assets - intangible assets in progress and advances	Total
Cost at 31/12/2015	247,200	9,684	7,376	26,336	1,092	18,967	310,655
Capital expenditures	-	-		2,660	303	8,241	11,204
Disposals	-	-	(79)	(2)		-	(81)
Change in the consolidation scope	-	-		3,103	6,436	44,943	54,482
Other changes	-	-		520	14	(3,834)	(3,300)
Cost at 31/12/2016	247,200	9,684	7,297	32,617	7,845	68,317	372,960
Depreciation and impairment loss provision at 31/12/2015	86,065	5,332	7,376	22,298	1,091	7,888	130,050
Amortization, depreciation	7,373	1,754	-	3,025	1,426	9,751	23,329
Impairment/(reinstatement of value)	167	-	-	-	-	-	167
Disposals	-	-	(79)	(2)	-	-	(81)
Change in the consolidation scope	-	-	-	-	804	18,699	19,503
Other changes	-	-	-	(391)	11	13	(367)
Depreciation and impairment loss provision at 31/12/2016	93,605	7,086	7,297	24,930	3,332	36,351	172,601
Net book value at 31/12/2015	161,135	4,352	0	4,038	1	11,079	180,605
Net book value at 31/12/2016	**153,595**	**2,598**	**0**	**7,687**	**4,513**	**31,966**	**200,359**

Intangible assets with indefinite useful life include:
- magazines deriving from the acquisition of the business of Silvio Berlusconi Editore S.p.A., including *TV Sorrisi e Canzoni* and *Chi;*
- series of the Books Area;
- trademarks acquired against payment, including Rizzoli Libri trademarks;
- goodwill, including Rizzoli Libri and Banzai Media goodwill.

Intangible assets with indefinite useful life (euro/000)	Magazines	Series	Trademarks	Radio stations	Goodwill	Total
Cost at 31/12/2014	96,223	31,509	2,763	126,875	463,927	721,297
Capital expenditures	-	-	-	-	2,251	2,251
Disposals	-	-	-	-	-	0
Change in the consolidation scope	-	-	(372)	(126,875)	-	(127,247)
Other changes	-	-	(80)	-	-	(80)
Cost at 31/12/2015	96,223	31,509	2,311	0	466,178	596,221
Impairment loss at 31/12/2014	8,890	-	1,287	79,391	211,309	300,877
Impairment/(reinstatement of value)	-	-	-	-	3,080	3,080
Other changes/disposals	-	-	(80)	(79,391)	-	(79,471)
Impairment loss at 31/12/2015	8,890	0	1,207	0	214,389	224,486
Net book value at 31/12/2014	87,333	31,509	1,476	47,484	252,618	420,420
Net book value at 31/12/2015	**87,333**	**31,509**	**1,104**	**0**	**251,789**	**371,735**

The most significant changes in “Intangible assets with an indefinite useful life” in 2016 are broken down as follows:

- the acquisition of Rizzoli Libri and Banzai, which increased the value of trademarks (19,464 thousand euro) and goodwill (28,245 thousand euro);
- the disposal of Rizzoli Libri’s Bompiani publishing BU, which resulted in the decrease in the value attributed to the trademark and goodwill of this CGU.

Intangible assets with indefinite useful life (euro/000)	**Magazines**	**Series**	**Trademarks**	**Radio stations**	**Goodwill**	**Total**
Cost at 31/12/2015	96,223	31,509	2,311	-	466,178	596,221
Capital expenditures	-	-	-		-	0
Disposals	-	-	(4,909)		(2,746)	(7,655)
Change in the consolidation scope	-	-	19,464		28,245	47,709
Other changes	-	-	-		-	0
Cost at 31/12/2016	96,223	31,509	16,866	0	491,677	636,275
Impairment loss at 31/12/2015	8,890	-	1,207	-	214,389	224,486
Impairment/(reinstatement of value)	-	-	1		-	1
Other changes/disposals	-	-	-		-	0
Impairment loss at 31/12/2016	8,890	0	1,208	0	214,389	224,487
Net book value at 31/12/2015	87,333	31,509	1,104	0	251,789	371,735
Net book value at 31/12/2016	**87,333**	**31,509**	**15,658**	**0**	**277,288**	**411,788**

Amortization, impairment loss and value reinstatement of intangible assets

Amortization, net of the portion attributable to Rizzoli Libri and Banzai Media, equal to 6,961 thousand euro, amounted to 16,368 thousand euro.
The increase of 3,219 thousand euro versus 13,149 thousand euro in 2015 relates mainly to the publishing product development costs of Mondadori Education.

The amortization of “Magazines” and “Customer Lists” solely regards Mondadori France Group activities; the write-down from the impairment test relates to a Mondadori France magazine.

Amortization and impairment loss of intangible assets (euro/000)	**2016**	**2015**
Magazines	7,373	7,373
Customer lists	1,754	1,333
Charges on shop lease contract takeovers	-	4
Software	3,025	1,707
Licenses, patents and rights	1,426	6
Other intangible assets	9,751	2,726
Total amortization of intangible assets	**23,329**	**13,149**
Amortization of intangible assets	168	3,080
Value reinstatement of intangible assets	-	-
Total amortization (value reinstatement) of intangible assets	**168**	**3,080**
Total depreciation and impairment loss of intangible assets	**23,497**	**16,229**

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

Impairment test

Pursuant to IAS 36, assets with an indefinite useful life and goodwill are not subject to amortization but to an impairment test at least once a year or every time there is an indication of impairment.

Assets with a finite useful life are subject to amortization, according to the useful life of each asset, and upon closing assets items are subject to impairment test to verify occurrence of value losses.

In light of the market capitalization at balance sheet date, slightly lower than booked equity, a first level impairment test was carried out on the Cash Generating Units individually, based on the data contained in the corresponding budget plans approved by the Board of Directors on 9 February 2017.

Based on the results of the test, the directors concluded that there was no need to prepare a second-level test.

For the purpose of calculating the recoverable value of assets - whichever is higher between fair value and value in use - the Mondadori Group identified Cash Generating Units, broken down by the sectors in which the Group operates, with values net of impairment losses identified in the year, as shown in the table below:

Cash Generating Unit (euro/000)	**Magazines**	**Trademarks**	**Series**	**Other assets**	**Goodwill**	**Total**
Group of CGU magazines former SBE	83,579				731	84,310
Group of CGU magazines former Elemond	1,647				228	1,875
Einaudi CGU			2,991		286	3,277
Sperling & Kupfer CGU		30	1,817		731	2,578
Education CGU		10,550	18,933		12,042	41,525
Piemme CGU		519	7,768		5,059	13,346
Group of CGU Mondadori France	153,595			1,334	227,961	382,890
Group of CGU former Gruner+Jahr Mondadori		3,319		1,264	2,251	6,834
Trade Books CGU		4,005			1,634	5,639
Digital CGU		12,447		5,683	23,865	41,995
Other CGUs	2,107	626			2,500	5,233
	240,928	**31,496**	**31,509**	**8,281**	**277,288**	**589,502**

Key elements 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	EBITDA PMT 2017-2019	g = 0	6.59%
Group of CGU magazines former Elemond	Value in use	EBITDA PMT 2017-2019	g = 0	6.59%
	Fair value	Revenue PMT 2017-2019	g = 0	6.59%
Einaudi CGU	Value in use	Cash flow PMT 2017-2019	g = 0	6.59%
Sperling & Kupfer CGU	Fair value	Cash flow PMT 2017-2019	g = 0	6.59%
Education CGU	Value in use	Cash flow PMT 2017-2019	g = 0	6.59%
Piemme CGU	Value in use	Cash flow PMT 2017-2019	g = 0	6.59%
Group of CGU Mondadori France	Value in use	EBITDA PMT 2017-2021	g = 0	6.19%
	Fair value	Revenue PMT 2017-2021	g = 0	6.19%
Group of CGU former Gruner+Jahr Mondadori	Value in use	EBITDA PMT 2017-2019	g = 0	6.59%
Trade Books CGU	Value in use	Cash flow PMT 2017-2019	g = 0	6.59%
Digital CGU	Value in use	EBITDA PMT 2017-2019	g = 0	6.59%
Other CGUs	Value in use	EBITDA PMT 2017-2019	g = 0	6.59%

Cash Generating Unit magazines former Silvio Berlusconi Editore

The value of magazines with an indefinite useful life, each of which represents a Cash Generating Unit, refers to the acquisition of 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 2017-2019 three-year period and subsequently approved by the Board of Directors. The abovementioned cash flows were measured based on the current market scenario, also considering uncertainties on growth expectations 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 revenue typical of magazines. The margins from the magazines also include overhead costs and operating costs.

The operating results used for the projections include taxes; the discount rate before taxes, applied to cash flow projections, is 6.59% (6.92% in 2015) 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 concluded that there was no need for impairment on the assets belonging to the Cash Generating Units under review, nor on their goodwill. The book value coverage percentage is equal to approximately 303%.

Cash Generating Unit magazines former Elemond

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 only magazine with a book value is *Interni*.

The recoverable value of the magazine 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 2017-2019 period and subsequently approved by the Board of Directors, considering uncertainties regarding growth expectations in the sector.

Data is derived from the income statement of the magazine, considered representative of the relevant cash flows, taking into account the immediate collection of revenue characterizing magazines. The margins from the magazines also include overhead costs and operating costs.

The operating results used for the projections include taxes; the discount rate before taxes, applied to cash flow projections, is 6.59% (6.92% in 2015) and cash flows beyond the period of analytical projection deriving from medium-term plans, are always assumed as constant (g=0).

The directors also deemed it appropriate to determine the fair value of the individual magazines by applying the royalty method, based on estimated revenue in the medium term of each magazine.

To calculate the fair value, in addition to assumed revenue, the following parameters were taken into account:
- a 6% royalty rate, representing the average rates contracted by the Group with foreign publishers for the international editions of the magazine;
- a residual useful life of 15 years;
- a revenue growth rate, beyond the last year included in the medium-term plan, equal to zero.

After completing the analysis, the directors concluded that there was no need for impairment.

After completing the analysis, the directors concluded that there was no need for impairment on the assets belonging to the Cash Generating Units under review, nor on their goodwill. The book value coverage percentage is equal to approximately 160%.

Einaudi Cash Generating Unit

This Cash Generating Unit includes *Casa Editrice Einaudi* series, acquired indirectly through the transaction completed in more than one instalments between 1989 and 1994 with the Elemond Group.
Considering the changes occurred over time in the structure and in the positioning of the different series of the company acquired, the entire legal entity to which also goodwill acquired upon acquisition is attributed, was considered as cash generating unit 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 2017-2019 three-year period and subsequently approved by the Board of Directors. The abovementioned cash flows were measured based on the current market scenario, also considering uncertainties on growth expectations in the sector.

The cash flows used for the projections include taxes and financial income and costs; the discount rate before taxes, applied to cash flow projections, is 6.59% (6.92% in 2015) 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 concluded that there was no need for impairment on the assets belonging to the Cash Generating Units under review. The book value coverage percentage is equal to approximately 5,400%.

Sperling & Kupfer Cash Generating Unit

This Cash Generating Unit includes the series published by Sperling & Kupfer, a company acquired in 1995. Considering the changes occurred over time in the structure and in the positioning of the different series of the company acquired, the entire legal entity to which also goodwill acquired upon acquisition is attributed, was considered as cash generating unit for the purpose of the impairment test.

The value in use was determined based on the projections of the cash flows deriving from the relevant financial budgets for the 2017-2019 three-year period and subsequently approved by the Board of Directors. The abovementioned cash flows were measured based on the current market scenario, also considering uncertainties on growth expectations in the sector.

The cash flows used for the projections include taxes and financial income and costs; the discount rate before taxes, applied to cash flow projections, is 6.59% (6.92% in 2015) 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 concluded that there was no need for impairment on the assets belonging to the Cash Generating Units under review. The book value coverage percentage is equal to approximately 2,440%.

Mondadori Education Cash Generating Unit

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: some publishers acquired through the Elemond Group transaction between 1989 and 1994 (6,483 thousand euro), the acquisition of the Le Monnier Group between 1999 and 2001 (12,070 thousand euro) and the acquisition of Texto, publisher of school textbooks under the Piemme Scuola trademark, completed in 2004 (380 thousand euro). Goodwill deriving from the abovementioned 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 12,042 thousand euro add up to the afore indicated values.

On 14 April 2016, Mondadori Libri S.p.A. acquired 99.99% of the share capital of RCS Libri S.p.A., renamed Rizzoli Libri S.p.A., publisher of fiction, non-fiction, illustrated books and a variety of genres, as well as school textbooks.

Following completion of the purchase price allocation process, after expressing the assets acquired and liabilities assumed at fair value, the higher price paid was attributed to the trademarks which publish school editions, to the BUR trademark and, for the residual portion, to goodwill.

Given the integration of the operational structures of Mondadori Education and Rizzoli Education, which started a few days after the acquisition, the decision was taken to also bring the values attributed to the Rizzoli trademarks (10,550 thousand euro) under this CGU.

The value of the series and goodwill relating to the Cash Generating Unit coinciding with the entire entity was considered, 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 rationalizing 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 2017-2019 three-year period and subsequently approved by the Board of Directors. The abovementioned cash flows were measured based on the current market scenario, also considering uncertainties on growth expectations in the sector.

The cash flows used for the projections include taxes and financial income and costs; the discount rate before taxes, applied to cash flow projections, is equal to 6.59% (6.92% in 2015) 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 concluded that there was no need for impairment on the assets belonging to the Cash Generating Units under review. The book value coverage percentage is equal to approximately 840%.

Piemme Cash Generating Unit

This Cash Generating Unit includes Casa Editrice Edizioni Piemme series, acquired in more than one tranche between 2003 and 2012.
Upon acquisition, the higher price paid compared to accounting values, had not been considered in relation to the attribution to the single series and publishing lines. As a result, for the purpose of pursuing the decision made at that time, the cash generating unit coincides, for the purpose of impairment test, with the entity to which also goodwill transferred upon acquisition is allocated.

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 2017-2019 three-year period and subsequently approved by the Board of Directors. The abovementioned cash flows were measured based on the current market scenario, also considering uncertainties on growth expectations in the sector.

The cash flows used for the projections include taxes and financial income and costs; the discount rate before taxes, applied to cash flow projections, is 6.59% (6.92% in 2015) 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 concluded that there was no need for impairment on the assets belonging to the Cash Generating Units under review. The book value coverage percentage is equal to approximately 350%.

Mondadori France Cash Generating Unit

In August 2006, Mondadori acquired 100% of 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 have been redefined as separate cash generating units and subjected to amortization based on their useful life estimated in thirty years.

Goodwill, that had been initially allocated proportionately to the clusters, is attributed to the Cash Generating Units, coinciding with the entire French Group.

The recoverable value of the cash generating unit was calculated based on the higher between value in use and fair value. In particular, the recoverable value was measured on the single magazines and then, in order to calculate the recoverable value on goodwill, a second test was performed on the entire French Group.

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 2017-2021 period and subsequently approved by the Board of Directors. The abovementioned cash flows were measured 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 revenue typical of magazines. The margins from the magazines also include overhead costs and operating costs.

The operating results used for the projections include taxes; the discount rate before taxes, applied to cash flow projections, is equal to 6.19% (6.25% in 2015) and cash flows beyond the period of analytical projection deriving from medium-term plans, are always assumed as constant (g=0).

The directors also deemed it appropriate to determine the fair value of the individual magazines by applying the royalty method, based on estimated revenue in the medium term of each magazine.

To calculate the fair value, in addition to assumed revenue, the following parameters were taken into account:

- a royalty rate (ranging from 2% to 9%), measured on each single magazine based on the specific characteristics of the magazine and also based on similar market transactions;
- a residual useful life of 21.5 years, aligned with life defined for the calculation of the value in use;
- a revenue growth rate, beyond the last year included in the medium-term plan, equal to zero.

As for royalty rates used, used also in the prior year, the Group updated them, with the support of independent experts, to verify their compliance with current market conditions.

After completing the analysis, the directors identified the need for impairment of a magazine for the amount of 167 thousand euro.

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 2017-2021 three-year period and for the projection of the relevant cash flows a pre-tax rate equal to 6.19% (6.25% in 2015).

After completing the analysis, the directors concluded that there was no need for impairment.

The book value coverage percentage is equal to approximately 111%.

Cash Generating Unit former Gruner+Jahr Mondadori

Effective as of 1 July 2015, Arnoldo Mondadori Editore S.p.A. acquired control over the entire share capital of Gruner + Jahr Mondadori S.p.A. (now Mondadori Scienza S.p.A), from its previous 50%.
The company is the publisher of several magazines, the most popular including those published under the *Focus* trademark.

Following the acquisition, upon completion of the purchase price allocation process, also supported by the valuation of intangible assets by an independent expert, the greater amount paid, compared to the acquired book values, was attributed to the *Focus* trademark and to the relating subscriber list, and the remaining portion to goodwill.

The assets identified in the purchase price allocation are qualified as having a finite useful life, except for goodwill; the trademark is amortized over twenty years and the subscriber list over four years, starting from 2016.

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 2017-2019 three-year period and subsequently approved by the Board of Directors. The abovementioned cash flows were measured based on the current market scenario, also considering uncertainties on growth expectations 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 revenue typical of magazines. The margins from the magazines also include overhead costs and operating costs.

The operating results used for the projections include taxes; the discount rate before taxes, applied to cash flow projections, is equal to 6.59% (6.92% in 2015) 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 concluded that there was no need for impairment on the assets belonging to the Cash Generating Units under review, nor on their goodwill. The book value coverage percentage is equal to approximately 320%.

Trade Books Cash Generating Unit

On 14 April 2016, Mondadori Libri S.p.A. acquired 99.99% of the share capital of RCS Libri S.p.A., renamed Rizzoli Libri S.p.A., publisher of fiction, non-fiction, illustrated books and a variety of genres, as well as school textbooks.

Following completion of the purchase price allocation process, after expressing the assets acquired and liabilities assumed at fair value, the higher price paid was attributed to the trademarks which publish school editions, to the BUR trademark and, for the residual portion, to goodwill.

This CGU includes the BUR trademark (4,005 thousand euro) and goodwill (1,634 thousand euro).

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 2017-2019 three-year period and subsequently approved by the Board of Directors. The abovementioned cash flows were measured based on the current market scenario, also considering uncertainties on growth expectations in the sector.

The cash flows used for the projections include taxes and financial income and costs; the discount rate before taxes, applied to cash flow projections, is equal to 6.59%, 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 concluded that there was no need for impairment on the assets belonging to the Cash Generating Units under review. The book value coverage percentage is equal to approximately 1,350%.

Digital Cash Generating Unit

On 8 June 2016, Arnoldo Mondadori Editore S.p.A. acquired 100% of the share capital of Banzai Media Holding S.p.A., the leading Italian digital publisher with established brands in the vertical segments of women, food, health & wellness.

Following completion of the purchase price allocation process, after expressing the assets acquired and liabilities assumed at fair value, the higher price paid was attributed to the trademarks, to the proprietary software and, for the residual portion, to goodwill.

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 2017-2019 three-year period and subsequently approved by the Board of Directors. The abovementioned cash flows were measured based on the current market scenario, also considering uncertainties on growth expectations in the sector.

Data is derived from the income statements of the vertical segments, deemed to represent the relating cash flows; the operating results used for the projections include taxes; the discount rate before taxes, applied to cash flow projections, is equal to 6.59% 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 concluded that there was no need for impairment on the assets belonging to the Cash Generating Unit under review, nor on its goodwill. The book value coverage percentage is equal to approximately 138%.

Other Cash Generating Units

This group of Cash Generating Units includes the values of residual assets.
These assets include the value of the Mondolibri S.p.A. bookclub member database, 50% of which was acquired in 2010, for a total of 2,500 thousand euro, as well as the Grazia China trademark regarding the local editions of the weekly.

The recoverable value of the cash generating unit was calculated based on the higher between value in use and fair value.

Data used to calculate the value in use are: pre-tax results included in the medium-term plan for the 2016-2018 three-year period; pre-tax discount rate equal to 6.59% (6.92% in 2015), growth factor applied to data in addition to those indicated in the plan, equal to zero (g=0).

After completing the analysis, the directors concluded that there was no need for impairment on the assets belonging to the Cash Generating Units under review.
The book value coverage percentage is equal to approximately 775% for bookclubs and 3,500% for the Grazia China trademark.

Determination of the rate

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, 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.

The individual parameters that contribute to the determination of WACC are the following:

- cost of equity (ke) is quantified based on the model of CAPM (Capital Asset Pricing Model) as also requested in 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 and the difference between the market performance (mp) and risk free (equity risk premium), determined 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 properly quantify the level of risk included in the Company's cash flows. The risk free rate was determined 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 pure risk free, but it includes a premium for the country risk, which is consequently considered and included in the model. This quantification considers also any market data affected by marked market speculations. The beta coefficient was calculated by considering the normalized average of market unlevered betas of a panel of comparable companies. The equity risk premium was assumed equal to 5.69% (source: Damodaran, January 2017);
- 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 equity and third party equity was calculated based on the market normalized average of a panel of comparable companies.

Based on the above parameters it was possible to determine the WACC by individual Cash Generating Unit/country.
The discounting rate obtained is an amount net of taxes and, therefore, it was subject to conversion to include taxes as specifically requested by IAS 36.55.

Sensitivity to changes in the assumptions

A sensitivity analysis was performed on the discounting rate and the growth rate, equal to zero in the impairment test.

No sensitivity analysis was performed on future cash flows, as they were considered reasonable and achievable, deeming to be able to represent possible execution risks in the discounting rate analysis.

The findings of this analysis confirmed that the results obtained are reasonable and, consequently, confirmed the recoverability of the book values recognized in these financial statements.

13. PROPERTY INVESTMENTS

Values of non-instrumental property owned by the Mondadori Group, the most important part of which regards the Sporting di Verona property.

Property investments (euro/000)	**Land**	**Non-instrumental buildings**	**Total**
Cost at 31/12/2014	976	4,008	4,984
Capital expenditures	-	-	0
Disposals	-	-	0
Other changes	-	-	0
Cost at 31/12/2015	976	4,008	4,984
Depreciation and impairment losses at 31/12/2014	-	1,851	1,851
Amortization, depreciation	-	105	105
Impairment/(reinstatement of value)	-	-	0
Disposals	-	-	0
Other changes	-	-	0
Depreciation and impairment losses at 31/12/2015	0	1,956	1,956
Net book value at 31/12/2014	976	2,157	3,133
Net book value at 31/12/2015	**976**	**2,052**	**3,028**

The changes in 2016 are attributable to expenses of 14 thousand euro and to amortization and depreciation amounting to 105 thousand euro.

Property investments (euro/000)	**Land**	**Non-instrumental buildings**	**Total**
Cost at 31/12/2015	976	4,008	4,984
Capital expenditures	-	14	14
Disposals	-	-	0
Other changes	-	-	0
Cost at 31/12/2016	976	4,022	4,998
Depreciation and impairment losses at 31/12/2015	-	1,956	1,956
Amortization, depreciation	-	105	105
Impairment/(reinstatement of value)	-	-	0
Disposals	-	-	0
Other changes	-	-	0
Depreciation and impairment losses at 31/12/2016	0	2,061	2,061
Net book value at 31/12/2015	976	2,052	3,028
Net book value at 31/12/2016	**976**	**1,961**	**2,937**

The fair value of property investments at 31 December 2016 is estimated not to be lower than the net book value.

The use of the assets classified under property investments was not subject to any lien or restriction.

14. PROPERTY, PLANT AND EQUIPMENT

The net value of “Property, plant and equipment” increased by 2,180 thousand euro; considering the value attributable to Rizzoli Libri, amounting to 5,318 thousand euro, the value, on a like-for-like basis, would have dropped by 3,138 thousand euro.

The acquisitions mainly contributed furniture, furnishings and expenses recently incurred to reorganize the library locations (Milan and New York).

Capital expenditures in the year regarded the Retail Area (3,349 thousand euro), Mondadori France (574 thousand euro) and other operating units of the Group, for the purchase of furniture, furnishings, office machines and plant.

Disposals, amounting to a residual 77 thousand euro, concerned almost fully depreciated assets.

The table below shows a breakdown of “Property, plant and equipment” in 2015 and 2016:

Property, plant and equipment (euro/000)	**Land**	**Instrumental buildings**	**Plant and equipment**	**Other assets**	**Total**
Cost at 31/12/2014	1,434	19,728	42,236	112,667	176,065
Capital expenditures	-	-	1,193	4,743	5,936
Disposals	-	(3,276)	(849)	(1,262)	(5,387)
Change in the consolidation scope	(321)	(1,490)	(24)	(15,002)	(16,837)
Other changes	-	-	1,750	(4,888)	(3,138)
Cost at 31/12/2015	1,113	14,962	44,306	96,258	156,639
Depreciation and impairment losses at 31/12/2014	-	13,267	33,383	95,480	142,130
Amortization, depreciation	-	529	2,661	3,567	6,757
Impairment/(reinstatement of value)	-	-	-	-	0
Disposals	-	(3,139)	(762)	(1,247)	(5,148)
Change in the consolidation scope	-	(614)	(4)	(11,536)	(12,154)
Other changes	-	-	-	(3,154)	(3,154)
Depreciation and impairment losses at 31/12/2015	0	10,043	35,278	83,110	128,431
Net book value at 31/12/2014	1,434	6,461	8,853	17,187	33,935
Net book value at 31/12/2015	**1,113**	**4,919**	**9,028**	**13,148**	**28,208**

Property, plant and equipment (euro/000)	**Land**	**Instrumental buildings**	**Plant and equipment**	**Other assets**	**Total**
Cost at 31/12/2015	1,113	14,962	44,306	96,258	156,639
Capital expenditures	-	4	1,108	4,105	5,217
Disposals	-	(439)	(437)	(2,725)	(3,601)
Change in the consolidation scope	-	-	1,394	10,005	11,399
Other changes	-	(30)	(866)	(672)	(1,568)
Cost at 31/12/2016	1,113	14,497	45,505	106,971	168,086
Depreciation and impairment losses at 31/12/2015	-	10,043	35,278	83,110	128,431
Amortization, depreciation	-	384	2,605	4,239	7,228
Impairment/(reinstatement of value)	-	-	9	1,185	1,194
Disposals	-	(439)	(408)	(2,677)	(3,524)
Change in the consolidation scope	-	-	1,380	4,696	6,076
Other changes	-	(29)	(1,311)	(367)	(1,707)
Depreciation and impairment losses at 31/12/2016	0	9,959	37,553	90,186	137,698
Net book value at 31/12/2015	1,113	4,919	9,028	13,148	28,208
Net book value at 31/12/2016	**1,113**	**4,538**	**7,952**	**16,785**	**30,388**

“Other tangible assets” is broken down as follows:

Other tangible assets (euro/000)	31/12/2016	31/12/2015
Industrial and commercial equipment	873	471
Electronic office equipment	2,279	1,815
Office furniture, and machines	5,833	5,083
Motor vehicles and transport vehicles	4	2
Leasehold improvements	7,163	4,373
Other assets	22	25
Assets under construction and advances	611	1,379
Total other tangible assets	**16,785**	**13,148**

Depreciation of property, plant and equipment

Depreciation, net of the portion attributable to acquisitions made in the year, amounted to 6,595 thousand euro, down versus 2015; in addition to depreciation, a write-down of 1,194 thousand euro was made on tangible assets related to a store under the Retail Area, which closed in early 2017.

Depreciation of property, plant and equipment (euro/000)	2016	2015
Instrumental buildings	384	529
Plant and equipment	2,605	2,661
Equipment	161	152
Electronic office equipment	1,266	1,160
Office furniture	1,524	1,364
Motor vehicles and transport vehicles	2	3
Leasehold improvements	1,280	880
Other assets	6	8
Total depreciation of property, plant and equipment	**7,228**	**6,757**
Depreciation of tangible assets	1,194	-
Value reinstatement of tangible assets	-	-
Total depreciation (reinstatement of value) of tangible assets	**1,194**	**0**
Total depreciation and impairment loss on tangible assets	**8,422**	**6,757**

Leased assets

There are currently no leasing contracts in place; in the previous years some assets were redeemed, the most relevant being a warehouse property close to Casale Monferrato.

15. EQUITY INVESTMENTS

"Investments booked at equity" and "Investments in other companies" amounted to 42,991 thousand euro.

Investments (euro/000)	**31/12/2016**	**31/12/2015**
Investments booked at equity	42,538	44,457
Investments in other companies	453	443
Total investments	**42,991**	**44,900**

2016 was marked mainly by:

- the disposal of the investment in the Mondadori Independent Media LLC joint venture, which resulted in a decrease in the value of investments of 554 thousand euro, a loss of 98 thousand euro and the recognition of a negative result of 4 thousand euro from 1 January to the disposal date.
- the contribution from the acquisitions of Rizzoli Libri and Banzai Media, for a book value of 1,041 thousand euro and 87 thousand euro, respectively;
- the disposal of Edigita S.r.l., which resulted in a decrease in the value of investments of 333 thousand euro, a loss of 42 thousand euro and the recognition of a positive result of 86 thousand euro from 1 January to the disposal date;
- recognition of the impairment loss of 2 million euro relating to Attica Publications.

Dividends received by the Group in 2016 (639 thousand euro) were paid out by Edizioni EL S.r.l. (589 thousand euro) and Edigita S.r.l. (50 thousand euro).

The pro-rata results in the year of the companies booked at equity came to a positive 2,871 thousand euro and to a negative 2,243 thousand euro; Note 36 shows details broken down by company.

Equity investments - Investments booked at equity (euro/000)	**Net value**
Balance at 31/12/2014	**39,201**
Changes in 2015:	
- purchases and changes in consolidation scope	5,653
- changes in consolidation method	7,700
- disposals and other changes	(4,589)
- revaluations	3,513
- write-down	(1,938)
- impairment	(4,000)
- dividends	(1,083)
Balance at 31/12/2015	**44,457**
Changes in 2016:	
- purchases and changes in consolidation scope	1,128
- changes in consolidation method	
- disposals and other changes	(1,036)
- revaluations	2,871
- write-down	(2,243)
- impairment	(2,000)
- dividends	(639)
Balance at 31/12/2016	**42,538**

Investments valued at equity - Details (euro/000)	**31/12/2016**	**31/12/2015**
Investments in joint ventures:		
- Skira Rizzoli Publication Inc.	240	-
- Gold 5 S.r.l.	78	-
- Edizioni EL S.r.l.	3,317	3,298
- Attica Publications Group	13,625	15,575
- Mediamond S.p.A.	2,104	2,042
- Mondadori Independent Media LLC	-	528
- Mondadori Seec Advertising Co. Ltd	5,717	4,445
Total investments in joint ventures	**25,081**	**25,888**
Investments in associates:		
- Monradio S.r.l.	7,978	8,993
- Mach 2 Libri S.p.A.	1,902	2,120
- GD Media Service S.r.l.	-	182
- Società Europea di Edizioni S.p.A.	7,488	7,189
- Venezia Accademia Società per i servizi museali S.c.ar.l.	52	52
- Campania Arte S.c.ar.l.	23	23
- Consorzio Covar	-	2
- Consorzio Forma	-	1
- Consorzio Scuola Digitale	14	7
Total investments in associates	**17,457**	**18,569**
Total investments booked at equity	**42,538**	**44,457**

Equity investments in other companies

The value of "Investments in other companies" increased by 10 thousand euro, due to the subscription of shares of the French company CTAV, active in magazine distribution.

Equity investments - Investments in other companies (euro/000)	**Net value**
Balance at 31/12/2014	443
Changes in 2015:	
- purchases and changes in consolidation scope	96
- disposals and other changes	(96)
- changes in consolidation method	-
- write-down	-
- impairment	-
Balance at 31/12/2015	**443**
Changes in 2016:	
- purchases and changes in consolidation scope	10
- disposals and other changes	-
- changes in consolidation method	-
- write-down	-
- impairment	-
Balance at 31/12/2016	**453**

"Investments in other companies":

Investments in other companies - Details (euro/000)	**31/12/2016**	**31/12/2015**
Investments in other companies:		
- Milano Distribuzione Media S.r.l.	164	164
- Società Editrice Il Mulino S.p.A.	197	197
- Consuledit S.r.l.	1	1
- Consorzio Sistemi Informativi Editoriali Distributivi	10	10
- Immobiliare Editori Giornali S.r.l.	52	52
- Consorzio Edicola Italiana	10	10
- CTAV	16	6
- Sem Issy Media	3	3
Total investments in other companies	**453**	**443**

Impairment test

The Mondadori Group measures the value in use in order to verify the recoverable value of equity investments; when in determining this value an impairment loss is identified, before proceeding with devaluation, the fair value is calculated after having deducted the estimated cost of disposal.

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 respective companies were used, as integrating part of the medium-term Plan, approved by the Mondadori Board of Directors on 9 February 2017.

The expected cash flows of each individual investment was discounted based on WACC differentiated by country:
• for Italian subsidiaries the rate applied was 6.59%;
• for French subsidiaries the rate applied was 6.19%;
• for the investment in the Attica Group, the rate applied was 13.01%.

For the Italian and French subsidiaries, the growth rate on the terminal value was kept equal to zero (g = 0); for Attica growth rates in the range from zero to 3% were taken into account (g comprised between 0 and 3%) in order to account for the differences between businesses and the geographic areas in which the Group operates.

The performance of the impairment test required the write-down for 2 million euro solely of the investment in the Attica Group.
The book value coverage percentage is equal to approximately 100%.

16. PRE-PAID TAX ASSETS AND DEFERRED TAX LIABILITIES

"Pre-paid tax assets" increased by 19,136 thousand euro, while "Deferred tax liabilities" increased by 7,059 thousand euro; both items were affected by the change in the consolidation scope, by 25,960 thousand euro and 10,819 thousand euro, respectively.

(euro/000)	31/12/2016	31/12/2015
IRES on tax losses	19,161	21,985
Pre-paid IRES	57,783	38,221
Pre-paid IRAP	4,268	1,870
Total pre-paid tax assets	**81,212**	**62,076**
Deferred IRES	69,616	64,275
Deferred IRAP	5,412	3,694
Total deferred tax liabilities	**75,028**	**67,969**

Specifically:
• "IRES on tax losses", amounting to 19,161 thousand euro, dropped by 2,824 thousand euro versus 31 December 2015. The drop is explained by the decrease of 3,584 thousand euro from the deduction of prior-years' tax losses from the 2016 taxable income, generated in the scope of the companies participating in the tax consolidation scheme with Fininvest S.p.A. as the consolidating entity; the difference up to the amount of the balance is ascribable to the tax losses of Rizzoli Libri S.p.A.
The directors believe that the amounts recognized are fully recoverable, considering:
- the possibility of a pre-deduction of up to 80% of the Group's prior-years' tax losses from taxable income, in accordance with the agreement governing relations with the consolidating entity Fininvest S.p.A.;
- the right to carry forward tax losses without time restrictions;
- the projections made in the 2017-2019 three-year Plan approved by the Board of Directors and the prepared tax planning documents;
• "Other prepaid tax assets" (IRES and IRAP), net of the contribution of the acquired companies in the year, decreased by 1,440 thousand euro, as a result of the normal movements of provisions subject to taxation.

Temporary differences that led to the recognition of pre-paid taxes

(euro/000)	31/12/2016			31/12/2015		
	Amount of temporary differences	Current tax rate	Pre-paid taxes	Amount of temporary differences	Current tax rate	Pre-paid taxes
Differences between book and tax value of intangible assets	5,491	(*)	1,318	2,871	(*)	660
Difference between book and tax value of property investments and investments in property, plant and equipment	4,078	(*)	874	1,584	(*)	380
Provision for bad debt	29,098	(*)	7,347	26,874	(*)	6,675
Depreciation of inventory	26,717	(*)	7,120	14,197	(*)	3,412
Provision for advances to authors	63,039	(*)	15,235	22,979	(*)	5,519
Provisions	59,433	(*)	14,416	52,299	(*)	12,713
Post-employment benefits	15,312	(*)	4,727	11,233	(*)	3,595
Elimination of intercompany income	11,500	(*)	2,760	10,016	(*)	2,404
Other temporary differences	13,162	(*)	3,986	10,335	(*)	2,863
Total for IRES purposes	**227,830**		**57,783**	**152,388**		**38,221**
Differences between book and tax value of intangible assets	8,345	(*)	327	6,949	(*)	271
Difference between book and tax value of property investments and investments in property, plant and equipment	1,357	(*)	54	487	(*)	19
Depreciation of inventory	18,586	(*)	721	12,641	(*)	493
Provision for advances to authors	52,676	(*)	2,055	10,641	(*)	415
Provisions	9,684	(*)	380	3,010	(*)	117
Post-employment benefits	4,373	(*)	170	2,923	(*)	114
Elimination of intercompany income	11,500	(*)	449	10,016	(*)	391
Other temporary differences	2,521	(*)	112	1,282	(*)	50
Total for IRAP purposes	**109,042**		**4,268**	**47,949**		**1,870**

(*) 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 the distribution of the tax base by region

"Deferred tax liabilities", net of the contribution from the companies acquired in the year, decreased by 3,760 thousand euro, due mainly to the amortization of Mondadori France magazines.

