2019 ANNUAL REPORT

GRUPPO MONDADORI

ARNOLDO MONDADORI EDITORE S.p.A.

Share Capital 67,979,168.40

Registered Office in Milan
Administrative Offices in Segrate (Milan)

2019
ANNUAL
REPORT

Mondadori Group
Consolidated Financial Statements
and
Arnoldo Mondadori Editore S.p.A.
Financial Statements
at 31 December 2019

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MONDADORI GROUP CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

ARNOLDO MONDADORI EDITORE S.P.A. FINANCIAL STATEMENTS AT 31 DECEMBER 2019

LETTER
TO STAKEHOLDERS

2019 saw the Mondadori Group committed to further strengthening its business and financial standing and continuing on the path of strategic repositioning.
This process has gained further momentum, significantly reducing exposure to the continually shrinking magazines market: the period also saw the disposal of the Magazines France operations, which had begun as early as 2018, and the sale of a number of non-strategic titles in the Magazines Italy Area.
Additionally, with the creation of Mondadori Media S.p.A., in operation since 1 January 2020 and covering the magazines business, a project already carried out with Mondadori Libri and Mondadori Retail was completed, i.e. the creation of specific corporate units capable of enhancing every activity of the Group. The new setup will allow an even more efficient and targeted management, and will promote the Group's future growth, enabling it to grasp strategic opportunities and develop partnerships.
At a consolidated level, the results achieved confirm the indications disclosed to the market at the beginning of the year: after a few years of decline, revenue in 2019 remained basically steady, and margins still showed growth, especially in the core books business. The significant generation of cash flow, combined with strategic repositioning, have enabled the Group to slash its debt, which fell to € 55 million at the end of the year.

All these elements will enable the Group to support the strategic lines of development and strengthen the competitive position in its core businesses, also through potential new acquisitions. The results also allow the Group to return to the distribution of a dividend in 2020, a proposal that will be submitted to the Shareholders' Meeting.
The path taken - based on the current health emergency developments - will continue in the coming year, focusing on the activities of our publishing houses, our bookstores chain and on the brands with the greatest potential for growth in a multimedia perspective, with the aim of confirming and expanding the leadership of the Mondadori Group in its areas of operation, starting a possible path in professional publishing and training, and continuing to strengthen the company's business and financial standing.

Marina Berlusconi
Chairman of the Mondadori Group

Ernesto Mauri
CEO of the Mondadori Group

COMPOSITION
OF CORPORATE BODIES

CORPORATE OFFICES AND BOARDS

Board of Directors*

CHAIRMAN
Marina Berlusconi

CEO
Ernesto Mauri

DIRECTORS
Pier Silvio Berlusconi
Paolo Ainio
Elena Biffi**
Francesco Currò
Patrizia Michela Giangualano**
Martina Forneron Mondadori**
Danilo Pellegrino
Roberto Poli
Oddone Pozzi
Angelo Renoldi**
Mario Resca
Cristina Rossello**

Board of Statutory Auditors*

CHAIRMAN
Sara Fornasiero

STANDING AUDITORS
Flavia Daunia Minutillo
Ezio Simonelli

SUBSTITUTE AUDITORS
Mario Civetta
Annalisa Firmani
Francesco Vittadini

* The Board of Directors and the Board of Statutory Auditors currently in office were appointed by the Shareholders' Meeting of 24 April 2018
** Independent Director

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%**
  - Mondadori Education S.p.A. **100%**
  - Mondadori Electa S.p.A. **100%**
  - Rizzoli Education S.p.A. **99.99%**
  - Mach 2 Libri S.p.A.* **44.91%**

Retail

- Mondadori Retail S.p.A. **100%**

Magazines Italy

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

Other business

- Reworld Media **17.3%**
- Società Europea di Edizioni S.p.A. **36.89%**
- Monradio S.r.l. **20%**

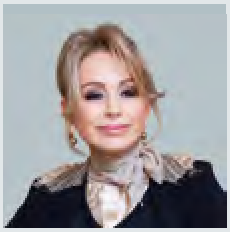
Legend:

Subsidiary companies	Affiliated companies

As at 31 December 2019

* Put into liquidation

MONDADORI GROUP ORGANIZATION CHART



Marina Berlusconi*
Chairman

Ernesto Mauri*
Chief Executive Officer

Federico Angrisano	**Director of Communications and Media Relations**
Daniele Sacco	**Group HR and Organization Director**
Oddone Pozzi*	**Group Director of Finance, Procurement and IT**
Enrico Selva Coddè	**Managing Director of Mondadori Libri S.p.A. Trade area**
Antonio Porro	**Deputy Chairman and Managing Director of Mondadori Libri S.p.A.**
Carmine Perna	**Managing Director of Mondadori Retail S.p.A.**
Carlo Mandelli	**General Manager - Magazines Italy**
Andrea Santagata	**Chief Innovation Officer**

As at 31 December 2019

* Members of the Board of Directors

OVERVIEW OF GROUP ACTIVITIES

Mondadori is one of Europe's top publishing groups and the **leading publisher** of books and magazines in Italy. The Group also operates in the retail business with the most extensive network of bookstores throughout the Country (approximately 575 points of sale).

BOOKS

The Area is managed through Mondadori Libri S.p.A., a subsidiary which has absorbed the range of book publishing activities, with a view to strengthening and developing the segment.
The Group leads the Trade market with a **26.2%** share[1] in the areas of fiction, non-fiction and children's books, in both traditional and digital formats, published under the following brands: *Mondadori, Giulio Einaudi editore, Piemme, Sperling & Kupfer, Frassinelli, Rizzoli, BUR, Fabbri Editori, Rizzoli Lizard* and *Mondadori Electa*.
Additionally, it runs operations in the school textbooks area through Mondadori Education and Rizzoli Education: one of the leaders in the segment, its market share stood at **21.7%**[2] at end 2019, with a total catalogue of approximately 30 proprietary and distributed brands, and production spanning from preschool to university.
Complementing the book publishing activities are those revolving around art books, the management of museum concessions, and the organization and management of exhibitions and cultural events, managed in Italy by Mondadori Electa (under the *Mondadori*, *Electa* and *Rizzoli* brands) and internationally by Rizzoli International Publications (under the *Rizzoli*, *Rizzoli New York*, *Rizzoli Electa* and *Universe* brands).
In December 2019, Electa completed the acquisition of *Abscondita*, a Milan-based art literature publishing house, effective as from 1 January 2020.

RETAIL

Through its subsidiary Mondadori Retail S.p.A., the Group manages the largest network of bookstores in Italy, with approximately 575 points of sale under four different formats either managed directly or franchised: Mondadori Megastore, Mondadori Bookstore and Mondadori Point. The physical network is complemented by the online sales channels (mondadoristore.it and rizzolilibri.it) and the bookclub.
Concurrent to the development of the books business, and as a result of Retail's focus on the book product (representing **82%** of revenue), Mondadori Retail's market share stood at approximately **13%**[3] in 2019 in this specific segment.

[1] GFK, December 2019 (in terms of value)
[2] ESAIE, 2019 (adopted sections)
[3] GFK, December 2019 (in terms of value)

MAGAZINES ITALY

At end 2019, the Mondadori Group retained its **leadership** position in both the print segment (with a **28.9%** share of the circulation market[4]) and in the digital magazine segment (with a unique audience of approximately **30 million contacts per month**[5]).
Mondadori is therefore Italy's leading digital publisher and boasts a consolidated leadership in the women, food, health & wellness verticals.
Through the subsidiary Press-di Distribuzione Stampa e Multimedia, the Group distributes its own magazines and the dailies and magazines of third parties on Italian newsstands, while through Direct Channel it covers the subscriptions channel for both its own magazines and those of third parties.
The wealth of magazine brands has gradually come to form an important network of international editions, through joint ventures, on-the-ground presence or licensing agreements with international publishers. *Grazia* is the most prominent brand abroad, operating a network of over 20 editions throughout the world today.

OTHER BUSINESS

Other business includes the minority investment in Società Europea di Edizioni, publisher of the daily *Il Giornale* and the investment in Monradio, active on the national radio broadcasting market through R101.

[4] Press-di, December 2019 (in terms of value)
[5] Comscore, December 2019

CORPORATE & SHARED SERVICES

The Corporate segment includes - besides the Group top management organizations - Parent Company functions providing services that cut across the different companies and business areas of the Group.

These services involve administration, planning and control, treasury and finance, IT, logistics, HR management and organization, legal and corporate affairs, management of Group purchasing, general location services, communications and media relations.

Revenue comes mainly from services provided to subsidiaries and associates.

GROUP HISTORY MILESTONES

ORIGIN

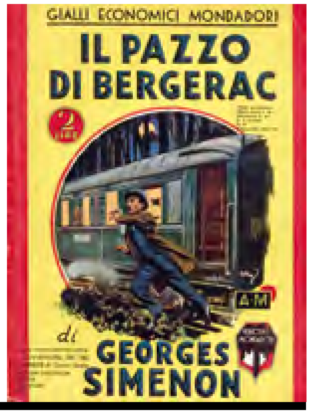
1907

Arnoldo Mondadori begins publishing activities in Ostiglia (Mantua) by launching the magazine ***Luce!***

GIALLI MONDADORI

1920

1929 — Launch of ***Gialli Mondadori***, the first Italian series of crime novels.



GRAZIA

1930

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

THE NEW MONDADORI HEADQUARTERS

1970

1975 - The new Mondadori headquarters is inaugurated at Segrate, designed by one of the most renowned architects of the 20th century, Oscar Niemeyer.

THE GROUP IS LISTED ON THE MILAN STOCK EXCHANGE.

1980

1982 - The Group is listed on the Milan Stock Exchange.

1988 - Founding of Elemond, a publishing house that controls the well-known Electa and Einaudi brands.

MONDADORI ACQUIRES RCS LIBRI

2010

2013 - The Group renews its Top Management and reorganizes operating structures; a new strategic plan is laid out to focus on core operations (trade and educational books, retail, magazines) and give fresh impetus to the development of digital activities.

2014 - Founding of Mondadori Libri S.p.A., at the head of all the activities in the Books Area; advertising sales on magazines, digital and radio stations are transferred to Mediamond, a 50-50 joint venture with Publitalia '80.

2015 - The Group signs an agreement for the acquisition of RCS Libri and increases its investment in the joint venture Gruner+Jahr/Mondadori, publisher of *Focus*, to 100%; non-core assets are sold (80% of Monradio, investment in the joint venture Harlequin Mondadori and the Rome office) to focus on the core businesses.

2016 - Mondadori acquires **RCS Libri**, later renamed Rizzoli and the vertical content division of the Banzai Group.

2017 - Piemme and Sperling & Kupfer are merged by incorporation into Mondadori Libri S.p.A., which in turn absorbs the trade unit of Rizzoli Libri. The **Rizzoli Electa** brand is launched for the international expansion of illustrated books and the organization of international exhibitions. The **Children's Business Unit** is set up in the Books Area.

2018 - Mondadori continues its focus on the core businesses, strengthening the Books Area and reducing exposure to magazines.

BIBLIOTECA MODERNA MONDADORI

1940

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.

MONDADORI PER VOI

1950

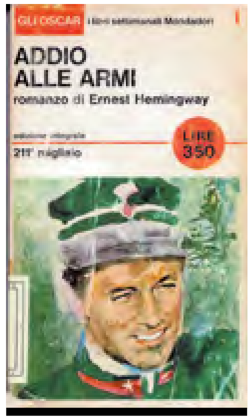
1954 - Opening of the Mondadori per Voi book shop chain, to re-launch domestic book circulation.

PANORAMA

1960

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.



LAUNCH OF MITI

1990

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 chain of bookstores through the acquisition of the Gulliver series and the opening of a chain of franchised Mondadori bookstores.

100TH ANNIVERSARY

2000

Cento Anni Mondadori
La Casa in cui siamo cresciuti

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 market with **R101**.

2006 - The Group acquires Emap France, France's third magazine publisher. Founding 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.

FOCUSING PROCESS

2019

With the disposal of the subsidiary **Mondadori France** and a number of non-strategic Italian magazines, the Group takes a further step forward in its focusing process.

INVESTOR RELATIONS

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

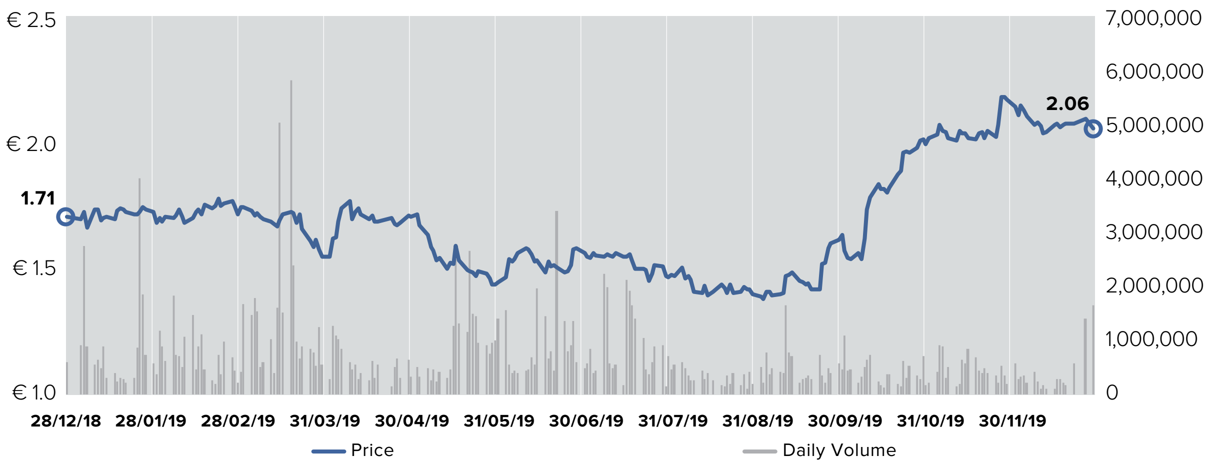
- general indexes of Borsa Italiana: FTSE Italia All Share, FTSE Italia Star (since December 2016) and FTSE Italia Mid Cap (since 2 January 2019);
- Industry specific: FTSE Italia Servizi al consumo and FTSE Italia Media.

In 2019, Mondadori's share traded at an average price of **€ 1.68** (average market capitalization approximately **€ 440 million**).
On 30 December 2019, the last trading day of the year, Mondadori's share recorded a closing price of **€ 2.06**, with a market capitalization of **€ 538.6 million**.

Share price and share trading data	**2019**
Closing price on 30/12/2019 in Euro	2.06
Average price in Euro	1.68
High in Euro (27-28/11/2019)	2.185
Low in Euro (03/09/2019)	1.38
Average volume (thousands)	370.226
Maximum volume (thousands, 10/10/2019)	2,348.153
Minimum volume (thousands, 25/04/2019)	28.196
No. of ordinary shares (mn)*	261,458,340
Average market capitalization in Euro millions*	439.92
Market capitalization at 30/12/2019 in Euro millions	538.6

Source: Bloomberg
*Number of shares issued at 31 December 2019

MONDADORI SHARE PRICE PERFORMANCE IN 2019



Source: Bloomberg

MONDADORI SHARE PRICE PERFORMANCE AGAINST MAIN SE INDEXES IN 2019

Source: Bloomberg

FINANCIAL MARKETS

The Mondadori share price gained approximately **+20.5%** versus end 2018; the main SE indexes also posted gains: **+28.0%** FTSE Italia STAR, **+27.2%** FTSE Italia All Share, **+18.3%** FTSE Italia Mid Cap and **+10.7%** FTSE Italia Media.
In 2019, Mondadori shares traded on the market managed by Borsa Italiana S.p.A. reached the average daily equivalent of **€ 0.7 million** (a maximum of **€ 4.1 million** recorded on 10 October 2019).

OWNERSHIP STRUCTURE

At 31 December 2019, the Company's share capital amounts to € 67,979,168.40, equal to 261,458,340 ordinary shares with a par value of € 0.26 each.

SHAREHOLDER BASE

At the same date, to the knowledge of the Company, based on the disclosures received pursuant to Article 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 al 31/12/2019**
Fininvest S.p.A.	53.3%
Silchester International Investors Llp	12.4%

INVESTOR RELATIONS

The Mondadori Group pursues a policy of communication vis-à-vis the financial market players, hinged on 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 in 2019 through numerous meetings (**approximately 50**) organized in Milan and the main European markets (with approximately **100** institutional investors met in **12** events).

The switch to the STAR segment of Borsa Italiana in December 2016 marks yet another step on the path of development taken over the past three years, positioning Mondadori 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.

Summer evening for #NoiDellaMondadori
The third edition of the evening open to all the employees and associates of the Mondadori Group played host to a truly exclusive musical moment: the Giuseppe Verdi Milan Symphony Orchestra, conducted by Giovanni Marziliano, played legendary Queen songs ranging from *Who Wants To Live Forever* to *Bohemian Rhapsody*, and from *We Will Rock You* to *We Are The Champions*, for the great many people who attended together with their families. Big surprise ending with music by Abba.

Directors' Report on Operations in 2019

MONDADORI GROUP HIGHLIGHTS IN 2019

(Euro/millions)	2019 (IFRS 16)	2019 (no IFRS 16)	2018	Chg. LFL**
Mondadori Group*				
Revenue	**884.9**	**884.9**	**891.4**	**(6.5)**
Adjusted EBITDA	**110.4**	**94.5**	**90.1**	**4.4**
% on revenue	12.5%	10.7%	10.1%	
EBITDA	**102.9**	**87.0**	**77.5**	**9.5**
% on revenue	11.6%	9.8%	8.7%	
EBIT	**62.3**	**61.1**	**56.3**	**4.8**
% on revenue	7.0%	6.9%	6.3%	
Result from continuing operations	**32.0**	**33.1**	**20.3**	**12.8**
Net result	**28.2**	**29.3**	**(177.1)**	**206.4**
Business Areas*				
Revenue	**884.9**	**884.9**	**891.4**	**(6.5)**
Books	478.4	478.4	451.3	27.1
Retail	186.9	186.9	191.8	(4.9)
Magazines Italy	256.6	256.6	287.0	(30.4)
Corporate & Shared Services	38.5	38.5	37.4	1.1
Intercompany	(75.6)	(75.6)	(76.1)	0.5
EBIT	**62.3**	**61.1**	**56.3**	**4.8**
Books	81.4	81.3	70.9	10.4
Retail	(7.7)	(8.1)	(3.4)	(4.7)
Magazines Italy	1.1	1.1	(4.5)	5.6
Corporate & Shared Services	(12.6)	(13.4)	(6.2)	(7.2)
Intercompany	0.1	0.1	(0.5)	0.6
Balance Sheet				
Group Equity	**170.0**	**170.0**	**170.7**	**(0.4%)**
Net Financial Position	**(151.3)**	**(55.4)**	**(147.2)**	**(62%)**
Human resources				
End-of-period headcount		**2,018**	**2,137*** **	**(6%)**

* Comparative scope for continuing operations. See Note on page 29 of this Statement
** Changes in this report were calculated on amounts expressed in thousands of Euro
*** On a like-for-like basis (excluding the 743 employees of Mondadori France at 31 December 2018)

In 2019, the Group strengthened its business and financial standing even further, completing the second step in its strategic repositioning with the disposal of Magazines France operations and the sale of a number of titles in the Magazines Italy Area.

The results achieved were in line with the indications disclosed to the market at the beginning of the year[6].

Specifically:

- revenue was basically **steady**, down by -0.7% (+1.0% on a like-for-like basis);
- **adjusted EBITDA grew by +4.9%, with margins up from +10.1% to +10.7%**;
- the net result from continuing operations **grew by +57.4%**, from € 20.3 million in 2018 to **€ 33.1 million in 2019**;
- cash flow from ordinary operations in the context of continuing operations amounted to **€ 48.5 million**;
- **net debt fell to € 55.4 million** (approximately -62%), with the debt/adjusted EBITDA ratio standing at 0.7x.

Restructuring and reorganization costs for the year were significantly lower than in 2018, falling from € 12.6 million to **€ 7.5 million, down by approximately -40%**.

In addition to the cash flow from operations, the reduction in net debt explained above was due also to the proceeds from the disposal of the French operations (€ 62.8 million), which is part of the Group's strategy to refocus on its Books business.

The Group's financial standing, therefore, offers it much leeway to support the strategic lines of development and strengthen the competitive position in its core businesses, also through potential new acquisitions, as well as to back the distribution of a dividend in 2020.

[6] 2019 outlook disclosed to the market prior to application of IFRS 16 (Leases)

MAIN ELEMENTS IN MONDADORI BUSINESS AREAS

- In the **Trade Books** Area, after a slight decline in 2018 (-1.1%), the market recorded significant growth in 2019 (**+5.5%**). The Group retained its leadership position with a **26.2%** market share and **five books appearing in the top 10 bestselling titles** of the year.

- In the **school textbooks** market, Mondadori retained its strong position of the overall market, with a **21.7%** share, adoptions-wise.

- In the **Retail** Area, where the Group continued to implement strategic actions to align the organization and the sales channels with the developments of the market, focusing on steady format and network revision. In the Books segment (making for **82%** of revenue), the **market share** of Mondadori Retail stood at **approximately 13%**.

- The **Magazines Italy** Area, in the newsstands and subscriptions channels, retained its market leadership, with a share in terms of value of approximately **29%** at 31 December 2019. With a total audience of approximately **30 million unique visitors/month**, Mondadori was once again **Italy's top publisher in the digital business**.

CONSOLIDATED HIGHLIGHTS IN 2019 (BEFORE IFRS 16)

(Euro/millions)	2019		2018		% chg.
Revenue	**884.9**	**100.0%**	**891.4**	**100.0%**	**(0.7%)**
Industrial product cost	279.4	31.6%	280.3	31.4%	(0.3%)
Variable product costs	115.5	13.1%	125.9	14.1%	(8.2%)
Other variable costs	168.8	19.1%	166.2	18.6%	1.6%
Structural costs	76.0	8.6%	70.2	7.9%	8.2%
Extended labour cost	153.2	17.3%	159.8	17.9%	(4.2%)
Other expense (income)	(2.6)	(0.3%)	(1.1)	(0.1%)	n.s.
Adjusted EBITDA	**94.5**	**10.7%**	**90.1**	**10.1%**	**4.9%**
Restructuring costs	6.4	0.7%	11.7	1.3%	(45.4%)
Extraordinary expense (income)	1.1	0.1%	0.9	0.1%	32.1%
EBITDA	**87.0**	**9.8%**	**77.5**	**8.7%**	**12.2%**
Amortization and depreciation	25.9	2.9%	21.2	2.4%	22.1%
Amortization and depreciation IFRS 16	0.0	0.0%	(0.0)	(0.0%)	n.s.
EBIT	**61.1**	**6.9%**	**56.3**	**6.3%**	**8.6%**
Financial expense (income)	2.2	0.2%	2.9	0.3%	(24.8%)
Financial expense IFRS 16	(0.0)	(0.0%)	0.0	0.0%	n.s.
Financial expense (income) from securities valuation	(1.0)	(0.1%)	0.0	0.0%	n.s.
Expense (income) from investments	8.1	0.9%	18.2	2.0%	(55.2%)
EBT	**51.7**	**5.8%**	**35.2**	**4.0%**	**46.6%**
Tax expense (income)	18.6	2.1%	14.9	1.7%	25.1%
Result from continuing operations	**33.1**	**3.7%**	**20.3**	**2.3%**	**62.8%**
Result from discontinued or discontinuing operations	**(2.6)**	**(0.3%)**	**(195.5)**	**(21.9%)**	**(98.7%)**
Net result for the period (Group and non-controlling interests)	**30.5**	**3.4%**	**(175.2)**	**(19.7%)**	**n.s.**
Non-controlling interests	**1.2**	**0.1%**	**2.0**	**0.2%**	**(38.7%)**
Group interests	**29.3**	**3.3%**	**(177.1)**	**(19.9%)**	**n.s.**

Cost of personnel includes costs for collaborations and temporary employment.

In 2019, the "Result from discontinued operations" includes the net result recorded by Mondadori France in the current year, together with the recognition of the fair value adjustment of the discontinued group.
This item also includes the financial expense held by the Parent Company, but attributable to Mondadori France and charged to the latter under the intercompany loan agreement (approximately € 1.6 million).
The "Result from continuing operations" and the "Result from discontinued operations" therefore differ by this amount from the amounts of the statements attached to this Report (equal to € 1.1 million in 2019 and € -192.4 million in 2018), prepared in accordance with IFRS international accounting standards.
To enable a like-for-like comparison, 2018 figures have been restated accordingly.

As of 1 January 2019, the Group has adopted the new **IFRS 16 - Leases**.
The new standard provides a **new definition of lease (operating leases)** 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,
- right to replace the asset,
- right to essentially receive all the financial benefits arising from the use of the asset, and
- right to control the use of the asset underlying the contract.

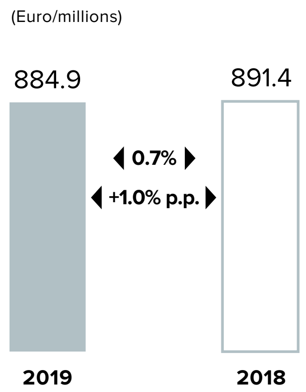
The standard introduces a single lessee accounting model, by which an asset under **an operating lease is recognized in assets with an offsetting financial liability**.
P/L will no longer record lease payments as operating/general costs, **rather the depreciation of the booked asset** and the financial expense implicit in the lease payment.
An exception to this accounting model are leases regarding low-value assets and those with a term of 12 months or less.

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



Consolidated revenue in 2019 came to **€ 884.9 million (versus € 891.4 million in the prior year)**, despite the change in the consolidation scope of Magazines Italy following the disposal of Inthera S.p.A. and Panorama, which would bring the **increase in revenue on a like-for-like basis to +1.0%**.

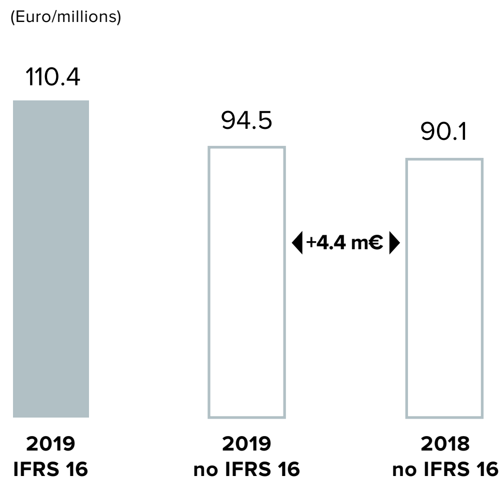
In the **Books** Area, revenue increased by **+6%**, while the **Retail** Area dropped by **-2.6%**.

On a like-for-like basis, **Magazines Italy** revenue fell by **-5.4%**, as a result of the dynamics of the relevant markets, alleviated by the good performance in a number of segments.

Revenue by Business Area (Euro/millions)	**2019**	**2018**	**% chg.**
Books	478.4	451.3	6.0%
Retail	186.9	191.8	(2.6%)
Magazines Italy	256.6	287.0	(10.6%)
Corporate & Shared Services	38.5	37.4	3.1%
Total aggregate revenue	**960.4**	**967.5**	**(0.7%)**
Intercompany	(75.6)	(76.1)	(0.8%)
Total consolidated revenue	**884.9**	**891.4**	**(0.7%)**

Revenue by geographical area (Euro/millions)	**2019**	**2018**	**% chg.**
Italy	817.9	834.5	(2.0%)
Other EU countries	22.2	15.7	41.5%
Other extra EU countries	44.8	41.2	8.8%
Total consolidated revenue	**884.9**	**891.4**	**(0.7%)**

EBITDA

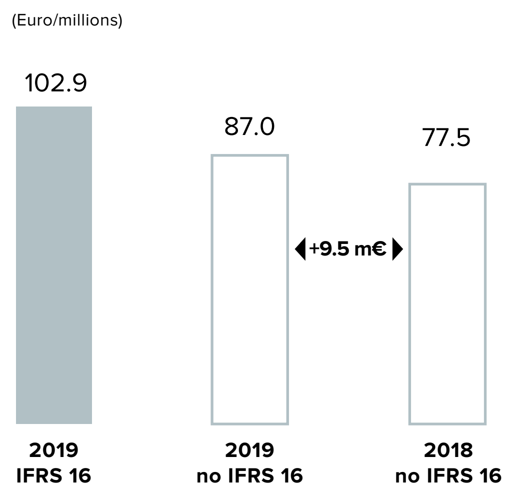


Adjusted EBITDA no IFRS 16 in the period under review came to **€ 94.5 million, up by € +4.4 million** (approximately +5%) versus the prior year (€ 90.1 million), with a percentage on revenue increasing from **10.1% to 10.7%** and with different trends reported by the various businesses:

- in line with the revenue trend, the **Books** Area reported an increase in the period, as a result of the positive performance of both the Trade and Education areas;
- the **Retail** Area retreated, as a result mainly of the drop in revenue on a like-for-like basis and less positive non-recurring items versus the prior year;
- the **Magazines Italy** Area **fell** versus 2018, as a result of the declining market trend, despite the continuing cuts in operating and structural costs, the further significant improvement in the Digital area and the positive effects of the disposals made.

IFRS 16 adjusted EBITDA amounted to **€ 110.4 million** and includes the IFRS 16 impact of approximately € +16 million.

Adjusted EBITDA by Business Area (Euro/millions)	**2019**	**2019 no IFRS 16**	**2018 no IFRS 16**
Books	94.5	93.2	84.7
Retail	5.0	(2.9)	1.4
Magazines Italy	11.3	11.2	11.9
Corporate & Shared Services	(0.4)	(7.0)	(7.3)
Intercompany	0.1	0.1	(0.5)
Total Adjusted EBITDA	**110.4**	**94.5**	**90.1**



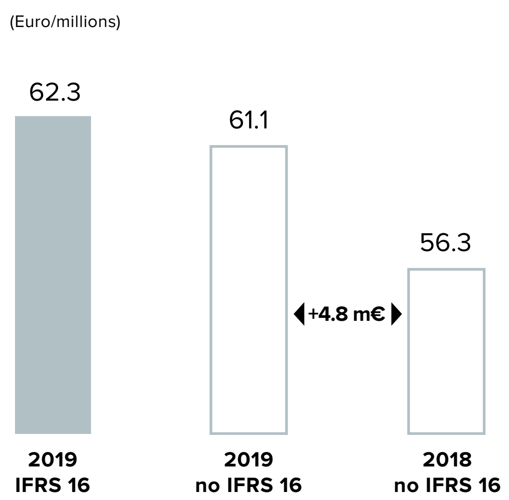
Consolidated EBITDA no IFRS 16 increased sharply versus the prior year, from **€ 77.5 million to € 87.0 million** (approximately +12%).

The improvement includes the increase in adjusted EBITDA and the strong reductions in restructuring costs recorded in the period.

IFRS 16 EBITDA amounted to **€ 102.9 million** and includes the IFRS 16 impact of approximately € +16 million.

EBITDA by Business Area (Euro/millions)	**2019**	**2019 no IFRS 16**	**2018 no IFRS 16**
Books	94.0	92.8	82.9
Retail	2.9	(5.0)	(0.0)
Magazines Italy	9.4	9.2	(0.2)
Corporate & Shared Services	(3.4)	(10.1)	(4.6)
Intercompany	0.1	0.1	(0.5)
Total EBITDA	**102.9**	**87.0**	**77.5**

EBIT



EBIT no IFRS 16 at 31 December 2019 amounted to **€ 61.1 million, improving sharply** versus **€ 56.3 million** at 31 December 2018, as a result of the dynamics of the above components, and includes amortization, depreciation and write-downs of € 25.9 million.

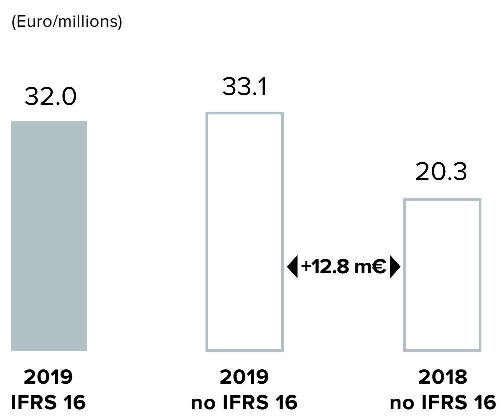
IFRS 16 EBIT amounted to **€ 62.3 million** and includes the IFRS 16 impact of € +1.2 million.

The results in 2019 of the minority interests in the associates Monradio S.r.l. (radio publisher of R101) and Società Europea di Edizioni S.p.A. (publisher of the daily *Il Giornale*), to which Expense (income) from investments refers, were as follows:

- **Monradio** (20%), a loss of € -1.2 million (€ -1.6 million in 2018);
- **Società Europea di Edizioni**: (37%), a loss of € -5.7 million (€ -3.3 million in 2018), as a result of the faster downturn of the relevant markets for newspapers in terms of both circulation and advertising.

EBIT by Business Area (Euro/millions)	**2019**	**2019 no IFRS 16**	**2018 no IFRS 16**
Books	81.4	81.3	70.9
Retail	(7.7)	(8.1)	(3.4)
Magazines Italy	1.1	1.1	(4.5)
Corporate & Shared Services	(12.6)	(13.4)	(6.2)
Intercompany	0.1	0.1	(0.5)
Total EBIT	**62.3**	**61.1**	**56.3**

NET RESULT FROM CONTINUING OPERATIONS



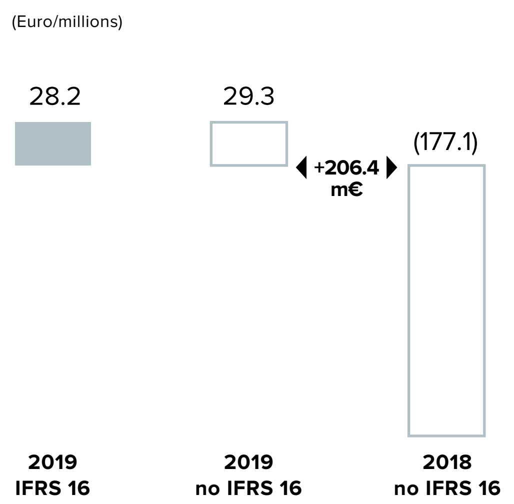
Consolidated profit before tax came to **€ 51.8 million, improving sharply** versus € 35.2 million in 2018 and includes:

- the decrease in financial expense (from € 2.9 million to € 2.2 million) as a result of lower average net debt;
- improved performance by associates (consolidated at equity), from € -18.2 million to € -8.1 million.

The total tax burden for the period was **€ 18.6 million** versus € 14.9 million in 2018, in line with the increased profitability.

The **net result from continuing operations improved** by approximately € +13 million and amounted to € 33.1 million versus € 20.3 million in 2018.

NET RESULT



While still part of the Group (until 31 July 2019), **Mondadori France** generated net revenue of € 163.2 million (€ 178.6 million in the seven months of 2018) and adjusted EBITDA of € 11.6 million (€ 13.5 million in the seven months of 2018).

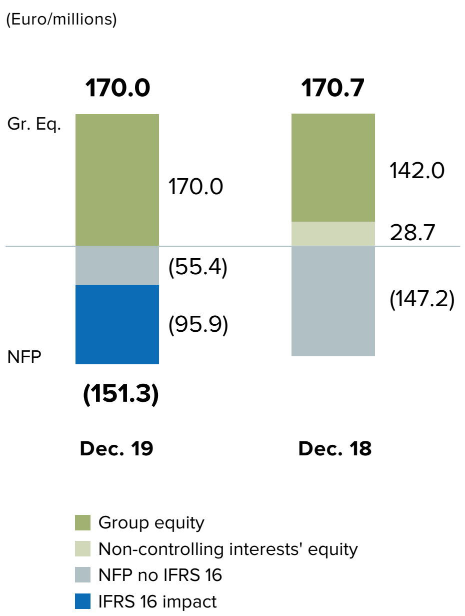
The **net result from discontinued operations came to € -2.6 million** and includes the net result for the seven months and the fair value adjustment of Mondadori France at the closing date of 31 July 2019.

The **Group's net result** amounted to € 29.3 million versus € -177.1 million in 2018, which includes approximately € -200 million from the fair value adjustment of Mondadori France.

FINANCIAL RESULTS

(Euro/millions)	2019	2018	% chg.
Trade receivables	222.7	224.2	(0.7%)
Inventory	120.8	122.3	(1.3%)
Trade payables	273.3	279.8	(2.3%)
Payables to subscribers	18.2	18.8	(3.3%)
Receivables (payables) from/to authors	8.9	11.7	(24.2%)
Deferred tax assets (liabilities)	17.0	23.3	(26.9%)
Other assets (liabilities)	(28.2)	(31.6)	(10.9%)
Net working capital continuing operations	**49.6**	**51.3**	**(3.2%)**
Discontinued or discontinuing assets (liabilities)	-	89.1	(100.0%)
Net working capital	**49.6**	**140.3**	**(64.6%)**
Intangible assets	220.3	226.7	(2.8%)
Property, plant and equipment	17.9	19.1	(6.2%)
Investments	28.1	32.3	(12.7%)
Net fixed assets with no rights of use IFRS 16	**266.4**	**278.1**	**(4.2%)**
Assets from rights of use IFRS 16	93.9	-	-
Net fixed assets with rights of use IFRS 16	**360.4**	**278.1**	**29.6%**
Provisions for risks	55.4	65.8	(15.8%)
Post-employment benefits	33.4	34.7	(3.8%)
Provisions	**88.7**	**100.5**	**(11.7%)**
Net invested capital	**321.3**	**317.9**	**1.1%**
Share capital	68.0	68.0	0.0%
Reserves	73.9	251.1	(70.6%)
Profit (loss) for the period	28.2	(177.1)	n.s.
Group equity	**170.0**	**142.0**	**19.8%**
Non-controlling interests' equity	0.0	28.7	(100.0%)
Equity	**170.0**	**170.7**	**(0.4%)**
Net Financial Position no IFRS 16	55.4	147.2	(62.4%)
Net Financial Position IFRS 16	95.9	-	-
Net Financial Position	**151.3**	**147.2**	**2.7%**
Sources	**321.3**	**317.9**	**1.1%**

NET INVESTED CAPITAL



The **Group's net invested capital** at 31 December amounted to **€ 321.3 million** and is basically **steady** versus € 317.9 million in the prior year.

The **net working capital from continuing operations** amounted to **€ 49.6 million**, down slightly versus the prior year; the various components followed the same trend of revenue.

Net Fixed Assets, excluding IFRS 16 rights of use posted from 2019 (€ 93.9 million), decreased as a result of capital expenditure in tangible and intangible assets lower than amortization and depreciation recorded.

Group equity increased by **approximately € 28 million**, basically in line with the profit for the year, while **consolidated equity was steady**, as a result of the deconsolidation of share capital and reserves attributable to non-controlling interests.

The Net Financial Position no IFRS 16 at 31 December 2019 amounted to **€ -55.4 million, down sharply** versus € -147.2 million at 31 December 2018, as a result of the disposal of Mondadori France (€ 62.8 million) and the significant cash generated in the year.
The **IFRS 16 Net Financial Position** stood at **€ -151.3 million** and includes the IFRS 16 impact of **€ -95.9 million**.

CONSOLIDATED FINANCIAL HIGHLIGHTS IN FOURTH QUARTER 2019 (BEFORE IFRS 16)

(Euro/millions)	Q4 2019	Q4 2018	% chg.
Revenue	**225.9**	**232.9**	**(3.0%)**
Industrial product cost	73.5	71.9	2.2%
Variable product costs	29.3	37.9	(22.6%)
Other variable costs	41.2	39.2	5.1%
Structural costs	22.5	17.5	28.3%
Extended labour cost	38.5	39.3	(2.0%)
Other expense (income)	(2.2)	(0.3)	n.s.
Adjusted EBITDA	**23.2**	**27.3**	**(15.0%)**
Restructuring costs	3.4	5.8	(40.5%)
Extraordinary expense (income)	(0.9)	(2.9)	(69.5%)
EBITDA	**20.7**	**24.5**	**(15.6%)**
Amortization and depreciation	8.8	5.7	53.8%
Amortization and depreciation IFRS 16	0.0	(0.0)	n.s.
EBIT	**11.9**	**18.8**	**(36.9%)**
Financial expense (income)	1.5	0.8	89.7%
Financial expense (income) from securities valuation	(2.0)	-	-
Expense (income) from investments	2.8	8.3	(66.2%)
EBT	**9.5**	**9.7**	**(2.2%)**
Tax expense (income)	2.6	5.1	(50.1%)
Result from continuing operations	**6.9**	**4.5**	**51.8%**
Result from discontinued or discontinuing operations	**(1.5)**	**0.2**	**n.s.**
Net result for the period (Group and non-controlling interests)	**5.4**	**4.7**	**14.5%**
Non-controlling interests	**(0.0)**	**0.4**	**n.s.**
Group interests	**5.4**	**4.3**	**24.4%**

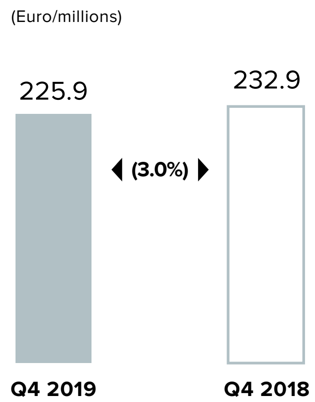
Cost of personnel includes costs for collaborations and temporary employment

In 2019, the “Result from discontinued operations” includes the net result recorded by Mondadori France in the current year, together with the recognition of the fair value adjustment of the discontinued group.
The “Result from continuing operations” and the “Result from discontinued operations” therefore differ by this amount from the amounts of the statements attached to this Report (equal to € -1.5 million in 4Q 2019 and € +0.9 million in 4Q 2018), prepared in accordance with IFRS international accounting standards.
To enable a like-for-like comparison, 2018 figures have been restated accordingly.

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.

REVENUE



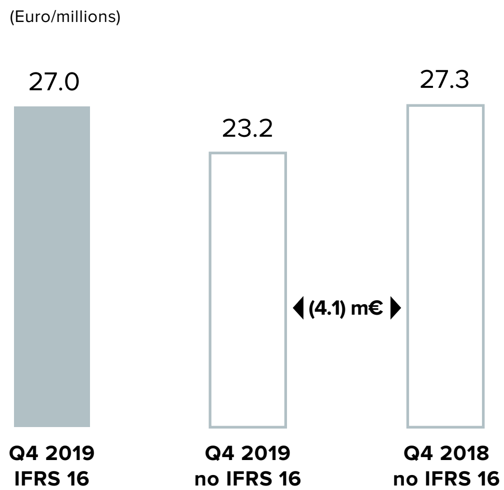
Consolidated revenue in fourth quarter 2019 amounted to **€ 225.9 million**, down by -3.0% versus the prior year, due partly to the change in the consolidation scope of the Magazines Italy Area following the disposal of *Panorama*.

In the **Books** Area, revenue in the quarter increased by **+1.3%**, while the Retail Area dropped by **-3.5%**.

On a like-for-like basis, **Magazines Italy** revenue fell by **-6.5%**, as a result of the dynamics of the relevant markets.

Revenue by Business Area (Euro/millions)	**Q4 2019**	**Q4 2018**	**% chg.**
Books	112.4	111.0	1.3%
Retail	60.3	62.5	(3.5%)
Magazines Italy	65.4	71.0	(7.9%)
Corporate & Shared Services	9.8	9.4	4.7%
Total aggregate revenue	**247.9**	**253.8**	**(2.3%)**
Intercompany	(22.0)	(21.0)	4.8%
Total consolidated revenue	**225.9**	**232.9**	**(3.0%)**

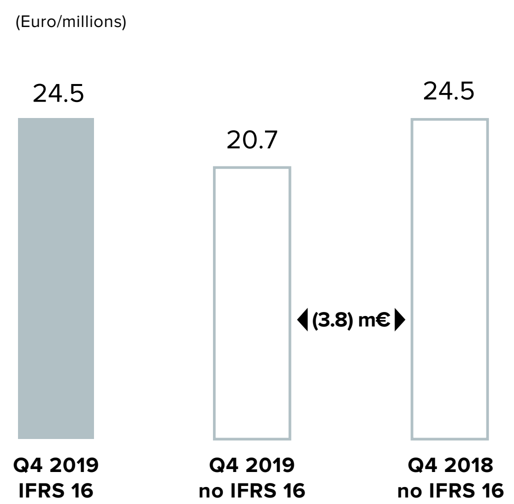
EBITDA



Adjusted EBITDA no IFRS 16 in the reporting period amounted to **€ 23.2 million** versus € 27.3 million in the prior year.

IFRS 16 adjusted EBITDA amounted to **€ 27.0 million** and includes the IFRS 16 impact of approximately € +4 million.

Adjusted EBITDA by Business Area (Euro/millions)	**Q4 2019**	**Q4 2019 no IFRS 16**	**Q4 2018 no IFRS 16**
Books	15.9	15.6	16.7
Retail	4.2	2.3	4.7
Magazines Italy	5.8	5.8	7.8
Corporate & Shared Services	0.1	(1.5)	(2.1)
Intercompany	1.0	1.0	0.3
Total Adjusted EBITDA	**27.0**	**23.2**	**27.3**



Consolidated EBITDA no IFRS 16 amounted to **€ 20.7 million** versus € 24.5 million in 2018.

IFRS 16 EBITDA amounted to **€ 24.5 million** and includes the IFRS 16 impact of approximately € +4 million.

EBITDA by Business Area (Euro/millions)	**Q4 2019**	**Q4 2019 no IFRS 16**	**Q4 2018 no IFRS 16**
Books	15.9	15.7	16.1
Retail	2.4	0.5	3.7
Magazines Italy	6.8	6.8	2.8
Corporate & Shared Services	(1.6)	(3.3)	1.7
Intercompany	1.1	1.1	0.2
Total EBITDA	**24.5**	**20.7**	**24.5**

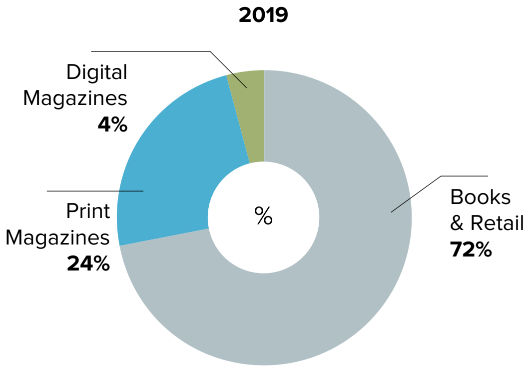
PERFORMANCE BY BUSINESS AREA

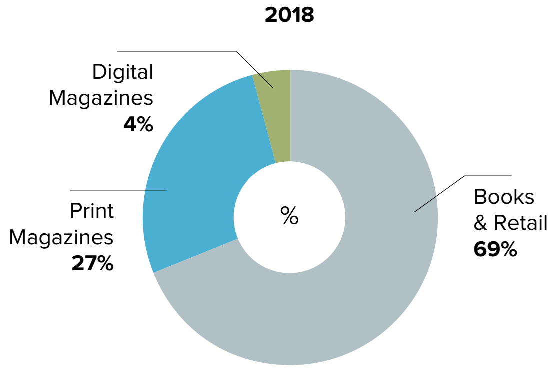
PERFORMANCE BY BUSINESS AREA

(Euro/millions)	Revenue		Adjusted EBITDA			EBITDA			Amortization, depreciation and write-downs			EBIT		
	2019	2018	2019 (IFRS 16)	2019 (no IFRS 16)	2018 (no IFRS 16)	2019 (IFRS 16)	2019 (no IFRS 16)	2018 (no IFRS 16)	2019 (IFRS 16)	2019 (no IFRS 16)	2018 (no IFRS 16)	2019 (IFRS 16)	2019 (no IFRS 16)	2018 (no IFRS 16)
Books	478.4	451.3	94.5	93.2	84.7	94.0	92.8	82.9	(12.6)	(11.4)	(12.0)	81.4	81.3	70.9
Retail	186.9	191.8	5.0	(2.9)	1.4	2.9	(5.0)	(0.0)	(10.5)	(3.0)	(3.4)	(7.7)	(8.1)	(3.4)
Magazines Italy	256.6	287.0	11.3	11.2	11.9	9.4	9.2	(0.2)	(8.2)	(8.1)	(4.3)	1.1	1.1	(4.5)
Corporate & Shared Services	38.5	37.4	(0.4)	(7.0)	(7.3)	(3.4)	(10.1)	(4.6)	(9.2)	(3.4)	(1.6)	(12.6)	(13.4)	(6.2)
Intercompany	(75.6)	(76.1)	0.1	0.1	(0.5)	0.1	0.1	(0.5)	0.0	0.0	(0.0)	0.1	0.1	(0.5)
TOTAL	**884.9**	**891.4**	**110.4**	**94.5**	**90.1**	**102.9**	**87.0**	**77.5**	**(40.6)**	**(25.9)**	**(21.2)**	**62.3**	**61.1**	**56.3**

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

REVENUE





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, Frassinelli, Rizzoli, BUR, Fabbri Editori, Rizzoli Lizard and Mondadori Electa*.

In the **Educational** segment, the Mondadori Group operates in the Italian school textbooks, legal and, to a lesser extent, university publishing market, in art and illustrated books publishing, in the management of museum concessions and in the organization of exhibitions and cultural events.

The Mondadori Group covers the school textbooks segment through Mondadori Education and Rizzoli Education, which produce textbooks, courses, teaching tools and multimedia content for every school level, from primary school to the first and second-level secondary schools.

The publishing house publishes Electa-branded titles in the Art and Architecture areas, including exhibition catalogues, museum guides and sponsor books. In December 2019, Electa completed the acquisition of Abscondita, a Milan-based art literature publishing house, effective as from 1 January 2020.

The Group is also active in the United States through the publishing house Rizzoli International Publications under the brands *Rizzoli*, *Rizzoli New York*, *Rizzoli Electa* and *Universe* with the *Rizzoli Bookstore* located in New York.

Relevant market performance

The **Trade** books market grew by 5.5% in terms of value in 2019 versus the prior year (+4% in terms of volume). In absolute terms, the growth of the market was € 65 million.[7]

The sales channels showed mixed patterns:
- bookstore chains and e-commerce (71.2% of the market) rose by +8.3%, driven by the online component;
- independent bookstores (22.1% of the market) fell by -1.3%;
- large-retailers (6.7% of the market) ended in line with the prior year.

In 2019, the e-books market recorded a slight increase and confirmed its overall book market penetration of around 5%.[8]

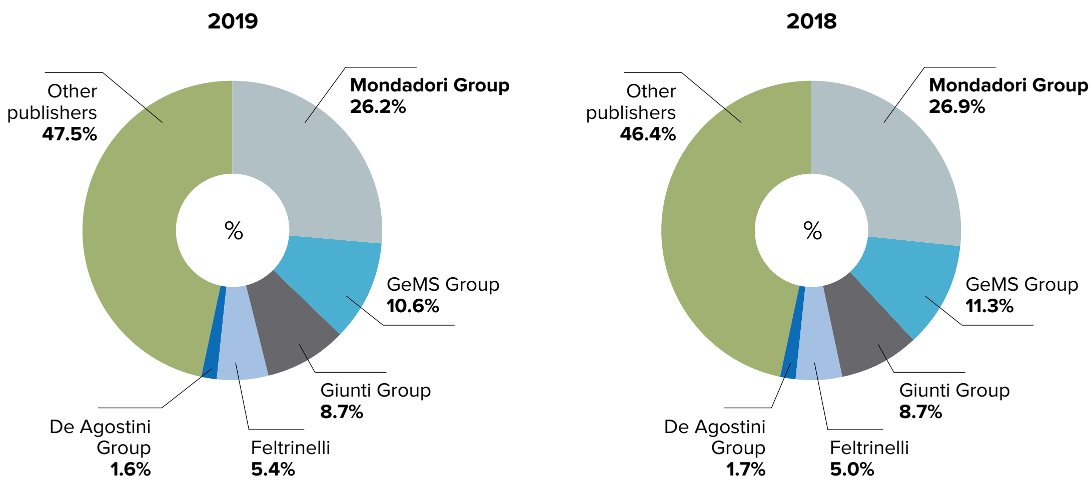
As for **products**, hardcovers (84% of the market in terms of value) increased (+6.1%), while paperbacks, making for the remaining 16%, grew more moderately (+2.4%).
Against this backdrop, the Mondadori Group, considering all its publishers, boasts a market leadership position, with a **26.2%** share, down versus 26.9% in 2018.
The growth of the e-commerce channel, where small publishers hold a greater share, is the main factor behind the Group's shrinking market share.

[7] GFK, December 2019 (in terms of value)
[8] Internal estimate

In 2019, the Group placed five titles in the ranking of the 10 bestselling books in terms of value:

#	Title	Author	Publisher
1	I leoni di Sicilia. La saga dei Florio	Auci Stefania	Nord
2	**Una gran voglia di vivere**	**Volo Fabio**	**Mondadori**
3	Il cuoco dell'Alcyon	Camilleri Andrea	Sellerio Editore Palermo
4	M. Il figlio del secolo	Scurati Antonio	Bompiani
5	**La misura del tempo**	**Carofiglio Gianrico**	**Einaudi**
6	La vita bugiarda degli adulti	Ferrante Elena	E/O
7	**La versione di Fenoglio**	**Carofiglio Gianrico**	**Einaudi**
8	**Entra nel mondo di Luì e Sofì. Il fantalibro dei Me contro Te**	**Me contro Te**	**Mondadori Electa**
9	Lungo petalo di mare	Allende Isabel	Feltrinelli
10	**In cucina con voi! Tutte le nuove ricette di «Fatto in casa da Benedetta»**	**Rossi Benedetta**	**Mondadori Electa**

TRADE MARKET SHARES

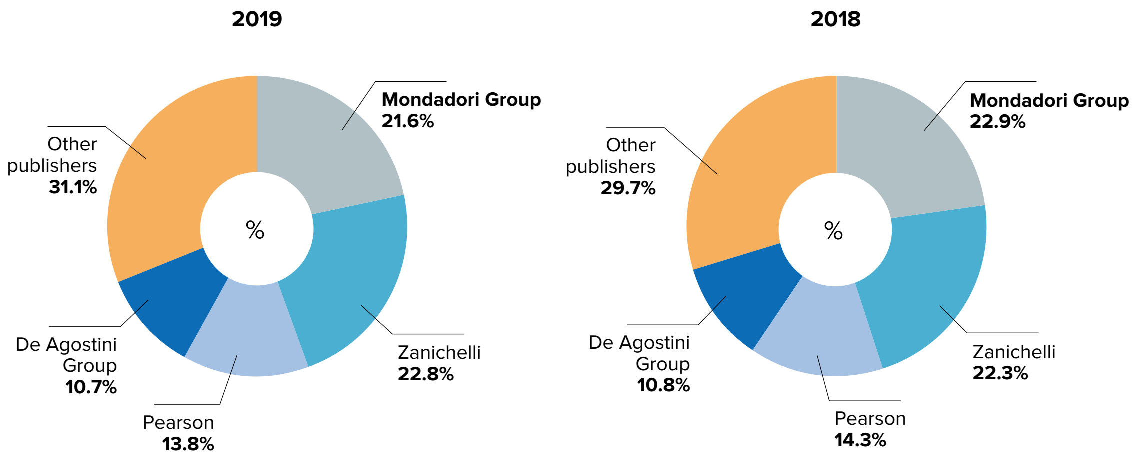


GFK, December 2019 (in terms of value)

In the **school textbooks** market, the Mondadori Group retained a top position with a **21.6%** share[9], adoptions-wise, down versus the prior year.

The market showed an overall growth trend in 2019 (+2.2%), with increases in the first-and second-level secondary segments and stability in the primary segment[10].

SCHOOL TEXTBOOKS SHARES



Performance of the Books Area

Books (Euro/millions)	**2019** **(IFRS 16)**	**2019** **(no IFRS 16)**	**2018** **(no IFRS 16)**	**Chg.** **LFL**	**% chg.** **LFL**
Revenue	478.4	478.4	451.3	27.1	6.0%
Adjusted EBITDA	94.5	93.2	84.7	8.5	10.0%
EBITDA	94.0	92.8	82.9	9.9	11.9%
EBIT	81.4	81.3	70.9	10.4	14.7%

Revenue

Revenue in 2019 amounted to € 478.4 million, up overall by 6% versus the prior year, specifically:

- in the Trade Area by +7.6%,
- in the Educational segment by +5.9%,
- in distribution activities by -20.6%.

The Trade segment published 2,471 new titles in 2019 (2,456 in 2018); in the Education segment, Mondadori Education published 326 new titles (245 in 2018), while Rizzoli Education published 159 new titles (as in 2018).

[9] ESAIE, 2019 (number of adopted sections)
[10] Databank, 2019

Books Revenue (Euro/millions)	**2019**	**2018**	**% chg.**
Totale Trade[11]	**224.7**	**208.8**	**7.6%**
Education	164.9	159.8	3.2%
Mondadori Electa[12] (Art, exhibitions and museums)	41.6	37.2	11.7%
Rizzoli International Publications	39.0	34.7	12.5%
Intercompany	(1.4)	(1.3)	6.0%
Totale Educational	**244.1**	**230.4**	**5.9%**
Distribution and other services	9.6	12.1	(20.6%)
Total consolidated revenue	**478.4**	**451.3**	**6.0%**

Trade Books Revenue

Revenue from the Trade Books division was up by approximately 8% versus the prior year.

The **Mondadori** publishing house retained its position as a leading player with a 9.2% market share, posting a 1.6% fall in sell-out, due to a reduction in the relevance of the large-retailers channel and the growth in e-commerce.

With regard to hardcovers, the most relevant titles were:

- "*Una gran voglia di vivere*" by F. Volo, an instant success as usual after its publication;
- "*Perché l'Italia diventò fascista*" by B. Vespa, a title that leads the way in non-fiction after similar success publications such as "*La mattina dopo*" by M. Calabresi and "*La nostra casa è in fiamme*" by G. Thunberg;
- "*L'avvocato degli innocenti*" by J. Grisham, "*A un metro da te*" by R. Lippincott and "*KM123*" by A. Camilleri are, instead, the main fiction titles.

As for Paperbacks, the Publisher was once again market leader (25.9%), thanks to its generous and longstanding catalogue.

In 2019, **Einaudi** improved its market share (5.7% versus 5.4% in 2018), making it the second largest Italian publisher after Mondadori.

The main success titles include "*La misura del tempo*" and "*La versione di Fenoglio*" by G. Carofiglio and "*Il pianto dell'alba*" by M. De Giovanni, all titles under Stile Libero.

Italian fiction titles include "*Fedeltà*" by M. Missiroli (among the finalists of the Strega) and "*Il grande romanzo dei Vangeli*" by C. Augias and G. Filoramo. Lastly, in foreign fiction, a noteworthy title was "*L'assassinio del commendatore*" by H. Murakami.

Rizzoli held a 4.3% market share versus 4.8% in 2018; the bestselling titles in 2019 include "*Le parole di Sara*" by M. De Giovanni, "Perché parlavo da solo" by Paolo Bonolis and "*Le ricette salvacena*" by Benedetta Parodi.

Piemme's market share at end 2019 stood at 2.6%, with a sell-out in line with the prior year.

The main titles sold in 2019 were "*La notte più lunga*" and "*Doppia Verità*" by M. Connelly (Fiction), and "*Una mamma lo sa*" by Elena Santarelli (Non-Fiction).

In the Children's Books segment, Piemme retained its top market position (8.6% share in 2019) with the character Geronimo Stilton and the brand Battello a Vapore.

Sperling & Kupfer's market share stood at 2.2%, in line with the prior year, increasing its sell-out by 2.8%.

The top titles include "*L'istituto*", "*Elevation*" and "*Pet Sematary*" by S. King and "*Segreti e Ipocrisie*" by S. Casati Modignani.

[11] Total Trade including revenue from the Trade division of Mondadori Electa, in both years
[12] Mondadori Electa for the Cultural Heritage and Illustrated Books division only, in both years

Mondadori Electa increased its market share from 1.4% in 2018 to 1.8% in 2019. A strong boost to the result came from *Me contro te* (a web phenomenon boasting over six million followers), with three titles topping the market rankings.

In the Miscellaneous and Illustrated Books segment, the books by G. De Lellis and Valespo featured among the top titles, while Benedetta Rossi's title did quite good in the area of cooking.

Educational Books Revenue

Revenue in this segment in 2019 amounted to € 244.1 million, up strongly versus the prior year (+5.9%).

In 2019, **Mondadori Education** retained its top-ranking position in the school textbooks segment, firmly at third place for number of sections in terms of books adopted, with a slight fall in the market share versus the prior year, due mainly to adoptions in the primary school segment.[13]

The year recorded a +6.6% increase in revenue (€ 81.8 million versus € 76.7 million in 2018). Specifically:

- in primary schools, the segment with the highest percentage of adoption changes per year (81%), Mondadori reported a drop in its market share (from 10.8% to 8.3%);
- in first-level secondary schools, where the percentage of annual adoption rates was 36% (in line with last year), Mondadori Education grew for the fifth consecutive year, increasing by over +2.5% in terms of books adopted;
- in second-level secondary schools, the result in terms of books adopted was lower than last year. University books did remarkably well (+18% versus 2018), led by the expansion of the catalogue of manuals.

In 2019, **Rizzoli Education** retained its top-ranking position in the school textbooks segment, clinging to its fifth place in number of sections adopted, albeit with a lower market share overall than in 2018.

The year ended with revenue in line with the prior year (€ 83.1 million), despite lower adoptions in primary schools and a slight decrease in secondary schools, offset, however, by a lesser resort by families to second-hand books. More specifically:

- in primary schools, the Publisher retained a market leadership position, albeit with a lower share than in 2018, due in particular to the results of the new titles of the distributed publisher Oxford and those under the Fabbri brand;
- in first-level secondary schools, with a percentage of adoption rates around 36% higher than last year, the Publisher's result saw a slight drop (0.2 percentage points versus 2018), due entirely to the distributed publisher Oxford, while the market share relating to the products published by the Publisher remained steady;
- in second-level secondary schools, with an increase in adoption rates (39%) versus last year, the overall result of the publishing house was basically steady versus the prior year. The good performance of the new titles contributed to the result, as well the resilience of the catalogue, especially with the latest titles that have increased their weight on the overall adoption.

Mondadori Electa, in the art, exhibitions and museums business, posted revenue of € 41.6 million, up by 11.7% versus the prior year (€ 37.2 million).

The main projects at national level are Caravaggio in Naples, de Chirico in Milan, Giulio Romano in Mantua, as well as the editorial developments under the *Electa* brand.

In December 2019, Electa completed the acquisition of the *Abscondita* publishing house, which specializes in works by 20th century artists and art criticism, effective as from 1 January 2020.

Rizzoli International Publications operates mainly in the Adult Non-Fiction segment of the American Trade books market (where it generated 45% of its revenue in 2019); this market fell by 0.8% in 2019 versus the same period of the prior year.

The company's net revenue, amounting to € 39 million, grew by 12.5% versus the prior year,

[13] ESAIE, 2019 (number of adopted sections)

including the effects of the dollar/euro exchange rate, as a result of a good performance by new titles and a strong increase in catalogue sales in its publishing business, combined with an increase in sales in the retail business over 10% versus the prior year.

Revenue from distribution activities and other services

Revenue from distribution activities and other services on behalf of third-party publishers amounted to € 9.6 million in 2019, down by 20.6% versus the prior year, due mainly to the reduction in current contracts**.**

E-books

Revenue from e-book sales in 2019 amounted to € 13 million, up (+7%) versus the prior year and accounting for around 6% of total revenue from Trade Books. The increase in revenue from audiobooks contributed to this growth, against a basically steady trend in revenue from pure e-books.

Downloads in the year totaled 2.5 million (versus 2.4 million in 2018), with a daily average of 6,700 (6,500 in 2018) and with an average price basically steady versus the prior year.

EBITDA

Adjusted EBITDA (no IFRS 16) in the Books Area amounted to **€ 93.2 million**, **improving strongly** versus the same period of the prior year (€ 84.7 million).

2019 saw efforts continue on the rigorous management policy focused on ongoing optimization of operating processes, which allowed the Group to increase **profitability** to **over 19%**.

IFRS 16 adjusted EBITDA came to **€ 94.5 million** and includes the IFRS 16 impact of € +1.3 million.

Reported EBITDA (no IFRS 16) amounted to **€ 92.8 million**, **improving** versus € 82.9 million at 31 December 2018.

IFRS 16 reported EBITDA amounted to **€ 94.0 million** and includes an impact of € +1.2 million.

RETAIL

The Mondadori Group operates in Italy with a network of approximately 575 bookstores:

Stores	Dec. 2019	Dec. 2018	Chg.
Megastores	6	7	-1
Directly-managed bookstores	25	24	+1
Direct Bookstore Clubs	4	4	-
Franchised bookstores[14]	540	560	-20
Total	**575**	**595**	**-20**

Added to these points of sale are the shops-in-shop (42) and e-commerce channels (www.mondadoristore.it) and the bookclub.

Relevant market performance

The relevant market for the Retail Area is Books (**82% of revenue**[15]), which rose sharply in 2019 versus the prior year (+5.5%, driven mainly by double-digit growth in the e-commerce channel[16]). In this segment, Mondadori Retail's **market share** stood at **12.9%** (13.6% at 31 December 2018).

Performance of the Retail Area

Retail (Euro/millions)	**2019 (IFRS 16)**	**2019 (no IFRS 16)**	**2018 (no IFRS 16)**	**Chg. LFL**	**% chg. LFL**
Revenue	186.9	186.9	191.8	(4.9)	(2.6%)
Adjusted EBITDA	5.0	(2.9)	1.4	(4.2)	n.s.
EBITDA	2.9	(5.0)	(0.0)	(5.0)	n.s.
EBIT	(7.7)	(8.1)	(3.4)	(4.7)	n.s.

[14] Reduction in the network as a result of 14 net closures of Point stores, despite 22 new *Bookstore* openings
[15] Product revenue excluding the Club
[16] GFK, December 2019 (in terms of value)

Revenue

In 2019, revenue from the Retail Area dropped versus the prior year (-2.6%), due to the performance of Consumer Electronics and the rationalization of the direct sales network.

Revenue - Retail (Euro/millions)	**2019**	**2018**	**% chg.**
Megastores	35.5	40.4	(12.1%)
Directly-managed bookstores	36.4	36.3	0.3%
Franchised bookstores	86.0	85.6	0.5%
E-commerce	14.0	14.1	(0.5%)
Stores	**171.9**	**176.4**	**(2.5%)**
Book clubs and other	15.0	15.4	(2.6%)
Total revenue	**186.9**	**191.8**	**(2.6%)**

Store revenue fell by approximately 2.5% versus 2018.

By type of product:

- **Books** were the predominant product category, making for **82%** of the total, basically steady (-0.3%);
- **"extra book"** revenue showed an upward trend in the Impulse category (+1.3% stationery and toys) and a drop in the Consumer Electronics category (-34.7% versus 2018) and Media category (-7.5% versus 2018).

The analysis by channel shows the following:

- a basic stability of **directly-managed bookstores** (-1.5% on a like-for-like basis in terms of stores), with the conversion of the bookstore in Forlì into a franchise and the opening of two new bookstores in the last quarter of the year (Seriate and Brescia Roncadelle);
- a decline in Megastores by -12.1%, attributable to the drop in Consumer Electronics sales and as a result of the rationalization of the sales network with the closure of the Brescia store in the "Freccia Rossa" shopping centre (-9.9% on a like-for-like basis in terms of stores);
- a slight improvement in **Franchised bookstores** (-1.1% on a like-for-like basis in terms of stores), despite the reduction in the number of points of sale;
- a result basically on a par in the e-commerce channel;
- a decrease in the Bookclub, albeit less than in prior years, as a result of the opening of three new Shops in Shop inside the directly-managed bookstores.

EBITDA

In 2019, Mondadori Retail posted **adjusted EBITDA (no IFRS 16)** of **€ 2.9 million** versus **€ +1.4 million** at 31 December 2019.

The deterioration is due mainly to lower revenue and less positive non-recurring items.

IFRS 16 adjusted EBITDA amounted to **€ +5.0 million** and includes the IFRS 16 impact of approximately € +8 million.

Reported EBITDA (no IFRS 16) amounted to **€ -5.0 million**, down versus **€ -0.0 million** at 31 December 2018.

IFRS 16 reported EBITDA amounted to **€ +2.9 million** and includes an impact of approximately € +8 million.

MAGAZINES ITALY

Relevant market performance

The relevant markets performed as follows in 2019.

- The **advertising market** at December saw an overall -5.1% decline (-0.9% including the Digital OTT estimate), with **growth in Digital** (**+3.5%**, +8.3% including Digital OTT estimate) and Radio (+1.7%) channels. Magazines fell by -13.9%, newspapers by -10.0% and TV by -5.3%[17].
- The magazines **circulation market** declined by -12.4%. In this area, Mondadori's **market share stood at 28.9%**, steady on a like-for-like basis (excluding the disposal of *Panorama*)[18].
- The **add-ons market** fell by -11.9%[19].

Performance of the Magazines Italy Area

Magazines Italy (Euro/millions)	**2019 (IFRS 16)**	**2019 (no IFRS 16)**	**2018 (no IFRS 16)**	**Chg. LFL**	**% chg. LFL**
Revenue	256.6	256.6	287.0	(30.4)	(10.6%)
Adjusted EBITDA	11.3	11.2	11.9	(0.7)	(5.9%)
EBITDA	9.4	9.2	(0.2)	9.4	n.s.
EBIT	1.1	1.1	(4.5)	5.6	n.s.

Revenue

The Magazines Italy Area recorded **revenue of € 256.6 million** (€ 287.0 million in 2018).
Net of the disposal of Inthera (May 2018) and Panorama (November 2018), the **drop was -5.4%**.

Magazines Italy (Euro/millions)	**2019**	**2018**	**% chg.**
Circulation	98.7	118.3	(16.6%)
Add-on sales	37.9	40.6	(6.5%)
Advertising	75.7	83.3	(9.1%)
Distribution/Other revenue	44.2	44.8	(1.2%)
Total revenue	**256.6**	**287.0**	**(10.6%)**

[17] Nielsen, cumulative figures at December 2019
[18] Internal source: Press-di, figures at December 2019 (newsstands + subscriptions channel) in terms of value
[19] Internal source: Press-di, figures at December 2019 (newsstands + subscriptions channel) in terms of value

- **Circulation** revenue (newsstands + subscriptions) was down by -16.6%, affected also by the disposal of *Panorama* (net of which the decline was -12.8%, in line with the relevant market).
- Revenue from **add-on products** (DVDs, CDs, books and gadgets), sold in attachment to Mondadori magazines, fell by -6.5% versus 2018 (+0.9%, excluding *Panorama*).
- **Advertising** revenue (print + digital) was down by -9.1% (or -4.8% net of the disposal of *Panorama*). Digital advertising revenue **grew by approximately +12.5%** versus 2018, as a result in particular of the good performance of the food and health segments and the strong contribution of AdKaora's proximity marketing solutions. Print advertising revenue fell by -20.2% (-14.8% excluding Panorama in 2018, basically in line with the market). Digital revenue as a percentage of total advertising revenue was **approximately 42%** (up from 34% in 2018).
- **Distribution activities and other revenue** fell by -1.2% versus the prior year (+8.2% net of discontinuities in 2018). The result benefited from the new **distribution** agreements concluded during the year by "Press-di", the Group's newsstands channel distribution company, and a basic stability in **other revenue** from **international operations** (licensing and other services).

The Mondadori Group retained its position as Italy's top multimedia publisher:

- in print, with a market share close to 29% (15.5 million readers per month[20]);
- in the web, with a 77% reach (over 30 million unique users per month)[21];
- in social media, with an aggregate fan base of 31 million[22] counting on 120 social profiles[23].

In the digital area, Mondadori confirmed its leadership in segments with high sales value and audience figures such as food, wellness, women & beauty with:

- *Giallozafferano*, the premier source for Italian food lovers, with a "peak" audience of over 17 million unique users in December[24];
- *Mypersonaltrainer*, the guide in the world of health and wellness with over 11 million unique users in December[25];
- *Donna Moderna*, whose network reached 14 million unique users in December, retained its position as women's reference source in Italy[26].

EBITDA

Adjusted EBITDA (no IFRS 16) for the Magazines Italy Area amounted to **€ 11.2 million**, down slightly versus the prior year **(€ 11.9 million)**, as a result of actions that mitigated the impact of the drop in volumes, in turn affected by the bad performance of the relevant markets.

The main actions implemented regarded:

- the ongoing reduction in operating and overhead costs;
- a further improvement of the Digital Area;
- the disposal of Inthera S.p.A. and Panorama.

IFRS 16 adjusted EBITDA amounted to **€ 11.3 million**.

Reported EBITDA (no IFRS 16) amounted to **€ 9.2 million**, **improving sharply** versus **€ -0.2 million** in 2018, as a result of less extraordinary items.

IFRS 16 reported EBITDA amounted to **€ 9.4 million**.

[20] Audipress III (net of titles sold)
[21] Comscore (December 2019)
[22] Storyclash (December 2019)
[23] Internal source
[24] Comscore (December 2019)
[25] Comscore (December 2019)
[26] Comscore (December 2019)

MAGAZINES FRANCE (DISCONTINUED ON 31 JULY 2019)

(Euro/millions)	7M 2019	7M 2018	% chg.
Revenue	163.2	178.6	(8.6%)
Adjusted EBITDA	11.6	13.5	(14.1%)
Reported EBITDA	11.2	12.2	(8.2%)
Non-controlling interests	1.2	-	n.s.
Net result	1.3	-	n.s.

CORPORATE & SHARED SERVICES

The **Corporate & Shared Services** segment includes - besides the Group's top management organizations - the Shared Services 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, Purchasing, IT, Human Resources, Logistics, Legal and Corporate Affairs, and External and Institutional Relations.
Revenue comes mainly from services provided to subsidiaries and associates.
Adjusted EBITDA of the Corporate & Shared Services Area came to **€ -7.0 million** (**€ -7.3 million** in 2018).
Including non-ordinary items, **EBITDA** amounted to **€ -10.1 million** versus **€ -4.6 million** in the prior year, which had benefited from non-recurring income from the disposal of a property owned by the Company.

BALANCE SHEET

The Mondadori Group's Net Financial Position no IFRS 16 at 31 December 2019, stood at **€ -55.4 million**, improving strongly by € +91.8 million versus **€ -147.2 million** at December 2018.

Net Financial Position (Euro/millions)	**31/12/2019**	**31/12/2018**
Cash and cash equivalents	44.2	82.4
Assets (liabilities) from derivative financial instruments	(1.0)	(0.8)
Other financial assets (liabilities)	30.8	(1.0)
Loans (short and medium/long term)	(129.5)	(231.8)
Held-for-sale financial assets (liabilities)	0.0	3.9
Net Financial Position no IFRS 16	**(55.4)**	**(147.2)**
Financial payables IFRS 16	(95.9)	0.0
Total Net Financial Position	**(151.3)**	**(147.2)**

IFRS 16 NFP stood at **€ -151.3 million** and includes the IFRS 16 impact of € -95.9 million.

The overall credit lines available to the Group at 31 December 2019 amounted to € 554.1 million, of which € 317.5 million committed.
The Group's short-term loans, totaling € 236.6 million, € 14.7 million of which drawn down at 31 December 2019, include overdraft credit lines on current accounts, advances subject to collection and "hot money" flows.

At 31 December, the € 317.5 million pool consisted of:

(Euro/millions)	Bank pool	of which: unutilized	of which: with interest rate hedge
Term Loan A	117.5 [27]	-	78.3
Term Loan B	- [28]	-	-
RCF	100.0 [29]	100.0	-
Acquisition Line C	100.0 [30]	100.0	-
Total loans	**317.5**	**200.0**	**78.3**

Term Loan B (€ 100.0 million) was fully repaid on 31 July 2019, concurrent to the cash in of the consideration from the disposal of Mondadori France.

The Group's **NFP** and the relating **cash flow** are detailed below:

(Euro/millions)	31/12/2019	31/12/2018
Initial NFP IFRS 16	**(255.9)**	**(189.2)**
Financial liabilities application 01/01/2019 IFRS 16	(107.9)	-
Initial NFP no IFRS 16	**(147.2)**	**(189.2)**
Adjusted Ebitda (no IFRS 16)	94.5	90.1
NWC and provisions	(5.4)	(4.8)
Capex no IFRS 16	(18.4)	(19.8)
Cash flow from operations	**70.8**	**65.5**
Financial income (expense) no IFRS 16	(1.6)	(2.9)
Tax	(20.7)	(7.9)
Cash flow from ordinary operations continuing operations	**48.5**	**54.8**
CF from ordinary operations discontinued or discontinuing operations	1.8	15.3
Cash flow from ordinary operations	**50.3**	**70.1**
Restructuring costs	(5.4)	(11.3)
Extraordinary tax	0.5	(1.3)
Share capital increase/dividends non controlling interests and associates	(7.4)	(2.7)
Purchase of assets	(0.1)	(11.2)
Disposal of assets	58.5	4.2
Other income and expenditure	(1.6)	(2.4)
CF extraordinary operations discontinued or discontinuing operations	(3.0)	(3.4)
Cash flow from extraordinary operations	**41.5**	**(28.1)**
Total cash flow	**91.8**	**42.0**
Net Financial Position no IFRS 16	**(55.4)**	**(147.2)**
IFRS 16 effects in the period	**12.8**	**-**
Final Net Financial Position	**(151.3)**	**(147.2)**

[27] Maturity date: € 22.5 million December 2020, € 27.5 million December 2021, € 67.5 million December 2022
[28] Term Loan B (€ 100.0 million) fully repaid on 31 July 2019, concurrent to the cash in of the consideration from the disposal of Mondadori France
[29] Bullet loan, coming to maturity in December 2022
[30] Bullet loan, coming to maturity in December 2022

In the last 12 months, the Group's net financial position (no IFRS) improved by approximately € 91.8 million, with net financial debt decreasing to **€ 55.4 million** versus € 147.2 million at 31 December 2018.
Including the effect of the application of IFRS 16, the Group's NFP at 31 December 2019 stood at € 151.3 million.
Cash generation in the last 12 months is structured as follows.
Cash flow from ordinary operations came to a positive € 48.5 million, net of discontinued operations, and includes:

- approximately € 70.8 million from operations in the context of continuing operations, deducting tax and financial expense totaling € -22.3 million;
- the performance of cash flow from operations is attributable to **operating income of € 94.5 million**, alleviated by investments of € 18.4 million and by net working capital (including provisions) of € -5.4 million, due mainly to the structural decline recorded by Magazines Italy as a result of the ongoing downturn in revenue and downsizing of activities, as well as the temporary absorption of NWC of the Retail Area.

The cash flow from ordinary operations in the context of discontinued operations contributed € 1.8 million.

Cash flow from non-ordinary operations came to an approximately positive € 38.5 million, net of the contribution from discontinued operations, and includes:

- outlays for **restructuring costs** of approximately € 5 million;
- recapitalization of the associate Società Europea di Edizioni S.p.A. for € 6.2 million;
- the positive impact from the disposal of Mondadori France of € 62.8 million.

(Euro/millions)	31/12/2019	31/12/2018	% chg.
Trade receivables	222.7	224.2	(0.7%)
Inventory	120.8	122.3	(1.3%)
Trade payables	273.3	279.8	(2.3%)
Payables to subscribers	18.2	18.8	(3.3%)
Receivables (payables) from/to authors	8.9	11.7	(24.2%)
Deferred tax assets (liabilities)	17.0	23.3	(26.9%)
Other assets (liabilities)	(28.2)	(31.6)	(10.9%)
Net working capital continuing operations	**49.6**	**51.3**	**(3.2%)**
Discontinued or discontinuing assets (liabilities)	-	89.1	(100.0%)
Net working capital	**49.6**	**140.3**	**(64.6%)**
Intangible assets	220.3	226.7	(2.8%)
Property. plant and equipment	17.9	19.1	(6.2%)
Investments	28.1	32.3	(12.7%)
Net fixed assets with no rights of use IFRS 16	**266.4**	**278.1**	**(4.2%)**
Assets from rights of use IFRS 16	93.9	-	-
Net fixed assets with rights of use IFRS 16	**360.4**	**278.1**	**29.6%**
Provisions for risks	55.4	65.8	(15.8%)
Post-employment benefits	33.4	34.7	(3.8%)
Provisions	**88.7**	**100.5**	**(11.7%)**
Net invested capital	**321.3**	**317.9**	**1.1%**
Share capital	68.0	68.0	0.0%
Reserves	73.9	251.1	(70.6%)
Profit (loss) for the period	28.2	(177.1)	n.s.
Group equity	**170.0**	**142.0**	**19.8%**
Non-controlling interests' equity	0.0	28.7	(100.0%)
Equity	**170.0**	**170.7**	**(0.4%)**
Net Financial Position no IFRS 16	55.4	147.2	(62.4%)
Net Financial Position IFRS 16	95.9	-	-
Net Financial Position	**151.3**	**147.2**	**2.7%**
Sources	**321.3**	**317.9**	**1.1%**

Trend of key balance sheet figures versus 31 December 2018:

- **trade receivables and inventory** were basically in line with the revenue trend;
- **trade payables** decreased by **-2.7%**;
- **fixed assets**, net of IFRS 16, decreased by approximately -4%;
- **provisions and post-employment benefits** decreased by -12% versus 31 December 2018.

PERSONNEL

HEADCOUNT

Group employees with a fixed-term or permanent labor contract, in the context of continuing operations, amounted to **2,018 units, down by -6%** versus 2,137 units at December 2018 (excluding the 743 employees of Mondadori France at 31 December 2018), as a result of the disposal of *Panorama* (in November 2018) and of efficiency gains in the individual business areas.

Group employees at 31 December 2019:

Headcount	**31/12/2019**	**31/12/2018**
Arnoldo Mondadori Editore S.p.A.	828	926
Italian subsidiaries	1,136	1,157
Foreign subsidiaries	54	797
Total	**2,018**	**2,880**

Headcount by Business Area	**31/12/2019**	**31/12/2018**	**% chg.**
Books	645	639	+0.9%
Retail	370	388	(4.6%)
Magazines Italy	592	673	(12.0%)
Corporate & Shared Services	411	437	(5.9%)
Total	**2,018**	**2,137**	**(5.6%)**
Magazines France	-	743	(100.0%)
Total	**2,018**	**2,880**	**(29.9%)**

In the **Books** Area, the number of employees was steady overall versus 2018.
The decrease in the **Retail** Area reflects structural efficiency actions.
The trend recorded by the **Magazines Italy** Area reflects the sale of *Panorama* (in November 2018), net of which the drop would be approximately -4%.
The workforce in the **Corporate & Shared Services** Area decreased by approximately -6%.

Cost of personnel of continuing operations in the year amounted to € 153.2 million, **down by approximately -4%** versus 2018, as a result of the ongoing reduction in the workforce and of the disposal of Inthera and *Panorama*.
Net of these transactions, the **organic decrease in labor costs** would be **-2.4%**.

Euro/millions	31/12/2019	31/12/2018	% chg.
Cost of enlarged personnel (before restructuring)	**153.2**	159.8	(4.2%)

[31] Cost of enlarged personnel includes costs for collaborations and temporary employment

PERFORMANCE OF ARNOLDO MONDADORI EDITORE S.P.A.

Reclassified income statement (Euro/millions)	**2019** **(IFRS 16)**	**2019** **(no IFRS 16)**	**2018** **(no IFRS 16)**	**Chg.** **%**
Revenue from sales and services	**228.0**	**228.0**	**256.6**	**(11.2%)**
Cost of sold items	40.2	40.2	51.1	(21.3%)
Variable costs	80.0	80.0	90.0	(11.1%)
Fixed costs	33.3	39.9	40.6	(1.6%)
Cost of personnel	70.2	70.2	76.7	(8.5%)
Other (income) expense	(2.7)	(2.7)	(1.4)	85.5%
Adjusted EBITDA	**6.9**	**0.3**	**(0.4)**	**n.s.**
Restructuring costs	3.8	3.8	9.8	(61.0%)
Extraordinary income	0.0	0.0	(4.2)	(100.0%)
Extraordinary expense	1.4	1.4	1.0	n.s.
EBITDA	**1.7**	**(4.9)**	**(7.0)**	**(30.1%)**
Amortization, depreciation and write-downs	10.7	10.7	5.1	110.7%
Amortization and depreciation IFRS 16	5.8	0.0	0.0	n.s.
EBIT	**(14.8)**	**(15.6)**	**(12.1)**	**29.0%**
Net financial expense (income)	2.8	2.8	4.5	(37.3)
Financial expense IFRS 16	1.4	0.0	0.0	n.s.
Expense (income) from securities valuation	(1.0)	(1.0)	0.0	n.s.
Expense (income) from investments	(45.3)	(45.8)	(30.4)	50.6%
Profit (loss) before tax	**27.3**	**28.4**	**13.9**	**104.8%**
Income tax	(3.2)	(3.2)	(3.3)	(5.1%)
Result from continuing operations	**30.5**	**31.6**	**17.2**	**83.6%**
Result from discontinued operations	2.3	2.3	(194.3)	n.s.
Profit (loss) for the period	**28.2**	**29.3**	**(177.1)**	**n.s.**

The Parent Company's income statement at 31 December 2019 shows the same profit as in the consolidated financial statements of **€ 28.2 million (€ 29.3 million before IFRS 16)**, due to the fact that the Company has opted to use the equity method to measure its investments in the separate financial statements.

Revenue amounted to € 228.0 million and was **down** versus € 256.6 million in the prior year, due mainly to the reduction in the Magazines Italy print business, which recorded a -16.4% fall, in line with the performance of the relevant markets, and also to the sale of the weekly *Panorama* completed in November 2018. Revenue from the Magazines web business, on the other hand, increased (+1.5%) thanks to the positive results from advertising sales. The Parent Company also recognizes revenue from services provided to other Group companies, equal to € 39.1 million.

Adjusted EBITDA on a like-for-like basis increased slightly from € -0.4 million to € +0.3 million, thanks to the positive contribution of the Digital and

Holding magazine businesses, achieved through efficiency gains and cost revision implemented by Management, which offset the lower margins of print magazines.
2019 was affected by net negative extraordinary components of € 3.4 million, attributable mainly to the costs of M&As, against positive extraordinary components of € 3.2 million in 2018 from the gain arising from the disposal of the Sporting property complex in Verona, but benefited from lower restructuring costs in the print magazines area (€ -6.0 million versus 2018).
Amortization, depreciation and write-downs in 2019 increased versus 2018 (€ 5.6 million), mainly in the Print Magazine area, due to the transfer of titles from indefinite to finite useful life, which resulted in the relating amortization, depreciation and write-downs being recognized in the income statement, and, in the Corporate area, to the start of amortization of the SAP project, ERP, which came into operation on 1 January 2019.

2019 included net financial expense totaling € 2.8 million, a significant drop versus € 4.5 million in 2018, due to the lower rates applied, and principally as a result of the reduction in the Group's average net debt, due also to the disposal of Mondadori France. The positive contribution from the equity measurement of investments amounted to € 45.8 million (€ 30.4 million in 2018), driven by the positive results of the Books Area.
The result of continuing operations amounted to € 30.5 million (€ 31.6 million no IFRS 16), up from € 17.2 million in 2018. The disposal of the subsidiary Mondadori France, discontinued as early as 2018, and the resulting further adjustment of the book value to fair value with the final figures of the transaction, resulted in the recognition of **expense from discontinuing operations of € 2.3 million** (as shown in the table above), bringing the net result of the Company to a **profit of € 28.2 million** (€ 29.3 million no IFRS 16).

INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

The Mondadori Group's internal control and risk management system refers to the set of procedures, organizational structures and associated activities designed to ensure proper management of the company in line with its pre-established objectives, through adequate identification, measurement and monitoring of the main risks it faces.
The guidelines and overarching themes of the internal control and risk management system are based on the principles set out in Enterprise Risk Management (ERM), an international standard drawn up by the Committee of Sponsoring Organizations of the Treadway Commission (CoSO Report).
As of 2008, when defining these guidelines, the Mondadori Group has followed a process designed to identify, measure and manage the main risks and uncertainties it faces as it pursues its business objectives.
It has established a Risk Management function, which is responsible for developing an internal risk management model and overseeing the execution and periodic updating and monitoring of the process.
The significance of the risks – which are classified into categories and sub-categories – is determined based on measures of their likelihood of occurrence and their impact not only in financial terms, but also in terms of market share, competitive advantage and reputation.
Using a self-assessment process, company management identifies the risks associated with their areas of responsibility and assesses their effects on the objectives previously set out by overall business managers and staff. This assessment is carried out both at "inherent" level (without considering mitigating actions) and at "residual" level (considering actions taken to reduce the likelihood of the occurrence of the risk event and/or to contain its possible negative effects).
The results are collated and processed by the Risk Management function and reported specifically to the Risk and Control Committee, the Board of Statutory Auditors and the Board of Directors. The status of the risks is reviewed and updated at least annually.
The existence and effectiveness of mitigation actions, as reported by management in the assessment phase, is checked by the Internal Audit function. In addition, to bring residual risk below an acceptable risk threshold (the "risk appetite"), the Risk Management function works in conjunction with company managers to plan and implement risk response actions, mapping the additional mitigating actions it prepares.

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;
- legal and regulatory risks;
- risks associated with brand protection.

RISKS ASSOCIATED WITH THE ECONOMIC SCENARIO

The Italian economy continues on its path of weak growth, with GDP rising in the fourth quarter by only +0.1%, as in the previous quarters.
The labor market gave a basically steady picture of employment figures, in the face of slight improvements in unemployment. Household confidence declined sharply in the final months of the year due to falling economic sentiment.
This could lead to further precautionary savings, holding back consumption, which grew, instead, in the third quarter (+0.4%).
Against this market backdrop - which has a significant and direct impact on the Group's segments of business - a contraction in the advertising and circulation market is the main external risk according to the latest Risk Assessment.

Main risks	Mitigation measures
Downturn of the advertising and circulation market.	Portfolio innovation, focusing on the development of websites, integrated communication platforms and events.
Relevant market trends, with repercussions on Group performance.	Ongoing focus on product quality and innovation of the range of publishing products, also through targeted integration strategies with the development of digital activities, hinging on the power and value of fundamental assets such as brands and content.

FINANCIAL AND CREDIT RISKS

The current market context, set out in detail in the above paragraph, is mirrored in additional elements of risk tied to trade receivables, arising from potential contract non-fulfilment and cases of insolvency of counterparties.

Growing importance is attached to continuously improving the efficiency and effectiveness of logistics processes, and of planning processes not only for raw materials, but also for finished products.

Main risks	Mitigation measures
Inadequate support to the assets on the 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 business-financial performance is in line with the company plans.
Risk related to ineffective warehousing, in terms of poorly efficient supply 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.
Receivables: collection time and increased counterparty insolvency.	Ongoing monitoring of customer credit exposure and use, if required, of 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 great uncertainty. 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 measures
Growing competition in the Group’s markets, due to the increased competitiveness of existing players and to new players landing on the market.	Continuous improvement in editorial content and product quality. Integration of the sales network to target cost and revenue synergies.

LEGAL AND 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 ones 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.
In this respect, the Mondadori Group, in line with the requirements set out in the Corporate Governance Code for 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, and the compliance with laws and regulations, the company by-laws and internal procedures.

Main risks	Mitigation measures
Criticalities associated with regulatory developments on specific business issues regarding the Group's areas of operation.	Constant control and active participation in discussions for the issuance of new regulatory provisions also thanks to the involvement of the main category associations. Prompt adjustment of business activities and products to the changes that have taken place, including through implementation of the new provisions in the Group's internal policies.
Burden/criticalities from regulatory obligations following changes in the legal framework (Privacy, MAR, Whistleblowing, Legislative Decree 49/19, Business crisis Legislative Decree 14/19).	Ongoing monitoring of legislation. Process and organizational changes to adapt the internal structure to the changing legal framework.

RISK ASSOCIATED WITH BRAND PROTECTION

The value and 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 measures
The materialization of events that may damage the Group's image and brands could result in the loss of customers, profit and reputation.	Monitoring and prompt actions on different information sources through appointed functions (external relations, sustainability, and social media).

As part of the Group's increasing commitment to sustainability, the latest Risk Assessment also included a complete and systematic analysis of the risks associated with the social and environmental effects of the company's activities, which also took its cue also from a review of the relevant stakeholders. The main aspects of this mapping process cover risks relating to changes in the legal and regulatory framework, supplier selection and assessment, customer relationships in terms of satisfaction and ability to meet their needs, the environmental impact of company operations and decisions, and the allocation of resources to sustainability projects and initiatives. Appropriate mitigation actions are set up for the outcomes of this process.

The Risk Assessment system also maps transparency and anti-corruption in all company departments. No cases of corruption were reported or found in 2019.

Aside of the Risk Management function, the internal control and risk management system comprises:

- Internal Audit, which performs audits in the following areas: operations (company processes), compliance (observance of procedures), compliance with Legislative Decree 231/2001, IT, compliance with Law 262/2005 (financial audit), and fraud. Violations found in audits are promptly noted and are subject to follow-ups; scheduling of the audits to perform during the year is approved by the Board of Directors following validation from the Control and Risk Committee;
- Compliance 231: concerned mainly with updating the Organizational, Management and Control Models pursuant to Legislative Decree no. 231/2001;
- Compliance: this function draws up, updates and maintains the Group's procedures and operating policies.

The internal control and risk management system includes a committee responsible for updating all existing procedures and drafting new ones, and is composed of the following departments: Internal Control, Human Resources and Organization, Legal and Corporate Affairs, Purchasing.

Since 2011, the Group has put in place a "Work-Related Stress Listening Point" called PADL, with an email address where staff can report stressful situations. Internal Audit responds directly to the reports received, having first consulted the Legal Office and the staff member's manager. Upon receipt of the report, it carries out a preliminary analysis of the circumstances in question and subsequently initiates an investigation. Since 2011, only one such case has been reported (in 2012).

Lastly, Mondadori has put in place a whistleblowing system, specifically incorporating the provisions of Law no. 179 of 30 November 2017, by implementing a system for the making and management of "Reports" relating to:

- alleged or actual unlawful conduct relevant pursuant to Legislative Decree 231/2001;
- alleged or actual violations of Models 231 and/or the Code of Ethics adopted by Group companies.

The regulation requires the provision of information channels allowing recipients of the 231 Model to report significant unlawful conduct pursuant to Legislative Decree 231/2001 and violations of the Model itself, specifying that such reports must be detailed and based on accurate and consistent factual elements. In order to best guarantee the confidentiality of the identity of the whistleblower, at least one of the information channels provided for such reports must be managed through IT systems.

In order to facilitate reporting and protect the whistleblower, the regulations prescribe in Models 231 the prohibition to subject the whistleblower to retaliatory and discriminatory acts that are in any way connected to the reporting.

SIGNIFICANT EVENTS DURING THE YEAR

APPOINTMENT OF CHIEF INNOVATION OFFICER

On 11 February, the Group appointed Andrea Santagata as Chief Innovation Officer.
This new position - reporting directly to CEO Ernesto Mauri - was created with the will of further investing in the development and formulation of digital and transformation strategies that embrace all of the Group's activities.

SIGNING OF A PUT OPTION FOR THE DISPOSAL OF MONDADORI FRANCE TO REWORLD MEDIA

On 18 February, Arnoldo Mondadori Editore S.p.A. signed a put option that guarantees the right to sell its subsidiary Mondadori France S.a.s. to Reworld Media S.A.
Under the terms for exercising the put option, Arnoldo Mondadori Editore S.p.A. is required to provide the buyer with the customary representations and warranties.
If the put option is exercised, the parties will sign a purchase and sale agreement envisaging completion of the transaction if the following conditions precedent are met:
- authorization by the *Autorité de la Concurrence*;
- approval of the reserved capital increase by the shareholders of Reworld Media;
- provision of a bank loan to Reworld Media.

AGREEMENT SIGNED ON THE DISPOSAL OF MONDADORI FRANCE TO REWORLD MEDIA

On 19 April, the Group announced that, following the procedure to inform and negotiate with the French trade unions as set out by law, it signed an agreement on the disposal of its subsidiary Mondadori France S.a.s. to Reworld Media S.A.

INCREASE IN VOTING RIGHTS

On 5 June, the Group announced the increase in voting rights for 139,355,950 ordinary shares of the Company.

LAUNCH OF SHARE BUYBACK PLAN

On 10 June, the Group announced the start of a share buyback plan - under Article 5 of Regulation (EU) no. 596/2014 - on the Electronic Stock Market (MTA) to provide the Company with 1.62 million shares to service the Incentive Plan named "2019-2021 Performance Share Plan" approved by the Shareholders' Meeting on 17 April 2019, and to service the continuation of the "2018-2020 Performance Share Plan" and the "2017-2019 Performance Share Plan".

Notice date	Purchase period (2019)	No. treasury shares purchased	% on capital	Average unit price (Euro)	Total value (Euro)
17/6/2019	10-14/06	59,695	0.023	1.5645	93,391.44
24/6/2019	17-21/06	42,750	0.016	1.5121	64,640.60
1/7/2019	24-28/06	55,555	0.021	1.5242	84,678.14
8/7/2019	01/05/07	55,000	0.021	1.5573	85,653.56
15/7/2019	08/12/07	55,000	0.021	1.5627	85,949.60
22/7/2019	15-19/07	55,000	0.021	1.5403	84,715.40
29/7/2019	22-26/07	59,000	0.023	1.4917	88,012.10
5/8/2019	29/07–2/08	63,000	0.024	1.4794	93,201.20
12/8/2019	05/09/08	79,000	0.03	1.4468	114,294.80
19/8/2019	12-16/08	40,000	0.015	1.4179	56,717.60
26/8/2019	19-23/08	53,500	0.02	1.4179	76,585.35
2/9/2019	26-30/08	53,000	0.02	1.4242	75,480.30
9/9/2019	02/06/09	55,000	0.021	1.4055	77,301.40
16/9/2019	9-13/09	51,000	0.02	1.4365	73,259.00
23/9/2019	16-20/09	58,000	0.022	1.445	83,811.80
30/9/2019	23-27/09	55,000	0.021	1.5104	83,071.90
7/10/2019	30/09-4/10	115,000	0.044	1.5655	180,030.35
14/10/2019	07/11/10	57,000	0.022	1.6193	92,301.60
21/10/2019	14-18/10	72,000	0.028	1.8244	131,359.70
28/10/2019	21-25/10	51,000	0.02	1.923	98,075.30
4/11/2019	28-31/10	55,000	0.021	2.0103	110,567.50
11/11/2019	04/08/11	55,000	0.021	2.0439	112,416.70
18/11/2019	11-15/11	51,000	0.02	2.0428	104,183.90
25/11/2019	18-22/11	50,000	0.019	2.0305	101,526.00
2/12/2019	25-29/11	49,500	0.019	2.1175	104,815.95
9/12/2019	02/06/12	52,000	0.02	2.145	111,538.20
16/12/2019	9-13/12	38,500	0.015	2.0562	79,164.79
23/12/2019	16-20/12	56,090	0.021	2.0663	115,897.83

At 31 December 2019, Arnoldo Mondadori Editore S.p.A. held 2,938,293 treasury shares, equal to 1.124% of the share capital and 0.733% of total voting rights.

DISPOSAL OF MONDADORI FRANCE TO REWORLD MEDIA

On 24 July, the Group announced that the disposal of its subsidiary Mondadori France S.a.s. to Reworld Media S.A. had received clearance from the *Autorité de la Concurrence*.
In accordance with the remedy set out in the clearance, Reworld Media undertakes to sell a title of its choice that could be either L'*Auto-Journal*, published by the joint venture EMAS (Editions Mondadori Axel Springer), or *Auto Moto*, published by Reworld Media.

On 31 July, the Group announced that it had finalized the disposal of its subsidiary Mondadori France S.a.s. to Reworld Media S.A. in execution of the agreement signed on 19 April.
Concurrently, Arnoldo Mondadori Editore S.p.A. repaid in full the Credit Line B of € 100 million, stipulated on 22 December 2017 with a pool of three banks (Banca Popolare di Milano S.p.A., Intesa Sanpaolo S.p.A. and UniCredit S.p.A.) as part of the loan agreement expiring in December 2022.

APPOINTMENT OF THE NEW MANAGING DIRECTOR OF MONDADORI RETAIL S.P.A.

On 1 August, the Group announced the appointment of Carmine Perna as the new managing director of Mondadori Retail S.p.A., from Mondadori France.
In his role, Perna is in charge of launching a new phase of development and transformation in a multi-channel perspective.

BINDING OFFER RECEIVED FOR FIVE GROUP PUBLICATIONS

On 23 October, the Group announced that it had received a binding offer for the acquisition of magazines *Confidenze*, *Cucina Moderna*, *Sale&Pepe*, *Starbene* and *Tu Style* by La Verità S.r.l.
The offer also includes an earn-out in favour of the shareholder Arnoldo Mondadori Editore S.p.A. and put/call mechanisms in favour of shareholders.
In 2018, the five magazines generated revenue of € 22.4 million.

ESTABLISHMENT OF MONDADORI MEDIA S.P.A.

On December 18, the Group announced a new organizational setup, effective as from 1 January 2020, focused on the enhancement of brands in a multi-channel perspective.
As from 1 January 2020, the activities referring to Mondadori Group magazines and websites, as well as the equity investments in the Magazines Italy Area, were transferred to the wholly-owned subsidiary Mondadori Media S.p.A.
More specifically, the business unit - the ownership of Arnoldo Mondadori Editore S.p.A. - was transferred to Mondadori Media S.p.A., comprising:

- the BU referring to print + digital magazines and shared services;
- the subsidiaries Direct Channel S.p.A. (100%), Press-di Distribuzione Stampa e Multimedia S.r.l. (100%), Adkaora S.r.l. (100%), Mondadori Scienza S.p.A. (100%) and the investees Mediamond (50%) and Mondadori Seec (Beijing) Advertising Co. Ltd (50%), publisher of Grazia in China.

Ernesto Mauri, CEO of the Mondadori Group, was named Chairman of Mondadori Media S.p.A. Additionally, Carlo Mandelli was appointed Managing Director and Andrea Santagata General Manager, the latter keeping his position as Group Chief Innovation Officer.
The transaction - as with Mondadori Libri S.p.A. and Mondadori Retail S.p.A. - gives birth to a specific corporate unit that enhances each of the Group's businesses.
The setup allows an even more efficient and targeted management, taking account of the peculiarities of each activity, and is more functional to the achievement of strategic opportunities and partnerships.

CLOSING OF THE DISPOSAL OF FIVE MAGAZINES

On 20 December, the Group completed the disposal of magazines *Confidenze*, *Cucina Moderna*, *Sale&Pepe*, *Starbene* and *Tu Style* to Stile Italia Edizioni S.r.l., a newly-established company held 75% by La Verità S.r.l. and 25% by Arnoldo Mondadori Editore S.p.A., effective as from 31 December 2019.

ACQUISITION OF *ABSCONDITA* PUBLISHING HOUSE

In December 2019, Electa completed the acquisition of *Abscondita*, a Milan-based art literature publishing house, effective as from 1 January 2020.

SIGNIFICANT EVENTS AFTER YEAR END

APPROVAL OF DRAFT LAW S.1421 CONTAINING PROVISIONS TO PROMOTE AND SUPPORT READING

Following approval by the Chamber of Deputies in July 2019, on 5 February 2020 the Senate passed D.L. S.1421 containing provisions to promote and support reading. Pending the implementing decrees that will set out the terms and timing of application of these provisions more explicitly, the decree introduces - alongside a series of measures aimed, among other things, at disseminating the habit of reading, promoting the attendance of libraries and bookstores, enhancing and supporting the Italian language and the diversity of editorial production - a range of limitations (in terms of value and period) to promotional discount policies.

Specifically, the decree has introduced a reduction in the maximum ordinary discount applicable to books in bookstores, online stores and large retailers from 15% to 5% (15% for school textbooks). Points of sale may organize promotions once a year with a 15% discount limit; publishers may apply a maximum discount of 20% (instead of the previous 25%), except for the month of December.

The effects of the introduction of these provisions on book purchasing trends are currently hard to forecast.

LAW NO. 160/2019 (2020 BUDGET LAW) ON EARLY RETIREMENT

Under Article 1, paragraph 500, of Law 160/2019 (2020 Budget Law), from 1 January 2020 to 31 December 2023, print workers from newspaper and magazine printing companies, and from publishers of newspapers and magazines and press agencies with national circulation, which have submitted to the Ministry of Labour and Social Policies, from 1 January 2020 to 31 December 2023, crisis-related reorganization or restructuring plans, may apply for early retirement with a contribution period of 35 years only (instead of 38 years under the regulations currently in force).

During the relevant time period, early retirement could potentially affect a total of 116 employees of Arnoldo Mondadori Editore S.p.A., Mondadori Media S.p.A. and Press-di covered by graphics publishing collective labor agreements.

OTHER INFORMATION

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

RELATED PARTY TRANSACTIONS

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

a) 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 Article 4 of the Regulation;
b) no transactions were completed with related parties which had an impact on the Company's equity or performance, in accordance with law;
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

Mention should additionally be made that no transactions were completed with related parties, also pursuant to the provisions of Article 2427, no. 22 *bis* and *ter*, of the Italian Civil Code.

Transactions with related parties were regulated under normal market conditions: those concluded with Mondadori Group companies are intercompany current account trade and financial transactions, managed by Arnoldo Mondadori Editore S.p.A., to which the various subsidiaries and associated companies 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 Article 117 et seq. of Italian Presidential Decree 917/1986, Arnoldo Mondadori Editore S.p.A. renewed the option in 2019 also for its subsidiaries (Mondadori Group) to adhere to the tax consolidation regime with Fininvest S.p.A. as consolidating company for the 2019-2021 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 on the matter, the agreement allows the transfer, within the consolidation scope, 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 regard to the entry into force of Article 115 of Presidential Decree 917/1986 for the 2019-2021 three-year period, the “tax transparency” option was exercised by Direct Channel S.p.A. (formerly Press-di Abbonamenti S.p.A.) and Publitalia ‘80 S.p.A., as participating companies, and Mediamond S.p.A., as investee.
After exercising this option, Mediamond S.p.A.’s taxable income and tax losses are included pro-rata, because of the investment held, in the taxable income of Direct Channel S.p.A. (formerly Mondadori Pubblicità S.p.A.) and Publitalia ‘80 S.p.A.

DIRECTION AND COORDINATION ACTIVITIES (ARTICLE 2497 ET SEQ. OF THE ITALIAN CIVIL CODE)

While Fininvest S.p.A. holds a controlling stake pursuant to Article 2359 of the Italian Civil Code, it does not exercise any direction and coordination activities as envisaged in Article 2497 *bis* et seq. 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.
With regard to the companies controlled by Arnoldo Mondadori Editore S.p.A., the Board of Directors has verified, with reference to the requirements of law and taking into account that the Board of Directors determines, generally speaking, the strategic and organizational policies relating also to subsidiaries, the exercise of the direction and coordination activities under Article 2497 et seq. of the Italian Civil Code over the following subsidiaries pursuant to Article 2359 of the Italian Civil Code:

- Giulio Einaudi editore S.p.A.
- Mondadori Retail S.p.A.
- Mondadori Education S.p.A.
- Mondadori Electa S.p.A. (from 1 January 2020 Electa S.p.A.)
- Mondadori International Business S.r.l. (from 1 January 2020 Mondadori Media S.p.A.)
- Mondadori Libri S.p.A.
- Direct Channel S.p.A.
- Mondadori Scienza S.p.A.
- Press-di Distribuzione Stampa e Multimedia S.r.l.
- AdKaora S.r.l.
- Rizzoli Education S.p.A.

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

REGISTER OF PROCESSING OPERATIONS PURSUANT TO ARTICLE 30 OF REGULATION (EU) 2016/679

Arnoldo Mondadori Editore S.p.A. has played and continues to play an active role in the Mondadori Group’s ongoing adjusting to the new privacy regulations envisaged in Regulation (EU) 2016/679 (GDPR), and in applicable legislation. Specifically, Arnoldo Mondadori Editore S.p.A. has drawn up and constantly updates, pursuant to Article 30 of the above Regulations, a register of the personal data processing activities carried out as data controller or data processor.
Arnoldo Mondadori Editore S.p.A. has appointed, pursuant to Article 37 of the Regulations, a Data Protection Officer (DPO), as well as updated all its privacy documentation and security measures, based on the principles of privacy by design and privacy by default.

TRANSACTIONS RELATING TO TREASURY SHARES

Renewal of the authorization to purchase and dispose of treasury shares

The Shareholders' Meeting held on 17 April 2019 resolved, pursuant to Article 2357 et seq. of the Italian Civil Code, the renewal of the authorization to purchase and dispose of treasury shares, following the expiry of the previous authorization resolved by the Shareholders' Meeting of 24 April 2018, in order to keep the legal condition for any buy-back plans applicable and, consequently, the right to take advantage of any investment or operating opportunities on treasury shares.

Here below are the main elements of the buyback plan authorized by the Shareholders' Meeting:

Motivations

- To use the treasury shares purchased as consideration in the acquisition of interests as part of the Company's investment policy;
- 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 lending, 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 undertake any investments, directly or through intermediaries, including for the purpose of containing abnormal movements in share prices, stabilizing share trading and prices, supporting the liquidity of the share on the market, in order to foster the regular conduct of trading beyond normal fluctuations related to market performance, without prejudice in any case to compliance with applicable statutory provisions;
- To rely on investment or divestment opportunities, if considered strategic by the Company, also in relation to available liquidity;
- To dispose of treasury shares as part of share-based incentive plans pursuant to Article 114-*bis* of the TUF, and of plans for the free allocation of shares to Shareholders.

Duration

The authorization to purchase treasury shares is set to last until the approval of the financial statements for the year ending 31 December 2019, while the authorization to sell is granted to last for an unlimited period.

Maximum number of purchasable treasury shares

The authorization refers to the purchase, including in more than one tranche, of a maximum number of ordinary shares with a nominal value of € 0.26 each, also taking into account the shares held directly or indirectly in the portfolio from time to time, no higher than 10% of the Company's share capital.

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

Purchases shall be made on regulated markets pursuant to the combined provisions of Article 132 of Legislative Decree no. 58 of 24 February 1998, of Article 5 of Regulation (EU) 596/2014, (ii) of Article 144-*bis* of the Issuer Regulation, (iii) of the EU and national legislation on market abuse, and (iv) of Accepted Practices.

These purchases shall be made on regulated markets according to the operating criteria established in the organization and management regulations of the same markets, which do not allow the direct combination of the purchase negotiation proposals with pre-determined sale negotiation proposals.