Temporary differences that led to the recognition of deferred taxes

(euro/000)	31/12/2016			31/12/2015		
	Amount of temporary differences	**Current tax rate**	**Deferred taxes**	**Amount of temporary differences**	**Current tax rate**	**Deferred taxes**
Capital gains in instalments	-	(*)	-	-	(*)	-
Differences between book and tax value of intangible assets	285,465	(*)	68,626	219,226	(*)	63,529
Difference between book and tax value of property investments and investments in property, plant and equipment	1,516	(*)	441	2,003	(*)	481
Post-employment benefits	2,159	(*)	515	613	(*)	148
Other temporary differences	120	(*)	34	427	(*)	117
Total for IRES purposes	**289,260**		**69,616**	**222,269**		**64,275**
Capital gains in instalments	-	(*)	-	-	(*)	-
Differences between book and tax value of intangible assets	136,627	(*)	5,340	92,682	(*)	3,615
Difference between book and tax value of property investments and investments in property, plant and equipment	1,229	(*)	61	1,627	(*)	63
Post-employment benefits	297	(*)	11	403	(*)	16
Other temporary differences	-	(*)	-	-	(*)	-
Total for IRAP purposes	**138,153**		**5,412**	**94,712**		**3,694**

(*) 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 the distribution of the tax base by region

It should be noted that no deferred taxes were allocated for undistributed income of subsidiaries and associates.

17. OTHER NON-CURRENT ASSETS

“Other non-current assets”, amounting to 3,333 thousand euro, increased by 1,867 thousand euro versus 31 December 2015, due to the acquisition of Rizzoli Libri and Banzai Media (2,062 thousand euro).
Deposits for leases and guarantees for commitments undertaken with Public Entities for the organization of exhibitions and events, were in line with the prior year; “Other” includes receivables from supplementary pension agreements with Rizzoli International Publishing.

Other non-current assets (euro/000)	**31/12/2016**	**31/12/2015**
Guarantee deposits	1,358	1,348
Confirmation deposits	-	2
Other	1,975	116
Total other non-current assets	**3,333**	**1,466**

18. TAX RECEIVABLES AND PAYABLES

Tax receivables (euro/000)	31/12/2016	31/12/2015
Receivables due from the Inland Revenue for IRAP	1,631	1,764
Receivables due from the Inland Revenue for IRES	947	212
Receivables due from Fininvest for IRES	5,905	6,107
Receivables from the Inland Revenue for VAT, direct taxes to recover and advances on disputes	21,953	31,731
Total tax receivables	**30,436**	**39,814**

"Tax receivables" at 31 December 2016 decreased by 9,378 thousand euro, despite the contribution of 4,032 thousand euro from the companies acquired in the year:

- the IRAP tax receivable (1,631 thousand euro) was basically in line with the figure at 31 December 2015, and corresponds to the amount of advance payments. 763 thousand euro refers to the companies acquired in the year;
- "Receivables due from the Inland Revenue Office for IRES" increased (735 thousand euro), due mainly to Rizzoli Libri S.p.A. (383 thousand euro), and to the French subsidiaries (258 thousand euro);
- "Receivables due from Fininvest for IRES" dropped by 202 thousand euro and included:
  - IRES amount to be recovered following the partial deductibility of IRAP for the 2005-2007 and 2007-2011 periods. The relevant application forms for reimbursement were filed in 2008 and 2013 respectively (5,750 thousand euro);
  - withholdings paid for 155 thousand euro;
- "Receivables from the Inland Revenue Office for VAT, direct taxes to recover and advances on disputes" dropped sharply (9,778 thousand euro). due mainly to:
  - the reduction in VAT receivables of 13,412 thousand euro, following the transfer without recourse to a major bank. Specifically, the transfer regarded 2014 receivables (10,476 thousand euro) and 2015 receivables (2,936 thousand euro);
  - an increase by 4,249 thousand euro attributable to the VAT receivable of Rizzoli Libri S.p.A. (2,775 thousand euro, of which 1,274 thousand euro for VAT subject to reimbursement in the third quarter of 2016, and 1,453 thousand euro for VAT reimbursement in 2016) and to the VAT receivable from the consolidating entity Fininvest (1,474 thousand euro).

  This item included:
  - the VAT receivable due from the Inland Revenue Office carried forward (5,137 thousand euro), which includes 1,453 thousand euro subject to reimbursement at the time of submission of the 2016 VAT return, and the VAT receivable relating to Mondadori France for 2,490 thousand euro (2,878 thousand euro at 31 December 2015);
  - VAT receivable due to Fininvest S.p.A., whose tax consolidation regime became effective for Mondadori Group companies on 1 January 2014, for 4,153 thousand euro (2,679 thousand euro at 31 December 2015);
  - receivables for tax disputes for a total of 11,280 thousand euro. The amounts referred to the payment of some tax demands received by Group companies in relation to pending tax disputes. Following tax audits by the Finance Police, a few reports were made on a number of companies:
    - Arnoldo Mondadori Editore S.p.A. for the 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 IRPEF amounts for a total of 186 thousand euro 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:

- for the tax assessments relating to 1996 and 1998, the Provincial Tax Commission rejected the appeal filed by the Company. An appeal has been filed before the Regional Tax Commission against this decision;
- the tax assessment relating 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.

- Arnoldo Mondadori Editore S.p.A. for the year 2004, the Central Division of the Lombardy Region submitted findings relating 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 999 thousand euro, plus applicable ancillary charges; against such assessment proceedings have been filed with the Court of Cassation;
- Arnoldo Mondadori Editore S.p.A. for the year 2005, the Central Division of the Lombardy Region challenged the omitted payment of a 12.50% withholding tax for a total of 3,051 thousand euro plus applicable ancillary charges by means of a tax assessment, in relation to interest paid on a bond loan stated in 2004. Against such assessment, an appeal is currently pending before the Court of Cassation;
- Mondadori Retail S.p.A. received tax assessments for IRES, IRAP and VAT relating to the 2003-2006 tax years. All these tax assessments have been challenged before the Provincial Tax Commission, which accepted the appeals. The Office filed an appeal before the Regional Tax Commission, which confirmed the first instance ruling, annulling the contested acts. The Office filed an appeal before the Court of Cassation after receiving cancellation of all assessment notices from the Regional Tax Commission;
- as for Giulio Einaudi editore S.p.A. the years from 2005 to 2009 are yet still pending; all tax assessments relating to these years have been challenged before the Provincial Tax Commission, which issued a resolution accepting the appeals filed by Einaudi on 25 September 2014. The Inland Revenue Office filed an appeal before the Regional Tax Commission, and the Company filed an appearance in the judgment currently pending on appeal. On 4 May 2015, the Regional Tax Commission of Rome filed a decision by which it accepted the appeal against the second level notice on the same issues pending on the 2006 fiscal year. The Latium Revenue Agency filed an appeal to also overturn the decision: the Company filed an appearance in the judgment currently pending on appeal. Following the outcome of the appeal filed by the Inland Revenue Office before the Court of Cassation against the second instance rulings that confirmed the annulment of the payment notices of the stamp duty of the years 2005, 2006, and 2007, the Supreme Court referred the case to the Regional Tax Commission of Piedmont. The Company will see to reinstating the case within the time limits of law.

Income tax payables (euro/000)	**31/12/2016**	**31/12/2015**
Payables due to the Inland Revenue for IRAP	431	303
Payables due to the Inland Revenue for IRES	1,175	378
Payables due to Fininvest for IRES	182	4,765
Total income tax payables	**1,788**	**5,446**

“Income tax payables” decreased by 3,658 thousand euro, despite the contribution of 1,098 thousand euro from Rizzoli Libri and Banzai Media:

- the increase in payables due to the Inland Revenue Office refers, for 1,098 thousand euro, to Rizzoli International Publications Inc., which does not take part in the tax consolidation scheme of Fininvest S.p.A.;
- payables due to Fininvest S.p.A. decreased as a result of the recovery of deferred tax assets on prior-years’ tax losses of 5,384 thousand euro.

19. OTHER CURRENT ASSETS

“Other current assets” increased (16,360 thousand euro), as a result of the acquisition of Rizzoli Libri S.p.A., which contributed 16,239 thousand euro.

Specifically:

- receivables for advances to authors, net of the adjustment provision, on a like-for-like basis, increased by 1,578 thousand euro;
- the reduction in prepayments is ascribable to the interruption of the distribution service for the publications of the publisher Harlequin Mondadori, effective from 1 January 2016. At 31 December 2015, the item included the amounts of copies already purchased, but not yet distributed.

Other current assets (euro/000)	**31/12/2016**	**31/12/2015**
Receivables due from agents	680	518
Receivables due from authors and employees	137,184	83,798
Provision for advances to authors	(74,427)	(34,024)
Receivables due from suppliers	7,013	5,079
Receivables due from personnel	642	692
Receivables due from social security institutions	2,225	2,176
Receivables for guarantee deposits	292	415
Other receivables due from associates	202	42
Prepayments	1,045	2,995
Other	19,154	15,959
Total other current assets	**94,010**	**77,650**

20. INVENTORY

“Inventory” increased by 35,216 thousand euro versus 31 December 2015, considering the amount of 36,741 thousand euro from the Rizzoli Libri Group; on a like-for-like basis, the item would have dropped by 1,525 thousand euro.

Inventory (euro/000)	31/12/2016	31/12/2015
Raw and ancillary materials and consumables	12,946	11,052
Depreciation of raw and ancillary materials and consumables	(1,159)	(588)
Total raw and ancillary materials and consumables	**11,787**	**10,464**
Work in progress and semi-finished goods	16,501	12,422
Depreciation of work in progress and semi-finished goods	(1,865)	(1,435)
Total work in progress and semi-finished goods	**14,636**	**10,987**
Contract work in progress	2,567	2,487
Depreciation of contract work in progress	(43)	(66)
Total contract work in progress	**2,524**	**2,421**
Finished products and goods	154,235	98,701
Depreciation of finished products and goods	(39,745)	(14,352)
Total finished products and goods	**114,490**	**84,349**
Advances	-	-
Total inventory	**143,437**	**108,221**

“Raw and ancillary materials and consumables”, amounting to 11,787 thousand euro, net of the value from Rizzoli Libri (2,235 thousand euro), decreased by 912 thousand euro, due basically to Magazines Italy.

“Work in progress and semi-finished products”, amounting to 14,636 thousand euro, net of the value from Rizzoli Libri (4,921 thousand euro), decreased by 1,272 thousand euro, due basically to Magazines Italy.

“Finished products and goods”, amounting to 114,490 thousand euro, net of the value from Rizzoli Libri (29,585 thousand euro), decreased by 556 thousand euro.
The value of stocks in the Retail Area and in the Educational Books Area decreased, while the same value in the Trade Books Area increased.
The value of the inventory of products intended for sale includes books produced by the Group, third-party publishers’ books purchased for re-sale in the Retail sector and merchandising, paper processing and gifts.

Inventory depreciation was calculated separately and analytically for each Group company, taking into account finished product marketability, any failed revenue generation from orders in progress and semi-finished products, and deterioration of raw materials.

Inventory - Depreciation (euro/000)	Raw materials	Work in progress and semi-finished products	Contract work in progress	Finished products and goods
Balance at 31/12/2014	225	1,232	102	14,307
Changes in the year:				
- provisions	476	111	114	5,349
- utilizations	(178)	-	(150)	(5,652)
- other changes	65	92	-	348
Balance at 31/12/2015	**588**	**1,435**	**66**	**14,352**
Changes in the year:				
- provisions	339	42	-	-
- utilizations	(131)	-	(23)	(4,921)
- other changes	363	388	-	30,314
Balance at 31/12/2016	**1,159**	**1,865**	**43**	**39,745**

No inventory is subject to restriction to cover liabilities.

Decrease (increase) in inventory

The economic effects resulting from the changes in inventory and the provisions for their value adjustments are detailed below.

Decrease (increase) in inventory (euro/000)	2016	2015
Changes in finished products and goods	13,700	(295)
Provision for finished products and goods	(287)	5,349
Utilization of the provision for finished products and goods	(4,634)	(5,652)
Total changes in inventory of finished products and goods	**8,779**	**(598)**
Changes in work in progress and semi-finished products	1,135	1,369
Provision for work in progress and semi-finished products	42	111
Utilization of the provision for work in progress and semi-finished products	-	-
Total changes in work in progress and semi-finished products	**1,177**	**1,480**
Changes for contract work in progress	(81)	184
Provision for contract work in progress		114
Utilization of the provision for contract work in progress	(23)	(150)
Total changes in contract work in progress	**(104)**	**148**
Changes in raw and ancillary materials and consumables	1,701	(899)
Provision for raw and ancillary materials and consumables	339	476
Utilization of the provision for raw and ancillary materials and consumables	(131)	(178)
Total changes in inventory of raw and ancillary materials and consumables	**1,909**	**(601)**
Total decrease (increase) in inventory	**11,761**	**429**

21. TRADE RECEIVABLES

Trade receivables (euro/000)	31/12/2016	31/12/2015
Trade receivables	245,296	202,254
Receivables due from associates	54,563	39,481
Receivables due from parent companies	3	4
Receivables due from affiliates	276	382
Total trade receivables	**300,138**	**242,121**

"Trade receivables" increased by 58,017 thousand euro: on a like-for-like basis, net of the contribution of Rizzoli Libri and Banzai Media, amounting to 67,441 thousand euro, exposure towards customers would have decreased by an overall 9,424 thousand euro.

The performance is explained by the revenue trend, down by 2.9% on a like-for-like basis, and by the collection of certain significant receivables accrued in prior years.

"Receivables due from associates" refers mainly to Mediamond S.p.A. for the advertising business performed for the Magazines Area and for Banzai Media, and to Mach 2 Libri S.p.A. for book distribution by large retailers. Receivables due from associates, parent companies and affiliates are detailed in Annex "Transactions with related parties"; transactions with related parties are carried out under normal market conditions.

"Customers - returns to receive", amounting to 161,061 thousand euro, increased due to the contribution of Rizzoli Libri (21,834 thousand euro) and to the higher amount attributable to the Trade Books Area.
The values of the Magazines Area, both in Italy and France, were in line with 2015.

Trade receivables - Receivables from customers (euro/000)	31/12/2016	31/12/2015
Trade receivables	445,374	374,055
Customers – returns to receive	(161,061)	(131,635)
Provision for bad debt	(39,017)	(40,166)
Total receivables from customers	**245,296**	**202,254**

There were no trade receivables due over five years.

With reference to the provision for bad debt, it should be noted that for each Group company, an accurate analysis is performed of each individual debt item position, considering also the customer solvency rating.

Movements in the year in the provision for bad debt, on a like-for-like basis, showed a net decrease. The downward movement is ascribable to the release of part of the provision allocated in prior years to cover probable estimated loss from instalment clients, Public Administration or public-owned companies, the amounts of which were collected in 2016, or related to which the risk of bad debts has either diminished or no longer exists.

Trade receivables - Receivables from customers - Bad debt provision (euro/000)	**31/12/2016**	**31/12/2015**
Balance at beginning of year	40,166	35,550
Changes in the year:		
- provisions	8,171	9,168
- utilizations	(14,192)	(8,757)
- changes in the consolidation scope and other changes	4,872	4,205
Total bad debt provision	**39,017**	**40,166**

22. FINANCIAL ASSETS

"Non-current financial assets", equal to 267 thousand euro, included amounts coming due over 12 months towards third parties relating to Mondadori Magazines France S.a.s.

Non-current financial assets (euro/000)	**31/12/2016**	**31/12/2015**
Financial receivables due from associates	-	-
Financial receivables	267	293
Financial assets at fair value with adjustments recognized under income statement	-	-
Held-for-sale financial assets	-	-
Assets from derivative instruments	-	-
Total non-current financial assets	**267**	**293**

"Other current financial assets", amounting to 3,382 thousand euro, mainly includes:
- the credit positions on current accounts held by the Parent Company with a number of associates;
- the loan of 500 thousand euro granted to Attica Pubblications;
- the loans to Campania Arte S.c.ar.l. and Venezia Accademia S.c.ar.l., amounting to 132 thousand euro;
- receivables generated by receipts from ticket offices at the sites of the Special Superintendence for the Colosseum, the National Museum of Rome, and the Archaeological Area of Rome, due from the companies managing the service.

Other current financial assets (euro/000)	**31/12/2016**	**31/12/2015**
Financial receivables due from customers	71	-
Financial receivables due from associates	692	1,037
Financial receivables due from parent company	-	-
Financial receivables due from affiliates	-	-
Financial receivables due from others	2,617	1,663
Total financial receivables	**3,380**	**2,700**
Financial assets at fair value with adjustments recognized under income statement	-	-
Held-for-sale financial assets	2	-
Assets from derivative instruments	-	-
Total other current financial assets	**3,382**	**2,700**

Assets and liabilities resulting from derivative instruments

Assets and liabilities in derivative instruments - Details (euro/000)	**Type of derivative instrument**	**Fair value at 31/12/2016**	**Fair value at 31/12/2015**
Non-current financial assets (liabilities)			
- Rate derivatives	Cash flow hedge	(1,616)	(39)
Current financial assets (liabilities)			
- Currency derivatives	Trading	-	-

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.

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 referred to exchange risk management, which is not present in the Group's financial statements at 31 December 2016.

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. 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 quarterly basis.

At 31 December 2016, five transactions were in place to hedge the existing interest rate risk (with BNP Paribas, BPM, Intesa Sanpaolo, Mediobanca and UniCredit), applying to the A1 Term Loan Tranche of the new amortizing pool loan contract concluded in December 2015, coming to maturity in December 2020 for a total notional amount of 145.9 million euro and an average rate of 0.157%.

The table below shows the hedge impact on income statement and equity:

Cash flow hedge reserve (euro/000)	31/12/2016	31/12/2015
Initial balance gross of the tax impact	(3,750)	(4,350)
Amount recognized in the year	1,405	1,232
Amount endorsed from reserve and recognized under income statement:		
- adjustments to expenses	(239)	(632)
- adjustments to income	(363)	-
Final balance gross of the tax impact	**(2,947)**	**(3,750)**
Inefficient part of hedge	0	0

23. CASH AND CASH EQUIVALENTS

The item amounted to 77,590 thousand euro, increasing sharply versus 2015; the fair value of cash and cash equivalents is equal to the relevant book value at 31 December 2016.

Cash and cash equivalents (euro/000)	31/12/2016	31/12/2015
Cash and cash on hand	1,708	950
Bank deposits	74,798	28,758
Postal deposits	1,084	976
Total cash and cash equivalents	**77,590**	**30,684**

Further details on the changes in cash and cash equivalents are found in the consolidated cash flow statement.

The table below shows the Group net financial position in accordance with Consob recommendations.

Net financial position (euro/000)	31/12/2016	31/12/2015
A Cash	1,708	950
- Bank deposits	74,798	28,758
- Postal deposits	1,084	976
B Other cash and cash equivalents	75,882	29,734
C Cash and cash equivalents and other financial assets (A+B)	**77,590**	**30,684**
D Securities held for trading		
- Financial receivables due from associates	692	1,037
- Financial assets at fair value	-	-
- Held-for-sale financial assets	2	-
- Derivatives and other financial assets	2,688	1,663
E Receivables and other current financial assets	3,382	2,700
F Current financial assets (D+E)	**3,382**	**2,700**
G Current payables due to banks	2,725	2,260
- Bonds	-	-
- Loans	-	-
- Borrowings	24,959	6,370
H Current portion of non-current debt	24,959	6,370
- Financial payables due to associates	26	61
- Derivatives and other financial liabilities	9,678	1,851
I Other current financial liabilities	9,704	1,912
L Payables due to banks and other current financial liabilities (G+H+I)	**37,388**	**10,542**
M Current net financial position (C+F-L)	**43,584**	**22,842**
- Bonds	-	-
- Loans	-	-
- Borrowings	301,233	220,244
N Debt non-current portion	301,233	220,244
O Other non-current financial liabilities	6,201	2,309
P Non-current net debt (N+O)	**307,434**	**222,553**
Q Net debt (M-P)	**(263,850)**	**(199,711)**

Should the balance of “Non-current financial assets”, equal to 267 thousand euro and not included in the Consob format, be added to the above data, the Group net financial position would be negative for 263,583 thousand euro.

Further information regarding the Group’s net financial position is found in Notes 22, 23 and 28.

24. EQUITY

Equity at 31 December 2016, amounting to 317,798 thousand euro (295,509 thousand euro at 31 December 2015), increased by 22,289 thousand euro, due basically to the net result for the year.

Share capital

Arnoldo Mondadori Editore S.p.A. share capital amounts to euro 67,979,168.40, divided into no. 261,458,340 ordinary shares with a nominal value of euro 0.26 each.

The legal entity controlling the Mondadori Group is Fininvest S.p.A.

Treasury shares

In the period from 30 November to 2 December 2016, Arnoldo Mondadori Editore S.p.A. purchased a total of no. 80,000 treasury shares (0.031% of the share capital) on the MTA at an average unit price of 0.9133 euro, for a total amount of 73 thousand euro.
The purchase was authorized by the Shareholders' Meeting held on 21 April 2016, and is instrumental in the Specialist's support to the liquidity of the share on the STAR segment.

Other reserves and profit/(loss) carried forward

"Other reserves and profit/(loss) carried forward" at 31 December 2016 amounted to 196,873 thousand (189,643 thousand euro at 31 December 2015) and included:
- a legal reserve of 13,490 thousand euro;
- a revaluation reserve used over the years for a total of 16,711 thousand euro;
- a cash flow hedge reserve, negative for 2,240 thousand euro, net of the relevant tax impact, for the valuation of hedge derivatives;
- a reserve for post-employment discounting, net of the relevant tax impact, for 1,037 thousand euro;
- the conversion reserve, amounting to a positive 1,924 thousand euro, mainly resulting from the conversion of the financial statements of Mondadori UK, the companies belonging to the Attica Group, with offices in Eastern European countries, and of the Chinese joint-venture Mondadori Seec Advertising Co. Ltd and of Rizzoli International Publishing Inc. The exchange rates used for the conversion of financial statements denominated in foreign currencies are summarized in the table below:

Currency	Actual 31/12/2016	Actual 31/12/2015	Average 2016	Average 2015
British Pound	0.82	0.73	0.84	0.73
US dollar	1.11	-	1.05	-
Chinese yuan	7.35	7.06	7.30	6.97
New Romanian leu	4.49	4.52	4.52	4.45
Bulgarian leva	1.96	1.96	1.96	1.96
Serbian dinars	123.11	121.45	123.36	120.71

- the residual balance represents reserves for retained earnings from past years.

The stock option reserve of 268 thousand euro at 31 December 2015 was written off as a result of the expiry of all the options granted in prior years.

Capital management

The 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 (payables due to banks) net of cash and cash equivalents.

Capital management (euro/millions)	**31/12/2016**	**31/12/2015**
Net debt	263.6	199.4
Capital (equity)	317.8	295.5
Total capital and net debt	**581.4**	**494.9**
Ratio of net debt/capital to net debt	45.3%	40.3%
Treasury shares in portfolio	73	-

25. CAPITAL, RESERVES AND RESULTS ATTRIBUTABLE TO MINORITY SHAREHOLDERS

Below is a breakdown of Minority Shareholders' equity

Capital, reserves and results attributable to minority shareholders (euro/000)	**EMAS S.n.c.**	**NaturaBuy S.a.s.**	**Rizzoli International Publications**
Equity at 31/12/2015	31,361	160	-
Result for 2015	2,831	181	-
Equity at 31/12/2016	27,697	20	12
Result for 2016	2,573	173	1

26. PROVISIONS

"Provisions", amounting to 68,591 thousand euro, increased by 10,032 thousand euro, due mainly to the changed scope: Rizzoli Libri and Banzai Media contributed 10,990 thousand euro.

"Provision for personnel downsizing risks" reported the main changes: increases (1,811 thousand euro) referred to new positions arising in 2016, while utilizations (9,030 thousand euro) are explained by the benefits accrued in prior years by employees for staff downsizing completed in the year.

Provisions (euro/000)	31/12/2015	Provisions	Utilizations	Other changes	31/12/2016
Provision for agents' contractual risks	4,627	150	(319)	220	4,678
Provision for personnel downsizing risks	13,672	1,811	(9,030)	3,446	9,899
Provision for legal risks	21,095	6,395	(2,666)	3,100	27,924
Provision for equity investment risks	1,285	40	(64)	(831)	430
Provision for tax disputes	5,577	1,968	-	1,792	9,337
Provision for onerous contracts	4,013	1,919	(424)	-	5,508
Other risk provisions	8,290	2,756	(2,128)	1,897	10,815
Total provisions	**58,559**	**15,039**	**(14,631)**	**9,624**	**68,591**

“Provisions for agents’ contractual risks” refers to a number of disputes pending in the Books Area: Mondadori Libri, Mondadori Education S.p.A. and Giulio Einaudi editore S.p.A. have over 200 agency contracts in place, in addition now to those of Rizzoli Libri.

“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.

For information sake, the amount of the provision for onerous contracts was isolated, pursuant to IAS 37: the balance, amounting to 5,508 thousand euro, refers to commitments underwritten within the context of museum concessions with Public Agencies and Institutions, which envisage investments to be made in 2017 for the enhancement of Rome’s archaeological heritage.

“Other risk provisions” includes the amounts set aside to cover outstanding tax and social security litigation; the increase refers mainly to the acquisitions made in the year.

27. POST-EMPLOYMENT BENEFITS

The item, amounting to 50,989 thousand euro, increased by 6,913 thousand euro: net of the contribution of Rizzoli Libri and Banzai Media, amounting to 7,160 thousand euro, the item decreased by 247 thousand euro.

Post-employment benefits (euro/000)	31/12/2016	31/12/2015
Provision for post-employment benefits (TFR)	41,027	36,317
Provision for supplementary agents’ indemnity (FISC)	9,831	7,635
Provision for retirement and similar obligations	131	124
Total post-employment benefits	**50,989**	**44,076**

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 AA and with a 10+ duration was used consistently with past valuations.

Actuarial assumptions to measure TFR	31/12/2016	31/12/2015
Economic assumptions:		
- increase in cost of living	1.0%	1.5%
- discounting rate	1.31%	2.03%
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 5.31% to 18.70%	from 4.81% to 20.09%
- retirement age	Regulations in force	Regulations in force

Actuarial assumptions to measure FISC	31/12/2016	31/12/2015
Economic assumptions:		
- discounting rate	1.31%	2.03%
Demographic assumptions:		
- probability of death/disability	1.0%	1.0%
- probability of leaving service	5.0%	5.0%
- probability of voluntary resignation	1.5%	1.5%
- average age of agency contract termination	Regulations in force	Regulations in force

The balance related to the severance indemnity (TFR) fund), on a like-for-like basis, decreased significantly versus the prior year, due to the drop in personnel.
The sensitivity analysis, obtained by increasing and decreasing the rate by 0.5%, shows a higher or lower effect on the provision for post-employment benefits of approximately 750 thousand euro.

Post-employment benefits cost items, booked under income statement, include the service cost of companies with less than 50 employees for 1,168 thousand euro, financial costs of 769 thousand euro, and the portion paid into the supplementary pension scheme for 7,772 thousand euro.

The allocation and utilization of the “Provision for supplementary agents’ indemnity” reflects the turnover in the sales force of the Group in 2015.

“Provision for retirement” was not subject to discounting because the effects are irrelevant.

Post-employment benefits - Details (euro/000)	TFR	FISC	Provision for retirement
Balance at 31/12/2015	36,317	7,635	124
Changes in 2016:			
- provisions	1,168	1,468	7
- utilizations	(3,684)	(1,800)	-
- reversals	-	-	-
- discounting	769	-	-
- changes in the consolidation scope and other changes	6,457	2,528	-
Balance at 31/12/2016	**41,027**	**9,831**	**131**

28. FINANCIAL LIABILITIES

Current and non-current financial liabilities, amounting to 307,434 thousand euro, increased by 84,881 thousand euro, due to the acquisitions made in 2016.

Non-current financial liabilities (euro/000)	**Actual interest rate**	**Expiry 1-5 years**	**Expiry over 5 years**	**31/12/2016**	**31/12/2015**
Bonds		-	-	-	-
Convertible bonds		-	-	-	-
Borrowings	3.32%	301,233	-	301,233	220,244
Payables due to suppliers		-	-	-	-
Payables due to associates		-	-	-	-
Payables due to parent companies		-	-	-	-
Payables due to affiliates		-	-	-	-
Payables due for lease agreements		-	-	-	-
Payables for shareholders' contributions		-	-	-	-
Liabilities from derivatives		1,616	-	1,616	39
Other financial liabilities		4,585	-	4,585	2,270
Total non-current financial liabilities		**307,434**	**0**	**307,434**	**222,553**

"Non-current financial liabilities" includes:

- 170,353 thousand euro from the amortized cost of the A1 Amortizing Term Loan (Refinancing) taken out with a pool of banks, coming to maturity in December 2020;
- 94,696 thousand euro from the amortized cost of the A2 Amortizing Term Loan (Acquisition of Rizzoli Libri) taken out with a pool of banks, coming to maturity in December 2020;
- 36,184 thousand euro from the utilization of the Bullet Line C (Acquisition Line) taken out with a pool of banks, coming to maturity in December 2020;
- 1,616 thousand euro from the fair value of the outstanding derivative contracts;
- 4,585 thousand euro from the medium-long term portion of the fair value of the Banzai earn out.

Payables due to banks and other financial liabilities (euro/000)	**Actual interest rate**	**31/12/2016**	**31/12/2015**
Bank deposits	0.32%	2,725	2,260
Bonds		-	-
Convertible bonds		-	-
Borrowings	3.35%	24,959	6,370
Payables due to suppliers		-	5
Payables due to associates		26	61
Payables due to parent companies		-	-
Payables due to affiliates		-	-
Payables due for lease agreements		-	-
Payables for shareholders' contributions		-	-
Liabilities from derivatives		-	-
Other financial liabilities		9,678	1,846
Total payables due to banks and other financial liabilities		**37,388**	**10,542**

“Payables due to banks and other financial liabilities” amounted to 37,388 thousand euro and mainly included:
- 24,959 thousand euro from the portions of the A1 and A2 Term Loans of the pool loan, coming to maturity in December 2017;
- 2,725 thousand euro from the balances of current account overdrafts;
- 9,678 thousand euro from other financial liabilities, of which 2,018 thousand euro from the short-term portion of the fair value of the Banzai earn out.

At 31 December 2016, the Financial Covenant Leverage Ratio (Net Financial Position/EBITDA) resulting from the consolidated annual report was equal to 2.80, far below the cap of 4.50 under the pool loan agreement.

Changes in committed credit lines:

(euro/000)	Balance at 1/1/2016	Utilizations	Repayments	Balance at 31/12/2016
Line A1	232,500	-	41,737	190,763
Line A2	-	127,105	22,817	104,288
Line C	-	36,184	-	36,184
Balance at 31/12/2016	**232,500**	**163,289**	**64,554**	**331,235**

Utilizations refer to the acquisition of Rizzoli Libri (Line A2) in April 2016 and to the acquisition of Banzai Media (Line C) in June 2016.

Repayments of Lines A1 and A2 refer to:
- reduction in the Lines from the disposal of Marsilio Editori S.p.A. (8,900 thousand euro) and of the Bompiani BU (16,500 thousand euro);
- voluntary repayment of 30,000 thousand euro, increasing availability on Line C;
- the 2016 instalment of 9,154 thousand euro.

Information on derivative financial instruments is found in Note 22 - “Financial assets” in these Notes.

29. OTHER CURRENT LIABILITIES

“Other current liabilities”, amounting to 229,489 thousand euro, net of the contribution of the companies acquired in 2016, came to 30,442 thousand euro and increased by 2,811 thousand euro.
Specifically:
- “Advances to customers” was in line with the prior year balance, net of the contribution of 258 thousand euro from Rizzoli Libri and Banzai Media;
- “Taxes payable”, on a like-for-like basis, decreased by 1,060 thousand euro, half referring to Mondadori France and the other half to Mondadori Electa, due to the lower balance of VAT payable to Fininvest;
- “Payables due to welfare and social security entities”, on a like-for-like basis, decreased by 1,542 thousand euro, as a result of the reduction in average headcount.

Other current liabilities (euro/000)	31/12/2016	31/12/2015
Advances to customers	22,051	22,776
Tax payables	12,845	12,221
Payables due to welfare and social security entities	27,482	27,415
Payables due to associates	124	169
Other payables	166,987	133,656
Total other current liabilities	**229,489**	**196,237**

"Other payables", net of the contribution of Rizzoli Libri and Banzai Media, increased by 859 thousand euro. Specifically, "Payables due to authors and workers", the main item, increased by 21,089 thousand euro; net of the balances of Rizzoli and Banzai, amounting to 19,268 thousand euro, the increase would amount to 1,821 thousand euro, as a result of the overall positive trend of revenue in the Books Area.

Other current liabilities - Other payables (euro/000)	31/12/2016	31/12/2015
Payroll and other amounts due to personnel	31,043	27,678
Payables due to authors and workers	68,192	47,103
Payables due to agents	11,016	7,411
Payables to subscription and instalment customers	36,609	39,498
Payables to directors and statutory auditors	3,472	2,461
Deferred income for anticipated rents	-	-
Other payables, accrued expense and deferred income	16,655	9,505
Total other payables	**166,987**	**133,656**

30. TRADE PAYABLES

"Trade payables", amounting to 333,763 thousand euro, increased by 41,153 thousand euro, lower than the increase attributable to the changed scope (54,379 thousand euro).
The decrease is explained by the lower volumes of purchases and by the overall drop in the overdue component.

Trade payables (euro/000)	31/12/2016	31/12/2015
Trade payables	318,700	275,783
Payables due to associates	12,476	12,458
Payables due to parent companies	29	24
Payables due to affiliates	2,558	4,345
Total trade payables	**333,763**	**292,610**

"Payables due to associates" was in line with the balance at 31 December 2015; the item includes the amounts due to:

- Edizioni EL S.r.l. (4,869 thousand euro) and Società Europea di Edizioni S.p.A. (455 thousand euro), regarding the distribution of publishing products;
- Mediamond S.p.A. (6,327 thousand euro) for the purchase of goods in exchange for advertising pages.

Payables due to associates, parent companies and affiliates are detailed in Annex "Transactions with related parties"; transactions with related parties are carried out under normal market conditions.

There were no trade payables due over five years.

Prior-year amounts have been classified differently, for the sake of clarity and comparability.

31. REVENUE FROM SALES AND SERVICES

In 2016, consolidated net revenue amounted to 1,262,911 thousand euro, up by 12.4% versus 1,123,203 thousand euro in 2015, net of the effects of the consolidation of the companies acquired in 2016, revenue fell by 2.9%.

Revenue from sales and services (euro/000)	**2016**	**2015**	**Delta %**
Books	475,116	320,829	48.1%
Magazines Italy	310,823	309,634	0.4%
Magazines France	321,602	334,552	(3.9%)
Retail	199,581	196,399	0.1%
Other Business and Corporate	23,235	22,689	2.4%
Aggregate revenue	**1,330,357**	**1,184,103**	**12.4%**
Intercompany revenue	(67,446)	(60,900)	10.7%
Total revenue from sales and services	**1,262,911**	**1,123,203**	**12.4%**

Revenue from the Books Area, on a like-for-like basis, dropped by 4.4%, more markedly in the Trade segment (-6%) than in the Educational (-0.4%).
Trade Books revenue fell, due mainly to:
• the selective publishing policy for new titles;
• the termination of the agreement on the distribution of publishing products of Harlequin Mondadori.

Magazines Italy's revenue, on a like-for-like basis, fell by 3.8%, reflecting the decline in revenue from the sale of copies, advertising sales and international operations.
Revenue from co-publishing agreements with other publishers and add-on sales was basically steady.

Magazines France's revenue was down by 3.9%, as a result of the drop in advertising and circulation revenue.

Retail's revenue was in line with the prior year, driven by the improved performance of megastores and franchised stores, which offset the decline in sales at directly-managed stores.

The "Directors' Report on Operations" provides further details on revenue trends and the Group's various lines of business.

32. COST OF RAW AND ANCILLARY MATERIALS, CONSUMABLES AND GOODS

Cost of raw and ancillary materials, consumables and goods (euro/000)	**2016**	**2015**
Paper	71,823	70,972
Other production materials	-	6
Total cost of raw and ancillary materials	**71,823**	**70,978**
Goods for re-sale	155,730	132,965
Consumables, maintenance and other materials	6,467	6,306
Total cost of consumption materials and goods	**162,197**	**139,271**
Total cost of raw and ancillary materials, consumables and goods	**234,020**	**210,249**

"Cost of raw and ancillary materials, consumables and goods", which includes 43,641 thousand euro from Rizzoli Libri and Banzai Media, increased by 23,773 thousand euro; on a like-for-like basis, costs would be 19,850 thousand euro lower than in 2015.