The minimum and maximum purchase price shall be determined under the same conditions established by the preceding Shareholders' Meeting authorizations, i.e. at a unit price not lower than the official Stock Exchange price of the day preceding the purchase transaction, reduced by 20%, and not higher than the official Stock Exchange price of the day preceding the purchase transaction, increased by 10%.

In terms of daily prices and volumes, the purchase transactions shall be completed in compliance with the conditions established in Article 3 of Delegated Regulation (EU) 2016/1052.

Purchases instrumental in (a) the support to market liquidity and (b) the purchase of treasury shares to build a so-called "treasury shares" portfolio, shall also be made in accordance with the conditions provided by market practices, under the combined provisions of Article 180, par. 1, lett. C) of the TUF and of Article 13 of (EU) Regulation 596/2014.

With regard to the sale of treasury shares, the Shareholders' Meeting resolved to authorize the Board of Directors to sell purchased treasury shares:
(i) through disposal of the shares on regulated markets; (ii) as consideration in the acquisition of interests as part of the Company's investment policy; (iii) in the exercise of option rights, including conversion rights, deriving from financial instruments issued by the Company or third parties; (iv) to service share-based incentive plans approved by the Shareholders' Meeting without any time limits.
Following partial execution of the resolution adopted on 17 April 2019, Arnoldo Mondadori Editore S.p.A. purchased a total of 2,938,293 treasury shares on the market (equal to 1.124% of the share capital).

REPORT ON CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE (ARTICLE 123 *BIS* 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 for Listed Companies established by Borsa Italiana S.p.A., as well as further information pursuant to Article 123 *bis*, par. 1 and 2 of Legislative Decree no. 58 of 24 February 1998, is available – together with this Directors' 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 20 JANUARY 2012. DISCLOSURE PURSUANT TO ARTICLE 70, PAR. 8, AND ARTICLE 71, PAR. 1-*BIS*, OF CONSOB REGULATION NO. 11971/99 AS SUBSEQUENTLY AMENDED

On and with effect from 13 November 2012, the Board of Directors of Arnoldo Mondadori Editore S.p.A., pursuant to Article 3 of Consob Resolution no. 18079 of 20 January 2012 and in relation to the provisions set out in Article 70, par. 8, and Article 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 relative to mergers, spin-off and capital increases through contribution of assets in nature, acquisitions and transfers.

INFORMATION PURSUANT TO LAW 124/2017 ARTICLE 125

In 2019, the Company did not receive any government grants pursuant to Law 124/2017 Article 125.

LIST OF BRANCHES

The company has no branch offices.

GLOSSARY OF TERMS AND ALTERNATIVE PERFORMANCE MEASURES USED

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 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): net result for the period before income tax, other financial income and expense, amortization, depreciation and write-downs of fixed assets. The Group also provides information on the percentage of EBITDA on net sales. EBITDA measured 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): gross operating profit as explained above, net of income and expense of a non-ordinary nature such as:

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

(Euro/thousands)	2019	2018
Gross Operating Profit - EBITDA (as shown in the financial statements)	**102,891**	**77,495**
Restructuring costs under "Cost of personnel" Note 34	6,402	11,735
Expense from acquisition and disposal of companies and business units, other (income) expense, Note 33 and Note 35	2,043	2,774
Loss (profit) from disposal of fixed assets and investments Note 35	(903)	(1,911)
Restatement of lease payments IFRS 16 (only in 2018 Directors' Report)	-	15,792
Adjusted Gross Operating Profit - Adjusted EBITDA (as shown in the Directors' Report on Operations)	**110,433**	**105,885**

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

Result from continuing operations: net result of the Group, excluding the contribution of Mondadori France and the financial expense charged to the subsidiary.

Result from discontinued operations: net result of Mondadori France in the current year, together with the recognition of the fair value adjustment of the disposal group.
This item also includes the financial expense held by the Parent Company, but attributable to Mondadori France and charged to the latter under the intercompany loan agreement.

Net invested capital: 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).

Cash flow from ordinary operations: cash flow from operations as explained above, net of financial expense, tax paid in the period, and income/expense from investments in associates.

LTM cash flow from ordinary operations: cash flow from ordinary operations in the last 12 months.

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

BUSINESS OUTLOOK

In 2020, the Mondadori Group will continue along **the path of strategic repositioning and focus on its core businesses** of Books and Retail and on brands with greater potential for multimedia development.
In line with the outlined strategy, the operating targets for 2020, based on the current scope, allow the Group to estimate, at a consolidated level, **a slight decrease in revenue** (steady on a like-for-like basis) and a **single-digit growth** of **adjusted EBITDA before IFRS 16** versus 2019.
The **net result from continuing operations for 2020 is expected to increase** versus the prior year (in the range of € 35-38 million), while continuing the **dividend distribution policy**.
Cash flow from ordinary operations in 2020 is forecast to improve at € 55 million.

This forecast refers to the current scope of the Group's business: owing to the current Covid-19-related emergency, **no reliable forecasts can be made at this time on the duration and on the impacts, if any, on operations and results in 2020**; the current events are, however, believed **not to change the Group's solid medium-long term prospects**.

DIVIDEND DISTRIBUTION PROPOSAL

The Board of Directors will propose to the next Shareholders' Meeting, convened for Wednesday 22 April 2020 in first call and, if required, in second call for 20 May 2020, the distribution of a unit dividend, gross of tax, of € 0.06 for each ordinary share (net of treasury shares) outstanding on the ex dividend date.
The total value is € 15.6 million.
The dividend will be paid, in accordance with the provisions of the "Regulations of the markets organized and managed by Borsa Italiana S.p.A.", from 10 June 2020 (payment date), with ex dividend date on 8 June 2020 (ex date) and with the date of entitlement to payment of the dividend, pursuant to Article 83-*terdecies* of the TUF (record date) on 9 June 2020.

A sustainable commitment
Many initiatives by the Group in 2019. From the art project *Weplanet Milano 2020. 100 globi per un futuro sostenibile* (top left, the launch press conference), to *Insieme per l'istruzione*, a campaign for fair and inclusive access to education (top right); from the participation in the Nudge Global Impact Challenge (centre left), to the reduction of plastic in our locations (centre right, the project team with the new steel water bottles); from *Tutti su per terra*, dedicated to children and the protection of our planet (bottom left), to *Corri con noi*, a training programme open to everyone conceived by *Donna Moderna*.

Consolidated Non-Financial Statement

pursuant to Legislative Decree 254/2016

INTRODUCTION

In accordance with the requirements of Legislative Decree no. 254 of 30 December 2016 (hereinafter also referred to as "Decree"), this Non-Financial Statement (hereinafter also referred to as "Statement" or "NFS") includes a qualitative and quantitative description of the non-financial performance of the Mondadori Group (hereinafter also referred to as "the Group", "Mondadori" or "the Company") for 2019 (1 January-31 December) regarding the most material topics falling in the five areas identified by the Decree. Specifically, the following information is given for each aspect:

- a brief description of the reasons underlying the **materiality** of the non-financial topics reported, the analysis process of which is provided below;
- for each material aspect, a brief description of the **main risks** generated and/or incurred that are linked to the undertaking's operations, its products, services and business relationships, including the supply chain and the relevant management approaches;
- a brief description of the **policies** adopted by the Company for the related topic;
- a description of the **Management and Organizational Mode**l adopted by the Mondadori Group to handle material topics;
- a description of the key **performance measures** for understanding the results achieved through the application of such policies. Consistent with the presentation of the business-financial results for 2019, the figures for the subsidiary Mondadori France (sold on 31 July 2019) are shown separately in the section on p. 133.

Over the next few years, the Group will work towards gradually identifying its sustainability targets.

STAKEHOLDER MAPPING

The Mondadori Group decided to renew its stakeholder mapping for 2019.
The first step taken was to update and review the previous stakeholder classification. A necessary effort in order to provide a proper picture of stakeholders in light of the changes that have affected the Company of late; the result is a balance between macro-categories and subclasses, maintaining a high level of detail without making the assessment and mapping process overly complex.
Taking the AA1000 Stakeholder Engagement Standard (SES) as a benchmark, an approach has been adopted to:

- identify the three categories of stakeholders that are most relevant for their area of activity;
- indicate, if required, which specific stakeholders are of particular interest among those making up the chosen categories;
- arrange the three categories according to their level of influence, i.e. how a stakeholder can influence the Mondadori Group's business with its activities, decisions, etc.;
- arrange the three categories according to their level of interest, i.e. the interest the Mondadori Group has in relating to a stakeholder;
- identify the level of stakeholder interaction: the ability of a stakeholder category to influence and interact with other stakeholder classes of the Mondadori Group.

All stages of the process, from the identification of stakeholders to interviews for prioritizing the categories and the drafting of the stakeholder map, were carried out by the Sustainability Committee, composed of the main corporate functions, extended in this case to include representatives from all areas of the Company.

Below is the table of stakeholder categories and sub-categories:

Category	Detail
Shareholders	Majority shareholders Non-controlling interests
Financial Community	Analysts/rating agencies Banks Investors
Consumers	Bookstores and newsstands customers Users of online content and services Book readers Magazine readers Students/student families
Institutions	Antitrust Trade associations CONSOB National/Community lawmaker Public Administration
Educational world	Ministry of Education and Research Teachers/educators
Museum world	Museums Superintendencies Museum visitors
Opinion leaders	Authors Influencers and bloggers Media People making the news
Partners	Agents (bookstores - school textbooks) Competitors Newsstands Third-party publishers Suppliers Large retailers Advertisers Booksellers Group publishing brands Our franchisees Digital platforms (OTT + Chili/Infinity/Netflix...)
Human resources	Associates Advisors Employees Trade unions INPS, INAIL
Third sector	NGOs Non-profit organizations

The results of the analysis point to a substantial consensus on the relevance of three categories:
• Human resources
• Partners
• Consumers

These three categories reached the highest level in each of the areas assessed: relevance, influence and interest.
Below is the complete stakeholder mapping:

This mapping has helped chart a path of steady engagement of stakeholders, starting from the most significant categories. Specifically, the stakeholders involved this year were:

Mondadori Group	External stakeholders
CEO and Top Management members	Suppliers
Mondadori Group employees	Franchisees
Members of the Sustainability Committee	

IDENTIFICATION OF MATERIAL TOPICS

The extended Sustainability Committee then reviewed and updated the list of non-financial topics, improving the terminology used to define each area of sustainability and improving the detail of the “specific challenges” that mark each topic and act as a guide in the assessment stage.

The Chief Executive Officer, Top Management and the extended Sustainability Committee were brought in for the assessment of the topics by the Mondadori Group through interviews made.
The process, from the Group’s perspective, included an interview where, in the first stage, the topics were addressed from a qualitative and scenario point of view; a questionnaire was then administered for the prioritization of topics for the Mondadori Group.

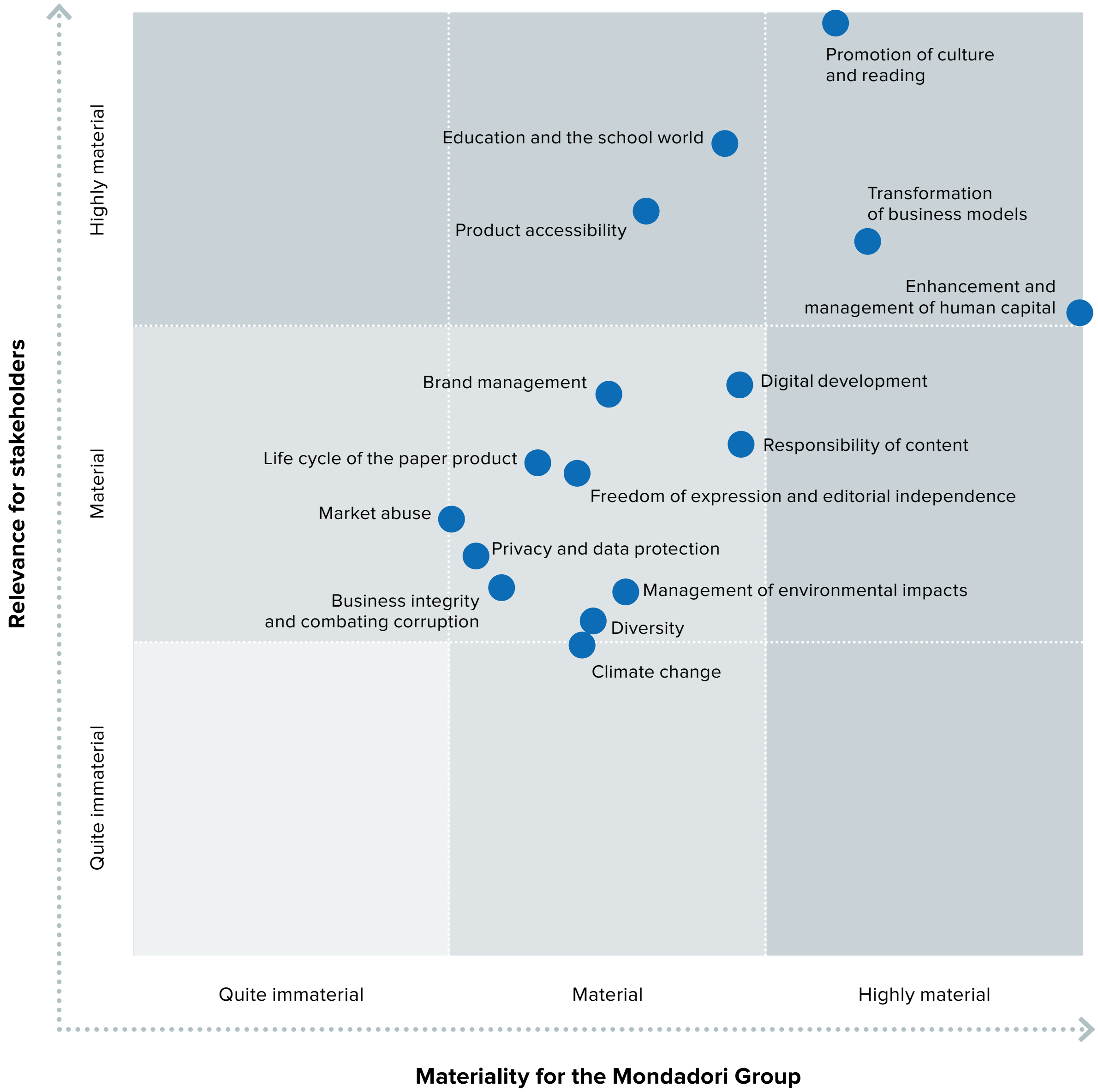
This questionnaire was then administered to the entire population of Mondadori Group employees.
The response rate was 49%.

External stakeholders were involved in telephone interviews, answering the same questionnaire administered to the Chief Executive Officer, Top Management, and members of the extended Sustainability Committee, in order to come to an overall result that was comparable and easily translatable into a materiality matrix.

Materiality matrix

The set of results has led to the identification of the non-financial aspects that are material and necessary to ensure an understanding of the Company’s activities, its performance, results and impact and, therefore, subject to reporting in the Mondadori Group’s NFS.
The material aspects, as identified by the analysis, were brought to the attention of the Control and Risk Committee and the Board of Statutory Auditors, and are shown in the materiality matrix and in the following table.

Materiality matrix



Topics	Specific aspects		
Product accessibility	Effective distribution of products/stores	Digital accessibility	Accessibility for people with disabilities or disadvantaged groups
Brand management	Brand enhancement and reputation	Multi-channel brand deployment	
Life cycle of paper products	Control and cooperation with suppliers in the paper supply chain	Search for innovative and sustainable solutions	
Climate change	Climate change education	Control over climate-altering gas emissions	
Diversity	Promotion of diversity in the company	Attention to inclusiveness, also in products and services	
Digital evolution	Product innovation	Synergy between digital and traditional products	
Management of environmental impacts	Efficiency in energy consumption	Waste management	
Business integrity and combating corruption	Management transparency	Anti-corruption policies and related training activities	Independence of Board members
Education and the school world	Production of quality training tools	Initiatives for the involvement of young people in civil society	Promotion of initiatives to combat early school leaving
Freedom of expression and publication	Enhancement of the diversity of voices in products and services	Intellectual property and copyright protection	
Market abuse	Prevention of anti-competitive practices		
Privacy and data protection	Protection of customer privacy	Protection of children's privacy	Fight against piracy
Promotion of reading and socio-cultural growth	Initiatives to promote reading	Projects to maintain and develop infrastructure in support of reading	
Responsibility for content	Content quality assurance	Content reliability assurance	
Transformation of business models	Ongoing development of business strategies	Ability to intercept business changes	
Enhancement and management of human capital	Training	Work-life balance	Assessment and development of human resources

OUR BUSINESS MODEL

The organizational and management model adopted by the Mondadori Group has undergone deep changes of late to help ensure the economic sustainability of the undertaking in an era of rapid and irreversible change in its markets of operation, changes brought by the general economic crisis on the one hand, and by technological developments in media on the other.
Nevertheless, these changes have not altered the mission and values guiding the day-to-day management of the Group's operations. This is witnessed by the Group's endorsement of the external codes and regulations that shape its governance and control system: *in primis*, the Corporate Governance Code for Listed Companies.
In applying an Organizational, Management and Control Model (for the Parent Company and with appropriate versions for each of its Italian subsidiaries), the Mondadori Group has set itself the goal of adopting a set of protocols which, as a supplement to the system for assigning powers and responsibilities, together with the other organizational tools and internal controlling, form a fitting system that can prevent criminal and administrative offences and raise awareness among employees and associates of the rules of conduct to follow when performing their tasks. The Model and its Guidelines are constantly updated and meet the different needs of the companies that are part of the Group.

Both of these documents refer to a set of ethical standards, identified by legislation, regulations and codes of conduct, which the company incorporated into its own regulations in 2012 with the adoption of a new Code of Ethics that extends to all Group companies. Organized by category of stakeholder, the Mondadori Code of Ethics sets out general ethical principles (respect for human rights and law, transparency, protection of intellectual property and the independence of information) and specific principles in relation to the different stakeholders, including customers, suppliers, employees, investors, the community, institutions and the environment.

The Code of Ethics, therefore, outlines the set of principles and rules of conduct to be followed by the directors, employees and associates of Group companies within the scope of their respective roles and duties.

The Code of Ethics and its provisions are incorporated into the contractual obligations undertaken by the counterparties. Any infringement of the Code of Ethics, therefore, constitutes a breach of contract, entailing the consequences of law, including termination of the contract or engagement and claims for damages.
Compliance with the principles set out in the Code of Ethics is required not only of employees and associates, but is also incorporated into supply agreements, together with the obligation to comply with Community legislation and minimum working age laws.

As a sign of its growing commitment to sustainability, the Group has officially endorsed the more specific policies set out by industry associations, such as the Sodalitas Foundation's Charter for Equal Opportunities and the Valore D Manifesto, undertaking a commitment to promote talent regardless of gender differences.
Other steps have been taken over the years, such as the creation and constant updating of operational rules and procedures governing specific company operations, to make compliance with a changing legal framework part and parcel of daily work practices and to respond effectively to the new needs brought by the evolution of business.

In other cases, such as, for example, the issue of privacy in journalism, the Mondadori Group refers to external regulations and standards, in this specific case the *Code of Ethics for the Processing of Personal Data in the Practice of Journalism*, envisaged in Legislative Decree 196/2003 and incorporated into the *Charter of Duties of Journalists*.

With regard to environmental sustainability, in 2012 the Group adopted an environmental policy designed to reduce the impact from its operations. Such policy has delivered tangible results in terms of major cuts in greenhouse gas emissions and, *in primis*, the growing use of certified paper for its products. Specific operating rules have also been adopted for other issues of lesser or non-material relevance, such as waste management.

In 2017, guidelines for the publication of content and material on Group websites were set out and officially released in February 2018. The guidelines, together with training provided to journalists on copyright and the Web and on privacy in journalism, organized by the Legal and Corporate Affairs Department, address issues connected with the handling of sensitive editorial content in newspapers and on online news channels, websites and social media accounts belonging to the Mondadori Group. For further details on the Group's privacy and personal data protection policies, see pp. 116-117.

In 2018 the Group approved its Sustainability Policy, reflecting Mondadori's values and mission, and indicates six key commitments that are consistent with the Company's activities and its role in society:

- Providing our customers with the possibility of benefiting from innovative and quality products.
- Actively promoting a culture that is accessible to everyone, aware that the right to quality education and information is a crucial element in the development and growth of a country.
- Giving voice to different points of view, rewarding originality and the diversity of thought, and ensuring respect for freedom of expression in the process of developing publishing products.
- Investing in the professional development of our people, enhancing their talent and encouraging them to be creative and enterprising.
- Creating a safe workplace for our employees and associates that provides equal opportunities for personal and professional achievement and expression.
- Respecting and protecting the surrounding environment through the responsible use of natural resources and main energy carriers, reduction of polluting and climate-changing emissions, careful waste management and customer and supplier awareness on environmental sustainability issues.

Lastly, following the introduction in 2019 of the whistleblowing system for reporting unlawful conduct and/or violations of Model 231 and the Code of Ethics, the related procedure was issued and the Model and Guidelines of the Parent Company and of all companies were updated. This was followed by the start of the process on the drafting of an anti-corruption procedure (pending validation in 2020).

MAIN NON-FINANCIAL RISKS

As required by Legislative Decree 254/2016, and as part of the commitment to continuously improve how the impacts of operations are managed, the Mondadori Group identified the main risks, generated or incurred, concerning the five areas identified by law (environment, society, employees, human rights and anti-corruption and bribery) and linked to the undertaking's operations, its products, services and business relationships, including, where relevant, the supply chain.

These risks are the result of an integration of the risks attributable to the five areas identified by the decree already covered by the Group Risk Assessment process and specific internal considerations. From the assessments made, Management judged non-financial risks as not being critical or priority; the risks have, therefore, not been included in the section *Internal Control and Risk Management System* (p. 59 of the *Directors' Report on Operations*).

Risks associated with environmental topics

Climate change is a major issue for all industries, no less so for publishing. In the publishing industry, greenhouse gas emissions are mainly connected with energy consumption, transport (for example, the efficiency and effectiveness of processes in the logistics-distribution or business travel field) and the production cycle of paper products. Growing concern on the part of stakeholders and institutions over climate change could lead to adjustments, in the future, to current legislative provisions governing emissions.

Alongside the risks associated with climate-changing emissions are the risks associated with energy efficiency, which if low could adversely affect economic benefits, and the risks associated with potential interruptions in paper supply.
It should also be noted that social and environmental performance is becoming increasingly important in assessing the Company's suppliers.

Main risks	Mitigation measures
Growing pressure from stakeholders and national and international institutions with regard to climate change.	Constant oversight of the issue through continuous monitoring of overall greenhouse gas emissions produced by the various operations of the Group (such as product distribution and logistics and business travel) and the identification of effective actions for their reduction.
Loss of opportunities for economic benefits due to reduced effectiveness of energy efficiency measures.	Constant oversight of the issue through continuous monitoring of overall energy consumption, strong focus on the upgrading of IT equipment and identification of energy efficiency measures in workplaces.
Interruptions in the production process due to the shortage of paper as a raw material.	Gradual extension across the Group of the use of FSC and PEFC certified paper.

Risks associated with social topics and respect for human rights

The publishing industry inevitably involves risks associated with human rights (freedom of expression and privacy protection) and with social topics (media literacy, product accessibility), especially given the role that media companies play in promoting and spreading culture. Such risks can arise from actions taken within the Group, but also action taken by entities outside the Group.

Main risks	Mitigation measures
Critical situations related to potential restrictions on the freedom of expression of authors.	Continuous monitoring of the variety of titles published.
Critical situations related to the publication of editorial content considered sensitive, the loss of customer data and changes in the relevant legislation (GDPR, e-privacy, etc.).	Constant monitoring of sensitive data management practices and continuous improvement through the development of specific initiatives across the various company functions and the various Group companies.
Critical situations related to changes in society, where readership numbers are constantly falling.	Continuous improvement in cultural promotion initiatives through the involvement and engagement of the public on issues where the Group chooses to be a mouthpiece (also together with franchisees).
Growing pressure from the public to distribute quality publications, which are impartial and respectful of diversity.	Continuous improvement in editorial content and product quality.
Changing demands from the audience as regards tools for accessing editorial content.	Monitoring of the accessibility demands of the audience and the ability of the company to respond to such needs.
Critical situations related to the inability by readers to grasp the value of products sold, where suitable instruments are not provided to facilitate a fair understanding of media.	Continuous improvement in initiatives to raise awareness and educate the public as to the need to critically assess and analyze media.
Critical situations related to a potential increase in competitive pressures in relevant markets, which could lead to unfair conduct by competitors.	Constant oversight of the issue through specific training for internal personnel and networking activities with trade associations.

Risks associated with the fight against corruption and bribery

National and international institutions and organizations are leading the battle against corruption and bribery. As the phenomenon remains widespread, it represents a major hurdle to development, with an enormous impact on economic growth, both in the private and public sectors.

Against this backdrop, even for the Mondadori Group, the risks associated with the infringement of internal rules and relevant laws in force are of priority concern.

Main risks	Mitigation measures
Critical situations related to conduct infringing the laws in force by those who act in the name or on account of the Group.	Constant oversight of the issue through organizational measures and controls to help ensure and spread proper conduct (personnel training, selection of non-publishing products bundled with the publications, monitoring of the legal framework, networking with other companies in the sector). Adoption of the whistleblowing procedure, with the relating implementation of an IT system managed externally (to guarantee violator and whistleblower privacy) as a communications channel to handle reportings; amendment of model 231 of the Parent Company and its subsidiaries; employee training plan. Strong commitment by Top Management to the activities of the Procedures Committee. Drafting of a specific anti-corruption procedure following a specific risk assessment.

Risks associated with personnel management

The success of the Mondadori Group is built squarely on the shoulders of the people who act in its name or on its account. Their skills and motivation are fundamental factors in the development of innovative solutions able to correctly interpret changes in relevant markets and in society, which are necessary to guarantee the financial performance of the Group and its competitive standing.

This is why the Mondadori Group is committed to establishing true dialogue with its people, to encourage a greater understanding of the respective needs and to find solutions to any existing issues.

Main risks	Mitigation measures
Risk that technological development, changes in the competitive scenario and low turnover rates may lead to a gradual skills gap in personnel.	Creation and implementation of engagement and training plans able to provide the skills needed to develop innovative solutions that can correctly interpret changes in the market and in society.
Risk that a more dynamic jobs market may make it harder to retain people and attract new talent.	Continuous improvement in human resources management practices, in terms of negotiation, career management support, training, retention and job rotation policies.

ENHANCEMENT AND MANAGEMENT OF HUMAN CAPITAL

As shown in the 2019 materiality analysis, specifically by the engagement on Mondadori Group employees, the enhancement and management of human capital is considered a priority. The risk analysis on these topics also places emphasis on the need to evolve personnel in line with the Company's development prospects, encouraging their growth in terms of new skills. Therefore, alongside initiatives for improving the quality of working life and for promoting work-life balance opportunities, the Company has continued its commitment towards creating training and professional development programs consistent with the evolution of its business.

Headcount

Group employees at 31 December are split up as follows by geographical area:

Employees (no.)	2019	2018	2017
Italy	1,964	2,083	2,228
USA	54	49	47
Total	**2,018**	**2,132**	**2,275**

In addition to the employee headcount, figures are also provided, for Italy, on the average number of temporary workers for the year, divided by business area (temporary worker numbers show seasonal trends, in particular as regards retail and the Christmas season). The U.S.-based illustrated books publisher, Rizzoli International Publications, does not employ temporary or seasonal workers.

Italy	2019	2018	2017
Temporary workers (no.)			
Corporate	9	14	18
Books	21	33	38
Magazines	15	29	39
Retail	164	84	82
Total	**209**	**160**	**177**

Hires and terminations Italy		2019		2018		2017	
Gender	**Age**	**Number**	**%**	**Number**	**%**	**Number**	**%**
		HIRES					
Women	< 30 years	25	24%	23	20%	19	17%
	30-50 years	44	42%	39	35%	50	46%
	> 50 years	3	3%	2	2%	2	2%
Total women		**72**	**68%**	**64**	**57%**	**71**	**65%**
Men	< 30 years	12	11%	12	11%	9	8%
	30-50 years	22	21%	31	28%	26	24%
	> 50 years	0	0%	5	4%	3	3%
Total men		**34**	**32%**	**48**	**43%**	**38**	**35%**
Total hires		**106**	**100%**	**112**	**100%**	**109**	**100%**
Turnover rate (new employees)			**5.40%**		**5.38%**		**4.89%**
		TERMINATIONS*					
Women	< 30 years	14	6%	9	3%	15	5%
	30-50 years	63	28%	84	33%	87	30%
	> 50 years	67	30%	52	20%	48	16%
Total women		**144**	**65%**	**145**	**56%**	**150**	**51%**
Men	< 30 years	7	3%	1	1%	2	1%
	30-50 years	44	20%	60	23%	76	26%
	> 50 years	28	13%	51	20%	64	22%
Total men		**79**	**35%**	**112**	**44%**	**142**	**49%**
Total terminations		**223**	**100%**	**257**	**100%**	**292**	**100%**
Turnover rate (leaving employees)			**11.35%**		**12.34%**		**13.11%**

* The number of terminations does not include two employees seconded to other companies not part of the Group. As this is a secondment with a clearing entry for costs, the two employees are not included in the total headcount at 31 December 2019

Hires and terminations USA		2019		2018	
Gender	**Age**	**Number**	**%**	**Number**	**%**
		HIRES			
Women	< 30 years	4	36%	4	50%
	30-50 years	2	18%	2	25%
	> 50 years	0	0%	-	-
Total women		**6**	**55%**	**6**	**75%**
Men	< 30 years	2	18%	-	-
	30-50 years	3	27%	2	25%
	> 50 years	0	0%	-	-
Total men		**5**	**45%**	**2**	**25%**
Total hires		**11**	**100%**	**8**	**100%**
Turnover rate (new employees)			**20.37%**		**16.33%**
		TERMINATIONS			
Women	< 30 years	5	42%	2	33%
	30-50 years	1	8%	4	67%
	> 50 years	0	0%	-	-
Total women		**6**	**50%**	**6**	**100%**
Men	< 30 years	2	17%	-	-
	30-50 years	4	33%	-	-
	> 50 years	0	0%	-	-
Total men		**6**	**50%**	**-**	**-**
Total terminations		**12**	**100%**	**6**	**100%**
Turnover rate (leaving employees)			**22.22%**		**12.24%**

The following tables show the percentage breakdown of the workforce by gender, age, area of activity, qualification and type of contract over the three-year period.

Workforce by gender

2019		2018		2017	
Women	**Men**	**Women**	**Men**	**Women**	**Men**
62%	38%	62%	38%	61%	39%

Workforce by age

	2019			2018			2017		
	Total	**Women**	**Men**	**Total**	**Women**	**Men**	**Total**	**Women**	**Men**
< 30	3%	55%	45%	2%	56%	44%	2%	70%	30%
30-50	59%	64%	36%	62%	63%	37%	65%	62%	38%
> 50	38%	59%	41%	36%	60%	40%	33%	59%	41%

Workforce by business area

	2019			2018			2017		
	Total	Women	Men	Total	Women	Men	Total	Women	Men
Corporate	20%	53%	47%	19%	51%	49%	20%	52%	48%
Books	32%	70%	30%	31%	69%	31%	28%	69%	31%
Retail	18%	60%	40%	18%	59%	41%	18%	59%	41%
Magazines	30%	61%	39%	32%	63%	37%	33%	62%	38%

Workforce by grading, gender and age

Italy

	2019			2018			2017		
	Total	Women	Men	Total	Women	Men	Total	Women	Men
Executives	5%	24%	76%	4%	22%	78%	5%	23%	77%
Middle managers	13%	54%	46%	13%	53%	47%	13%	53%	47%
White collars	72%	65%	35%	71%	65%	35%	69%	64%	36%
Journalists	9%	71%	29%	11%	74%	26%	13%	71%	29%
Blue collars	1%	17%	83%	1%	15%	85%	0,01%	21%	79%

Italy

	2019				2018				2017			
	Total	<30 years	30-50 years	>50 years	Total	<30 years	30-50 years	>50 years	Total	<30 years	30-50 years	>50 years
Executives	5%	0%	46%	54%	4%	0%	47%	53%	5%	0%	50%	50%
Middle managers	13%	0%	53%	47%	13%	0%	55%	45%	13%	0%	60%	39%
White collars	72%	3%	65%	32%	71%	3%	68%	29%	69%	3%	72%	26%
Journalists	9%	0%	39%	61%	11%	0%	39%	61%	13%	0%	44%	56%
Blue collars	1%	0%	33%	67%	1%	0%	54%	46%	0.01%	0%	64%	36%

USA

	2019			2018			2017		
	Total	Women	Men	Total	Women	Men	Total	Women	Men
Executives	7%	25%	75%	6%	33%	67%	28%	31%	69%
Office workers	93%	54%	46%	94%	52%	48%	72%	62%	38%

USA

	2019				2018			
	Total	<30 years	30-50 years	>50 years	Total	<30 years	30-50 years	>50 years
Executives	7%	0%	0%	100%	6%	0%	0%	100%
Office workers	93%	14%	48%	38%	94%	17%	48%	35%

Workforce by type of contract and geographical area

Italy

	2019			2018			2017		
	Total	Women	Men	Total	Women	Men	Total	Women	Men
Permanent[1]	99%	62%	38%	99%	62%	38%	99%	61%	39%
Fixed-term	1%	84%	16%	1%	67%	33%	1%	76%	24%

[1] including apprenticeship contracts (in Italy).

USA

	2019			2018			2017		
	Total	Women	Men	Total	Women	Men	Total	Women	Men
Permanent	93%	50%	50%	100%	51%	49%	100%	53%	47%
Fixed-term	7%	75%	25%	0%	0%	0%	0%	0%	0%

Workforce by professional category (full time/part time)

	2019			2018			2017		
	Total	Women	Men	Total	Women	Men	Total	Women	Men
Full time	88%	58%	42%	88%	58%	42%	88%	57%	43%
Part time	12%	85%	15%	12%	85%	15%	12%	84%	16%

Almost 6% of employees (mostly women, 84%) took **parental leave** (a right that extends to all the workforce, regardless of contract type).

	2019			2018			2017		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
Employees entitled to parental leave[1] (no.)	1,244	774	2,018	1,315	817	2,132	1,394	881	2,275
Employees who took parental leave (no.)	98	18	116	98	4	102	93	4	97
Employees returning to work after parental leave (no.)	95	18	113	86	4	90	93	4	97
% returning after parental leave	97%	100%	97%	88%	100%	88%	100%	100%	100%

[1] For consistency with other workforce tables, figures are shown at 31 December; as regards the employees that took parental leave, the total number includes those not appearing in end-of-year headcounts due to terminations/resignations

AN INCLUSIVE COMPANY

Publishing has traditionally been an industry in Italy with a heavy presence of women in the general workforce. This presence is not always accompanied by true gender equality in top positions and remuneration. There is growing attention in the Mondadori Group to the different issues tied to the notion of diversity, as demonstrated, for example, by the increased presence of women in governance bodies over the three years. This translates into careful monitoring of any case of discrimination, in efforts to increase gender equality, and the enhancement of diversity - of any diversity - as a potential enrichment and renewal of the Company. A noteworthy initiative in this sense is the training program set up at the end of 2019 on Diversity Management, Diversity & Inclusion. In its first edition, which will develop in 2020, the program is addressed to women middle managers of the Company to help them bring out the hallmarks and potential of female leadership.

Aside of the details on the percentages of women and men appearing in the above tables and in the section on training, the following are the figures on diversity in the Board of Directors, the ratio expressed in percentage of women's remuneration to men's remuneration by position in Italy (figures on Rizzoli International Publications are unavailable), the percentages of staff with disabilities, and the gender distribution of top positions in magazines in Italy.

Board of Directors

	2019			2018			2017		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
<30 years old	-	-	-	-	-	-	-	-	-
30-50 years old	1	-	1	1	1	2	1	1	2
>50 years old	4	9	13	4	8	12	2	10	12
Total	**36%**	**64%**	**14**	**36%**	**64%**	**14**	**21%**	**79%**	**14**

Ratio of basic salary of women to men by category

	2019
Executives	66%
Middle managers	93%
White collars	98%
Journalists	82%
Blue collars	78%

The calculation of the basic salary ratio is based on the average annual gross salary. It should also be noted that in order to calculate the ratio, the basic salary of part-time employees has been re-proportioned in such a way as to make it comparable to that of full-time employees

Ratio of the remuneration of women to men by category

	2019
Executives	63%
Middle managers	91%
White collars	97%
Journalists	82%
Blue collars	78%

Remuneration considers the average annual gross salary as well as any MBO bonuses paid for specific gradings of employees at 31 December. It should also be noted that in order to calculate the ratio, the basic salary of part-time employees has been re-proportioned in such a way as to make it comparable to that of full-time employees

Employees with disabilities

	2019			2018			2017		
	% of total employees with disabilities	**of whom % women**	**of whom % men**	**% of total employees with disabilities**	**of whom % women**	**of whom % men**	**% of total employees with disabilities**	**of whom % women**	**of whom % men**
Middle managers	6%	60%	40%	6%	60%	40%	5%	40%	60%
White collars	84%	50%	50%	85%	47%	53%	86%	50%	50%
Journalists	3%	100%	-	2%	100%	-	2%	100%	-
Blue collars	7%	33%	67%	7%	33%	67%	7%	43%	57%
	% of total employees	**of whom % women**	**of whom % men**	**% of total employees**	**of whom % women**	**of whom % men**	**% of total employees**	**of whom % women**	**of whom % men**
	4%	51%	49%	4%	48%	52%	4%	50%	50%

Italian magazines

Top positions	2019	
	Women	**Men**
Editors-in-Chief	57%	43%
Deputy Editors-in-Chief	25%	75%

ORGANIZATIONAL DEVELOPMENTS AND INDUSTRIAL RELATIONS

2019 was marked by deep changes affecting the Group's organization as a whole and each of its subsidiaries.
The Company and the trade union representatives, which cover all of the Group companies, engaged in a constant and open dialogue that took place through meetings on specific topics as well as annual corporate events.

All employees in Italy are covered by collective bargaining agreements. In the United States, sectoral trade union agreements are not as common as in Europe; the general protection provided by federal laws obviously applies to all workers.

July 2019 saw the disposal of the Mondadori France subsidiary to Reworld Media, a company listed on the Paris Stock Exchange, digital leader with an international bent. In November, *Confidenze, Cucina Moderna, Sale&Pepe, Starbene* and *Tu Style* were sold to Stile Italia Edizioni, a newly-established company held 75% by La Verità S.r.l. and 25% by Arnoldo Mondadori Editore S.p.A.
Both transactions are part of the strategy to focus on the core books business and to reduce the Group's exposure to magazine operations launched some years ago. To complete this strategic path and as was the case with Mondadori Libri S.p.A. and Mondadori Retail S.p.A., January 2020 saw the creation of Mondadori Media S.p.A., a corporate unit dedicated to the business of print and digital brands. This type of setup, with companies specifically tasked with managing the Mondadori Group's three distinct businesses, allows for an even more efficient and targeted management of operations, enhancing and taking account of the peculiarities of each business, and is more functional to the achievement of strategic opportunities and partnerships.
With a view to optimizing central functions, in 2019 the administration of Einaudi was transferred to Segrate. The minimum notice periods required by the applicable collective bargaining agreements (30 days for graphics-publishing and 70 days for trade) were respected in all cases of the transfer of business units and/or organizational change, with negotiations launched several months in advance.

The reporting period also saw activities continue on implementing the new company contract covering workers under the graphics publishing collective labour agreement, with the introduction of the single clocking system, fully operational from 1 January 2019, smart working experiments and the design of the welfare platform (operational from 2020).

At Group level, the integrated SAP S/4 Hana business process management system came into full swing at the beginning of the year, helping to adapt and standardize, on the basis of best practices, the business processes that embrace administration, finance and control, and to upgrade the software and management applications used.
On the HR front, the HR Portal IT system - where employees can independently manage their relationship with HR administration, from planning and requesting holiday time to updating their data - was implemented with the Travel Portal platform (for managing business travel) and request and search functions for candidates/associates, which will be complemented in 2020 by the new e-learning training platform.

TRAINING AND DEVELOPMENT

The table shows the number of training hours delivered and the number of attendees over the three years in Italy (no training was organized for Rizzoli International Publications employees).

Hours delivered (no.)	2019	2018	2017	Attendees (no.)	2019	2018	2017
Total	**17,959**	**14,323**	**8,018**	**Total**	**1,963**	**1,139**	**621**

The training programs in Italy adopt a business-oriented approach to provide the necessary skills and tools to effectively cope with the changes in the relevant market and to ensure the development of the Company. Against a backdrop where skills required evolve in sync with the innovations in technology and organization, the Group has developed an integrated and well-structured range of training programs to allow the continuous upgrading of workers' skills, using innovative teaching methods that facilitate learning and motivation.
The overarching objective of all the programs is also to encourage integration of the various business areas in order to improve efficiency, develop synergies and create a shared management style, as well as to develop the necessary distinctive skills of each professional family to anticipate market trends and support business evolution needs.

In 2019, in addition to the existing training programs that were re-run and updated (Digital Academy: 8 new courses on professional upgrading in the marketing area), new training programs were introduced and completed, for a total of approximately 7,600 hours of specialist and managerial training:

- **Digital Academy**: a modular training path targeted to 84 marketing managers and specialists, which addressed the main levers of digital marketing through frontal lectures and action learning sessions where theory and practice intertwine, implementing tools and techniques on projects/activities of each area involved. Specifically, the topics treated in the various modules aimed at introducing the issues of digital transformation in marketing processes, and at providing Google Analytics and data-driven tools to create and optimize marketing strategies, to analyze data relating to the sites and campaigns developed, and to improve customer journey in website navigation, optimizing conversion rates.
- **HR Academy:** a 5-day training program for 21 resources from the Group's HR and Organization Department, aimed at encouraging a rethinking of the HR role at Mondadori, enabling the function to become a strategic player and a change driver for the Group. The closing modules focused on influencing and team effectiveness behavioural skills, and the change management tools and skills that enable the HR Department to steer the Group's transformation and innovation process.
- **Academy Editor:** a modular path addressed to approximately 80 editorial managers and junior editors, with both external and internal trainers. The modules offered during the year developed distinctive professional skills such as editorial scouting, and technical skills relating to tools and knowledge regarding the book production chain: from acquisition to creative publishing, and from economics to sales management.
- **Smart working experiments:** training course built around 5 meetings addressed to 50 smart workers and their managers, aimed at providing the skills to the players involved for the introduction of smart working in the Company. The topics ranged from corporate culture to the agile organization facilitating smart working, the new mindset, the managerial skills that foster a new agile way of working such as delegation, trust, and sense of responsibility. Lastly, more technical issues such as regulatory and privacy aspects and training on safety in domestic environments were addressed.
- **Office:** workshops on Office applications at various levels (basic, intermediate, advanced) to develop

knowledge and improve the effectiveness of using Excel, Power Point and Gsuite programmes. Four pilot classes were set up, with 40 attendees in total, to test the methodology and assess the average levels of knowledge in the company, and to be able to properly plan the mass training scheduled for 2020.

- **LeaderMe path:** managerial training program addressed to 45 managers (N-2 level), aimed at developing their personal effectiveness by empowering each individual vis-à-vis their own growth path. The program was divided into 3 training modules aimed at transferring tools and techniques to act effectively in one's managerial role. The second and third modules offered during the year focused on people management (the relationship between motivation, skills and performance, with particular focus on giving feedback and being a manager coach) and team management (dedicated to the informed reading of conflict/cooperation dynamics within the Company, in interfunctional/process relations, in work teams and design thinking as an approach to innovation).
- **Lean Six Sigma path (with Green and Black Belt certification):** this is the second step in the project aimed at achieving the following targets: generating commitment in Top Management and sharing the key factors for a long-term Lean Six Sigma program that generates successful results and active cultural change; creating champions who are able to steer and support improvement projects and to form a team with Lean Six Sigma certified skills that can implement improvement projects in synergy with the targets envisaged in the Group's business plan. The aim of the program is to spread across the company the culture and bent for continuous improvement in the management of business processes in order to motivate, promote and facilitate development and innovation, maximizing the effectiveness and efficiency of recurring tasks. The course, addressed to 15 resources from the different business units, embraced both Lean Management (an approach for creating an efficient process by eliminating activities that add no value for the customer, both internal and external) and Six Sigma (approach aimed at improving business processes) issues.

The training plan of the Academy system is complemented by language training (over 1,200 hours delivered both traditionally, with frontal lessons in the classroom, and in blended mode, i.e. through digital platforms) and training on safety in the workplace, delivered both in the classroom and in e-learning mode. During the year, the updates to the specific training received in the classroom (more than 1,000 hours delivered) involved emergency management personnel (fire-fighting and first aid), supervisors, workers' safety representatives and the heads of the prevention and protection service (182 people in total), while safety training (general and specific) delivered in e-learning mode involved approximately 1,500 people including employees, temporary workers and interns.

Hours delivered (no.)	2019	2018	2017
Ad hoc training	**7,595**	**11,786**	**5,057**
Executives	1,556	2,017	4
Middle managers	1,687	2,838	-
White collars	4,308	5,373	160
Journalists	44	1,558	4,893
% hours delivered to women	57%	56%	76%
% hours delivered to men	43%	44%	24%
Language courses	**1,263**	**1,042**	**600**
Executives	219	354	450
Middle managers	382	66	120
White collars	180	20	30
Journalists	482	602	-
% hours delivered to women	80%	65%	35%
% hours delivered to men	20%	35%	65%
Safety training	**9,101**	**1,495**	**2,361**
Executives	226	-	72
Middle managers	1,090	84	148
White collars	6,859	1,351	2,141
Journalists	870	40	-
Blue collars	56	20	-
% hours delivered to women	62%	51%	59%
% hours delivered to men	38%	49%	41%
Total hours of training delivered	**17,959**	**14,323**	**8,018**
Executives	2,001	2,371	526
Middle managers	3,159	2,988	268
White collars	11,347	6,744	2,331
Journalists	1,396	2,200	4,893
Blue collars	56	20	-
% hours delivered to women	61%	56%	68%
% hours delivered to men	39%	44%	32%

Attendees (no.)	2019	2018	2017
Ad hoc training	**423**	**866**	**226**
Executives	49	42	1
Middle managers	97	132	-
White collars	273	566	40
Journalists	4	126	185
% women	65%	67%	78%
% men	35%	33%	22%
Language courses	**46**	**40**	**20**
Executives	8	13	15
Middle managers	10	4	4
White collars	6	1	1
Journalists	22	22	-
% women	76%	68%	35%
% men	24%	32%	65%
Safety training	**1,494**	**224**	**375**
Executives	38	-	7
Middle managers	180	14	19
White collars	1,123	202	349
Journalists	144	5	-
Blue collars	9	3	-
% women	62%	53%	58%
% men	38%	47%	42%
Total attendees	**1,963**	**1,130**	**621**
Executives	95	55	23
Middle managers	288	150	23
White collars	1,402	769	390
Journalists	170	153	185
Blue collars	9	3	-
% women	63%	65%	65%
% men	37%	35%	35%

Average hours of training per capita (no.)	2019	2018	2017
Total	**9.14**	**6.88**	**3.60**
Women	8.98	6.23	3.99
Men	9.41	7.92	2.98
Executives	20.42	24.44	5.21
Middle managers	12.06	11.03	0.90
White collars	7.98	4.58	1.52
Journalists	8.21	9.61	17.48
Blue collars	4.67	1.54	-

In the frame of the development, skills improvement and transition assistance programs, and in changing the characteristics of the business, following the previous experiences on roles and skills mapping on a number of business units and/or regarding certain professional families (e.g. journalists), a similar mapping process has extended to the entire Group since end 2019, feeding the HR Portal platform adopted at end 2018 for the online management of all aspects related to employment relationship. The aim is to organize the tree of professional families, sub-families and roles within the Mondadori Group and to draw up job profiles, understood as the set of responsibilities and the resulting technical and soft skills needed to play the role in line with the relating mission. The creation of such a job system allows a more effective management of people in every step of the employee life cycle. Through rationalization, 20 professional families, 52 sub-families and 183 roles have been surveyed so far at Group level. In 2019, job profiles were also developed for 87 roles belonging mainly to corporate. The activity will continue in 2020 focusing on the definition of job profiles in the professional families of the business areas.

In 2019, skill/potential assessment campaigns continued for 60 other middle managers (N-3) conducted by specialists through tests, interviews, individual and collective simulations, and calibration with managers. As in 2018 for senior management (N-2), the initiative aims to: bring to light the strategic and operational skills of managers; identify people with present and future potential to shape the Company in the coming years; identify the gaps on which to focus individual and collective intervention plans. Clearly addressed to middle management, the skills measured are, again, those of the Mondadori leadership model, defined taking account of the Group's new and necessary challenges to enable the transformation and innovation process required. As planned, this process will continue in 2020 on 60 other middle managers.

Lastly, an integrated system of initiatives with an impact on the entire professional family of senior managers (LeaderMe for 41 N-2 level managers) was developed, as well as ad hoc individual development plans to promote, in self-empowered mode, the management development of 41 senior managers and 60 middle managers, starting from the skills and potential gaps identified during assessment and consistent with the company's targets, innovation challenges and ongoing transformation processes. As part of the development plans, the tools made available through framework agreements are: in-person coaching; online coaching; attendance in inspirational events on business evolution.

Workplace safety and prevention

The Group Safety Coordination Unit is the body set up by the Parent Company to oversee and coordinate activities aimed at implementing the legal requirements, providing guidelines, and monitoring the planning and discharge of annual obligations:

- regular meetings: 6 regular safety meetings were scheduled for 31 retail stores and 14 Group sites, involving the employers (or their delegates) of the respective companies, health and safety managers and health and safety officers, 17 workers' safety representatives, and 7 competent medical officers;
- on-site workplace inspections: in 2019, competent medical officers carried out workplace inspections at 18 Group sites;
- evacuation drills: in addition to the testing of emergency plans in the retail stores, the safety officers of the Mondadori Group sites coordinated annual evacuation drills involving all personnel. Feedback received on the drills was then used to identify and formalize the actions needed to improve emergency procedures.

In implementing the range of activities planned, special attention was paid in 2019 to changes in the setup of the legal entities and locations used by staff: in all workplaces, the legally-required activities were completed, the risk assessment documents of the locations were updated, and the list of the corresponding figures, either designated or elected, involved in the management of the system for the protection of workers' health and safety, accessible at all times in the "Prevention and safety" area of the corporate intranet *Network*, was updated.

The occupational health service was guaranteed by the San Raffaele Resnati Hospital: the competent medical officers appointed by their respective employers visited 538 workers subject to health surveillance for the risks from the use of VDT exceeding 20 hours per week; the activities of the service are planned with the help of the workplace health and safety IT system adopted by the Mondadori Group. The platform enables the identification of the workers due for a health check-up, the planning of regular medical visits, and the management of medical records on a computerized and encrypted basis. The system is also used for the digital filing of medical reports and documents, to fulfil statutory requirements under the laws and regulation in force, and to handle training aspects.
Following the initiative launched last year, while not required by regulations, AEDs (automated external defibrillators) were also installed inside Poles 1 and 2 of Segrate: 13 first-aiders joined the 14 volunteers previously trained in 2018, attending the BLSD (Basic Life Support and Defibrillation) course.

Welfare and benefits

With the entry into force of the new Company agreement covering the staff under the graphics publishing collective labour contract, effective tools for work-life balance were adopted, such as smart working, successfully tested in 2019, as well as family support measures, with the aim of providing better conditions to combine work and family needs. Special attention was paid to maternity protection, with the reduction of working hours in the six months following return and the anticipation of full pay for periods with reduced remuneration, while new fathers' paid leave has been increased to 10 days. In cases of serious illness too, the period of respite is suspended with a view to job retention.

The agreement also provides for the establishment, over the 2019-2021 three-year period, of an annual variable performance bonus common to all Group companies, part of it made available through a corporate welfare system that provides employees with a series of services and initiatives to facilitate the well-being of workers and their family. The platform for the management of the result bonus and all other offers made available - Company agreements, conventions and Cral initiatives - will be up and running in 2020.

In 2019, the common areas of the Segrate headquarters underwent some renovation, with the opening of the Temporary Shop (used by external exhibitors), the new bookstore and the start of renovation work on the bar (to be completed in early 2020).

Internal communications

The activities carried out by the Communications and Media Relations Department also include communication addressed to employees and associates, developed on most of the channels of the Mondadori Group's communication ecosystem. Aside from purely operational factors, the involvement of personnel helps to offer the overall picture of the Company and its development, as well as strengthen the sense of belonging.
The main instrument is the company Intranet, "Network", where employees can learn of internal developments and access company information and services. In 2019, a project was launched to revamp the company Intranet in association with Università Cattolica del Sacro Cuore (specifically with a group of students from the Faculty of Psychology - Master's Degree in Marketing, Organization and Communication, as part of the Vocational Experiences program). The project developed in the first half of the year with the creation of focus groups (roughly 40 employees from each area of the Company) to analyze the current architecture of the Intranet and the innovation needs of the tool; the results were incorporated in a questionnaire administered to the entire Company population by direct mail. The results of the survey, involving approximately one thousand people, led to the final project on the new service communication site, scheduled for release in 2020.
Further company population engagement activities - through networks, e-mail blasts and monitor communication - regarded the survey on canteen satisfaction and the questionnaire on the sustainability of the Mondadori Group (see p. 84).
Other channels used to inform and involve

employees and associates include Agorà, the multi-purpose area in the square of the Segrate headquarters, a versatile area fit for a great many activities: meetings with writers, actors, youtubers and influencers, interviews and short live performances with singers and musicians, presentations of initiatives and conventions dedicated to employees, live broadcasts on social networks, and webinars. 80 events were organized in 2019.
The Intranet, e-mails to all employees in Italy and around the world, and video messages are the main tools used by the CEO to share the Group's performance and financial results with all employees and associates.
From a broader communication perspective, which transcends the traditional distinction between external and internal communication, the use of the Group's social accounts in 2019 saw the development of two main projects hinged on Mondadori's people, to cast a spotlight on the many professional facets in the Company: the work teams (on Facebook and Instagram), and the take over, a day's work at Mondadori chronicled by an employee (on Instagram).

PROMOTION OF READING AND SOCIO-CULTURAL GROWTH

The dissemination of culture and ideas is part of the Mondadori Group's mission and is ingrained in its products and services. It forms not only the basis of its business activity, but permeates the very logic underlying the creation of its offer to the public. As a result, it also gives shape to a great many initiatives, either sector-specific or specific to the Group, which aim to bring a wider and wider audience closer to reading and information.
Ever since the first edition (2015), the Company has taken part, with its chain of local bookstores and its publishing houses, in **#ioleggoperché**, the major national event for the promotion of reading organized by AIE (Italian Publishers' Association), now in its fifth edition in 2019. The generosity shown by the Italians, who donated, through the 2,400 participating bookstores, approximately 300,000 volumes to the libraries of the 15,000 schools twinned with the bookstores, goes hand in hand with the donations made by the publishers, who contributed 100,000 other books to infancy, primary, first- and second-level secondary schools. Additionally, the Group regularly donates books to school and municipal libraries, located in prisons or welfare facilities.
Other initiatives to promote reading among young people include: **Alunni in libreria**, reading workshops for nurseries to lower secondary schools hosted in Mondadori stores; **Leggendo Leggendo**, a site of reading paths covering current and universal topics, from bullying to diversity, from friendship to solidarity which, in its new version at the end of 2019, bridges the production of fiction and non-fiction for children and the school textbook production of the Group's publishing houses.
Alongside the presentation of books on the ground - in bookstores and major Italian literary exhibitions, approximately 6,000 meetings in 2019 - the Mondadori Group is also committed to the media culture of younger generations with the **Focus Junior Academy** initiative. Conceived in 2018 from the previous experience developed by *Focus Junior*, a monthly magazine for children and teens, with the competition for schools *Diventa giornalista*, **Focus Junior Academy** is the educational workshop for primary and secondary schools, which aims to make the world of publishing

and journalism known and appreciated by children. Every week during the school year, two classes, accompanied by their teachers, are hosted by the magazine's editorial staff at the Segrate headquarters in a journalism workshop that covers the key steps in creating a print or online magazine with the relating social channels: the meeting of the editors, the roles of the journalists, the rules for writing articles, the treatment of sources and recognition of fake news, the selection of images and the creation of titles.
In order to involve a wider audience spanning from children and young people to adults, the monthly magazine *Focus* has been organizing, since 2018, **Focus Live**, a science dissemination festival held in Genoa, Trento and Milan in 2019, with generous schedules of meetings, discussions and workshops on the most compelling themes for the future of mankind and our planet, to chronicle the great challenges that humanity faces today and the tools to overcome them.
Lastly, an initiative worth mentioning is the work around the *Nuovo Devoto-Oli*, a dictionary of the Italian language, whose 2020 edition (available from September 2019) addresses the great attention attached to environmental issues last year. Printed on certified paper and enriched with the latest entries on environmental issues (from plastisphere to plogging, from carbon free to guerrilla gardening), the trendiest environmental terminology (from climate change to ecoskeptic, from ecotax to ecobusiness), or the words "green", which have taken on a completely new meaning thanks to climate issues (from sustainable to circular economy), the **New Devoto-Oli 2020** goes hand in hand with two environmental sustainability projects: an agreement with Treedom to breathe life in Sicily into the forest *Gli alberi delle parole*, with the planting of 200 pomegranate trees, each of which will be registered, photographed and monitored thanks to geolocation; besides fostering biodiversity, the project will also help the children from Associazione Ulisse suffering from autism spectrum disorders; together with their tutors, they will support local farmers in caring for the forest; a competition for schools aimed at raising the awareness of the younger generations to respect the environment; a language and environmental education initiative involving students and teachers (primary and first and second level secondary schools) in the creation of works and videos dedicated to environmental sustainability and climate change. The prize: trees to be planted in the gardens of the winning classes.

EDUCATION AND THE SCHOOL WORLD

As another side of the same coin, the issue of education, while linked more to school publishing, hinges on assumptions and objectives that are similar to those of promoting reading and socio-cultural growth. Indeed, the two activities of the Books segment (Trade, which oversees bookstore production, and Educational) are increasingly linked in common and cross-cutting initiatives.
A project worth mentioning is **Insieme per l'istruzione**, conceived by the Group's trade publishing houses on the occasion of the year-end holidays. The project's objective is the fourth UN Sustainable Development Goal (Quality, Equitable, Inclusive and Accessible Education for All) and, in its first edition, it supported Action Aid in the construction of two school buildings in Ethiopia.
In 2019, the production of Rizzoli Educational also focused on Agenda 2030, with the introduction of educational elements related to the UN Sustainable Development Goals in the texts meant for primary and first- and second-level secondary schools.
These same issues receive much emphasis in **Formazione su misura**, the rich educational catalogue made available to schools and teachers by both the Group's school publishing houses, Mondadori Education and Rizzoli Education, hosting a generous calendar of local-based meetings and webinars.

RESPONSIBILITY FOR CONTENT

The Mondadori Group is committed to providing accurate, meticulous and truthful information through its editorial products - books, magazines, websites and digital media/products - while respecting the tastes and sensitivity of the general public.
In the creation of content for miscellaneous book production (i.e. production intended for bookstores), the guiding principle is the possibility of offering the widest range of voices, ideas, and expressions; the publisher acts, in this case, as a vehicle for the authors, who are the true "owners" responsible for the published work. They are given the widest possible freedom of expression, but where necessary, legal audits are made on content that may be deemed defamatory.
Content auditing and conformity is, instead, paramount in school textbooks production, as it is linked to ministerial guidelines on curricula and didactics.
Lastly, in the magazine and web segment, content responsibility is ensured by the organization of the editorial offices and the hierarchy of text approval, as well as by the Consolidated Act on Journalist Duties.
Additionally, in order to directly verify readers' appreciation of the Group's magazines and to gather ideas for improvement, each year surveys are conducted on representative samples. In 2019, surveys were conducted for *Focus* (on the occasion of the relaunch of the monthly magazine and monitoring of three consecutive issues six months later) and *Tv Sorrisi e canzoni (*monitoring of five issues of the weekly magazine, one every month for five consecutive months), as well as a further eleven market surveys for other titles or groups of titles.
In particular, interaction through social networks has continued to develop quite significantly in terms of numbers of contacts and the endless possibilities for creating events, often wide-reaching and collaborative in nature.

The Mondadori Group's digital communication strategy at the corporate level hinges on an integrated and consistent ecosystem that leverages on the potential of a range of physical and online channels: the corporate website and social media, the corporate Intranet and monitors in the locations, the multi-purpose area Agorà and Wikipedia, internal and external media. Each social channel has a specific editorial plan outlined, which addresses ad hoc communication goals:

- showing life inside the Company and the people who work there by involving employees (Instagram, Facebook, LinkedIn);
- narrating books avoiding overlaps with publishing houses (Twitter, Instagram Stories, LinkedIn);
- enhancing the spontaneous relationship of employees with Palazzo Mondadori (Instagram).

The Mondadori Group has a total of 150 social profiles (most of them linked to individual product brands) for a total of approximately 31 million fans.

FREEDOM OF EXPRESSION AND PUBLICATION

Editorial independence

The Parent, Arnoldo Mondadori Editore S.p.A., is a company listed on the Milan Stock Exchange. The share capital at 31 December 2019, fully paid up and subscribed, amounted to € 67,979,168.40, divided into 261,458,340 ordinary shares with a par value of € 0.26 each.
The majority shareholder is the holding company Fininvest S.p.A., owned by the Berlusconi family.

Relevant investments

Shareholder	% Interest in share capital at 31/12/2019
FININVEST S.P.A.	53.3%
SILCHESTER INTERNATIONAL INVESTORS LLP	12.4%

In 2019, the Group received - from Italian Public Administration, Italian and foreign bodies and private individuals - just over € 331,000, of which € 100,970 from the ownership of the Segrate offices (Generali Real Estate Sgr S.p.A.) for building renovation; € 146,502 in training grants and € 83,600 in grants for publishing projects.

The Group did not receive any other subsidies from PA-like entities or associations, or from other entities, associations, NGOs, non-profit organizations or private individuals. The US subsidiary did not receive any grants or subsidies from Public Administration or from private individuals in the 2017-2019 three-year period.

Grants received (€)	2019	2018	2017
	331,072	706,080	1,233,892

Finally, the Mondadori Group did not make donations of any kind to political parties or politicians during the year.

As Italy's leading publisher of books, the Mondadori Group is constantly committed to covering the widest possible spectrum of content, guaranteeing the freedom of expression of all its authors and protecting the intellectual property of the works and services it produces and distributes. The very nature of the publisher suggests that it supports the individuality of every person in the organization, and this can only be put into action by giving writers the utmost freedom and independence.

The wide range of content produced, together with its quality, represents the cornerstone of the Group's editorial policy: it is our duty to offer the public a multi-dimensional perspective that allows each reader to form their own subjective opinion.
In the panorama of new titles published in 2019, the environmental topic takes centre stage, in terms of number of titles, starting with Greta Thunberg, the activist who has dominated the debate on climate change; Mondadori has published her two books: *La nostra casa è in fiamme* and *Nessuno è troppo piccolo per fare la differenza*. The problem involving the impact of human activities on our planet and the possible solutions to mitigate its

effects is treated by climatologist Luca Mercalli with *Il clima che cambia* and by Andrea Segré, professor of International Agricultural Policy and founder of *Last Minute Market* with *Il metodo spreco zero* (both Rizzoli), from a collection of case stories and pointers to save the world from plastic *SPAM - Stop plastica a mare*, by Filippo Solibello, host of the radio show on Radio 2 *Caterpillar* and founder of the awareness initiative *M'illumino di meno* (published by Mondadori). The call for individual responsibility and for understanding the importance of small daily gestures within everyone's reach starts with the initiative of the character Geronimo Stilton and his *Piccolo libro della terra* (Piemme) in association with WWF: a project involving primary school classes with drills and workshops.
The international economic perspective of the environmental issue is covered by Jeremy Rifkin in *A Global Green New Deal* (Mondadori), which postulates the collapse of fossil fuel civilizations by 2028 and suggests an innovative and environmentally friendly economic plan spearheaded by the Millennials.
The debate on the issue also finds its way in university textbooks with *Economia dell'ambiente*, the political economy title by Maria Carmela Aprile and Bruno Chiarini (Mondadori Università).
The discussion on legality and the ramifications in the social fabric of our Country is addressed by Paolo Itri in *Il monolite. Storie di camorra di un giudice antimafia* (Piemme), Giovanni Tizian in *Atlante illustrato di Cosa Nostra* (Rizzoli) and Roberto Di Bella together with Monica Zapelli in *Liberi di scegliere* (Rizzoli), a first-person account of the juvenile judge from Reggio Calabria and his fight to free young people affiliated to the 'ndrangheta from criminal clutches.
The news stories and the ensuing political clashes take centre stage in Franco Manzitti's *Cronaca di un crollo annunciato* on the collapse of the Morandi bridge in Genoa, and *Grandi operette* by Marco Ponti, head of the cost-benefit analysis of 5 major infrastructure projects, including the Turin - Lyon high-speed railway network (both Piemme); Pablo Trincia, with *Veleno* (Einaudi), dissects a case of minors abducted from their families in the Modenese area in the '90s that has inevitably echoed the events that took place in Bibbiano. Two titles are dedicated to the web and its contradictions: *Il lupo furbo e il cavallino bullo* by Christian Stocchi (Rizzoli), who explains to children how the web works and how to protect themselves against cyberbullying, and Matthew Hindman's *La trappola di Internet* (Einaudi), which explores the twistings of the digital economy on markets and democracy.
Two Einaudi non-fiction titles deal with the rising in Italy too of nationalistic sentiments and their influence on today's politics: *Contro l'identità italiana* by Christian Raimo and *La politica senza politica* by Marco Revelli.
The fiction and non-fiction section is ever generous in production, for readers young and old, dedicated to women and their struggle for achievement in the world: the many titles include the novel by Melania G. Mazzucco *L'architettrice* (Einaudi), which tells the true story of Plautilla Bricci, painter and architect of seventeenth-century Rome, and the self-help manual *Un branco di lupe. Smettetela di essere Cappuccetto rosso* (Mondadori), written by US soccer player Abby Wambach.
Witness of the identity crisis that often besets minorities - ethnic, religious, cultural - is Tommy Orange's debut novel, *Non qui, non altrove* (Frassinelli) on the complicated lives of Native Americans.

PRODUCT ACCESSIBILITY

In offering quality content to a widely differing audience base, the Mondadori Group takes heed of the demands originating in the changes in society, the use of technology, and the removal of once critical language and geographical barriers.
The desires and expectations of the customer play an increasing role in every sector, but particularly so in publishing: the participatory dimension of consumption and the instant interaction with the end user have disrupted the way we create and distribute products.
Even when it comes to content creation, the user can play a role in enriching and improving the product with their own contributions or through the exchange of ideas and observations within the community and directly with the author of a text, article or post.
One must listen and take heed, for better or worse, of suggestions, complaints and requests coming from the most diverse of audiences that come into contact with Mondadori.

As such, respect for the laws, rules and codes of conduct that regulate the daily activities of the Company does not suffice: close and constant attention must also be paid to the quality of products and services and the ability to renew them on the basis of user indications, and to promote their accessibility to an increasingly wide audience with extremely diversified needs.

Each activity of the Group follows dynamics deriving from the type of product or service, the channels available and implementable, and the behaviour of its customers.

As far as trade books are concerned, forecasts on the dissemination of e-books have not been confirmed so far and the Italian market does not seem likely to expand further; audio books too remain somewhat restrained in our Country at the moment. Nonetheless, new titles by all the Group's publishing houses are published in traditional print format, in digital format (for all new titles), and in the audio books channel (through third-party companies and on a limited number of titles).

On the other hand, digital production in the school textbooks segment is highly developed and constantly evolving, yet access by teachers and students to such content remains limited, due partly to a technological backwardness of school facilities.

Additionally, textbooks production is focused particularly on inclusive teaching. Most of the books in the Mondadori Education catalogue are available for reproduction for blind or visually impaired students or those with particular learning disabilities.

Thanks to the agreements signed by Mondadori Education with the relevant associations ("Regina Margherita" Non-Profit Italian Library for the Blind and the Digital Library of the Italian Dyslexia Association), Braille or "talking" versions (digital or on CDROM) of the books can be requested.

In the retail segment, the integration of physical and digital services for the customer plays a crucial role, together with the distribution of points of sale throughout the territory and their size; the new strategy developed in 2019 will see significant improvements in this sense in the coming year.

The strategy of magazine and digital operations in a vertical perspective, based on which an all-round multi-channel system can be developed around each brand, is the best proof of how product accessibility can be an important opportunity for service to users as well as a business lever. One such example is the weekly magazine *Donna Moderna*, which developed in 2019 a series of additional initiatives and services, in a system that is already highly articulated, to connect even with widely divergent audiences. It is a development of the 2018 project on women's empowerment *Donne come noi*, book, play and training path based on the telling of outstanding stories on women. The magazine continued presenting the relevant training workshops on the ground and in business locations, complementing them with a series of podcasts with compelling women's stories on a number of broader themes such as the fight against the mafia, scientific research, sport, and architecture.

TRANSFORMATION OF BUSINESS MODELS

The Group keeps a watchful eye on the changes in its markets of operation, and aims to seize further opportunities for development after a necessary strategic repositioning of its businesses.

While the trade books market appears steadier, with few significant discontinuities, the school textbooks segment is affected more by external factors: on the one hand, the possibility that institutions, as governments change, alter the current adoption system and the curricula of the different levels; on the other, the changes may come from a renewal of the teaching class and a more detailed survey of the various types of learning difficulties. These last two situations have already starting appearing in a way, with teachers requesting simplified texts and learning tools.

But the most striking and impactful transformation of the business model was witnessed in the magazines business: after a number of years of necessary changes to the Group's activities in order to guarantee their sustainable development, in 2019 the process was completed with the creation of Mondadori Media S.p.A. (operational from 1 January 2020), the subsidiary dedicated to the business of brands from a print and digital perspective. As for Mondadori Libri S.p.A. and

Mondadori Retail S.p.A., which oversee book publishing activities and the chain of stores respectively, the creation of Mondadori Media has completed the setup of companies covering the three distinct businesses of the Mondadori Group, allowing an even more efficient and targeted management of operations, enhancing the peculiarities of each of them. Mondadori Media is a social multimedia company that focuses on people, their passions and interests, connecting them: from the magazine's community of readers, to social gatherings, events and physical experiences on the ground. Each system gravitates around a brand leader in its specific segment, spread over several channels (print, digital, social and local), and able to reach vast audiences despite its specificity.

Brand management

The issue of brand management should also be considered in this perspective: an approach that transcends, but does not ignore, the idea of protecting the Company's intangible assets, but which aims to explore their further potential and is inevitably tied to the actions taken to increase product accessibility.

DIGITAL EVOLUTION

Closely related to the transformation of business models, the issue of digital evolution has steered the strategic path undertaken by the Mondadori Group, especially in the magazines business and, obviously, for the range of content and services offered on the web.
A noteworthy project in this field is **uARe**, a new tool for augmented reality content creation. The platform was developed thanks to funding from Google's Digital News Initiative's Innovation Fund, awarded to the monthly magazine *Focus* and developed in association with technology partner Magma; the solution is built on a platform for the development and page layout of AR content in the cloud and a customizable mobile application where each customer can enjoy interactive and immersive experiences. The platform innovates the augmented reality market and lends itself for use in various fields, from publishing to education, and from retail to communication and events.

PRIVACY AND PERSONAL DATA PROTECTION

Privacy and personal data protection, a material topic for the Mondadori Group, are fundamental elements for the undertaking as a whole, in which each company is committed to ensuring that the collection and processing of personal data is performed in accordance with the principles and applicable laws.
In pursuing its business, therefore, since 2017 the Mondadori Group has implemented a process of adaptation, updating its internal tools and procedures to ensure full compliance with Regulation (EU) 2016/679 ("GDPR"), with Legislative Decree 196/03 ("Data Protection Code") as subsequently amended by Legislative Decree 101/2018, and with the indications and provisions issued by the Data Protection Authority. Specifically, the Group has put in place new disclosures provided to interested parties and new contractual models; it has adopted a series of procedures updated to the new legislation - in the areas of data retention, privacy by design and by default, data protection impact assessment, data breach, feedback to interested parties and the appointment of data processors pursuant to and for the purposes of Article 28 of the GDPR; it has identified and appointed the Data Protection Officer for entire Mondadori Group as a whole, formalized on 14 March 2018 by the Board of Directors of the Parent Company and then endorsed by each subsidiary.

The websites of each Mondadori Group company all have privacy and cookie policies available for consultation, which are kept constantly updated. The www.mondadori.com website also features a section that illustrates the personal data management policies implemented by the entire Mondadori Group.

With regard to the protection of personal data, with a view to continuing and improving the process of compliance with the privacy legislation established by the GDPR and national legislation, in 2019 the Mondadori Group carried out a number of activities. These include:

- the adoption of a tool for the daily, constant computerized management by data controllers and the DPO unit of data processing registers;
- the updating of previous Data Protection Impact Assessments (DPIA) and the performance of specific DPIAs for new processing activities that may pose risks to the rights and freedoms of the individuals involved;
- the updating of existing security measures, and the adoption of new ones, aimed at preventing the loss of personal data and any data breaches and data incidents;
- the updating of the disclosure formats provided to interested parties in accordance with Articles 13 and 14 of the GDPR;
- the performance of a compliance audit - conducted externally - on the processing of personal data of customers and potential customers as part of the sales and marketing activities carried out and managed by Mondadori Retail S.p.A., aimed at assessing the degree of compliance of the company's privacy management system with the GDPR, as well as with internal company procedures;
- the organization of preliminary/ancillary activities for the training on privacy issues of Mondadori Group employees, aimed at raising awareness of the correct daily management of personal data in the workplace;
- the preparation of an annual report by the Data Protection Officer, submitted to the Board of Directors of the Parent Company on 30 July 2019 and distributed to all delegated controllers and members of the boards of statutory auditors of the subsidiaries.

In 2019, the Mondadori Group handled numerous requests for the exercise of rights by data subjects, including, in particular, requests for access to and the deletion of personal data.
In 2019, Arnoldo Mondadori Editore S.p.A. suffered a breach of personal data, reported by external parties and assessed by the GDPR Risk Committee of the Mondadori Group as being minor, with a risk level for those concerned deemed as low. The company informed the Data Protection Authority of the incident and reported the remediation measures taken; the Authority considered it unnecessary to take any action.

Source of complaints (no.)	**2019**	**2018**	**2017**
Supervisory bodies	-	-	-
External parties	1	4	-
Total	**1**	**4**	**-**
Losses or theft of customer data	1	-	-

With regard to Rizzoli International Publications, no privacy or data loss complaints were reported in the three-year period.

BUSINESS INTEGRITY AND COMBATING CORRUPTION

Within the management and control system of the Mondadori Group, the Organizational, Management and Control Model and the rules of conduct of the Model - in the various versions prepared for each company and all constantly updated - represent a reasonably effective system for guaranteeing business integrity and the fight against corruption in all the businesses and areas of the Group.

With regard to 2019, and generally over the period 2017-2019, no cases of corruption or bribery involving employees or suppliers in Italy were found to have occurred, and no legal action was initiated or completed against the Group or its employees for alleged corruption.

In 2019, following the introduction of the whistleblowing system, both documents were updated for all companies. Training on the new Organizational, Management and Control Model is planned for 2020.

With regard to the whistleblowing system, implemented to carry out and handle reports relating to alleged or actual illegal conduct, relevant pursuant to Legislative Decree 231/2001, and alleged or actual violations of Models 231 and/or the Code of Ethics adopted by Group Companies, in full respect and protection of the whistleblower and the reported person, no reports were received in 2019.

Penalties

Penalties paid in 2019 amount to approximately € 263 thousand for financial penalties relating to sentences.

Monetary penalties (Euro/million)	**2019**	**2018**	**2017**
Tax penalties	-	0.03	0.03
Economic penalties	0.26	0.23	0.73
Total	**0.26**	**0.26**	**0.76**

In order to provide greater transparency to stakeholders, the Group set up a filing system for non-monetary penalties at the beginning of 2012. Examples of non-monetary penalties include the publication of rulings.
In 2019, no cases were reported.

Non-monetary penalties	**2019**	**2018**	**2017**
Number of cases	-	1	2

As for Rizzoli International Publications, the company did not incur any tax, economic or non-monetary penalties during the three-year period.

MARKET ABUSE

Following the adaptation of the procedure on inside information made in 2016 in compliance with Regulation (EU) no. 596/2014 on Market Abuse Regulation, the Mondadori Group has strengthened its control over the way it oversees, manages and circulates corporate documents and information internally, the way it communicates inside information to the market and the public in accordance with the applicable provisions of law and regulations, and the audits on the register of persons with access to inside information.
The control system is complemented by the internal dealing procedure that regards the disclosure obligations towards CONSOB, the Company itself and the market of all transactions - of an amount equal to or higher than € 20,000 and in any case of all subsequent transactions, regardless of the amount, once a total of € 20,000 has been reached within a calendar year - carried out on financial instruments issued by the Company, on derivatives and related financial instruments by members of Mondadori's governing or supervisory bodies, managers who have regular access to inside information and who are empowered to take decisions that may affect the outlook and prospects of the Mondadori Group and persons closely associated with them.
Over the three-year period, no legal actions were initiated against the Mondadori Group for anti-competitive behaviour, violations of antitrust regulations or monopoly practices.

MANAGEMENT OF ENVIRONMENTAL IMPACTS

The Mondadori Group has always attached great importance to environmental issues, especially as regards the life cycle of paper products, energy efficiency, and the reduction of climate-changing emissions. The relevance of these issues for the Group is tied primarily to the main environmental impacts of its operations, in relation mainly to the consumption of paper and energy and the distribution of products.
The Group's firm commitment to managing these aspects is underpinned by the will to anticipate future developments connected with these issues and the need to respond effectively to the information demands of the many stakeholders of the Company.
Generally speaking, sustainability matters, and hence issues connected with environmental impacts, are referred to the Sustainability Committee (see *Governance System*, pp. 144-145), which in 2012 prepared a Company environmental policy, published on the Mondadori Group corporate website (www.mondadori.com/sustainability/environmental-protection). The policy outlines the Group's commitment and targets for reducing its environmental footprint and provides the framework for the setting of Group strategy and target areas for environmental action.
The guidelines identified in the environmental policy steer the operational decisions and practices of the Group, from the purchase of paper to the management of stores, with each company unit responsible for applying the guidelines in its day-to-day operations.
As in the rest of the NFS, the figures referring to the scope of continuing operations are shown (Italian consolidated companies and Rizzoli International Publications); Mondadori France figures are shown in a separate section (p. 133).

Life cycle of paper products

As a publishing group, paper consumption and the management of the life cycle of paper products are major factors in the assessment of environmental impacts for Mondadori, especially considering the strategic focus placed in recent years on the Company's Books and, on a smaller scale, Magazines businesses.
This section looks at the environmental impacts connected with the life cycle of paper products, from the use of paper as a raw material to the management of unsold copies of editorial products published and their pulping, including their logistical management and distribution.
The life cycle of paper products starts in paper mills, where paper is manufactured and then sent to the printing company that prints the products. Printed paper products are stored in warehouses and dispatched, through a logistics network, for delivery to distributors and end consumers.
Once a book or magazine is in the hands of a reader, the life cycle of paper products can take one of three turns:

- the book or magazine remains in the reader's home and may be re-used (e.g., re-read, given as a gift, donated to schools and/or libraries);
- the book or magazine is collected as waste paper for recycling, thus becoming valuable raw material that can be reused as pulp by paper mills;
- the book or magazine is collected as general waste.

The raw material: the paper used to print editorial products

In 2019, the total amount of paper purchased for the printing of editorial products in the scope of continuing operations (Italy and the United States) amounted to approximately 66,155 tonnes (-6% versus 2018). Leveraging on the strategy of purchasing goods and services that started in 2014, Mondadori has strengthened its commitment to rationalizing the use of paper in the printing of its products, and to have greater control over the supplier selection process, to ensure that their work is consistent with the sustainability principles of the Group. Supplier selection criteria require that paper is certified by the FSC or PEFC, the two main certification schemes adopted worldwide, in order to gradually increase the percentage of certified paper used over time.

Italy

The table shows paper consumption by type of paper (certified, traditional and recycled) for the 2017-2019 period.
In the three-year period, the breakdown by type of paper shows a constant reduction in the use of traditional paper (0.01% of the total versus 2.1% in 2017) in favour of certified paper (99.98% of the total versus 97.9% in 2017).

Total printing paper

Type of paper	2019		2018		2017	
	tonnes	%	tonnes	%	tonnes	%
Certified	62,643	99.98%	67,325	99.94%	73,573	97.9%
Recycled	5	0.01%	32	0.05%	37	0.0%
Traditional	7	0.01%	11	0.02%	1,578	2.1%
Total	**62,655**		**67,367**		**75,188**	

USA

Rizzoli International Publications purchases its raw materials indirectly through printers, based primarily in China and, to a lesser degree, in Italy. Given the type of products it publishes and its international markets of operation, the company has not attached much significance so far to the use of certified paper. However, greater attention has been placed as early as 2018 to the use of certified paper, to align the company's standards with those of the Group. Based on estimates, in 2019 approximately 80% of paper used is certified, up from last year (approximately 45% in 2018).
Accordingly, paper consumption estimates for 2017-2019 are shown below; the increase in consumption shown is explained by the higher number of copies printed.

Total printing paper[1]

	2019	2018	2017
Tonnes	3,500	3,249	2,849

[1] Figures on RIP 2017, 2018 and 2019 paper consumption are estimated on the basis of the copies produced and the average weight per copy, as detailed figures on actual consumption of paper for printing are not available in the documents received from suppliers, nor was it possible to trace the cost of paper alone in the figures appearing in the purchase invoices

Logistics and the end of life of editorial products

The Mondadori Group's distribution logistics takes the form of a series of overlapping networks that cover the entire country and differ in terms of the type of product managed and transported. These can be divided into the following channels: magazines (newsstands, subscriptions, daily newspapers), books (trade and educational), book clubs (Mondolibri products) and e-commerce.
Many of the logistics processes include both direct shipping to the destination points of the relating channel and the return shipping of unsold products. According to the channel, unsold products may go into storage, be re-processed for paper recycling or pulping (in the case of paper products), or be destroyed or disposed of.
The various distribution processes are described below for each channel, with details provided of the main associated environmental impacts. Specifically, in 2019, regarding the Italian scope, a total of just over 3,220 tonnes of renewable packaging materials (wood and cardboard) was consumed, while non-renewable packaging materials (polyethylene, polypropylene and expanded polystyrene foam) amounted to 366 tonnes (-6% versus 2018). Figures on material consumption used for shipping are unavailable for Rizzoli International Publications.

Magazines - Italy

Logistics for the Magazines Italy Area is managed by Press-di Distribuzione Stampa e Multimedia S.r.l., a wholly-owned subsidiary of the Mondadori Group, which manages the distribution of Mondadori magazines and the magazines and newspapers of other publishers for the newsstands channel only. All Press-di operating processes, including transport management, are outsourced to a network of qualified suppliers. In 2019, over 64,800 tonnes of product were transported, entirely by road transport (with the additional use of ship transport for distribution to islands, involving the roll-on/roll-off of vehicles onto ships).

The magazines logistics process in Italy involves four steps:

- film wrapping and shipment preparation: in 2019 this process was applied to approximately 42.4 million copies, using 174 tonnes of cellophane wrapping, approximately 114,638 pallets (equal to 687 tonnes of wood), and 32 tonnes of film;
- primary transport: from distribution logistics centres (Melzo, Verona and, since 2019, Rome) to local distributors (approximately 51 private businesses in 2019);
- last mile (delivery to the point of sale): local distributors deliver copies to newsstands and carry out the "last mile" transport service to the point of sale. Local distributors are responsible for collecting unsold products at newsstands every day and processing returned products for return delivery to the Press-di national returns centre or for local pulping;
- transport of returned products: unsold products subject to return to the publisher are transported to the national returns centre of San Pietro Mosezzo (Novara) through the Press-di primary transport network.

The table below shows consumption figures for materials used in the transport of magazines to newsstands.

Raw material (tonnes)	Detail	Press-di		
		2019	2018	2017
Wood	Pallets[1]	687	2,103	2,168
Cardboard	Cardboard boxes and packaging materials	-	-	-
Polyethylene	Film	206	268[2]	295
	Package filling	-	-	-
	Pallet covers	n.a.	n.a.	n.a.
Polypropylene	Tape	n.a.	n.a.	n.a.
	Strapping	n.a.	n.a.	n.a.
Expanded polystyrene foam	Filling of packages with polystyrene	-	-	-

[1] The downward trend in 2018-2019 is explained by the availability of more detailed information on the average weight of wooden pallets for 2019.
[2] The figure on film in 2019 and 2018 was estimated on the basis of consumption in 2017

The daily newspapers produced by third-party publishers (including *Il Giornale*, *Libero*, and *Avvenire*) are distributed by a different logistics network from the one used for magazines. This network includes a number of printing centres scattered across Italy, delivering to local distributors. The network, designed to ensure fast delivery times, is shared with other distributors to guarantee greater efficiency.

The lower operating costs (from the gradual reduction in transported weights) run parallel to the proportional reduction in emissions from the use of transporters. Added to that is the effect of the certified returns process, by which unsold copies of publications are sent for pulping by local distributors, ensuring the processing of returns for statistical and accounting purposes for the publishers, without the need for the unsold copies to return physically to the warehouse, thereby reducing both costs and emissions.

The following table shows the estimated CO_2eq emissions from the transport of magazines from the distribution logistics centres of Verona, Melzo and Rome to local distributors in the three-year period 2017-2019 (the Rome distribution logistics centre was added in 2019). In 2019, these emissions increased by 7.3% versus 2018, from 5,378 tonnes to 5,769 tonnes of CO_2eq respectively.

CO_2eq emissions from primary transport

	2019	2018	2017
tCO_2eq[1]	5,769	5,378	5,806

[1] Primary transport emissions have been calculated taking into consideration the greenhouse gases CO_2, CH_4, N_2O

Emission factors used

Transport of magazines	Source 2019	DEFRA: 2019 UK Government GHG Conversion Factors for Company Reporting	0.80 $kgCO_2eq$/km
	Source 2018	DEFRA: 2018 UK Government GHG Conversion Factors for Company Reporting	0.81 $kgCO_2eq$/km
	Source 2017	DEFRA: 2017 UK Government GHG Conversion Factors for Company Reporting	0.81 $kgCO_2eq$/km

With regard to the management of returns, Mondadori has a particularly high local pulping rate, thanks to the incentives spearheaded by Press-di (in agreement with the Group and third-party publishers distributed) to encourage the widespread take-up of certified returns processes by local distributors. At the same time, however, the ongoing decline in newspaper and magazine readership, which has led to a general reduction in returns, has also affected the number of intermediaries - local distributors and newsstands - over the years, lowering both their total number and those that guarantee certified returns.

In 2019, local pulping amounted to approximately 18,860 tonnes for magazines (-12% versus 2018) and approximately 10,820 tonnes for newspapers (+20% versus 2018). Currently, out of the 51 local distributors used by Press-di, 48 guarantee certified returns (versus 59 out of 62 last year).

Trade books

Logistics operations for Trade Books (for the Mondadori, Einaudi, Electa, Frassinelli, Piemme, and Sperling & Kupfer brands, managed until April 2017 by Mondadori Libri S.p.A. through the Verona logistics hub) were sold as a business unit to Ceva Logistics S.p.A. in May 2017. The supplier has gradually transferred restocking, counting, and returns selection operations to its City of Books logistics hub in Stradella (in the province of Pavia), where it already managed operations for Rizzoli Libri. Operations for the launch of new books are also managed by Ceva Logistics, but performed by an external provider located in the Verona area.
In this context, the returns process (see the corresponding table for figures relating to shipping volumes, pallets and copies handled) is worthy of attention: returns are registered, classified based on quality, recorded, and stocked. The owner of such stock, i.e. the publisher, pays for storage and decides when to pulp the product.

Returns Trade books (no.)[1]	2019	2018	2017
Copies	12,788,000	9,925,000	10,391,000
Packages	399,000	325,000	332,000
Shipments	43,900	35,200	35,700

[1] Figures on pallets and shipments are based on estimated number of copies

All boxes used to distribute Trade Books are made of corrugated cardboard consisting of 90% recycled paper. This packaging is 100% recyclable and the recycled material comes from national pulp companies.

School textbooks publishing

In 2019, Mondadori Education distributed approximately 6.56 million textbooks and teachers' guidebooks. In 2019, distribution operations for all Mondadori Education publications were performed at the Verona logistics hub, managed by Ceva Logistics.
The logistics for Mondadori Education publications is connected with specific school education activities (promotion, adoption, and sale of books):

- through a network of promoters, school textbooks are presented to teachers from January to May in order to promote their adoption; logistics is in charge of shipping the books from the central warehouse to the promoters, reaching just under 130 destinations; lastly, the promoters are in charge of delivering or shipping the sample books to teachers. Mention should be made in this sense of the introduction of digital sample books (connected with the development of multi-device digital school books), which may lead to a reduction in the production and shipment of print sample books;
- starting in May and, with varying intensity, up until the end of October, Mondadori Education restocks the retail distribution points for the sales campaign, reaching approximately 20

destinations. Additionally, starting in September, when the school year starts, the promoters are supplied with books and guides to deliver to teachers for classroom trials;

- as well as making shipments to decentralized distribution centres, the central warehouse in Verona directly supplies a number of top accounts and approximately 800 bookstores with university texts and L2 books (Italian as a foreign language).

Although returns are less frequent for school textbooks, total returns in this segment came to approximately 669,000 copies in 2019.

Distribution processes for Rizzoli Education are similar, but run through different logistics hubs, involving a central warehouse (City of Books hub in Stradella) and a regional distributor (Bologna).
As for the number of copies transported, approximately 7,500,000 copies were distributed in 2019, while returns amounted to 1,450,000 (both figures refer to sale copies and to classroom trial copies).

Bookclub

For products distributed through the bookclub channel, logistics (warehousing and preparation of orders) and all business support processes are managed at the Verona logistics hub. Orders are shipped by mail.
The cardboard boxes used for shipments are the same type used for Trade Books. Materials returned by post are subject to recycling.

E-commerce

With regard to products sold on the website www.mondadoristore.it, B2C logistics activities include product management (for both Mondadori books and third-party publishers) at the Verona logistics centre (now Ceva Logistics); products are prepared according to customer orders and shipments are made by express courier directly to the end customer's address. In this channel there are practically no returns.

The table below shows consumption figures for materials used in the transport of Trade Books and school textbooks.

Materials consumption for Trade Retail books and school textbooks[1]

		Verona and Stradella logistics hub		
Raw material (tonnes)	**Detail**	**2019**	**2018**	**2017**
Wood	Pallets	802	1,523	921
Cardboard	Cardboard boxes and packaging materials	1,050	1,316	1,121
Polyethylene	Film	60	39	73
	Package filling	15	8	13
	Pallet covers	36	4	3
Polypropylene	Tape	9	22	6
	Strapping	25	11	9
Expanded polystyrene foam	Filling of packages with polystyrene	15	38	15

[1] The figure for 2017 relating to package filling materials, pallet covers and strapping refers to Trade Books only; the figures for Mondolibri are unavailable

Reducing energy consumption and combating climate change

The emission reporting process implemented in recent years by the Group has enabled the consolidation of calculation methods, and has acted as a baseline for raising internal awareness about possible policies for the reduction of greenhouse gases generated by its operations. In this regard, the Group has already launched a number of projects to cut its emissions, both in 2019 and in the past. These include the implementation of energy efficiency measures in buildings, the reduction of printing paper consumption, and the replacement of the car fleet with lower emission models (*see Initiatives to reduce the environmental impact,* pp. 129-132).

This section looks at the environmental impact of the Mondadori Group's operations on global warming. It shows and explains the figures on direct and indirect greenhouse gas emissions produced by the Group along its entire value chain.

Total greenhouse gas emissions at Group level (scope of continuing operations - Italy and USA) in 2019 amounted to approximately 32,900 tonnes of CO_2 (-8% versus 2018). Total electricity consumption in 2019 amounted to 13,165 MWh (47,394 GJ, -4.1% versus 2018), while natural gas consumption amounted to 428,985 m^3 (15,144 GJ, +7% versus 2018). The Group does not purchase energy from renewable sources.

Italy

Greenhouse gas emissions from Group operations in Italy and considered within the reporting scope of the GHG survey are classified as either direct (Scope 1) GHG emissions, energy indirect (Scope 2) GHG emissions or other indirect (Scope 3) GHG emissions.

GHG emissions (tonnes)	**2019**	**2018**	**2017**
Direct (Scope 1) - CO_2eq	848	801	1,013
Energy indirect (Scope 2)			
location-based - CO_2	*4,617*	*4,840*	*5,870*
market-based - CO_2eq	*6,266*	*6,453*	*7,374*
Other indirect emissions (Scope 3) - CO_2	25,951	28,534	33,691
Emissions from paper production	*24,435*	*26,947*	*32,331*
Emissions from business travel	*1,516*	*1,587*	*1,360*
Total emissions - CO_2	**31,416**	**34,175**	**40,574**

Location-based Scope 2 emissions are shown in tonnes of CO_2; however, the percentage of methane and nitrous oxide has a negligible effect on the total greenhouse gas emissions (CO_2eq), as inferred from the relating technical literature

Scope 3 emissions linked to paper production are shown in tonnes of CO_2, as the source used does not report the emission factors of other gases than CO_2.

Total emissions are calculated according to the location-based approach and are shown in CO_2 as the share attributable to other gases (CH_4 and N_2O) is immaterial

Emission factors used[1]

Electricity (*location-based*)	Source 2019: Terna international comparisons on Enerdata figures (2017 figures)	359 gCO_2/kWh
	Source 2018: Terna international comparisons on Enerdata figures (2016 figures)	360 gCO_2/kWh
	Source 2017: Terna international comparisons on Enerdata figures (2015 figures)	359 gCO_2/kWh
Electricity (*market-based*)	Source 2019: AIB, (2019) European Residual Mixes 2018	487 gCO_2eq/kWh
	Source 2018: AIB, (2018) European Residual Mixes 2017	480 gCO_2eq/kWh
	Source 2017: AIB, (2017) European Residual Mixes 2016	471 gCO_2eq/kWh
Natural gas	Source 2019: NIR ISPRA	1.976 kg of CO_2/m^3
	Source 2018: NIR ISPRA	1.978 kg of CO_2/m^3 0.00008571 $kgCH_4/m^3$ 0.00003428 kgN_2O/m^3
	Source 2017: National standard parameters published by the Ministry for the Environment and Land and Sea Protection (2017)	1.964 tCO_2/1.000 $stdm^3$ and 55.897 tCO_2/TJ
Paper production	Source 2019: Key Statistics 2018 of the Confederation of European Paper Industries (CEPI)	0.39 tCO_2/t paper
	Source 2018 and 2017: Key Statistics 2017 of the Confederation of European Paper Industries (CEPI)	0.4 tCO_2/t paper

[1] Figures relating to business travel are disclosed through specific reports by the various travel agencies used by the Group

Direct (Scope 1) GHG emissions derive from the consumption of natural gas for the heating of offices, stores, and warehouses and fugitive emissions from air conditioning units. The figure for fugitive emissions is not available for 2019. For such reason, Scope 1 emissions derive exclusively from natural gas consumption. Natural gas consumption figures are accurately measured.

Natural gas - Italy	UoM	2019	2018	2017
Natural gas consumption	m^3	428,985	402,420	515,584
	GJ	15,144	14,139	18,115

Natural gas consumption is converted into GJ using the conversion factors sourced from "National standard parameters published by the Ministry for the Environment and Land and Sea Protection" published for the respective years (2019, 2018, 2017). 2017 figures contain estimates as the final consumption figures are unavailable

In Italy, the Group's gas consumption increased by 7% versus 2018, from 402,420 m^3 to 428,985 m^3 in 2019, due mainly to the irregular weather conditions in May.

Energy indirect (Scope 2) GHG emissions derive from electricity consumption, which is sourced from the national electricity grid for the use of:

- lighting, air conditioning (heat pumps), and equipment (e.g. PCs, printers) in offices and stores;
- lighting and equipment in warehouses;
- recharging electrical vehicles (Segrate) and forklift trucks (warehouses).

Electricity - Italy	**UoM**	**2019**	**2018**	**2017**
Total electricity purchased from national grid	MWh	12,860	13,445	15,655
	GJ	46,295	48,401	56,358

2017 figures contain estimates as the final consumption figures are unavailable

The trend in electricity consumption in Italy has been steadily falling over the past three years: the approximately 18% reduction between 2017 and 2019 is due partly to the energy saving measures and actions implemented over the year (see *Initiatives to reduce the environmental impact*, pp. 129-132).

Other indirect (Scope 3) emissions consist of emissions from paper production operations (see *The raw material: the paper used to print editorial products*, pp. 120-121) and business travel by employees. Emissions from the paper production cycle totaled approximately 24,435 tonnes of CO_2 in 2019, down versus the prior year as a result of the declining consumption of paper (-9%).

Alongside emissions from paper consumption, emissions are associated with business travel by company personnel, mainly for the purposes of: meeting customers, travel for editorial features, meetings with suppliers, meetings at other company sites, and participation in events.

The following table shows the breakdown of business travel-related emissions by means of transport.

Emissions by means of transport	**2019**
Train	9.4%
Company car	26.0%
Car rental	0.7%
Plane	63.9%

As in prior years, company cars and air travel, being powered by fossil fuels, accounted for the biggest share of CO_2 emissions from business travel.

Other significant Scope 3 emissions were found to be connected with the logistics of transporting raw material (paper) and finished goods. Owing to the difficulty of collecting reliable figures on these flows, currently these emissions are only partly recorded (see table on p. 122) and may be analyzed more in detail in upcoming years.

USA

Figures relating to greenhouse gas emissions from operations run by Rizzoli International Publications refer to energy indirect (Scope 2) emissions and other indirect (Scope 3) emissions.

GHG emissions (tonnes)		2019	2018	2017
Energy indirect (Scope 2) - CO_2				
	location-based	*125*	*117*	*231*
	market-based	*125*	*117*	*231*
Other indirect emissions (Scope 3) - CO_2		1,365	1,300	1,225
Total emissions		**1,490**	**1,416**	**1,456**

Scope 2 emissions are shown in tonnes of CO_2; however, the percentage of methane and nitrous oxide has a negligible effect on the total greenhouse gas emissions (CO_2eq), as inferred from the relating technical literature
Scope 3 emissions linked exclusively to paper production are shown in tonnes of CO_2, as the source used does not report the emission factors of other gases than CO_2

Currently unavailable are the figures on fugitive emissions from air conditioning equipment for measuring direct (Scope 1) GHG emissions, and those on emissions from business travel.

Emission factors used

Electricity (*location-based and market-based*)	Source 2019: Terna international comparisons on Enerdata figures (2017 figures)	411 gCO_2/kWh
	Source 2018: Terna international comparisons on Enerdata figures (2016 figures)	421 gCO_2/kWh
	Source 2017: Terna international comparisons on Enerdata figures (2015 figures)	455 gCO_2/kWh
Paper production	Source 2019: Key Statistics 2018 of the Confederation of European Paper Industries (CEPI)	0.39 tCO_2/t paper
	Source 2017 and 2018: Key Statistics 2017 of the Confederation of European Paper Industries (CEPI)	0.4 tCO_2/t paper

Total emissions of Rizzoli International Publications increased by 5% in 2019 versus 2018, due mainly to the increase in paper production.

	UoM	2019	2018	2017
Total electricity purchased from national grid	MWh	305	277	508
	GJ	1,099	997	1,830

Electricity consumption for RIP in 2017 and 2018 has been estimated on the basis of the spend on electricity, as more detailed consumption figures are unavailable
The 2019 figures are estimated on the basis of 2018 electricity consumption per employee, as details of energy consumption for 2019 are unavailable

INITIATIVES TO REDUCE THE ENVIRONMENTAL IMPACT

Waste

The commitment to reducing the environmental impact also applies to waste produced. Given the specific business of the Mondadori Group, only a small part of waste produced by special products falls in the “hazardous” class. Segrate, the only site at the moment where the amounts of waste disposed of can be accurately measured, saw an increase between 2019 and 2018 of approximately 2 tonnes in the production of hazardous waste, due to the disposal of obsolete electrical and electronic office equipment.

Waste	2019		2018		2017	
Segrate head office	**tonnes**	**%**	**tonnes**	**%**	**tonnes**	**%**
Hazardous	2.738	1.14%	0.771	0.4%	0.793	0.4%
Non-hazardous	238.158	98.86%	199.73	99.6%	211.135	99.6%
Total	**240.896**		**200.5**		**211.9**	

With a view to continuous improvement, a project was launched in 2019 to eliminate plastic waste at work sites, with tighter control over the correct disposal and the introduction of drinking water and beverage dispensers at the Segrate canteen, and the elimination of bottled drinks and plastic glasses, replaced by steel water bottles for all employees (of all sites) and washable and reusable glasses.
Additionally, account was taken of the quantities of plastic and paper disposed of at the Segrate site, which amounted to over 5 and 105 tonnes respectively in the period May - December 2019.

Energy saving initiatives in 2019

2019 was a year of renewed focus on energy saving, especially at the Segrate head office. The initiatives shown below are those planned in 2018 and partly implemented in 2019, the benefits of which will be fully felt in 2020. Other initiatives are currently in the pipeline or being assessed and planned.

All sites (Italy)
Among the measures taken to reduce the environmental impacts of Group offices and stores, efforts have been made in recent years to raise awareness of the responsible use of toners and paper for printing in offices. Over the last three years in particular, the Group has managed to reduce the consumption of printing paper by approximately 32%. Toners have also witnessed a decrease in the three-year reporting period, thanks to the replacement in 2018 of all the printers at the Italian sites, including the directly-managed stores, with new all-in-one printers - printer, scanner and photocopier - which, together with print quality and the possibility of printing on any machine at the sites, guarantee a strong reduction in energy consumption and consumables (paper and toners).

Toner and printing paper consumption (offices) Raw material (tonnes)	**2019**	**2018**	**2017**
Paper for printouts	61	72	90
Toners for printouts	1	2	3

Segrate head office

- Completion in November of the splitting of the induction system on the main building, south side, through sectioning of the hydraulic distribution into two macro-areas per half floor, managed by temperature sets and the installation of inverters on the hot and cold inductor pumps. Goal: energy saving, increased comfort and ultimate flexibility of the system, allowing a different use per half floor. Annual savings are estimated at approximately 6,000 m^3 of gas and 30,000 kW.
- Replacement in June of the north well pump with a new inverter pump to reduce water and electricity consumption at nighttime and in winter, with consumption proportional to actual needs, while still ensuring a minimum constant flow to the lake. Annual savings are estimated at approximately 28,000 kWh, while the reduction in groundwater use is estimated at approximately 250,000 m^3/year.
- Replacement in March of the north tower well booster pumps with new inverter pumps to reduce water and electricity consumption, with consumption proportional to actual needs. Annual savings are estimated at approximately 7,000 kW.
- Following the construction of the new bookstore in autumn, the old central air treatment systems were replaced by new VRV autonomous systems with heat recovery units on the outdoor air renewal, resulting in greater comfort and flexibility linked to the actual use of the spaces and energy saving.
- The project shared with the Municipality of Segrate and Fondazione Porcinai saw the redevelopment of the green areas surrounding the headquarters with:
  - the felling of 108 Italian poplars;
  - 183 plantings, of which 85 Italian poplars (auditorium row, west lakefront side and woods), 48 lime trees (east parking lot sporting side) and 50 trees donated to the Municipality of Segrate. Once the work was completed, the area's tree heritage increased by over 60%, respecting the park's design and existing species.
- For both Palazzo Niemeyer and Cascina Tregarezzo, the electrical energy monitoring system was upgraded in accordance with Legislative Decree 102/2014. The system allows to split energy consumption based on use (conditioning, motive power, lighting, auxiliary devices), crucial for implementing new saving measures.

Florence offices

Following a preliminary design by the Group's Real Estate, the property replaced the old existing chiller and removed the heating plant by installing a new high-efficiency heat pump machine. The work allowed the total closure of the gas contract - approximately 11,000 m^3/year - and the related emissions into the atmosphere. The new machine - up and running since the end of June - is fitted with freon gas with lower environmental impact and inverter motors, reducing electricity consumption in summertime.

Initiatives planned or in the pipeline for 2020

Segrate head office

- Project laid out and quotations requested for the splitting of the induction system on the main building, north side, through sectioning of hydraulic distribution into two macro-areas per half floor, managed by temperature sets and the installation of inverters on the hot and cold inductor pumps, with a view to energy saving, increased comfort and high system flexibility, also allowing a diversified use per half floor.
- The next forthcoming stage involves the replacement of the south well pump with a new inverter pump to reduce water and electricity consumption at nighttime and in winter, with consumption proportional to actual needs, while still ensuring a minimum constant flow to the lake. Work will be completed with a power-assisted valve on the outlet to the lake to keep the pressure steady, enhancing the installation of the inverter on the two well pumps.
- In the planning and request for quotations stage for the installation of inverters on multi-purpose well booster pumps. The initiative aims at reducing the consumption of water and electricity proportional to actual needs.
- In the planning and request for quotations stage is the installation of a new geothermal unit for the treatment of technical environments such as the UPS battery room, the documentation centre and the control room. This initiative is needed to replace machines that are no longer in operation, but at the same time it helps create a system that offers greater efficiency and reduced electricity consumption.
- In the planning and request for quotations stage is the installation of inverters on well pumps, in order to reduce water and electricity consumption proportional to actual needs.
- Gradual replacement of external lamps (in the car park and along walkways) with new LED technology.
- Arrangements laid out for the decommissioning of the underground gas station tanks. By the end of 2020, the tanks will be removed and the surrounding area reclaimed.

Reducing the impact of business travel

The Mondadori Group has been committed for some years now to reducing emissions from business travel related to its Italian operations.
In 2019, the size of the Group’s car fleet in Italy remained unchanged and shows a slight decrease in terms of emission class: with regard to the breakdown of vehicles in “emission classes”, as determined by the ADEME eco-label (Agence de l’Environnement et de la Maîtrise de l’Energie, a French agency specialized in the identification and spread of energy, environmental protection, and sustainable development information), in 2019, 50% of the car fleet consisted of class A and B vehicles (52% in 2018), with a slight increase in vehicles with less virtuous emission classes (D).

Mondadori car fleet Type (no.)	**2019**	**2018**	**2017**
Owned cars	0	0	0
Rental cars	112	112	130
Total	**112**	**112**	**130**

In 2019 too, no class F and G cars were reported in the fleet.

Type (no.)	2019	2018	2017
CLASS A - less than or equal to 100 gCO_2/km	13	16	19
CLASS B - from 101 to 120 gCO_2/km	43	42	44
CLASS C - from 121 to 140 gCO_2/km	31	31	37
CLASS D - from 141 to 160 gCO_2/km	14	8	12
CLASS E - from 161 to 200 gCO_2/km	11	15	18
CLASS F - from 201 to 250 gCO_2/km	0	0	0
CLASS G - more than 250 gCO_2/km	0	0	0
Total	**112**	**112**	**130**

Average of emission classes (in grams of CO_2 equivalent)

2019	**127**	**C**
2018	127	C
2017	128	C

In 2019, the average emissions per km remained unchanged at 125 gCO_2/km.

Average CO_2 emissions per km (in grams of CO_2eq)

2019	**125**	**C**
2018	125	C
2017	126	C

MONDADORI FRANCE

As mentioned in the introduction, the French subsidiary Mondadori France S.a.s., publisher of print and digital magazines, was sold on 31 July 2019 by the Mondadori Group to the French media group Reworld Media.
Below are the figures for Mondadori France at 30 June 2019.

ENHANCEMENT AND MANAGEMENT OF HUMAN CAPITAL

Headcount

Employees (no.)	1H19	2018	2017
Employees	691	743	751
Pigistes	359	371	386

Hires and terminations*		1H19		2018		2017	
Gender	**Age**	**Number**	**%**	**Number**	**%**	**Number**	**%**
		HIRES					
Women	<30 years old	2	40%	6	25%	5	16%
	30-50 years old	2	40%	7	29%	7	23%
	>50 years old	-	-	-	-	5	16%
Total women		**4**	**80%**	**13**	**54%**	**17**	**55%**
Men	<30 years old	-	-	4	17%	4	13%
	30-50 years old	1	20%	6	25%	8	26%
	>50 years old	-	-	1	4%	2	6%
Total men		**1**	**20%**	**11**	**46%**	**14**	**45%**
Total hires		**5**	**100%**	**24**	**100%**	**31**	**100%**
Turnover rate (new employees)			**0.72%**		**3.23%**		**4.13%**
		TERMINATIONS					
Women	<30 years old	1	2%	2	4%	3	5%
	30-50 years old	18	38%	14	29%	21	32%
	>50 years old	9	19%	10	21%	18	28%
Total women		**28**	**60%**	**26**	**54%**	**42**	**65%**
Men	<30 years old	-	-	1	2%	1	2%
	30-50 years old	14	30%	14	29%	16	25%
	>50 years old	5	11%	7	15%	6	9%
Total men		**19**	**40%**	**22**	**46%**	**23**	**35%**
Total terminations		**47**	**100%**	**48**	**100%**	**65**	**100%**
Turnover rate (leaving employees)			**6.80**		**6.46%**		**8.66%**

* Hires and terminations by Mondadori France do not include fixed-term employment contracts (*Contrat à Durée Déterminée* - CDD; nevertheless, turnover rates have been calculated considering all employees at the end of each year, for 2017 and 2018, and at 30 June 2019, for consistency with the other tables Hires and terminations under fixed-term employment contracts (CDD) are high as this kind of contract is widely envisaged under French labour law

The following tables show the percentage breakdown of the workforce by gender, age, area of activity, qualification and type of contract over the three-year period.