Specifically:

- paper purchasing costs, net of 6,160 thousand euro relating to Rizzoli Libri, decreased as a result of smaller print runs in Magazines Italy (4,033 thousand euro) and Magazines France (821 thousand euro); raw materials purchasing costs rose in Trade Books, reflected in the increase in closing stocks;
- costs for "Goods for re-sale", including the amount (37,251 thousand euro) related to retail activities and to book distribution for third-party publishers, both in the trade and educational segments, carried out by Rizzoli Libri, decreased, on a like-for-like basis, by 14,486 thousand euro. The reduction is mainly attributable to the Retail Area (8,368 thousand euro) and to the Trade Books Area, which terminated on 1 January 2016 the distribution agreement of the editions of Harlequin Mondadori S.p.A.

33. COST OF SERVICES

Cost of services (euro/000)	**2016**	**2015**
Rights and royalties	105,110	92,630
Commissions and costs for agents	68,702	52,154
Printing and processing	147,972	132,026
Transport and shipping	80,405	69,894
Consultancy services and collaborations	70,350	66,099
Directors' and statutory auditors' fees	4,592	4,469
Advertising and promotional services	49,105	49,999
Participation in fairs, events	3,698	4,434
Travel, gifts and entertainment expenses	10,965	11,375
Maintenance expenses and technical service fees	6,747	6,320
Utilities	3,709	3,759
Telephone and postal expenses	6,422	6,418
Catering and cleaning services	6,275	7,024
Market surveys, news agencies	14,168	13,818
Insurance	2,413	2,485
Subscriptions management	34,555	36,113
Publisher's share	5,322	3,299
Bank services and commissions	2,120	2,223
EDP and administrative services	6,859	7,120
Temporary work fees	8,123	8,358
Organization of fairs, and concession charges	13,187	14,563
Rents and service expenses	29,000	24,856
Other services	5,627	7,073
Total cost of services	**685,426**	**626,509**

"Cost of services", which includes 86,097 thousand euro from Rizzoli Libri and Banzai Media, increased by 58,917 thousand euro; on a like-for-like basis, costs would be 27,180 thousand euro lower than in 2015.

Specifically, the main items were:
- costs of rights increased, as a result of the acquisition of Rizzoli Libri S.p.A. (15,785 thousand euro) and of Banzai Media (1,022 thousand euro). Costs, net of acquisitions made, were lower in the Books Area (Trade -3,206 thousand euro, Educational -801 thousand euro), in Magazines France (-700 thousand euro), and basically in line in Magazines Italy (+218 thousand euro), due to the drop in revenue;
- costs of the sales network for commissions increased by 16,548 thousand euro, and were attributable to Rizzoli Libri (14,739 thousand euro) and Banzai Media (1,128 thousand euro). Increases in commissions were reported, on a like-for-like basis, in the Trade Books Area (+748 thousand euro), Retail Area (+676 thousand euro) and Mondadori France (+675 thousand euro), while decreases were reported in the Educational Books Area (-690 thousand euro) and in the Magazines Italy Area (-509 thousand euro);
- industrial costs increased by 15,946 thousand euro; net of the contribution of Rizzoli Libri (25,444 thousand), the balance would be 9,498 thousand euro lower, due to smaller print runs of magazines, to the lower amount of new titles published in the Books Area, and to the renegotiation of printing fees with the Group's main printer;
- the decrease in copies resulted also in a reduction in transport costs, which dropped from 69,894 thousand euro to 67,925 thousand euro, net of the costs of the companies acquired in 2016. The decrease was largely concentrated in Mondadori France;
- costs for consultancy services and collaborations, on a like-for-like basis, dropped by 3,075 thousand euro, despite the costs incurred for acquisitions;
- costs associated with the organization of exhibitions and events, and the management of museum sites under concession decreased versus 2015, a year marked by a larger number of initiatives, including those for EXPO;
- rents, net of the contribution of Rizzoli Libri and Banzai Media, amounted to 26,293 thousand euro, increasing as a result of the opening of a new store in the Retail Area.

"Directors' and statutory auditors' fees" comprised fees paid to Directors and Statutory Auditors for 4,045 thousand euro and 547 thousand euro, respectively.

34. COST OF PERSONNEL

Employees with a fixed-term or permanent labour contract employed by the Group companies totaled 3,278 units, up versus December 2015.
On a like-for-like basis, considering the 413 units from the companies acquired in the year, 27 of whom seconded to the associate Mediamond S.p.A., the headcount fell by 184 employees (approximately -6%).

Employees	Actual 31/12/2016	Actual 31/12/2015	Average 2016	Average 2015
Executives	111	105	124	108
White collars, middle managers and journalists	3,063	2,866	3,150	2,884
Blue collars	104	105	106	107
Total	**3,278**	**3,076**	**3,380**	**3,099**

Cost of personnel increased by 7.1% versus the prior year; net of the variations in the year and of restructuring costs, cost of personnel dropped by 2.2%.

Cost of personnel (euro/000)	2016	2015
Salaries and wages	160,592	148,658
Social security charges	48,589	48,650
Post-employment benefits TFR	1,168	799
Supplementary pension scheme plans	7,772	7,443
Other costs	17,892	14,852
Total cost of personnel	**236,013**	**220,402**

Information on stock option plans

21 July 2016 was the expiration date of the last Stock Option Plan approved by the Board of Directors of Arnoldo Mondadori Editore S.p.A. for the 2009-2010-2011 three-year period; there were no outstanding options at the balance sheet date.

35. OTHER (INCOME) COSTS

"Other (income) costs" ended 2016 with a negative impact versus the positive effects of the prior year.
The net contribution of Rizzoli Libri and Media Banzai came to a positive 1,293 thousand euro; on a like-for-like basis, the item would amount to 3,367 thousand euro, with a variation of 10,106 thousand euro versus the prior year, due basically to the gain in 2015 from the disposal of the property in Via Sicilia, Rome.

Other (income) costs (euro/000)	2016	2015
Other revenue and income	(15,223)	(24,336)
Various operating costs	17,297	17,597
Total other (income) costs	**2,074**	**(6,739)**

Specifically, "Other revenue and income" was marked by the above gain in 2015; the disposal in 2016 of a Retail Area business unit generated a gain of 456 thousand euro.

Other (income) costs - Other revenue and income (euro/000)	2016	2015
Year's contributions	39	46
Capital gains from the transfer of assets	482	13,818
Rentals	629	806
Contingent assets	4,565	1,774
Third party expense reimbursements	6,092	3,807
Other	3,416	4,085
Total other revenue and income	**15,223**	**24,336**

“Other operating costs” dropped by 300 thousand euro, despite the contribution of 3,184 thousand euro from the acquisitions in the year.
On a like-for-like basis, other operating costs were 3,484 thousand euro lower than in 2015, due basically to the release of provisions accounted for in prior years for bad debts, following the collection of receivables from Public Administration and the instalment area.

Other (income) cost - Other operating costs (euro/000)	**2016**	**2015**
Receivables management	2,942	8,352
Reimbursements and settlements	2,089	(695)
Contributions and grants	1,915	1,906
Contingent liabilities	3,749	1,805
Capital loss from the transfer of assets	109	60
Other taxes and duties	4,243	4,309
Other costs	2,250	1,860
Total other operating costs	**17,297**	**17,597**

36. RESULT FROM INVESTMENTS VALUED AT EQUITY

The income statement effects of consolidated companies valued at equity decreased by 8,792 thousand euro versus 2015, a year which saw the disposal of Harlequin Mondadori S.p.A., which generated a gain of 7,582 thousand euro, and the valuation of 50% of Gruner+Jahr Mondadori S.p.A. already held upon acquisition of the remaining 50%, which resulted in a gain of 440 thousand euro.

Net of these non-recurring effects, the decrease amounted to 770 thousand euro, due to the less positive results overall in the year; specifically, for the portion held by the Group, Monradio S.r.l. recorded a loss of 1 million euro.

Income (costs) from investments valued at equity (euro/000)	2016	2015
- Mondadori Scienza S.p.A.	-	(153)
- Harlequin Mondadori S.p.A.	-	340
- Monradio S.r.l.	(1,000)	(207)
- ACI-Mondadori S.p.A.	-	60
- Attica Publications Group	50	275
- Società Europea di Edizioni S.p.A.	299	90
- Mach 2 Libri S.p.A.	(780)	(839)
- GD Media Service S.r.l.	(231)	(167)
- Mondadori Independent Media LLC	(4)	87
- Edizioni EL S.r.l.	608	596
- Consorzio Scuola Digitale	-	(3)
- Mediamond S.p.A.	129	(466)
- Skira Rizzoli Publication	49	-
- Mondadori Seec Advertising Co. Ltd	1,422	1,677
- EMAS Digital S.a.s.	-	(91)
- Venezia Accademia Società per i servizi museali S.c.ar.l.	(40)	-
- Campania Arte S.c.ar.l.	37	-
- Milano Cultura S.c.ar.l.	-	(8)
- Edigita S.r.l.	86	-
Badwill on acquisition of Mondadori Scienza S.p.A.	-	440
Gain from the transfer of Harlequin Mondadori S.p.A.	-	7,582
Loss from disposals	(204)	-
Total income (costs) from investments valued at equity	**421**	**9,213**

37. FINANCIAL INCOME (COSTS)

Net financial costs in 2016 deteriorated by 1,674 thousand euro versus the prior year, as a result of:

- the decrease in interest expenses (1,520 thousand euro), due mainly to the sharp reduction in rates charged on committed lines (from 3.74% in 2015 to 3.13% in 2016);
- increased ancillary charges on loans (520 thousand euro);
- lower income from discounting (1,094 thousand euro), recorded in the prior year for the cancellation of financial debts from the minority shareholders of Kiver S.r.l. and Mondadori UK Ltd;
- increased charges from the valuation of the put option envisaged in the purchase of the remaining minority interest in NaturaBuy S.a.s., amounting to 318 thousand euro;
- lower net income from currency exchange transactions for 569 thousand euro, resulting mainly from the collection of a receivable in foreign currency from associates for the amount of -392 thousand euro in 2015, and 117 thousand euro from the subsidiary Rizzoli International Publishing Ltd.

Financial income (costs) (euro/000)	**2016**	**2015**
Interest from banks and post offices	7	4
Financial income from derivatives	-	443
Financial income	775	1,860
Other interest	34	57
Total interest and other financial income	**816**	**2,364**
Interest to banks and post offices	75	117
Interest on bonds, loans and borrowings	12,669	13,222
Financial costs from derivatives	1,622	925
Other financial costs for discounting assets/liabilities	769	594
Other interest	3,217	3,926
Total interest expense and other financial costs	**18,352**	**18,784**
Realized positive currency differences	304	794
Unrealized positive currency differences	42	70
Realized negative currency differences	(418)	(446)
Unrealized negative currency differences	(114)	(35)
Total income (loss) on currency transactions	**(186)**	**383**
Income (costs) from financial assets	12	1
Total financial income (costs)	**(17,710)**	**(16,036)**

38. INCOME TAX

Income tax (euro/000)	**2016**	**2015**
IRES tax on income for the year	12,344	12,564
IRAP for the year	2,301	2,256
Total current taxes	**14,645**	**14,820**
Deferred/pre-paid taxes for IRES	1,604	57
Deferred/pre-paid taxes for IRAP	267	286
Total deferred/pre-paid taxes	**1,871**	**343**
Other tax items	1,477	5,313
Total income taxes	**17,993**	**20,476**

The costs for income taxes and tax charges in 2016 dropped by 2,483 thousand euro, despite the changed consolidation scope, which resulted in a higher tax charge of 3,568 thousand euro.

The improvement versus the prior year is attributable mainly to:

- the negative effects for 3,043 thousand euro of the realignment of deferred tax assets and liabilities to the new IRES tax rate of 24% recorded in 2015;
- the less negative effects of the difference between the budget estimate and final taxes upon filing of the UNICO 2016, for approximately 800 thousand euro;
- the positive effects of approximately 700 thousand euro from prior-years' taxes of Mondadori France;
- the greater benefits from the application of ACE (economic growth facility) and lower provisions for tax disputes.

Reconciliation between the theoretical tax charge and the current tax charge

(euro/000)	2016			2015		
	Pre-tax result	Tax amount	Current tax rate	Pre-tax result	Tax amount	Current tax rate
Theoretical IRES tax amount	42,304	11,634	27.50%	38,314	10,536	27.50%
Theoretical IRAP tax amount	42,304	1,650	3.90%	38,314	1,494	3.90%
Total theoretical tax amount/rate		**13,284**	**31.40%**		**12,030**	**31.40%**
Actual IRES tax amount		15,270	36.10%		17,407	45.43%
Actual IRAP tax amount		2,723	6.44%		3,069	8.01%
Total actual tax amount/rate		**17,993**	**42.54%**		**20,476**	**53.44%**
Theoretical tax amount/rate		**13,284**	**31.40%**		**12,030**	**31.40%**
Effect relating to the recognition of taxes relating to previous years		1,322	3.13%		4,320	11.27%
Effect relating to companies posting losses		1,128	2.67%		(23)	(0.06%)
Effect of differences in tax rates on taxable income of foreign subsidiaries		927	2.19%		1,860	4.85%
Net effect of other permanent differences		259	0.61%		714	1.87%
Effect of different IRAP tax base		1,073	2.54%		1,575	4.11%
Current tax amount/rate		**17,993**	**42.54%**		**20,476**	**53.44%**

39. RESULT FROM DISCONTINUED OPERATIONS

The item includes the capital gains from the disposal of the investment in Marsilio Editori S.p.A. and the Bompiani BU, amounting respectively to 700 thousand euro and 2,349 thousand euro, net of selling costs and the result of Bompiani in the period from 1 April 2016 to the disposal date.

40. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing net profit for the period attributable to the Group by the weighted average number of outstanding ordinary shares in the reporting period.

	2016	2015
Net income for the year (euro/000)	22,544	6,365
Average number of outstanding ordinary shares (no./000)	261,458	261,458
Basic earnings per share (euro)	**0.086**	**0.024**

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 reporting period.

	2016	2015
Net income for the year (euro/000)	22,544	6,365
Average number of outstanding ordinary shares (no./000)	261,458	261,458
Number of options with diluted effect (no./000)	0	0
Diluted earnings per share (euro)	**0.086**	**0.024**

41. COMMITMENTS AND CONTINGENT LIABILITIES

At 31 December 2016, the Mondadori Group has commitments underwritten for a total amount of 86,086 thousand euro (76,764 thousand euro at 31 December 2015) mainly represented by guarantees issued on VAT receivables subject to reimbursement and prize contests transactions.
The increase is attributable to the changed scope for 11,448 thousand euro.

42. NON-RECURRING (INCOME) COSTS

Under Consob Resolution no. 15519 of 27 July 2006, the Mondadori Group in 2016, as in 2015, recorded no non-recurring income or cost.

43. 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.

Benefits to executives with strategic responsibilities

At 31 December 2016, the executives holding responsibilities in relation to Mondadori Group planning, direction and control activities are listed below:

Directors	
Ernesto Mauri	CEO
Oddone Pozzi	CFO, Director of Purchasing and IT
Executives	
Enrico Selva	Manager of Trade Books
Mario Maiocchi	Manager of Business Retail
Carlo Luigi Mandelli	Manager of Magazines Italy, Advertising and International
Carmine Perna	Manager of Mondadori France
Antonio Porro	Manager of Educational Books

In 2016, the group of Executive Managers with Strategic Responsibilities, shown above in the situation at 31 December, saw the departure on 30 October of Simonetta Bocca, Head of Human Resources and Organization, replaced by Daniele Sacco on 9 January 2017.

Total compensation paid to the above in 2016 was 16% higher overall than in the prior year, due to the accrual of the medium to long-term incentives of 1.4 million euro in the 2014-2016 period.
Net of these accruals, total compensation amounted to 5.6 million euro, down by 5% versus the prior year.

Transactions with parent companies, affiliates and associates

Transactions with related parties, including intercompany transactions, do not qualify as atypical or unusual transactions, and were concluded at market conditions.

TRANSACTIONS WITH RELATED PARTIES: FIGURES AT 31 DECEMBER 2016

(euro/000)	Trade receivables	Financial receivables	Tax receivables	Other current assets	Trade payables
Parent companies:					
- Fininvest S.p.A.	3		10,058		29
Associates:					
- Mondadori Scienza S.p.A.					
- Mach 2 Libri S.p.A.	18,985				134
- Venezia Musei Società per i serv. museali S.c.ar.l.	260			12	
- Harlequin Mondadori S.p.A.					
- Attica Publications Group	82	500			10
- Edizioni EL S.r.l.	870			21	4,869
- Società Europea di Edizioni S.p.A.	620				455
- ACI-Mondadori S.p.A. (in liquidation)					
- Consorzio COVAR (in liquidation)					
- EMAS Digital S.A.S.					
- Campania Arte S.c.ar.l.		107			19
- Mondadori Independent Media LLC					
- Venezia Accademia Soc. per i serv. museali S.c.ar.l.		25			25
- Mediamond S.p.A.	32,748			169	6,327
- Mondadori Seec Advertising Co. Ltd	460				11
- GD Media Service S.r.l.	2				570
- Monradio S.r.l.	31				56
- Gold5 S.r.l.		60			
- Skira Rizzoli Publications Inc.	505				
- EDIGITA S.r.l.					
Total associates	**54,563**	**692**	**0**	**202**	**12,476**

	Financial payables	Tax payables	Other current liabilities	Revenue	Purchases of raw materials	Purchases of services	Cost of personnel	Other costs (income)	Financial income (costs)
		182	72	3		60			
				15,887		102		(20)	
				1		12			24
			1	1,663	6,984	8			
			123	2,895	245	10		(23)	
				5		6			
				36					(1)
						42		(5)	
	26			78,135	4,206	5,738	(250)	(59)	
				698		11		33	
				(20)	391	1,249			
				15		107		(53)	
						180			
	26	**0**	**124**	**99,315**	**11,826**	**7,465**	**(250)**	**127**	**23**

TRANSACTIONS WITH RELATED PARTIES: FIGURES AT 31 DECEMBER 2016

(euro/000)	Trade receivables	Financial receivables	Tax receivables	Other current assets	Trade payables
Affiliates:					
- RTI - Reti Televisive Italiane S.p.A.	62			2	64
- Publitalia ’80 S.p.A.					1,563
- Digitalia ’08 S.r.l.					
- Banca Mediolanum S.p.A.	8			(5)	
- EI Towers S.p.A.					
- Isim S.p.A.					
- Mediaset S.p.A.	9				
- Il Teatro Manzoni S.p.A.					
- Mediolanum Comunicazione S.p.A.	7				
- Fininvest Gestione Servizi S.p.A.	48				
- Milan Entertainment S.r.l.	69				
- Mediaset Premium S.p.A.					
- Promoservice Italia S.r.l.					
- Mediobanca S.p.A.					
- Media Shopping S.p.A.	70				922
- Publieurope Ltd	3				
- Alba Servizi Autotrasporti S.p.A.					8
Total affiliates	**276**	**0**	**0**	**3**	**2,558**
Total related parties	**54,842**	**692**	**10,058**	**199**	**15,063**
of which related parties from discontinued operations	-	-	-	-	-
% of incidence	**18.3%**	**20.5%**	**33.0%**	**0.2%**	**4.5%**

Financial payables	Tax payables	Other current liabilities	Revenue	Purchases of raw materials	Purchases of services	Cost of personnel	Other costs (income)	Financial income (costs)
		(1)	131	(2)	63			
			82		9,812			
					77			
		5	48					
							(2)	
			9					
			18					
			3		16	(91)		
			111					
				9				
			153	(69)				
							(3)	
					8			
0	**0**	**4**	**555**	**(62)**	**9,976**	**(91)**	**(5)**	**0**
26	**182**	**200**	**99,870**	**11,764**	**17,501**	**(341)**	**(132)**	**23**
-	-	-	-	-	-		-	-
0.1%	**10.2%**	**0.1%**	**7.9%**	**5.0%**	**2.6%**	**n.s.**	**n.s.**	**n.s.**

TRANSACTIONS WITH RELATED PARTIES: FIGURES AT 31 DECEMBER 2015

(euro/000)	Trade receivables	Financial receivables	Tax receivables	Other current assets	Trade payables
Parent companies:					
- Fininvest S.p.A.	4	-	8,786	-	24
Associates:					
- Mondadori Scienza S.p.A.	-	-	-	-	-
- Mach 2 Libri S.p.A.	18,346	-	-	-	56
- Venezia Musei Società per i serv. museali S.c.ar.l.	260	-	-	12	-
- Harlequin Mondadori S.p.A.	-	-	-	-	-
- Attica Publications Group	111	500	-	-	14
- Edizioni EL S.r.l.	826	-	-	26	4,723
- Società Europea di Edizioni S.p.A.	656	-	-	-	2,037
- ACI-Mondadori S.p.A. (in liquidation)	-	-	-	-	-
- Consorzio COVAR (in liquidation)	-	-	-	4	-
- EMAS Digital S.A.S.	-	-	-	-	-
- Campania Arte S.c.ar.l.	20	134	-	-	45
- Mondadori Independent Media LLC	46	-	-	-	-
- Venezia Accademia Soc. per i serv. museali S.c.ar.l.	31	25	-	-	48
- Mediamond S.p.A.	18,672	-	-	-	4,812
- Mondadori Seec Advertising Co. Ltd	331	378	-	-	105
- GD Media Service S.r.l.	64	-	-	-	568
- Monradio S.r.l.	118	-	-	-	50
Total associates	**39,481**	**1,037**	**0**	**42**	**12,458**

Financial payables	Tax payables	Other current liabilities	Revenue	Purchases of raw materials	Purchases of services	Other costs (income)	Financial income (costs)
-	4,765	428	4	-	61	(20)	-
-	-	-	940	2	131	(54)	-
-	-	-	13,854	-	56	(4)	-
-	-	-	-	-	-	-	-
-	-	-	368	7,613	(46)	(3)	(1)
-	-	-	2	-	15	-	25
-	-	3	1,613	6,477	11	(3)	-
-	-	52	2,827	230	12	(12)	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	15
-	-	-	20	-	48	-	-
-	-	-	138	-	-	(1)	(4)
-	-	-	5	1	52	-	-
61	-	114	84,965	3,885	5,068	150	-
-	-	-	739	-	168	21	-
-	-	-	61	388	1,263	-	-
-	-	-	128	-	56	(16)	-
61	**0**	**169**	**105,660**	**18,596**	**6,834**	**78**	**35**

TRANSACTIONS WITH RELATED PARTIES: FIGURES AT 31 DECEMBER 2015

(euro/000)	Trade receivables	Financial receivables	Tax receivables	Other current assets	Trade payables
Affiliates:					
- RTI - Reti Televisive Italiane S.p.A.	341	-	-	3	1,684
- Publitalia ’80 S.p.A.	12	-	-	-	2,595
- Digitalia ’08 S.r.l.	-	-	-	-	31
- Banca Mediolanum S.p.A.	-	-	-	(5)	-
- EI Towers S.p.A.	-	-	-	-	-
- Isim S.p.A.	-	-	-	-	2
- Mediaset S.p.A.	8	-	-	-	-
- Il Teatro Manzoni S.p.A.	-	-	-	-	-
- Mediolanum Comunicazione S.p.A.	-	-	-	-	-
- Fininvest Gestione Servizi S.p.A.	21	-	-	-	30
- Milan Entertainment S.r.l.	-	-	-	-	-
- Mediaset Premium S.p.A.	-	-	-	-	-
- Promoservice Italia S.r.l.	-	-	-	-	3
- Mediobanca S.p.A.	-	-	-	-	-
Total affiliates	**382**	**0**	**0**	**(2)**	**4,345**
Total related parties	**39,867**	**1,037**	**8,786**	**40**	**16,827**
of which related parties from discontinued operations	-	-	-	-	-
% of incidence	**16.5%**	**38.4%**	**22.1%**	**0.1%**	**5.6%**

Financial payables	Tax payables	Other current liabilities	Revenue	Purchases of raw materials	Purchases of services	Other costs (income)	Financial income (costs)
-	-	5	1,175	(70)	940	(1)	-
-	-	-	498	-	6,104	-	-
-	-	-	-	-	67	-	-
-	-	-	52	-	5	-	-
-	-	-	-	-	351	-	-
-	-	-	-	-	-	-	-
-	-	-	9	-	-	-	-
-	-	-	7	-	7	-	-
-	-	-	21	-	-	-	-
-	-	-	2	-	77	(43)	-
-	-	-	30	-	-	-	-
-	-	-	108	1	-	-	-
-	-	-	-	-	4	4	-
-	-	-	-	-	-	-	(2,820)
0	**0**	**5**	**1,902**	**(69)**	**7,555**	**(40)**	**(2,820)**
61	**4,765**	**602**	**107,566**	**18,527**	**14,450**	**18**	**(2,785)**
-	-	-	6,838	8	819	112	-
0.6%	**87.5%**	**0.3%**	**9.0%**	**8.8%**	**2.2%**	**1.4%**	**17.4%**

44. FINANCIAL RISK MANAGEMENT AND OTHER INFORMATION REQUIRED PURSUANT TO IFRS 7

In carrying out its business activities, the Mondadori Group is exposed to various financial risks, including interest rate risk, exchange rate 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 envisaged the setting up of a Risk Committee, whose task is to identify any changes. The Policy was 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.

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.

The Group exposure to interest rate risk mainly refers to long-term loans, specifically, to the loan granted by a pool of banks coming to maturity in December 2020.

Interest rate risk hedging is ensured through interest rate swap contracts, converting exposure from floating to fixed rate.

Specifically:
- a 0.146% fixed rate 3-month Euribor hedge, comprising an interest rate swap of a notional value of 70.3 million euro, with expiry in December 2020;
- a 0.163% fixed rate 3-month Euribor hedge, comprising an interest rate swap of a notional value of 26.1 million euro, with expiry in December 2020;
- a 0.172% fixed rate 3-month Euribor hedge, comprising an interest rate swap of a notional value of 15.5 million euro, with expiry in December 2020;
- a 0.165% fixed rate 3-month Euribor hedge, comprising an interest rate swap of a notional value of 26.1 million euro, with expiry in December 2020;

• a 0.175% fixed rate 3-month Euribor hedge, comprising an interest rate swap of a notional value of 7.8 million euro, with expiry in December 2020.

For further information on debt, reference should be made to Note 21, “Financial assets”, and Note 27, “Financial liabilities”.

The following table illustrates the findings of the sensitivity analysis with indication of the relevant impact on income statement and equity, gross of any tax effects, as requested by IFRS 7.

Sensitivity analysis (euro/millions)	**Underlying**	**Interest rate increase/ (decrease)**	**Income (costs)**	**Equity increase (decrease)**
2016	(200.1)	1%	(0.8)	4.9
2015	(185.7)	1%	(0.7)	6.2
2016	(200.1)	(0.2%)	0.2	(1.0)
2015	(185.7)	(0.2%)	0.3	(1.2)

While identifying potential impact correlated to positive and negative interest rate variations, floating-rate loans were also analyzed.

The basic assumptions underlying the sensitivity analysis are:
• an initial parallel shift of the interest curve of + 100/-20 base points;
• the analysis is carried out on the assumption that all the other risk variables remain constant;
• for the purpose of comparability, the same analysis is performed both on the current year and the prior 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. At 31 December 2016 there are no exchange derivatives in place.

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) with banks.
In addition, if deemed necessary, the Group may resort to pre-authorized short-term credit lines. For further information on current and non-current financial liabilities, reference should be made to Note 28 "Financial liabilities".

At 31 December 2016, liquidity risk was managed by the Mondadori Group through the following tools:
• bank and post office deposits totaling 77.6 million euro;
• committed credit lines totaling approximately 475.0 million euro (143.8 million euro of which unused) and uncommitted credit lines of 205.0 million euro, used for a total of 0.9 million euro at 31 December 2016.

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

Liquidity risk (euro/millions)	Analysis of maturity periods at 31/12/2016						
	< 6 months	6-12 months	1-2 years	2-5 years	5-10 years	> 10 years	Total
Trade payables	321.3	-	-	-	-	-	321.3
Medium/long-term loans	6.0	31.0	44.7	293.6	-	-	375.3
Other financial liabilities:							
- committed lines	-	-	-	-	-	-	-
- uncommitted lines	12.4	-	-	-	-	-	12.4
Other liabilities	104.5	-	1.7	2.9	-	-	109.1
Payables due to associates	12.5	-	-	-	-	-	12.5
Total	**456.7**	**31.0**	**46.3**	**296.5**	**-**	**-**	**830.6**
Derivatives on rate risk	(0.3)	(0.3)	(0.5)	(0.2)			(1.3)
Derivatives on currency risk	-	-	-	-	-	-	-
Total exposure	**457.0**	**31.3**	**46.8**	**296.7**	**-**	**-**	**831.9**

Liquidity risk (euro/millions)	Analysis of maturity periods at 31/12/2015						
	< 6 months	6-12 months	1-2 years	2-5 years	5-10 years	> 10 years	Total
Trade payables	280.2	-	-	-	-	-	280.2
Medium/long-term loans	4.9	15.5	40.8	350.2	-	-	411.4
Other financial liabilities:							
- committed lines	-	-	-	-	-	-	-
- uncommitted lines	4.1	-	-	-	-	-	4.1
Other liabilities	71.7	-	-	-	-	-	71.7
Payables due to associates	12.5	-	-	-	-	-	12.5
Total	**373.4**	**15.5**	**40.8**	**350.2**	**-**	**-**	**779.9**
Derivatives on rate risk	0.3	0.3	0.5	(0.8)	-	-	0.3
Derivatives on currency risk	-	-	-	-	-	-	-
Total exposure	**373.7**	**15.8**	**41.3**	**349.4**	**-**	**-**	**780.2**

Maturity dates were analyzed by using undiscounted cash flows and the amounts were accounted for by 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, 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.

A special type of credit risk is represented by the counterparty/replacement risk in case of derivative exposure. In this 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.

In the case of the Mondadori Group, this potential risk is limited, 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-authorized counterparties are not allowed.

When approving the Policy, the Board of Directors also approved a list of authorized counterparties for financial risk hedging. Transactions with such authorized 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 relating to trade receivables is monitored throughout the year, so as to ensure that the amount of exposure to losses is kept low.

Maximum risk exposure for financial items including derivative instruments: maximum risk exposure is accounted for before the effects of mitigation deriving from compensation agreements and guarantees.

Credit risk (euro/millions)	**31/12/2016**	**31/12/2015**
Deposits	75.9	29.7
Receivables and loans:		
- trade receivables and other current financial assets	326.7	265.4
- trade receivables and other non-current financial assets	11.6	10.4
Held-for-sale assets	0.4	0.4
Receivables from hedge derivatives	-	-
Guarantees	-	-
Total maximum exposure to credit risk	**414.6**	**305.9**

The table below illustrates the Group's exposure to credit risk by geographical area:

	Credit risk concentration			
	(euro/millions) 31/12/2016	(euro/millions) 31/12/2015	% 31/12/2016	% 31/12/2015
By geographical area:				
Italy	241.8	192.7	80.1%	79.6%
France	50.6	49.3	16.9%	20.4%
Other countries	7.7	0.1	3.0%	-
Total	**300.1**	**242.1**	**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
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 relating 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 characterized 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
Most of the Group's exposure is with small to medium-sized advertising investors and with media centres, constantly monitored by Mediamond S.p.A., an equally-held joint-venture with the Mediaset Group and advertising agency for Mondadori Group titles.

Mediamond S.p.A. controls credit risk with these subjects, for significant investments, through solvency analysis and the collection of commercial information before the provision of services.

Each company performs autonomous individual assessments of the most significant positions and makes the appropriate adjustments, taking into account the estimated recoverable amount, collection dates, recovery charges and costs and any guarantees issued.

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

The table below illustrates the Group's exposure to credit risk by business area:

Credit risk concentration (euro/millions)	Analysis of maturity periods at 31/12/2016 Net overdraft					
	Net to maturity	0-30 days	30-60 days	60-90 days	over	Bad debt provision
Books	170.9	5.3	5.4	4.7	4.5	15.4
Magazines Italy	55.8	9.5	2.5	0.6	6.2	13.6
Magazines France	42.8	5.3	2.5	1.3	0.3	3.8
Retail	12.6	2.5	0.9	0.6	9.7	5.8
Other business	18.0	1.3	0.7	(0.2)	0.6	0.4
Total	**300.1**	**23.9**	**12.0**	**7.0**	**21.3**	**39.0**

Credit risk concentration (euro/millions)	Analysis of maturity periods at 31/12/2015 Net overdraft					
	Net to maturity	0-30 days	30-60 days	60-90 days	over	Bad debt provision
Books	95.2	1.2	1.4	0.7	5.2	16.8
Magazines Italy	39.5	10.0	1.1	0.5	6.1	13.9
Magazines France	39.2	6.0	2.4	1.1	0.6	3.4
Retail	14.1	2.4	0.3	0.1	9.3	5.8
Other business	4.2	1.1	0.2	0.1	0.1	0.3
Total	**192.2**	**20.7**	**5.4**	**2.5**	**21.3**	**40.2**

Other information requested pursuant to IFRS 7

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

Classification (euro/millions)	Book value						Fair value	
	Total		of which current		of which non-current			
	31/12/16	31/12/15	31/12/16	31/12/15	31/12/16	31/12/15	31/12/16	31/12/15
Financial assets measured at fair value with differences recognized under income statement, held for trading	-	-	-	-	-	-	-	-
Receivables and loans:								
- cash and cash equivalents	77.6	30.7	77.6	30.7	-	-	77.6	30.7
- trade receivables	245.5	202.6	241.8	198.5	3.7	4.1	245.5	202.6
- other financial assets	37.5	32.5	33.9	30.8	3.6	1.8	37.5	32.5
- receivables from affiliates and joint ventures	55.3	40.6	55.3	40.6	-	-	55.3	40.6
Held-for-sale financial assets	0.4	0.4	0.4	0.4	-	-	0.4	0.4
Derivatives	-	-	-	-	-	-	-	-
Total financial assets	**416.3**	**306.8**	**409.0**	**301.0**	**7.3**	**5.9**	**416.3**	**306.8**
Financial liabilities at fair value:								
- non-hedge derivatives	-	-	-	-	-	-	-	-
Financial liabilities at amortized cost:								
- trade payables	321.3	280.3	321.3	280.3	-	-	321.3	280.3
- payables due to banks and other financial liabilities	447.7	304.5	141.9	82.2	305.8	222.5	477.5	329.8
- payables to associates and joint ventures	12.5	12.5	12.5	12.5	-	-	12.5	12.5
Derivatives	1.6	-	-	-	1.6	-	1.6	-
Total financial liabilities	**783.1**	**597.3**	**475.7**	**375.0**	**307.4**	**222.5**	**812.9**	**622.6**

IFRS 7 requires that values regarding financial assets and liabilities are classified based on a scale of levels reflecting input significance used when calculating fair value.

At 31 December 2016, the Group has current and non-current financial liabilities represented by derivatives as defined in Note 28 “Financial liabilities”, that are classified Level 2; this scale refers to procedures to either directly or indirectly monitor inputs having a significant impact on fair value.

The table below summarizes income and expenses recognized 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/millions)	31/12/2016	31/12/2015
Interest earned on financial assets not measured at fair value:		
- deposits	-	-
- other financial assets	0.8	1.9
Total income	**0.8**	**1.9**
Net loss on derivative instruments	1.6	0.5
Interest due on financial liabilities not measured at fair value	-	-
- deposits	0.1	0.1
- bonds	-	-
- borrowings	10.9	12.2
- other	3.2	3.9
Losses from financial instrument impairment:		
- trade receivables	9.3	8.2
Expense and commissions not included in effective interest rates	1.8	1.0
Total costs	**26.9**	**25.9**
Total	**(26.1)**	**(24.0)**

45. FAIR VALUE MEASUREMENT

Some of the Group's financial assets and liabilities were measured at fair value.

Financial assets (liabilities) (euro/000)	Fair value 31 December 2016	Fair value hierarchy	Valuation method and main inputs
Interest rate swap contracts	(1,616)	Level 2	Discounted cash flow. Projected flows are discounted based on the forward rate curve expected at the end of the period and on the contractual fixing rates, also taking the counterparty default risk into account.
Investments in other companies	453	Level 3	Based on the nature of the interests held in other enterprises, the cost may be considered representative of the fair value.

46. OPERATING SEGMENTS

The disclosure required by IFRS 8 - Operating segments - is provided by taking into account the Group's organizational structure, based on which the periodic reporting is made, used by the Top Management to define actions and strategies, evaluate investment opportunities and allocate resources; the picture versus 2015 remained unchanged.