Workforce by gender

1H19		2018		2017	
Women	Men	Women	Men	Women	Men
63%	37%	63%	37%	62%	38%

Workforce by age

	1H19			2018			2017		
	Total	Women	Men	Total	Women	Men	Total	Women	Men
<30 years	4%	72%	28%	4%	65%	35%	3%	72%	28%
30–50 years	51%	65%	35%	53%	65%	35%	56%	63%	37%
>50 years	45%	59%	41%	43%	60%	40%	40%	61%	39%

Workforce by business area

	1H19			2018			2017		
	Total	Women	Men	Total	Women	Men	Total	Women	Men
Corporate	25%	60%	40%	25%	59%	41%	25%	58%	42%
Magazines	58%	60%	40%	58%	61%	39%	57%	61%	39%
Digital	3%	64%	36%	4%	62%	38%	4%	60%	40%
Advertising	14%	77%	23%	13%	77%	23%	14%	76%	24%

Workforce by grading, gender and age

	1H19			2018			2017		
	Total	Women	Men	Total	Women	Men	Total	Women	Men
Cadres	38%	68%	32%	38%	67%	33%	39%	66%	34%
Employés	11%	77%	23%	11%	76%	24%	11%	77%	23%
Journalistes	51%	56%	44%	51%	57%	43%	50%	57%	43%

	1H19				2018				2017			
	Total	<30 years old	30-50 years old	>50 years old	Total	30-50 years old	30-50 years old	>50 years old	Total	30-50 years old	30-50 years old	>50 years old
Cadres	38%	6%	53%	41%	38%	5%	56%	39%	39%	3%	59%	37%
Employés	11%	7%	40%	53%	11%	6%	43%	51%	11%	6%	54%	40%
Journalistes	51%	1%	53%	46%	51%	2%	54%	45%	50%	3%	54%	43%

Workforce by type of contract

	1H19			2018			2017		
	Total	Women	Men	Total	Women	Men	Total	Women	Men
Permanent	96%	62%	38%	95%	62%	38%	97,1%	62%	38%
Fixed-term	4%	71%	29%	5%	79%	21%	2,9%	86%	14%

Workforce by professional category (full time/part time)

	1H19			2018			2017		
	Total	Women	Men	Total	Women	Men	Total	Women	Men
Full time	93%	62%	38%	94%	62%	38%	95%	61%	39%
Part time	7%	76%	24%	6%	79%	21%	5%	82%	18%

Parental leave

	1H19			2018			2017		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
Employees entitled to parental leave[1] (no.)	433	258	691	467	276	743	469	282	751
Employees who took parental leave (no.)	4	4	8	11	9	20	7	11	18
Employees returning to work after parental leave (no.)	4	4	8	10	9	19	7	9	16
% returning after parental leave	100%	100%	100%	91%	100%	95%	100%	82%	89%

[1] For consistency with other workforce tables, figures are shown at 30 June 2019 and 31 December 2018 and 2019; it should be noted that, as regards the employees that took parental leave, the total number includes those not covered by the end-of-period headcounts because of terminations/resignations

Industrial relations

All employees in France are covered by collective bargaining agreements.
The minimum notice periods required by collective bargaining agreements for the introduction of operational changes (1 to 2 months depending on whether length of service is more or less than 2 years for journalists and white collars, and up to 3 months for middle managers) were respected, as were legal terms for the involvement of trade union representatives.

DIVERSITY

The following tables show the percentage ratio of women's remuneration to men's remuneration by qualification and the percentages of the workforce with disabilities.

Remuneration

	1H19	2018	2017
Cadres	83%	82%	84%
Employés	102%	100%	101%
Journalistes	93%	91%	92%

Employees with disabilities

	1H19			2018			2017		
	% of total employees with disabilities	of whom % women	of whom % men	% of total employees with disabilities	of whom % women	of whom % men	% of total employees with disabilities	of whom % women	of whom % men
Cadres	20%	50%	50%	25%	-	100%	10%	-	100%
Employés	20%	-	100%	13%	-	100%	30%	-	100%
Journalistes	60%	50%	50%	62%	40%	60%	60%	50%	50%
	% of total employees	of whom % women	of whom % men	% of total employees	of whom % women	of whom % men	% of total employees	of whom % women	of whom % men
	1%	40%	60%	1%	25%	75%	1%	30%	70%

Training and development

Training programs at Mondadori France are organized in three groups (ad hoc professional, language, and workplace safety), with plans lasting two or three years. In the first half of 2019, training courses set up under the 2018-2019 plan continued on digital marketing, management (for those taking on new management functions in the period), advertising storytelling, and the plan to develop language skills in English and Italian.

Hours delivered (no.)	1H19	2018	2017	Attendees (no.)	1H19	2018	2017
Total	**1,910**	**7,074**	**6,532**	**Total**	**131**	**381**	**405**

Hours delivered (no.)	1H19	2018	2017	Attendees (no.)	1H19	2018	2017
Ad hoc training	**790**	**5,868**	**4,934**	**Ad hoc training**	**72**	**302**	**328**
Cadres	341	3,467	2,691	Cadres	40	210	146
Employés	24	562	204	Employés	2	29	14
Journalistes	425	1,839	2,039	Journalistes	30	63	168
% hours delivered to women	51%	74%	67%	% women	68%	67%	66%
% hours delivered to men	49%	26%	33%	% men	32%	33%	31%
Language courses	**967**	**1,034**	**1,283**	**Language courses**	**43**	**54**	**47**
Cadres	710	871	865	Cadres	31	41	34
Employés	138	54	205	Employés	5	5	4
Journalistes	119	109	214	Journalistes	7	8	9
% hours delivered to women	80%	75%	79%	% women	84%	78%	74%
% hours delivered to men	20%	25%	21%	% men	16%	22%	26%
Safety training	**153**	**172**	**315**	**Safety training**	**16**	**25**	**30**
Cadres	104	77	124	Cadres	9	11	14
Employés	7	21	55	Employés	1	3	4
Journalistes	42	74	136	Journalistes	6	11	12
% hours delivered to women	50%	63%	54%	% women	69%	64%	60%
% hours delivered to men	50%	37%	46%	% men	31%	36%	40%
Total hours of training delivered	**1,910**	**7,074**	**6,532**	**Total attendees**	**131**	**381**	**405**
Cadres	1,155	4,415	3,679	Cadres	80	262	194
Employés	169	637	464	Employés	8	37	22
Journalistes	586	2,022	2,389	Journalistes	43	82	189
% hours delivered to women	65%	74%	69%	% women	73%	69%	66%
% hours delivered to men	35%	26%	31%	% men	27%	31%	34%

Average hours of training per capita (no.)	1H19	2018	2017
Total	**2.76**	**9.52**	**8.70**
Women	2.89	11.23	9.56
Men	2.55	6.63	7.27
Cadres	4.38	15.60	12.69
Employés	2.32	8.06	5.59
Journalistes	1.66	5.31	6.32

Faced with a general contraction in the Magazines market (in terms of both readership and advertising revenue), in 2014 Mondadori France implemented a series of restructuring plans to adapt to the decline in the sector, while at the same time guaranteeing job protection for its people. Following negotiations with the Business Committee of the Economic and Social Unit of Mondadori Magazines France (UES MMF), various measures were launched to facilitate internal transfers and terminations on a voluntary basis.

As regards job mobility opportunities, strictly voluntary, a space was developed for the management of skills-mobility. Overseen by the Human Resources Department and special external consultants, its aim is to support employees in the transfer process, whether within or outside the company: interviews to assess skills and professional prospects, the drafting of personalized career plans, first refusal on vacancies at Mondadori, and certificates attesting to the skills acquired are all tools designed to assist the worker until they take up their new role.

Programs for human resources development, both in relation to skills updating and to the restructuring plans, are based on the performance assessment system. The following table shows 2016-2018 figures on the Annual Appraisal Assessment (AAA) which involves the participation of both the employee and the relevant manager. At 30 June 2019, the assessment program was about to start (ending in September); figures, therefore, are unavailable.

Annual Appraisal Assessment (AAA)	2018		2017		2016	
	Number	%	Number	%	Number	%
Cadres	161	57%	157	54%	175	58%
Employés	21	27%	35	42%	40	41%
Journalistes	133	35%	33	9%	95	24%
Total	**315**	**42%**	**225**	**30%**	**310**	**39%**

FREEDOM OF EXPRESSION AND PUBLICATION

Figures relating to contributions received by Mondadori France in the first six months of 2019 from Public Administration, other bodies, associations, NGOs, non-profit organizations or private individuals are unavailable.

PRIVACY AND PERSONAL DATA PROTECTION

France reports a high number of complaints from high-profile public figures and show business celebrities against magazines accused of violating their privacy and image rights. The titles published by Mondadori France, in particular in the first half of 2019 the weekly *Closer* (19 complaints) and *Téléstar* (1 complaint), are no exception to such trend.

Source of complaints	**1H19**	**2018**	**2017**
Supervisory bodies	-	-	-
External parties	20	74	81
Total	**20**	**74**	**81**

Penalties

In the first half of 2019, the financial penalties imposed on Mondadori France amounted to approximately € 540 thousand. Added to these are 3 non-monetary penalties arising from rulings preventing the sale and/or republication of photos.

Monetary penalties (in milioni di euro)

Type	**1H19**	**2018**	**2017**
Tax penalties	-	-	-
Economic penalties	0.54	0.37	0.63
Total	**0.54**	**0.37**	**0.63**

Non-monetary penalties	**1H19**	**2018**	**2017**
Number of cases	3	1	4

BUSINESS INTEGRITY AND COMBATING CORRUPTION

No legal actions were initiated or concluded against Mondadori France in the two-year period 2017-2018 for alleged collusive practices or infringements of antitrust and anti-monopoly legislation, nor were there any cases confirmed in the first six months of 2019.
Additionally, no certified incidents of corruption were reported in 2018 and the first half of 2019. One case, instead, was reported in 2017, which was promptly intercepted and the employee involved was given a warning.

MANAGEMENT OF ENVIRONMENTAL IMPACTS

Life cycle of paper products

In France, the *Eco-contribution* tax on entities that release at least 5 tonnes of paper on the market per year, designed to encourage the sustainable use of the resource, is an additional incentive for the collection and recycling of waste paper. The proportional basis of the tax has led publishers such as Mondadori France to purchase more paper from paper mills located near printing operations, to use paper containing at least 25% recycled fibre, and to implement strategies to promote recycling.

As a tangible expression of its commitment to reducing the environmental impacts associated with paper consumption, Mondadori France has developed closer relations with PEFC-, FSC- and ISO 14001-certified printers and PEFC- and FSC-certified paper mills in Europe (mainly in Sweden, Norway, Finland, Germany, Austria, Italy, and France). Moreover, in 2011 Mondadori France itself attained PEFC certification, for which it is audited annually by an external body to assure compliance with the relating standards.

Total printing paper

Type of paper	1H19		2018		2017	
	tonnes	%	tonnes	%	tonnes	%
Recycled[1]	3,000	20%	7,349	20%	6,532	16%
Traditional	12,300	80%	29,665	80%	35,444	84%
Total	**15,300**		**37,014**		**41,976**	

[1] This category includes all certified paper that is not traditional paper and contains a percentage of recycled paper

Mondadori France's paper consumption in the first six months of 2019 stood at 15,300 tonnes, hinting at a trend that is basically in line with last year.

Magazine logistics

Printing, binding and distribution operations connected with the magazines published by Mondadori France (almost 80 million copies in the first half of 2019) are outsourced to external suppliers located in Europe. Unlike Italy, the sale of magazines via subscriptions represents a significant share of the business. Magazines are distributed by post or to newsstands. Specifically, distribution to newsstands is outsourced to two companies and is carried out mainly by road transport.
Most of the wooden pallets used for distribution activities are recovered from warehouses at the end of the distribution chain and returned to the printers and binders. On average, pallets can be reused 3-5 times before having to be repaired or replaced.

The distribution of subscription copies is outsourced to France's main postal system player, *La Poste*, which distributes the products directly to the homes of subscribers. Before reaching *La Poste*'s main distribution centres, the copies are readied for delivery by three post consolidator companies: here, each copy is covered with a film indicating the address of the consignee and placed in reusable plastic boxes that are delivered to *La Poste*. Once emptied of their content, the plastic boxes, supplied by *La Poste*, are recovered from the main collection centres in the Paris area. Lastly, the delivery of the magazines to subscribers is guaranteed by a network of couriers.

The table below shows consumption figures for materials used in the transport of magazines to newsstands and for subscriptions. On a conservative approach, these materials are considered as direct consumption also in the case of outsourcing.

Raw material (tonnes)	**Detail**	**1H19**	**2018**	**2017**
Wood	Pallets	433	983	1,058
Cardboard	Cardboard boxes and packaging materials[1]	10	20	20
Polyethylene	Film	85	183	201
	Package filling	-	-	-
	Pallet covers	-	-	-
Polypropylene	Tape	-	-	-
	Strapping	10	36	42
Expanded polystyrene foam	Filling of packages with polystyrene	-	-	-

[1] The consumption figure for cardboard boxes for the three-year period is an estimate

Emissions

The direct (Scope 1) emissions shown in the table are related exclusively to fugitive emissions from air conditioning systems, which were 0 in the first half of 2019.

GHG emissions (tonnes)		**1H19**	**2018**	**2017**
Direct (Scope 1) - CO_2eq		0[1]	105	112
Energy indirect (Scope 2)				
	location-based - CO_2	*88*	*139*	*120*
	market-based - CO_2eq	*65*	*152*	*137*
Other indirect emissions (Scope 3)				
	Emissions from paper production	*5,967*	*14,806*	*18,050*
Total emissions		**6,055**	**15,050**	**18,282**

[1] No fugitive emissions from air conditioning equipment were reported during the period
[2] Location-based Scope 2 emissions are shown in tonnes of CO_2; however, the percentage of methane and nitrous oxide has a negligible effect on the total greenhouse gas emissions (CO_2eq), as inferred from the relating technical literature
[3] Scope 3 emissions linked to paper production are shown in tonnes of CO_2, as the source used does not report the emission factors of other gases than CO_2
[4] Total emissions are shown in CO2 as the share attributable to other gases (CH_4 and N_2O) is immaterial

Emission factors used

Electricity (location-based)	Source 2019: Terna international comparisons on Enerdata figures (2017 figures).	72 gCO_2/kWh
	Source 2018: Terna international comparisons on Enerdata figures (2016 figures).	53 gCO_2/kWh
	Source 2017: Terna international comparisons on Enerdata figures (2015 figures).	40 gCO_2/ kWh
Electricity (market-based)	Source 2019: AIB, (2018). European Residual Mixes 2018.	53 gCO_2eq/kWh
	Source 2018: AIB, (2018). European Residual Mixes 2017.	58 gCO_2eq/kWh
	Source 2017: AIB, (2017). European Residual Mixes 2016.	49 gCO_2eq/kWh
Refrigerants (HFCs)	Source: GHG Protocol 2016	CO_2eq/kg
Paper production	Source 2019: Key Statistics 2018 o f the Confederation of European Paper Industries (CEPI)	0.39 tCO_2/t paper
	Source 2018 and 2017: Key Statistics 2017 of the Confederation of European Paper Industries (CEPI)	0.4 tCO_2/t paper

As concerns energy indirect (Scope 2) GHG emissions, for Mondadori France such emissions result from electricity consumption for the heating and lighting of offices.

As in Italy, Mondadori France has also seen its electricity consumption fall over the years. In the first half of 2019, 1,218 MWh of electricity was consumed, equal to 4,386 GJ.

Lastly, as concerns other indirect (Scope 3) GHG emissions, the downward trend seen in recent years is due mainly to the lower consumption of printing paper. In the first half of 2019, approximately 15,300 tonnes of paper were consumed, equal to almost 6,000 tonnes of CO_2 emissions.

Electricity	**UoM**	**1H19**	**2018**	**2017**
Total electricity purchased from national grid	MWh	1,218[1]	2,619	2,794[2]
	GJ	4,386	9,428	10,058

[1] The figure for the first six months of 2019 was subject to estimation
[2] Figures on electricity consumption for 2017 have been estimated on the portion referring to the Mondadori France warehouse

Waste

In the first half of 2019, no hazardous waste was recorded in France, while non-hazardous waste amounted to 83.6 tonnes.

Waste	1H19		2018		2017	
	tonnes	**%**	**tonnes**	**%**	**tonnes**	**%**
Hazardous	-	-	0.113	0.06%	0.128	0.06%
Non-hazardous	83.622	100%	189.199	99.94%	218.594	99.94%
Total	**83.622**		**189.312**		**218.722**	

Initiatives to reduce the environmental impact

Paper and sustainability

In response to the requirements of the Ecocontribution scheme, in recent years Mondadori France has undertaken a range of actions to alter the format and weight of its magazine paper. Over the last three years, these measures have enabled it to reduce the average amount of paper consumed per copy. In the first half of 2019, with 15,300 tonnes of paper consumed, average consumption per copy was 196 grams.

	UoM	1H19	2018	2017
Total print run	Copies	77,900,000	171,462,700	190,000,000
Paper consumed	Tonnes	15,300	37,014	41,977
Average paper consumption per copy produced	g	196	216	221

GOVERNANCE SYSTEM

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 for 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 Directors' Report on Operations on the www.mondadori.it website under the Governance section, and through the storage mechanism www.1info.it.

CHAIRMAN

The chairman of the board, who does not hold any management power, calls and coordinates board meetings and oversees the activities of the board.
The chairman works with the CEO to develop company strategies to propose to the board of directors.

SHAREHOLDERS' MEETING

BOARD OF DIRECTORS

Holds the power and responsibility for managing the company. Defines the objectives and the general strategic goals. Evaluates, based on information received from the CEO, the company's organisational, administrative and book-keeping structure as well as the company's general performance and the foreseeable evolution of the business. Examines the strategic, industrial and financial plans (for example multi-year budgetary plans).

CHIEF OPERATING OFFICER

Holds operational powers.

STATUTORY AUDITORS

Checks that the company is:
- respecting the law and statutes;
- respecting the principles of correct management, in particular of the suitability and proper functioning of the organisational, administrative and book-keeping structure.

Proposes the nomination of the external auditor.

MANAGEMENT

Manages activities following the objectives outlined by the board.

- Communications and media relations
- Human resources and Group organisation
- Finance, procurement and IT
- Trade books
- Educational

SUSTAINABILITY COMMITTEE

Chaired by Communications and media relations director, it consists of the main corporate functions, meets regularly, assesses the strategic and operational proposals relating to sustainability, reviews and validates the draft of the Consolidated Non-Financial Statement.

INDEPENDENT AUDITORS

Audits the company's consolidated yearly results, the abbreviated half-yearly results and the Consolidated Non-Financial Statement.

Magazines Italy	Mondadori France (Until 31 July 2019)	Mondadori Retail

Remuneration and appointments committee

Makes proposals to the board regarding:
- remuneration of board members with special appointments;
- main guidelines to follow regarding plans to retain and incentivise;
- management of stock option plan.

Control and risks committee

Consults and makes proposals regarding the general terms of reference and the suitability of the internal control system. Coordinates with the Board of Statutory Auditors, the managers in charge of internal control and financial reporting and the executive director.
In particular, it:
- evaluates plans for internal and external audits;
- evaluates with the executive in charge of internal control and the auditors the correct application of book-keeping principles;
- assists the BoD in the assessments and decisions regarding sustainability topics, with specific regard to the approval of the NFS.

Reports periodically to the board of directors.
Carries out specific jobs delegated to it by the board of directors.

Lead Independent Director and the Independent Directors Committee

The Lead Independent Director (LID) is the liaison and coordinator for petitions and contributions from independent directors and non-executive directors.
The Lead Independent Director:
- collaborates with the Chairman of the Board of Directors to ensure the good operation of the Board of Directors and to ensure that the board members receive complete information in a timely manner;
- may call meetings for independent directors only on issues regarding the operation of the Board of Directors or the corporate governance system, with the possibility of inviting members of Group management to report.

Related parties committee

Provides advice on the Board resolutions regarding the adoption and modifications in procedures for transactions with related parties; gives opinions on transactions of minor and of major importance with related parties.

Director in charge of the system of internal control and risk management

Proposes to the board, after having consulted with the Internal Control Committee, the nominations of those who will be charge of internal control.
Identifies risks the company faces.
Executes the general terms of reference regarding internal controls as defined by the board.

Manager in charge of financial reporting

Arranges adequate administrative and book-keeping procedures for the preparation of the consolidated earnings report and half-yearly abbreviated report.
Grants the certification of ex art. 154 *bis* of the Finance Consolidation Act (TUF).

Head of Internal Auditing

Checks the suitability and functioning of the internal control system.
Plans the overseeing of activities and internal audits of the company and its subsidiaries.
Ensures that the company activities respect laws and company praxis regarding preventing risks and fraud that damage the company.

Supervision and oversight body

Ensures the correct application of the Organisational and Management Model adopted to conform with the requirements of Decree 231/2001.
Proposes updates for the organisational model to the board.
This comittee is made up of an independent non-executive director, the head of the internal audit function and the chairman of the Board of Statutory Auditors.

NOTE ON METHODOLOGY

This Consolidated Non-Financial Statement of the Mondadori Group meets the requirements of Legislative Decree 254/2016 (and subsequent amendments) concerning the obligation of large public-interest entities to report non-financial information. The objective of the NFS is to facilitate the understanding of the organizational model, policies, main risks, and performance measures of the Group in relation to environmental, social and employee aspects, respect for human rights, and anti-corruption and bribery matters that are material, given the business and characteristics of the undertaking (as per Articles 3 and 4 of Legislative Decree 254/2016).

It should be noted that topics relating to water consumption, biodiversity, responsible supply chain management and health and safety in the workplace were found not to be material by the materiality analysis process illustrated in the Introduction (see pp. 84-90).

Material topic	Law 254 areas	GRI Aspects
Enhancement and management of human capital	Personnel management	Employment
		Training and education
		Industrial relations
Diversity	Personnel management	Diversity and equal opportunities
Promotion of reading and socio-cultural growth	Social impacts	Interaction with the public (M)
		Media literacy (M)
Education and the school world	Social impacts	Disclosure of content (M)
Responsibility for content	Social impacts	Content creation (M)
Freedom of expression and publication	Social impacts	Freedom of expression (M)
		Public policies
	Human rights	Cultural Rights (M)
Product accessibility	Social impacts	Disclosure of content (M)
	Human rights	Human Rights Assessment (M)
Transformation of business models	Social impacts	Economic performance
Brand management	Social impacts	Non GRI Topic
Digital evolution	Social impacts	Disclosure of content (M)
		Interaction with the public (M)
Privacy and personal data protection	Social impacts	Customer privacy
	Human rights	Privacy protection (M)
Business integrity and combating corruption	Social impacts	Socio-economic compliance
	Combating corruption	Anti-corruption
Market abuse	Social impacts	Anti-competitive behaviour
Management of environmental impacts	Environment	Energy
		Materials
Life cycle of paper products	Environment	Materials
Climate change	Environment	Emissions

(M) Material topics under G4 Sector Disclosures - Media
* Rizzoli International Publications

In accordance with the two options provided by Article 5 of Legislative Decree 254/16, this NFS has been incorporated into the Directors' Report on Operations of the Mondadori Group for 2019. This Non-Financial Statement, prepared on an annual basis, is also published on the Group's website, www.mondadori.it, as part of the 2019 Annual Report.

In accordance with the GRI Standards, when prioritizing the sustainability topics, due consideration was given to the relevance of the impact of each topic both within and outside the reporting scope, i.e. along the Mondadori value creation chain.

To provide greater reporting clarity and to facilitate comparison, the aspects identified by the GRI Standards, material topics, and the areas covered by the Decree have been matched and the relating boundary, and any scope limitations applied, stated.

GRI Indicators	Scope of material topics		Scope limitations	
	Where the impact occurs	Type of impact	Internal	External
GRI 103-1; GRI 103-2; GRI 401-1	Group	Generated by the Group	-	Reporting scope partly extended to franchisees
GRI 103-1; GRI 103-2; GRI 404-1/-2				
GRI 103-1; GRI 103-2; GRI 402-1				
GRI 103-1; GRI 103-2; GRI 405-1	Group	Generated by the Group	-	-
GRI 103-1; GRI 103-2; M6	Group	Generated by the Group	-	-
GRI 103-1; GRI 103-2; M7				
GRI 103-1; GRI 103-2; M4	Group	Generated by the Group	-	-
GRI 103-1; GRI 103-2; M2	Group	Generated by the Group	-	-
GRI 103-1; GRI 103-2	Group	Generated by the Group	-	-
GRI 103-1; GRI 103-2; GRI 415-1				
GRI 103-1; GRI 103-2				
GRI 103-1; GRI 103-2; M4	Group	Generated by the Group	-	-
GRI 103-1; GRI 103-2				
GRI 103-1; GRI 103-2; GRI 201-4	Group	Generated by the Group	-	-
GRI 103-1; GRI 103-2	"Group franchisees"	Generated by the Group	-	Reporting scope not extended to franchisees
GRI 103-1; GRI 103-2; M4	Group	Generated by the Group	-	-
GRI 103-1; GRI 103-2; M6				
GRI 103-1; GRI 103-2	Group	Generated by the Group	-	-
GRI 103-1; GRI 103-2; GRI 418-1				
GRI 103-1; GRI 103-2; GRI 419-1	Group	Generated by the Group	-	-
GRI 103-1; GRI 103-2; GRI 205-3	Group	Generated by the Group		
GRI 103-1; GRI 103-2; GRI 206-1	Group	Generated by the Group	-	-
GRI 103-1; GRI 103-2; GRI 302-1	Group, paper suppliers, distributors, printing suppliers and franchisees	Generated by the Group and related to Group activities	Reporting scope partly extended to RIP*	Reporting scope partly extended to distributors but not extended to paper suppliers, printing suppliers and franchisees
GRI 103-1; GRI 103-2; GRI 301-1/-2				
GRI 103-1; GRI 103-2; GRI 301-1/-2	Group, distributors, paper suppliers, printing suppliers	Generated by the Group and related to Group activities	Reporting scope partly extended to RIP*	Reporting scope partly extended to distributors but not extended to paper and printing suppliers
GRI 103-1; GRI 103-2; GRI 305-1/-2/-3	Group, distributors, paper suppliers, printing suppliers, franchisees	Generated by the Group and related to Group activities	Reporting scope partly extended to RIP*	Reporting scope partly extended to distributors but not extended to paper suppliers, printing suppliers and franchisees

Reporting scope and standard

In accordance with the requirements of the Decree, the **reporting scope** includes Arnoldo Mondadori Editore S.p.A. and the companies consolidated on a line-by-line basis (in the document also “Mondadori Group”, “Group”, “Mondadori” or “the company”): consistent with the presentation of the operating and financial results for 2019, the figures and information for the subsidiary Mondadori France S.a.s. (sold on 31 July 2019) refer to the first six months of the year and are shown separately.
Any exceptions to the reporting scope shown above are duly highlighted in the document; however, these limitations are not considered relevant for the understanding of the Company’s business, performance, results and the impacts it generates.

GRI Standards	GRI Disclosure	Description
GRI 102 - General disclosures	102-8	Information on employees and other workers
	102-15	Key impacts, risks and opportunities
	102-18	Governance structure
	102-40	List of stakeholder groups
	102-41	Collective bargaining agreements
	102-46	Defining report content and topic boundaries
	102-47	List of material topics
	102-55	GRI content index
GRI 103 - Management Approach	103-1	Explanation of the material topic and its boundary
	103-2	The management approach and its components
GRI 201 - Economic performance	201-4	Financial assistance received from government
GRI 205 - Anti-corruption	205-3	Confirmed incidents of corruption and actions taken
GRI 206 - Anti-competitive behaviour	206-1	Legal actions for anti-competitive behavior, antitrust and monopoly practices
GRI 301 - Materials	301-1	Materials used by weight or volume
	301-2	Recycled input materials used
GRI 302 - Energy	302-1	Energy consumption within the organization
GRI 305 - Emissions	305-1	Direct (Scope 1) GHG emissions
	305-2	Energy indirect (Scope 2) GHG emissions
	305-3	Other indirect (Scope 3) GHG emissions
GRI 401 - Employment	401-1	New hires and turnover
GRI 402 - Relations between labour and management	402-1	Minimum notice period regarding operational changes
GRI 404 - Training and education	404-1	Average hours of training per year per employee
	404-2	Programs for upgrading employee skills and transition assistance programs
GRI 405 - Diversity and equal opportunities	405-1	Diversity of governance bodies and employees

The **reporting period** for the information and figures provided in this NFS is 2019 (1 January - 31 December). In order to compare figures over time, where possible, figures for the previous two years were included.

The r**eporting standard** adopted by the Group for the preparation of the Non-Financial Statement are the GRI Sustainability Reporting Standards, published in 2016 by the Global Reporting Initiative (in the document also GRI Standards). Specifically, as required by GRI 101: Foundation, section 3, this report is GRI-referenced to the Disclosures listed in the following table. Additionally, as an annex to the document, the GRI Content Index shows GRI indicators associated with each material topic.

GRI Standards	**GRI Disclosure**	**Description**
GRI 415 - Public policy	415-1	Political contributions
GRI 418 - Customer privacy	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data
GRI 419 - Socio-economic compliance	419-1	Non-compliance with laws and regulations in the socialand economic area
GRI G4 Media Sector Disclosures	M2	and economic area
	M4	Actions taken to improve performance in relation to content dissemination issues (accessibility and protection of vulnerable audiences and informed decision making) and results obtained
	M6	Methods to interact with audiences and results
	M7	Actions taken to empower audiences through media literacy skills development and results obtained
	GRI 103 - Management Approach 103-1 103-2	Freedom of expression
	GGRI 103 - Management Approach 103-1 103-2	Human rights assessment
	GRI 103 - Management Approach 103-1 103-2	Cultural rights
	GRI 103 - Management Approach 103-1 103-2	Privacy protection

Reporting process and calculation criteria

The identification of the qualitative and quantitative information contained in this 2019 NFS involved all relevant Company functions, in concert with and coordinated by CSR officers.
Specifically, the figures shown were selected on the basis of the analysis and, where appropriate, also on the basis of the European Commission's "Guidelines on Non-Financial Reporting". The figures were collected through a collection, aggregation, and transmission process applied to figures and information at Group level.

For the preparation of the 2019 Consolidated NFS, Mondadori was assisted by Lundquist S.r.l.

Shown below are the main **calculation methods and assumptions** used to measure the non-financial performance measures reported in this NFS, in addition to the information provided in the various sections:

- the figures on penalties refer to cash outlays in the year and are not calculated on an accrual basis;
- in the breakdown of the workforce by grading, "executives" include editors-in-chief and deputy editors-in-chief of magazines; members of the Board of Directors are not included;
- where environmental figures were unavailable, conservative estimates were used, resulting in the underestimation of the Company's environmental performance;
- greenhouse gas emissions were calculated by applying the principles indicated in international standard ISO 14064-1.

To ensure figure reliability, the use of estimates has been restricted as much as possible, and, where used, are based on the best available and appropriately reported methods.
This NFS was approved by the Board of Directors of Arnoldo Mondadori Editore S.p.A. on 17 March 2020.

This document is subject to limited review, in accordance with the International Standard on Assurance Engagement (ISAE 3000 Revised), by the Independent Auditors EY S.p.A.

GRI CONTENT INDEX

GRI Standard	Disclosure	Page reference	Omission
GRI 102: General disclosures			
Profile of the organization			
	102-8 Information on employees and other workers	pp. 96; 100-101; 133; 135	
Strategy			
	102-15 Key impacts, risks and opportunities	pp. 92-95	
Governance			
	102-18 Governance structure	pp. 144-145	
Stakeholder involvement			
	102-40 List of stakeholder groups	pp. 85-86	
	102-41 Collective bargaining agreements	pp. 104; 136	
Reporting practices			
	102-46 Defining report content and topic boundaries	pp. 87-89; 146-149	
	102-47 List of material topics	pp. 87-89; 146	
	102-55 GRI content index	pp. 152-156	
Material Topics			
GRI 200 Economic Standard Series			
Economic performance			
GRI 103: Management approach	103-1 Explanation of the material topic and its boundary	pp. 88-89; 146-147	
	103-2 The management approach and its components	pp. 113; 139	
GRI 201: Economic performance	201-4 Financial assistance received from government	pp. 113; 139	
Anti-corruption			
GRI 103: Management approach	103-1 Explanation of the material topic and its boundary	pp. 88-89; 146-147	
	103-2 The management approach and its components	pp. 94; 118; 140	
GRI 205: Anti-corruption	205-3 Confirmed incidents of corruption and actions taken	pp. 118; 140	

GRI Standard	Disclosure	Page reference	Omission
Anti-competitive behaviour			
GRI 103: Management approach	103-1 Explanation of the material topic and its boundary	pp. 88-89; 146-147	
	103-2 The management approach and its components	pp. 119; 140	
GRI 206: Anti-competitive behaviour	206-1 Legal actions for anti-competitive behavior, antitrust and monopoly practices	pp. 119; 140	
GRI 300 Environmental Standards Series			
Materials			
GRI 103: Management approach	103-1 Explanation of the material topic and its boundary	pp. 88-89; 146-147	
	103-2 The management approach and its components	pp. 92; 119-124; 129; 140-141; 143	
GRI 301: 2016 Materials	301-1 Materials used by weight or volume	pp. 120-124; 129-130; 140-141; 143	
	301-2 Recycled input materials used	pp. 120; 140	
Energy			
GRI 103: Management approach	103-1 Explanation of the material topic and its boundary	pp. 88-89; 146-147	
	103-2 The management approach and its components	pp. 92; 119; 125-127; 129-131; 142	
GRI 302: Energy	302-1 Energy consumption within the organization	pp. 125; 127; 128; 142	
Emissions			
GRI 103: Management approach	103-1 Explanation of the material topic and its boundary	pp. 88-89; 146-147	
	103-2 The management approach and its components	pp. 92; 119; 122; 125-128; 131-132; 141-142	

GRI Standard	Disclosure	Page reference	Omission
GRI 305: Emissions	305-1 Direct (Scope 1) GHG emissions	pp. 125-126; 141-142	
	305-2 Energy indirect (Scope 2) GHG emissions	pp. 125-127; 128; 141-142	
	305-3 Other indirect (Scope 3) GHG emissions	pp. 122; 125-127; 128; 131-132; 141-142 Scope 3 emissions include, for Italy, emissions from paper consumption and business travel; for the United States and Mondadori France, they include emissions from paper consumption.	
GRI 400 Social Standards Series			
Employment			
GRI 103: Management approach	103-1 Explanation of the material topic and its boundary	pp. 88-89; 146-147	
	103-2 The management approach and its components	pp. 95; 109; 138	
GRI 401: Employment	401-1 New hires and turnover	pp. 97-98; 133	
Relations between labour and management			
GRI 103: Management approach	103-1 Explanation of the material topic and its boundary	pp. 88-89; 146-147	
	103-2 The management approach and its components	pp. 104; 134	
GRI 402: Relations between labour and management 2016	402-1 Minimum notice period regarding operational changes	pp. 104; 136	
Training and education			
GRI 103: Management approach	103-1 Explanation of the material topic and its boundary	pp. 88-89; 146-147	
	103-2 The management approach and its components	pp. 95; 105-109; 137-138	
GRI 404: Training and education	404-1 Average hours of training per year per employee	pp. 107; 137-138	
	404-2 Programs for upgrading employee skills and transition assistance programs	pp. 108; 138	
Diversity and equal opportunities			
GRI 103: Management approach	103-1 Explanation of the material topic and its boundary	pp. 88-89; 146-147	
	103-2 The management approach and its components	pp. 98-103; 134-136	
GRI 405: Diversity and equal opportunities	405-1: Diversity of governance bodies and employees	pp. 98-101; 102; 134-136	
Public policy			
GRI 103: Management approach	103-1 Explanation of the material topic and its boundary	pp. 88-89; 146-147	
	103-2 The management approach and its components	pp. 113; 139	

GRI Standard	Disclosure	Page reference	Omission
GRI 415: Public policy	415-1 Political contributions	pp. 113; 139	
Customer privacy			
GRI 103: Management approach	103-1 Explanation of the material topic and its boundary	pp. 88-89; 146-147	
	103-2 The management approach and its components	pp. 93; 116-117; 139	
GRI 418: Customer privacy	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	pp. 117; 139	
Socio-economic compliance			
GRI 103: Management approach	103-1 Explanation of the material topic and its boundary	pp. 88-89; 146-147	
	103-2 The management approach and its components	pp. 93; 118; 139	
GRI 419: Socio-economic compliance 2016	419-1 Non-compliance with laws and regulations in the social and economic area	pp. 118; 139	
Content creation*			
GRI 103: Management approach	103-1 Explanation of the material topic and its boundary	pp. 88-89; 146-147	
	103-2 The management approach and its components	pp. 90-91; 93; 112-114	
M2	Methodology for assessing and monitoring adherence to content creation values	pp. 90-91; 112	
Content distribution*			
GRI 103: Management approach	103-1 Explanation of the material topic and its boundary	pp. 88-89; 146-147	
	103-2 The management approach and its components	pp. 93; 111; 114-116	
M4	Actions taken to improve performance in relation to content dissemination issues (accessibility and protection of vulnerable audiences and informed decision making) and results obtained	pp. 111; 114-116	
Interaction with the public*			
GRI 103: Management approach	103-1 Explanation of the material topic and its boundary	pp. 88-89; 146-147	
	103-2 The management approach and its components	pp. 93; 110-112; 116	
M6	Methods to interact with audiences and results	pp. 110-112; 116	
Media literacy*			
GRI 103: Management approach	103-1 Explanation of the material topic and its boundary	pp. 88-89; 146-147	
	103-2 The management approach and its components	pp. 93; 110-112	

GRI Standard	Disclosure	Page reference	Omission
M7	Actions taken to empower audiences through media literacy skills development and results obtained	pp. 110-112	
Freedom of expression*			
GRI 103: Management approach	103-1 Explanation of the material topic and its boundary	pp. 88-89; 146-147	
	1103-2 The management approach and its components	pp. 93; 113-114	
Human rights assessment*			
GRI 103: Management approach	103-1 Explanation of the material topic and its boundary	pp. 88-89; 146-147	
	103-2 The management approach and its components	pp. 93; 113-115	
Cultural rights*			
GRI 103: Management approach	103-1 Explanation of the material topic and its boundary	pp. 88-89; 146-147	
	103-2 The management approach and its components	pp. 93; 113-114	
Privacy protection*			
GRI 103: Management approach	103-1 Explanation of the material topic and its boundary	pp. 88-89; 146-147	
	103-2 The management approach and its components	pp. 93; 116-117; 139	
Non GRI topics			
Brand management			
GRI 103: Management approach	103-1 Explanation of the material topic and its boundary	pp. 88-89; 146-147	
	103-2 The management approach and its components	pp. 90-94; 114-116	

*GRI G4 Media Sector DIsclosure

For the Board of Directors
The Chairman
Marina Berlusconi

A day at Mondadori
Take over, or “taking control”. This project involved colleagues invited to use the Mondadori Group's Instagram account to tell the story of their working day through the social Stories format. From top, from left some of the protagonists: Susanna Ciucci, Paolo Ruscitti, Raffaella Vecchiotti, Felice Nenna, Marina Speich, Azzurra Della Penna, Annalisa Monfreda, Michele Rossi, Annarita Ficco, Chiara Scaglioni, Francesco Chignola, Francesca Lang.

Consolidated Financial Statements at 31 December 2019

CONSOLIDATED BALANCE SHEET

Assets (Euro/thousands)	**Notes**	**31/12/2019**	**31/12/2018**
Intangible assets	12	220,349	226,672
Investment property		-	-
Land and buildings		2,437	2,593
Plant and equipment		2,971	3,082
Other tangible assets		12,532	13,460
Property, plant and equipment	13	17,940	19,135
Assets from rights of use	14	93,939	-
Equity-accounted investees		27,716	31,820
Other investments		434	439
Total investments	15	**28,150**	**32,259**
Non-current financial assets	22	12,569	500
Pre-paid tax assets	16	54,891	61,407
Other non-current assets	17	1,400	566
Total non-current assets		**429,238**	**340,539**
Tax receivables	18	10,002	15,173
Other current assets	19	82,964	83,877
Inventory	20	120,784	122,336
Trade receivables	21	222,687	224,188
Other current financial assets	22	24,541	7,861
Cash and cash equivalents	23	44,211	82,356
Total current assets		**505,189**	**535,791**
Discontinued operations		-	229,743
Total assets		**934,427**	**1,106,073**

Liabilities (Euro/thousands)	**Notes**	**31/12/2019**	**31/12/2018**
Share capital		67,979	67,979
Share premium reserve		-	-
Treasury shares		(4,940)	(2,282)
Other reserves and results carried forward		78,793	253,411
Profit (loss) for the period		28,200	(177,133)
Group equity	24	170,032	141,975
Share capital and reserves attributable to non-controlling interests	25	9	28,724
Total equity		**170,041**	**170,699**
Provisions	26	55,110	65,525
Post-employment benefits	27	33,364	34,696
Non-current financial liabilities	28	93,541	115,055
Financial liabilities IFRS 16	28	82,777	-
Deferred tax liabilities	16	38,174	38,113
Other non-current liabilities		-	-
Total non-current liabilities		**302,966**	**253,389**
Income tax payables	18	8,208	15,292
Other current liabilities	29	123,608	121,221
Trade payables	30	273,341	281,902
Payables to banks and other financial liabilities	28	43,189	126,807
Financial liabilities IFRS 16	28	13,074	-
Total current liabilities		**461,420**	**545,222**
Discontinued liabilities		-	136,763
Total liabilities		**934,427**	**1,106,073**

CONSOLIDATED INCOME STATEMENT

(Euro/thousands)	Notes	2019	2018
Revenue from sales and services	31	**884,860**	**891,358**
Decrease (increase) in inventory	20	1,869	(325)
Cost of raw and ancillary materials, consumables and goods	32	160,537	162,985
Cost of services	33	468,915	492,348
Cost of personnel	34	147,154	157,905
Other (income) expense	35	3,494	950
EBITDA		**102,891**	**77,495**
Depreciation and impairment loss on property, plant and equipment	13	4,527	5,089
Depreciation of assets from rights of use	14	14,634	-
Amortization and impairment loss on intangible assets	12	21,411	16,160
EBIT		**62,319**	**56,246**
Financial expense (income)	36	5,092	6,020
Expense (income) from investments	37	8,131	18,162
Profit (loss) before tax		**49,096**	**32,064**
Income tax	38	18,625	14,885
Result from continuing operations		**30,471**	**17,179**
Result from discontinued operations	11	(1,069)	(192,351)
Net result		**29,402**	**(175,172)**
Attributable to:			
- Non-controlling interests	25	**1,202**	**1,961**
- Parent Company shareholders		**28,200**	**(177,133)**
Earnings per share of continuing operations (expressed in Euro units)	39	0.117	0.066
Diluted earnings per share of continuing operations (expressed in Euro units)	39	0.116	0.066
Net earnings per share (in Euro units)	39	0.109	(0.680)
Diluted net earnings per share (in Euro units)	39	0.108	(0.678)

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

(Euro/thousands)	Notes	2019	2018
Net result		**29,402**	**(175,172)**
Items reclassifiable to income statement			
Profit (loss) from the conversion of currency denominated financial statements of foreign companies	24	416	977
Other profit (loss) from equity-accounted investees	24	(54)	(116)
Effective part of profit (loss) on cash flow hedge instruments (cash flow hedge)	22-28	(254)	(437)
Profit (loss) from held-for-sale assets (fair value)	22-28	-	-
Tax effect on other profit (loss) reclassifiable to income statement		60	105
Items reclassified to income statement			
Profit (loss) on cash flow hedge instruments		340	302
Profit (loss) from held-for-sale assets (fair value)		-	-
Tax effect on other profit (loss) reclassified to income statement		(81)	(72)
Items not reclassifiable to income statement			
Actuarial profit (loss)	27	253	2,924
Tax effect on other profit (loss) not reclassifiable to income statement		(57)	(979)
Total other profit (loss) net of tax effect		**623**	**2,704**
Comprehensive result for the period		**30,025**	**(172,468)**
Attributable to:			
- Non-controlling interests		**1,202**	**2,061**
- Parent Company shareholders		**28,823**	**(174,529)**

For the Board of Directors
The Chairman
Marina Berlusconi

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AT 31 DECEMBER 2018 AND 2019

(Euro/thousands)	Notes	Share capital	Treasury shares	Performance share reserve	Cash flow hedge reserve	Fair value reserve
Balance at 31 December 2017		**67,979**	**(1,654)**	**850**	**(940)**	-
Effects of the change in accounting standards		-	-	-	-	-
Balance at 1 January 2018		**67,979**	**(1,654)**	**850**	**(940)**	-
- Allocation of result		-	-	-	-	-
- Dividends paid		-	-	-	-	-
- Change in consolidation scope		-	-	-	-	-
- Transactions on treasury shares		-	(628)	-	-	-
- Performance share		-	-	1,563	-	-
- Other changes		-	-	-	-	-
- Comprehensive profit (loss)		-	-	-	(102)	-
Balance at 31 December 2018	24	**67,979**	**(2,282)**	**2,413**	**(1,042)**	-

(Euro/thousands)	Notes	Share capital	Treasury shares	Performance share reserve	Cash flow hedge reserve	Fair value reserve
Balance at 1 January 2019		**67,979**	**(2,282)**	**2,413**	**(1,042)**	-
- Allocation of result		-	-	-	-	-
- Dividends paid		-	-	-	-	-
- Change in consolidation scope		-	-	-	-	-
- Transactions on treasury shares		-	(2,658)	-	-	-
- Performance share		-	-	1,898	-	-
- Other changes		-	-	-	-	-
- Comprehensive profit (loss)		-	-	-	65	-
Balance at 31 December 2019	24	**67,979**	**(4,940)**	**4,311**	**(977)**	-

Currency reserve	Post-employment discounting reserve	Other reserves	Profit (loss) for the period	Total Group equity	Non-controlling interests' equity	Total
(1,230)	**(533)**	**220,925**	**30,417**	**315,814**	**29,500**	**345,314**
-	-	(267)	-	(267)	-	(267)
(1,230)	**(533)**	**220,658**	**30,417**	**315,547**	**29,500**	**345,047**
-	-	30,417	(30,417)	-		-
-	-	-	-	-	(2,836)	(2,836)
-	-	-	-	-	-	-
-	-	-	-	(628)	-	(628)
-	-	-	-	1,563	-	1,563
55	-	(34)	-	22	-	22
881	1,845	(20)	(177,133)	(174,529)	2,060	(172,469)
(294)	**1,312**	**251,021**	**(177,133)**	**141,975**	**28,724**	**170,699**

Currency reserve	Post-employment discounting reserve	Other reserves	Profit (loss) for the period	Total Group equity	Non-controlling interests' equity	Total
(294)	**1,312**	**251,021**	**(177,133)**	**141,975**	**28,725**	**170,699**
-	-	(177,133)	177,133	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	(29,918)	(29,918)
-	-	-	-	(2,658)	-	(2,658)
-	-	-	-	1,898	-	1,898
2	(789)	782	-	(6)	-	(5)
464	196	(102)	28,200	28,823	1,202	30,025
172	**719**	**74,568**	**28,200**	**170,032**	**9**	**170,041**

For the Board of Directors
The Chairman
Marina Berlusconi

CONSOLIDATED STATEMENT OF CASH FLOWS

(Euro/thousands)	Notes	2019	2018
Net result	-	28,200	(177,133)
Adjustments			
Amortization, depreciation and write-downs	12-13-14	40,572	21,249
Income tax for the period	38	18,625	14,885
Performance share		1,898	1,396
Provisions (utilization) and post-employment benefits		(12,255)	(11,152)
Capital loss (gain) from the disposal of intangible assets, property, plant and equipment, investments		(826)	(1,843)
Capital loss (gain) from the measurement of financial assets		(991)	-
(Income) expense of equity-accounted investees	37	8,131	17,713
Net financial expense on loans, leases and derivative transactions	36	6,082	4,844
Other non-monetary adjustments to assets held for sale		(2,164)	194,312
Cash flow generated from operations		**87,272**	**64,271**
(Increase) decrease in trade receivables		1,114	37,860
(Increase) decrease in inventory		4,354	829
Increase (decrease) in trade payables		(1,058)	(20,198)
Income tax payments		(20,732)	(7,874)
Advances and post-employment benefits		(3,663)	(3,755)
Net change in other assets/liabilities		20,804	(21,984)
Cash flow generated from (absorbed by) assets held for sale		(2,181)	4,487
Cash flow generated from (absorbed by) operations		**85,910**	**53,636**
Price collected (paid) net of cash transferred/acquired		45,275	(2,532)
(Purchase) disposal of intangible assets		(21,576)	(12,857)
(Purchase) disposal of property, plant and equipment		(4,448)	2,976
(Purchase) disposal of investments		(8,805)	(3,408)
(Purchase) disposal of financial assets		(8,068)	(6,470)
Cash flow generated from (absorbed by) assets held for sale		3,349	5,473
Cash flow generated from (absorbed by) investing activities		**5,727**	**(16,818)**
Net difference in financial liabilities		(104,579)	(16,926)
Payment of net financial expense on loans and transactions with derivatives		(2,783)	(3,544)
Net refund leases		(15,897)	-
Interest on leases		(2,368)	-
(Purchase) disposal of treasury shares	24	(2,658)	(628)
Cash flow generated from (absorbed by) assets held for sale		(1,497)	51
Cash flow generated from (absorbed by) financing activities		**(129,782)**	**(21,047)**
Increase (decrease) in cash and cash equivalents		**(38,145)**	**15,771**
Cash and cash equivalents at the beginning of the period	23	**82,356**	**66,585**
Cash and cash equivalents at the end of the period	23	**44,211**	**82,356**

For the Board of Directors
The Chairman
Marina Berlusconi

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

Assets (Euro/thousands)	**Notes**	**31/12/2019**	**Of which related parties (Note 42)**	**31/12/2018**	**Of which related parties (Note 42)**
Intangible assets	12	220,349	-	226,672	-
Investment property		-	-	-	-
Land and buildings		2,437	-	2,593	-
Plant and equipment		2,971	-	3,082	-
Other tangible assets		12,532	-	13,460	-
Property, plant and machinery	13	17,940	-	19,135	-
Assets from rights of use	14	93,939	-	-	-
Equity-accounted investees		27,716	-	31,820	-
Other investments		434	-	439	-
Total investments	15	28,150	-	32,259	-
Non-current financial assets	22	12,569	500	500	500
Pre-paid tax assets	16	54,891	-	61,407	-
Other non-current assets	17	1,400	-	566	-
Total non-current assets		**429,238**	**500**	**340,539**	**500**
Tax receivables	18	10,002	1,466	15,173	143
Other current assets	19	82,964	38	83,877	296
Inventory	20	120,784	-	122,336	-
Trade receivables	21	222,687	40,576	224,188	43,288
Other current financial assets	22	24,541	25	7,861	25
Cash and cash equivalents	23	44,211	-	82,356	-
Total current assets		**505,189**	**42,105**	**535,791**	**43,752**
Discontinued operations		-	-	229,743	-
Total assets		**934,427**	**42,605**	**1,106,073**	**44,252**

Liabilities (Euro/thousands)	**Notes**	**31/12/2019**	**Of which related parties (Note 42)**	**31/12/2018**	**Of which related parties (Note 42)**
Share capital		67,979	-	67,979	-
Share premium reserve		-	-	-	-
Treasury shares		(4,940)	-	(2,282)	-
Other reserves and results carried forward		78,793	-	253,411	-
Profit (loss) for the period		28,200	-	(177,133)	-
Group equity	24	170,032	-	141,975	-
Share capital and reserves attributable to non-controlling interests	25	9	-	28,724	-
Total equity		**170,041**	**-**	**170,699**	**-**
Provisions	26	55,110	-	65,525	-
Post-employment benefits	27	33,364	-	34,696	-
Non-current financial liabilities	28	93,541	-	115,055	-
Financial liabilities IFRS 16	28	82,777	-	-	-
Deferred tax liabilities	16	38,174	-	38,113	-
Other non-current liabilities		-	-	-	-
Total non-current liabilities		**302,966**	**-**	**253,389**	**-**
Income tax payables	18	8,208	7,616	15,292	13,217
Other current liabilities	29	123,608	239	121,221	610
Trade payables	30	273,341	13,645	281,902	14,193
Payables to banks and other financial liabilities	28	43,189	1,776	126,807	738
Financial liabilities IFRS 16	28	13,074	-	-	-
Total current liabilities		**461,420**	**23,276**	**545,222**	**28,758**
Discontinued liabilities		-	-	136,763	-
Total liabilities		**934,427**	**23,276**	**1,106,073**	**28,758**

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

(Euro/thousands)	Notes	2019	Of which related parties (Note 42)	Of which non-recurring (income) costs (Note 41)	2018	Of which related parties (Note 42)	Of which non-recurring (income) costs (Note 41)
Revenue from sales and services	31	**884,860**	**48,311**	-	**891,358**	**44,929**	-
Decrease (increase) of inventory	20	1,869	-	-	(325)	-	-
Cost of raw and ancillary materials, consumables and goods	32	160,537	3,352	-	162,985	3,623	-
Cost of services	33	468,915	5,964	-	492,348	6,168	-
Cost of personnel	34	147,154	(21)	-	157,905	(69)	-
Other (income) expense	35	3,494	354	-	950	552	-
EBITDA	-	**102,891**	**38,662**	-	**77,495**	**34,655**	-
Depreciation and impairment loss on property, plant and equipment	13	4,527	-	-	5,089	-	-
Depreciation of assets from rights of use	14	14,634	-	-	-	-	-
Amortization and impairment loss on intangible assets	12	21,411	-	-	16,160	-	-
EBIT	-	**62,319**	**38,662**	-	**56,246**	**34,655**	-
Financial expense (income)	36	5,092	(30)	-	6,020	(24)	-
Expense (income) from other investments	37	8,131	-	-	18,162	-	-
Profit (loss) before tax	-	**49,096**	**38,692**	-	**32,064**	**34,679**	-
Income tax	38	18,625	-	-	14,885	-	-
Result from continuing operations		**30,471**	**38,692**	-	**17,179**	**34,679**	-
Result from discontinued operations	11	(1,069)	-	-	(192,351)		-
Net result	-	**29,402**	**38,692**	-	**(175,172)**	**34,679**	-
Attributable to:							
- Non-controlling interests	25	**1,202**	-	-	**1,961**	-	-
- Parent Company shareholders		**28,200**	**38,692**	-	**(177,133)**	**34,679**	-

EXPLANATORY NOTES

1. GENERAL INFORMATION

The core business of Arnoldo Mondadori Editore S.p.A. and of its directly or indirectly owned companies (hereinafter 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 and franchised stores located across Italy.

Mondadori’s business areas offer products and services that harness cutting-edge digital 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 Electronic Stock Market (MTA) of Borsa Italiana S.p.A.

The publication of the consolidated financial statements of the Mondadori Group for the year ended 31 December 2019 was authorized by the Board of Directors’ resolution of 17 March 2020.

2. FORM AND CONTENT

The Group's consolidated financial statements at 31 December 2019 were drawn up based on the principle of business continuity; the Directors verified the Group's ability to fulfill future commitments and believe there are no significant uncertainties, as defined by IAS 1.25, concerning its ability to continue operating in the future.

The risks and uncertainties the Group is exposed to from the business carried on and the risk mitigation measures adopted are explained in the appropriate section of the Directors' Report on Operations.

The financial statements were prepared in accordance with the International Accounting Standards (IAS/IFRS) issued by the International Accounting Standard Board (IASB) and endorsed by the EU, and with the International Financial Reporting Interpretations Committee (SIC/IFRIC).

These financial statements were drawn up based on the cost principle, except for some financial instruments valued at fair value, and in compliance with the accounting standards adopted for the drafting of the financial statements at 31 December 2018, considering the amendments and the new standards effective as from 1 January 2019, as per Note 6.24.

For the sake of greater comparability, certain figures in the 2018 financial statements have been reclassified with no impact on equity at 31 December 2018 and on the result for 2018.

The following criteria were adopted in the preparation 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 consolidated income statement, the analysis of costs is performed on the basis of the nature of costs, since the Group deems this method more representative than a presentation by function;
- the consolidated comprehensive income statement contains revenue and cost items that are not recognized under income (loss) for the period as required or allowed by the IAS/IFRS accounting standards;
- the statement of cash flows was prepared using the indirect method.

Regarding the requirements of Consob Resolution no. 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 were drawn up on the same balance sheet date of Arnoldo Mondadori Editore S.p.A., according to the IAS/IFRS standards.

In cases where the balance sheet date does not match with the Parent Company's, 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 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 IFRS 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 measured 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 written off against the related net equity;
- the difference between the cost incurred 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 in the income statement;
- consolidated equity amounts, reserves and the financial result attributable to minority shareholders' interests are recognized under items in consolidated equity and income statement;
- in preparing the consolidated financial statements, receivables and payables, revenue and expense resulting from transactions between companies included in the consolidation area are written off as are any unrealized gains or losses on intercompany transactions.

Non-controlling interests' equity and result for the period are recognized separately in the consolidated balance sheet and income statement.

In 2019, the changes in the consolidation scope are attributable to the disposal of Mondadori France S.a.s., which took place on 31 July, and of Stile Italia Edizioni S.r.l., which absorbed the business unit comprising the assets and liabilities from the magazines *Confidenze, Cucina Moderna, Sale&Pepe, Starbene* and *Tu Style*, of which the Group sold 75% and held 25% at 31 December.
Mention should be made of the establishment of DI2 S.r.l., a logistics services company.

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 % 31/12/2019	Group interest held % 31/12/2018
Companies consolidated on a line-by-line basis						
Arnoldo Mondadori Editore S.p.A.	Milan	Publishing	Euro	67,979,168.40		
Italian subsidiaries						
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	2,000,000.00	100.00	100.00
Giulio Einaudi editore S.p.A.	Turin	Publishing	Euro	23,920,000.00	100.00	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	200,000.00	100.00	100.00
Mondadori Libri S.p.A.	Milan	Publishing	Euro	30,050,000.00	100.00	100.00
Direct Channel S.p.A.	Milan	Services	Euro	3,120,000.00	100.00	100.00
Press-di Distr. Stampa e Mult. S.r.l.	Milan	Services	Euro	200,000.00	100.00	100.00
Rizzoli Education S.p.A.	Milan	Publishing	Euro	42,405,000.00	99.99	99.99
AdKaora S.r.l.	Milan	Trade	Euro	15,000.00	100.00	100.00
Foreign subsidiaries						
Mondadori France Group					-	100.00
Rizzoli International Publications Inc.	New York	Publishing	Usd	26,900,000.00	99.99	99.99
Rizzoli Bookstore Inc.	New York	Trade	Usd	3,498,900.00	99.99	99.99
Companies measured 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
DI2 S.r.l.	Milan	Services	Euro	100,000.00	50.00	-
Edizioni EL S.r.l.	Trieste	Publishing	Euro	620,000.00	50.00	50.00
Mach 2 Libri S.p.A. in liquidation	Peschiera Borromeo (MI)	Trade	Euro	646,250.00	44.91	44.91
GD Media Service S.r.l.	Peschiera Borromeo (MI)	Trade	Euro	789,474.00	29.00	30.29
Mediamond S.p.A.	Milan	Advert. agency	Euro	2,400,000.00	50.00	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
Stile Italia Edizioni S.r.l.	Milan	Publishing	Euro	10,000.00	25.00	-
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 % 31/12/2019	Group interest held % 31/12/2018
Companies measured at fair value						
Consuledit S.c.ar.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. Sist. Editoriali Distributivi e Informativi	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
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 Euro, 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, Retail, Corporate & Shared Services.

This structure gives a clear picture 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 ancillary expense, 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.

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 publishing trademarks and for the launch of mastheads are recognized in the income statement for the year in question.

Subsequent to initial recognition, intangible assets are measured at cost, net of accumulated amortization and any accumulated impairment loss.

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 finite useful life is systematically amortized over the useful life of the asset from the moment 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 finite useful life are as follows:

Intangible assets with finite useful life	**Useful life**
Trademarks and titles	Duration of licence/10-15 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 finite useful life are subject to an impairment test whenever there is an indication of a possible impairment. The period and method of amortization applied are reviewed at the end of each year or more frequently, if necessary.

Changes in the expected useful life or in the way future economic benefits linked to intangible assets are expected to be earned by the Group are recognized by modifying the period or method of amortization, and are treated as adjustments to accounting estimates.

Intangible assets with indefinite useful life

Intangible assets are considered to have 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 indefinite useful life are shown in the table below:

Intangible assets with indefinite useful life
Trademarks and titles
Series
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 and liabilities acquired, as identifiable at the time of purchase.

Goodwill and other intangible assets with 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.

6.2 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 ancillary expense, and are stated net of depreciation and any impairment loss.

Costs incurred 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 historical cost.

Assets recognized booked to 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, facilities and fittings	12%
Motor and transport vehicles	20% - 30%
Other tangible assets	20%

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

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

6.3 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 property, plant and equipment and are depreciated over the lower of the contract term and the useful life of the asset in question.

6.4 Financial expense

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

6.5 Impairment

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

Impairment tests are carried out at least once a year on goodwill, other intangible assets with 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 on 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 Directors 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 recoverable 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 the income statement.

If during subsequent financial years, when the impairment test is repeated, the reasons for the write-down no longer apply, the value of the asset, excluding goodwill, is written back to take account of the new recoverable value, which should never exceed the value that would have been stated had no impairment been recognized.

6.6 Investments

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

The definition by IFRS 10 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.

Changes 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.

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 in the income statement.
The book value of investments in 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 IFRS 9, are booked at their fair value.

The value of investments is subject to an impairment test whenever there are indications of a possible impairment loss.
If the impairment test indicates an impairment loss, the investment is written down; if in subsequent years the reasons for the write-down no longer apply, the value of the investment is written-back to the extent of its historical cost.
Write-downs and write-backs are recorded in the income statement.

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

6.7 Inventory

Inventory is valued at the lower of 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 expense 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 work in progress and semi-finished goods and contract work in progress 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 goods it corresponds to the standard estimated sales price net of estimated cost to completion and sales cost, respectively.

6.8 Financial assets

Financial assets are initially recognized at cost, increased by ancillary purchase expense, corresponding to the fair value of the price paid. Purchases and sales of financial assets are recognized as from 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 classified as "held to collect" and measured at fair value through P&L
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.

In an active market, the fair value of financial 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

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, under IFRS 9, using the discounting method. Income and loss are recognized in the income statement when loans and receivables are written off or in case of impairment loss, as well as through amortization.

The Group includes trade receivables, both financial and other receivables into this category. These are due within twelve months and are therefore recorded at their estimated realizable value.
This class also includes "Cash and cash equivalents".

6.9 Trade and other receivables

Trade and other receivables are recorded at the fair value of the price collected during the 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, taking account of expected losses.

6.10 Cash and cash equivalents

"Cash and cash equivalents" includes cash on hand and financial investments falling due within three months and which entail only a minimal risk of change in their face value.
They are recorded at fair value.

6.11 Financial liabilities

Financial liabilities include financial payables, derivative instruments, payables associated with finance leases and trade payables.

All financial liabilities other than derivative financial instruments, under IFRS 9, are 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*, as an exception to the provisions of IFRS 9: income and loss resulting from subsequent variations in fair value are recognized in the income statement. Any changes linked to the effective hedge portion are offset 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*.

6.12 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.

6.13 Impairment of financial assets

At each balance sheet date, the Group carries out an impairment test in order to determine whether a financial asset or group of financial assets has suffered impairment.

Financial assets valued at amortized cost
If there is objective evidence of an impairment in loans and receivables, the loss amount is recognized in the 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 impairment amount decreases and such reduction can be objectively attributed to an event that has occurred after the recognition of impairment, the previously recognized impairment is reversed to the amount the asset would have had, taking amortization into account, at the date of the reversal.

6.14 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 highly effective to offset 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 in the 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 in the income statement.

As for the fair value hedge of items recognized at amortized cost, the adjustment of the carrying value is amortized in the 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 in the 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 in the 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 in the income statement, when the results of the transaction subject to hedge are recognized in the income statement.

Income and loss associated with the ineffective part of a hedge are recognized in the income statement. When a hedging instrument is terminated, but the transaction subject to hedge has not been carried out yet, the accumulated income and loss are kept in the reserve under equity and will be reclassified in the 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 is recognized in the income statement.

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

6.15 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.

6.16 Post-employment benefits

Benefits 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 recognized 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 (expense).

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, are recognized under Other expense (income).

6.17 Equity compensation plans

The Company grants additional benefits to a number of board members and managers whose functions are strategically relevant for the attainment of the Company's results, through equity-settled compensation plans (Performance Share Plan).

In the case of share-based payments transactions settled with equity instruments of the Company, the fair value at the granting date, calculated according to a binomial model, is recorded under cost of personnel, with a corresponding increase in Equity under "Reserve for stock options/LTIs", over the period during which the employees obtain the unconditional right to the incentives. All non-vesting conditions are taken into account when estimating the fair value of the equity instruments granted.

The benefits, directly attributed by the Parent Company Arnoldo Mondadori Editore S.p.A. to the executives/managers of subsidiaries, are recognized as an increase in the cost of the relevant investment with a balancing entry in "Reserve for stock options/LTI" under equity.
Subsequently, the amount recognized as a cost is adjusted to reflect the actual number of shares for which the service condition and the non-market condition have been met, so that the final amount recorded as a cost is based on the number of incentives that will definitely vest.

6.18 Recognition of revenue and costs

Revenue from the sale of goods is recorded net of trade discounts, allowances and returns, when the right to payment and the operating benefits resulting from the sale become unconditional and the obligation is met.

As principal, the Group recognizes revenue from the sale of its own books and magazines, as well as revenue from related advertising space, on the basis of the retail price; as agent, it recognizes revenue from the sale of books and magazines owned by distributed third publishers, as well as revenue from related advertising space, on the basis of the retail price net of related costs, showing the intermediation margin only.

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.

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 tax

Current tax is 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 tax is 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 the balance sheet date 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 is 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 the balance sheet date.

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 in the 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 historical 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 in the income statement over the useful life of the asset.
With regard to any State aid and/or "de minimis" aid received, reference is made to the content contained and published in the National State Aid Register.

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 statement of financial position. 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 and interpretations adopted by the European Union with effect from 1 January 2019 and applied by the Mondadori Group

The following IFRS accounting standards, amendments and interpretations were applied for the first time by the Group as from 1 January 2019:

- On 13 January 2016, the IASB published IFRS 16 - Leases, which will supersede 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 right of use of an asset in order to distinguish lease contracts from contracts for the provision of services, identifying as discriminating: identification of the asset, right to substitution of the same, right to substantially obtain all of the economic benefits arising from the use of the asset and, lastly, the right to supervise the underlying asset of 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. Conversely, the standard introduces no material changes for the lessor. The standard is applicable as from 1 January 2019, but early adoption is allowed.

The process involved several steps, including the complete mapping and review of contracts potentially suitable for containing a lease, in order to understand the main clauses relevant for the purposes of IFRS 16.

The application of the new standard to the identified contracts determines the initial recognition in the balance sheet of (i) an asset representing the right of use under IFRS 16 (equal to the present value of the mandatory minimum future lease payments to be made by the lessee as of 1 January 2019 including prepaid expenses), which will be depreciated over the shorter of the technical-economic life and the residual duration of the contract, and (ii) a financial payable equal to the present value of the mandatory minimum future lease payments to be paid by the lessee as from 1 January 2019, including accrued expense unpaid at the transition date. The payable will then be reduced as lease payments are made. As from 2019, the lease payment will no longer be recorded in EBITDA in the income statement, recording instead (i) the depreciation of the right of use and (ii) the financial expense on the payable entered.

The Group applies IFRS 16 - Leases for the first time; the adoption of the modified simplified retrospective application of the model did not require the restatement of comparative figures of the prior period and had no effect on initial equity at 1 January 2019.
In the adoption of IFRS 16, the Group made use of the exemptions granted by section IFRS 16.5 (a) relating to short-term leases, and by IFRS 16.5 (b) relating to lease contracts whose underlying asset is a low-value asset. For such contracts, the introduction of IFRS 16 implies the recognition of the financial liability of the lease and the relating right of use, but lease payments will be recognized in the income statement on a straight-line basis for the duration of the respective contracts.

Effects of first-time adoption of IFRS 16:

IFRS 16 (Euro/thousands)	**Impacts at transition date** **1 January 2019**
Rights of use buildings	106,748
Rights of use motor vehicles	645
Rights of use hardware	530
Rights of use property, plant and machinery	**107,923**
Short-term financial payables	13,594
Medium-long term financial payables	94,329
Financial payables	**107,923**

• IFRIC Interpretation 23 - Uncertainty over Income Tax Treatments - defines the accounting of income tax when the tax treatment involves uncertainties that affect the application of IAS 12 and does not apply to tax or duties outside the scope of IAS 12, nor does it specifically include requirements relating to interest or penalties attributable to uncertain tax treatments.
The Interpretation specifically addresses the following points:
- whether an entity considers uncertain tax treatment separately;
- the assumptions an entity makes about the examination of tax treatments by taxation authorities;
- how an entity determines taxable profit (or tax loss), tax base, unused tax losses, unused tax credits and tax rates;
- how an entity treats changes in facts and circumstances.

An entity shall define whether to consider each uncertain tax treatment separately or together with other (one or more) uncertain tax treatments. The approach that best predicts the resolution of uncertainty should be followed.

The Group applies significant judgement in identifying uncertainties over the tax treatment of income tax. As the Group operates in a complex multinational context, it has assessed whether the interpretation could have had an impact on its consolidated financial statements.

At the time of adoption of the interpretation, the Group examined the existence of uncertain tax positions and the interpretation had no impact on the consolidated financial statements.

- Amendments to IFRS 9 - Prepayments Features with Negative Compensation - Under IFRS 9, a debt instrument can be measured at amortized cost or at fair value in the statement of comprehensive income, provided that the contractual cash flows are “solely principal and interest payments on the reference amount" (the SPPI criterion) and the instrument is classified in the appropriate business model. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes early termination of the contract and regardless of which party pays or receives reasonable compensation for early termination of the contract. These changes had no impact on the Group consolidated financial statements.
- Amendments to IAS 19 - Plan Amendment, Curtailment or Settlement - The amendments to IAS 19 set out the accounting rules in the event that, during the reporting period, there is an amendment, curtailment or settlement of the plan. The amendments specify that when a plan amendment, curtailment or settlement takes place during the period, an entity is required to determine the cost of service for the remainder of the period following the amendment, curtailment or settlement of the plan, using key actuarial assumptions to re-measure the net defined benefit liability (asset) so that it reflects the benefits provided by the plan and the plan assets after that event. An entity is also required to determine the net interest for the period remaining after the plan amendment, curtailment or settlement: the net defined benefit liability (asset) that reflects the benefits offered by the plan and the plan assets after that event; and the discount rate used to re-measure the net defined benefit liability (asset). These changes had no impact on the Group consolidated financial statements.
- Amendments to IAS 28 - Long-term interests in associates and joint ventures - The amendments specify that an entity applies IFRS 9 for long-term investments in an associate or joint venture, to which the equity method is not applied but which, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant as it implies that the expected credit loss model of IFRS 9 applies to such long-term investments. The amendments also clarify that, when applying IFRS 9, an entity shall not take into account any loss of the associate or joint venture or any impairment losses of the investment recognized as an adjustment to the net investment in the associate or joint venture arising from the application of IAS 28 - Investments in Associates and Joint Ventures. These changes had no impact on the consolidated financial statements.

Annual improvements 2015-2017 Cycle

- IFRS 3 - Business Combination - The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination that has taken place in several stages, including the re-measurement at fair value of the investment previously held in the assets and liabilities of the joint operation. In doing this, the buyer remeasures the interest previously held in the joint operation. The entity applies such amendments to business combinations for which the acquisition date coincides with or is subsequent to the first financial period beginning on 1 January 2019; early application is allowed. This amendment had no impact on the Group consolidated financial statements, as there was no business combination in which joint control was obtained.
- IFRS 11 - Joint Arrangements - An entity that participates in a joint operation, without having joint control, could obtain joint control of the joint operation if the activity of the joint operation constitutes a business as defined in IFRS 3.

  The amendments clarify that the investments previously held in this joint operation are not remeasured. An entity applies such amendments to the operations in which it has joint control from the beginning of the year beginning on or after 1 January 2019; early application is allowed.

  This amendment had no impact on the Group consolidated financial statements, as there was no business combination in which joint control was obtained.

- IAS 12 - Income tax - The amendments clarify that the effects of tax on dividends are related to past transactions or events that generated distributable profits rather than to distributions to shareholders. Therefore, an entity recognizes the income tax effects arising on dividends in the profit or loss for the year, in other comprehensive income/loss or in equity, consistent with the way in which the entity has previously recognized such past operations or events.
  An entity applies these amendments for annual periods beginning on or after 1 January 2019; early application is allowed. When an entity first applies such amendments, it applies them to the effects that tax on dividends recognized from the beginning of the first annual period have had. Since the Group's current practice is in line with these amendments, it did not record any impact from these amendments on its financial statements.
- IAS 23 - Borrowing Costs - The amendments clarify that an entity treats as non-specific loans any loan that was intended from the outset to develop an asset, when all the actions necessary to prepare that asset for use or sale are completed.
  An entity applies such amendments to financial expense incurred from the beginning of the period in which the entity first applies the amendments. An entity applies these amendments for annual periods beginning on or after 1 January 2019; early application is allowed. Since the Group's current practice is in line with these amendments, it did not record any impact from this amendment on its consolidated financial statements.

6.25 Accounting standards, amendments and IFRS and IFRIC interpretations endorsed by the European Union but not yet applicable on a compulsory basis and not adopted in advance by the Group at 31 December 2019

- IFRS 17 - Insurance Contracts - In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new standard for insurance contracts covering recognition and measurement, presentation and disclosure. When it enters into force, IFRS 17 will supersede IFRS 4 - Insurance Contracts, issued in 2005. IFRS 17 applies to all types of insurance contracts (e.g. life, non-life, direct insurance, re-insurance), regardless of the type of entity that issues them, and to some guarantees and financial instruments with discretionary participation features.
  Few exceptions will apply for this purpose. The overall objective of IFRS 17 is to provide a more useful and consistent accounting model for insurance contracts among entities issuing insurance contracts. Unlike the provisions of IFRS 4, which are based mainly on maintaining previous accounting policies, IFRS 17 provides a comprehensive model for insurance contracts covering all relevant accounting aspects. At the heart of IFRS 17 is the general model, supplemented by:
  - a specific adaptation for contracts with direct participation characteristics (variable fee approach);
  - a simplified approach (premium allocation approach) mainly for short-term contracts.
  IFRS 17 will come into force for financial periods beginning on or after 1 January 2021 and will require comparative balances to be presented. Early application is allowed, in which case the entity shall also have adopted IFRS 9 and IFRS 15 at or before the date of first-time application of IFRS 17. This standard does not apply to the Company.

- Amendments to IFRS 3 - Definition of a Business - In October 2018, the IASB issued amendments to IAS 1 - Presentation of Financial Statements and IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors, to align the definition of "material" in the standards and to clarify certain aspects of the definition. The new definition indicates that information is material if, omitting it, or misstating or obscuring it, it could reasonably be expected to influence the decisions that the primary users of the financial statements would make on the basis of the financial information contained therein.
  From the change to the definition of material, the Group expects no significant impact on the consolidated financial statements.

- Amendments to IAS 1 and IAS 8 - Definition of Materiality. In October 2018, the IASB issued amendments to IAS 1 - Presentation of Financial Statements and IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors, to align the definition of "material" in the standards and to clarify certain aspects of the definition. The new definition indicates that information is material if, omitting it, or misstating or obscuring it, it could reasonably be expected to influence the decisions that the primary users of the financial statements would make on the basis of the financial information contained therein.
  The changes to the definition of material are not expected to have a significant impact on the consolidated financial statements.

7. USE OF ESTIMATES

The preparation 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, which continues to remain unstable. 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 of goodwill and intangible assets is tested by comparing the carrying amount of the Cash Generating Units with their recoverable value, represented by the higher of fair value less costs to sell and value in use. This process includes, among others, the application of methods such as discounted cash flow, with the relevant assumptions.

Amortization
The useful life of tangible and intangible assets is determined by the Directors when the asset is purchased. The Company regularly assesses any changes in technology, market conditions and expectations of future events that could have an impact on the useful life and duration of amortization.

Provision for advances to authors
The Group estimates the amount of the advances paid to authors to be written down, as they are considered non-recoverable, based on analyses carried out both for published literary works and those to be published.

Write-down 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 debts

The recoverability of receivables is measured by taking into account the risk of non-payment, ageing and losses on receivables expected to arise on the receivables, based on the Expected Credit Loss model.

Returns to receive

In the publishing sector, it is an 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 years: this estimate is based on historical statistics and takes into account also the level of circulation and any other elements that may affect the quantities of books and magazines returned.

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 favour of employees are based on actuarial assumptions: any changes in the underlying assumptions may have significant effects on the provisions.

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 tax and assets and liabilities relating to benefits in favour of employees, any equity compensation plans as well as assets classified as held for sale, which are valued according to the relevant reference standard.

Ancillary expense relating to the transaction is recognized in the income statement in the year in which it is 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 in the income statement in the year in which the acquisition transaction is completed.

Non-controlling interests’ equity may be measured, 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 write-back at fair value from the date of control acquisition and any resulting income or loss is recognized in the 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 EXPENSE

As required by Consob resolution no. 15519 of 27 July 2006, income and expense deriving from non-recurring transactions are recognized in the 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 DISPOSALS IN THE YEAR

2019 saw the disposal of Mondadori France S.a.s., for which reference should be made to Note 11 below, and the establishment of Stile Italia Edizioni S.r.l., publisher of the magazines *Confidenze, Cucina Moderna, Sale&Pepe, Starbene* and *Tu Style*, transferred by Arnoldo Mondadori Editore S.p.A., of which the Group held 25% at 31 December 2019 (75% of the share capital of Stile Italia Edizioni S.r.l. was sold to La Verità S.r.l.). The transaction resulted in a net capital gain of € 909 thousand.
The agreement includes an earn out in favour of Arnoldo Mondadori Editore S.p.A. and put/call mechanisms on the 25% investment held by Arnoldo Mondadori Editore S.p.A.

DI2 S.r.l., a logistics services company, was also established in an equal partnership with Sodip.

11. INFORMATION RELATING TO IFRS 5

On 27 September 2018, the Board of Directors of Arnoldo Mondadori Editore S.p.A. authorized the Chief Executive Officer to open exclusive negotiations with Reworld Media S.A. with a view to the possible sale of Mondadori France.
The transaction falls into the repositioning strategy pursued by the Group and aimed at consolidating its leadership in the books sector.

At the reporting date of the Interim Management Statement at 30 September 2018, owing to the negotiations underway, the Directors deemed that all the requirements of the international accounting standards for the presentation of the transaction as a discontinued operation had been met, including the high likelihood of its being executed under IFRS 5. The successful outcome of the negotiations, in fact, implies the Mondadori Group’s exit from the French magazine publishing market, considered a major line of business under IFRS 5.

On 31 July 2019, Arnoldo Mondadori Editore S.p.A. completed the disposal of Mondadori France S.a.s., for a gross consideration of € 70 million, which, subsequently adjusted by the other price adjustment components set out in the agreement, amounted to € 62.8 million.
The agreement also envisages an earn-out of € 5 million that the acquirer will pay to Mondadori if certain conditions, which are not certain, therefore are not recorded, are met at the date of preparation of these financial statements.

The effects of the disposal on the financial statements at 31 December 2019, gross of the price adjustment components envisaged in the contract, are as follows:
- collection of € 50 million;
- recognition of a financial receivable from Reworld Media for deferred payment, maturing on 31 July 2021 for the discounted amount of € 10.2 million;
- recognition of securities under other current financial assets totaling € 10 million, represented by shares of the acquirer Reworld Media, listed on the Paris Stock Exchange, received as a non-monetary component of the price;
- impact in the income statement of the result for the period up to 31 July 2019, as well as transaction costs recognized as Expense from discontinued operations.

Mention should also be made of the loans to two French magazine distributors acquired by Mondadori France before the closing, for a total amount, net of write-downs, of € 1.6 million.

12. INTANGIBLE ASSETS

Intangible assets, amounting to € 220,349 thousand, decreased by € 6,323 thousand versus 31 December 2018, due mainly to amortization for the period, higher than new capital expenditure.

Intangible assets (Euro/thousands)	**31/12/2019**	**31/12/2018**
Intangible assets with finite useful life	50,288	44,437
Intangible assets with indefinite useful life	170,061	182,235
Total intangible assets	**220,349**	**226,672**

Intangible assets with finite useful life, at the end of the prior year, were represented mainly by the value of the trademarks in the Magazines Area, including *Focus* and the former Banzai Media digital websites, software, which increased in 2018 as a result of capital expenditure in the SAP management system, and the costs incurred for the creation of new editorial projects in the educational segment.

Intangible assets with finite useful life (Euro/thousands)	**Magazines**	**Trademarks**	**Customer lists**	**Expense on shop lease contract takeovers**	**Software, licenses, patents and rights**	**Cost of development**	**Other assets, assets in progress and advances**	**Total**
Historical cost at 31/12/2017	247,200	18,643	9,684	1,849	42,039	44,343	12,920	376,678
Capital expenditure	-	-	-	-	2,342	4,730	11,442	18,514
Disposals	-	-	-	-	(2,294)	-	-	(2,294)
Change in the consolidation scope	-	-	-	-	156	-	198	354
Other changes	(247,200)	12	(8,000)	-	(24,757)	(14,191)	(6,265)	(300,401)
Historical cost at 31/12/2018	-	18,655	1,684	1,849	17,486	34,882	18,295	92,851
Accumulated amortization and impairment loss at 31/12/2017	102,462	3,987	8,842	1,849	32,351	34,638	3,860	187,989
Amortization	-	1,085	421	-	3,547	9,997	1,110	16,160
Write-downs/ (write-backs)	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	(2,294)	-	-	(2,294)
Change in the consolidation scope	-	-	-	-	(96)	-	22	(74)
Other changes	(102,462)	(66)	(8,000)	-	(22,779)	(19,216)	(844)	(153,367)
Accumulated amortization and impairment loss at 31/12/2018	-	5,006	1,263	1,849	10,729	25,419	4,148	48,414
Net book value at 31/12/2017	144,738	14,656	842	-	9,688	9,705	9,060	188,689
Net book value at 31/12/2018	**-**	**13,649**	**421**	**-**	**6,757**	**9,463**	**14,147**	**44,437**

The most significant changes in Intangible assets with finite useful life in 2019 were the following:
- the reclassification from Intangible assets with indefinite useful life of the amounts of the magazines *Chi*, *Telepiù* and *Interni*, following restatement of their useful life, for a net balance of € 12,148 thousand. The useful life of *TV Sorrisi e Canzoni*, given the popularity and commercial strength of the brand, which allow the title to position itself as the Italian magazine with the highest circulation of copies, was classified again as indefinite;
- capital expenditure of € 15,072 thousand, the largest portion of which for software and applications for € 2,938 thousand and the development of new publishing projects, some still in progress, in the Educational Books Area for € 11,329 thousand;
- amortization for the period, amounting to € 18,154 thousand, in addition to write-downs of € 3,257 thousand.

Intangible assets with finite useful life (Euro/thousands)	**Magazines**	**Trademarks**	**Customer lists**	**Expense on shop lease contract takeovers**	**Software, licenses, patents and rights**	**Cost of development**	**Other assets, assets in progress and advances**	**Total**
Historical cost at 31/12/2018	-	18,655	1,684	1,849	17,486	34,882	18,295	92,851
Capital expenditure	-	25	-	-	2,938	6,823	5,286	15,072
Disposals	-	-	-	-	(272)	-	(2,887)	(3,159)
Change in the consolidation scope	-	-	-	-	-	-	-	-
Other changes	17,289	1,162	-	(1,849)	5,590	(4,064)	(11,622)	6,506
Historical cost at 31/12/2019	17,289	19,842	1,684	-	25,742	37,641	9,072	111,270
Accumulated amortization and impairment loss at 31/12/2018	-	5,006	1,263	1,849	10,729	25,419	4,148	48,414
Amortization	1,215	1,046	421	-	4,891	9,831	750	18,154
Write-downs/ (write-backs)	2,710	353	-	-	3	-	191	3,257
Disposals	-	-	-	-	(271)	-	(2,848)	(3,119)
Change in the consolidation scope	-	-	-	-	-	-	-	-
Other changes	5,141	1,126	-	(1,849)	(1,755)	(8,414)	27	(5,724)
Accumulated amortization and impairment loss at 31/12/2019	9,066	7,531	1,684	-	13,597	26,836	2,268	60,982
Net book value at 31/12/2018	-	13,649	421	-	6,757	9,463	14,147	44,437
Net book value at 31/12/2019	**8,223**	**12,311**	**-**	**-**	**12,145**	**10,805**	**6,804**	**50,288**

Intangible assets with indefinite useful life include:
- by the value of *TV Sorrisi e Canzoni*;
- the series of the Books Area;
- trademarks acquired against payment and goodwill.

Intangible assets with indefinite useful life (Euro/thousands)	**Magazines**	**Trademarks and series**	**Goodwill**	**Total**
Historical cost at 31/12/2017	94,114	49,449	485,693	629,256
Capital expenditure	-	-	78	78
Disposals	-	-	-	-
Change in the consolidation scope	-	-	(373)	(373)
Other changes	-	-	(430,357)	(430,357)
Historical cost at 31/12/2018	94,114	49,449	55,041	198,604
Impairment loss at 31/12/2017	8,890	2,259	213,769	224,918
Write-downs/(write-backs)	-	-	-	-
Other changes/disposals	-	-	(208,549)	(208,549)
Impairment loss at 31/12/2018	8,890	2,259	5,220	16,369
Net book value at 31/12/2017	85,224	47,190	271,924	404,338
Net book value at 31/12/2018	**85,224**	**47,190**	**49,821**	**182,235**

No acquisition or sale transactions involving Intangible assets with indefinite useful life were completed in 2019; changes in the year are represented by reclassifications of titles and trademarks under Assets with finite useful life.

Intangible assets with indefinite useful life (Euro/thousands)	**Magazines**	**Trademarks and series**	**Goodwill**	**Total**
Historical cost at 31/12/2018	94,114	49,449	55,041	198,604
Capital expenditure	-	-	-	-
Disposals	-	-	-	-
Change in the consolidation scope	-	-	-	-
Other changes	(17,289)	(1,298)	(1,523)	(20,110)
Historical cost at 31/12/2019	76,825	48,151	53,518	178,494
Impairment loss at 31/12/2018	8,890	2,259	5,220	16,369
Write-downs/(write-backs)	-	-	-	-
Other changes/disposals	(5,141)	(1,265)	(1,530)	(7,936)
Impairment loss at 31/12/2019	3,749	994	3,690	8,433
Net book value at 31/12/2018	85,224	47,190	49,821	182,235
Net book value at 31/12/2019	**73,076**	**47,157**	**49,828**	**170,061**

Amortization, write-downs and write-backs of intangible assets

Amortization and write-downs for the period amounted to € 21,411 thousand, up versus 2018, due to the restatement of the useful life of certain magazine titles, higher amortization relating to capital expenditure in software, and write-downs made as a result of the impairment process mainly in the Magazines Area.

Amortization and impairment loss on intangible assets (Euro/thousands)	**2019**	**2018**
Magazines	1,215	-
Trademarks	1,046	1,085
Customer lists	421	421
Software, licenses, patents and rights	4,891	3,547
Cost of development	9,831	9,997
Other intangible assets	750	1,110
Total amortization of intangible assets	**18,154**	**16,160**
Write-downs of intangible assets	3,257	-
Write-backs of intangible assets	-	-
Total write-downs (write-backs) of intangible assets	**3,257**	**-**
Total amortization and impairment loss on intangible assets	**21,411**	**16,160**

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 indefinite useful life and goodwill are not subject to amortization, but to an impairment test at least once a year or whenever there are signs of impairment.

Assets with 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 whether any impairment loss has occurred.

At the balance sheet date, market capitalization is higher than booked equity.
An impairment test was conducted on the individual Cash Generating Units, based on cash-flow projections appearing in the projections of the respective 2020-2022 three-year plans, whose guidelines were reviewed and approved by the Board of Directors on 17 March 2020. The above cash flows were measured based on the current market scenario, also considering uncertainties on trend expectations in the sector.

For the purpose of calculating the recoverable value of assets - whichever is the higher of 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 amortization and write-downs identified in the year, as shown in the table below:

Cash Generating Unit (Euro/thousands)	**Magazines**	**Trademarks and series**	**Other assets**	**Goodwill**	**Total**
CGU magazines former SBE	79,819	-	-	731	80,550
CGU magazines former Elemond	1,482	-	-	228	1,710
CGU former Gruner+Jahr Mondadori	-	2,794	-	2,251	5,045
Digital CGU	-	9,466	1,435	23,865	34,766
Trade Books CGU	-	4,005	-	1,634	5,639
Einaudi CGU	-	2,991	-	286	3,277
Sperling & Kupfer CGU	-	1,847	-	731	2,578
Piemme CGU	-	8,287	-	5,059	13,346
Education CGU	-	29,483	-	12,042	41,525
Other CGUs	-	616	338	3,000	3,954
	81,301	**59,489**	**1,773**	**49,827**	**192,390**

Key elements used to calculate the recoverable value:

Cash Generating Unit	**Criterion used**	**Economics**	**Growth rate on terminal value**	**Discounting rate**
CGU magazines former Silvio Berlusconi Editore	Value in use / Fair value	EBITDA 2020-2022 Revenue 2020-2022	g = -3	5.28%
CGU magazines former Elemond	Fair value	Revenue 2020-2022	g = -3	5.28%
CGU former Gruner+Jahr Mondadori	Fair value	Revenue 2020-2022	g = -3	5.28%
Digital CGU	Value in use	EBITDA 2020-2022	g = 0; g = 2	5.28%
Trade Books CGU	Value in use	EBITDA 2020-2022	g = 0	5.28%
Einaudi CGU	Value in use	Cash flow 2020-2022	g = 0	5.28%
Sperling & Kupfer CGU	Value in use	EBITDA 2020-2022	g = 0	5.28%
Piemme CGU	Value in use	EBITDA 2020-2022	g = 0	5.28%
Education CGU	Value in use	Cash flow 2020-2022	g = 0	5.28%
Other CGUs	Value in use	EBITDA 2020-2022	g = 0	5.28%

Cash Generating Unit magazines former Silvio Berlusconi Editore

The value of magazines, each of which represents a Cash Generating Unit, refers to the acquisition of Silvio Berlusconi Editore, completed in 1994. The publications acquired are *TV Sorrisi e Canzoni*, titles with indefinite useful life, *Chi* and *Telepiù*, titles with finite useful life; goodwill is also allocated to the CGU.

The recoverable value of magazines was determined based on the higher of value in use and fair value.

The recoverable value of the Cash Generating Unit was determined based on the calculation of the value in use, based in turn on the projections of the cash flows obtained from the figures appearing in the respective forward plans for the three-year period 2020-2022, whose guidelines were reviewed and approved by the Board of Directors on 17 March 2020. The above cash flows were measured based on the current market scenario, also considering uncertainties on trend expectations in the sector.

The amounts are inferred from the income statements of the individual magazines, considered representative of the relevant cash flows, taking account of the immediate collection of revenue typical of magazines. The margins from the magazines also include overhead and operating costs.

The operating results used for the projections are net of tax; the discount rate after tax, applied to cash flow projections, is equal to 5.28% and cash flows beyond the period of analytical projection have been assumed to decrease by 3%.

Concurrently, as regards *Chi*, the Directors also deemed it appropriate to determine the fair value by applying the royalty method, based on estimated revenue in the medium-term forecast scenarios of the magazine.

To calculate the fair value, in addition to presumed revenue, the following parameters were specifically taken into account:
- a 6% royalty rate, in line with the average rates contracted by the Group with foreign publishers for the international editions of the magazines;
- a negative revenue trend rate, beyond the last year included in the medium-term plan, equal to -3%.

Furthermore, taking account of the Fair Value/Value in Use of the other former SBE publications, any changes in the assumptions used in the impairment test could lead to adjustments, even significant ones, to the carrying amounts of the titles.

After completing the analysis on titles and goodwill, the Directors recognized the need to write down *Chi* by € 2,710 thousand.

Based on the elements available to date, the Directors believe that the assessments and estimates reflect the uncertainties of the relevant market, which has witnessed further downturns in the current year as well; they will closely monitor the situation to verify that the final results match the forecasts, and promptly highlight any deviations.

Cash Generating Unit magazines former Elemond

The value of magazines with finite 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 of the value in use and fair value.

The value in use of the Cash Generating Unit was determined based on the projections of the cash flows obtained from the figures appearing in the respective forward plans for the three-year period 2020-2022, whose guidelines were reviewed and approved by the Board of Directors on 17 March 2020. The above cash flows were measured on the basis of the current market scenario, also considering uncertainties on trend expectations in the sector.

The amounts are inferred 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 and operating costs.

The operating results used for the projections are net of tax; the discount rate after tax, applied to cash flow projections, is equal to 5.28% and cash flows beyond the period of analytical projection inferred from the medium-term plans, have been assumed to decrease by 3%.

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 forecast scenarios.

To calculate the fair value, in addition to presumed revenue, the following parameters were specifically taken into account:
- a 6.5% royalty rate, representing the rate contracted by the Group with foreign publishers for the international editions of the magazine;
- a negative revenue growth rate, beyond the last year included in the medium-term plan, equal to -3%.

After completing the analysis, the Directors concluded that there was no need for a write-down of the assets belonging to the Cash Generating Units under review, nor on their goodwill.

Cash Generating Unit former Gruner+Jahr Mondadori

Effective from 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 acquisition and after completion of the purchase price allocation process, also supported by the valuation of intangible assets by an independent expert, the higher price paid against the book values acquired, was attributed to the Focus trademark and to the relating subscriber list, and the remaining portion to goodwill.

The recoverable value was determined based on the higher of value in use and fair value.

The assets identified in the purchase price allocation are qualified as having finite useful life, except for goodwill; the trademark is amortized over 20 years and the subscriber list over four years, starting from 2016.

The value in use of the Cash Generating Unit was determined based on the projections of the cash flows obtained from the figures appearing in the respective forward plans for the three-year period 2020-2022, whose guidelines were reviewed and approved by the Board of Directors on 17 March 2020. The above cash flows were measured on the basis of the current market scenario, also considering uncertainties on trend expectations in the sector.

The amounts are inferred from the income statements of the individual magazines, considered representative of the relevant cash flows, taking account of the immediate collection of revenue typical of magazines. The margins from the magazines also include overhead and operating costs.

The cash flows used for the projections are net of tax; the discount rate after tax, applied to cash flow projections, is 5.28% and cash flows beyond the period of analytical projection deriving from medium-term plans, have always been assumed to decrease (g = -3%).

Concurrently, as regards Focus, the Directors also deemed it appropriate to determine the fair value by applying the royalty method, based on estimated revenue in the medium-term forecast scenarios deriving from the trademark in question.

To calculate the fair value, in addition to presumed revenue, the following parameters were specifically taken into account:
- a 6% royalty rate, in line with the average rates contracted by the Group with foreign publishers for the international editions of the magazines;
- a negative revenue growth rate, beyond the last year included in the medium-term plan, equal to -3%.

After completing the analysis, the Directors concluded that there was no need for a write-down of the assets belonging to the Cash Generating Units under review, nor on their goodwill.

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, based in turn on the projections of the cash flows obtained from the figures appearing in the respective forward plans for the three-year period 2020-2022, whose guidelines were reviewed and approved by the Board of Directors on 17 March 2020. The above cash flows were measured on the basis of the current market scenario, also considering uncertainties on trend expectations in the sector.

The cash flows used for the projections are net of tax and financial income and expense; the discount rate after tax, applied to cash flow projections, is 5.28% and cash flows beyond the period of analytical projection deriving from medium-term plans, have been assumed equal to zero and two.

To complete the analysis carried out, the Directors identified the need to align a single asset to the value in use for € 353 thousand.

Trade Books Cash Generating Unit

The CGU includes the BUR trademark (€ 4,005 thousand) and goodwill (€ 1,634 thousand), determined on conclusion of the purchase price allocation process carried out with regard to the acquisition of Rizzoli Libri S.p.A. in 2016.

The recoverable value of the Cash Generating Unit was determined based on the calculation of the value in use, based in turn on the projections of the cash flows obtained from the figures appearing in the respective forward plans for the three-year period 2020-2022, whose guidelines were reviewed and approved by the Board of Directors on 17 March 2020. The above cash flows were measured on the basis of the current market scenario, also considering uncertainties on trend expectations in the sector.

The cash flows used for the projections are net of tax; the discount rate after tax, applied to cash flow projections, is 5.28% and cash flows beyond the period of analytical projection deriving from medium-term plans have always been assumed as constant (g = 0).

After completing the analysis, the Directors concluded that there was no need for a write-down of the assets belonging to the Cash Generating Units under review.

Einaudi Cash Generating Unit

This Cash Generating Unit includes Casa Editrice Einaudi series, acquired indirectly through the transaction completed in more than one instalment 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, based in turn on the projections of the cash flows obtained from the figures appearing in the respective forward plans for the three-year period 2020-2022, whose guidelines were reviewed and approved by the Board of Directors on 17 March 2020. The above cash flows were measured on the basis of the current market scenario, also considering uncertainties on trend expectations in the sector.

The cash flows used for the projections are net of tax; the discount rate after tax, applied to cash flow projections, is 5.28% and cash flows beyond the period of analytical projection deriving from medium-term plans have always been assumed as constant (g = 0).

After completing the analysis, the Directors concluded that there was no need for a write-down of the assets belonging to the Cash Generating Units under review.

Sperling & Kupfer Cash Generating Unit

This Cash Generating Unit includes the series published by Sperling & Kupfer, a company acquired in 1995.

The recoverable value of the Cash Generating Unit was determined based on the calculation of the value in use, based in turn on the projections of the cash flows obtained from the figures appearing in the respective forward plans for the three-year period 2020-2022, whose guidelines were reviewed and approved by the Board of Directors on 17 March 2020. The above cash flows were measured on the basis of the current market scenario, also considering uncertainties on trend expectations in the sector.

The cash flows used for the projections are net of tax; the discount rate after tax, applied to cash flow projections, is 5.28% and cash flows beyond the period of analytical projection deriving from medium-term plans have always been assumed as constant (g = 0).

After completing the analysis, the Directors concluded that there was no need for a write-down of the assets belonging to the Cash Generating Units under review.

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 Publisher 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, based in turn on the projections of the cash flows obtained from the figures appearing in the respective forward plans for the three-year period 2020-2022, whose guidelines were reviewed and approved by the Board of Directors on 17 March 2020. The above cash flows were measured on the basis of the current market scenario, also considering uncertainties on trend expectations in the sector.

The cash flows used for the projections are net of tax; the discount rate after tax, applied to cash flow projections, is 5.28% and cash flows beyond the period of analytical projection deriving from medium-term plans have always been assumed as constant (g = 0).

After completing the analysis, the Directors concluded that there was no need for a write-down of the assets belonging to the Cash Generating Units under review.

Education Cash Generating Unit

These Cash Generating Units include series and publishing lines referring to the production of textbooks 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), the acquisition of the Le Monnier Group between 1999 and 2001 (€ 12,070 thousand) and the acquisition of Texto, publisher of school textbooks under the Piemme Scuola trademark, completed in 2004 (€ 380 thousand). 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, add up to the abovementioned values.

The Education CGU group includes the amounts attributed to the Rizzoli trademarks (€ 10,550 thousand), as a result of the acquisition in 2016.

For the purposes of impairment testing, entire legal entities were considered as cash generating units.

The recoverable value of the Cash Generating Unit was determined based on the calculation of the value in use, based in turn on the projections of the cash flows obtained from the figures appearing in the respective forward plans for the three-year period 2020-2022, whose guidelines were reviewed and approved by the Board of Directors on 17 March 2020. The above cash flows were measured on the basis of the current market scenario, also considering uncertainties on trend expectations in the sector.

The cash flows used for the projections are net of tax; the discount rate after tax, applied to cash flow projections, is 5.28% and cash flows beyond the period of analytical projection deriving from medium-term plans have always been assumed as constant (g = 0).

After completing the analysis, the Directors concluded that there was no need for a write-down of the assets belonging to the Cash Generating Units under review.

Other Cash Generating Units

This group of Cash Generating Units, each of which independent, comprises:
- the value of the bookclub member database of former Mondolibri S.p.A., amounting to € 2,500 thousand;
- the Grazia China trademark, regarding the local publication of the weekly, amounting to € 521 thousand;
- the goodwill of Skira Rizzoli, amounting to € 422 thousand;
- the value attributed to the assets of the Direct Channel business unit, amounting to € 415 thousand;
- residual assets of € 96 thousand.

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

After completing the analysis, the Directors concluded that there was no need for a write-down of the assets belonging to the Cash Generating Units under review.

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 shown net of tax, consistently with the flows used.

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 used in 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 the CAPM, the cost of equity is determined as the sum resulting from risk-free investment return and a risk premium, determined against the systematic risk on the investment under review. 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 quantifying the individual parameters, the following were taken into account to properly measure the level of risk inherent in the cash flows envisaged by the Company Plan. The risk-free rate was determined taking account of 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 significant 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 5.20% (source: Damodaran, January 2020);
- the cost of debt (kd) was quantified by referring 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;
- the weight attributed to equity and non-controlling interests' equity was calculated based on the market normalized average of a panel of comparable companies;
- the execution risk component, aimed in particular at factoring the risk of possible changes in the value or timing of expected future cash flows, is estimated at 0.6%.

Sensitivity to changes in the assumptions

A sensitivity analysis was performed on the discounting rate and the growth rate.

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, while stressing the need, however, to oversee the performance of each CGU in order to verify the consistency of final and forecast trends, taking account of the current market context.

13. PROPERTY, PLANT AND EQUIPMENT

The net amount of Property, plant and equipment, amounting to € 17,940 thousand, decreased by € 1,195 thousand, as a result of:

- capital expenditure of € 3,477 thousand, related mainly to office machinery and equipment for € 943 thousand, furniture, fittings and renovation work on leased properties for € 1,497 thousand. The latter are attributable mainly to the Retail Area (€ 963 thousand);
- sales and disposals, amounting to a net € 100 thousand, relating mainly to furniture, furnishings and office machines;
- depreciation and write-downs for the period, amounting to € 4,527 thousand.

The table below shows a breakdown of Property, plant and equipment in 2018 and 2019:

Property, plant and equipment (Euro/thousands)	**Land**	**Instrumental buildings**	**Plant and equipment**	**Other tangible assets**	**Total**
Historical cost at 31/12/2017	903	6,562	31,727	103,248	142,440
Capital expenditure	-	-	795	3,601	4,396
Disposals	-	(957)	(1,221)	(11,215)	(13,393)
Change in the consolidation scope	-	-	14	(1,510)	(1,496)
Other changes	-	-	(9,714)	(35,799)	(45,513)
Historical cost at 31/12/2018	903	5,605	21,601	58,325	86,434
Depreciation and impairment loss at 31/12/2017	-	4,076	25,899	88,411	118,386
Depreciation	-	191	905	3,898	4,994
Write-downs/(write-backs)	-	-	-	-	-
Disposals	-	(352)	(1,088)	(10,987)	(12,427)
Change in the consolidation scope	-	-	18	(1,450)	(1,432)
Other changes	-	-	(7,215)	(35,007)	(42,222)
Accumulated depreciation and impairment loss at 31/12/2018	-	3,915	18,519	44,865	67,299
Net book value at 31/12/2017	903	2,486	5,828	14,837	24,054
Net book value at 31/12/2018	**903**	**1,690**	**3,082**	**13,460**	**19,135**

Property, plant and equipment (Euro/thousands)	**Land**	**Instrumental buildings**	**Plant and equipment**	**Other tangible assets**	**Total**
Historical cost at 31/12/2018	903	5,605	21,601	58,325	86,434
Capital expenditure	-	-	639	2,838	3,477
Disposals	-	-	(34)	(2,486)	(2,520)
Change in the consolidation scope	-	-	-	-	-
Other changes	-	-	(267)	(958)	(1,225)
Historical cost at 31/12/2019	903	5,605	21,939	57,719	86,166
Accumulated depreciation and impairment loss at 31/12/2018	-	3,915	18,519	44,865	67,299
Depreciation	-	156	818	3,228	4,202
Write-downs/(write-backs)	-	-	46	279	325
Disposals	-	-	(34)	(2,387)	(2,421)
Change in the consolidation scope	-	-	-	-	-
Other changes	-	-	(381)	(798)	(1,179)
Accumulated depreciation and impairment loss at 31/12/2019	-	4,071	18,968	45,187	68,226
Net book value at 31/12/2018	903	1,690	3,082	13,460	19,135
Net book value at 31/12/2019	**903**	**1,534**	**2,971**	**12,532**	**17,940**

Other tangible assets is broken down as follows:

Other tangible assets (Euro/thousands)	**31/12/2019**	**31/12/2018**
Industrial and commercial equipment	182	515
Electronic office equipment	2,100	2,071
Office furniture, facilities and fittings	4,100	4,740
Motor and transport vehicles	34	44
Leasehold improvements	5,718	5,722
Other tangible assets	-	12
Assets under construction and advances	398	356
Total other tangible assets	**12,532**	**13,460**

Depreciation of property, plant and equipment

Depreciation and write-downs for the period amounted to € 4,527 thousand, down versus 2018.

Depreciation and impairment loss on property, plant and equipment (Euro/thousands)	**2019**	**2018**
Instrumental buildings	156	191
Plant and equipment	818	905
Equipment	91	211
Electronic office equipment	1,121	1,239
Furniture and fittings	943	993
Motor and transport vehicles	9	4
Leasehold improvements	1,064	1,448
Other tangible assets	-	3
Total depreciation of property, plant and equipment	**4,202**	**4,994**
Write-downs of tangible assets	325	-
Write-backs of tangible assets	-	-
Total write-downs (write-backs) of property, plant and equipment	**325**	**-**
Total depreciation and impairment loss on tangible assets	**4,527**	**4,994**

14. ASSETS FROM RIGHTS OF USE

Assets from right of use, recorded in accordance with IFRS 16, applied as from 1 January 2019, amounted to € 93,939 thousand.

The main changes in the period are represented by amortization and depreciation, amounting to € 14,634 thousand, the conclusion of new agreements and the closure and renegotiation of others, relating mainly to the network of Mondadori Retail S.p.A. stores, which resulted in increases of € 2,070 thousand and decreases of € 1,528 thousand net.

Assets from rights of use (Euro/thousands)	**Rights of use buildings**	**Rights of use motor vehicles**	**Rights of use hardware**	**Total**
Historical cost at 1/1/2019	106,748	645	530	107,923
Capital expenditure	764	-	1,306	2,070
Disposals	(1,633)	-	(530)	(2,163)
Other changes	108	-	-	108
Historical cost at 31/12/2019	105,987	645	1,306	107,938
Depreciation fund at 1/1/2019	-	-	-	-
Depreciation	14,182	188	264	14,634
Disposals	(392)	-	(243)	(635)
Other changes	-	-	-	-
Accumulated depreciation at 31/12/2019	13,790	188	21	13,999
Net value at 1/1/2019	106,748	645	530	107,923
Net book value at 31/12/2019	**92,197**	**457**	**1,285**	**93,939**

15. INVESTMENTS

Investments booked at equity and Investments in other companies amounting to € 28,150 thousand, reported a decrease by € 4,109 thousand, due mainly to the negative results of Monradio S.r.l. and Società Europea di Edizioni S.p.A.

Investments (Euro/thousands)	**31/12/2019**	**31/12/2018**
Equity-accounted investees	27,716	31,820
Investments in other companies	434	439
Total investments	**28,150**	**32,259**

In 2019, the transactions that changed the consolidation scope of companies booked at equity involved:
- DI2 S.r.l., a company established by Press-di Distribuzione Stampa e Multimedia S.r.l. and Sodip with an equal investment, whose corporate object is logistics and the distribution of publishing products;
- Stile Italia Edizioni S.r.l., a newly established company to which Arnoldo Mondadori Editore S.p.A. transferred the business unit comprising assets and liabilities relating to the magazines *Confidenze*, *Cucina Moderna*, *Sale&Pepe*, *Starbene* and *Tu Style*.

The following table shows the capital payments made to the two companies incorporated in 2019, Società Europea di Edizione S.p.A. (€ 6,180 thousand) and Mach 2 Libri in liquidation (€ 5,126 thousand).

Dividends received by the Group in 2019 (€ 837 thousand) were paid out by Edizioni EL S.r.l.

Investments - Investments booked at equity (Euro/thousands)	**Net value**
Balance at 31/12/2017	37,139
Changes in 2018:	
- acquisitions, capital contributions and changes in the consolidation scope	4,183
- changes in consolidation method	-
- disposals and other changes	2,018
- write-backs	1,663
- write-downs	(7,408)
- impairment	(5,000)
- dividends	(775)
Balance at 31/12/2018	**31,820**
Changes in 2019:	
- acquisitions, capital contributions and changes in the consolidation scope	11,416
- changes in consolidation method	-
- disposals and other changes	(5,178)
- write-backs	1,435
- write-downs	(7,594)
- impairment	(3,346)
- dividends	(837)
Balance at 31/12/2019	**27,716**

Equity-accounted investees - Details (Euro/thousands)	**31/12/2019**	**31/12/2018**
Investments in joint ventures:		
- Edizioni EL S.r.l.	3,649	3,575
- Attica Publications Group	9,571	9,587
- Mediamond S.p.A.	1,981	2,048
- Mondadori Seec Advertising Co. Ltd	5,317	5,924
- DI2 S.r.l.	84	-
Total investments in joint ventures	**20,602**	**21,134**
Investments in associates:		
- Monradio S.r.l.	4,834	6,023
- Mach 2 Libri S.p.A.	-	-
- GD Media Service S.r.l.	162	162
- Società Europea di Edizioni S.p.A.	2,000	4,424
- Venezia Accademia Società per i servizi museali S.c.ar.l.	58	58
- Campania Arte S.c.ar.l. in liquidation	5	19
- Stile Italia Edizioni S.r.l.	55	-
Total investments in associates	**7,114**	**10,686**
Total equity-accounted investees	**27,716**	**31,820**

Investments in other companies decreased by € 5 thousand, as a result of the write-off of the book value in Confidimpresa.

Investments - Investments in other companies (Euro/thousands)	**Net value**
Balance at 31/12/2017	902
Changes in 2018:	
- purchases and changes in consolidation scope	-
- disposals and other changes	(463)
Balance at 31/12/2018	**439**
Changes in 2019:	
- purchases and changes in consolidation scope	-
- disposals and other changes	(5)
Balance at 31/12/2019	**434**

Investments in other companies:

Investments in other companies - Details (Euro/thousands)	**31/12/2019**	**31/12/2018**
Investments in other companies:		
- Milano Distribuzione Media S.r.l.	164	164
- Società Editrice Il Mulino S.p.A.	197	197
- Consuledit S.c.ar.l.	1	1
- Consorzio Sistemi Informativi Editoriali Distributivi	10	10
- Immobiliare Editori Giornali S.r.l.	52	52
- Consorzio Edicola Italiana	10	10
- Confidimpresa	-	5
Total investments in other companies	**434**	**439**

Impairment test

The Mondadori Group measures the value in use in order to verify the recoverable value of investments; when in determining this value, an impairment loss is identified, before making a write-down, the fair value is calculated after having deducted the estimated cost of disposal.