SEGMENT REPORTING: FIGURES AT 31 DECEMBER 2016

(euro/000)	Books	Magazines Italy
Revenue from sales and services from external customers	**427,817**	**312,387**
Revenue from sales and services from other sectors	**47,299**	**(1,564)**
Income (costs) from investments valued at equity	(86)	1,208
EBITDA	**72,474**	**5,368**
EBIT	**62,010**	**168**
Financial income (costs)	-	-
Result before taxes and minority interests	**62,010**	**168**
Income tax	-	-
Result attributable to minority shareholders	1	-
Result from discontinued operations	-	-
Net result	**62,009**	**168**
Amortization, depreciation and impairment	10,464	5,200
Non-monetary costs	6,074	5,927
Non-recurring income (costs)	-	-
Capital expenditures	47,414	45,822
Investments valued at equity	5,548	21,524
Total assets	400,200	255,205
Total liabilities	244,614	198,237

Italy
France
Other EU countries
USA
Other countries
Consolidated result

Magazines France	Retail	Other Business, Corporate and Digital Innovation	Unallocated items and consolidation adjustments	Consolidated result
321,564	**198,300**	**2,843**	**-**	**1,262,911**
38	**1,281**	**20,392**	**(67,446)**	**0**
-	-	(701)	-	421
30,814	**1,397**	**(14,532)**	**(1,483)**	**94,038**
18,915	**(3,513)**	**(16,083)**	**(1,483)**	**60,014**
-	-	(17,710)	-	(17,710)
18,915	**(3,513)**	**(33,793)**	**(1,483)**	**42,304**
-	-	17,993	-	17,993
2,746	-	-	-	2,747
-	-	-	979	979
16,169	**(3,513)**	**(51,785)**	**(504)**	**22,544**
11,899	4,910	1,551	-	34,024
6,993	4,347	3,637	-	26,978
-	-	-	-	0
1,787	6,161	831		102,015
-	-	15,466		42,538
456,416	105,659	232,912	(28,125)	1,422,267
131,767	82,092	464,386	(16,626)	1,104,470

Revenue from sales and services	Fixed assets
894,530	250,791
314,576	390,221
21,487	-
26,821	4,460
5,497	-
1,262,911	**645,472**

SEGMENT REPORTING: FIGURES AT 31 DECEMBER 2015

(euro/000)	Books	Magazines Italy
Revenue from sales and services from external customers	**284,007**	**293,585**
Revenue from sales and services from other sectors	**36,822**	**2,694**
Income (costs) from investments valued at equity	7,668	1,753
EBITDA	**45,943**	**2,644**
EBIT	**42,513**	**(3,717)**
Financial income (costs)	-	-
Result before taxes and minority interests	**42,513**	**(3,717)**
Income tax	-	-
Result attributable to minority shareholders	-	(120)
Result from discontinued operations	-	-
Net result	**42,513**	**(3,597)**
Amortization, depreciation and impairment	3,430	6,361
Non-monetary costs	12,298	7,258
Non-recurring income (costs)	-	-
Capital expenditures	4,012	7,908
Investments valued at equity	5,503	22,772
Total assets	270,577	197,207
Total liabilities	142,630	192,843

Italy
France
Other EU countries
USA
Other countries
Consolidated result

	Magazines France	Retail	Other Business, Corporate and Digital Innovation	Unallocated items and consolidation adjustments	Consolidated result
	334,539	**195,405**	**15,295**	**-**	**1,122,831**
	13	**622**	**20,490**	**(60,641)**	**0**
	(91)	-	(117)	-	9,213
	32,421	**1,822**	**(1,744)**	**480**	**81,566**
	21,030	**(1,167)**	**(4,664)**	**480**	**54,475**
	-	-	(16,036)	-	(16,036)
	21,030	**(1,167)**	**(20,825)**	**480**	**38,314**
	-	-	20,476	-	20,476
	3,012	-	(157)	-	2,735
	-	-	-	(8,738)	(8,738)
	18,018	**(1,167)**	**(41,144)**	**(8,258)**	**6,365**
	11,391	2,989	2,920	-	27,091
	8,684	5,364	2,917	-	36,521
	-	-	-	-	0
	2,242	6,142	826	-	21,130
	-	-	16,182	-	44,457
	467,069	103,853	180,432	(25,637)	1,193,501
	137,266	86,125	354,748	(15,620)	897,992

	Revenue from sales and services	Fixed assets
	766,461	183,195
	314,862	400,343
	35,069	38
	660	-
	5,779	-
	1,122,831	**583,576**

47. INFORMATION PURSUANT TO ART. 149-*DUODECIES* OF CONSOB ISSUER REGULATION

Table drafted pursuant to article 149-*duodecies* of Consob Issuer Regulation, illustrating fees paid in 2016 for auditing 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.	321.4
	Deloitte & Touche S.p.A.	Subsidiaries	740.5
	Deloitte & Associés S.A.	Subsidiaries	244.5
Certification	Deloitte & Touche S.p.A.	Arnoldo Mondadori Editore S.p.A. (1)	102.7
	Deloitte & Touche S.p.A.	Subsidiaries (2)	17.5
	Deloitte & Associés S.A.	Subsidiaries (3)	29.4
Total			**1,456.0**

(1) Accertamento Diffusione Stampa (circulation auditing). Auditing of the Company financial statements, tax returns and auditor's stamp
(2) Audits for underwriting of tax returns and auditor's stamp
(3) Auditing procedure for the obtaining of subsidized postal tariffs (CPAPP)

For the Board of Directors
The Chairman
Marina Berlusconi

CERTIFICATION OF THE GROUP'S CONSOLIDATED FINANCIAL STATEMENTS

CERTIFICATION OF THE GROUP'S CONSOLIDATED FINANCIAL STATEMENTS PURSUANT TO ART. 81-*TER* OF CONSOB REGULATION NO. 11971 OF 14 MAY 1999 AND SUBSEQUENT AMENDMENTS AND SUPPLEMENTS

1. The undersigned Ernesto Mauri, in his capacity as CEO, and Oddone Pozzi, in his capacity as Executive Manager responsible for the drafting of the corporate accounting documentation of Arnoldo Mondadori Editore S.p.A., also in compliance with the provisions set out in art. 154-*bis*, par. 3 and 4, of Legislative Decree no. 58 of 24 February 1998, hereby certify:

   • 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 2016.

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 2016 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 generally accepted at the international level.

3. We also hereby certify that:

3.1 the Group's consolidated financial statements at 31 December 2016:

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 Legislative Decree no. 38/2005;

b) reflect the accounting books and entries;

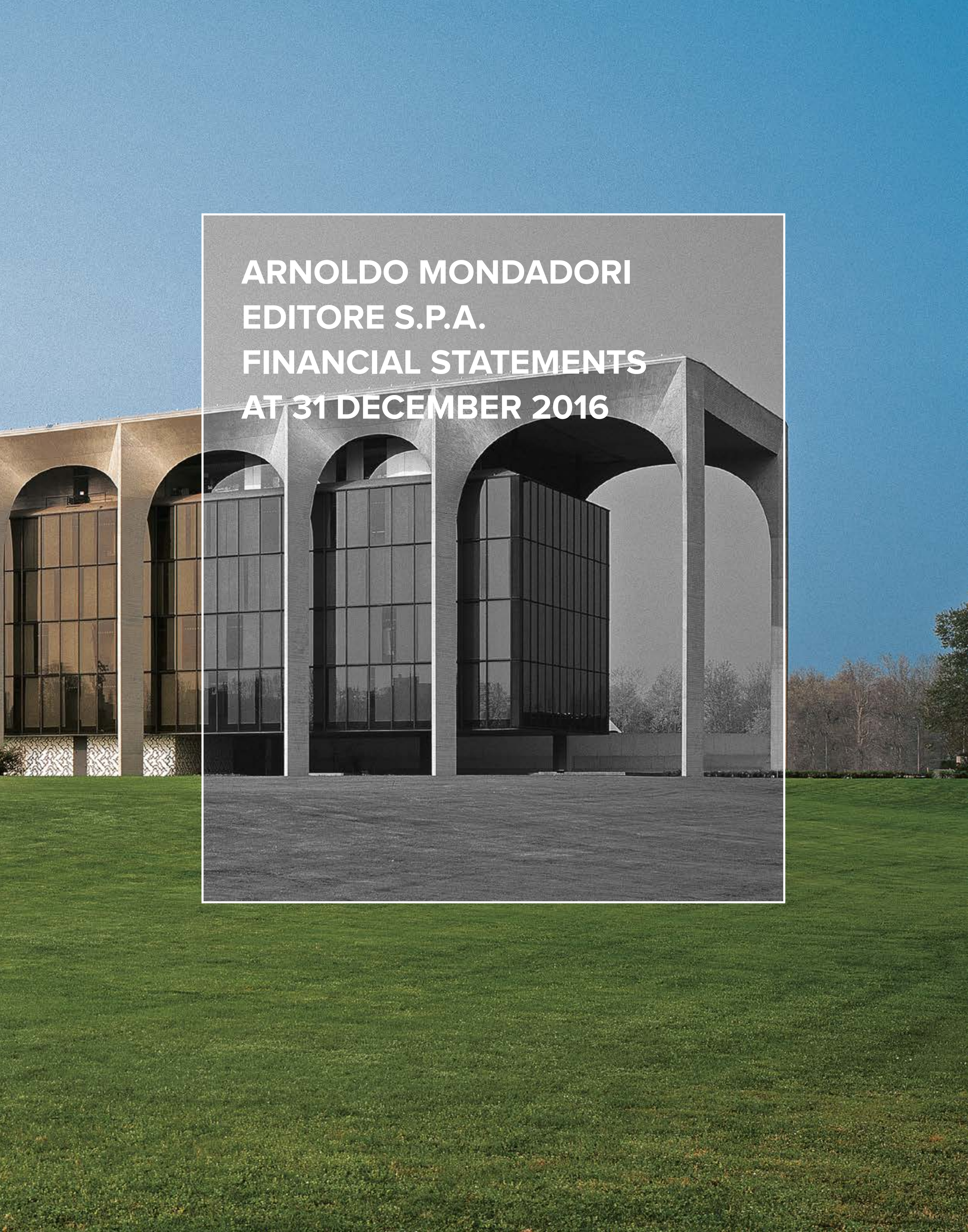
c) provide a true and fair description of the financial position and results of operations of the Company and the group of companies included in the consolidation area.

3.2 the report on operations includes a reliable analysis of the 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.

21 March 2017

The CEO
(Ernesto Mauri)

The Executive Manager responsible for
the drafting of the corporate accounting documents
(Oddone Pozzi)



ARNOLDO MONDADORI EDITORE S.P.A.
FINANCIAL STATEMENTS AT 31 DECEMBER 2016

BALANCE SHEET

Assets (euro)	Notes	31/12/2016	31/12/2015
Intangible assets	1	**87,232,211**	**87,015,290**
Property investments	2	**2,936,591**	**3,027,544**
Land and buildings		5,282,788	5,639,777
Plant and equipment		1,439,646	1,791,512
Other tangible assets		843,333	770,473
Property, plant and equipment	3	**7,565,767**	**8,201,762**
Investments	4	**361,981,527**	**210,897,642**
Non-current financial assets	4	**178,582,192**	**200,000,000**
Pre-paid tax assets	5	**18,088,936**	**24,650,617**
Other non-current assets	6	**351,489**	**345,051**
Total non-current assets		**656,738,713**	**534,137,906**
Tax receivables	7	**27,186,531**	**33,396,628**
Other current assets	8	**4,924,660**	**4,574,205**
Inventory	9	**7,702,354**	**10,039,826**
Trade receivables	10	**39,933,201**	**28,977,705**
Other current financial assets	11	**100,363,382**	**116,135,676**
Cash and cash equivalents	12	**72,619,152**	**27,676,667**
Total current assets		**252,729,280**	**220,800,707**
Assets held for sale or transferred		-	-
Total assets		**909,467,993**	**754,938,613**

Liabilities (euro)	Notes	31/12/2016	31/12/2015
Share capital		**67,979,168**	**67,979,168**
Treasury shares		**(73,207)**	**-**
Other reserves and profit/(loss) carried forward		**92,657,279**	**124,620,666**
Profit (loss) for the year		**(15,175,940)**	**(31,981,679)**
Total equity	13	**145,387,300**	**160,618,155**
Provisions	14	**33,772,031**	**35,675,055**
Post-employment benefits	15	**11,609,980**	**11,612,365**
Non-current financial liabilities	16	**302,933,755**	**220,386,726**
Deferred tax liabilities	5	**24,263,705**	**24,021,171**
Other non-current liabilities		**-**	**-**
Total non-current liabilities		**372,579,471**	**291,695,317**
Income tax payables	17	**-**	**-**
Other current liabilities	18	**45,995,129**	**42,204,805**
Trade payables	19	**72,513,385**	**80,557,359**
Payables due to banks and other financial liabilities	16	**272,992,708**	**179,862,977**
Total current liabilities		**391,501,222**	**302,625,141**
Liabilities held for sale or transferred		**-**	**-**
Total liabilities		**909,467,993**	**754,938,613**

INCOME STATEMENT

(euro)	Notes	2016	2015
Revenue from sales and services	20	**239,226,630**	**251,963,324**
Decrease (increase) in inventory	9	2,337,472	937,236
Cost of raw and ancillary materials, consumables and goods	21	29,392,940	31,629,339
Cost of services	22	150,972,008	165,853,354
Cost of personnel	23	72,961,199	73,012,694
Other (income) costs	24	(5,623,388)	(19,216,626)
EBITDA		**(10,813,601)**	**(252,673)**
Depreciation of property, plant and equipment	2-3	1,300,222	1,639,415
Amortization and impairment loss of intangible assets	1	462,148	1,536,155
EBIT		**(12,575,971)**	**(3,428,243)**
Financial income (costs)	25	(4,777,659)	(1,024,524)
Income (costs) from investments	26	1,896,139	(24,715,945)
Result before taxes for the year		**(15,457,491)**	**(29,168,712)**
Income tax	28	(281,551)	961,020
Result from continuing operations		**(15,175,940)**	**(30,129,732)**
Income/(costs) from discontinued operations	27	-	(1,851,947)
Net result		**(15,175,940)**	**(31,981,679)**

COMPREHENSIVE INCOME STATEMENT

(euro)	Notes	2016	2015
Net result		**(15,175,940)**	**(31,981,679)**
Items reclassifiable to income statement			
Effective part of profit / (loss) on cash flow hedge instruments (cash flow hedge)		(1,577,411)	(38,936)
Tax effect		433,788	10,708
Reclassified entries under income statement			
Effective part of profit / (loss) on cash flow hedge instruments (cash flow hedge)		2,044,622	968,275
Tax effect		(617,480)	(479,164)
Items that will not be later reclassified under income statement			
Actuarial income/ (losses)		(348,982)	142,817
Tax effect		83,756	(39,368)
Comprehensive net result		**(15,157,647)**	**(31,417,347)**

For the Board of Directors
The Chairman
Marina Berlusconi

STATEMENT OF CHANGES IN EQUITY AT 31 DECEMBER 2015 AND 2016

(euro/000)	Notes	Share capital	Share premium reserve	Treasury shares	Stock option reserve	Discounting reserve - IAS 19 post-employment benefits	Other reserves	Result for the year	Total equity
Balance at 01/01/2015		**67,979**	**12,000**	**0**	**1,101**	**488**	**123,766**	**(12,888)**	**192,446**
Changes in:									
- Allocation of result			(12,000)				(888)	12,888	-
- Dividends paid									
- Capital increase									
- Disposal/cancellation of treasury shares									
- Stock options					(833)		833		-
- Other reserves							(411)		(411)
- Comprehensive income (loss)						104	461	(31,982)	(31,417)
Balance at 31/12/2015		**67,979**	**0**	**0**	**268**	**592**	**123,761**	**(31,982)**	**160,618**

(euro/000)	Notes	Share capital	Share premium reserve	Treasury shares	Stock option reserve	Discounting reserve - IAS 19 post-employment benefits	Other reserves	Result for the year	Total equity
Balance at 01/01/2016		**67,979**	**0**	**0**	**268**	**592**	**123,761**	**(31,982)**	**160,618**
Changes in:									
- Allocation of result							(31,982)	31,982	-
- Dividends paid									
- Capital increase									
- Purchase of treasury shares				(73)					(73)
- Stock options					(268)		268		-
- Other reserves									-
- Comprehensive income (loss)						(265)	283	(15,176)	(15,158)
Balance at 31/12/2016		**67,979**	**0**	**(73)**	**0**	**327**	**92,330**	**(15,176)**	**145,387**

For the Board of Directors
The Chairman
Marina Berlusconi

CASH FLOW STATEMENT

(euro/000)	Notes	31/12/2016	31/12/2015
Net result for the year		(15,176)	(31,982)
Adjustments			
Amortization, depreciation and impairment		15,059	26,791
Income tax for the year	28	(2,718)	963
Stock options	23		
Fund provisions and post-employment benefits		(1,535)	3,189
Capital loss (gain) from the transfer of intangible assets, property, plant and equipment		(556)	(11,903)
Income from investments - dividends	26	(12,000)	(87)
Net financial costs/(income) on loans and transactions in derivatives		14,270	13,651
Cash flow generation from operations		**(2,656)**	**622**
(Increase) decrease in trade receivables		(10,879)	(1,785)
(Increase) decrease in inventory		2,305	853
Increase (decrease) in trade payables		(6,929)	(17,144)
Income tax payments		3,832	4,790
Fund provisions and post-employment benefits		(841)	(1,340)
Net difference for other assets/liabilities		15,762	(4,902)
Cash flow generated from (absorbed by)Operations		**594**	**(18,906)**
(Purchase) disposal of intangible assets		(1,129)	(885)
(Purchase) disposal of property, plant and equipment		(1,239)	12,712
(Purchase) disposal of investments		(151,327)	34,805
Income from investments - dividends	26	12,000	87
(Purchase) disposal of securities		-	-
Variation in other current financial assets	11	3,273	44,209
Cash flow generated from (absorbed by) investment activities		**(138,422)**	**90,928**
Increase (decrease) of payables due to banks		17,845	(36,839)
Variation in other current financial assets		75,285	38,061
(Purchase) disposal of treasury shares	13	(73)	-
Net difference for other non-current financial assets/liabilities	16	104,131	(39,904)
Cash-in of net financial income (payment of net financial costs) on loans and transactions in derivatives		(14,418)	(15,742)
Dividends paid		-	-
Cash flow generated from (absorbed by) financing activities		**182,770**	**(54,424)**
Increase (decrease) of cash and cash equivalents		**44,942**	**17,598**
Cash and cash equivalents at the beginning of the period	12	**27,677**	**10,079**
Cash and cash equivalents at the end of the period	12	**72,619**	**27,677**
Composition of cash and cash equivalents			
Cash, cheques and securities		5	5
Bank and postal deposits		72,614	27,672
	12	**72,619**	**27,677**

For the Board of Directors
The Chairman
Marina Berlusconi

BALANCE SHEET PURSUANT TO CONSOB RESOLUTION NO. 15519 OF 27 JULY 2006

Assets (euro/000)	**Notes**	**31/12/2016**	**of which related parties (Note 30)**	**31/12/2015**	**of which related parties (Note 30)**
Intangible assets	1	**87,232**	**-**	**87,015**	**-**
Property investments	2	**2,936**	**-**	**3,028**	**-**
Land and buildings		5,283	-	5,640	-
Plant and equipment		1,440	-	1,791	-
Other tangible assets		843	-	770	-
Property, plant and equipment	3	**7,566**	**-**	**8,201**	**-**
Investments	4	**361,982**	**-**	**210,898**	**-**
Non-current financial assets	4	**178,582**	**178,582**	**200,000**	**200,000**
Pre-paid tax assets	5	**18,089**	**-**	**24,651**	**-**
Other non-current assets	6	**352**	**140**	**345**	**132**
Total non-current assets		**656,739**	**178,722**	**534,138**	**200,132**
Tax receivables	7	**27,187**	**16,262**	**33,397**	**8,366**
Other current assets	8	**4,925**	**-**	**4,574**	**-**
Inventory	9	**7,702**	**-**	**10,040**	**-**
Trade receivables	10	**39,933**	**36,112**	**28,978**	**24,704**
Other current financial assets	11	**100,363**	**100,113**	**116,135**	**115,324**
Cash and cash equivalents	12	**72,619**	**-**	**27,676**	**-**
Total current assets		**252,729**	**152,487**	**220,800**	**148,394**
Assets held for sale or transferred		-	-	-	-
Total assets		**909,468**	**331,209**	**754,938**	**348,526**

Liabilities (euro/000)	Notes	31/12/2016	of which related parties (Note 30)	31/12/2015	of which related parties (Note 30)
Share capital		**67,979**	**-**	**67,979**	**-**
Share premium reserve		**-**	**-**	**-**	**-**
Treasury shares		**(73)**	**-**	**-**	**-**
Other reserves and profit/(loss) carried forward		**92,657**	**-**	**124,621**	**-**
Profit (loss) for the year		**(15,176)**	**-**	**(31,982)**	**-**
Total equity	13	**145,387**	**-**	**160,618**	**-**
Provisions	14	**33,772**	**-**	**35,675**	**-**
Post-employment benefits	15	**11,610**	**-**	**11,612**	**-**
Non-current financial liabilities	16	**302,934**	**-**	**220,387**	**-**
Deferred tax liabilities	5	**24,264**	**-**	**24,021**	**-**
Other non-current liabilities		**-**	**-**	**-**	**-**
Total non-current liabilities		**372,580**	**-**	**291,695**	**-**
Income tax payables	17	**-**	**-**	**-**	**-**
Other current liabilities	18	**45,995**	**-**	**42,205**	**-**
Trade payables	19	**72,513**	**17,393**	**80,557**	**18,373**
Payables due to banks and other financial liabilities	16	**272,993**	**246,976**	**179,863**	**171,692**
Total current liabilities		**391,501**	**264,369**	**302,625**	**190,065**
Liabilities held for sale or transferred		**-**	**-**	**-**	**-**
Total liabilities		**909,468**	**264,369**	**754,938**	**190,065**

INCOME STATEMENT PURSUANT TO CONSOB RESOLUTION NO. 15519 OF 27 JULY 2006

(euro/000)	Notes	2016	of which related parties (Note 30)	of which non-recurring (income) cost (Note 29)	2015	of which related parties (Note 30)	of which non-recurring (income) cost (Note 29)
Revenue from sales and services	20	**239,227**	**235,696**		**251,963**	**252,028**	
Decrease (increase) in inventory	9	2,337			937		
Cost of raw and ancillary materials, consumables and goods	21	29,393	2,301		31,629	(344)	
Cost of services	22	154,097	27,468		165,853	26,383	
Cost of personnel	23	72,961			73,013		
Other (income) costs	24	(8,747)	4,706		(19,216)	3,926	
EBITDA		**(10,814)**	**210,633**	**0**	**(253)**	**229,915**	**0**
Depreciation of property, plant and equipment	2-3	1,300			1,639		
Amortization, depreciation and impairment of intangible assets	1	462			1,536		
EBIT		**(12,576)**	**210,633**	**0**	**(3,428)**	**229,915**	**0**
Financial income (costs)	25	(4,777)	11,395		(1,025)	14,368	
Income (costs) from investments	26	1,896	924		(24,716)	(24,716)	
Income (costs) from assets/liabilities held for sale		-	-		(1,852)	-	
Result before taxes for the year		**(15,457)**	**222,952**	**0**	**(31,021)**	**219,567**	**0**
Income tax	28	(281)			961		
Net result		**(15,176)**	**222,952**	**0**	**(31,982)**	**219,567**	**0**

ACCOUNTING STANDARDS AND EXPLANATORY NOTES

1. GENERAL INFORMATION

The core business of Arnoldo Mondadori Editore S.p.A. is the publishing of magazines and the sale of advertising space. The Company has its registered office in Via Bianca di Savoia 12, Milan, and headquarters in Strada privata Mondadori, Segrate/Milan.

The Company is present through the storage device on the www.1info.it website.

The amounts shown in the tables are in euros; in these notes, the amounts are expressed in euro thousands, unless otherwise stated.

The draft financial statements of Arnoldo Mondadori Editore S.p.A. for the year ended 31 December 2016 were approved by the Board of Directors on 21 March 2017 and made available, together with the additional documents forming the Company's Annual Report, pursuant to art. 154-ter of the TUF (Finance Consolidation Act), and the Statutory Auditors' and Independent Auditing Firm's Reports, within the time limits established by current laws, at the registered office, at Borsa Italiana S.p.A. and on the Company's website.
The Company's financial statements will be filed with the Company Registry within 30 days after the Annual General Meeting called on 27 April 2017 to approve the 2016 financial statements.

Information pursuant to art. 2427, no. 22-quinquies of the Italian Civil Code
Arnoldo Mondadori Editore S.p.A. is part of the Fininvest Group, whose consolidated financial statements are prepared by the parent Finanziaria d'Investimento Fininvest S.p.A.. A copy of the consolidated financial statements of the Fininvest Group is filed with the registered office of Finanziaria d'Investimento Fininvest S.p.A., in Largo del Nazareno 8, Rome.

2. FORM AND CONTENT

The financial statements at 31 December 2016 were drafted in compliance with the International Accounting Standards (IAS/IFRS) issued by the International Accounting Standard Board (IASB) and approved by the EU, and in compliance with the International Financial Reporting Interpretations Committee (SIC/IFRIC).

The financial statements were drafted based on the historical cost, adjusted as requested to evaluate a few financial instruments, and on a going concern basis. The Company has decided that, despite the challenging economic, financial and core sector context, there is no significant uncertainty (as defined by IAS 1.25) surrounding its ability to continue operations, also as a result of the actions undertaken to adjust to the changed market scenario, and of its industrial and financial flexibility.

Arnoldo Mondadori Editore S.p.A. adopted the body of the standards applied as of 1 January 2005, following entry into force of European Regulation no. 1606 of 19 July 2002.

The financial statements at 31 December 2016 were prepared in accordance with the accounting standards used for the preparation of the IAS/IFRS consolidated financial statements at 31 December 2016, considering the amendments and the new standards effective as of 1 January 2016, as per Note 3.26.

The following criteria were adopted in the drafting of these financial statements:
- current and non-current assets and current and non-current liabilities are shown separately in the balance sheet;
- in the separate income statement, the analysis of costs is carried out on the basis of the nature of the costs, since the Company decided that this method is more representative than an analysis by function;
- the comprehensive income statement contains revenue and cost items that are not recognized under income (loss) for the year as required or allowed by the other IAS/IFRS accounting standards;
- the cash flow statement has been prepared using the indirect method.

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

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

3. ACCOUNTING STANDARDS AND VALUATION CRITERIA

The following is an explanation of the standards adopted by the Company in preparing the IAS/IFRS financial statements at 31 December 2016.

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 and magazines are recognized in the income statement for the year in question.

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

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

Intangible assets with 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 amortization criteria depend on how the relating future economic benefits contribute to the Company's result.

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

Intangible assets with finite useful life	Amortization rates and useful life
Goods under concession or license	Duration of the concession and 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 amortization applied are reviewed at the end of each year or more frequently, if necessary, whenever there are reasons to believe that changes have occurred.

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 recognized by modifying the period or method of amortization, 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
Trademarks
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 amortization 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 partly 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 recognized 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. Amortization criteria depend on how the relating future economic benefits accrue to the entity.

The amortization rates reflecting the useful lives attributed to the Company's property investments are shown as follows:

Property investments	Amortization 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 amortization rate for the year in question and for successive year is adjusted.

Income and losses deriving from the disposal of property investments are recognized 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 recognized as assets, on condition that the relevant costs can be reliably calculated and any relating 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 recognized 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 recognized at fair value as determined at the time of purchase and, subsequently, at cost.
Assets recognized as property, plant and equipment, with the exception of land, are depreciated on a straight line basis during the useful life of the asset from the moment the assets are available for use.

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

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

Property, plant and equipment	Depreciation rate
Instrumental buildings	3%
Plant	10% - 25%
Plants in external offices	Based on the duration of the lease contract or on the technical life, if lower.
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 recognized 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 recognized 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 recognized under financial liabilities.

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

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

3.5 Financial costs

Under IAS 23, the Company capitalizes the financial costs resulting from asset purchase, development or production. In case of failed identification of assets justifying capitalization, the costs are recognized under income statement in the year in which they are borne.

3.6 Impairment

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

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

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

The value in use of an asset is 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 recognized as a reduction in the value of the asset and recognized 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 recognized.

3.7 Investments in subsidiaries, joint ventures and associates

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

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

Investments in subsidiaries, joint ventures and associates are valued at cost, subsequently adjusted as a result of any changes in value, determined by appropriate impairment tests, leading to conditions that require the adjustment of the book value to the actual value of the investment. The initial cost is recovered in subsequent years, should the reasons for the adjustments no longer apply. Adjustments and any value recoveries are recognized in the income statement.

The risk resulting from any losses exceeding cost is recognized 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 of inventory is based on the weighted average cost of raw materials, consumables and finished products purchased for sale. The FIFO method is used for finished products.

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

The presumed net value for raw and ancillary materials and consumables 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 recognized at cost, increased by accessory purchase charges, corresponding to the fair value of the price paid. Purchases and sales of financial assets are recognized as of the trading date, which corresponds to the date in which the Company agrees to purchase the assets in question. After initial recognition, financial assets are posted according to the relevant classification, as outlined below.

Financial assets at fair value with adjustments recognized 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 recognized in the income statement.

Held-to-maturity investments
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 amortized 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 amortized cost also considers any discounts or premiums that will be applied over the period of time to maturity.

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

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

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

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

After being initially measured at cost, held-for-sale financial assets are measured at fair value. Income and loss from valuations are recognized in a separate item under 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.
Held-for-sale financial assets also include investments in other companies.

3.10 Trade receivables and other receivables

Trade receivables and other receivables are initially recognized at cost, i.e. at the fair value of the price collected upon completion of the relevant transaction. Receivables are recognized 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 recognized in the financial statements at their estimated realizable value.

3.11 Treasury shares

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

3.12 Cash and cash equivalents

The cash, liquidity and cash equivalents item includes cash on hand and financial investments falling due within three months and which entail only a minimal risk of variation in their face value. They are recognized 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 measured 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 measured at fair value, in accordance with IAS 39 - *Hedge accounting*. Income and loss resulting from subsequent variations in fair value are recognized 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 derecognized 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 derecognized when the underlying obligation has been discharged, cancelled or expired.

3.15 Impairment of financial assets

At the balance sheet date, 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 recognized 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 recognized loss of value is reversed up to the amount the asset would have had, taking amortization 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 recognized under income statement. Value reversals relating to equity instruments classified as available for sale are not recognized under income statement. Value reversals relating to debt instruments are recognized 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 recognized 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 recognized 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 evaluate 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 recognized 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 recognized 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 recognized in a special reserve under equity. The accumulated income or loss is written off from the equity reserve and recognized under income statement, when the results of the transaction subject to hedge are recognized under income statement.
Income and loss associated with the ineffective part of a hedge are recognized 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 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 equity reserve are recognized under income statement.
When hedge accounting is not applicable, income and loss deriving from the fair value valuation of the derivative financial instrument are recognized 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 recognized 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 measured 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 recognized in financial income (expense) in the income statement.

3.18 Post-employment benefits

Benefits due to employees upon termination of the relevant labour contract are broken down according to their economic nature as follows:
• defined contribution plans, represented by the sums accrued as of 1 January 2007;
• defined benefit plans, represented by the severance indemnity (TFR) fund accrued until 31 December 2006.

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

Post-employment benefits are calculated by applying actuarial criteria to the severance indemnity provision 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 recognized 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 relating to current labour services;
• cost of interest;
• actuarial gains or losses;
• the expected return from any plans, if any.

The amounts accrued in favour of employees during the year, and any applicable actuarial gains or losses, are recognized 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 recognized under "Financial income (costs)".

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 recognized under "Other costs (income)".

3.19 Stock options plans

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

These benefits are recognized as cost of personnel under income statement in the period of reference, consistently with the vesting period starting from the granting date, with a balancing entry in "Reserve for stock options" under equity.

The benefits, directly attributed by the Parent Company Arnoldo Mondadori Editore S.p.A. to the employees/managers of subsidiaries, are recognized as an increase in the cost of the relevant investment with a balancing entry in "Reserve for stock options" under equity.

Following the granting date, any change in the number of options implies an adjustment of the overall cost for the plan to be recognized, according to the above procedure. At the end of each financial year, the previously calculated fair value of every option is neither adjusted nor updated, but remains unchanged under 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 recognized as a decreasing item in “Reserve for stock options”, with a balancing entry in personnel costs under income statement or in “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 out or, upon expiry, unexercised options, is reclassified under “Other reserves”.

3.20 Recognition of revenue and costs

Revenue from the sale of goods is recognized 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.

Revenue from the sale of magazines and advertising spaces is recognized on the basis of the relevant date of publication.

Revenue from services is recognized 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.

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

Costs are recognized based on similar criteria as revenue 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 Country in which the Company has its registered offices.

Deferred and pre-paid taxes are calculated on all the temporary differences arising between the taxable 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 taxable or deductible 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 subsidiaries, associates 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 value of prepaid tax amounts 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 year in which assets are realized and liabilities are settled, considering the then applicable tax rates or the tax rates essentially used at the balance sheet date.

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

3.22 Transactions denominated in foreign currencies

Revenue 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 the balance sheet date and any exchange differences are recognized 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 recognized 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 recognized 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 recognized as revenue 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 recognized in equal amounts under income statement over the useful life of the asset.

3.24 Dividends

Dividends are recognized when shareholders are given right to them. This normally corresponds to the date of the Shareholders' Meeting resolving upon dividend payout.

3.25 Discontinued assets and liabilities (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 recognized separately from other assets and liabilities in the balance sheet. Such assets and liabilities are classified as "held-for-sale or discontinued", 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 recognized in a separate item in the income statement.

3.26 Accounting standards, amendments and interpretations adopted by the EU, with effect from 1 January 2016 and applied by Arnoldo Mondadori Editore S.p.A.

The following accounting standards, amendments and IFRS interpretations have been applied by the Group for the first time with effect from 1 January 2016:

- On 21 November 2013, IASB published the amendments to IAS 19 – *"Defined Benefit Plans: Employee Contributions*", which aims to book the contributions (relating only to the service provided by the employee during the year) made by employees or third parties to defined benefit plans as a reduction in service cost for the year in which the contribution is paid. The need for the proposal emerged following the introduction of the new IAS 19 (2011), which specifies that such contributions are to be considered as a post-employment benefit rather than a short-term benefit and, therefore, that such contribution must be distributed over the years of service. The adoption of these amendments had no impact on the financial statements.

- On 12 December 2013, IASB published *"Annual Improvements to IFRSs: 2010-2012 Cycle"*, adopting the amendments to the standards in the context of the annual process for their improvement. The main amendments regard:
  - IFRS 3 *Business Combination – Accounting for contingent consideration*. The amendment clarifies that contingent consideration within business combinations classified as financial asset or liability (unlike those classified as equity instruments) must be re-measured at fair value at each reporting date, and that the changes in fair value must be recognized through profit or loss or under the items of comprehensive income on the basis of the requirements of IAS 39 (or IFRS 9);
  - IFRS 8 *Operating segments – Aggregation of operating segments*. The amendments require an entity to provide disclosure on the assessments made by Management in applying the criteria for aggregating operating segments, including a description of the aggregated operating segments and economic indicators considered in determining whether these operating segments have similar economic characteristics such as to allow aggregation;
  - IFRS 8 *Operating segments – Reconciliation of total of the reportable segments' assets to the entity's assets*. The amendments clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should be disclosed only if the total of the reportable segments' assets is regularly reviewed by the chief operating decision maker of the entity;
  - IFRS 13 *Fair Value Measurement – Short-term receivables and payables*. The Basis for Conclusions for this standard has been amended to clarify that with the issuance of IFRS 13, and consequential amendments to IAS 39 and IFRS 9, the entity still has the possibility of accounting short-term trade receivables and payables without discounting, when the effect of discounting is immaterial;
  - IAS 16 *Property, plant and equipment and IAS 38 Intangible Assets – Revaluation method: proportionate restatement of accumulated depreciation/amortization*. The amendments have eliminated the inconsistencies in the recognition of accumulated depreciation and amortization when property, plant and equipment or intangible assets are revalued. The amendments clarify that the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset and that the accumulated depreciation/amortization is calculated as the difference between the gross carrying amount and the carrying amount (including net of recognized impairment losses);
  - IAS 24 *Related Parties Disclosures – Key management personnel*. Clarification has been provided that when key management personnel services are provided by an entity (not by a natural person), that entity must be considered a related party.

The amendments are effective at the latest from the financial years starting from 1 February 2015 or at any later date. The adoption of these amendments had no impact on the financial statements.

- On 6 May 2014, IASB published the amendments to IFRS 11 *Joint Arrangements – Accounting for acquisitions of interests in joint operations* regarding accounting for acquisitions of interests in joint operations that constitute a business under IFRS 3. In such cases, the amendments require an entity to apply the standards of IFRS 3 regarding recognition of the effects of a business combination.

  The amendments are effective as of 1 January 2016, but early adoption is allowed. The adoption of this amendment had no impact on the financial statements.

- On 12 May 2014, IASB issues a number of amendments to IAS 16 *Property, plant and Equipment and to IAS 38 Intangible Assets – "Clarification of acceptable methods of depreciation and amortisation"*. The amendments to IAS 16 establish that a revenue-based method of depreciation and amortization is not appropriate because, according to the amendment, revenue generated by an activity that includes the use of an asset generally reflects factors other than the mere consumption of the economic benefits embodied in the asset, a condition which is, instead, required for depreciation. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortization for the same reasons established by the amendments introduced to IAS 16. For intangible assets, this presumption can be rebutted, but only in limited and specific circumstances.

The amendments are effective as of 1 January 2016, but early adoption is allowed. The adoption of this amendment had no impact on the financial statements.

- On 25 September 2014, IASB published *"Annual Improvements to IFRSs: 2012-2014 Cycle"*. The amendments apply from the financial years starting from 1 January 2016 or later.

  The document introduces amendments to the following standards:
  - IFRS 5 – *Non-current Assets Held for Sale and Discontinued Operations*. The amendment introduces specific guidance where an entity reclassifies an asset (or a disposal group) from held-for-sale to held-for-distribution (or vice versa), or where the conditions for classification of an asset as held-for-distribution no longer apply. The amendments establish that (i) the same classification and measurement criteria still apply; (ii) assets that no longer satisfy the criteria for classification as held-for-distribution must be treated in the same way as an asset that is no longer classified as held-for-sale;
  - IFRS 7 – *Financial Instruments: Disclosure*. The amendments involve the introduction of additional guidance to clarify when a servicing contract constitutes a continuing involvement in a transferred asset for the purpose of the disclosure for the transferred assets. In addition, the disclosure regarding the offsetting of financial assets and liabilities is not generally specifically required for interim financial reports, except in the case of material information;
  - IAS 19 – *Employee Benefits*. The document introduces amendments to IAS 19 aimed at clarifying that high quality corporate bonds used to determine the discount rate for post-employment benefits must be in the currency used for the payment of the benefits. The amendments specify that the extent of the market to be considered for high quality corporate bonds is the market within the currency zone, not in the country of the entity subject to reporting;
  - IAS 34 – *Interim Financial Reporting*. The document introduces amendments aimed at clarifying the requirements to be satisfied when the disclosure required is presented within the interim financial report, but outside the interim financial statements. The amendment specifies that this disclosure must be incorporated by way of cross-reference from the interim financial statements and other parts of the interim financial report, and that this document should be available to users of the interim financial statements on the same terms as the interim financial statements and at the same time.

  The adoption of these amendments had no impact on the financial statements.

- On 18 December 2014, IASB issued the amendment to *IAS 1 – Disclosure Initiative:* The aim of the amendments is to provide clarification regarding disclosures that may be perceived as impediments to preparing clear and intelligible financial statements. The following amendments were made:
  - Materiality and aggregation: the amendments clarify that an entity must not obscure information by aggregating or disaggregating it and that materiality conditions apply to the primary statements, notes and any specific disclosure requirements in IFRSs. The disclosures specifically required by the IFRSs only need to be provided if the information is material;
  - Statement of financial position and statement of comprehensive income: the amendments clarify that the list of items specified by IAS 1 for these statements can be disaggregated or aggregated depending on the cases. Guidance is also provided on the use of subtotals in the statements;
  - Presentation of items in Other Comprehensive Income ("OCI"): the amendments clarify that an entity's share of OCI of equity accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss;

- Notes: the amendments clarify that entities have flexibility when designing the structure of the notes and provide guidance on how to determine a systematic order of the notes, for instance:
  i. giving prominence to those that are most relevant to an understanding of the financial performance and position (e.g. grouping together information on particular activities);
  ii. grouping together items that are measured similarly (e.g. assets measured at fair value);
  iii. following the order of the elements presented in the statements.

The amendments apply from the financial years starting from 1 January 2016 or later. The adoption of this amendment had no impact on the financial statements.

- On 18 December 2014, IASB published *"Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)"*, containing amendments that address the issues that arose from the application of the consolidation exception for investment entities. The amendments apply from the financial years starting from 1 January 2016 or later, but early adoption is allowed. The adoption of these amendments had no impact on the consolidated financial statements.

3.27 Accounting standards, amendments and IFRS and IFRIC interpretations validated by the European Union but not yet applicable on a compulsory basis and not adopted in advance by the Company at 31 December 2016

- On 28 May 2014, IASB published *IFRS 15 – Revenue from Contracts with Customers* which, along with additional clarifications published on 12 April 2016, will replace IAS 18 – *Revenue* and IAS 11 – *Construction Contracts*, as well as IFRIC 13 – *Customer Loyalty Programmes*, IFRIC 15 – *Agreements for the Construction of Real Estate*, IFRIC 18 – *Transfers of Assets from Customers* and SIC 31 – *Revenues-Barter Transactions Involving Advertising Services*. The standard establishes a new model for the recognition of revenue, which will be applied to all contracts stipulated with customers except for those falling within the application of other IAS/IFRS standards as leasing, insurance contracts and financial instruments. The key steps in the accounting of revenue based on this new model are:
  - identification of the contract with the customer;
  - identification of the performance obligations included in the contract;
  - pricing;
  - price allocation based on the performance obligations included in the contract;
  - the criteria for the recognition of revenue when the entity meets each performance obligation.

  The standard is applicable as of 1 January 2018, but early adoption is allowed. The amendments to IFRS 15, *IFRS 15 Clarifications to - Revenue from Contracts with Customers*, published by IASB on 12 April 2016, are, instead, still awaiting validation by the European Union. The directors expect that the application of IFRS 15 may have an impact on revenue amounts recognized and on disclosure in the financial statements. The effects and the relating impacts are currently being assessed and measured.

- On 24 July 2014, IASB published the final version of *IFRS 9 – Financial instruments.* The document includes the findings of the phases run by IASB to replace IAS 39 and relating to Classification and valuation, Impairment and Hedge accounting. This new standard, which replaces the previous versions of IFRS 9, is applied to financial statements starting from 1 January 2018 or later.
  It introduces new criteria for the classification and measurement of financial assets and liabilities. More specifically, for financial assets, the new standard adopts a single approach based on the financial instrument management methods and on the characteristics of contractual cash flow of the financial assets in order to determine the measurement criteria, replacing the alternative rules established by IAS 39. For financial liabilities, the main change introduced regards the recognition of variations in the fair value of financial liabilities designated as a financial liability measured at fair value in the income statement, whenever these changes are due to a change in the credit rating of the issuer of the liability. According to the new standard,

these amendments must be recognized in the statement of “Other comprehensive income”, and no longer in the income statement.

With regard to impairment, the new standard requires an entity to base its measurement of expected credit losses (not on the incurred losses model used by IAS 39) on reasonable and supportable information that is available without undue cost or effort, and that includes historical, current and forecast information. The standard requires that the impairment model apply to all financial instruments, i.e. financial assets measured at amortized cost, those measured at fair value through other comprehensive income, receivables arising from lease agreements and trade receivables.

Lastly, the standard introduces a new hedge accounting model in order to adapt the requirements of the current IAS 39, which were considered at times too stringent and unsuitable to reflect company risk management policies. The main amendments of the document regard:

- increase in the types of transactions eligible for hedge accounting, also including the risks of non-financial assets/liabilities eligible to be managed in hedge accounting;
- change in the accounting method for forward contracts and options when included in a hedge accounting relation in order to reduce volatility of the income statement;
- changes to the effectiveness test through the replacement of the current methods based on the parameter of 80-125% with the standard of “economic relation” between the hedged item and the hedging instrument; in addition, an evaluation of the retrospective effectiveness of the hedging relation shall no longer be required.

Greater flexibility of the new accounting standards is offset by additional requests for information on company risk management activities. The directors expect that the application of IFRS 9 may have an impact on amounts and on disclosure in the financial statements. The effects and the relating impacts are currently being assessed and measured.

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 standards detailed here below.

- On 13 January 2016, IASB published IFRS 16 – *Leases*, which will replace IAS 17 – *Leases*, and the interpretations IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases - Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

  The new standard provides a new definition of lease and introduces a criterion based on the control (right of use) of an asset to distinguish leases from service contracts, the differences lying in: the identification of the asset, the right to replace the asset, the right to essentially receive all the financial benefits arising from the use of the asset, and the right to control the use of the asset underlying the contract.

  The standard introduces a single lessee accounting model, by which an asset under a lease, including an operating lease, is recognized in assets with an offsetting financial liability. The model also provides the possibility of not recognizing as leases those contracts regarding low-value assets and leases with a term of 12 months or less. Conversely, the standard introduces no material changes for the lessor.

  The standard is applicable as of 1 January 2019; early adoption is allowed only for those companies that have applied IFRS 15 *Revenue from Contracts with Customers* in advance. The directors do not expect the application of IFRS 16 to have an impact on the accounting of leases and on the relevant disclosure included in the financial statements.

- On 11 September 2014, IASB published an amendment to *IFRS 10 and IAS 28 Sales or Contribution of Assets between an Investor and its Associate or Joint Venture.* The document was published to solve the current conflict between IAS 28 and IFRS 10.

Under IAS 28, the gain or loss resulting from the sale or contribution of a non-monetary asset to a joint venture or an associate in return for an investment in the latter is limited to the investment held in the joint venture or associate by other unrelated investors. By contrast, IFRS 10 requires the recording of the entire gain or loss in the event of loss of control of a subsidiary, even if the entity continues to hold a non-controlling interest in it, including in this case also the sale or contribution of a subsidiary to a joint venture or associate. The amendments require that for a sale/contribution of an asset or a subsidiary to a joint venture or associate, the measure of the gain or loss to be recognized in the financial statements of the seller/contributor depends on whether the asset or subsidiary sold/contributed constitute a business under IFRS 3. If the assets or the subsidiary sold/contributed represent a business, the entity shall recognize the gain or loss on the entire investment held; otherwise, the portion of the gain or loss related to the investment still held by the entity shall be eliminated. IASB has currently suspended the application of this amendment. The directors do not expect any significant impact on the financial statements from the adoption of these amendments.

- On 19 January 2016, IASB published *"Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)"* containing amendments to IAS 12. The document intends to provide clarification on the recognition of deferred tax assets for unrealized losses when certain circumstances occur, and on estimated taxable income for future years. The amendments are effective as of 1 January 2017, but early adoption is allowed. The directors do not expect any significant impact on the financial statements from the adoption of these amendments.

- On 29 January 2016, IASB published *"Disclosure Initiative (Amendments to IAS 7)"* containing amendments to IAS 7. The document intends to provide clarification on how to improve disclosures on financial liabilities. Specifically, the amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash flow movements. The amendments do not establish a specific format to use for disclosure. The amendments require an entity, however, to provide a reconciliation between the opening and closing balances for liabilities arising from financial activities. The amendments are effective as of 1 January 2017, but early adoption is allowed. No comparative information relating to prior years is required. The directors do not expect any significant impact on the financial statements from the adoption of these amendments.

- On 12 September 2016, IASB published *"Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts"*. The amendments aim to address the concerns from the application of the new IFRS 9, before IASB replaces the current IFRS 4 with the new standard currently under preparation. The concerns regard the temporary volatility of results presented in the financial statements.
  The amendments introduce two approaches:
  - overlay approach
  - deferral approach.

  The introduced amendments will allow:
  - an entity that issues insurance contracts the possibility of recognizing in other comprehensive income (OCI), rather than in the income statement, the effects of the volatility that may arise when an entity applies IFRS 9 before application of the new IFRS 4 ("overlay approach");
  - an entity whose business is predominantly connected with insurance the possibility of applying a temporary exemption of the application of IFRS 9 until 2021. Entities that defer the application of IFRS 9 will continue to apply the current IAS 39 ("deferral approach").

  The directors do not expect any significant impact on the financial statements from the adoption of these amendments.

- On 8 December 2016, IASB published "*Annual Improvements to IFRSs: 2014-2016 Cycle*", adopting the amendments to the standards in the context of the annual process for their improvement. The main amendments regard:
  - IFRS 1 *First-Time Adoption of International Financial Reporting Standards - Deletion of short-term exemptions for first-time adopters*. The amendment is applicable at the latest for financial years beginning on 1 January 2018, and regards the deletion of short-term exemptions under section E3-E7 of Appendix E of IFRS 1, as the benefit of such exemptions is considered outdated.
  - IAS 28 *Investments in Associates and Joint Ventures – Measuring investees at fair value through profit or loss: an investment-by-investment choice or a consistent policy choice*. The amendment clarifies that the option for a venture capital organization or other entity classified as such (such as a mutual fund or similar entity) to measure investments in associates and joint ventures measured at fair value through profit or loss (rather than the equity method) is carried out for each single investment on initial recognition. The amendment applies as of 1 January 2018.
  - IFRS 12 *Disclosure of Interests in Other Entities – Clarification of the scope of the Standard*. The amendment clarifies the scope of IFRS 12, specifying that the disclosures required by the standard, with the exception of the disclosures under sections B10-B16, apply to all interests that are classified as held for sale, held for distribution to owners, or as discontinued operations in accordance with IFRS 5. The amendment applies as of 1 January 2017.

  The directors do not expect any significant impact on the financial statements from the adoption of these amendments.

- On 8 December 2016, IASB published "*Foreign Currency Transactions and Advance Consideration (IFRIC Interpretation 22)*". The document provides guidance on how an entity should determine the date of a transaction and, therefore, the spot exchange rate to use in the event of foreign currency transactions where payment is made or received in advance. The amendments apply not only to cash-in transactions, but also to the initial recognition of other foreign currency transactions where payment is made or received in advance. The interpretation clarifies that the transaction date is the earlier of:
  a) the date when the advance payment or advance receipt were recognized in the entity's financial statements; and
  b) the date when the asset, expense or income (or part of it) is recognized (with consequent reversal of the advance payment or the advance receipt).

  If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt. IFRIC 22 is applicable as of 1 January 2018, but early adoption is allowed. The directors do not expect any significant impact on the financial statements from the adoption of these amendments.

- On 8 December 2016, IASB published "*Transfers of Investment Property (Amendments to IAS 40)*" containing amendments to IAS 40. The amendments clarify the transfers of a property to, or from, investment properties. Specifically, an entity should reclassify a property into, or from, investment properties only when there is an evident change in use of the property. Such a change must be traced back to a specific event that occurred and should, therefore, not be restricted to a change of intentions by the Management of an entity. The amendments are applicable as of 1 January 2018, but early adoption is allowed. The directors do not expect any significant impact on the financial statements from the adoption of these amendments.

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 relating 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 recognized 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, characterized by the ongoing financial and economic crisis, it was deemed necessary to make assumptions on the future trend showing substantial uncertainties. As a result, 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 are needed, which cannot be either foreseen or quantified today, but which can also 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 relating to goodwill and intangible assets is tested for impairment by comparing the book value of the Cash Generating Units 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 provision
The ability to recover bad debt is calculated by taking into account the risk of collection failure, the period of time receivables have been outstanding and any losses sustained in the past on similar debts.

Inventory depreciation 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 Group considers the relevant risk of failed completion.

Future returns
In the publishing sector it is accepted practice that unsold books 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 costs for restructuring and judicial, arbitration and tax disputes are based on complex estimates; for tax disputes in particular, they take into account the probability of losing the dispute.

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 partly 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 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 recognized 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 these "Explanatory notes to the financial statements".

Details regarding the items of the financial statements

All the amounts are expressed in euro thousands, with the exception of some ancillary data, which is expressed in euro millions. The amounts in parentheses refer to 2015 figures.

BALANCE SHEET

ASSETS

1. Intangible assets

Intangible assets (euro/000)	**31/12/2016**	**31/12/2015**
Intangible assets with finite useful life	1,013	796
Intangible assets with indefinite useful life	86,219	86,219
Total intangible assets	**87,232**	**87,015**

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

Intangible assets with finite useful life (euro/000)	**Software**	**Marketing rights**	**Other intangible assets**	**Total**
Cost at 01/01/2015	9,550	650	2,500	12,700
Capital expenditures	555	-	-	555
Disposals	-	-	-	-
Transfer to Mondadori Libri S.p.A.	(1,288)	(52)	(2,500)	(3,840)
Cost at 31/12/2015	8,817	598	0	9,415
Depreciation and impairment loss provision at 01/01/2015	8,974	650	495	10,119
Amortization, depreciation	310	-	-	310
Impairment/(reinstatement of value)	-	-	-	-
Disposals	-	-	-	-
Transfer to Mondadori Libri S.p.A.	(1,263)	(52)	(495)	(1,810)
Depreciation and impairment loss provision at 31/12/2015	8,021	598	0	8,619
Net book value at 01/01/2015	576	0	2,005	2,581
Net book value at 31/12/2015	**796**	**0**	**0**	**796**

Intangible assets with finite useful life (euro/000)	**Software**	**Marketing rights**	**Other intangible assets**	**Total**
Cost at 01/01/2016	8,817	598	-	9,415
Capital expenditures	679	-	-	679
Disposals	-	-	-	0
Cost at 31/12/2016	9,496	598	0	10,094
Depreciation and impairment loss provision at 01/01/2016	8,021	598	-	8,619
Amortization, depreciation	462	-	-	462
Impairment/(reinstatement of value)	-	-	-	0
Disposals	-	-	-	0
Depreciation and impairment loss provision at 31/12/2016	8,483	598	0	9,081
Net book value at 01/01/2016	796	0	0	796
Net book value at 31/12/2016	**1,013**	**0**	**0**	**1,013**

Capital expenditures in the year, amounting to 679 thousand euro, regarded purchases of software programmes.

Intangible assets with indefinite useful life (euro/000)	**Magazines**	**Trademarks**	**Goodwill**	**Total**
Cost at 01/01/2015	83,577	4,263	732	88,572
Capital expenditures	-	-	-	0
Disposals	-	-	-	0
Other changes	-	-	-	0
Cost at 31/12/2015	83,577	4,263	732	88,572
Impairment loss at 01/01/2015	-	(1,127)	-	(1,127)
Impairment/(reinstatement of value)	-	(1,226)	-	(1,226)
Impairment loss at 31/12/2015	0	(2,353)	0	(2,353)
Net book value at 01/01/2015	83,577	3,136	732	87,445
Net book value at 31/12/2015	**83,577**	**1,910**	**732**	**86,219**

Intangible assets with indefinite useful life (euro/000)	Magazines	Trademarks	Goodwill	Total
Cost at 01/01/2016	83,577	4,263	732	88,572
Capital expenditures	-	-	-	0
Disposals	-	-	-	0
Other changes	-	-	-	0
Cost at 31/12/2016	83,577	4,263	732	88,572
Impairment loss 01/01/2016	-	(2,353)	-	(2,353)
Impairment/(reinstatement of value)	-	-	-	0
Impairment loss at 31/12/2016	0	(2,353)	0	(2,353)
Net book value at 01/01/2016	83,577	1,910	732	86,219
Net book value at 31/12/2016	**83,577**	**1,910**	**732**	**86,219**

Intangible assets with an indefinite useful life mainly refer to magazines (specifically, *TV Sorrisi e Canzoni* and *Chi*, each of which represents a different Cash Generating Unit) comprised in the acquisition of the business unit, former SBE, completed in 1994.
Impairment, amounting to 1,226 thousand euro at 31 December 2015, referred to the *Interni* trademark.

Amortization, impairment loss and value reinstatement of intangible assets

Amortization and impairment loss on intangible assets (euro/000)	2016	2015
Software	462	310
Marketing rights	-	-
Total amortization of intangible assets	**462**	**310**
Amortization of intangible assets	-	1,226
Value reinstatement of intangible assets	-	-
Total amortization (value reinstatement) of intangible assets	**0**	**1,226**
Total amortization of intangible assets	**462**	**1,536**

Pursuant to IAS 36, assets with an indefinite useful life and goodwill are not subject to amortization but to an impairment test at least once a year or whenever there is an indication of impairment.

For the impairment tests carried out on magazines, trademarks and goodwill to calculate their recoverable value, the value in use was measured.

The value of magazines and trademarks 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, and to the former Elemond titles. The main magazines acquired are *TV Sorrisi e Canzoni, Chi, Telepiù* and *Interni.*

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 plans for the 2017-2019 three-year period and subsequently approved by the Board of Directors. The abovementioned cash flows were measured based on the current market scenario, considering also the uncertainties relating to the expectations for growth in the sector.

The values used are derived from the income statements of the single magazines and include operating costs. They are considered representative of the cash flows, considering the speed with which receivables are collected - typical of the Magazines area - and the irrelevant amount of maintenance expenses. Usually, the latter would not be capitalized and, therefore, they are not included in the magazine margins.

The economic results used for the projections include taxes; the discount rate before taxes, applied to cash flow projections, is amounting to 6.59% (6.92% in 2015) and cash flows beyond the period of analytical projection deriving from medium-term plans, are assumed as constant (g=0).

In the determination of the value in use of the different Cash Generating Units, the directors believe that, considering the conservative assumptions made in the drafting of the business plans used, taking into account also the current specific economic scenario, it is reasonable to consider that changes are not expected to occur such as to imply a reduction in the recoverable value calculated.

A sensitivity analysis on the results obtained was performed, varying the assumptions considered the most significant, the discounting rate in particular. Such analysis confirmed the reasonableness of the results obtained.

After completing the analysis, the directors concluded that there was no need for impairment.

2. Property investments

Property investments (euro/000)	**Land**	**Non-instrumental buildings**	**Total**
Cost at 01/01/2015	1,032	3,952	4,984
Capital expenditures	-	-	0
Disposals	-	-	0
Other changes	-	-	0
Cost at 31/12/2015	1,032	3,952	4,984
Depreciation and impairment losses at 01/01/2015	-	1,851	1,851
Amortization, depreciation	-	105	105
Impairment/(reinstatement of value)	-	-	0
Disposals	-	-	0
Other changes	-	-	0
Depreciation and impairment losses at 31/12/2015	0	1,956	1,956
Net book value at 01/01/2015	1,032	2,101	3,133
Net book value at 31/12/2015	**1,032**	**1,996**	**3,028**

Property investments (euro/000)	**Land**	**Non-instrumental buildings**	**Total**
Cost at 01/01/2016	1,032	3,952	4,984
Capital expenditures	-	14	14
Disposals	-	-	0
Other changes	-	-	0
Cost at 31/12/2016	1,032	3,966	4,998
Depreciation and impairment losses at 01/01/2016	-	1,956	1,956
Amortization, depreciation	-	105	105
Impairment/(reinstatement of value)	-	-	0
Disposals	-	-	0
Other changes	-	-	0
Depreciation and impairment losses at 31/12/2016	0	2,061	2,061
Net book value at 01/01/2016	1,032	1,996	3,028
Net book value at 31/12/2016	**1,032**	**1,905**	**2,937**

The directors estimate that the fair value of property investments at 31 December 2016 is not lower than the net book value.

Depreciation of property investment

Depreciation accounted for in the income statement for the year under “Depreciation of property, plant and equipment” amounted to 105 thousand euro.

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

Property, plant and equipment (euro/000)	**Land**	**Instrumental buildings**	**Plant and equipment**	**Other tangible assets**	**Total**
Cost at 01/01/2015	1,114	16,876	23,150	41,340	82,480
Capital expenditures	-	-	347	146	493
Disposals	-	(3,275)	(476)	(411)	(4,162)
Transfer to Mondadori Libri S.p.A.	-	-	(6,231)	(5,690)	(11,921)
Cost at 31/12/2015	1,114	13,601	16,790	35,380	66,890
Depreciation and impairment loss provision at 01/01/2015	-	11,708	20,792	40,153	72,653
Amortization, depreciation	-	506	630	398	1,534
Impairment/(reinstatement of value)	-	-	-	-	0
Disposals	-	(3,139)	(394)	(406)	(3,939)
Transfer to Mondadori Libri S.p.A.	-	-	(6,024)	(5,535)	(11,559)
Depreciation and impairment loss provision at 31/12/2015	0	9,075	15,004	34,610	58,689
Net book value at 01/01/2015	1,114	5,168	2,358	1,187	9,827
Net book value at 31/12/2015	**1,114**	**4,526**	**1,791**	**770**	**8,201**

Property, plant and equipment (euro/000)	**Land**	**Instrumental buildings**	**Plant and equipment**	**Other tangible assets**	**Total**
Cost at 01/01/2016	1,114	13,601	16,795	35,380	66,890
Capital expenditures	-	4	178	378	560
Disposals	-	-	(34)	(1,645)	(1,679)
Cost at 31/12/2016	1,114	13,605	16,939	34,113	65,771
Depreciation and impairment loss provision at 01/01/2016	-	9,075	15,004	34,610	58,689
Amortization, depreciation	-	361	530	304	1,195
Impairment/(reinstatement of value)	-	-	-	-	0
Disposals	-	-	(34)	(1,645)	(1,679)
Depreciation and impairment loss provision at 31/12/2016	0	9,436	15,500	33,269	58,205
Net book value at 01/01/2016	1,114	4,526	1,791	770	8,201
Net book value at 31/12/2016	**1,114**	**4,169**	**1,439**	**844**	**7,566**

Other tangible assets (euro/000)	**31/12/2016**	**31/12/2015**
Industrial and commercial equipment	95	69
Electronic office equipment	365	260
Office furniture, and machines	358	350
Motor vehicles and transport vehicles	-	-
Leasehold improvements	-	-
Assets under construction and advances	26	91
Total other tangible assets	**844**	**770**

Investments in the year regarded upgrades to:

- the technology made available to the magazine editing offices;
- the data processing tools (personal computers and local networks) and the purchase of plant and equipment for own and leased property.

Capital expenditures in the year, including those for “Other tangible assets”, amounting to 562 thousand euro, comprised:

- the Verona plant for 23 thousand euro;
- the Milan offices (editorial office automation, office automation, furniture and equipment, plant) for 539 thousand euro.

Disinvestments, amounting to a net 2 thousand euro, including those relating to “Other tangible assets”, refer mainly to plant and office equipment (furniture, sundry equipment and electronic machines) and motor vehicles.

Depreciation of property, plant and equipment

Depreciation of property, plant and equipment (euro/000)	**2016**	**2015**
Instrumental buildings	361	506
Plant and equipment	530	630
Equipment	36	65
Electronic office equipment	170	182
Office furniture	98	149
Motor vehicles and transport vehicles	-	-
Leasehold improvements	-	2
Total depreciation of property, plant and equipment	**1,195**	**1,534**

In 2016, no indications suggesting an impairment loss were identified.

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

4. Financial assets

Equity investments

Investments, amounting to 361,982 thousand euro (210,898 thousand euro), are broken down and commented on below.

“Investments”, amounting to 361,982 thousand euro, net of provisions for losses/impairment, includes shares and units of limited liability companies for a total of 227,026 thousand euro, and capital contribution payments amounting to 133,540 thousand euro. In addition, “Investments” includes 1,416 thousand euro 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 associate is shown in Annexes A and B, to which reference should be made to compare the book value entered and the relevant portion of equity.

Subsidiaries (euro/000)	Shares and units owned	Capital contributions	Stock options assigned	Total value
Value at 31/12/2015	**177,584**	**6,031**	**1,416**	**185,031**
Increases:				
- Purchases, establishments and capital increases	26,460	133,825		160,285
- Payments to cover losses				
- Stock option assignment				
Total increases	**26,460**	**133,825**		**160,285**
Decreases:				
- Impairment loss				
- Coverage of losses	(3,471)	(5,839)		(9,310)
- Disposal of investments/liquidation	(274)	(478)		(752)
- Other changes				
Total decreases	**(3,745)**	**(6,317)**		**(10,062)**
Changes in the provision for losses/impairment:				
- Provisions	(7,985)			(7,985)
- Utilizations/reclassifications	12,148			12,148
Value at 31/12/2016	**204,462**	**133,539**	**1,416**	**339,417**

Associates and other enterprises (euro/000)	Shares and units owned	Capital contributions	Stock options assigned	Total value
Value at 31/12/2015	**25,867**	**0**	**0**	**25,867**
Increases:				
- Purchases, establishments and capital increases				
- Payments to cover losses				
- Stock option assignment				
- Other changes				
Total increases				
Decreases:				
- Impairment loss				
- Coverage of losses				
- Transfer of investments	(5,501)			(5,501)
- Other changes				
Total decreases	**(5,501)**			**(5,501)**
Changes in the provision for losses/impairment:				
- Provisions	(3,000)			(3,000)
- Utilizations/reclassifications				
- Transfer of investments	5,199			5,199
Value at 31/12/2016	**22,565**	**0**	**0**	**22,565**

Shares and units owned in companies
Main transactions in the year.

Significant transactions regarding investments in the reporting period were the following:
- on 8 June 2016, Arnoldo Mondadori Editore S.p.A. completed the acquisition of 100% of Banzai Media Holding S.r.l. (vertical content division of the Banzai Group); the acquired scope does not include the news segment, composed of Banzai's investment in Il Post S.r.l. and of the Giornalettismo website BU. The price of the transaction was 24,660 thousand euro, based on an enterprise value of 41 million euro and a net debt of 16.4 million euro; the agreement includes the payment of an earn-out of 4 million euro, in addition to the earn out of 3.3 million already recognized in the Banzai Group for previous acquisitions;
- disposal of the investment in Mondadori Independent Media LLC for 5,501 thousand euro (net of a provision for losses of 5,199 thousand euro), for a consideration of 839 thousand euro, which resulted in a gain of 537 thousand euro recognized in the income statement;
- elimination of the investment in Glaming S.r.l., which completed liquidation and was removed from the Company Registry on 28 December 2016. The distribution of equity from liquidation resulted in a gain of 18 thousand euro recognized in the income statement;
- capital contribution in Mondadori Libri S.p.A. for an amount of 127,105 thousand euro, made on 14 April 2016 preliminary to the purchase of the shares of RCS Libri S.p.A. (now Rizzoli Libri S.p.A.).

Other increases include:
- capital contribution in Mondadori Pubblicità S.p.A. (today Press-di Abbonamenti S.p.A.) for an amount of 2,500 thousand euro;
- capital contribution in Mondadori Retail S.p.A. for an amount of 3,542 thousand euro;
- capital contribution in Mondadori Scienza S.p.A. for an amount of 670 thousand euro;
- capital contribution in Mondadori International Business S.r.l. for an amount of 1,808 thousand euro.

Other decreases include:
- the coverage of losses in Mondadori Pubblicità S.p.A. for an amount of 3,930 thousand euro;
- the coverage of losses in Inthera S.p.A. for an amount of 951 thousand euro;
- the coverage of losses in Mondadori Retail S.p.A. for an amount of 1,629 thousand euro;
- the coverage of losses in Glaming S.r.l. in liquidation for an amount of 752 thousand euro;
- the coverage of losses in Mondadori International Business S.r.l. for an amount of 2,800 thousand euro.

Under IAS/IFRS accounting standards, in case of a potential impairment loss, investments held are subject to impairment test, using the higher between the value in use and the fair value. This resulted in an impairment loss for a total of 10,985 thousand euro, 2,275 thousand euro for the investments held in Mondadori Pubblicità S.p.A., 1,808 thousand euro in Mondadori International Business S.r.l., 1,000 thousand euro in Monradio S.r.l., 2,753 thousand euro in Mondadori Retail S.p.A., 1,149 thousand euro in Inthera S.p.A., and 2,000 thousand euro in Attica Publications S.A.
An impairment test was made to calculate the recoverable value of the investments; impairment was made by comparing the value of the investments with the share of the equity of subsidiaries, adjusted for any implicit capital gains.
Specifically, for the investment held in Attica Publications S.A., for the purpose of calculating value in use, projections contained in the 3-5-year plans drafted by the company were used, as integrating part of the medium-term Plan, approved by the Mondadori Group Board of Directors on 8 February 2017.

The expected cash flows were discounted based on a WACC of 13.01%, using growth rates between 2% and 3% (g), in order to consider the differences between the business and geographical areas in which the Attica group operates.

The performance of the impairment test required an adjustment of 2.0 million euro to the investment in Attica Publications S.A.

Capital contributions
The amount of 133,539 thousand euro at 31 December 2016 (6,031 thousand euro) refers, for 127,105 thousand euro, to Mondadori Libri S.p.A., for 2,406 thousand euro to Mondadori Direct S.p.A., for 3,351 thousand euro to Mondadori Pubblicità S.p.A., for 670 thousand euro to Mondadori Scienza S.p.A., and for 7 thousand euro to Mondadori International Business S.r.l.

Non-current financial assets
The composition of other financial assets, amounting to 178,582 thousand euro, refers to the intercompany loan granted by Arnoldo Mondadori Editore S.p.A. to the subsidiary Mondadori France S.A. for 178,082 thousand euro, and to the associate Attica Publications S.A. for 500 thousand euro.

5. Pre-paid tax assets and deferred tax liabilities

Tax assets of 18,089 thousand euro (24,651 thousand euro) and tax liabilities of 24,264 thousand euro (24,021 thousand euro) were recognized and determined based on the temporary differences between balance sheet values stated in the financial statements and the corresponding values recognized for tax purposes:

(euro/000)	31/12/2016	31/12/2015
IRES on tax losses	9,975	15,370
Pre-paid IRES	7,931	9,057
Pre-paid IRAP	183	224
Total pre-paid tax assets	**18,089**	**24,651**
Deferred IRES	21,223	21,254
Deferred IRAP	3,041	2,767
Total deferred tax liabilities	**24,264**	**24,021**

“IRES on tax losses”, amounting to 9,975 thousand euro, referred to future benefits resulting from the offsetting use of the losses generated by the Company in the last financial years, transferred to the fiscal unit under the parent company Fininvest S.p.A. following the adherence to the national tax consolidation regime (pursuant to Articles 117 and the following of Presidential Decree no. 917/1986) for the 2016-2018 three-year period. Specifically, “IRES on tax losses” of 9,975 thousand euro decreased by 5,394 thousand euro versus 31 December 2015, as a result of the deduction of prior-years’ tax losses from the 2016 taxable income, generated in the scope of the companies participating in the tax consolidation scheme, with Fininvest S.p.A. as the consolidating entity.
The directors believe that the amounts recognized are fully recoverable, considering:

- the possibility of a pre-deduction of up to 80% of the Group’s prior-years’ tax losses from taxable income, under the agreement governing relations with the consolidating entity Fininvest S.p.A.;
- the right to carry forward tax losses without time restrictions;
- the projections made in the 2017-2019 three-year Plan approved by the Board of Directors and the prepared tax planning documents.

Pre-paid taxes and deferred taxes are calculated based on the tax rates that will become applicable when these differences arise (the new 24% IRES tax rate has already been adopted and is effective from 2017, 3.9% for IRAP).
The adjustment of deferred taxes at the new rate generated a cost of 102 thousand euro.

Description of temporary differences that led to the recognition of pre-paid taxes

(euro/000)	31/12/2016			31/12/2015		
	Amount of temporary differences	Current tax rate	Pre-paid taxes	Amount of temporary differences	Current tax rate	Pre-paid taxes
Difference between book value and fiscal value of assets	1,301	24.00%	312	1,545	24.00%	371
Provision for bad debt	505	24.00%	121	582	24.00%	140
Depreciation of inventory	117	24.00%	28	84	24.00%	20
Provisions	-	27.50%	-	5,820	27.50%	1,601
	25,287	24.00%	6,069	23,166	24.00%	5,560
Prior-years' tax losses	41,563	24.00%	9,975	64,040	24.00%	15,370
Other temporary differences	-	27.50%	-	2,045	27.50%	562
	5,833	24.00%	1,400	3,350	24.00%	804
Total for IRES purposes	**74,606**		**17,906**	**100,632**		**24,428**
Difference between book value and fiscal value of assets	4,584	3.9%	179	4,680	3.9%	183
Depreciation of inventory	117	3.9%	4	84	3.9%	3
Provisions	-	3.9%	-	972	3.9%	38
Other temporary differences	-	-	-	-	3.9%	-
Total for IRAP purposes	**4,701**		**183**	**5,736**		**224**

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

(euro/000)	31/12/2016			31/12/2015		
	Amount of temporary differences	Current tax rate	Deferred taxes	Amount of temporary differences	Current tax rate	Pre-paid taxes
Difference between book value and fiscal value of assets	88,430	24.00%	21,223	88,557	24.00%	21,254
Post-employment benefits/FISC	-	-	-	-	-	-
Other temporary differences	-	-	-	-	-	-
Total for IRES purposes	**88,430**		**21,223**	**88,557**		**21,254**
Difference between book value and fiscal value of assets	77,963	3.9%	3,041	70,960	3.9%	2,767
Other temporary differences	-	-	-	-	-	-
FISC	-	-	-	-	-	-
Total for IRAP purposes	**77,963**		**3,041**	**70,960**		**2,767**

Changes in pre-paid and deferred tax amounts led to costs of 1,218 thousand euro as shown in Note 28.