The fair value of Società Europea di Edizioni S.p.A. was determined through an independent third-party assessment, based on which the Directors made an adjustment to the recoverable value of € 2.9 million.

As far as the Attica Group is concerned, the value in use was determined based on the projections of the cash flows appearing in the long-term budgets, whose guidelines were reviewed and approved by the Board of Directors on 17 March 2020.

16. PRE-PAID TAX ASSETS AND DEFERRED TAX LIABILITIES

Pre-paid tax assets, amounting to € 54,891 thousand, and Deferred tax liabilities, amounting to € 38,174 thousand, respectively dropped by € 6,516 thousand and increased by € 61 thousand.

(Euro/thousands)	31/12/2019	31/12/2018
IRES on tax losses	7,796	9,762
Pre-paid IRES	43,373	47,436
Pre-paid IRAP	3,722	4,209
Total pre-paid tax assets	**54,891**	**61,407**
Deferred IRES	33,065	32,666
Deferred IRAP	5,109	5,447
Total deferred tax liabilities	**38,174**	**38,113**

Pre-paid tax assets decreased as a result of:
- the deduction of prior-years' tax losses from the taxable income for 2019 of the companies participating in the tax consolidation scheme of Fininvest S.p.A. (€ 104 thousand) and Rizzoli Education S.p.A. (€ 1,862 thousand);
- the reduction in temporary differences between the balance sheet amounts and the amounts recognized for tax purposes, mainly of the value of the credit notes to be issued for products that are expected to be returned by customers.

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 estimated results contained in the 2020-2022 three-year plan approved by the Board of Directors.

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

(Euro/thousands)	31/12/2019			31/12/2018		
	Amount of temporary differences	**Current tax rate**	**Pre-paid tax**	**Amount of temporary differences**	**Current tax rate**	**Pre-paid tax**
Difference between book and tax value of intangible assets	2,576	(*)	618	2,854	(*)	637
Difference between book and tax value of investment property and investments in property, plant and equipment	711	(*)	171	1,441	(*)	345
Provision for bad debts	23,010	(*)	5,236	22,019	(*)	5,220
Write-down of inventory	27,936	(*)	6,745	28,216	(*)	6,770
Provision for advances to authors	20,205	(*)	4,864	22,236	(*)	5,335
Provisions	49,155	(*)	12,112	54,056	(*)	12,967
Post-employment benefits	2,454	(*)	589	2,341	(*)	556
Elimination of intercompany income	11,446	(*)	2,747	11,521	(*)	2,765
Returns to receive	35,896	(*)	8,615	44,449	(*)	10,668
Other temporary differences	6,837	(*)	1,676	8,459	(*)	2,173
Total for IRES purposes	**180,226**		**43,373**	**197,592**		**47,436**
Difference between book and tax value of intangible assets	2,157	(*)	84	5,508	(*)	208
Difference between book and tax value of investment property and investments in property, plant and equipment	417	(*)	16	1,126	(*)	44
Write-down of inventory	24,573	(*)	958	23,030	(*)	895
Provision for advances to authors	18,269	(*)	713	19,522	(*)	763
Provisions	1,222	(*)	48	851	(*)	33
Post-employment benefits	1,257	(*)	49	1,313	(*)	51
Elimination of intercompany income	11,446	(*)	445	11,521	(*)	449
Returns to receive	35,896	(*)	1,400	44,449	(*)	1,734
Other temporary differences	225	(*)	9	847	(*)	32
Total for IRAP purposes	**95,462**		**3,722**	**108,167**		**4,209**

(*) With regard 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

The increase in Deferred tax liabilities is due mainly to the decrease in temporary differences relating to intangible assets and the recognition of temporary differences relating to undistributed profits of Group companies.

Temporary differences that led to the recognition of deferred tax

(Euro/thousands)	31/12/2019			31/12/2018		
	Amount of temporary differences	Current tax rate	Deferred tax	Amount of temporary differences	Current tax rate	Deferred tax
Capital gains in instalments	-	(*)	-	-	(*)	-
Difference between book and tax value of intangible assets	128,085	(*)	30,740	135,004	(*)	32,401
Difference between book and tax value of investment property and investments in property, plant and equipment	903	(*)	217	838	(*)	201
Post-employment benefits	205	(*)	49	213	(*)	51
Other temporary differences	8,582	(*)	2,059	54	(*)	13
Total for IRES purposes	**137,775**		**33,065**	**136,109**		**32,666**
Capital gains in instalments	-	(*)	-	-	(*)	-
Difference between book and tax value of intangible assets	130,161	(*)	5,076	139,154	(*)	5,427
Difference between book and tax value of investment property and investments in property, plant and equipment	821	(*)	33	513	(*)	20
Total for IRAP purposes	**130,982**		**5,109**	**139,667**		**5,447**

(*) With regard 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.

17. OTHER NON-CURRENT ASSETS

Other non-current assets, amounting to € 1,400 thousand, increased by € 834 thousand, due mainly to the Magazines Area as a result of the disposal of 75% of Stile Italia Edizioni S.r.l. to La Verità S.r.l., as part of the sale of magazine titles.

Other non-current assets (Euro/thousands)	31/12/2019	31/12/2018
Guarantee deposits	153	134
Other	1,247	432
Total other non-current assets	**1,400**	**566**

18. TAX RECEIVABLES AND PAYABLES

Tax receivables (Euro/thousands)	**31/12/2019**	**31/12/2018**
Receivables from the Inland Revenue for IRAP	1,415	279
Receivables from the Inland Revenue for IRES	18	2,532
Receivables from Fininvest for IRES	1,466	143
Receivables from the Inland Revenue for VAT	5,714	11,361
Receivables from the Inland Revenue for direct tax to recover and advances on disputes	1,389	858
Total tax receivables	**10,002**	**15,173**

Tax receivables at 31 December 2019, amounting to € 10,002 thousand, decreased by € 5,171 thousand, due mainly to the lower VAT receivable accrued in the third and fourth quarters of 2019.

Receivables from the tax authorities consist of:
- the higher IRAP advances paid versus the final calculation of tax due;
- € 18 thousand for withholding tax paid by companies outside the scope of the tax consolidation of Fininvest S.p.A.

Receivables from Fininvest S.p.A. are represented by withholding tax paid by companies part of the tax consolidation of Fininvest S.p.A.

Receivables from the Inland Revenue Office for direct tax to recover and advances on disputes, amounting to € 1,389 thousand, include:
- receivables recognized as a result of the deductibility of IRAP from the IRES taxable base for € 676 thousand;
- receivables for tax disputes totaling € 9,930 thousand, written down by € 9,457 thousand. The amounts refer to the temporary payment of tax demands received by Group companies for pending tax disputes. Following tax audits by the Revenue Commissioners, a few points were raised on a number of companies.

Specifically:
- regarding Arnoldo Mondadori Editore S.p.A.:
  - Year 2004, the Central Division of the Lombardy Region raised a few points on 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, plus applicable ancillary expense; against such assessment, an appeal is currently pending before the Court of Cassation.
  - Year 2005: the Central Division of the Lombardy Region challenged the omitted payment of a 12.50% withholding plus applicable ancillary expense by means of a tax assessment, in relation to interest paid on a loan stock stated in 2004 for a total of € 3,051 thousand. An appeal is currently pending against such assessment before the Court of Cassation.
- as for Mondadori Retail S.p.A., it 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 upheld 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., in 2017 the Regional Tax Commissions of Piedmont and Latium upheld the first instance ruling in favour of the Company, against which the Inland Revenue has filed an appeal regarding the challenge of the assessment notices issued at the time for the years from 2005 to 2009. Following the

outcome of the appeal filed by the Inland Revenue 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 had referred the case to the Regional Tax Commission of Piedmont. The Company reinstated the case within the time limits of law.

- as for Mondadori Electa, mention should be made of the Tax Audit Report by means of which the Revenue Agency challenged certain VAT violations for 2014.
  Assessment notices were then served relating to 2012-2014. With regard to the year:
  - 2012, the Company filed an appeal, upheld by the Provincial Tax Commission. An appeal is now pending with the Regional Tax Commission;
  - 2013, an appeal is now pending with the Provincial Tax Commission;
  - 2014, the Company filed an appeal, partly upheld by the Provincial Tax Commission. An appeal has been filed before the Regional Tax Commission. In March 2020, in order to settle the tax dispute with the Inland Revenue through a special conciliation procedure, the Company agreed on settling both the above dispute and the dispute on the tax years not assessed yet (2015-2019), which would have shortly materialized based on the same assessment grounds.

Income tax payables (Euro/thousands)	**31/12/2019**	**31/12/2018**
Payables to the Inland Revenue for IRAP	63	1,511
Payables to the Inland Revenue for IRES	685	564
Payables to Fininvest for IRES	7,460	13,217
Total income tax payables	**8,208**	**15,292**

Income tax payables, amounting to € 8,208 thousand, decreased by € 7,084 thousand, due to the regulatory change in 2018 that introduced the non-deductibility of the estimated returns to receive.

19. OTHER CURRENT ASSETS

Other current assets, amounting to € 82,964 thousand, decreased by € 913 thousand, due mainly to the decrease in advances to suppliers and other receivables, partly offset by increases in net receivables from authors, attributable to higher contractual advances paid, and accruals and deferrals, relating to exhibitions and events in progress at 31 December 2019.

Other current assets (Euro/thousands)	**31/12/2019**	**31/12/2018**
Receivables from agents	338	450
Receivables from authors	122,200	127,449
Provision for advances to authors	(57,604)	(64,322)
Receivables from suppliers and associates	6,699	8,746
Accrued income and prepaid expenses	7,829	5,935
Other receivables from associates	38	296
Other receivables	3,464	5,323
Total other current assets	**82,964**	**83,877**

20. INVENTORY

Inventory, equal to € 120,784 thousand, decreased by € 1,552 thousand versus the prior year.

Inventory (Euro/thousands)	**31/12/2019**	**31/12/2018**
Raw and ancillary materials and consumables	8,822	7,250
Write-down of raw and ancillary materials and consumables	(571)	(502)
Total raw and ancillary materials and consumables	**8,251**	**6,748**
Work in progress and semi-finished goods	11,631	12,794
Write-down of work in progress and semi-finished goods	(1,046)	(1,174)
Total work in progress and semi-finished goods	**10,585**	**11,620**
Finished products and goods	183,025	187,835
Write-down of finished products and goods	(81,077)	(83,867)
Total finished products and goods	**101,948**	**103,968**
Advances	-	-
Total inventory	**120,784**	**122,336**

Raw and ancillary materials and consumables, amounting to € 8,251 thousand, increased by € 1,503 thousand, as a result of the procurement policy in the Books and Magazines Area.

Work in progress and semi-finished goods, amounting to € 10,585 thousand, decreased by € 1,035 thousand, due mainly to the Books Area (€ 920 thousand).

Finished products and goods, equal to € 101,948 thousand, dropped by € 2,020 thousand.
The value of finished product inventory decreased both in the Retail Area (€ 3,506 thousand) and in the Books Area (€ 1,304 thousand), as a result of greater efficiency in stock management; the amount of the provision for adjustments to take account of the saleability of products in stock increased by € 1,455 thousand in the Retail Area and decreased by € 4,245 thousand in the Books Area, of which € 1,646 thousand in the Trade segment and € 2,599 thousand in the Educational segment, as a result of significant pulping during the period.

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 write-down 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 goods, and deterioration of raw materials.

Inventory - Write-down (Euro/thousands)	Raw materials	Work in progress and semi-finished goods	Finished products and goods
Balance at 31/12/2018	502	1,174	83,867
Changes in the period:			
- provisions	144	-	-
- utilizations	(75)	(139)	(2,863)
- other changes	-	11	73
Balance at 31/12/2019	**571**	**1,046**	**81,077**

No inventory is subject to restriction to cover liabilities.

Decrease (increase) in inventory

The income statement effects resulting from the changes in inventory and the provisions for value adjustments are detailed below:

Decrease (increase) in inventory (Euro/thousands)	2019	2018
Changes in finished products and goods	5,273	1,967
Allocation to the provision for write-downs of finished products and goods	-	-
Utilization of the provision for write-downs of finished products and goods	(2,863)	(2,807)
Total changes in finished products and goods	**2,410**	**(840)**
Changes in work in progress and semi-finished goods	1,101	758
Allocation to the provision for write-downs of work in progress and semi-finished goods	-	168
Utilization of the provision for work in progress and semi-finished goods	(139)	(239)
Total changes in work in progress and semi-finished goods	**962**	**687**
Changes in raw and ancillary materials and consumables	(1,572)	(185)
Allocation to the provision for write-downs of raw and ancillary materials and consumables	144	36
Utilization of the provision for write-downs of raw and ancillary materials and consumables	(75)	(23)
Total changes in raw and ancillary materials and consumables	**(1,503)**	**(172)**
Total decrease (increase) in inventory	**1,869**	**(325)**

21. TRADE RECEIVABLES

Trade receivables (Euro/thousands)	31/12/2019	31/12/2018
Receivables from customers	182,110	180,900
Receivables from associates	39,749	42,128
Receivables from parent companies	19	4
Receivables from affiliates	809	1,156
Total trade receivables	**222,687**	**224,188**

Total Trade receivables, amounting to € 222,687 thousand, decreased by € 1,501 thousand as a result of:
- the decrease in the Books Area of € 8,743 thousand, despite the increase in revenue from the good performance in managing customer exposure;
- a reduction of € 1,365 thousand in the Retail Area, as a result of the drop in revenue;
- an increase in the Magazines Italy Area of € 8,164 thousand, due mainly to a number of new product distribution agreements with third-party publishers.

The amount of credit notes to issue for products expected to be returned by customers amounted to € 143,036 thousand, increasing by € 8,011 thousand, due mainly to an increase in the Magazines Area of € 13,118 thousand and a decrease in the Books Area of € 9,188 thousand.

Trade receivables - Receivables from customers (Euro/thousands)	**31/12/2019**	**31/12/2018**
Receivables from customers	346,179	336,552
Customers – returns to receive	(143,036)	(135,025)
Provision for bad debts	(21,033)	(20,627)
Total receivables from customers	**182,110**	**180,900**

The provision for bad debts was determined following a thorough analysis completed on customer creditworthiness and credit positions at risk of collection; an amount of receivables, not specifically analyzed, was quantified taking account of the back data of losses on receivables recorded in recent years, in order to determine the expected loss on receivables.

Trade receivables - Receivables from customers - Provision for bad debts (Euro/thousands)	**31/12/2019**	**31/12/2018**
Balance at beginning of year	20,627	27,751
Changes in the period:		
- provisions	4,966	6,187
- utilizations	(4,553)	(10,671)
- changes in the consolidation scope and other changes	(7)	(2,640)
Total provision for bad debts	**21,033**	**20,627**

Receivables from associates, amounting to € 39,733 thousand, refers mainly to Mediamond S.p.A. for the advertising business performed for the Magazines Area, and to Mach 2 Libri S.r.l. in liquidation for book distribution by large retailers, interrupted from 2018.

The decreased exposure versus 31 December 2018, amounting to € 2,395 thousand, is attributable to the decrease in revenue from the sale of advertising space.

There were no trade receivables due over five years.

22. FINANCIAL ASSETS

Non-current financial assets, amounting to € 12,569 thousand, includes:

- the discounting of the deferred price component (July 2021) of € 10,000 thousand from the disposal of Mondadori France;
- other financial receivables from the disposal of Mondadori France for € 2,361 thousand;
- the loan to Attica Publications for € 500 thousand.

Non-current financial assets (Euro/thousands)	**31/12/2019**	**31/12/2018**
Financial receivables from associates	500	500
Financial receivables	12,069	-
Total non-current financial assets	**12,569**	**500**

Other current financial assets, amounting to € 24,541 thousand, includes mainly:

- Reworld Media shares, listed on the Bourse de Paris for € 23,591 thousand (a total of 8,578,659 shares at the price of € 2.75 per share on 31/12/2019). These assets are classified as financial assets "held for trading" in accordance with points a) and b) of Annex A of IFRS 9;
- 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 of € 918 thousand. The same item, at 31 December 2018, included the receivable arising from the disposal of the Area relating to the former Sporting Club, amounting to € 5,580 thousand and fully collected in 2019.

Other current financial assets (Euro/thousands)	**31/12/2019**	**31/12/2018**
Financial receivables from customers	-	-
Financial receivables from associates	25	25
Financial receivables from parent companies	-	-
Financial receivables from affiliates	-	-
Financial receivables from others	918	7,830
Total financial receivables	**943**	**7,855**
Financial assets at fair value with adjustments recognized in the income statement	23,591	-
Available-for-sale financial assets	7	6
Assets from derivative instruments	-	-
Total other current financial assets	**24,541**	**7,861**

Assets and liabilities resulting from derivative instruments

Assets and liabilities resulting from derivative instruments - Details (Euro/thousands)	**Type of derivative instrument**	**Fair value at 31/12/2019**	**Fair value at 31/12/2018**
Non-current financial assets (liabilities)			
- Rate derivatives	Cash flow hedge	(994)	(777)
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 tests and, where necessary, retroactive tests on a quarterly basis.
At 31 December 2019, three transactions were in place to hedge the existing interest rate risk (with BPM, Intesa Sanpaolo and UniCredit), applying to the A Term Loan Tranche of the amortizing pool loan agreement concluded in December 2017, coming to maturity in December 2022 for a total notional amount of € 78.3 million and a weighted average rate of 0.199%.

The table below shows the hedge impact on income statement and equity:

Cash flow hedge reserve (Euro/thousands)	**31/12/2019**	**31/12/2018**
Initial balance gross of the tax impact	(1,371)	(1,236)
Amount recognized in the period	621	491
Amount endorsed from reserve and recognized in the income statement:		
- adjustments to expense	(107)	(49)
- adjustments to income	(429)	(577)
Final balance gross of the tax impact	**(1,286)**	**(1,371)**
Inefficient part of hedge	0	0

23. CASH AND CASH EQUIVALENTS

The item in question amounted to € 44,211 thousand, down by € 38,145 thousand versus 2018; the reduction is due mainly to the use of part of the cash and cash equivalents for repayment of Line B of the pool loan, linked to the disposal of the investment in Mondadori France.
The fair value of cash and cash equivalents at 31 December 2019 is equal to the relevant book value.

Cash and cash equivalents (Euro/thousands)	**31/12/2019**	**31/12/2018**
Cash and cash on hand	1,981	181
Bank deposits	41,783	81,828
Postal deposits	447	347
Total cash and cash equivalents	**44,211**	**82,356**

Further details on the changes in cash and cash equivalents are found in the consolidated statement of cash flows.

The table below shows the Group net financial position in accordance with Consob recommendations:

Net financial position (Euro/thousands)	**31/12/2019**	**31/12/2018**
A. Cash	1,981	181
- Bank deposits	41,783	81,828
- Postal deposits	447	347
B. Other cash and cash equivalents	42,230	82,175
C. Securities held for trading	23,591	-
D. Cash and cash equivalents and other financial assets (A+B)	**67,802**	**82,356**
- Financial receivables from associates	25	25
- Financial assets measured at fair value	-	-
- Available-for-sale financial assets	7	6
- Derivatives and other financial assets	918	7,830
E. Receivables and other current financial assets	950	7,861
F. Current financial assets (E)	**950**	**7,861**
G. Current payables to banks	2,609	2,942
- Bonds	-	-
- Loans	-	-
- Borrowings	37,200	117,585
H. Current portion of non-current debt	37,200	117,585
- Financial payables to associates	1,776	738
- Financial liabilities IFRS 16	13,074	-
- Derivatives and other financial liabilities	1,604	5,542
I. Other current financial payables	16,454	6,280
L. Payables to banks and other current financial liabilities (G+H+I)	**56,263**	**126,807**
M. Current net financial position (D+F-L)	**12,489**	**(36,590)**
- Bonds	-	-
- Loans	-	-
- Borrowings	92,264	114,178
N. Debt non-current portion	92,264	114,178
- Financial liabilities IFRS 16	82,777	-
- Derivatives and other financial liabilities	1,277	877
O. Other non-current financial payables	84,054	877
P. Non-current financial debt (N+O)	**176,318**	**115,055**
Q. Net financial position (M-P)	**(163,829)**	**(151,645)**

Should the balance of Non-current financial assets, amounting to € 12,569 thousand, be added to the above data, the net financial position would come to € -151,260 thousand, including the effects from the application of IFRS 16.

Further information regarding the Group’s net financial position is found in Notes 22., 23. and 28.

24. EQUITY

Equity at 31 December 2019, amounting to € 170,041 thousand (€ 170,699 thousand at 31 December 2018), the changes of which are detailed in the relevant table, decreased by € 658 thousand, due mainly to profit for the year of € 28,200 thousand, and to the reduction in non-controlling interests, following the disposal of Mondadori France.

Share capital

Arnoldo Mondadori Editore S.p.A. share capital amounts to € 67,979,168.40, divided into no. 261,458,340 ordinary shares with a nominal value of € 0.26 each.

The legal entity controlling the Mondadori Group is Fininvest S.p.A..

Treasury shares

In 2019, Arnoldo Mondadori Editore S.p.A. purchased 1,591,590 treasury shares on the MTA, equal to 0.609% of the share capital, bringing the total number of treasury shares held to 2,938,293, equal to 1.124% of the share capital and 0.733% of the voting rights.

As a result of the purchases, mainly to service the incentive plans named "2017-2019 Performance Share Plan", "2018-2020 Performance Share Plan" and "2019-2021 Performance Share Plan", the value of treasury shares increased by € 2,658 thousand, reaching € 4,940 thousand at 31 December 2019.

Other reserves and profit/loss carried forward

Other reserves and profit/loss carried forward at 31 December 2019 amounted to € 78,793 thousand (€ 253,411 thousand at 31 December 2018) and included:

- a legal reserve of € 13,490 thousand;
- a cash flow hedge reserve, a negative € 977 thousand (€ -1,042 thousand at 31 December 2018), net of the relevant tax impact, for the valuation of hedge derivatives;
- a reserve that covers the incentive plans in accordance with IFRS 2, amounting to € 4,311 thousand (€ 2,413 thousand at 31 December 2018);
- a reserve for post-employment discounting, net of the relevant tax impact, for a positive € 719 thousand (€ +1,312 thousand at 31 December 2018);
- the conversion reserve, a positive € 172 thousand (a negative € 294 thousand at 31 December 2018), resulting from the conversion of the financial statements of 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 Rizzoli International Publications Inc. The exchange rates used for the conversion of financial statements denominated in foreign currencies are summarized in the table below:

Currency	Actual 31/12/2019	Actual 31/12/2018	Average 2019	Average 2018
US dollar	1.12	1.15	1.12	1.18
Chinese yuan	7.82	7.88	7.73	7.80
New Romanian leu	4.78	4.66	4.75	4.65
Bulgarian leva	1.96	1.96	1.96	1.96
Serbian dinars	117.83	118.31	117.82	118.24

- the residual balance represents reserves for retained earnings from past 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 to banks) net of cash and cash equivalents.

Capital management (Euro/millions)	**31/12/2019**	**31/12/2018**
Net debt (excluding IFRS 16 impact)	151.3	147.2
Capital (equity)	170.0	170.7
Total capital and net debt	**321.3**	**317.9**
Ratio of net debt/capital to net debt	47.1%	46.3%
Treasury shares held	4.9	2.3

25. CAPITAL, RESERVES AND RESULTS ATTRIBUTABLE TO MINORITY SHAREHOLDERS

Below is a breakdown of non-controlling interests' equity:

Capital, reserves and results attributable to minority shareholders (Euro/thousands)	**EMAS S.n.c.**	**Rizzoli Education**
Equity at 31/12/2018	28,708	16
Result for 2018	1,960	1
Equity at 31/12/2019	-	8
Result for 2019	1,201	1

26. PROVISIONS

Provisions, amounting to € 55,110 thousand, decreased by € 10,415 thousand, due mainly to:

- a reduction of € 6,504 thousand in the Provision for risks on investments:
  - cash payments in favour of Mach 2 Libri S.r.l. in liquidation requested by the liquidator, for € 5,126 thousand;
  - the updated estimation of liquidation expense for € 1,378 thousand;
- a reduction of € 5,339 thousand in the Provision for legal risks, in particular in the Books Area (€ 3,331 thousand), following settlement of certain disputes, with lower than expected outlays and the updated risk for other disputes.

The Provision for contractual commitments reflects the spending commitments undertaken through agreements previously concluded mainly with the Colosseum Archaeological Park, the Appia Antica Archaeological Park and the National Museum of Rome.

Provisions (Euro/thousands)	31/12/2018	Provisions	Utilizations	31/12/2019
Provision for agents' contractual risks	4,340	604	(390)	4,605
Provision for personnel downsizing risks	3,161	2,083	(1,305)	3,939
Provision for legal risks	23,336	1,788	(7,127)	17,997
Provision for investment risks	10,066	-	(6,504)	3,562
Provision for tax disputes	1,400	-	(600)	800
Provision for contractual commitments	10,229	1,049	(926)	10,352
Provision for contractual commitments ad agency	5,156	160	(558)	4,758
Other provisions for risks	7,837	4,043	(2,783)	9,097
Total provisions	**65,525**	**9,727**	**(15,067)**	**55,110**

27. POST-EMPLOYMENT BENEFITS

The item, amounting to € 33,364 thousand, dropped by € 1,332 thousand versus 31 December 2018, as a result of:
- the decrease in post-employment benefits, attributable to employee turnover and the rationalization of structures, with the resulting reduction in headcount;
- the increase in indemnities payable to the sales network.

Post-employment benefits (Euro/thousands)	31/12/2019	31/12/2018
Provision for post-employment benefits (TFR)	19,634	22,486
Provision for supplementary agents' indemnity (FISC)	13,708	12,140
Provision for retirement and kindred obligations	22	70
Total post-employment benefits	**33,364**	**34,696**

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	31/12/2019	31/12/2018
Economic assumptions:		
- increase in cost of living	1.0%	1.0%
- discounting rate	0.79%	1.57%
Demographic assumptions:		
- probability of death	IPS55 tables	IPS55 tables
- probability of disability	INPS-2000 tables	INPS-2000 tables
- probability of leaving for other reasons	From 2.17% to 17.03%	From 4.08% to 26.88%
- retirement age	Regulations in force	Regulations in force

Actuarial assumptions to measure FISC	31/12/2019	31/12/2018
Economic assumptions:		
- discounting rate	0.79%	1.57%
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 Provision for post-employment benefits (TFR) underwent a sensitivity analysis, increasing and decreasing the rate by 0.5%; the results show a higher or lower effect of approximately € 500 thousand.

Post-employment benefits cost items, booked in the income statement, include the service cost of companies with less than 50 employees for € 63 thousand, financial expense of € 333 thousand, and the portion paid into the supplementary pension scheme for € 7,437 thousand.

The allocation and utilization of the Provision for supplementary agents' indemnity reflects the turnover in the sales force of the Group in 2019.

Provision for retirement was not subject to discounting as the effects are irrelevant.

Post-employment benefits - Details (Euro/thousands)	**TFR**	**FISC**	**Provision for retirement**
Balance at 31/12/2018	22,486	12,140	70
Changes in 2019:			
- provisions	38	2,082	-
- utilizations	(1,808)	(631)	(49)
- reversals	-	-	-
- discounting	(333)	-	-
- changes in the consolidation scope and other changes	(749)	116	-
Balance at 31/12/2019	**19,634**	**13,707**	**21**

28. FINANCIAL LIABILITIES

Total current and non-current financial liabilities, amounting to € 232,581 thousand, posted a net decrease of € 9,281 thousand versus 2018, as a result:

- repayments of Term Loan A for € 17,500 thousand and Term Loan B for € 100,000 thousand;
- the raising of additional short-term loans for € 14,700 thousand;
- the reduction in other financial payables of € 2,332 thousand;
- financial payables, under IFRS 16, for € 95,851 thousand.

Non-current financial liabilities (Euro/thousands)	**Actual interest rate**	**Maturity 1-5 years**	**Maturity over 5 years**	**31/12/2019**	**31/12/2018**
Borrowings	1.00%	92,264	-	92,264	114,178
Liabilities from derivatives	-	994	-	994	777
Other financial payables	-	283	-	283	100
Total non-current financial liabilities	**-**	**93,541**	**0**	**93,541**	**115,055**

Non-current financial liabilities includes:
- € 92,264 thousand from the amortized cost of the Line A Amortizing Term Loan, taken out with a pool of banks, coming to maturity in December 2022;
- € 994 thousand from the fair value of the outstanding derivative contracts;
- € 283 thousand from other financial payables.

Payables to banks and other financial liabilities (Euro/thousands)	**Actual interest rate**	**31/12/2019**	**31/12/2018**
Bank deposits	0.09%	2,609	2,942
Borrowings	0.61%	37,200	117,585
Financial payables to associates	-	1,776	738
Other financial payables	-	1,604	5,542
Total payables to banks and other financial liabilities	**-**	**43,189**	**126,807**

Payables to banks and other financial liabilities came to € 43,189 thousand and included:
- € 22,500 thousand for the portion of the A Term Loan of the pool loan, coming to maturity in December 2020;
- € 14,700 thousand for a hot money loan maturing in January 2020;
- € 1,776 thousand in financial payables to Società Europea di Edizioni S.p.A.;
- € 1,604 thousand for other financial liabilities.

At 31 December 2019, the Leverage Ratio Financial Covenant (debt/EBITDA) resulting from the consolidated annual report was equal to 0.59, far below the cap of 3.25 under the pool loan agreement.
Additionally, the forecasts contained in the medium-term plan show no reasonably foreseeable sign of overshooting the cap in the future.

Changes in committed credit lines:

(Euro/thousands)	**31/12/2018**	**Utilizations**	**Repayments**	**Other changes**	**31/12/2019**
Pool loan December 2017					
Line A	131,678	-	(17,500)	586	114,764
Line B	100,085	-	(100,000)	(85)	-
Total	**231,763**	**-**	**(117,500)**	**501**	**114,764**

Financial liabilities IFRS 16, amounting to € 95,851 thousand, decreased by € 12,072 thousand versus 1 January 2019, the date of first application of the standard.

The amount was determined by classifying the rights of use in clusters, based on the contractual maturity, and applying a different discount rate to each of them: for Italian companies equal to the three-month Euribor (zero floor) plus a spread, and for US companies equal to the three-month treasury rate plus a spread.

Financial liabilities IFRS 16 (Euro/thousands)	**Maturity 1-5 years**	**Maturity over 5 years**	**31/12/2019**	**1/1/2019**
Non-current financial liabilities IFRS 16	49,109	33,668	82,777	94,329
Current financial liabilities IFRS 16	-	-	13,074	13,594
Total financial liabilities IFRS 16	**49,109**	**33,668**	**95,851**	**107,923**

Information on derivative financial instruments is found in Note 22. Financial assets in these Notes.

29. OTHER CURRENT LIABILITIES

Other current liabilities, amounting to € 123,608 thousand, increased by € 2,387 thousand; the main changes in their composition were as follows:
- Customer advances decreased by € 744 thousand, mainly in the Retail Area (€ 600 thousand) for an advance received as part of the business unit lease relating to the Piazza Duomo stores;
- Tax payables, decreased by € 667 thousand, due to lower withholding tax on payment of wages and salaries to self-employed workers;
- Payables to welfare and social security entities decreased by € 824 thousand, as a result of the reduction in headcount;
- Payables to authors and associates, amounting to € 55,737 thousand, up versus the prior year for certain advances contractually agreed and invoiced at the balance sheet date, but paid in January 2020.

Other current liabilities (Euro/thousands)	**31/12/2019**	**31/12/2018**
Customer advances	1,214	1,958
Tax payables	5,170	5,837
Payables to welfare and social security entities	13,274	14,098
Payables to associates and affiliates	239	123
Other payables	103,711	99,205
Total other current liabilities	**123,608**	**121,221**

Details of Other payables.

Other current liabilities – Other payables (Euro/thousands)	**31/12/2019**	**31/12/2018**
Payroll and other amounts to personnel	18,581	18,530
Payables to authors and associates	55,737	51,428
Payables to subscription and instalment customers	18,176	18,799
Other payables, accrued liabilities and deferred income	11,217	10,448
Total other payables	**103,711**	**99,205**

30. TRADE PAYABLES

Trade payables, amounting to € 273,341 thousand, dropped by € 8,561 thousand, due to lower purchases of goods and services, in line with the trend in revenue.

Trade payables (Euro/thousands)	**31/12/2019**	**31/12/2018**
Payables to suppliers	259,696	267,709
Payables to associates	10,920	12,036
Payables to parent companies	14	40
Payables to affiliates	2,711	2,117
Total trade payables	**273,341**	**281,902**

Payables to associates, relating to the distribution of Edizioni EL S.r.l. and Società Europea di Edizioni S.p.A. publishing products, as well as the sale of goods in exchange for advertising pages from Mediamond S.p.A., decreased by € 1,116 thousand versus 31 December 2018.

Payables 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.

31. REVENUE FROM SALES AND SERVICES

In 2019, net consolidated revenue amounted to € 884,860 thousand, down by 0.7% versus € 891,358 thousand in 2018.

Revenue from sales and services (Euro/thousands)	**2019**	**2018**	**% Difference**
Books	478,390	451,316	6.0%
Retail	186,862	191,767	(2.6%)
Magazines Italy	256,644	287,036	(10.6%)
Other Business and Corporate	38,524	37,369	3.1%
Aggregate revenue	**960,420**	**967,488**	**(0.7%)**
Intercompany revenue	(75,560)	(76,130)	(0.8%)
Total revenue from sales and services	**884,860**	**891,358**	**(0.7%)**

Revenue from the Books Area, amounting to € 478,390 thousand, increased by 6%, improving in the Trade and Educational segments and dropping in the distribution of books by third-party publishers.

Revenue in the Trade Books Area grew by 7.6% versus the prior year, driven by the good performance of certain titles of the various publishing houses and by the reduction in unsold copies returned by customers.

Revenue from the Educational Books Area grew by 5.9% versus the prior year, due to the increase in the school textbooks segment, as a result also of the lower use of second-hand books by families, the increase in the cultural heritage segment, the organization of a greater number of exhibitions, the growth of Rizzoli International Publications, the success of certain new titles in the year and the good performance of the titles in the catalogue.

Revenue in the Retail Area, amounting to € 186,862 thousand, fell by 2.6% versus the prior year, due to the narrower product range of Consumer Electronics products and the rationalization of directly-managed stores.

Revenue from Magazines Italy, amounting to € 256,644 thousand, was down by 10.6%, in line with market trends, due to the decline in sales of copies (-16.6%), add-on products (-6.5%), advertising sales (-9.1%) and distribution services for third-party publishers' products (-1.2%).

Revenue from the Group's advertising services totaled € 75.7 million and refers mainly to the Group's share, as publisher of magazines and websites, of the advertising space sold by the advertising agency.

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/thousands)	**2019**	**2018**
Cost of raw materials	42,904	43,808
Goods for re-sale	115,070	115,856
Consumables, maintenance and other materials	2,563	3,321
Total cost of raw and ancillary materials, consumables and goods	**160,537**	**162,985**

Cost of raw and ancillary materials, consumables and goods, amounting to € 160,537 thousand, decreased by € 2,448 thousand, due to lower purchases of raw materials, in line with the revenue trend, and products for re-sale, mainly by Mondadori Retail S.p.A.

33. COST OF SERVICES

Cost of services (Euro/thousands)	**2019**	**2018**
Rights and royalties	87,674	94,426
Commissions and costs for agents	41,110	37,763
Third-party graphical processing	121,170	122,437
Logistics	48,448	49,230
Consultancy services and third-party collaborations	39,151	36,259
Newsstands channel fee	29,937	33,557
Purchase of advertising space and promotion expenses	22,289	23,623
Publisher's share	3,722	2,258
Travel, gifts and entertainment expenses	5,944	6,849
Directors' and statutory auditors' fees	4,621	4,407
Insurance	2,198	2,233
Subscriptions management	19	578
Telephone and postal expenses	6,239	7,007
Catering, security and cleaning services	4,337	4,941
Maintenance expenses	3,951	4,587
Market surveys, news agencies	3,351	3,338
Bank services and commissions	1,401	1,697
IT services and administrative area	11,783	11,117
Rentals, leases and service expense	12,123	26,166
Temporary work fees	5,466	6,308
Other services	13,981	13,567
Total cost of services	**468,915**	**492,348**

Cost for services, equal to € 468,915 thousand, decreased by € 23,433 thousand versus the prior year; net of the effects of the application of IFRS 16, as from 1 January 2019, which resulted in the reversal of lease payments for € 15,897 thousand, the decrease in costs would amount to € 7,536 thousand.

Specifically, the main items were:

- costs for rights decreased by € 6,752 thousand, attributable equally to the Books Area, due to lower write-downs of advances paid in prior years, also as a result of an updated policy, and to the Magazines Area, due to lower revenue from add-on products;
- costs for the Newsstands channel fee decreased by € 3,620 thousand, due to the downward trend in magazines revenue;
- costs for Commissions and costs for agents increased by € 3,347 thousand, due to the increased revenue from the Books Area and the discounting of post-employment benefits in favour of the sales network, due to the lower rate, from 1.57% in 2018 to 0.79% in 2019;
- the Publisher's share increased by € 1,464 thousand, due to Adkaora's performance, which increased advertising revenue on its verticals.

Directors' and statutory auditors' fees comprised fees paid to Directors and Statutory Auditors for € 4,157 thousand and € 464 thousand, respectively.

34. COST OF PERSONNEL

Group companies employed 2,018 people with a fixed-term or permanent labour contract, down by approximately 5.3% versus 2,132 units in December 2018, as a result of efficiency gains in the individual business areas.

Headcount	**Actual 31/12/2019**	**Actual 31/12/2018**	**Average 2019**	**Average 2018**
Executives	101	100	101	101
White collars, middle managers and journalists	1,905	2,019	1,988	2,104
Blue collars	12	13	12	14
Total	**2,018**	**2,132**	**2,101**	**2,219**

Cost of personnel decreased by € 10,751 thousand, or 6.8%, in line with the reduction in workforce.

Cost of personnel (Euro/thousands)	**2019**	**2018**
Salaries and wages	104,328	107,889
Social security expense	29,481	32,073
Post-employment benefits TFR	38	51
Supplementary pension scheme plans	7,438	7,703
Other costs	5,869	10,189
Total cost of personnel	**147,154**	**157,905**

Information on the Performance Share Plan

At 31 December 2019, the Mondadori Group has three share-based payment plans in place intended for managers of Group companies and for members of the Board of Directors of the Parent.
The reasons underlying the adoption of the Plans are:

- to create a stronger link between the creation of medium- and long-term value and the remuneration of Management;
- to support Mondadori's growth following the completion of the optimization of its assets, using a system that reflects the growth in the value of the company;
- to encourage teamwork at management level, supporting the shared objective of value creation.

The Board – or its representative, the CEO – has the power to amend the Performance Targets in extraordinary and/or unforeseen situations or circumstances that could have a significant impact on the results of the Group and/or its area of operations. These situations and circumstances could, for example, include mergers, demergers, acquisitions, disposals or spin-offs.
Shares are allocated to the beneficiaries at the end of the vesting period on the basis of pre-established performance targets. Specifically, these targets are related to:

- Total Shareholder Return (TSR) vis-à-vis the constituents of the FTSE Italia All Share index, with a weighting of 25%;
- Cumulative EBIT for the three-year period, with a weighting of 25% (EBITDA for the 2018-2020 and 2017-2019 plans);
- Cumulative Net profit over the three years, with a weighting of 25%;
- Cumulative Free Cash Flow over the three years, with a weighting of 25%.

For each of the above performance conditions, minimum, target and maximum result levels are set.
When the minimum (90%) is met for EBIT (EBITDA for the 2018-2020 and 2017-2019 plans), Net Profit and Free Cash Flow, the number of shares granted is equal to 50% of the target number of options assigned. When the target is met, 100% vests, while with the maximum, the number of shares granted is equal to 120% of the target number of options assigned.
The TSR is defined vis-à-vis the constituents of the FTSE Italia All Share index by measuring performance over the period of the Plan. If the TSR is equal to or greater than the median, the target is deemed met and the number of shares granted is equal to 100% of the options assigned. If the TSR is lower than the median, no shares are granted.

They are measured considering the four components of the Plan:

- the "market based" component connected to the measurement of the performance of Arnoldo Mondadori Editore S.p.A. in terms of Total Shareholder Return (TSR);
- the "non-market based" component relating to the achievement of targets on cumulative Net Profit, cumulative EBITDA and cumulative Free Cash Flow.

Pursuant to IFRS 2, the financial instruments underlying the Plan were stated at fair value on their granting.

The fair value measurement, which takes account of the current share price at the grant date, volatility, the expected flow of dividends, the duration of the Plan and the free-risk rate, has been entrusted to an independent third-party expert and carried out using a Monte Carlo-type simulation model.

The information documents pursuant to art. 114-*bis* of Legislative Decree 58/98, which describe the features of the above plans, are available to the public on the Governance section of Arnoldo Mondadori Editore S.p.A.'s website (www.mondadori.it), at the registered office and at Borsa Italiana S.p.A. The table below shows for each plan the costs recognized in the income statement and the assumptions underlying the fair value measurement.

2019-2021 long-term incentive plan

At 31 December 2019, the cost of the 2019-2021 Performance Share Plan (intended for the Chief Executive Officer, the CFO - Executive Director and nine selected Mondadori managers who have an employment and/or directorship relationship with the Company or with its subsidiaries), recognized in the income statement under Cost of personnel, amounted to € 637 thousand.

The fair value of shares was determined based on the following assumptions:

Granting date	1 July 2019
Residual life at granting date (in months)	30
Expected volatility of the share price	37.8%
Risk-free interest rate	0.02%
% on expected dividends	0%
Fair value of share at granting date (Euro)	1.37

2018-2020 long-term incentive plan

At 31 December 2019, the cost of the 2018-2020 Performance Share Plan (intended for the Chief Executive Officer, the CFO - Executive Director and 10 selected Mondadori managers who have an employment and/or directorship relationship with the Company or with its Subsidiaries), recognized in the income statement under Cost of personnel, amounted to € 394 thousand.

The fair value of shares was determined based on the following assumptions:

Granting date	1 June 2018
Residual life at granting date (in months)	31
Expected volatility of the share price	39.6%
Risk-free interest rate	0.40%
% on expected dividends	0%
Fair value of share at granting date (Euro)	1.05

2017-2019 long-term incentive plan

At 31 December 2019, the cost of the 2017-2019 Performance Share Plan (intended for the CFO - Executive Director and 10 selected Mondadori managers who have an employment and/or directorship relationship with the Company or with its Subsidiaries), recognized in the income statement under Cost of personnel, amounted to € 960 thousand.

The fair value of shares was determined based on the following assumptions:

Granting date	13 September 2017
Residual life at granting date (in months)	28
Expected volatility of the share price	38.6%
Risk-free interest rate	0.20%
% on expected dividends	0%
Fair value of share at granting date (Euro)	1.85

35. OTHER (INCOME) EXPENSE

Other expense (income), amounting to € 3,494 thousand, deteriorated by € 2,544 thousand, due mainly to lower income from the sale of business units or companies.

Other (income) expense (Euro/thousands)	**2019**	**2018**
Other revenue and income	(5,235)	(9,169)
Other operating expense	8,729	10,119
Total other (income) expense	**3,494**	**950**

Other revenue and income, amounting to € 5,235 thousand, decreased by € 3,934 thousand, since in 2018 capital gains were realized on the disposal of the properties in Verona and Bari for a total of € 4,088 thousand, while in 2019 the disposal of the magazine titles to Stile Italia Edizioni S.r.l. generated a gain of € 907 thousand.

Other (income) expense – Other revenue and income (Euro/thousands)	**2019**	**2018**
Capital gains from the disposal of fixed assets and business units	907	4,088
Contingent assets	3,002	3,404
Other	1,326	1,677
Total other revenue and income	**5,235**	**9,169**

Other operating expense, amounting to € 8,729 thousand, decreased by € 1,390 thousand, due mainly to lower expense from extraordinary transactions, which in 2018 included the capital loss following the disposal of Inthera S.p.A.

Other (income) expense – Other operating expense (Euro/thousands)	**2019**	**2018**
Receivables management	4,788	4,490
Reimbursements and settlements, net of the use of provisions	(670)	(1,897)
Contributions and grants	1,964	1,770
Contingent liabilities	617	1,432
Capital loss from the disposal of fixed assets and business units	86	2,125
Other tax and duties	2,351	1,684
Other expense	(407)	515
Total other operating expense	**8,729**	**10,119**

36. FINANCIAL INCOME (EXPENSE)

Net financial expense in 2019 decreased by € 928 thousand versus the prior year, as a result of:

- of lower interest expense on loans, amounting to € 687 thousand, due mainly to the reduction in the Group's average bank exposure;

• lower ancillary expense, amounting to € 1,366 thousand, due largely to the adjustment of amortized cost in accordance with IFRS 9 on medium/long-term loans as a result of lower prospective interest rates (€ 920 thousand);
• higher income of € 991 thousand from the valuation of Reworld Media shares acquired in 2019;
• higher expense, amounting to € 2,368 thousand, from the application of IFRS 16 as from 1 January 2019.

Financial income (expense) (Euro/thousands)	**2019**	**2018**
Interest from banks and post offices	38	21
Financial income from derivatives	-	-
Financial income	629	218
Other interest	32	26
Total interest and other financial income	**699**	**265**
Interest expense to banks	1	2
Interest on bonds, loans and borrowings and other expense	2,885	3,916
Financial expense from derivatives	828	928
Other financial expense for discounting assets/liabilities	333	313
Other interest	318	905
Total interest expense and other financial expense	**4,365**	**6,064**
Realized positive currency differences	86	96
Unrealized positive currency differences	88	54
Realized negative currency differences	(93)	(329)
Unrealized negative currency differences	(130)	(42)
Total income (loss) on currency transactions	**(49)**	**(221)**
Income (expense) from financial assets	991	-
Financial expense IFRS 16	(2,368)	-
Total financial income (expense)	**(5,092)**	**(6,020)**

37. RESULT FROM INVESTMENTS MEASURED AT EQUITY

The income statement effect of companies consolidated at equity came to a negative € 8,131 thousand, improving versus € 18,162 thousand in the prior year, due mainly to the effect of:
• the impact from the measurement of the estimated losses resulting from the voluntary liquidation procedure of Mach 2 Libri S.r.l. in liquidation (a positive € 1,378 thousand in 2019, a negative € 9,800 thousand in 2018);
• the lower losses from the Attica Publications Group, which in 2018 included a write-down of € 2,800 thousand;
• the greater negative impact on Società Europea di Edizioni S.p.A., due also to the higher write-down made in 2019 (€ 2,947 thousand versus € 2,200 thousand in 2018).

Income (expense) from investments booked at equity (Euro/thousands)	**2019**	**2018**
Monradio S.r.l.	(1,195)	(1,615)
Attica Publications Group	-	(2,642)
Società Europea di Edizioni S.p.A.	(8,604)	(5,548)
Mach 2 Libri S.p.A.	1,378	(9,800)
GD Media Service S.r.l.	-	21
Edizioni EL S.r.l.	911	1,028
Stile Italia Edizioni S.r.l.	45	-
Mediamond S.p.A.	23	110
Mondadori Seec Advertising Co. Ltd	(654)	283
Venezia Accademia Società per i servizi museali S.c.ar.l.	-	1
Campania Arte S.c.ar.l.	(14)	-
DI2 S.r.l.	(16)	-
Confidimpresa	(5)	-
Total income (expense) from investments booked at equity	**(8,131)**	**(18,162)**

38. INCOME TAX

The cost for Income tax, amounting to € 18,625 thousand, increased by € 3,740 thousand versus 2018, due mainly to the improved results and the lower benefits from tax consolidation and the adjustments to taxable income made in the preparation of the 2019 Unified Tax Return.

The changed legislation, which introduced the non-deductibility of the value of credit notes to issue for products that are estimated to be returned by customers, resulted in a "one-off" effect of an increase in current tax and deferred tax assets in 2018; 2019 shows an opposite trend.

Income tax (Euro/thousands)	**2019**	**2018**
IRES on income for the period	11,416	21,692
IRAP for the period	2,755	5,132
Total current tax	**14,171**	**26,824**
Deferred/pre-paid tax for IRES	4,406	(7,421)
Deferred/pre-paid tax for IRAP	147	(1,540)
Total deferred/pre-paid tax	**4,553**	**(8,961)**
Other tax items	(99)	(2,978)
Total income tax	**18,625**	**14,885**

Reconciliation between the theoretical tax charge and the current tax charge

(Euro/thousands)	2019			2018		
	Pre-tax result	**Tax amount**	**Current tax rate**	**Pre-tax result**	**Tax amount**	**Current tax rate**
Theoretical IRES tax amount	49,096	11,783	24.00%	32,064	7,695	24.00%
Theoretical IRAP tax amount	49,096	1,915	3.90%	32,064	1,251	3.90%
Total theoretical tax amount/rate	**-**	**13,698**	**27.90%**	**-**	**8,946**	**27.90%**
Actual IRES tax amount	-	15,834	32.25%	-	11,362	35.43%
Actual IRAP tax amount	-	2,791	5.69%	-	3,523	10.99%
Total actual tax amount/rate	**-**	**18,625**	**37.94%**	**-**	**14,885**	**46.42%**
Theoretical tax amount/rate	**-**	**13,698**	**27.90%**	**-**	**8,946**	**27.90%**
Effect relating to the recognition of prior years' tax	-	(218)	(0.44%)	-	(4,208)	(13.12%)
Effects on companies booked at equity	-	1,478	3.01%	-	1,407	4.39%
Effect of differences in tax rates on taxable income of foreign subsidiaries	-	20	0.05%	-	16	0.05%
Net effect of other permanent differences	-	2,771	5.64%	-	6,451	20.11%
Effect of different IRAP tax base	-	876	1.78%	-	2,273	7.09%
Current tax amount/rate	**-**	**18,625**	**37.94%**	**-**	**14,885**	**46.42%**

39. 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.

	2019	**2018**
Net result for the period (Euro/000)	30,471	17,179
Weighted average number of outstanding ordinary shares (no./000)	259,643	260,409
Basic earnings per share from continuing operations (Euro)	**0.117**	**0.066**

	2019	**2018**
Net result for the period (Euro/000)	28,200	(177,133)
Weighted average number of outstanding ordinary shares (no./000)	259,643	260,409
Basic earnings per share (Euro)	**0.109**	**(0.680)**

Diluted 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 period.

	2019	2018
Net result for the period (Euro/000)	30,471	17,179
Weighted average number of outstanding ordinary shares (no./000)	259,643	260,409
Number of options with diluted effect (no./000)	2,324	681
Diluted earnings per share of continuing operations (Euro)	**0.116**	**0.066**

	2019	2018
Net result for the period (Euro/000)	28,200	(177,133)
Weighted average number of outstanding ordinary shares (no./000)	259,643	260,409
Number of options with diluted effect (no./000)	2,324	883
Diluted earnings per share (Euro)	**0.108**	**(0.678)**

40. COMMITMENTS AND CONTINGENT LIABILITIES

At 31 December 2019, the Mondadori Group has commitments underwritten for a total of € 72,164 thousand (€ 95,766 thousand at 31 December 2018), consisting of guarantees issued on VAT receivables subject to reimbursement and prize contests transactions, of leases contracts and letters of patronage.
The decrease is related mainly to VAT receivable reimbursements.

41. NON-RECURRING (INCOME) EXPENSE

Under Consob Resolution no. 15519 of 27 July 2006, the Mondadori Group in 2019, as in 2018, recorded no non-recurring income or expense.

42. 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 key management personnel

At 31 December 2019, the executives holding responsibilities for 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 Coddè	General Manager Trade Books Area
Carmine Perna	General Manager, Retail Business Unit
Carlo Luigi Mandelli	General Manager, Magazines Italy, Advertising and International Business Unit
Antonio Porro	General Manager Books Business Unit and Educational Books Area
Daniele Sacco	Head of Human Resources and Organization

The group of Key Management Personnel, shown above in the situation at 31 December, recorded one position less than last year as a result of the disposal of the subsidiary Mondadori France in July 2019.

Total compensation paid to Key Management Personnel in 2019 amounted to € 7.1 million (including compensation for the executive who terminated the employment relationship), 13% higher than last year, thanks to the good performance of variable compensation and the presence of a number of extraordinary components. On approval of the 2019 financial statements, mention should be made that the first 2017-2019 Performance Share Plan closed with a 6% improvement.