It should be noted that all assets are covered by the Company's provisions for pre-paid tax amounts, 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 out, and for audits in progress which led to the recognition of cost under income statement.

6. Other non-current assets

"Other non-current assets", amounting to 351 thousand euro (345 thousand euro), is broken down and commented on below:

Other non-current assets (euro/000)	31/12/2016	31/12/2015
Guarantee deposits	116	124
Medium/long-term tax receivables due from Fininvest	140	140
Trade receivables	-	-
Other	95	81
Total other non-current assets	**351**	**345**

The receivable due from Fininvest S.p.A., amounting to 140 thousand euro, includes the amount due from Fininvest S.p.A. on foreign withholding tax amounts not yet reimbursed.

7. Tax receivables

"Tax receivables", amounting to 27,186 thousand euro (33,396 thousand euro), is detailed and commented on below:

Tax receivables (euro/000)	31/12/2016	31/12/2015
Receivables due from Fininvest for IRES	14,327	8,186
Receivables due from Fininvest for VAT	1,944	181
Receivables due from Tax Revenue Office for direct and indirect taxes to recover	114	13,516
Advances to Tax Revenue Office for disputes	10,626	10,638
Receivables due from Tax Revenue Office for IRAP	175	875
Total tax receivables	**27,186**	**33,396**

Receivables for IRAP, amounting to 175 thousand euro, refer to higher advances paid on the IRAP amount due.

Advances, amounting to 10,626 thousand euro (10,638 thousand euro), refer to payments made provisionally in relation to pending disputes.
Receivables for direct and indirect taxes to be recovered, amounting to 114 thousand euro (13,516 thousand euro), refer to the remaining VAT receivables from the liquidation of ACI Mondadori for 83 thousand euro, and from the liquidation of Glaming for 11 thousand euro. The significant reduction in this item is attributable to the collection of VAT receivables subject to reimbursement in prior years for a total amount of 13,412 thousand euro.

The receivable due from Fininvest S.p.A. for 14,327 thousand euro mainly includes 10,234 thousand euro referring to the amount due from Fininvest S.p.A. for the IRES receivable becoming due within 12 months following the application of the tax consolidation regime as specified in the preceding note, while the amount of 4,081 thousand euro refers to the higher IRES amount paid in the 2007-2011 tax periods as a result of the non-deductibility of IRAP relating to the taxable amount of the cost of personnel and other labour costs net of the deductions envisaged pursuant to art. 11, par. 1, letter a), 1-*bis*, 4-*bis* 1 of Legislative Decree no. 446/1997. Art. 2, par. 1-quater of Legislative Decree no. 201/2001 (introduced by Legislative Decree no. 16/2012) envisaged the possibility to apply for reimbursement of the higher IRES amount paid as a result of the abovementioned non-deductibility for the 2007-2011 tax periods. Given that the Company contributes to the Group taxable amount with Fininvest acting as the consolidating entity, which, on behalf of the entire Group, pays IRES amounts, but also applies for the relevant reimbursement, the receivable was recognized due from Fininvest S.p.A.

8. Other current assets

"Other current assets", amounting to 4,925 thousand euro (4,574 thousand euro), is detailed and commented on below:

Other current assets (euro/000)	31/12/2016	31/12/2015
Receivables due from agents	-	48
Receivables due from suppliers	68	487
Receivables due from personnel	286	289
Receivables due from social security institutions	1,055	1,313
Prepayments	2,903	1,670
Other receivables from Group companies	33	-
Other	580	767
Total other current assets	**4,925**	**4,574**

Prepayments, amounting to 2,903 thousand euro (1,670 thousand euro), include:

(euro/000)	31/12/2016	31/12/2015
Promotional campaigns	547	730
Rents	462	232
Accrued income	11	13
Other prepayments (rents, subscriptions, membership fees)	1,883	695
Total prepayments	**2,903**	**1,670**

Other prepayments refer to rents, subscriptions and membership fees, and to promotional costs already accounted for but relating to future years.

9. Inventory

"Inventory", amounting to 7,702 thousand euro (10,040 thousand euro), is detailed and commented on below:

Inventory (euro/000)	31/12/2016	31/12/2015
Raw and ancillary materials and consumables	2,468	3,371
Depreciation of raw and ancillary materials and consumables	(117)	(84)
Total raw and ancillary materials and consumables	**2,351**	**3,287**
Work in progress and semi-finished goods	5,338	6,727
Depreciation of work in progress and semi-finished goods	-	-
Total work in progress and semi-finished goods	**5,338**	**6,727**
Finished products and goods	13	26
Depreciation of finished products and goods	-	-
Total finished products and goods	**13**	**26**
Total inventory	**7,702**	**10,040**

Raw materials consist mainly of paper to be used in the printing of magazines; work in progress consists of editorial costs previously incurred for articles published at a later time.

Decrease (increase) of inventory to the income statement

Decrease (increase) in inventory (euro/000)	2016	2015
Changes in finished products and goods	13	7
Provision for finished products and goods	-	-
Utilization of the provision for finished products and goods	-	-
Total changes in inventory of finished products and goods	**13**	**7**
Changes in semi-finished products	1,389	1,232
Provision for semi-finished products	-	-
Utilization of the provision for semi-finished products	-	-
Total changes in inventory of semi-finished products	**1,389**	**1,232**
Changes in raw and ancillary materials and consumables	902	(386)
Provision for raw and ancillary materials and consumables	33	84
Utilization of the provision for raw and ancillary materials and consumables	-	-
Total changes in inventory of raw and ancillary materials and consumables	**935**	**(302)**
Total decrease (increase) in inventory	**2,337**	**937**

No inventory is subject to restriction to cover liabilities.

10. Trade receivables

“Trade receivables”, amounting to 39,933 thousand euro (28,978 thousand euro), is detailed and commented on below:

Trade receivables (euro/000)	**31/12/2016**	**31/12/2015**
Trade receivables	3,962	4,392
Receivables due from associates	21,940	11,878
Receivables due from subsidiaries	14,031	12,708
Receivables due from parent companies	-	-
Total trade receivables	**39,933**	**28,978**

Trade receivables do not include amounts due over five years; in 2016, the average collection period, calculated with the count back method, was 108.9 days, increasing sharply versus 65.8 days in 2015, due mainly to the reduction in financial advances, under the current advertising concession agreement, with the associate Mediamond S.p.A.

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

Receivables from subsidiaries of 14,031 thousand euro (12,708 thousand euro) and receivables from associates of 21,940 thousand euro (11,878 thousand euro) refer to trade transactions performed at standard market conditions. The breakdown by company and the changes versus 2015 are shown in Annex C1.

Receivables from customers include receivables from Fininvest Group companies for 94 thousand euro (98 thousand euro), and mainly include Fininvest Gestione Servizi S.p.A. for 45 thousand euro (19 thousand euro), Radiomediaset S.p.A. for 28 thousand euro (0 thousand euro), RTI S.p.A. for 17 thousand euro (87 thousand euro) and other companies for a total of 4 thousand euro.
Trade transactions with the Fininvest Group are carried out under standard market conditions.

“Receivables from customers”, amounting to 3,962 thousand euro (4,392 thousand euro), includes:

Trade receivables - Receivables from customers (euro/000)	**31/12/2016**	**31/12/2015**
Trade receivables	4,467	4,974
Provision for bad debt	(505)	(582)
Total receivables from customers	**3,962**	**4,392**

The changes in the provision for bad debt of 505 thousand euro (582 thousand euro) are detailed below:

Trade receivables **Receivables from customers - Bad debt provision** (euro/000)	**31/12/2016**	**31/12/2015**
Balance at beginning of year	582	6,844
Changes in the year:		
- provisions	-	-
- transfer to Mondadori Libri	-	(6,230)
- utilizations	(77)	(32)
Total provision for bad debt	**505**	**582**

The provision, considered appropriate 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

“Other current financial assets”, amounting to 100,363 thousand euro (116,136 thousand euro), is detailed and commented on below:

Other current financial assets (euro/000)	**31/12/2016**	**31/12/2015**
Financial receivables due from subsidiaries	100,112	114,824
Financial receivables due from associates	-	500
Other financial receivables	251	811
Total financial receivables	**100,363**	**116,135**
Total other current financial assets	**100,363**	**116,135**

Financial receivables due from subsidiaries of 100,112 thousand euro (114,824 thousand euro) and receivables due from associates of 0 thousand euro (500 thousand euro) refer mainly to current accounts amounting to 58,555 thousand euro bearing interest in line with market rates, the short-term portion of the loan to the subsidiary Mondadori France of 16,438 thousand euro, the loan to the subsidiary Mondadori Retail of 12,000 thousand euro, and the loan to Banzai Media of 11,593 thousand euro.
The breakdown by company and the changes versus 2015 are shown in Annex C1.

Other financial receivables of 251 thousand euro (811 thousand euro) include accrued income relating to financial items and other financial receivables due from others.

12. Cash and cash equivalents

“Cash and cash equivalents”, amounting to 72,619 thousand euro (27,677 thousand euro), includes postal accounts for a total of 37 thousand euro (38 thousand euro), receivables due from banks of 72,581 thousand euro (27,637 thousand euro), and 1 thousand euro (2 thousand euro) of cash and cash on hand.

Cash and cash equivalents (euro/000)	**31/12/2016**	**31/12/2015**
Cash and cash on hand	1	2
Bank deposits	72,581	27,637
Postal deposits	37	38
Total cash and cash equivalents	**72,619**	**27,677**

The fair value of cash and cash equivalents at 31 December 2016 is equal to the relevant book value.
The changes in the item are explained 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. Equity

The share capital of 67,979 thousand euro is fully underwritten and paid up and is divided into 261,458,340 ordinary shares with a par value of euro 0.26 each.

The table below summarizes the changes in equity over the past two years:

(euro/000)	Notes	Share capital	Share premium reserve	Treasury shares	Stock option reserve	Discounting reserve - IAS 19 post-employment benefits	Other reserves	Result for the year	Total equity
Balance at 01/01/2015		**67,979**	**12,000**	**0**	**1,101**	**488**	**123,766**	**(12,888)**	**192,446**
Changes in:									
- Allocation of result			(12,000)				(888)	12,888	-
- Dividends paid									
- Capital increase									
- Disposal/ cancellation of treasury shares									
- Stock options					(833)		833		-
- Other reserves							(411)		(411)
- Comprehensive profit/ (loss) for the year						104	(461)	(31,982)	(31,417)
Balance at 31/12/2015		**67,979**	**0**	**0**	**268**	**592**	**123,761**	**(31,982)**	**160,618**

(euro/000)	Notes	Share capital	Share premium reserve	Treasury shares	Stock option reserve	Discounting reserve - IAS 19 post-employment benefits	Other reserves	Result for the year	Total equity
Balance at 01/01/2016		**67,979**	**0**	**0**	**268**	**592**	**123,761**	**(31,982)**	**160,618**
Changes in:									
- Allocation of result							(31,982)	31,982	-
- Dividends paid									
- Capital increase									
- Sale/ cancellation of acquisition of treasury shares				(73)					(73)
- Stock options					(268)		268		-
- Other reserves									
- Comprehensive profit/ (loss) for the year						(265)	283	(15,176)	(15,158)
Balance at 31/12/2016		**67,979**	**0**	**(73)**	**0**	**327**	**92,330**	**(15,176)**	**145,387**

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

Nature/description (euro/000)	**Amount**	**Possible use**	**Available portion**
Share capital	**67,979**		
Income reserves:			
- revaluation reserves			
Law 72 of 19/03/1983	12,022	A,B	
Law 413 of 30/12/1991	4,689	A,B	
- legal reserve	13,490	B	
- extraordinary reserve	82,750	A,B,C	62,056
IAS/IFRS:			
- negative transition reserve	(18,381)		
- post-employment discounting reserve	327	A,B,C	
- cash flow hedge reserve	(2,240)		
Treasury shares in portfolio	**(73)**		
Total	**160,563**		**62,056**
Undistributable portion [*]			5,740
Residual distributable portion			56,316

Legenda: A: for capital increases - B: to cover losses - C: for distribution to Shareholders
([1]) This represents the undistributable portion determined under the provisions in Legislative Decree 38/2005

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

Reserves made for tax purposes are classified as follows:

(euro/000)	**a - until 2007**	**a - from 2008**	**b**	**c**	**Total**
Reserve under Law no. 72 of 19/03/1983	-	-	12,022	-	12,022
Reserve under Law no. 413 of 30/12/1991	-	-	4,689	-	4,689
					16,711
Legal reserve	13,490	-	-	-	13,490
					13,490
Extraordinary reserve	-	82,750	-	-	82,750
IAS/IFRS application reserve	(8,821)	(11,473)	-	-	(20,294)
					62,456
Total reserves	**4,669**	**71,277**	**16,711**	**0**	**92,657**

a. Reserves that upon distribution do not contribute to the formation of the shareholders' taxable income pursuant to articles 47, 59 and 89 of Presidential Decree no. 917/86. Pursuant to art. 1, par. 39, of 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

Treasury shares

In the period from 30 November to 2 December, the Company purchased a total of no. 80,000 treasury shares (0.031% of the share capital) on the MTA at an average unit price of 0.9133 euro, for a total amount of 73 thousand euro.

The purchase was authorized by the Shareholders' Meeting held on 21 April 2016, and is instrumental in the Specialist's support to the liquidity of the share on the STAR segment.

14. Provisions

"Provisions", amounting to 33,772 thousand euro (35,675 thousand euro), is broken down here below:

Provisions (euro/000)	**31/12/2015**	**Provisions**	**Utilizations**	**Reclassifications**	**31/12/2016**
Provision for bad debt	1,069		(1,069)		-
Provision for legal risks	15,255		(867)	(271)	14,117
Provision for INPGI contribution dispute	1,899				1,899
Provision for equity impairment exceeding cost	1,162	340	(1,162)		340
Provision for charges on advertising receivables	6,452	718	(1,131)		6,039
Provision for charges on subscription receivables	717	21	(163)		575
Provision for charges on tax disputes	5,527	3,000			8,527
Provision for other charges	3,594	1,229	(2,819)	271	2,275
Total provisions	**35,675**	**5,308**	**(7,211)**	**-**	**33,772**

The provisions above are intended to cover potential liabilities from legal disputes, bad debt, contractual clauses and commitments, and tax and contribution disputes.

15. Post-employment benefits

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

Post-employment benefits (euro/000)	**31/12/2016**	**31/12/2015**
Provision for post-employment benefits (TFR)	11,479	11,474
Provision for supplementary agents' indemnity (FISC)	-	15
Provision for journalists (IFGP)	131	123
Total post-employment benefits	**11,610**	**11,612**

Changes in the year are detailed below:

Post-employment benefits - Details (euro/000)	**Post-employment benefits**	**FISC**	**IFGP**	**Total**
Balance at 31/12/2015	**11,474**	**15**	**123**	**11,612**
Changes in 2016:				
- provisions	197		8	205
- utilizations	(841)	(15)		(856)
- disposals/acquisitions of Group companies	306			306
- reversals				-
- discounting	376			376
- other	(33)			(33)
Balance at 31/12/2016	**11,479**	**0**	**131**	**11,610**

The liability relating to post-employment benefits was subject to discounting pursuant to IAS 19.
It should be noted that for the calculation, a discounting rate based on the iBoxx Corporate EUR benchmark, with a 10+ duration and AA rating was used.

As for the prior year, the following assumptions were used to measure the current value of post-employment benefits:

Actuarial assumptions to measure TFR	**31/12/2016**	**31/12/2015**
Economic assumptions:		
- increase in cost of living	1.00%	1.50%
- discounting rate	1.31%	2.03%
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	13.66%	15.91%
- retirement age	Regulations in force	Regulations in force

It should also be noted that by increasing or decreasing the discounting rate by 0.5%, the effect on "Post-employment benefits provision" would be equal to approximately 0.1 million euro.

"Provision for retirement" 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)	2016	2015
Cost of post-employment benefits allocated to supplementary pension plans	3,763	3,759
Financial costs	224	181
Total cost of post-employment benefits	**3,987**	**3,940**

It should be noted that "Current cost of employee post-employment benefits" and "Actuarial (income)/loss" are recognized in a specific reserve under equity, while the financial component is accounted for under financial expenses for the period.

16. Financial liabilities

"Financial liabilities", amounting to 302,934 thousand euro (220,387 thousand euro), is detailed and commented on below:

Non-current financial liabilities (euro/000)	Actual interest rate	Expiry over 5 years	31/12/2016	31/12/2015
Liabilities from derivatives	-		1,616	39
Medium/long-term loans and borrowings	3.32%		301,318	220,348
Total non-current financial liabilities	**3.32%**		**302,934**	**220,387**

"Non-current financial liabilities" includes:

- 170,353 thousand euro from the amortized cost of the A1 Amortizing Term Loan (Renegotiation) taken out with a pool of banks, coming to maturity in December 2020;
- 94,696 thousand euro from the amortized cost of the A2 Amortizing Term Loan (Acquisition of Rizzoli Libri) taken out with a pool of banks, coming to maturity in December 2020;
- 36,184 thousand euro from the utilization of the Bullet Line C (Acquisition Line) taken out with a pool of banks, coming to maturity in December 2020.

Changes in the use of committed credit lines are shown below:

(euro/000)	Balance at 1/1/2016	Utilizations	Repayments	Balance at 31/12/2016
Line A1	232,500	-	41,737	190,763
Line A2	-	127,105	22,817	104,288
Line C	-	36,184	-	36,184
Balance at 31/12/2016	**232,500**	**163,289**	**64,554**	**331,235**

Utilizations refer to the acquisition of Rizzoli Libri (Line A2) in April 2016 and to the acquisition of Banzai Media (Line C) completed in June 2016.

Repayments of Lines A1 and A2 refer to:

- reduction in the Lines from the disposal of Marsilio (8,900 thousand euro) and Bompiani (16,500 thousand euro);
- voluntary repayment of 30,000 thousand euro, increasing availability on Line C;
- the 2016 instalment of 9,154 thousand euro.

The above loans are tied, *inter alia*, to financial obligations (financial covenants), checked every six months, which include NFP/EBITDA rate and net financial exposure limits; at the date of drafting of these financial statements, the obligations have been met.

Liabilities in derivative instruments, amounting to 1,616 thousand euro, include the fair value relating to the five transactions to hedge the existing interest rate risk (with BNP Paribas, BPM, Intesa Sanpaolo, Mediobanca and UniCredit), applying to the A1 Term Loan Tranche of the new amortizing pool loan contract concluded in December 2015, coming to maturity in December 2020 for a total notional amount of 150.0 million euro and an average rate of 0.164%.

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.

In addition, the Group calculates the fair value of current hedge transactions on a quarterly basis.

"Payables due to banks and other financial liabilities" amounted to 272,993 thousand euro (179,863 thousand euro):

Payables due to banks and other financial liabilities (euro/000)	**31/12/2016**	**31/12/2015**
Payables due to banks	-	888
Payables due to associates	-	-
Payables due to subsidiaries	246,977	171,691
Short-term loans	24,934	6,370
Other financial liabilities	607	568
Accrued liabilities and deferred income	475	346
Total payables due to banks and other financial liabilities	**272,993**	**179,863**

Payables due to banks of 0 thousand euro (888 thousand euro) include short-term current account overdraft payables.
Payables due to subsidiaries of 246,977 thousand euro (171,691 thousand euro) and payables due to associates of 0 thousand euro (0 thousand euro) mainly refer to current account transactions negotiated at interest rates in line with market rates. The breakdown by company and the changes versus 2015 are shown in Annex D1.
Short-term loans amounting to 24,934 thousand euro (6,370 thousand euro) include the portion of the A1 Amortizing Term Loan of the new amortizing pool loan, reclassified under short-term loans repayable by end 2017.
Accrued liabilities and deferred income of 475 thousand euro (346 thousand euro) were determined on an accrual basis and refer to short-term loan interest rates.

The Company's comprehensive financial position at 31 December 2016, shown in the table below, indicates a net debt of 224,362 thousand euro (56,438 thousand euro).

Net debt (euro/000)	**31/12/2016**	**31/12/2015**
A Cash	1	2
- Bank deposits	72,581	27,637
- Postal deposits	37	38
B Other cash and cash equivalents	72,618	27,675
C Cash and cash equivalents and other financial assets (A+B)	**72,619**	**27,677**
D Securities held for trading		
- Financial receivables due from subsidiaries	276,945	313,575
- Financial receivables due from associates	500	500
- Financial receivables due from affiliates	1,250	1,250
- Financial assets at fair value	-	-
- Derivatives and other financial assets	251	811
E Receivables and other current financial assets	278,946	316,136
F Current and non-current financial assets (D+E)	**278,946**	**316,136**
G Current payables due to banks	-	888
- Bonds	-	-
- Loans	-	-
- Borrowings	25,409	6,717
H Current portion of non-current debt	25,409	6,717
- Financial payables due to subsidiaries	246,977	171,691
- Financial payables due to associates	-	-
- Derivatives and other financial liabilities	607	568
I Other current financial liabilities	247,584	172,259
L Payables due to banks and other current financial liabilities (G+H+I)	**272,993**	**179,864**
M Current and non-current net financial position (C+F-L)	**78,572**	**163,949**
- Bonds	-	-
- Loans	-	-
- Borrowings	301,318	220,348
N Debt non-current portion	301,318	220,348
O Other non-current financial liabilities	1,616	39
P Non-current net debt (N+O)	**302,934**	**220,387**
Q Net debt (M-P)	**(224,362)**	**(56,438)**

It should be noted that the Company's net financial position, if determined under the Consob recommendation, would come to a negative 418,883 thousand euro (256,438 thousand euro), as it would not include the balance of "Non-current financial assets", represented by the loan granted to subsidiary Mondadori France S.A. amounting to 194,521 thousand euro.

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

17. Income tax payables

The Company's income amounts are defined for fiscal purposes along with the corresponding tax amounts paid until 2011, except for the indications provided in Note 28 "Commitments and potential liabilities".

In case of criminally relevant cases, art. 37 of Legislative Decree no. 223/2006, amended and converted in Law no. 248/2006, has doubled the ordinary investigation terms: "*in case of violations leading to obligatory reporting pursuant to art. 331 of the Criminal Procedure Code for one of the crimes listed in 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 allocation of the relevant provision.

18. Other current liabilities

"Other current liabilities", amounting to 45,995 thousand euro (42,205 thousand euro), is detailed and commented on below with the relevant changes:

Other current liabilities (euro/000)	**31/12/2016**	**31/12/2015**
Advances to customers	18	30
Tax payables	3,062	3,182
Cost of post-employment benefits allocated to supplementary pension plans	1,661	1,699
Payables due to welfare and social security entities	7,177	6,548
Other payables	33,258	30,150
Accrued liabilities and deferred income	696	544
Associates for transparent income	123	52
Total other current liabilities	**45,995**	**42,205**

Advances to customers of 18 thousand euro (30 thousand euro) decreased by 12 thousand euro versus the prior year.
Tax payables of 3,062 thousand euro (3,182 thousand euro) regarding IRPEF withholdings on employee salaries and professional fees were paid in January 2017.

Post-employment benefits allocated to supplementary pension plans of 1,661 thousand euro (1,699 thousand euro) refer to pension funds in which post-employment benefits flow, also paid in January 2017.

Payables due to welfare and social security entities of 7,177 thousand euro (6,548 thousand euro) include 3,433 thousand euro (3,196 thousand euro) for contributions on salaries relating to December and paid in January 2017; 3,744 thousand euro (3,352 thousand euro) for contributions allocated for deferred salary items.

Other payables of 33,258 thousand euro versus 30,150 thousand euro in 2015 are broken down as follows:

Other current liabilities - Other payables (euro/000)	**31/12/2016**	**31/12/2015**
Payroll and other amounts due to personnel	13,944	11,337
Payables due to authors	0	0
Payables due to collaborators	7,426	7,269
Payables due to agents	13	16
Payables to directors and statutory auditors	3,043	2,119
Press-di for pre-paid subscription fee collection	7,254	8,099
Other	1,578	1,310
Total other payables	**33,258**	**30,150**

Accrued liabilities and deferred income of 696 thousand euro (544 thousand euro) were determined on an accrual basis and are broken down as follows:

(euro/000)	**31/12/2016**	**31/12/2015**
Insurance, membership fees and other prepayments	214	214
Total accrued liabilities	214	214
Revenue from advertising per issue for magazines in the year	437	302
Other	45	28
Total accrued liabilities	**482**	**330**
Total accrued liabilities and deferred income	**696**	**544**

19. Trade payables

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

Trade payables (euro/000)	31/12/2016	31/12/2015
Trade payables	63,624	72,275
Payables due to subsidiaries	3,418	4,134
Payables due to associates	5,447	4,124
Payables due to parent company	24	24
Total trade payables	**72,513**	**80,557**

Payables due to suppliers amount to 63,624 thousand euro (72,275 thousand euro) and include payables for the purchase of fixed assets for a total of 679 thousand euro (784 thousand euro). The reduction in trade payables is attributable to the reduction in costs.

This item also includes trade payables due to Fininvest Group companies amounting to 816 thousand euro (1,430 thousand euro), the main referring to Publitalia '80 S.p.A. for 774 thousand euro (1,005 thousand euro), Radiomediaset S.p.A. for 24 thousand euro (0 thousand euro), RTI S.p.A. for 0 thousand euro (364 thousand euro) and other minor payables for a total of 18 thousand euro (61 thousand euro).

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

Trade payables due to subsidiaries of 3,418 thousand euro (4,134 thousand euro) and trade payables due to associates of 5,447 thousand euro (4,124 thousand euro) refer to trade transactions performed at standard market conditions.

The breakdown by company and the changes versus 2015 are shown in Annex D1. Information by geographical area is provided in the relevant separate section.

No trade payables are due over five years; in 2016, the average payment period, calculated with the count back method, was 165.6 days (156.8 days in 2015).

INCOME STATEMENT

(Intercompany trade transactions in 2016 with related parties are detailed in Annexes C2 and D2)

20. Revenue from sales and services

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

Revenue is detailed in the following tables:

Revenue from sales and services (euro/000)	**2016**	**2015**	**Delta %**
Revenue from the sale of products:			
- disposal of book rights	15	19	(21.05%)
- magazines/publications	127,589	136,275	(6.37%)
- magazines/subscriptions	13,489	14,874	(9.31%)
- corporate and other business:			
Reproduction rights	3,416	3,246	5.24%
Commercial items and special initiatives	882	458	92.58%
Sub-products and scrap material	1,360	898	51.45%
Revenue from the sale of services:			
- advertising services	66,339	70,242	(5.56%)
- corporate and other business:			
On-line revenue, content deal and website management	-	-	-
Other services, consulting and assistance	26,137	25,951	0.72%
Total revenue	**239,227**	**251,963**	**(5.05%)**

The decrease in revenue from the sale of magazines/publications of 8,686 thousand euro and of magazines/subscriptions of 1,385 thousand euro, is due mainly to the performance of the relevant market, which witnessed a drop in sales in 2016 too.

Revenue by geographical area:

Geographical area (euro/000)	**Magazines**	**Rights**	**Advertising and other**	**2016**	**2015**
Italy	140,690	3,097	93,481	237,268	249,774
EU countries	209	138	881	1,228	1,356
USA	7	188	-	195	147
Switzerland	-	1	-	1	300
Other countries	171	8	356	535	386
Total	**141,077**	**3,432**	**94,718**	**239,227**	**251,963**

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

Cost of raw and ancillary materials, consumables and goods (euro/000)	**2016**	**2015**
Paper	21,659	27,515
Recovery of paper purchasing costs	(1,894)	(4,411)
Production material	11	6
Total cost of raw and ancillary materials	**19,776**	**23,110**
Goods for re-sale	9,031	7,892
Purchase of gadgets and promotional items	-	54
Consumption and maintenance materials	280	208
Stationery and printed materials	176	194
Packaging	2	2
Other consumables and goods	128	169
Total cost of consumption materials and goods	**9,617**	**8,519**
Total cost of raw and ancillary materials, consumables and goods	**29,393**	**31,629**

22. Cost of services

Cost of services (euro/000)	**2016**	**2015**
Rights and royalties	24,967	25,115
Third-party collaborations	12,561	14,356
Consultancy services	8,765	10,258
Audit and certification expenses	474	445
Commissions	280	416
Utilization of the provision for agents' contractual risks	(98)	-
Third party graphical processing:	37,171	45,165
Transport and shipping	13,164	12,417
Advertising services	15,920	18,773
Other services	8,414	13,991
Travel and other expense reimbursements	1,417	1,775
Maintenance	2,275	1,687
Postal costs and telephone	603	814
Utilities (electricity, gas, water)	1,582	1,763
Catering and cleaning services	2,276	2,667
Market research	1,590	1,555
Insurance	705	829
Subscription management	4,631	5,101
Press agency	437	448
Rental expense	2,980	2,662
Rental of vehicles and other	1,862	1,165
Data processing fees and other	5,059	546
Fees for company boards:		
- Chairman and Board of Directors	3,766	3,732
- Board of Statutory Auditors	172	173
Total cost of services	**150,972**	**165,853**

23. Cost of personnel

Cost of personnel (euro/000)	2016	2015
Salaries and wages and related costs	52,707	52,902
Stock options	-	-
Charging/(recovery) of costs for seconded staff	(3,541)	(3,932)
Social security charges	16,003	18,283
Post-employment benefits, retirement indemnity and supplementary pension scheme plans	7,928	9,023
Provision/utilization for risks for personnel re-organization	(136)	(3,263)
Total cost of personnel	**72,961**	**73,013**

Cost of personnel includes the net balance between the charging and recovery of costs for staff seconded from and to Group companies.

Cost of personnel by category is broken down here below:

(euro/000)	2016	2015
Executives	14,554	15,439
White collars and managers	29,441	28,275
Journalists	32,550	36,398
Blue collars	291	276
IAS adjustment to provision for post-employment benefits (TFR)	(198)	(181)
Costs/(recovery) of costs for seconded staff	(3,541)	(3,931)
Provision/utilization for risks for personnel re-organization	(136)	(3,263)
Total	**72,961**	**73,013**

At 31 December 2016, the Company had 818 employees, increasing by nine employees versus 31 December 2015.

Employees	Actual 31/12/2016	Actual 31/12/2015	Average 2016	Average 2015
Executives	45	45	46	48
Journalists	250	259	252	268
White collars and managers	527	509	516	497
Blue collars	5	5	5	5
Total	**827**	**818**	**819**	**818**

In the reporting period, there were an average 819 employees (818 employees in 2015).

Information on stock option plans

21 July 2016 was the expiration date of the last Stock Option Plan approved by the Board of Directors of Arnoldo Mondadori Editore S.p.A. for the 2009-2010-2011 three-year period; there were no outstanding options at the balance sheet date.

24. Other (income) costs

Other (income) costs (euro/000)	2016	2015
Other revenue and income	(8,340)	(23,342)
Various operating costs	2,714	4,125
Total other (income) costs	**(5,626)**	**(19,217)**

"Other revenue and income", amounting to 8,340 thousand euro (23,342 thousand euro), refers to:

Other (income) costs - Other revenue and income (euro/000)	2016	2015
Capital gains and contingent assets	(128)	(14,171)
Supplier rebates and paper contributions	(72)	(65)
Third-party expense reimbursements:		
- expense recovered from development, distribution, marketing activities	-	(591)
- other recovery	(3,932)	(3,796)
Other (promotions, rents, publishing facilities)	(4,208)	(4,719)
Total other revenue and income	**(8,340)**	**(23,342)**

The significant difference between the two years is attributable mainly to the recognition in 2015 of the gains from the transfer of the property located in via Sicilia in Rome (13,795 thousand euro).

"Other operating costs", amounting to 2,714 thousand euro (4,125 thousand euro), includes:

Other (income) costs - Other operating costs (euro/000)	2016	2015
Compensation, settlements and allowances	953	835
Bad debt	1,369	2,112
Contributions and grants	376	418
Other and sundry	861	1,068
Capital loss/contingent liabilities	220	99
Provision for bad debt	-	-
Provision for other risks	739	1,752
(Utilization) provision for bad debt	(76)	(33)
(Utilization) provision for legal risks	(867)	(696)
(Utilization) provision for other risks	(1,714)	(2,079)
Council tax	198	278
Other taxes and duties	655	371
Total other operating costs	**2,714**	**4,125**

The provision for bad debt and the provision for other risks are allocated to cover potential losses that may arise in future years.

25. Financial income (costs)

The item, amounting to 4,778 thousand euro (1,025 thousand euro), consists of:

Financial income (costs) (euro/000)	**2016**	**2015**
Interest from banks and post offices	7	2
Interest from associates	24	25
Interest from subsidiaries	11,418	16,728
Financial income from derivatives	-	443
Other interest and financial income	554	67
Total interest and other financial income	**12,003**	**17,265**
Interest to banks and post offices	(39)	(74)
Interest due to associates	-	(1)
Interest due to subsidiaries	-	(43)
Interest due to parent companies	-	-
Financial costs from derivatives	(1,615)	(926)
Other financial costs for discounting assets/liabilities	(224)	(181)
Interest on loans and borrowings	(10,854)	(12,223)
Other interest paid and financial costs	(4,057)	(4,831)
Total interest expense and other financial costs	**(16,789)**	**(18,279)**
Financial income from the management of securities	1	2
Financial costs from the management of securities	(6)	-
Utilization of the provision for security depreciation	16	-
Total income (cost) from security management	**11**	**2**
Realized currency gains	8	(2)
Unrealized currency gains	(11)	(11)
Total income (loss) on currency transactions	**(3)**	**(13)**
Total financial income (costs)	**(4,778)**	**(1,025)**

The rates applied on current accounts held with subsidiaries and associates are in line with the average costs of money collection of Arnoldo Mondadori Editore S.p.A. The sharp rise in financial costs is explained by the higher debt incurred by the Company to cover the acquisitions of Banzai Media and Rizzoli Libri.

26. Income (costs) from investments

This item is detailed and commented on below:

Income (costs) from investments (euro/000)	**2016**	**2015**
Dividends	12,000	87
Impairment loss	(12,453)	(23,614)
Increase/utilization of provision for equity investments risk	1,794	(1,150)
Capital gain/loss from transfer/liquidation	555	(39)
Total income (costs) from investments	**1,896**	**(24,716)**

Dividends collected in the year are broken down below:

(euro/000)	**2016**	**2015**
Subsidiaries:		
Press-di Distribuzione Stampa e Multimedia S.r.l.	12,000	-
Total subsidiaries	**12,000**	**-**
Associates:		
Mondadori Independent Media LLC	-	87
Total associates	**-**	**87**
Total dividends	**12,000**	**87**

The impairment loss of 12,453 thousand euro (23,614 thousand euro) refers to the impairment test performed to adjust the cost of investments to their recoverable value, or to the share of equity of subsidiaries, adjusted for implicit capital gains.

Impairment loss refers to:

(euro/000)	2016	2015
Subsidiaries:		
Mondadori Pubblicità S.p.A. (today Press-di Abbonamenti S.p.A.)	2,275	3,926
Inthera S.p.A.	1,149	1,078
Glaming S.r.l. (in liquidation)	-	(142)
Monradio S.r.l.	-	6,080
Mondadori Scienza S.p.A.	-	2,382
Mondadori International Business S.r.l.	3,000	2,800
Mondadori Retail S.p.A.	3,029	2,122
Total subsidiaries	**9,453**	**18,246**
Associates:		
ACI-Mondadori S.p.A. in liquidation	-	494
Società Europea Edizioni S.p.A.	-	1,409
Attica Publications S.A.	2,000	3,465
Monradio S.r.l.	1,000	-
Total associates	**3,000**	**5,368**
Total impairment loss	**12,453**	**23,614**

Impairment loss by nature:

(euro/000)	2016	2015
Coverage of losses	13,297	17,494
Capital reduction and reserves / impairment on investments	-	-
Provision for losses / impairment loss:		
- provisions	10,985	15,899
- utilizations	(11,829)	(9,840)
Other impairment loss on investments	-	61
Total	**12,453**	**23,614**

27. Income (cost) from discontinued operations

Income (cost) from discontinued operations (euro/000)	2016	2015
Loss from transfer 80% of Monradio investment	-	(1,852)
Total income (cost) from discontinued operations	**-**	**(1,852)**

28. Income tax

“Income tax” amounted to an income of 282 thousand euro (cost of 961 thousand euro). The main items for the years ended at 31 December 2015 and 2016 are shown in the table below:

Income tax (euro/000)	2016	2015
Income from tax consolidation (IRES tax on income for the year)	(4,602)	(3,903)
IRAP for the year	-	-
Total current taxes	**(4,602)**	**(3,903)**
Deferred (pre-paid) taxes for IRES	905	2,170
Deferred (pre-paid) taxes for IRAP	313	261
Total deferred (pre-paid) taxes	**1,218**	**2,431**
Prior-years’ taxes	102	233
Fund provision for tax disputes	3,000	2,200
Total income taxes	**(282)**	**961**

As shown in the sections relating to tax receivables and payables, since the Company adheres to the tax consolidation regime of Fininvest S.p.A., it recorded an income from the adhesion to tax consolidation relating to the tax loss of the current year of 4,602 thousand euro, which will be paid by the consolidating entity in 2017, and used to offset the current tax profit transferred from Mondadori companies to tax consolidation.

In relation to the changes in current taxes, reference should be made to Note 28 “Commitments and contingent liabilities”.

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

(euro/000)	2016			2015		
	Pre tax result	Tax amount	Current tax rate	Pre-tax result	Tax amount	Current tax rate
Theoretical IRES tax amount	(16,430)	(4,518)	27.50%	(29,167)	(8,021)	27.50%
Theoretical IRAP tax amount		(641)	3.90%		(1,138)	3.90%
Total theoretical tax amount/rate	**(16,430)**	**(5,159)**	**31.40%**	**(29,167)**	**(9,159)**	**31.40%**
Actual IRES tax amount	(16,430)	(1,567)	9.54%	(29,167)	346	(1.18%)
Actual IRAP tax amount		313	(1.91%)		615	(2.11%)
Total actual tax amount/rate	**(16,430)**	**(1,254)**	**(3.30%)**	**(29,167)**	**961**	**3.30%**
Theoretical tax amount/rate	**(16,430)**	**(5,159)**	**31.40%**	**(29,167)**	**(9,158)**	**31.40%**
Effect of dividends	(11,400)	(3,135)	19.08%	(83)	(23)	0.08%
Effect of the provision on investment impairment	11,631	3,199	(19.47%)	24,925	6,854	(23.50%)
Net effect of other permanent differences for IRES	11,351	3,019	(18.38%)	9,307	2,559	(8.78%)
Effect of different taxable amount for IRAP (cost of personnel, collaborations, financial and extraordinary cost/income, bad debt)	3,468	954	(5.81%)	6,380	1,755	(6.02%)
Other	(480)	(132)	0.80%	(3,725)	(1,026)	3.52%
Current tax amount/rate		**(1,254)**	**7.63%**		**961**	**3.30%**

29. Commitments and contingent liabilities

The following table shows Company "Commitments" at 31 December 2016:

(euro/000)	Sureties	Other Guarantees	Total	
			31/12/2016	31/12/2015
Guarantees, sureties, endorsements:				
- in favour of subsidiaries	31,399		31,399	35,583
- in favour of associates	-		-	-
- in favour of other enterprises	32,044		32,044	29,227
	63,443		**63,443**	**64,810**
Other commitments	-		-	-
Total	**63,443**		**63,443**	**64,810**

Guarantees, sureties, endorsements:

- **in favour of subsidiaries**: 31,399 thousand euro (35,583 thousand euro) mainly refer to undertakings for payment obligations to the VAT office of Milan in the interest of subsidiaries for the excess amount of the VAT receivable offset in the framework of Group liquidation, and 9,000 thousand euro refer to a letter of patronage issued in favour of SIIC de Paris on behalf of Mondadori Magazine France;

- **in favour of other enterprises**: 32,044 thousand euro (29,227 thousand euro) refer to counter-guarantees issued by the Company against sureties issued by credit institutes:
  - in the interest 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 2,548 thousand euro;
  - to the Gaming Monopoly Authority for 261 thousand euro;
  - to the Lombardy Regional Inland Revenue Office for VAT reimbursements of 27,559 thousand euro;
  - to other entities and enterprises for a total of 1,676 thousand euro.

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

- 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 186 thousand euro 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:
  - for the tax assessments relating to 1996 and 1998, the Provincial Tax Commission rejected the appeal filed by the Company; on 21 January 2016, an appeal was filed before the Regional Tax Commission;
  - the tax assessment relating 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 relating 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 999 thousand euro, plus applicable ancillary charges; against such assessment, an appeal is pending before 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 3,051 thousand euro plus applicable ancillary charges by means of a tax assessment, in relation to interest paid on a loan stock stated in 2004. Against such assessment, an appeal is pending before the Court of Cassation.

For the above indicated potential liabilities, and taking account of the substantial grounds of defense, as confirmed by the tax adviser, the risk of a negative outcome is considered unlikely.

30. Non-recurring (income) costs

In accordance with Consob Resolution no. 15519 of 27 July 2006, it should be noted that the Company did not carry out non-recurring transactions in 2016.

31. 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, associates and affiliates performed in 2015 and 2016.

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

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

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

The Company analyzes 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.

Interest rate risk

Interest rate risk may refer to the possibility that losses 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 refers mainly to medium/long-term loans, and, in particular, the new pool loan granted in December 2015, and the interest rate swaps taken out to partly hedge the loan.

The following table illustrates the findings of the sensitivity analysis with indication of the relevant impact on income statement and equity, gross of any tax effects, pursuant to IFRS 7.

Sensitivity analysis (euro/millions)	**Underlying**	**Interest rate increase/(decrease)**	**Income (costs)**	**Equity increase (decrease)**
2016	83.6	1%	2.0	4.8
2015	44.1	1%	1.6	6.2
2016	83.6	(0.2%)	(0.4)	(1.0)
2015	44.1	(0.2%)	(0.2)	(1.2)

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

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/-20 basis points in 2015);
• 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 prior 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 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.

In 2016, the type of exposure and the hedge policy adopted for exchange rate risks did not show any particular variations against prior years.

The results of the sensitivity analysis performed on the currency risk showed an irrelevant economic impact, considering the low level of average exposure in 2015 and 2016.

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 refers mainly to existing loans and borrowings.

In addition, if deemed necessary, the Company may resort to pre-authorized 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 2016, liquidity risk was managed by the Company by resorting to its own financial resources and to the financial resources of its subsidiaries.

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

Liquidity risk (euro/millions)	**Analysis of maturity periods at 31/12/2015**						
	< 6 months	**6-12 months**	**1-2 years**	**2-5 years**	**5-10 years**	**> 10 years**	**Total**
Trade payables	72.3						72.3
Intercompany loans medium/long-term							
Third-party loans medium/long-term	5.8	16.3	42.5	355.1			419.7
Other financial liabilities:							
- committed lines							
- uncommitted lines	1.8						1.8
Other liabilities	11.2						11.2
Intercompany payables	188.2						188.2
Total	**279.3**	**16.3**	**42.5**	**355.1**			**693.2**
Derivatives on rate risk	0.2	0.3	0.5	(0.8)			0.3
Total exposure	**279.5**	**16.6**	**43.0**	**354.4**			**693.5**

Liquidity risk (euro/millions)	**Analysis of maturity periods at 31/12/2016**						
	< 6 months	**6-12 months**	**1-2 years**	**2-5 years**	**5-10 years**	**> 10 years**	**Total**
Trade payables	63.6						63.6
Intercompany loans medium/long-term							
Third-party loans medium/long-term	6.0	31.0	44.7	293.6			375.3
Other financial liabilities:							
- committed lines							
- uncommitted lines	1.1						1.1
Other liabilities	12.6						12.6
Intercompany payables	263.4						263.4
Total	**346.7**	**31.0**	**44.7**	**293.6**			**716.0**
Derivatives on rate risk	(0.3)	(0.3)	(0.5)	(0.2)			(1.3)
Total exposure	**347.0**	**31.3**	**45.2**	**293.8**			**717.3**

Maturity dates were analyzed by using undiscounted cash flows and the amounts were accounted for by 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 these liquidity requirements, the Company relies on credit lines and liquidity, as already commented on above, and on 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.

A special type of credit risk is represented by the counterparty/replacement risk in case of derivative exposure. In this case, the risk is associated with any capital gains positions 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. In the case of the Company, this potential risk is limited, 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-authorized counterparties are not allowed.

When approving the Policy, the Board of Directors also approved a list of authorized counterparties for financial risk hedging. Transactions with such authorized 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's 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 relating 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/millions)	**31/12/2016**	**31/12/2015**
Deposits	72.6	27.8
Receivables and loans:		
- trade receivables and other current financial assets	113.8	135.2
- trade receivables and other non-current financial assets	208.6	212.3
Guarantees		
Total maximum exposure to credit risk	**395.0**	**375.2**

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

(euro/millions)	Credit risk concentration			
	31/12/2016	31/12/2015	% 31/12/2016	% 31/12/2015
By business area:				
Magazines	29.5	21.0	73.9%	72.4%
Other	10.4	8.0	26.1%	27.6%
Total	**39.9**	**29.0**	**100.0%**	**100.0%**
By geographical area:				
Italy	39.4	28.7	98.7%	99.0%
Other countries	0.5	0.3	1.3%	1.0%
Total	**39.9**	**29.0**	**100.0%**	**100.0%**

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

Magazines

The activity regarding the sale and distribution in newsstand and subscription channels is performed by subsidiary Press-di Distribuzione Stampa e Multimedia S.r.l.

Regarding sales in the newsstand channel, it should be noted that the Company is not exposed to credit risk, as the subsidiary responsible for the activity is liable for any losses and, as a result, is in charge of defining the relevant criteria to manage the risk.

Regarding sales in the subscription channel, losses on receivables incurred 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, receivables management does not involve the use of credit lines, but the adoption of measures aimed at limiting exposure vis-à-vis the individual subscription.

Advertising

Receivables from advertising refer to the sale of advertising space in the Company's magazines and on its websites. Sales are managed by the associate Mediamond S.p.A. and by the subsidiary Mondadori Pubblicità S.p.A., which are therefore responsible for the definition of the relevant criteria to efficiently manage and monitor such receivables.

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 the Company.

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 summarizes financial assets and liabilities classified based on the categories defined by IAS 39 and the relevant fair value.

(euro/millions)	Classification							
	Book value						Fair value	
	Total		of which current		of which non-current			
	31/12/2016	31/12/2015	31/12/2016	31/12/2015	31/12/2016	31/12/2015	31/12/2016	31/12/2015
Receivables and loans:								
- cash and cash equivalents	72.6	27.7	72.6	27.7			72.6	27.7
- trade receivables	2.2	1.9	2.2	1.9			2.2	1.9
- other financial assets	5.4	6.8	5.2	6.6	0.2	0.2	5.4	6.8
- receivables due from subsidiaries, associates	314.7	338.7	106.4	126.7	208.3	212.0	314.7	338.7
Held-for-sale financial assets (investments)	0.1	0.1	0.1	0.1			0.1	0.1
Cash flow hedges								
Total financial assets	**395.0**	**375.2**	**186.5**	**162.9**	**208.5**	**212.2**	**395.0**	**375.2**
Financial liabilities at amortized cost:								
- trade payables	63.6	72.3	63.6	72.3			63.6	72.3
- payables due to banks and other financial liabilities	340.0	239.7	38.7	19.3	301.3	220.4	375.9	267.1
- payables due to subsidiaries, associates	263.4	188.2	263.4	188.2			263.4	188.2
Cash flow hedges	1.6				1.6		1.6	
Total financial liabilities	**668.6**	**500.2**	**365.7**	**279.9**	**302.9**	**220.4**	**704.5**	**527.6**

The table below summarizes income and costs recognized under income statement and attributable to financial assets and liabilities, classified according to the categories defined by IAS 39.

(euro/millions)	Income and loss from financial instruments	
	2016	2015
Net income on financial liabilities at amortized cost		
Net income on derivative instruments		
Interest earned on financial assets not measured at fair value:		
- deposits		
- intercompany receivables	11.4	16.7
- other financial assets	0.6	0.1
Total income	**12.0**	**16.8**
Net loss on derivative instruments	1.6	0.5
Net loss on financial liabilities, loans and receivables		
Interest due on financial liabilities not measured at fair value:		
- deposits	-	0.1
- borrowings	12.6	13.2
- intercompany payables		
- other	2.3	3.9
Losses from financial instrument impairment:		
- trade receivables	1.4	2.1
Total costs	**17.9**	**19.8**
Total	**(5.9)**	**(2.9)**

33. Fair value measurement

Some of the Company's financial assets and liabilities were measured at fair value at closing. The table below provides information on the measurement of the abovementioned fair value.

Financial assets/liabilities (euro/000)	**Fair value at 31/12/2016**	**Fair value hierarchy**	**Valuation method and main inputs**
Interest rate swap contracts	(1,616)	Level 2	Discounted cash flow Projected flows are discounted based on the forward rate curve expected at the end of the period and on the contractual fixing rates, also taking the counterparty default risk into account
Investments in other companies	63	Level 3	Based on the nature of the interests held in other enterprises, the cost may be considered representative of the fair value

34. Information pursuant to art. 149-*duodecies* of Consob Issuer Regulation

The table below, drafted pursuant to art. 149-*duodecies* of the Consob Issuer Regulation, shows the fees paid in 2016 (net of ancillary expenses) for auditing 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 2016**
Auditing	Deloitte & Touche S.p.A.	321.4
Certification	Deloitte & Touche S.p.A. (1)	102.7
Total		**424.1**

(1) Attività di Accertamento Diffusione Stampa (circulation auditing), auditing of the Company financial statements, tax returns.

For the Board of Directors
The Chairman
Marina Berlusconi

Annexes

ANNEX A: STATEMENT OF INVESTMENTS

Description (euro/000)	Registered office	Share capital	Equity	Profit (loss) 2016
Subsidiaries:				
Banzai Media S.r.l.	Milan	110	1,840	(4,082)
Inthera S.p.A.	S. Mauro Torinese (TO)	3,835	6,449	(1,143)
Mondadori Retail S.p.A.	Milan	2,700	6,151	(2,875)
Mondadori International Business S.r.l.	Milan	1,800	1,823	(2,162)
Mondadori Libri S.p.A.	Milan	30,050	233,839	44,844
Mondadori France S.a.s.	Montrouge	50,000	184,729	327
Press-di Abbonamenti S.p.A. ex Mondadori Pubblicità S.p.A.	Milan	3,120	4,896	(2,274)
Mondadori Scienza S.p.A.	Milan	2,600	2,645	493
Press-di Distribuzione Stampa e Multimedia S.r.l.	Milan	1,095	2,831	2,046
Total				
Associates:				
Monradio S.r.l.	Milan	3,030	55,803	(10,836)
Società Europea di Edizioni S.p.A.	Milan	2,529	2,661	(384)
Attica Publications S.A.	Athens	4,590	3,831	187
Total				
Other companies:				
Consorzio Edicola Italiana	Milan	60	-	
Consuledit Società consortile ar.l. (in liquidation)	Milan	20	40	
Immobiliare Editori Giornali S.r.l.	Rome	830	5,890	
Total				
Total direct equity investments				

(a) Equity at 31/12/2015
Note: the amounts refer to balance sheet and income statement data, in accordance with the accounting standards adopted for the preparation of the financial statements of the individual subsidiaries

	Total equity	% of interest	Share of equity	Balance sheet values			
				Acquisition/ incorporation	Shareholders' payments	Impairment loss provision	Total
	(2,242)	100.00%	(2,242)	24,660			24,660
	5,306	100.00%	5,306	14,121		(8,815)	5,306
	3,276	100.00%	3,276	3,561	2,406	(2,753)	3,214
	(339)	100.00%	(339)	1,800	8	(2,148)	(340)
	278,683	100.00%	278,683	99,460	127,105		226,565
	185,056	100.00%	185,056	260,000		(186,866)	73,134
	2,622	100.00%	2,622	2,451	3,351	(3,179)	2,623
	3,138	100.00%	3,138	2,703	670	(552)	2,821
	4,877	100.00%	4,877	1,095			1,095
			482,619	**385,191**	**133,540**	**(204,313)**	**314,418**
	44,967	20.00%	8,993	9,200		(1,207)	7,993
	2,277	36.90%	840	933			933
	4,018 [a]	41.98%	1,687	43,287		(29,712)	13,575
			9,834	**53,420**	**0**	**(30,919)**	**22,501**
	-	16.67%	-	10			10
	40	9.56%	4	1			1
	5,890	7.88%	464	52			52
			468	**63**	**0**	**0**	**63**
			492,921	**438,674**	**133,540**	**(235,232)**	**336,982**

ANNEX B1: MAIN INDIRECT SUBSIDIARIES AND ASSOCIATES AT 31 DECEMBER 2016

Description (Values in currency/000)	**Registered office**		**Share capital**	**Equity**
Subsidiaries:				
AdKaora S.r.l.	Milan	Euro	15	209
Edizioni Piemme S.p.A.	Milan	Euro	567	15,607
Giulio Einaudi editore S.p.A.	Turin	Euro	23,920	34,707
Sperling & Kupfer Editori S.p.A.	Milan	Euro	1,556	5,856
Mondadori Education S.p.A.	Milan	Euro	10,608	47,278
Mondadori Electa S.p.A.	Milan	Euro	1,594	7,286
Rizzoli Libri S.p.A.	Milan	Euro	42,405	148,950
EMAS "Editions Mondadori Axel Springer" S.n.c.	France	Euro	152	152
Mondadori Magazines France S.a.s.	Montrouge	Euro	60,557	166,953
NaturaBuy S.a.s.	Montrouge	Euro	9	1,065
Total				
Associates:				
Attica Group Companies:				
Airlink S.A.	Athens	Euro	801	
Argos S.A.	Athens	Euro	2,910	
Attica Publications S.A.	Athens	Euro	4,590	
Attica Media Bulgaria Ltd	Sofia	Lev	155	
Attica Media Serbia Ltd	Belgrade	Euro	1,659	
Attica-Imako Media Ltd	Bucharest	Ron	700	
Civico Ltd	Cyprus	Usd	2	
E-One S.A. (in liquidation)	Athens	Euro	339	
Ennalaktikes Publications S.A. (in liquidation)	Athens	Euro	487	
HRS Ltd	Athens	Euro	18	
International Radio Networks Holdings S.A.	Luxembourg	Euro	2,507	
International Radio Networks S.A.	Athens	Euro	380	
Ionikes Publishing S.A.	Athens	Euro	1,374	
Lampsi Publishing Radio & Radio Enterprises S.A.	Athens	Euro	3,251	
Attica Media Romania Ltd (former PBR Publication Ltd)	Bucharest	Ron	1	
Radio Zita	Thessaloniki	Euro	746	
Tilerama S.A.	Athens	Euro	1,467	
(Attica consolidated financial statement figures) (b)	Athens	Euro	4,590	3,831
Campania Arte S.c.ar.l.	Rome	Euro	100	100
Consorzio Covar (in liquidation)	Rome	Euro	15	7
Consorzio Forma	Pisa	Euro	4	3
Edizioni EL S.r.l.	Trieste	Euro	620	6,379
GD Media Service S.r.l. (*)	Peschiera Borromeo (Milan)	Euro	789	1,570
Mediamond S.p.A.	Milan	Euro	2,400	3,949
Mondadori Seec (Beijing) Advertising Co. Ltd	Beijing	Cny	40,000	62,773
Selcon S.r.l.	Milan	Euro	21	945
Venezia Accademia Società per i servizi museali S.c.ar.l.	Venice	Euro	10	10
Venezia Musei Società per i servizi museali S.c.ar.l. (in liquidation - Italy)	Venice	Euro	10	22
Total				

(a) Exchange rates: USD Euro 1.1069; Cny Euro 7.3535
(b) at 31/12/2015
(*) not approved

Profit (loss) 2016	Total equity	Group interest	Share of equity denominated in currency	Share of equity in euro [(a)]
353	562	100.00%	562	562
2,625	18,232	100.00%	18,232	18,232
10,593	45,300	100.00%	45,300	45,300
3,401	9,257	100.00%	9,257	9,257
10,792	58,070	100.00%	58,070	58,070
5,517	12,803	100.00%	12,803	12,803
(32,874)	116,076	99.99%	116,064	116,064
6,547	6,699	50.00%	3,350	3,350
12,482	179,435	100.00%	179,435	179,435
837	1,902	80.00%	1,522	1,522
				444,032
		41.98%		
		2.75%		
		41.98%		
		28.90%		
		38.18%		
		20.99%		
		41.98%		
		10.50%		
		20.57%		
		41.98%		
		41.98%		
		41.85%		
		27.92%		
		41.98%		
		41.98%		
		20.99%		
		20.99%		
187	4,018	41.98%		
	100	22.00%	22	22
	7	25.00%	2	2
	3	25.00%	1	1
	6,379	50.00%	3,190	3,190
(875)	695	38.00%	264	264
259	4,208	50.00%	2,104	2,104
20,931	83,704	50.00%	41,852	4,255
	945	25.60%	242	242
	10	25.00%	3	3
	22	34.00%	7	7
				10,089

ANNEX B2: LIST OF RELEVANT INVESTMENTS (EQUAL OR ABOVE 10% OF SHARE CAPITAL OF DIRECTLY OR INDIRECTLY HELD THROUGH SUBSIDIARIES)

Arnoldo Mondadori Editore S.p.A.

Company name		Share capital	% owned	Ownership mode
AdKaora S.r.l. (Italy)	Euro	15,000	100%	indirect
Aranova Freedom S.c.ar.l. (Italy)	Euro	19,200	16.67%	indirect
Banzai Media S.r.l. (Italy)	Euro	110,000	100%	direct
Campania Arte S.c.ar.l. in liquidation (Italy)	Euro	100,000	23.41%	indirect
Club Dab Italia S.c.p.A. (Italy)	Euro	240,000	12.50%	indirect
Edizioni EL S.r.l. (Italy)	Euro	620,000	50%	indirect
Edizioni Piemme S.p.A. (Italy)	Euro	566,661	100%	indirect
Giulio Einaudi editore S.p.A. (Italy)	Euro	23,920,000	100%	indirect
Inthera S.p.A. (Italy)	Euro	3,835,000	100%	direct
Mondadori Scienza S.p.A. (Italy)	Euro	2,600,000	100%	direct
Mach 2 Libri S.p.A. (Italy)	Euro	646,250	44.91%	indirect
				indirect
				indirect
GD Media Service S.r.l. (Italy)	Euro	789,474	38.00%	indirect
				indirect
Gold 5 S.r.l. - in liquidation (Italy)	Euro	250,000	20%	indirect
Librerie Rizzoli S.r.l. (Italy)	Euro	500,000	100%	indirect
MDM Milano Distribuzione Media S.r.l. (Italy)	Euro	611,765	17%	indirect
Mediamond S.p.A. (Italy)	Euro	2,400,000	50%	indirect
Mondadori Retail S.p.A. (Italy)	Euro	2,700,000	100%	direct
Mondadori Education S.p.A. (Italy)	Euro	10,608,000	100%	indirect
Mondadori Electa S.p.A. (Italy)	Euro	1,593,735	100%	indirect
Mondadori International Business S.r.l. (Italy)	Euro	1,800,000	100%	direct
Mondadori Libri S.p.A. (Italy)	Euro	30,050,000	100%	direct
Monradio S.r.l. (Italy)	Euro	3,030,000	20%	direct
Press-di Abbonamenti S.p.A. ex Mondadori Pubblicità S.p.A. (Italy)	Euro	3,120,000	100%	direct
Press-Di Distribuzione Stampa e Multimedia S.r.l. (Italy)	Euro	1,095,000	100%	direct
Rizzoli Libri S.p.A. (Italy)	Euro	42,405,000	99.99%	indirect
Società Europea di Edizioni S.p.A. (Italy)	Euro	2,528,875	36.898%	direct
Sperling & Kupfer Editori S.p.A. (Italy)	Euro	1,555,800	100%	indirect
Venezia Accademia Società per i servizi museali S.c.ar.l. (Italy)	Euro	10,000	25%	indirect
Venezia Musei Società per i servizi museali S.c.ar.l. (in liquidation - Italy)	Euro	10,000	34%	indirect
Attica Publications S.A. (Greece)	Euro	4,590,000	41.987%	direct
Editions Mondadori Axel Springer S.n.c. (France)	Euro	152,500	50%	indirect
EMAS Digital S.a.s. (France)	Euro	27,275,400	50%	indirect
Mondadori France S.a.s. (France)	Euro	50,000,000	100%	direct
Mondadori Magazines France S.a.s. (France)	Euro	60,557,458	100%	indirect
Mondadori Seec (Beijing) Advertising Co. Ltd	Cny	40,000,000	50%	indirect
Mondadori UK Limited (United Kingdom)	Gbp	15,000,00	100%	indirect
NaturaBuy S.a.s. (France)	Euro	9,150	80%	indirect
Milano Cultura S.c.ar.l. in liquidation (Italy)	Euro	40,000	50%	indirect
Rizzoli International Books BV (Holland)	Euro	500,000	100%	indirect
Rizzoli International Publications Inc. (USA)	Usd	26,900,000	100%	indirect
Rizzoli Bookstore Inc. (USA)	Usd	3,498,900	100%	indirect
Skira Rizzoli Publications Inc. (USA)	Usd	1,000	49%	indirect

Holder	% owned	Registered office	Tax code	Date of incorporation
Banzai Media S.r.l	100%	Milan - Via Bianca di Savoia 12	08105480969	16/01/2013
Monradio S.r.l.	16.67%	Bologna, via Guinizzelli 3	02532501208	24/01/2005
Arnoldo Mondadori Editore S.p.A.	100%	Milan - Via Bianca di Savoia 12	05791120966	15/06/2007
Mondadori Electa S.p.A.	23.41%	Rome - via Tunisi 4	09086401008	18/07/2006
Monradio S.r.l.	12.5%	Milan - Foro Bonaparte 71		01/02/1996
Giulio Einaudi editore S.p.A.	50%	Trieste - San Dorligo della Valle - via J. Ressel 5	00627340326	07/05/1984
Mondadori Libri S.p.A.	100%	Milan - Via Bianca di Savoia 12	00798930053	29/09/1982
Mondadori Libri S.p.A.	100%	Turin - via U. Biancamano 2	08367150151	03/06/1986
Arnoldo Mondadori Editore S.p.A.	100%	Turin - corso Giulio Cesare 268	04742700018	13/12/1984
Arnoldo Mondadori Editore S.p.A.	100%	Milan - via Luisa Battistotti Sassi 11/A	09440000157	19/09/1988
Mondadori Libri S.p.A.	30.91%	Peschiera Borromeo (MI) - via Galileo Galilei 1	03782990158	06/05/1983
Sperling & Kupfer Editori S.p.A.	4%			
Rizzoli Libri S.p.A.	10%			
Press-di Distribuzione Stampa e Multimedia S.r.l.	24%	Peschiera Borromeo (MI) - via Galileo Galilei 1	07014150960	27/04/2010
Mach 2 Libri S.p.A.	14%			
Banzai Media S.r.l	20%	Milan - via dei Martinitt 3	08730930966	18/07/2017
Mondadori Retail S.p.A.	100%	Milan - Via Bianca di Savoia 12	03258350960	17/09/2001
Press-di Distribuzione Stampa e Multimedia S.r.l.	17%	Milan - via Carlo Cazzaniga 19		02/10/1991
Mach 2 Libri S.p.A.				
Press-di Abbonamenti S.p.A. - ex Mondadori Pubblicità S.p.A.	50%	Milan - Via Bianca di Savoia 12	06703540960	30/07/2009
Arnoldo Mondadori Editore S.p.A.	100%	Milan - Via Bianca di Savoia 12	00212560239	19/11/1946
Mondadori Libri S.p.A.	100%	Milan - Via Bianca di Savoia 12	03261490969	
Mondadori Libri S.p.A.	100%	Milan - Via Bianca di Savoia 12	01829090123	23/02/1989
Arnoldo Mondadori Editore S.p.A.	100%	Milan - Via Bianca di Savoia 12	08009080964	29/10/2012
Arnoldo Mondadori Editore S.p.A.	100%	Milan - Via Bianca di Savoia 12	08856650968	
Arnoldo Mondadori Editore S.p.A.	20%	Milan - Via Bianca di Savoia 12	04571350968	15/10/2004
Arnoldo Mondadori Editore S.p.A.	100%	Milan - Via Bianca di Savoia 12	08696660151	12/02/1987
Arnoldo Mondadori Editore S.p.A.	100%	Milan - Via Bianca di Savoia 12	03864370964	19/02/2003
Mondadori Libri S.p.A.	99.99%	Milan - Via Bianca di Savoia 12	05877160159	30/06/1980
Arnoldo Mondadori Editore S.p.A	36.898%	Milan - via G. Negri 4	01790590150	27/02/1974
Mondadori Libri S.p.A.	100%	Milan - Via Bianca di Savoia 12	00802780155	03/11/1927
Mondadori Electa S.p.A.	25%	Venice - via L. Einaudi 74	03808820272	11/01/2008
Mondadori Electa S.p.A.	34%	Venice - via L. Einaudi 74	03534350271	22/04/2004
Arnoldo Mondadori Editore S.p.A.	41.987%	Greece - Athens - Maroussi, 40 Kifissias Avenue		01/08/1994
Mondadori France S.a.s.	50%	France - Montrouge Cedex - 8, rue François Ory		
Mondadori France S.a.s.	50%	France - Montrouge Cedex - 8, rue François Ory		
Arnoldo Mondadori Editore S.p.A.	100%	France - Montrouge Cedex - 8, rue François Ory		23/06/2004
Mondadori France S.a.s.	100%	France - Montrouge Cedex - 8, rue François Ory		
Press-di Abbonamenti S.p.A. ex Mondadori Pubblicità S.p.A.	50%	China - Beijing - Chaoyang District - Fan Li Plaza, 22, Chaowai Avenue, Level 10, Room B2		04/06/2008
Mondadori International Business S.r.l.	100%	United Kingdom - London 10 Salisbury Square - St. Bride's House		18/03/2010
Mondadori France S.a.s.	80%	France - Montrouge Cedex - 8, rue François Ory		
Mondadori Electa S.p.A.	50%	Milan - via Monte Rosa 91	08795350969	
Rizzoli Libri S.p.A.	100%	Amsterdam - Herengrancht 124		
Rizzoli International Books BV	100%	New York - 300 Park Avenue South		
Rizzoli International Publications Inc.	100%	New York - 11133 Broadway		
Rizzoli International Publications Inc.	49%	New York - 300 Park Avenue South		

RELATED PARTIES
ANNEX C1: RECEIVABLES DUE FROM SUBSIDIARIES, ASSOCIATES AND AFFILIATES AT 31 DECEMBER 2016

Current account transactions and financial receivables (euro/000)	**31/12/2016**	**31/12/2015**
Subsidiaries:		
AdKaora S.r.l.	127	
Banzai Media S.r.l.	12,609	
Edizioni Piemme S.p.A.		
Giulio Einaudi editore S.p.A.		
Librerie Rizzoli S.r.l.	2,089	
Mondadori France S.a.s.	194,797	200,223
Mondadori International Business S.r.l.	3,008	3,537
Mondadori Pubblicità S.p.A.	5,731	7,895
Mondadori Retail S.p.A.	27,743	23,598
Mondadori Libri S.p.A.	32,091	79,541
Press-Di Distribuzione Stampa e Multimedia S.r.l.		30
Sperling & Kupfer Editori S.p.A.		
Associates:		
Attica Publications S.A.	500	500
Other companies for amounts lower than 52 thousand euro (*)		
Affiliates:		
Publitalia ‘80 S.p.A.		
Total	**278,695**	**315,324**
% of incidence	**99.9%**	**109.7%**

(*) The amounts of the previous year include receivables due from companies transferred during 2015

Trade transactions (euro/000)	31/12/2016	31/12/2015
Subsidiaries:		
Banzai Media S.r.l.	70	
Edizioni Piemme S.p.A.	333	177
Giulio Einaudi editore S.p.A.	244	77
Inthera S.p.A.	177	300
Mondadori Education S.p.A.	904	848
Mondadori Electa S.p.A.	521	416
Mondadori France S.a.s.	13	26
Mondadori International Business S.r.l.	270	272
Mondadori Libri S.p.A.	3,749	3,001
Mondadori Magazines France S.a.s.	162	200
Mondadori Pubblicità S.p.A.	3,126	3,415
Mondadori Retail S.p.A.	1,351	1,298
Mondadori Scienza S.p.A.	649	870
Press-di Distribuzione Stampa e Multimedia S.r.l.	1,207	1,673
Rizzoli Libri S.p.A.	1,070	
Sperling & Kupfer Editori S.p.A.	218	135
Associates:		
Attica Media Serbia Ltd		13
Attica Publications S.A.	37	
Edizioni EL S.r.l.		4
Gruner + Jahr/Mondadori S.p.A.		
Harlequin Mondadori S.p.A.		
Mach 2 Libri S.p.A.		
Mediamond S.p.A.	21,875	11,700
Mondadori Independent Media LLC		3
Monradio S.r.l.	25	117
Società Europea di Edizioni S.p.A.	4	41
Parent company:		
Fininvest S.p.A.		-
Affiliates:		
Fininvest Gestione Servizi S.p.A.	45	19
Publitalia '80 S.p.A.		12
Milan A.C. S.p.A.		
RTI S.p.A.	58	87
Milan Entertainment S.r.l.		
Media Shopping S.p.A.	1	
Publieurope Ltd	3	
Taodue S.r.l.		
Mediobanca S.p.A.		
Other companies for amounts lower than 52 thousand euro (*)		
Total	**36,112**	**24,704**
% of incidence	**90.4%**	**18.9%**
Tax receivables		
Parent company:		
Fininvest S.p.A.	16,402	8,498
Total	**16,402**	**8,498**

(*) The amounts of the previous year include receivables due from companies transferred during 2015

RELATED PARTIES
ANNEX C2 - INTERCOMPANY TRANSACTIONS IN 2016

Related parties (euro/000)	**Revenue from sales and services**	**Other income**	**Financial income**	**Income from investments**	**Total**
Parent company:					
Fininvest S.p.A.		20			20
Subsidiaries:					
Edizioni Piemme S.p.A.	560	285			845
Excelsior Publications S.a.s.					0
Giulio Einaudi editore S.p.A.	353	1			354
Glaming S.r.l.				18	18
Inthera S.p.A.	1,370	126			1,496
Mondadori Education S.p.A.	1,468	13			1,481
Mondadori Electa S.p.A.	1,152	79			1,231
Mondadori France S.a.s.	500		8,082		8,582
Mondadori International Business S.r.l.	580	168	84		832
Mondadori Libri S.p.A.	7,757	3,015	2,212		12,984
Mondadori Magazines France S.a.s.					0
Mondadori Pubblicità S.p.A.	5,878	277	256		6,411
Mondadori Retail S.p.A.	4,026	508	736		5,270
Mondadori Scienza S.p.A.	557	31			588
Press-di Distribuzione Stampa e Multimedia S.r.l.	148,580	747		12,000	161,327
Sperling & Kupfer Editori S.p.A.	525	167	1		693
Total	**173,306**	**5,417**	**11,371**	**12,018**	**202,112**

Related parties (euro/000)	**Revenue from sales and services**	**Other income**	**Financial income**	**Income from investments**	**Total**
Associates:					
Agenzia Lombarda Distrib. Giornali e Riviste S.r.l.					0
Attica Publications S.A.			24		24
Edizioni EL S.r.l.	3				3
Mach 2 Libri S.p.A.		13			13
Mediamond S.p.A.	62,271	552			62,823
Mondadori Indipendent Media LLC				537	537
Mondadori Seec Advertising Co. Ltd					0
Monradio S.r.l.	10	22			32
Società Europea di Edizioni S.p.A.		12			12
Total	**62,284**	**599**	**24**	**537**	**63,444**
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.					0
Il Teatro Manzoni S.p.A.					0
Milan A.C. S.p.A.					0
Mediaset S.p.A.					0
Media Shopping S.p.A.	1				1
Mediobanca S.p.A.					0
Medusa Film S.p.A.					0
Publieurope Ltd		3			3
Publitalia ‘80 S.p.A.	52				52
RTI Reti Televisive Italiane S.p.A.	53				53
Taodue S.r.l.					0
Videotime S.p.A.					0
Sub-total	**106**	**3**	**0**	**0**	**109**
Total	**235,696**	**6,039**	**11,395**	**12,555**	**265,685**
% of incidence	**98.52%**	**52.69%**	**94.85%**	**100.00%**	**90.78%**

RELATED PARTIES
ANNEX D1: PAYABLES DUE TO PARENT COMPANY, SUBSIDIARIES, ASSOCIATES AND AFFILIATES AT 31 DECEMBER 2016

Current account transactions and financial payables (euro/000)	**31/12/2016**	**31/12/2015**
Subsidiaries:		
AdKaora S.r.l.		
Edizioni Piemme S.p.A.	12,477	6,433
Electa S.r.l.		
Giulio Einaudi editore S.p.A.	32,314	35,370
Glaming S.r.l.		450
Inthera S.p.A.	4,906	7,382
Mondadori Education S.p.A.	57,228	57,995
Mondadori Electa S.p.A.	21,740	23,884
Mondadori France S.a.s.	13,315	12,735
Mondadori International Business S.r.l.		
Mondadori Scienza S.p.A.	7,335	4,442
Press-di Distribuzione Stampa e Multimedia S.r.l.	18,172	22,935
Rizzoli Libri S.p.A.	74,329	
Sperling & Kupfer Editori S.p.A.	5,160	66
Associates:		
Mach 2 Libri S.p.A.		
Mediamond S.p.A.		
Parent company:		
Fininvest S.p.A.		
Affiliates:		
Mediobanca S.p.A.	-	-
Other companies for amounts lower than 52 thousand euro (*)	-	-
Total	**246,976**	**171,692**
% of incidence	**42.9%**	**38.9%**

(*) The amounts of the prior year include payables due to companies transferred during 2015

Trade transactions	31/12/2016	31/12/2015
Subsidiaries:		
AdKaora S.r.l.		
Edizioni Piemme S.p.A.	14	9
Giulio Einaudi editore S.p.A.	5	5
Inthera S.p.A.	96	109
Mondadori Education S.p.A.	15	28
Mondadori Electa S.p.A.	43	73
Mondadori International Business S.r.l.	8	8
Mondadori Libri S.p.A.	68	283
Mondadori Magazines France S.a.s.	3	4
Mondadori Pubblicità S.p.A.	100	290
Mondadori Retail S.p.A.	8	21
Mondadori Scienza S.p.A.	147	265
Press-di Distribuzione Stampa e Multimedia S.r.l.	10,171	11,258
Rizzoli Libri S.p.A.	134	
Sperling & Kupfer Editori S.p.A.	6	7
Associates:		
Attica Media Bulgaria Ltd		
Edizioni EL S.r.l.		
Mach 2 Libri S.p.A.		
Mediamond S.p.A.	5,423	4,112
Mondadori Seec Advertising Co. Ltd		
Monradio S.r.l.	12	
Società Europea di Edizioni S.p.A.	136	64
Parent company:		
Fininvest S.p.A.		
Affiliates:		
Alba Servizi Aerotrasporti S.p.A.	8	
Digitalia 08 S.r.l.		31
The Space Cinema		
Fininvest Gestione Servizi S.p.A.		30
RTI S.p.A.	27	345
Publitalia ‘80 S.p.A.	969	1,431
Mediaset S.p.A.		
Medusa Film S.p.A.		
Milan Entertainment S.r.l.		
Other related parties:		
Sin&rgetica	-	-
Sineris	-	-
Other companies for amounts lower than 52 thousand euro (*)	-	-
Total	**17,393**	**18,373**
% of incidence	**24.0%**	**13.1%**
Income tax payables	**31/12/2016**	**31/12/2015**
Parent company:		
Fininvest S.p.A.	-	-
Total	**0**	**0**

(*) The amounts of the prior year include payables due to companies transferred during 2015

RELATED PARTIES
ANNEX D2 - INTERCOMPANY TRANSACTIONS IN 2016

Related parties (euro/000)	**Raw and ancillary materials, consumables and goods**	**Services**	**Other costs**	**Financial costs**	**Costs from investments**	**Total**
Parent company:						
Fininvest S.p.A.		57				57
Subsidiaries:						
Ame France S.a.s.						0
Edizioni Piemme S.p.A.		8				8
Electa S.r.l.						0
Giulio Einaudi editore S.p.A.		2				2
Inthera S.p.A.		200			1,149	1,349
Mondadori Electa S.p.A.		100				100
Mondadori Education S.p.A.						0
Mondadori France S.a.s.						0
Mondadori Franchising S.p.A.						0
Mondadori International Business S.r.l.		119			2,178	2,297
Mondadori Magazines France S.a.s.		7				7
Mondadori Libri S.p.A.	14	211				225
Mondadori Pubblicità S.p.A.		(402)	633		2,275	2,506
Mondadori Retail S.p.A.		37	52		3,029	3,118
Mondadori Scienza S.p.A.	(1,894)	(6)				(1,900)
Mondolibri S.p.A.						0
Press-di Distribuzione Stampa e Multimedia S.r.l.		16,332	150			16,482
Sperling & Kupfer Editori S.p.A.		27				27
Total	**(1,880)**	**16,635**	**835**	**0**	**8,631**	**24,221**

Related parties (euro/000)	Raw and ancillary materials, consumables and goods	Services	Other costs	Financial costs	Costs from investments	Total
Associates:						
Attica Media Serbia Ltd						0
Attica Publications S.A.					2,000	2,000
Edizioni EL S.r.l.						0
Gruner + Jahr/Mondadori S.p.A.						0
Mach 2 Libri S.p.A.						0
Mediamond S.p.A.	4,181	2,067	498			6,746
Mondadori Independent Media LLC						0
Mondadori Seec Advertising Co. Ltd						0
Monradio S.r.l.		30			1,000	1,030
Società Europea di Edizioni S.p.A.		13				13
Total	**4,181**	**2,110**	**498**	**0**	**3,000**	**9,789**
Fininvest Group companies:						
Alba Servizi Aerotrasporti S.p.A.		8				8
Consorzio Campus Multimedia						0
Digitalia 08 S.r.l.		59				59
Il Teatro Manzoni S.p.A.						0
Fininvest Gestione Servizi S.p.A.		16				16
Mediaset S.p.A.						0
Mediobanca S.p.A.						0
Medusa Film S.p.A.						0
Medusa Video S.r.l.						0
Milan A.C. S.p.A.						0
Milan Entertainment S.r.l.						0
Publitalia '80 S.p.A.		8,527				8,527
Radio e Reti S.r.l.						0
RTI Reti Televisive Italiane S.p.A.		56				56
Taodue S.r.l.						0
The Space Cinema 1 S.p.A.						0
Total	**0**	**8,666**	**0**	**0**	**0**	**8,666**
Other related parties:						
Sin&rgetica						0
Sineris						0
Total	**0**	**0**	**0**	**0**	**0**	**0**
Total	**2,301**	**27,468**	**1,333**	**0**	**11,631**	**42,733**
% of incidence	**7.83%**	**17.83%**	**29.25%**	**0.00%**	**100.00%**	**17.48%**

ANNEX E: FINANCIAL HIGHLIGHTS OF SUBSIDIARIES PREPARED ACCORDING TO IAS INTERNATIONAL ACCOUNTING STANDARDS

(euro/000)	Inthera	Press-di Abbonamenti ex Pubblicità	Press-di Distrib. Stampa e Multimedia
Financial year at	**31/12/2016**	**31/12/2016**	**31/12/2016**
Balance sheet			
Assets			
Intangible assets	17	-	3
Property investments	-	-	-
Property, plant and equipment	124	-	16
Investments	-	4,140	314
Non-current financial assets	-	-	-
Pre-paid tax assets	335	4,992	1,534
Other non-current assets	5	-	-
Total non-current assets	**481**	**9,132**	**1,867**
Tax receivables	534	854	403
Other current assets	481	174	16,465
Inventory	132	-	122
Trade receivables	5,570	6,018	33,124
Securities and other current financial assets	4,906	-	18,172
Cash and cash equivalents	7	1	584
Total current assets	**11,630**	**7,047**	**68,870**
Assets held for sale or transferred	-	-	-
Total assets	**12,111**	**16,179**	**70,737**
Liabilities			
Share capital	3,835	3,120	1,095
Reserves	2,613	1,776	1,736
Profit (loss) for the year	(1,143)	(2,274)	2,046
Total equity	**5,305**	**2,622**	**4,877**
Provisions	145	2,620	665
Post-employment benefits	1,141	116	1,318
Non-current financial liabilities	-	-	-
Deferred tax liabilities	3	-	-
Other non-current liabilities	-	-	-
Total non-current liabilities	**1,289**	**2,736**	**1,983**
Income tax payables	-	-	1,166
Other current liabilities	1,808	134	22,896
Trade payables	3,707	4,929	39,811
Payables due to banks and other financial liabilities	2	5,758	4
Total current liabilities	**5,517**	**10,821**	**63,877**
Assets held for sale or transferred	-	-	-
Total liabilities	**12,111**	**16,179**	**70,737**

Mondadori Retail	Mondadori International Business	Mondadori Scienza	Mondadori Libri	Mondadori France	Banzai Media
31/12/2016	**31/12/2016**	**31/12/2016**	**31/12/2016**	**31/12/2016**	**31/12/2016**
1,210	523	1	1,271	-	6,315
-	-	-	-	-	-
10,787	9	84	173	-	380
783	-	-	246,222	405,278	1,017
-	-	-	-	-	-
6,063	170	79	3,249	-	597
15	-	32	12	-	43
18,858	**702**	**196**	**250,927**	**405,278**	**8,352**
2,399	1,016	1,219	976	-	321
2,573	4	903	33,696	13,781	90
58,317	-	582	21,729	-	-
26,330	4,621	1,626	81,366	1,048	7,363
-	-	7,335	1,978	-	60
2,225	357	-	2	-	6
91,844	**5,998**	**11,665**	**139,747**	**14,829**	**7,840**
-	-	-	-	-	-
110,702	**6,700**	**11,861**	**390,674**	**420,107**	**16,192**
2,700	1,800	2,600	30,050	50,000	110
3,451	23	45	203,789	134,729	1,730
(2,875)	(2,162)	493	44,844	327	(4,082)
3,276	**(339)**	**3,138**	**278,683**	**185,056**	**(2,242)**
1,138	100	198	1,677	557	340
4,432	93	799	4,648	-	1,457
-	-	-	-	-	-
34	97	-	83	-	-
-	-	-	-	-	-
5,604	**290**	**997**	**6,408**	**557**	**1,797**
-	23	10	-	-	-
10,866	1,301	4,676	15,776	1,647	1,557
63,212	2,417	3,040	56,105	86	2,447
27,744	3,008		33,702	232,761	12,633
101,822	**6,749**	**7,726**	**105,583**	**234,494**	**16,637**
-	-	-	-	-	-
110,702	**6,700**	**11,861**	**390,674**	**420,107**	**16,192**

ANNEX E: FINANCIAL HIGHLIGHTS OF SUBSIDIARIES PREPARED ACCORDING TO IAS INTERNATIONAL ACCOUNTING STANDARDS

(euro/000)	Inthera	Press-di Abbonamenti ex Pubblicità	Press-di Distrib. Stampa e Multimedia
Financial year	**2016**	**2016**	**2016**
Income statement			
Revenue from sales and services	13,052	9,245	57,665
Decrease (increase) in inventory	26	-	9
Purchase of raw and ancillary materials, consumables and goods	184	-	2,017
Purchase of services	10,061	10,280	44,495
Cost of personnel	4,201	617	5,011
Other (income) costs	(14)	1,258	2,037
Result from investments valued at equity	-	-	520
EBITDA	**(1,406)**	**(2,910)**	**3,576**
Depreciation of property, plant and equipment	61	1	8
Amortization of intangible assets	38	-	2
EBIT	**(1,505)**	**(2,911)**	**3,566**
Financial income (cost)	(20)	(172)	(19)
Income/(costs) from investments	-	-	-
Result before taxes for the year	**(1,525)**	**(3,083)**	**3,547**
Income tax	(382)	(809)	1,501
Net result	**(1,143)**	**(2,274)**	**2,046**

Mondadori Retail	Mondadori International Business	Mondadori Scienza	Mondadori Libri	Mondadori France	Banzai Media
2016	**2016**	**2016**	**2016**	**2016**	**2016**
196,585	9,568	18,186	196,649	3,393	19,819
718	-	(205)	(2,612)	-	-
122,603	8	2,087	113,595	-	19
49,454	6,702	9,570	72,203	2,047	11,265
22,082	3,024	5,958	12,357	2,094	9,053
(142)	73	29	(586)	829	200
-	-	-	-	-	93
1,870	**(239)**	**747**	**1,692**	**(1,577)**	**(811)**
4,008	11	38	125	-	194
679	3	18	518	-	2,828
(2,817)	**(253)**	**691**	**1,049**	**(1,577)**	**(3,833)**
(754)	(237)	(20)	(2,385)	(8,017)	(182)
-	(1,732)	-	46,814	7,816	-
(3,571)	**(2,222)**	**671**	**45,478**	**(1,778)**	**(4,015)**
(696)	(60)	178	634	(2,105)	67
(2,875)	**(2,162)**	**493**	**44,844**	**327**	**(4,082)**

ANNEX F: FINANCIAL HIGHLIGHTS OF THE MAIN INDIRECT SUBSIDIARIES

(euro/000)	Mondadori Electa	Mondadori Education
Financial year at	**31/12/2016**	**31/12/2016**
Balance sheet		
Assets		
Intangible assets	13	30,743
Property investments	-	-
Property, plant and equipment	669	78
Investments	63	6
Non-current financial assets	-	-
Pre-paid tax assets	2,874	2,989
Other non-current assets	3	48
Total non-current assets	**3,622**	**33,864**
Tax receivables	321	708
Other current assets	1,450	541
Inventory	3,503	6,193
Trade receivables	7,319	5,747
Securities and other current financial assets	23,460	57,228
Cash and cash equivalents	13	21
Total current assets	**36,066**	**70,438**
Assets held for sale or transferred	-	-
Total assets	**39,688**	**104,302**
Liabilities		
Share capital	1,594	10,608
Reserves	5,692	36,670
Profit (loss) for the year	5,517	10,792
Total equity	**12,803**	**58,070**
Provisions	7,062	7,025
Post-employment benefits	506	5,426
Non-current financial liabilities	-	-
Deferred tax liabilities	1	6,126
Other non-current liabilities	-	-
Total non-current liabilities	**7,569**	**18,577**
Income tax payables	2,589	4,436
Other current liabilities	3,614	13,473
Trade payables	12,345	9,479
Payables due to banks and other financial liabilities	768	267
Total current liabilities	**19,316**	**27,655**
Assets held for sale or transferred	-	-
Total liabilities	**39,688**	**104,302**

	Edizioni Piemme	Sperling & Kupfer	Giulio Einaudi editore	Rizzoli Libri	Adkaora
	31/12/2016	**31/12/2016**	**31/12/2016**	**31/12/2016**	**31/12/2016**
	520	91	19	17,874	21
	-	-	-	-	-
	390	10	67	90	28
	-	26	1,333	2,245	-
	-	-	-	-	-
	1,033	571	4,256	21,072	1
	3	-	-	676	7
	1,946	**698**	**5,675**	**41,957**	**57**
	299	242	200	1,035	-
	5,470	4,422	10,079	22,718	6
	5,586	2,205	3,904	23,440	-
	6,699	5,660	14,424	51,267	2,004
	12,477	5,160	32,314	75,416	2
	-	-	74	229	-
	30,531	**17,689**	**60,995**	**174,105**	**2,012**
	-	-	-	-	-
	32,477	**18,387**	**66,670**	**216,062**	**2,069**
	567	1,556	23,920	42,405	15
	15,041	4,300	10,787	106,546	194
	2,625	3,401	10,593	(32,874)	353
	18,233	**9,257**	**45,300**	**116,077**	**562**
	5	288	932	12,919	
	448	903	2,405	1,762	56
	-	-	-	-	-
	214	2	(5)	3,272	-
	-	-	-	-	-
	667	**1,193**	**3,332**	**17,953**	**56**
	1,142	949	3,122		100
	8,335	4,584	11,243	4,505	255
	4,100	2,403	3,672	74,774	969
		1	1	2,753	127
	13,577	**7,937**	**18,038**	**82,032**	**1,451**
	-	-	-	-	-
	32,477	**18,387**	**66,670**	**216,062**	**2,069**

ANNEX F: FINANCIAL HIGHLIGHTS OF THE MAIN INDIRECT SUBSIDIARIES

(euro/000)	Mondadori Electa	Mondadori Education
Financial year at	**2016**	**2016**
Income statement		
Revenue from sales and services	45,605	71,465
Decrease (increase) of inventory	27	697
Purchase of raw and ancillary materials, consumables and goods	4,808	6,178
Purchase of services	28,267	37,455
Cost of personnel	3,938	7,442
Other (income) costs	(42)	(812)
EBITDA	**8,607**	**20,505**
Depreciation of property, plant and equipment	171	45
Amortization of intangible assets	5	4,325
EBIT	**8,431**	**16,135**
Financial income (cost)	(4)	(60)
Income (costs) from investments		(1)
Result before taxes for the year	**8,427**	**16,074**
Income tax	2,910	5,282
Net result	**5,517**	**10,792**

	Edizioni Piemme	Sperling & Kupfer	Giulio Einaudi editore	Rizzoli Libri	Adkaora
	2016	**2016**	**2016**	**2016**	**2016**
	31,652	21,329	42,251	172,185	3,798
	(487)	(96)	(451)	11,755	-
	2,025	1,254	2,639	56,273	12
	23,253	13,401	22,538	88,057	2,586
	3,006	1,897	6,086	18,747	652
	(27)	79	(2,232)	28,843	2
	3,882	**4,794**	**13,671**	**(31,490)**	**546**
	39	7	42	42	7
	-	1	11	28,850	18
	3,843	**4,786**	**13,618**	**(60,382)**	**521**
	(29)	(23)	(34)	16,440	(1)
	-	-	589	-	1
	3,814	**4,763**	**14,173**	**(43,942)**	**521**
	1,189	1,362	3,580	(11,068)	168
	2,625	**3,401**	**10,593**	**(32,874)**	**353**

ANNEX G: FINANCIAL HIGHLIGHTS OF ASSOCIATES PREPARED ACCORDING TO IAS INTERNATIONAL ACCOUNTING STANDARDS

(euro/000)	Mediamond	Monradio	Società Europea di Edizioni *	Attica Publications
Financial year at	**31/12/2016**	**31/12/2015**	**31/12/2016**	**31/12/2015**
Balance sheet				
Assets				
Intangible assets radio frequencies	-	47,690	-	-
Other intangible assets	2,170	397	4,162	10,097
Property, plant and equipment	124	4,050	539	317
Investments	50	96	637	548
Non-current financial assets	60	-	-	-
Pre-paid tax assets	412	3,719	92	3,909
Other non-current assets	-	38		160
Total non-current assets	**2,816**	**55,990**	**5,430**	**15,031**
Tax receivables	1	1,396	28	-
Other current assets	159	243	1,784	5,190
Inventory	-	-	414	904
Trade receivables	127,524	3,927	17,657	9,922
Securities and other current financial assets	27	-	-	-
Cash and cash equivalents	1	1	63	5,301
Total current assets	**127,712**	**5,567**	**19,946**	**21,317**
Assets held for sale or transferred	-	-	-	-
Total assets	**130,528**	**61,557**	**25,376**	**36,348**
Liabilities				
Share capital	2,400	3,030	2,529	4,590
Reserves	1,549	52,773	133	(759)
Profit (loss) for the year	259	(10,836)	(384)	187
Total equity	**4,208**	**44,967**	**2,278**	**4,018**
Provisions	497	536	1,100	-
Post-employment benefits	2,462	568	2,967	1,317
Non-current financial liabilities	-	-	-	733
Deferred tax liabilities	66	9,876	-	-
Other non-current liabilities	-	-	-	-
Total non-current liabilities	**3,025**	**10,980**	**4,067**	**2,050**
Income tax payables	384	-	622	261
Other current liabilities	12,749	1,244	2,109	4,247
Trade payables	104,847	2,966	5,097	8,477
Payables due to banks and other financial liabilities	5,315	1,400	11,203	17,295
Total current liabilities	**123,295**	**5,610**	**19,031**	**30,280**
Assets held for sale or transferred	-	-	-	-
Total liabilities	**130,528**	**61,557**	**25,376**	**36,348**

* Financial statements prepared according to Italian accounting standards

(euro/000)	Mediamond	Monradio	Società Europea di Edizioni *	Attica Publications
Financial year at	**2016**	**2015**	**2016**	**2015**
Income statement				
Revenue from sales and services	246,122	10,300	40,643	43,209
Decrease (increase) of inventory	-	-	294	-
Purchase of raw and ancillary materials, consumables and goods	-	204	3,752	19,824
Purchase of services	241,455	11,870	19,572	22,332
Cost of personnel	11,254	1,828	15,330	-
Other (income) costs	(8,075)	(398)	1,582	(426)
EBITDA	**1,488**	**(3,204)**	**113**	**1,479**
Depreciation of property, plant and equipment	52	1,190	220	-
Amortization of intangible assets	-	24	843	-
EBIT	**1,436**	**(4,418)**	**(950)**	**1,479**
Financial income (cost)	(629)	(1,090)	(387)	(1,181)
Income (costs) from investments	(108)	-	1,022	-
Result before taxes for the year	**699**	**(5,508)**	**(315)**	**298**
Income tax	440	5,328	69	111
Net result	**259**	**(10,836)**	**(384)**	**187**

(*) Financial statements prepared according to Italian accounting standards

ANNEX H: BREAKDOWN OF PAYABLES AND RECEIVABLES BY GEOGRAPHICAL AREA

(euro/000)	Italy	Other EU countries	USA	Switzerland	Canada	Other countries	Total
Receivables							
Non-current assets:							
Non-current financial assets		178,582					178,582
Pre-paid tax assets	18,089						18,089
Other non-current assets	351						351
Current assets:							
Tax receivables	27,187						27,187
Other current assets	4,902	20	1	1		1	4,925
Trade receivables	39,452	368	12	6		95	39,933
Securities and other current financial assets	83,649	16,714					100,363
Total receivables	**173,630**	**195,684**	**13**	**7**	**0**	**96**	**369,430**
Payables							
Non-current liabilities:							
Non-current financial liabilities	302,934						302,934
Deferred tax liabilities	24,264						24,264
Other non-current liabilities							0
Current liabilities:							
Income tax payables							0
Other current liabilities	32,705	5,672	57	38		20	38,492
Trade payables	79,223	497	192	44	8	53	80,017
Payables due to banks and other financial liabilities	259,678	13,315					272,993
Total payables	**698,804**	**19,484**	**249**	**82**	**8**	**73**	**718,700**

CERTIFICATION OF THE COMPANY'S FINANCIAL STATEMENTS

CERTIFICATION OF THE COMPANY'S FINANCIAL STATEMENTS PURSUANT TO ART. 81-TER OF CONSOB REGULATION NO. 11971 OF 14 MAY 1999 AND SUBSEQUENT AMENDMENTS AND SUPPLEMENTS

1. The undersigned Ernesto Mauri, in his capacity as CEO, and Oddone Pozzi, in his capacity as Executive Manager responsible for the drafting of the corporate accounting documentation of Arnoldo Mondadori Editore S.p.A., also in compliance with the provisions set out in art. 154-bis, par. 3 and 4, of Legislative Decree no. 58 of 24 February 1998, hereby certify:

   • 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 2016.

2. The valuation of the adequacy of the administrative and accounting procedures for the drafting of the Company's financial statements at 31 December 2016 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 generally accepted at the international level.

3. We also hereby certify that:

   3.1 the financial statements at 31 December 2016:

   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 Legislative Decree no. 38/2005;

   b) reflect the accounting books and entries;

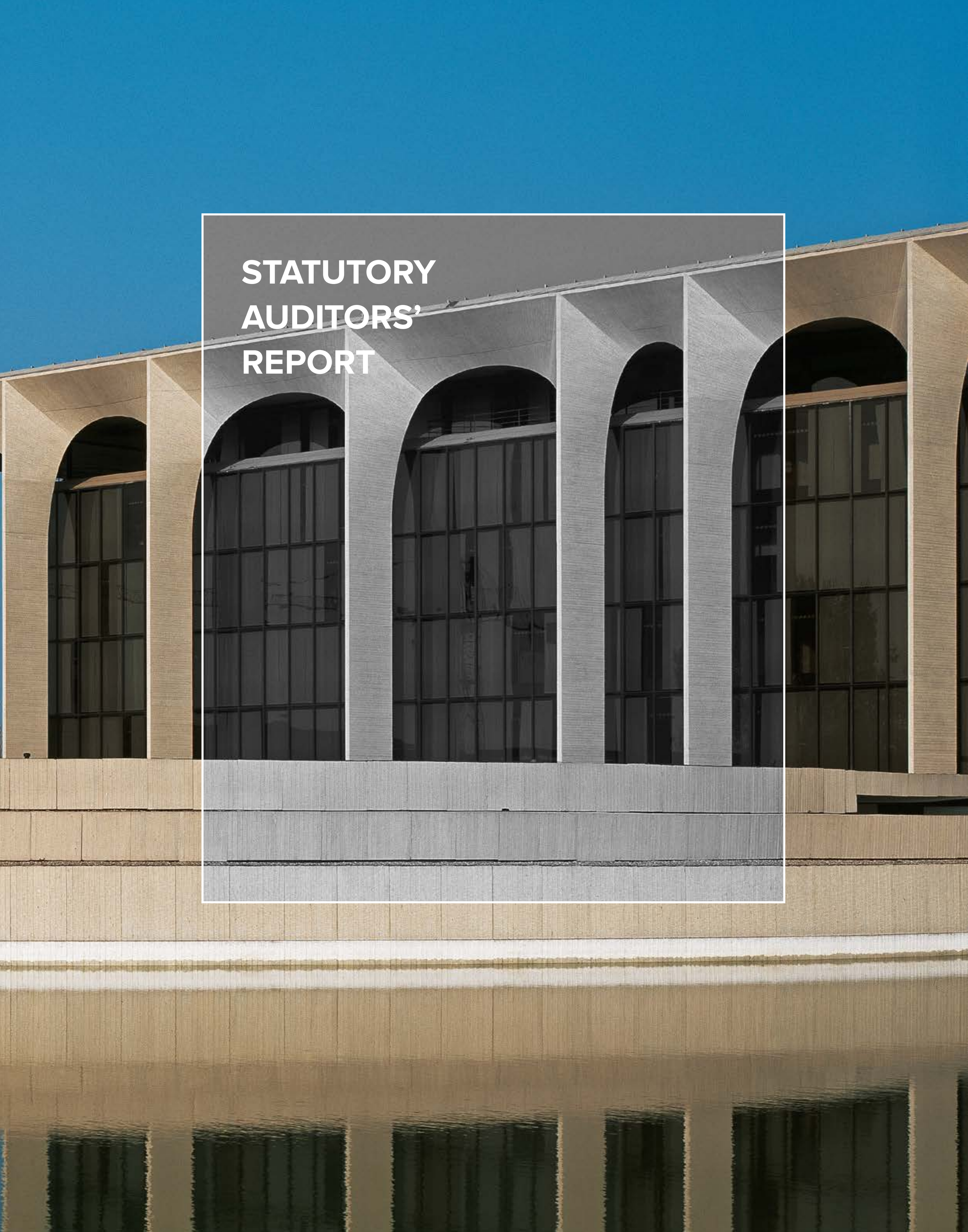
   c) provide a true and fair description of the financial position and results of operations of the Company.

   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.

21 March 2017

The CEO
(Ernesto Mauri)

The Executive Manager responsible for the drafting
of the corporate accounting documents
(Oddone Pozzi)


STATUTORY
AUDITORS'
REPORT

ARNOLDO MONDADORI EDITORE S.P.A.
BOARD OF STATUTORY AUDITORS' REPORT TO THE SHAREHOLDERS' MEETING CALLED FOR THE APPROVAL OF THE FINANCIAL STATEMENTS AT 31 DECEMBER 2016 (ART. 153 OF LEGISLATIVE DECREE NO. 58/98)

Dear Shareholders,
In 2016, we carried out auditing activities as required by law and in compliance with the provisions set out in Consob Communication no. 1025564 of 6 April 2001 as subsequently amended, taking also into account the Code of Conduct recommended by the Italian National Association of Certified and Professional Accountants.
Specifically:

- we oversaw compliance with the law, the Company by-laws and the principles of correct administration;
- we attended the Shareholders' Meetings, the Board of Directors' meetings and the meetings of the Board Committees, and we obtained from the Directors, also pursuant to art. 150 of Legislative Decree no. 58/1998, regular reports on the general performance of operations, on the outlook, as well as on transactions of greater operating, financial and equity relevance completed by the Company (which include the acquisition of RCS Libri and Banzai Media Holding S.r.l., the disposal of Marsilio Editori S.p.A. and Bompiani S.p.A., the admission to the STAR segment of Borsa Italiana, and the purchase of treasury shares), ensuring that the resolutions made and implemented were not openly incautious and risky, generating a potential conflict of interest, in contrast with the resolutions made by the Shareholders' Meeting or such as to jeopardize the integrity of the Company's capital;
- we obtained knowledge of and oversaw the adequacy of the Company's organizational structure for the aspects falling under our competence, through direct auditing, collection of information and meetings with the representatives of Deloitte & Touche S.p.A., the independent auditing firm responsible for statutory auditing on the Group's consolidated and Company's financial statements as well as for limited auditing on the Group's consolidated and Company's interim reports, for the purpose of also exchanging relevant data and information. In this respect, no specific aspects were identified which needed to be reported;
- we oversaw the adequacy of the internal control and risk management system and the activity performed by the Internal Audit Officer, by also analyzing the information collected from the relevant company departments, and through specific audits carried out during our meetings or during those held jointly with the Internal Control and Risk Committee;
- we oversaw the adequacy of the administrative-accounting system, as well as the latter's reliability to correctly reflect data on operations by collecting information, examining corporate documents and analyzing the outcomes resulting from the audits carried out by the independent auditors on compliance with the principles of correct administration;
- we oversaw the correct implementation of corporate governance rules as envisaged in the relevant Corporate Governance Code, with which the Company complies according to the criteria set out in the Report on Corporate Governance and Ownership Structure. Specifically, we checked, on an annual basis, compliance with the independence requirements of non-executive Directors qualified as independent by the Board of Directors, and we also verified the fulfilment of the same requirements of independence by the Statutory Auditors;
- with reference to Legislative Decree no. 39/2010, we verified the compliance with independence requirements by the independent auditing firm, Deloitte & Touche S.p.A. also based on the statement released pursuant to art. 17, par. 9, letter a) of the aforementioned Legislative Decree no. 39/2010;

- we assessed and oversaw the adequacy of the guidelines given to subsidiaries pursuant to art. 114, par. 2, of Legislative Decree no. 58/1998. These guidelines enabled the subsidiaries to promptly provide the parent company with the necessary information to comply with the disclosure obligations required by law;
- we verified compliance with law provisions in relation to the preparation of the Group's consolidated and Company's annual financial statements at 31 December 2016, drafted according to IAS/IFRS international accounting standards, the relevant reports on operations, through direct audits and information obtained from the independent auditors; this Board of Statutory Auditors shared the criteria adopted by the Board of Directors in relation to the impairment tests reflected in the Group's consolidated and Company's financial statements;
- we oversaw compliance of the procedures regarding transactions with related parties, adopted by the Board of Directors, with the principles set out in Consob Regulation no. 17221 of 12 March 2010 and their observance;
- we issued, pursuant to art. 2389, par. 3, of the Italian Civil Code, our favourable opinion on the proposals made to the Board of Directors by the Remuneration Committee in relation to the determination of compensation to the directors holding special offices in compliance with the Company by-laws (CEO and Chairman), and to compensation to the directors who are members of Board Committees.

In the performance of the auditing activities described above, no omissions, reprehensible events or irregularities were identified that would have required reporting to the competent supervisory boards or mentioning in this report.

In 2016, the Committee responsible for overseeing the effectiveness, compliance and updating of the Company's organizational, management and control model adopted pursuant to Legislative Decree no. 231/2001, did not report any relevant events to us, or irregularities related to the offences covered by the provisions of Legislative Decree 231/2001, as amended.

The annual Report on Corporate Governance and Ownership Structure drafted by the Board of Directors did not identify any issues that would need to be submitted to your attention.

In compliance with the recommendations and indications provided by Consob, this Board of Statutory Auditors also points out that it verified that no atypical and/or unusual transactions, both at intercompany level or with related parties, were carried out.

The information provided by the Board of Directors also with specific reference to intercompany transactions and transactions with related parties is considered adequate. Specifically, the latter transactions are to be considered correlated and inherent to the Company's purpose. The characteristics and the economic effects of the ordinary transactions performed are reported in the Notes to the Financial Statements and are considered congruent and fulfilling the Company's interests. In addition, in this respect, no conflicts of interest were identified.

The Company has adhered to the Code of Corporate Governance for Listed Companies issued by Borsa Italiana S.p.A. In this regard, it should be noted that, in accordance with the Corporate Governance Code, in November 2016, the Board of Directors appointed non-executive and independent director Cristina Rossello as Lead Independent Director.

During the financial year:

- the Company assigned to Deloitte & Touche S.p.A., the independent auditing firm responsible for auditing the Group's consolidated and the Company's financial statements, the following additional tasks:
- ADS audits for 2016 for a fee of 61,000.00 euro (55,000.00 euro of which relating to the parent);
- auditing of the Company's financial statements at 31 December 2016 for a fee of 45,000.00 euro;
- audits for the underwriting of the tax returns for a fee of 14,300.00 euro (2,700.00 euro of which relating to the parent);
- The company assigned the following tasks to entities having ongoing relations with the independent auditing firm:
- Deloitte & Associates S.A. was given the task to carry out audits for the purpose of obtaining reduced postage rates for a fee of 29,400.00 euro;

- the Board of Statutory Auditors regularly met and exchanged information with the representatives of Deloitte & Touche S.p.A., from which no noteworthy aspects emerged. On 31 March 2017, the independent auditing firm issued the reports on the Group's consolidated and the Company's financial statements and the same do not contain any event subject to disclosure;
- the Board of Directors held no. 9 meetings and the Board of Statutory Auditors held no. 14 meetings.

The Board of Statutory Auditors did not receive any reports, pursuant to art. 2408 of the Italian Civil Code, nor complaints. Lastly, in light of the above and within the scope of its duties, this Board of Statutory Auditors did not identify any events or facts that may prevent the approval of the financial statements at 31 December 2016, showing a loss of 15,175,940.15 euro, nor of the proposal to cover said loss by partly using the extraordinary reserve allocated under "Other reserves and profit/(loss) carried forward".

Milan, 31 March 2017

For the Board of Statutory Auditors
The Chairman
(Ferdinando Superti Furga)

INDEPENDENT AUDITORS' REPORT

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INDEPENDENT AUDITORS' REPORTPURSUANT TO ART. 14 AND 16 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010

To the Shareholders of
Arnoldo Mondadori Editore S.p.A.

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Arnoldo Mondadori Editore S.p.A. and its subsidiaries (the "Mondadori Group"), which comprise the consolidated balance sheet as at December 31, 2016, and the consolidated income statement, the consolidated comprehensive income statement, the statement of changes in consolidated equity and the consolidated cash flows statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements

The Company's Directors are responsible for the preparation of these consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n° 38/05.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) issued pursuant to art. 11 of Italian Legislative Decree 39/10. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation that give a true and fair view of consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Mondadori Group as at December 31, 2016, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n° 38/05.

Deloitte.

Report on Other Legal and Regulatory Requirements

Opinion on the consistency of the report on operations and of certain information included in the report on corporate governance with the consolidated financial statements

We have performed the procedures indicated in the Auditing Standard (SA Italia) n° 720B in order to express, as required by law, an opinion on the consistency of the report on operations and of certain information included in the report on corporate governance required by art. 123-bis, n° 4, of Italian Legislative Decree n° 58/98, which are the responsibility of the Directors of Arnoldo Mondadori Editore S.p.A., with the consolidated financial statements of the Mondadori Group as at December 31, 2016. In our opinion the report on operations and the information included in the report on corporate governance referred to above are consistent with the consolidated financial statements of the Mondadori Group as at December 31, 2016.

DELOITTE & TOUCHE S.p.A.

Signed by
Vittorio Camosci
Partner

Milan, Italy
March 31, 2017

This report has been translated into the English language solely for the convenience of international readers.

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INDEPENDENT AUDITORS' REPORT PURSUANT TO ART. 14 AND 16 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010

To the Shareholders of
Arnoldo Mondadori Editore S.p.A.

Report on the Financial Statements

We have audited the accompanying financial statements of Arnoldo Mondadori Editore S.p.A., which comprise the balance sheet as at December 31, 2016, and the income statement, the comprehensive income statement, the statement of changes in equity and the cash flows statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

The Company's Directors are responsible for the preparation of these financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n° 38/05.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) issued pursuant to art. 11 of Italian Legislative Decree 39/10. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation that give a true and fair view of financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Arnoldo Mondadori Editore S.p.A. as at December 31, 2016, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n° 38/05.

Report on Other Legal and Regulatory Requirements

Opinion on the consistency of the report on operations and of certain information included in the report on corporate governance with the financial statements

We have performed the procedures indicated in the Auditing Standard (SA Italia) n° 720B in order to express, as required by law, an opinion on the consistency of the report on operations and of certain information included in the report on corporate governance required by art. 123-bis, n° 4, of Italian Legislative Decree n° 58/98, which are the responsibility of the Directors of Arnoldo Mondadori Editore S.p.A., with the financial statements of Arnoldo Mondadori Editore S.p.A. as at December 31, 2016. In our opinion the report on operations and the information included in the report on corporate governance referred to above are consistent with the financial statements of Arnoldo Mondadori Editore S.p.A. as at December 31, 2016.

DELOITTE & TOUCHE S.p.A.

Signed by
Vittorio Camosci
Partner

Milan, Italy
March 31, 2017

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