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 2019

(Euro/thousands)	Trade receivables	Financial receivables	Tax receivables	Other current assets	Trade payables
Parent companies:					
Fininvest S.p.A.	19	-	1,466	-	14
Associates:					
Mach 2 Libri S.p.A.	2,916	-	-	-	2
Venezia Musei Società per i servizi museali S.c.ar.l.	-	-	-	13	-
Harlequin Mondadori S.p.A.	-	-	-	-	-
Attica Publications Group	74	500	-	-	13
Edizioni EL S.r.l.	1,249	-	-	20	6,791
Società Europea di Edizioni S.p.A.	469	-	-	(74)	(1,070)
ACI-Mondadori S.p.A. (in liquidation)	-	-	-	-	-
Consorzio COVAR (in liquidation)	-	-	-	-	-
EMAS Digital S.a.s.	-	-	-	-	-
Campania Arte S.c.ar.l.	-	-	-	-	-
Mondadori Independent Media LLC	-	-	-	-	-
Venezia Accademia Società per i servizi museali S.c.ar.l.	51	25	-	-	35
Mediamond S.p.A.	33,872	-	-	79	4,082
Mondadori Seec Advertising Co. Ltd	1,098	-	-	-	424
GD Media Service S.r.l.	-	-	-	-	266
Monradio S.r.l.	19	-	-	-	5
Gold5 S.r.l.	-	-	-	-	-
Skira Rizzoli Publications Inc.	-	-	-	-	-
DI2 S.r.l.	-	-	-	-	372
Total associates	**39,748**	**525**	**-**	**38**	**10,920**

Financial payables	Tax payables	Other current liabilities	Revenue	Purchases of raw materials	Purchases of services	Cost of personnel	Other (income) expense	Financial (income) expense
-	7,616	-	6	-	31	(13)	-	-
-	-	-	(2,190)	2	-	-	25	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	5	-	-	-	-	(23)
-	-	-	(6,171)	91	(12)	-	-	-
1,776	-	52	(14,226)	123	(2)	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	43	-	-	-
-	-	179	63,575	2,184	1,558	-	233	(7)
-	-	-	2,404	-	-	-	103	-
-	-	-	-	952	855	-	-	-
-	-	-	3	-	(6)	1	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	565	-	-	-
1,776	**-**	**231**	**43,400**	**3,352**	**3,001**	**1**	**361**	**(30)**

TRANSACTIONS WITH RELATED PARTIES: FIGURES AT 31 DECEMBER 2019

(Euro/thousands)	Trade receivables	Financial receivables	Tax receivables	Other current assets	Trade payables
Affiliates:					
RTI - Reti Televisive Italiane S.p.A.	464	-	-	-	1,304
Publitalia ’80 S.p.A.	39	-	-	-	1,093
Digitalia ’08 S.r.l.	-	-	-	-	12
Banca Mediolanum S.p.A.	-	-	-	-	-
TaoDue S.r.l.	-	-	-	-	-
Il Teatro Manzoni S.p.A.	9	-	-	-	-
Mediaset S.p.A.	12	-	-	-	-
Alba Servizi Autotrasporti S.p.A.	-	-	-	-	-
Mediolanum Comunicazione S.p.A.	-	-	-	-	-
Fininvest Real Estate Services S.p.A.	-	-	-	-	-
RMC Italia S.p.A.	-	-	-	-	1
Mediaset Premium S.p.A.	-	-	-	-	-
Medusa Film S.p.A.	-	-	-	-	16
Radio Mediaset S.p.A.	285	-	-	-	285
Total affiliates	**809**	**-**	**-**	**-**	**2,711**
Total related parties	**40,576**	**525**	**1,466**	**38**	**13,645**
of which related parties from discontinued operations	-	-	-	-	-
Percentage on item	**18.2%**	**1.4%**	**14.7%**	**n.s.**	**5.5%**

Financial payables	Tax payables	Other current liabilities	Revenue	Purchases of raw materials	Purchases of services	Cost of personnel	Other (income) expense	Financial (income) expense
-	-	1	(3,616)	-	65	-	(7)	-
-	-		79		2,412	-	-	-
-	-	-	-	-	-	-	-	
-	-	7	-	-	-	-	-	-
-	-	-	4	-	-	-	-	-
-	-	-	15	-	18	(9)	-	-
-	-	-	14	-	-	-	-	-
-	-	-	-	-	39	-	-	-
-	-	-	15	-	-	-	-	-
-	-	-	-	-	10	-	-	-
-	-	-	-	-	1	-	-	-
-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	-
-	-	-	394	-	388	-	-	-
-	**-**	**8**	**(3,095)**	**-**	**2,933**	**(9)**	**(7)**	**-**
1,776	**7,616**	**239**	**48,311**	**3,352**	**5,964**	**(21)**	**354**	**(30)**
-	-	-	-	-	-	-	-	-
4.1%	**92.8%**	**0.2%**	**4.6%**	**2.1%**	**1.3%**	**n.s.**	**n.s.**	**n.s.**

TRANSACTIONS WITH RELATED PARTIES: FIGURES AT 31 DECEMBER 2018

(Euro/thousands)	Trade receivables	Financial receivables	Tax receivables	Other current assets	Trade payables
Parent companies:					
Fininvest S.p.A.	4	-	143	-	40
Associates:					
Mach 2 Libri S.p.A.	8,278	-	-	-	31
Venezia Musei Società per i servizi museali S.c.ar.l.	260	-	-	12	-
Harlequin Mondadori S.p.A.	-	-	-	-	-
Attica Publications Group	38	500	-	-	14
Edizioni EL S.r.l.	971	-	-	12	5,834
Società Europea di Edizioni S.p.A.	494	-	-	43	460
ACI-Mondadori S.p.A. (in liquidation)	-	-	-	-	-
Consorzio COVAR (in liquidation)	-	-	-	-	-
EMAS Digital S.a.s.	-	-	-	-	-
Campania Arte S.c.ar.l.	-	-	-	-	-
Mondadori Independent Media LLC	-	-	-	-	-
Venezia Accademia Società per i servizi museali S.c.ar.l.	45	25	-	-	18
Mediamond S.p.A.	31,494	-	-	229	5,015
Mondadori Seec Advertising Co. Ltd	532	-	-	-	300
GD Media Service S.r.l.	-	-	-	-	364
Monradio S.r.l.	16	-	-	-	-
Gold5 S.r.l.	-	-	-	-	-
Skira Rizzoli Publications Inc.	-	-	-	-	-
EDIGITA S.r.l.	-	-	-	-	-
Total associates	**42,128**	**525**	**-**	**296**	**12,036**

Financial payables	Tax payables	Other current liabilities	Revenue	Purchases of raw materials	Purchases of services	Cost of personnel	Other (income) expense	Financial (income) expense
-	13,217	-	4	-	58	-	-	-
-	-	-	(3,470)	13	2	-	78	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	2	-	-	-	-	(24)
-	-	-	(6,082)	50	75	-	(12)	-
738	-	123	(18,033)	229	2	-	(11)	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	22	-	31	-	(15)	-
-	-	-	73,818	3,017	2,258	-	72	-
-	-	-	1,312	-	-	-	162	-
-	-	-	-	313	838	-	-	-
-	-	-	82		85	-	(19)	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
738	**-**	**123**	**47,651**	**3,622**	**3,291**	**-**	**255**	**(24)**

TRANSACTIONS WITH RELATED PARTIES: FIGURES AT 31 DECEMBER 2018

(Euro/thousands)	Trade receivables	Financial receivables	Tax receivables	Other current assets	Trade payables
Affiliates:					
RTI Reti Televisive Italiane S.p.A.	1,116	-	-	-	1,356
Publitalia ’80 S.p.A.	-	-	-	-	739
Digitalia ’08 S.r.l.	-	-	-	-	10
Banca Mediolanum S.p.A.	29	-	-	-	-
Publieurope Ltd	-	-	-	-	-
Il Teatro Manzoni S.p.A.	-	-	-	-	-
Mediaset S.p.A.	11	-	-	-	-
Alba Servizi Autotrasporti S.p.A.	-	-	-	-	-
Mediolanum Comunicazione S.p.A.	-	-	-	-	-
Fininvest Real Estate Services S.p.A.	-	-	-	-	12
Milan Entertainment S.r.l.	-	-	-	-	-
Mediaset Premium S.p.A.	-	-	-	-	-
Media4Commerce S.p.A.	-	-	-	-	-
Mediobanca S.p.A.	-	-	-	-	-
Total affiliates	**1,156**	**-**	**-**	**-**	**2,117**
Total related parties	**43,288**	**525**	**143**	**296**	**14,193**
of which related parties from discontinued operations	-	-	-	-	-
Percentage on item	**19.3%**	**6.3%**	**0.9%**	**0.4%**	**5.0%**

Financial payables	Tax payables	Other current liabilities	Revenue	Purchases of raw materials	Purchases of services	Cost of personnel	Other (income) expense	Financial (income) expense
-	-	480	(3,152)	-	301	(69)	297	-
-	-	-	39	-	2,378	-	-	-
-	-	-	-	-	21	-	-	-
-	-	7	255	-	1	-	(6)	-
-	-	-	-	-	-	-	-	-
-	-	-	108	-	108	-	-	-
-	-	-	11	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	13	-	-	-	6	-
-	-	-	-	-	10	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	1	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	**-**	**487**	**(2,726)**	**1**	**2,819**	**(69)**	**297**	**-**
738	**13,217**	**610**	**44,929**	**3,623**	**6,168**	**(69)**	**552**	**(24)**
-	-	-	-	-	-	-	-	-
0.6%	**86.4%**	**0.5%**	**5.0%**	**2.2%**	**1.3%**	**n.s.**	**n.s.**	**n.s.**

43. 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 Mondadori Group analyses and measures its exposure to financial risks for the purpose of defining management and hedge strategies. The criteria used by the Group to measure the risks include the sensitivity analysis of positions subject to risk, involving "mark-to-market" analysis of variations and/or future cash flow variations in relation to small variations in risk factors.
The overall Policy objective is to 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 reduce exposure of the Group's financial margin against market interest rate fluctuations.

Group exposure to interest rate risk refers mainly to long-term loans, specifically, to the loan granted by a pool of banks coming to maturity in December 2022.

Interest rate risk hedging is ensured through interest rate swap contracts, converting exposure from floating to fixed rate.

Specifically:
- a 0.20% fixed rate 3-month Euribor hedge, comprising an interest rate swap of a notional value of € 21.5 million, coming to maturity in December 2022;
- a 0.20% fixed rate 3-month Euribor hedge, comprising an interest rate swap of a notional value of € 21.5 million, coming to maturity in December 2022;
- a 0.197% fixed rate 3-month Euribor hedge, comprising an interest rate swap of a notional value of € 35.5 million, coming to maturity in December 2022.

For more detailed information regarding debt, reference should be made to Note 22. Financial assets, and Note 28. Financial liabilities.

The following table shows the findings of the sensitivity analysis with indication of the relevant impact on income statement and equity, gross of any tax effects.

Sensitivity analysis (Euro/millions)	**Underlying**	**Interest rate increase/ (decrease)**	**Income (expense)**	**Equity increase (decrease)**
2019	(103.3)	1%	(0.4)	1.8
2018	(78.6)	1%	0.1	2.8
2019	(103.3)	(0.2%)	0.1	(0.4)
2018	(78.6)	(0.2%)	-	(0.6)

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;
• all the other risk variables remain constant;
• same analysis 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 Mondadori Group is not particularly exposed to exchange rate risks. At 31 December 2019, 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. The Group currently has a medium/long-term loan (pool loan) 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 2019, liquidity risk was managed by Mondadori Group through the following tools:
• bank and postal deposits totaling € 42.4 million;
• committed credit lines totaling € 317.5 million (€ 200.0 million of which unused) and uncommitted credit lines of € 236.6 million, unused for € 221.9 million at 31 December 2019.

The table below details Group exposure to liquidity risk and the relevant maturity dates:

Liquidity risk (Euro/millions)	**Analysis of maturity periods at 31/12/2019**						
	<6 months	**6-12 months**	**1-2 years**	**2-5 years**	**5-10 years**	**>10 years**	**Total**
Trade payables	262.4	-	-	-	-	-	262.4
Medium/long-term loans	0.7	23.2	28.7	64.5	-	-	121.1
Other financial liabilities:							
- committed lines	-	-	-	-	-	-	-
- uncommitted lines	18.9	-	-	-	-	-	18.9
Other liabilities	68.5	-	-	-	-	-	68.5
Payables to associates	12.7	-	-	-	-	-	12.7
Total	**363.2**	**23.2**	**28.7**	**64.5**	**-**	**-**	**483.6**
Derivatives on rate risk	(0.2)	(0.2)	(0.3)	(0.2)	-	-	(1.0)
Derivatives on currency risk	-	-	-	-	-	-	-
Total exposure	**363.5**	**23.4**	**29.0**	**68.7**	**-**	**-**	**484.6**

Liquidity risk (Euro/millions)	**Analysis of maturity periods at 31/12/2018**						
	<6 months	**6-12 months**	**1-2 years**	**2-5 years**	**5-10 years**	**>10 years**	**Total**
Trade payables	269.9	-	-	-	-	-	269.9
Medium/long-term loans	101.1	18.3	23.9	97.4	-	-	240.8
Other financial liabilities:							
- committed lines	-	-	-	-	-	-	-
- uncommitted lines	8.5	-	-	-	-	-	8.5
Other liabilities	64.0	-	-	-	-	-	64.0
Payables to associates	12.8	-	-	-	-	-	12.8
Total	**456.3**	**18.3**	**23.9**	**97.4**	**-**	**-**	**596.0**
Derivatives on rate risk	(0.3)	(0.2)	(0.5)	(0.6)	-	-	(1.7)
Derivatives on currency risk	-	-	-	-	-	-	-
Total exposure	**456.6**	**18.5**	**24.4**	**98.1**	**-**	**-**	**597.7**

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 shown in the first column.

For the purpose of meeting liquidity requirements, the Group 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, 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)	**31/12/2019**	**31/12/2018**
Deposits	42.2	82.2
Financial assets measured at fair value through profit and loss	23.6	-
Receivables and loans:		
- trade receivables and other current financial assets	235.4	245.6
- trade receivables and other non-current financial assets	20.1	7.7
Available-for-sale assets	0.4	0.4
Receivables from hedge derivatives	-	-
Guarantees	-	-
Total maximum exposure to credit risk	**321.7**	**335.9**

The table below shows the Group's exposure to credit risk by geographical area:

Trade credit risk concentration	Euro/millions 31/12/2019	Euro/millions 31/12/2018	% 31/12/2019	% 31/12/2018
By geographical area:				
Italy	215.6	216.7	96.8%	96.7%
Other Countries	7.1	7.5	3.2%	3.3%
Total	**222.6**	**224.2**	**100.0%**	**100.0%**

Below is a description of management criteria used for the main business segments:

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

Magazines
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 order to curb the credit risk, the Group stipulated an insurance; given the soundness and solvency of its counterparties, 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 Group companies set up a provision based on historical data and statistics.

The table below shows the Group's exposure to credit risk by business area:

Trade credit risk concentration (Euro/millions)	**Analysis of maturity periods at 31/12/2019**	Net overdraft				
	Net to maturity	**0-30 days**	**30-60 days**	**60-90 days**	**Over**	**Provision for bad debts**
Books	103.5	4.7	0.9	-	6.4	8.8
Magazines Italy	54.3	10.0	2.2	0.5	11.3	4.5
Retail	13.8	2.4	0.2	0.8	10.6	7.6
Other business	0.9	0.1	-	-	0.1	-
Total	**172.5**	**17.2**	**3.3**	**1.3**	**28.4**	**20.9**

Trade credit risk concentration (Euro/millions)	**Analysis of maturity periods at 31/12/2018**	Net overdraft				
	Net to maturity	**0-30 days**	**30-60 days**	**60-90 days**	**Over**	**Provision for bad debts**
Books	104.5	1.9	1.5	2.3	6.7	9.2
Magazines Italy	55.9	8.9	1.0	0.4	4.0	4.0
Retail	13.6	3.1	0.7	0.6	10.8	7.4
Other business	(0.8)	1.2	-	0.2	0.2	-
Total	**173.2**	**15.1**	**3.2**	**3.5**	**21.7**	**20.6**

Other information requested pursuant to IFRS 7

The table below summarizes financial assets and liabilities classified according to the categories defined by IFRS 9 and the relevant fair value.

IFRS 7 requires values regarding financial assets and liabilities to be classified based on a scale of levels reflecting input significance used when calculating fair value.

Classification (Euro/millions)	**Book value**						**Fair value**	
	Total		**of which current**		**of which non-current**			
	31/12/19	**31/12/18**	**31/12/19**	**31/12/18**	**31/12/19**	**31/12/18**	**31/12/19**	**31/12/18**
Financial assets held to collect, measured at fair value with adjustments recognized in the income statement	23.6	-	23.6	-	-	-	23.6	-
Receivables and loans:								
- cash and cash equivalents	44.2	82.4	44.2	82.4	-	-	44.2	82.4
- trade receivables	183.0	182.1	180.0	178.8	3.0	3.3	183.0	182.1
- other financial assets	32.8	29.2	20.4	28.6	12.4	0.6	32.8	29.2
- receivables from affiliates and joint ventures	40.2	42.6	39.7	42.1	0.5	0.5	40.2	42.6
Available-for-sale financial assets	0.4	0.4	0.4	0.4	-	-	0.4	0.4
Derivatives	-	-	-	-	-	-	-	-
Total financial assets	**324.2**	**336.7**	**308.3**	**332.3**	**15.9**	**4.4**	**324.2**	**336.7**
Financial liabilities held to collect, measured at fair value with adjustments recognized in the income statement:								
- non-hedge derivatives	-	-	-	-	-	-	-	-
Financial liabilities at amortized cost:								
- trade payables	262.4	269.9	262.4	269.9	-	-	262.4	269.9
- payables to banks and other financial liabilities	202.5	304.4	109.9	190.1	92.5	114.3	207.8	308.5
- payables to associates and joint ventures	12.7	12.7	12.7	12.7	-	-	12.7	12.7
Derivatives	1.0	0.8	-	-	1.0	0.8	1.0	0.8
Total financial liabilities	**478.6**	**587.8**	**385.0**	**472.7**	**93.5**	**115.1**	**483.9**	**591.9**

At 31 December 2019, the Group held current financial assets in the form of Reworld Media shares listed on the *Bourse de Paris* (explained in Note 22. Financial assets, which are classified at Level 1 in the hierarchy, which regards prices listed on active markets.

Additionally, the Group has current and non-current financial liabilities represented by derivatives explained in Note 28. Financial liabilities, classified as 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 expense recognized under the income statement and attributable to financial assets and liabilities, classified according to the categories set out by IFRS 9.

Income and loss from financial instruments (Euro/millions)	**31/12/2019**	**31/12/2018**
Net gains on instruments measured at fair value with changes booked to the income statement	1.0	-
Interest earned on financial assets not measured at fair value	0.7	0.3
Total income	**1.7**	**0.3**
Net loss on derivative instruments	0.8	0.9
Interest due on financial liabilities not measured at fair value		-
- trade payables	0.2	0.2
- borrowings	1.4	2.0
- other	0.1	0.7
Losses from financial instrument impairment:		
- trade receivables	5.0	9.4
Expense and commissions not included in effective interest rates	1.0	1.9
Total expense	**8.5**	**15.1**
Total	**(6.8)**	**(14.8)**

44. FAIR VALUE MEASUREMENT

Some of the Group's financial assets and liabilities were measured at fair value.

Financial assets (liabilities) (Euro/thousands)	**Fair value 31/12/2019**	**Fair value hierarchy**	**Valuation method and main inputs**
Securities measured at fair value "held for trading"	23,591	Level 1	Stock market price at 31 December 2019, as these shares are listed on the Bourse de Paris.
Interest rate swap contracts	(994)	Level 2	Discounted cash flow. Future cash 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.

45. OPERATING SEGMENTS

The reporting 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 Management to define actions and strategies, evaluate investment opportunities and allocate resources; the picture versus 2018 remained unchanged.

SEGMENT REPORTING:
FIGURES AT 31 DECEMBER 2019

(Euro/thousands)	Books	Retail
Revenue from sales and services from external customers	**438,625**	**186,126**
Revenue from sales and services from other sectors	**39,765**	**736**
EBITDA	**94,024**	**2,861**
EBIT	**81,380**	**(7,668)**
Financial income (expense)	601	1,238
Income (expense) from equity-accounted investees	(2,276)	-
Result before tax and non-controlling interests	**83,055**	**(8,905)**
Income tax	-	-
Result attributable to non-controlling interests	-	-
Result from discontinued operations	-	-
Net result	**83,054**	**(8,905)**
Amortization, depreciation and write-downs	11,441	3,012
Non-monetary costs	4,989	5,973
Non-recurring income (expense)	-	-
Capital expenditure	11,610	2,139
Equity-accounted investees	3,714	-
Total assets	617,158	130,677
Total liabilities	250,715	132,822

Italy
Other EU countries
USA
Other extra EU countries
Consolidated result

Magazines Italy	Corporate & Shared Services	Unallocated items and consolidation adjustments	Consolidated result
257,994	**2,115**	**-**	**884,860**
(1,351)	**36,408**	**(75,558)**	**-**
9,362	**(3,431)**	**75**	**102,891**
1,118	**(12,586)**	**75**	**62,319**
715	987	1,551	5,092
604	9,799	-	8,127
(206)	**(23,372)**	**(1,476)**	**49,096**
-	18,625	-	18,625
-	-	1,202	1,202
-	(3,821)	2,752	(1,069)
(206)	**(45,818)**	**75**	**28,200**
8,130	3,355	-	25,938
3,394	1,014	-	15,370
-	-	-	-
1,080	3,830	-	18,659
17,167	6,835	-	27,716
178,897	315,722	(308,027)	934,427
147,582	532,570	(299,303)	764,386

Revenue from sales and services	Fixed assets
817,907	235,701
22,167	-
38,959	2,588
5,827	-
884,860	**238,289**

SEGMENT REPORTING:
FIGURES AT 31 DECEMBER 2018

(Euro/thousands)	Books	Retail
Revenue from sales and services from external customers	**410,472**	**191,138**
Revenue from sales and services from other sectors	**40,844**	**629**
EBITDA	**82,880**	**(33)**
EBIT	**70,915**	**(3,397)**
Financial income (expense)	933	589
Income (expense) from equity-accounted investees	8,771	-
Result before tax and non-controlling interests	**61,211**	**(3,986)**
Income tax	-	-
Result attributable to non-controlling interests	1	-
Result from discontinued operations	-	-
Net result	**61,210**	**(3,986)**
Amortization, depreciation and write-downs	11,964	3,364
Non-monetary costs	9,229	2,706
Non-recurring income (expense)	-	-
Capital expenditure	10,389	2,626
Equity-accounted investees	3,652	-
Total assets	610,945	103,964
Total liabilities	270,225	107,433

Italy
Other EU countries
USA
Other extra EU countries
Consolidated result

Magazines Italy	Corporate & Shared Services	Unallocated items and consolidation adjustments	Consolidated result
287,712	**2,036**	**-**	**891,358**
(676)	**35,338**	**(76,135)**	**-**
(213)	**(4,612)**	**(527)**	**77,495**
(4,524)	**(6,222)**	**(526)**	**56,246**
229	1,126	3,143	(6,020)
2,259	7,163	-	18,193
(6,981)	**(14,511)**	**(3,669)**	**32,064**
-	14,885	-	14,885
-	-	1,960	1,961
-	-	(192,351)	(192,351)
(6,981)	**(29,396)**	**(197,980)**	**(177,133)**
4,311	1,610	-	21,249
5,883	45	-	17,863
-	-	-	-
2,596	7,478	-	23,089
17,721	10,447	-	31,820
204,886	484,903	(298,625)	1,106,073
174,318	597,069	(213,670)	935,375

Revenue from sales and services	Fixed assets
834,532	242,591
15,670	-
35,765	3,216
5,391	-
891,358	**245,807**

46. EVENTS OCCURRING AFTER YEAR END

With regard to events that took place after year end, reference should be made to the Directors' Report on Operations. All the forecasts in this document refer to the current scope of the Group's business: owing to the current Covid-19 related emergency, no reliable forecasts can be made at this time on the duration and on the impacts, if any, on operations and results in 2020; the current events are, however, believed not to change the Group's solid medium-long term prospects.

47. INFORMATION PURSUANT TO ARTICLE 149-*DUODECIES* OF CONSOB ISSUER REGULATION

Table drawn up pursuant to Article 149-*duodecies* of Consob Issuer Regulation, illustrating fees paid in 2019 for auditing and other services provided by EY S.p.A. and by other entities belonging to the same network.

Service	Entity providing the service	Beneficiary of the service		Amount Euro
Auditing	EY S.p.A.	Arnoldo Mondadori Editore S.p.A.		424,700
	EY S.p.A.	Subsidiaries		426,100
	Other companies in the EY network	Subsidiaries		25,000
Certification	EY S.p.A.	Arnoldo Mondadori Editore S.p.A.	[1]	33,400
Other services	EY S.p.A.	Subsidiaries	[2]	30,000
Total				**939,200**

[1] Independent auditors' report on the consolidated disclosure of non-financial information
[2] Other services

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 ARTICLE 81-*TER* OF CONSOB REGULATION NO. 11971 OF 14 MAY 1999 AS SUBSEQUENTLY AMENDED AND SUPPLEMENTED

1. The undersigned Ernesto Mauri, in his capacity as CEO, and Oddone Pozzi, in his capacity as Financial Reporting Manager of Arnoldo Mondadori Editore S.p.A., also in compliance with the provisions set out in Article 154-*bis*, par. 3 and 4, of Legislative Decree no. 58 of 24 February 1998, hereby certify:

   • the adequacy in relation to the Company's characteristics and
   • the effective application

   of the administrative and accounting procedures for the preparation of the Group's consolidated financial statements in 2019.

2. The assessment of the adequacy of the administrative and accounting procedures for the preparation of the Group's consolidated financial statements at 31 December 2019 was carried out based on a specific process defined by Arnoldo Mondadori Editore S.p.A. consistent 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 consolidated financial statements at 31 December 2019:

   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 with the provisions set out for the implementation of Article 9 of Legislative Decree no. 38/2005;

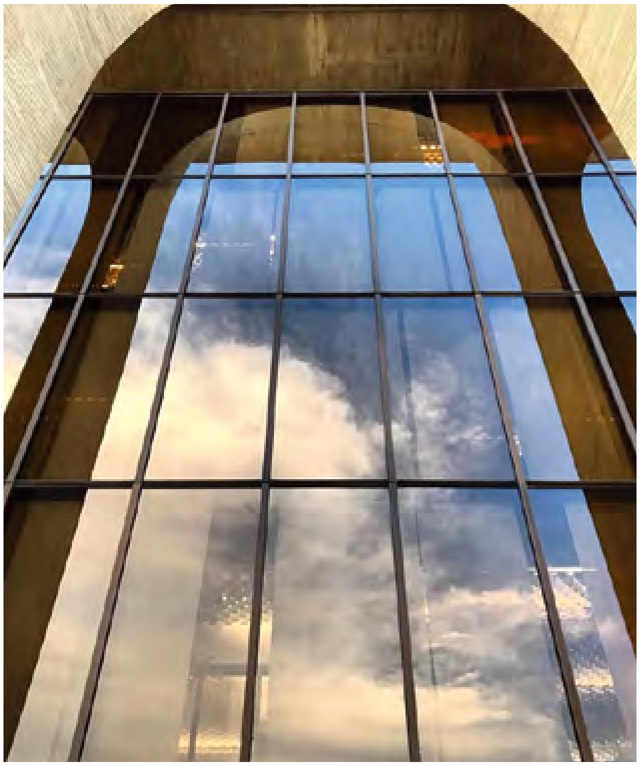
   b) correspond to the accounting books and entries;

   c) provide a true and fair view of the financial position and results of operations of the Company and the group of businesses included in the consolidation scope.

   3.2 the Report on Operations includes a reliable analysis of performance and results, of the situation of the Company and of the businesses included in the consolidation scope, along with the description of the main risks and uncertainties they are exposed to.

17 March 2020

The CEO	The Financial Reporting Manager
(Ernesto Mauri)	(Oddone Pozzi)



A timeless accomplishment, every day different
It has stood there ever since 1975, on the outskirts of Milan, but every day it amazes us with new views and perspectives. The Mondadori Group HQs, designed by Oscar Niemeyer, is the star of the Instagram project *#PalazzoMondadori visto da noi*, where we share the most original and evocative shots taken and posted by our colleagues.

Arnoldo Mondadori Editore S.p.A. financial statements at 31 December 2019

BALANCE SHEET

Assets (Euro)	**Notes**	**31/12/2019**	**31/12/2018**
Intangible assets	1	122,699,054	128,877,436
Investment property		-	-
Land and buildings		2,437,269	2,593,467
Plant and equipment		827,663	847,677
Other tangible assets		2,100,232	1,960,703
Property, plant and equipment	2	**5,365,164**	**5,401,848**
Assets from rights of use	3	54,321,329	-
Investments	4	434,105,396	404,738,917
Non-current financial assets	5	12,285,963	500,000
Deferred tax asset	6	6,245,964	6,514,969
Other non-current assets	7	981,056	295,988
Total non-current assets		**636,003,927**	**546,329,157**
Tax receivables	8	8,301,172	20,028,565
Other current assets	9	3,879,281	4,903,654
Inventory	10	5,088,932	5,072,905
Trade receivables	11	46,858,214	45,291,732
Other current financial assets	12	52,630,837	62,972,862
Cash and cash equivalents	13	35,608,940	76,837,332
Total current assets		**152,367,376**	**215,107,050**
Assets held for sale or transferred	14	-	64,092,382
Total assets		**788,371,303**	**825,528,589**

Liabilities (Euro)	**Notes**	**31/12/2019**	**31/12/2018**
Share capital		67,979,168	67,979,168
Treasury shares		(4,940,064)	(2,282,396)
Other reserves and profit/(loss) carried forward		78,793,104	253,408,440
Profit (loss) for the period		28,199,749	(177,130,510)
Total equity	15	**170,031,958**	**141,974,702**
Provisions	16	26,056,248	27,291,320
Post-employment benefits	17	8,772,289	10,733,145
Non-current financial liabilities	18	93,258,151	114,997,243
Financial liabilities IFRS 16	18	50,226,575	-
Deferred tax liabilities	6	28,267,929	28,324,295
Other non-current liabilities		-	-
Total non-current liabilities		**206,581,193**	**181,346,003**
Income tax payables		-	-
Other current liabilities	19	26,069,436	29,582,272
Trade payables	20	71,742,767	80,845,584
Payables to banks and other financial liabilities	17	308,685,708	391,780,028
Financial liabilities IFRS 16	17	5,260,243	-
Total current liabilities		**411,758,153**	**502,207,884**
Liabilities held for sale or transferred		-	-
Total liabilities		**788,371,303**	**825,528,589**

INCOME STATEMENT

(Euro)	Notes	2019	2018
Revenue from sales and services	21	**227,989,374**	**256,625,974**
Decrease (increase) in inventory	10	(158,084)	961,215
Cost of raw and ancillary materials, consumables and goods	22	18,627,777	22,052,680
Cost of services	23	137,950,574	167,620,158
Cost of personnel	24	70,486,445	82,226,324
Other (income) expense	25	(605,768)	(9,211,702)
EBITDA		**1,688,430**	**(7,022,701)**
Depreciation of property, plant and equipment	2	1,060,947	1,154,086
Amortization and write-downs of intangible assets	1	9,616,802	3,913,397
Depreciation of assets from rights of use	2	5,823,144	-
EBIT		**(14,812,462)**	**(12,090,184)**
Financial income (expense)	26	(3,204,748)	(4,463,406)
Income (expense) from investments	27	45,335,615	30,439,677
Profit (loss) before tax		**27,318,404**	**13,886,087**
Income tax	28	(3,151,479)	(3,322,447)
Result from continuing operations		**30,469,883**	**17,208,534**
Income (expense) from discontinued operations	29	(2,270,133)	(194,339,044)
Net result		**28,199,749**	**(177,130,510)**

COMPREHENSIVE INCOME STATEMENT

(Euro)	2019	2018
Net result	**28,199,749**	**(177,130,510)**
Items reclassifiable to income statement		
Effective part of profit / (loss) on cash flow hedge instruments (cash flow hedge)	(254,073)	(436,818)
Tax effect	60,978	104,836
Items of the comprehensive income statement of investments measured at equity	355,930	859,000
Reclassified entries under income statement		
Effective part of profit / (loss) on cash flow hedge instruments (cash flow hedge)	339,696	301,876
Tax effect	(81,527)	(72,450)
Items not reclassifiable to income statement		
Actuarial income/ (losses)	153,159	25,725
Tax effect	(36,758)	(6,174)
Actuarial gains/(losses) from equity-accounted investees	79,600	1,825,449
Comprehensive net result	**28,816,753**	**(174,529,066)**

For the Board of Directors
The Chairman
Marina Berlusconi

STATEMENT OF CHANGES IN EQUITY AT 31 DECEMBER 2018 AND 2019

(Euro/thousands)	Share capital	Treasury shares	Performance share reserve	Discounting reserve - IAS 19 post-employment benefits	Cash flow hedge reserve	Other reserves	Result for the period	Total equity
Balance at 31/12/2017	**67,979**	**(1,654)**	**850**	**428**	**(940)**	**218,734**	**30,417**	**315,814**
Effect 1st application of IFRS 9	-	-	-	-	-	(267)	-	(267)
Balance at 01/01/2018	**67,979**	**(1,654)**	**850**	**428**	**(940)**	**218,467**	**30,417**	**315,547**
Changes in:								
- Allocation of result	-	-	-	-	-	30,417	(30,417)	-
- Purchase of treasury shares	-	(628)	-	-	-	-	-	(628)
- Performance share	-	-	1,563	-	-	-	-	1,563
- Other reserves	-	-	-	-	-	21	-	21
- Comprehensive profit/(loss)	-	-	-	19	(102)	2,685	(177,131)	(174,529)
Balance at 31/12/2018	**67,979**	**(2,282)**	**2,413**	**447**	**(1,042)**	**251,591**	**(177,131)**	**141,975**

(Euro/thousands)	Share capital	Treasury shares	Performance share reserve	Discounting reserve - IAS 19 post-employment benefits	Cash flow hedge reserve	Other reserves	Result for the period	Total equity
Balance at 31/12/2018	**67,979**	**(2,282)**	**2,413**	**447**	**(1,042)**	**251,591**	**(177,131)**	**141,975**
Changes in:								
- Allocation of result	-	-	-	-	-	(177,131)	177,131	-
- Purchase of treasury shares	-	(2,658)	-	-	-	-	-	(2,658)
- Performance share	-	-	1,898	-	-	-	-	1,898
- Other reserves	-	-	-	-	-	-	-	-
- Comprehensive profit/(loss)	-	-	-	116	65	436	28,200	28,817
Balance at 31/12/2019	**67,979**	**(4,940)**	**4,311**	**563**	**(977)**	**74,896**	**28,200**	**170,032**

For the Board of Directors
The Chairman
Marina Berlusconi

CASH FLOW STATEMENT

(Euro/thousands)	Notes	2019	2018
Result for the period		**28,200**	**(177,131)**
Adjustments			
Amortization, depreciation and write-downs		16,501	5,067
Income tax for the period		(3,151)	(3,322)
Stock options		1,373	904
Provisions and post-employment benefits		(3,006)	(1,563)
Gains (losses) from disposal of intangible assets, property plant and equipment and investments		4	(1,870)
(Income)/expense from securities valuation		(991)	-
(Income)/expense from measurement of investments at equity		(48,601)	(33,002)
Net financial expense (income) on loans and transactions with derivatives		4,121	4,843
Other non-monetary adjustments to discontinued operations		2,270	194,339
Cash flow generation from operations		**(3,280)**	**(11,735)**
(Increase) decrease in trade receivables		(1,627)	5,394
(Increase) decrease in inventory		(153)	961
Increase (decrease) in trade payables		7,727	(2,618)
(Payment) cash in from income tax		8,757	7,605
Increase (decrease) in provisions and post-employment benefits		(733)	(1,134)
Net change in other assets/liabilities		(9,338)	(15,260)
Net change in discontinued operations		(3,744)	-
Cash flow generated from (absorbed by) operations		**(2,391)**	**(16,787)**
Price collected (paid) net of cash transferred/acquired		(600)	-
(Purchase) disposal of intangible assets		(9,657)	(6,570)
(Purchase) disposal of property, plant and equipment		(707)	5,645
(Purchase) disposal of investments		(5,142)	(4,767)
(Purchase) disposal of discontinued operations		45,876	-
Income from investments - dividends		29,975	35,135
(Purchase) disposal of securities		(12,600)	-
Cash flow generated from (absorbed by) investing activities		**47,145**	**29,443**
Increase (decrease) in payables to banks for loans		(102,800)	(15,000)
Change in other financial assets - intercompany		33,618	12,679
Change in other financial liabilities - intercompany		(455)	(4,217)
(Purchase) disposal of treasury shares		(2,658)	(629)
Net change in other financial assets/liabilities		(4,603)	3,366
Collection of financial revenue (payment of expense) on loans and transactions with derivatives		(4,334)	(6,687)
Cash flow generated from (absorbed by) discontinued operations		(4,749)	13,643
Cash flow generated from (absorbed by) financing activities		**(85,982)**	**3,155**
Increase (decrease) in cash and cash equivalents		**(41,228)**	**15,811**
Cash and cash equivalents beginning of period		**76,837**	**61,026**
Cash and cash equivalents end of period		**35,609**	**76,837**
of which cash, cheques and securities		*1*	*1*
of which bank deposits		*35,608*	*61,025*

For the Board of Directors
The Chairman
Marina Berlusconi

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

Assets (Euro/thousands)	Notes	31/12/2019	of which related parties (Note 30)	31/12/2018	of which related parties (Note 30)
Intangible assets	1	122,699	-	128,877	-
Land and buildings		2,437	-	2,593	-
Plant and equipment		828	-	848	-
Other tangible assets		2,100	-	1,961	-
Property, plant and equipment	2	**5,365**	**-**	**5,402**	**-**
Assets from rights of use	3	-	-	-	-
Investments	4	434,105	-	404,739	-
Non-current financial assets	5	12,286	500	500	500
Pre-paid tax assets	6	6,246	-	6,515	-
Other non-current assets	7	981	140	296	140
Total non-current assets		**636,004**	**640**	**546,329**	**640**
Tax receivables	8	8,301	2,651	20,029	8,684
Other current assets	9	3,879	23	4,904	26
Inventory	10	5,089	-	5,073	-
Trade receivables	11	46,858	41,917	45,292	41,586
Other current financial assets	12	52,631	28,970	62,973	60,390
Cash and cash equivalents	13	35,609	-	76,837	-
Total current assets		**152,367**	**73,561**	**215,107**	**110,686**
Assets held for sale or transferred	14	-	-	64,092	-
Total assets		**788,371**	**74,201**	**825,529**	**111,326**

Liabilities (Euro/thousands)	**Notes**	**31/12/2019**	**of which related parties (Note 30)**	**31/12/2018**	**of which related parties (Note 30)**
Share capital		67,979	-	67,979	-
Treasury shares		(4,940)	-	(2,282)	-
Other reserves and profit/(loss) carried forward		78,793	-	253,408	-
Profit (loss) for the period		28,200	-	(177,131)	-
Total equity	15	**170,032**	**-**	**141,975**	**-**
Provisions	16	26,056	4,168	27,291	5,214
Post-employment benefits	17	8,772	-	10,733	-
Non-current financial liabilities	18	93,258	-	114,997	-
Financial liabilities IFRS 16	18	50,227	-	-	-
Deferred tax liabilities	6	28,268	-	28,324	-
Other non-current liabilities		-	-	-	-
Total non-current liabilities		**206,581**	**4,168**	**181,346**	**5,214**
Income tax payables		-	-	-	-
Other current liabilities	19	26,069	2,799	29,582	7,621
Trade payables	20	71,743	7,418	80,846	8,349
Payables to banks and other financial liabilities	17	308,686	270,732	391,780	270,463
Financial liabilities IFRS 16	17	5,260	-	-	-
Total current liabilities		**411,758**	**280,949**	**502,208**	**286,433**
Liabilities held for sale or transferred		-	-	-	-
Total liabilities		**788,371**	**285,117**	**825,529**	**291,647**

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

(Euro/thousands)	Notes	2019	of which related parties (Note 30)	of which non-recurring (income) expensei (Note 29)	2018	of which related parties (Note 30)	of which non-recurring (income) expense (Note 29)
Revenue from sales and services	21	**227,989**	**223,949**		**256,626**	**253,630**	
Decrease (increase) in inventory	10	(158)	-		961	-	
Cost of raw and ancillary materials, consumables and goods	22	18,628	576		22,053	1,281	
Cost of services	23	137,951	43,256		167,620	53,021	
Cost of personnel	24	70,486	(3,007)		82,226	(2,419)	
Other (income) expense	25	(606)	351		(9,212)	(2,868)	
EBITDA		**1,688**	**182,773**		**(7,023)**	**204,615**	
Depreciation of property, plant and equipment	2	1,061	-		1,154	-	
Amortization and write-downs of intangible assets	1	9,617	-		3,913	-	
Depreciation of assets from rights of use	2	5,823	-		-	-	
EBIT		**(14,812)**	**182,773**		**(12,090)**	**204,615**	
Financial income (expense)	26	(3,205)	2,286		(4,463)	1,260	
Income (expense) from investments	27	45,336	45,336		30,440	30,440	
Profit (loss) before tax		**27,318**	**230,395**		**13,886**	**236,315**	
Income tax	28	(3,151)	-		(3,322)	-	
Result from continuing operations		**30,470**	**230,395**		**17,209**	**236,315**	
Income (expense) from discontinued operations	29	(2,270)	(2,270)		(194,339)	(194,339)	
Net result		**28,200**	**228,124**		**(177,131)**	**41,976**	

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 draft financial statements of Arnoldo Mondadori Editore S.p.A. for the year ended 31 December 2019 were approved by the Board of Directors on 17 March 2020 and made available, together with the additional documents forming the Company's Annual Report, pursuant to Article 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 22 April 2020 to approve the 2019 financial statements.

Information pursuant to Article 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 2019 were prepared in accordance with the International Accounting Standards (IAS/IFRS) issued by the International Accounting Standard Board (IASB) and endorsed by the EU, and with the International Financial Reporting Interpretations Committee (SIC/IFRIC).

The financial statements were drawn up based on the historical cost, adjusted as requested to evaluate a few financial instruments, and on a going concern basis. The Company has assessed that, despite the challenging economic, financial and core market context, there are no significant uncertainties (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 scenarios, and of its industrial and financial flexibility.

Arnoldo Mondadori Editore S.p.A. adopted the body of the standards applied as from 1 January 2005, following entry into force of European Regulation no. 1606 of 19 July 2002.

The financial statements at 31 December 2019 were drawn up in accordance with the accounting standards used for the preparation of the IAS/IFRS consolidated financial statements at 31 December 2019, considering the amendments and the new standards effective as from 1 January 2019, as per Note 3.24.

The following criteria were adopted in the preparation 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 statement of cash flows was prepared using the indirect method.

With regard 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 2019.

3.1 Intangible assets

When it is probable that costs will generate future economic benefits, intangible assets include the cost, including ancillary expense, 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.

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 publishing trademarks and for the launch of mastheads are recognized in the income statement for the year in question.

Subsequent to initial recognition, intangible assets are measured at cost, net of accumulated amortization and any accumulated impairment loss.

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.

The useful life of tangible and intangible assets is determined by the Directors when the asset is purchased. The Company regularly assesses any changes in technology, market conditions and expectations of future events that could have an impact on the useful life and duration of amortization.

Intangible assets with finite useful life

The cost of intangible assets with finite useful life is systematically amortized over the useful life of the asset from the moment 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 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 and development costs	Straight line over 3 years
Patents and rights	Straight line over 3-5 years
Other intangible assets (including Banzai platforms and PPA contents)	Straight line over 3-5 years
Trademarks	Straight line over 10 years
Trademarks (from PPA Banzai)	Straight line over 15 years

Intangible assets with finite useful life are subject to an impairment test whenever there is an indication of a possible impairment. 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.

Changes 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 indefinite useful life

Intangible assets are considered to have 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 indefinite useful life are shown in the table below:

Intangible assets with indefinite useful life
Magazines
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 and liabilities acquired, as identifiable at the time of purchase. Goodwill and other intangible assets with 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 the 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, 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 recognized based on historical cost, including any ancillary expense, and are stated net of depreciation and impairment loss.

Costs incurred 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 historical cost. Assets recognized booked to 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 useful life of tangible and intangible assets is determined by the Directors when the asset is purchased. The Company regularly assesses any changes in technology, market conditions and expectations of future events that could have an impact on the useful life and duration of amortization.

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%
Plant 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, facilities and fittings	12%
Motor and transport vehicles	20% - 30%
Other tangible assets	20%

The residual amount 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 of the residual useful life of the asset and the residual term of the lease contract.

3.3 Financial expense

Under IAS 23, the Company capitalizes financial expense resulting from asset purchase, development or production. In case of a failed identification of assets justifying capitalization, the expense is recognized in the income statement in the year in which it is borne.

3.4 Impairment

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

Impairment tests are carried out at least once a year on goodwill, other intangible assets with 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 on 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 Directors 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 recoverable 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 the income statement.

If during subsequent financial years, when the impairment test is repeated, the reasons for the write-down no longer apply, the value of the asset, excluding goodwill, is written back to take account of the new recoverable value, which should never exceed the value that would have been stated had no impairment been recognized.

3.5 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 initially recognized at cost and subsequently adjusted as a result of any changes in the interest in the relevant equity.
The investor's profit or loss includes its share of the investee's profit or loss, and the investor's other comprehensive income includes its share of the investee's other comprehensive income.

Investments in companies are recognized at fair value in accordance with IFRS 9. Adjustments and any write-backs are recognized in the income statement.

The value of investments is subject to an impairment test whenever there are indications of a possible impairment loss. If the impairment test indicates an impairment loss, the investment is written down. Write-downs and write-backs are recorded in the income statement.

3.6 Inventory

Inventory is valued at the lower of 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 expense 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 valuation of work in progress and semi-finished goods and contract work in progress 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 goods it corresponds to the standard estimated sales price net of estimated cost to completion and sales cost, respectively.

3.7 Financial assets

Financial assets are initially recognized at cost, increased by ancillary purchasing expense, corresponding to the fair value of the price paid. Purchases and sales of financial assets are recognized as from 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 classified as "held to collect" and measured at fair value through P&L
This category includes financial assets held for trading, acquired for the purpose of sale in the short term.

Profit and losses deriving from the 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 held-to-maturity investments.

Long-term financial investments 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, under IFRS 9, using the discounting method. Income and loss are recognized in the income statement when loans and receivables are written off or in case of impairment loss, as well as through amortization.

3.8 Trade and other receivables

Trade and other receivables are recorded at the fair value of the price collected during the 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, taking account of expected losses.

3.9 Treasury shares

Treasury shares recognized as a reduction of equity are booked in a separate reserve.
No income or loss is recognized in the income statement for the purchase, sale, issue, cancellation or any other transaction involving treasury shares.

3.10 Cash and cash equivalents

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

3.11 Financial liabilities

Financial liabilities include financial payables, derivative instruments, payables associated with finance leases and trade payables. All financial liabilities other than derivative financial instruments, under IFRS 9 are initially measured at fair value, increased by any transaction costs, and are subsequently measured 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, as an exception to the provisions of IFRS 9: income and loss resulting from subsequent changes in fair value are recognized in the income statement. Any changes linked to the effective hedge portion are offset 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 measured at amortized cost in compliance with IAS 39 - Hedge accounting.

3.12 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.

3.13 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 suffered an impairment loss.

Financial assets recognized at amortized cost

If there is objective evidence of an impairment in loans and receivables, the loss amount is recognized in the 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 impairment amount decreases and such reduction can be objectively attributed to an event that has occurred after the recognition of impairment, the previously recognized impairment is reversed to the amount the asset would have had, taking amortization into account, at the date of the reversal.

Available-for-sale financial assets

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

3.14 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 offsetting exposure to fair value fluctuations of the object hedged or cash flows correlated to the risk hedged.

It is assumed that such hedges are highly effective to offset 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 in the 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 in the 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 in the income statement, when the results of the transaction subject to hedge are recognized in the income statement.

Income and loss associated with the ineffective part of a hedge are recognized in the income statement. When a hedging instrument is terminated, but the transaction subject to hedge has not been carried out yet, the accumulated income and loss are kept in the reserve under equity and will be reclassified in the 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 is recognized in the income statement.

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

3.15 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.

3.16 Post-employment benefits

Benefits 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 recognized 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 Cost of personnel, while the relevant financial component, which represents the cost the company would have to incur if it were to seek a loan on the market for the same amount, is recognized under Financial income (expense).

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

3.17 Equity compensation plans

The Company grants additional benefits to a number of board members and managers whose functions are strategically relevant for the attainment of the Company's results, through equity-settled compensation plans (Performance Share Plan).
In the case of share-based payments transactions settled with equity instruments of the Company, the fair value at the granting date, calculated according to a binomial model, is recorded under cost of personnel, with a corresponding increase in Equity under Reserve for stock options/LTIs, over the period during which the employees obtain the unconditional right to the incentives. All non-vesting conditions are taken into account when estimating the fair value of the equity instruments granted.
The benefits, directly attributed by the Parent Company Arnoldo Mondadori Editore S.p.A. to the executives/managers of subsidiaries, are recognized as an increase in the cost of the relevant investment with a balancing entry in Reserve for stock options/LTI under equity.
Subsequently, the amount recognized as a cost is adjusted to reflect the actual number of shares for which the service condition and the non-market condition have been met, so that the final amount recorded as a cost is based on the number of incentives that will definitely vest.
Service or performance conditions are not taken into account when defining the fair value of the plan at the granting date. However, the probability of these conditions being met is taken into account when defining the best estimate of the number of equity instruments that will vest. Market conditions are reflected in the fair value at grant date. Any other conditions attached to the plan that do not involve a service obligation are not considered to be a vesting condition. Non-vesting conditions are reflected in the fair value of the plan and result in the immediate recognition of the cost of the plan, unless there are also service or performance conditions.
No cost is recognized for rights that do not ultimately vest because the performance and/or service conditions have not been met.

3.18 Recognition of revenue and costs

Revenue is recorded to represent the transfer of promised goods and services to customers for an amount reflecting the consideration which the company believes it is entitled to in exchange for such goods and services. Goods and services are considered to be transferred when the customer obtains control.

In recognizing revenue, the Company adopts a five-step approach:
- identification of the contract(s) with the customer: the requirements of IFRS 15 apply to each contract that has been entered into with a customer and meets specific criteria. In certain specific cases, IFRS 15 requires multiple contracts to be combined/aggregated and accounted for as a single contract;
- identification of performance obligations: a contract represents commitments to transfer goods or services to a customer. If these goods or services are separate, these obligations qualify as performance obligations and are accounted for separately;
- determination of the transaction price: the transaction price is the amount of consideration which an entity expects to be entitled to in exchange for transferring promised goods or services to a customer;
- allocation of the price to the performance obligations of the contract;
- recognition of revenue when meeting a performance obligation: the company recognizes revenue when it meets a performance obligation by transferring a good or providing a contractually agreed service to a customer (i.e. when the customer obtains control of such good or service). The amount of revenue to recognize is the amount allocated to the performance obligation that was met. A performance obligation can be met at a point in time (typically in the case of a transfer of goods) or over time (typically in the case of the provision of services).

Revenue from interest is recognized on an accrual basis by applying the effective interest method.
Costs are recognized based on similar criteria as revenue and, in any case, on an accrual basis.

3.19 Current, pre-paid and deferred tax

Current tax is 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 tax is 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 the balance sheet date and 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.

Tax relating to items directly recognized under equity (cash flow hedge reserve) is recognized directly under equity and not under income statement.

3.20 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 the balance sheet date and any exchange differences are recognized in the income statement.
Non-monetary items valued at historical 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.

3.21 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 in the income statement over the useful life of the asset.
With regard to State aid and/or "*de minimis*" aid, pursuant to Article 1, paragraphs 125-129, of Law no. 124/2017, received by the Company, reference is made to the content contained and published in the National State Aid Register.

3.22 Dividends

Dividends are recognized as a reduction in the value of the investment when shareholders are given right to them. This normally corresponds to the date of the AGM resolving upon dividend payout.

3.23 Discontinued assets and liabilities

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 statement of financial position. Such assets and liabilities are classified as “held-for-sale or discontinued”, and are valued at the lower of 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.

3.24 Accounting standards, amendments and interpretations adopted by the EU, with effect from 1 January 2019 and applied by Arnoldo Mondadori Editore S.p.A.

The following accounting standards, amendments and IFRS interpretations have been applied by the Company for the first time as from 1 January 2019:

- On 13 January 2016, the IASB published IFRS 16 - Leases, which will supersede 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. Conversely, the standard introduces no material changes for the lessor. The standard is applicable as from 1 January 2019, but early adoption is allowed.
  The process involved several steps, including the complete mapping and review of contracts potentially suitable for containing a lease, in order to understand the main clauses relevant for the purposes of IFRS 16.

  The application of the new standard to the identified contracts determines the initial recognition in the balance sheet of (i) an asset representing the right of use under IFRS 16 (equal to the present value of the mandatory minimum future lease payments to be made by the lessee as of 1 January 2019 including prepaid expenses), which will be depreciated over the shorter of the technical-economic life and the residual duration of the contract, and (ii) a financial payable equal to the present value of the mandatory minimum future lease payments to be paid by the lessee as from 1 January 2019, including accrued expense unpaid at the transition date. The payable will then be reduced as lease payments are made. As from 2019, the lease payment will no longer be recorded in EBITDA in the income statement, recording instead (i) the depreciation of the right of use and (ii) the financial expense on the payable entered.

  The Company applies IFRS 16 - Leases for the first time; the adoption of the modified retrospective application of the model did not require the restatement of comparative figures of the prior period and had no effect on initial equity at 1 January 2019.
  In the adoption of IFRS 16, the Company made use of the exemptions granted by section IFRS 16.5 (a) relating to short-term leases, and by IFRS 16.5 (b) relating to lease contracts whose underlying asset is a low-value asset. For such contracts, the introduction of IFRS 16 implies the recognition of the financial liability of the

lease and the relating right of use, but lease payments will be recognized in the income statement on a straight-line basis for the duration of the respective contracts.
The effect resulting from the application of the standard as from 1 January 2019 was as follows:

Euro/thousands	**Impacts at transition date (01/01/2019)**
ASSETS	
Non-current assets	
Right of use buildings	58,134
Right of use motor vehicles	270
Right of use office machines	530
Total	**58,934**
EQUITY AND LIABILITIES	
Non-current liabilities	
Financial liabilities from non-current leases	54,003
Current liabilities	
Financial liabilities from current leases	5,230
Trade payables	(299)
Total	**58,934**

The effect on Trade payables refers to the reversal of the allocation to invoices to receive made at 31 December 2018 regarding the lease contracts brought in line with the requirements of the previous IAS 17 standard.
With regard to the effects at 31 December 2019, reference should be made to Note 3. Assets from rights of use for the change in fixed assets and 17. Financial liabilities for changes in other items.

• IFRIC Interpretation 23 - Uncertainty over Income Tax Treatments - defines the accounting of income tax when the tax treatment involves uncertainties that affect the application of IAS 12 and does not apply to tax or duties outside the scope of IAS 12, nor does it specifically include requirements relating to interest or penalties attributable to uncertain tax treatments.
The Interpretation specifically addresses the following points:
- whether an entity considers uncertain tax treatment separately;
- the assumptions an entity makes about the examination of tax treatments by taxation authorities;
- how an entity determines taxable profit (or tax loss), tax base, unused tax losses, unused tax credits and tax rates;
- how an entity treats changes in facts and circumstances.

An entity shall define whether to consider each uncertain tax treatment separately or together with other (one or more) uncertain tax treatments. The approach that best predicts the resolution of uncertainty should be followed. The Company applies significant judgement in identifying uncertainties over the tax treatment of income tax. As the Group operates in a complex multinational context, it has assessed whether the interpretation could have had an impact on its consolidated financial statements.
At the time of adoption of the interpretation, the Group examined the existence of uncertain tax positions and the interpretation had no impact on the Company's financial statements.

• Amendments to IFRS 9 - Prepayments Features with Negative Compensation - Under IFRS 9, a debt instrument can be measured at amortized cost or at fair value in the statement of comprehensive income, provided that the contractual cash flows are "solely principal and interest payments on the reference amount" (the SPPI criterion) and the instrument is classified in the appropriate business model. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes early termination of the contract and regardless of which party pays or receives reasonable compensation for early termination of the contract. These changes had no impact on the Company's financial statements.

- Amendments to IAS 19 - Plan Amendment, Curtailment or Settlement - The amendments to IAS 19 set out the accounting rules in the event that, during the reporting period, there is an amendment, curtailment or settlement of the plan. The amendments specify that when a plan amendment, curtailment or settlement takes place during the period, an entity is required to determine the cost of service for the remainder of the period following the amendment, curtailment or settlement of the plan, using key actuarial assumptions to re-measure the net defined benefit liability (asset) so that it reflects the benefits provided by the plan and the plan assets after that event. An entity is also required to determine the net interest for the period remaining after the plan amendment, curtailment or settlement: the net defined benefit liability (asset) that reflects the benefits offered by the plan and the plan assets after that event; and the discount rate used to re-measure the net defined benefit liability (asset). These changes had no impact on the Company's financial statements.

- Amendments to IAS 28 - Long-term interests in associates and joint ventures - The amendments specify that an entity applies IFRS 9 for long-term investments in an associate or joint venture, to which the equity method is not applied but which, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant as it implies that the expected credit loss model of IFRS 9 applies to such long-term investments. The amendments also clarify that, when applying IFRS 9, an entity shall not take into account any loss of the associate or joint venture or any impairment losses of the investment recognized as an adjustment to the net investment in the associate or joint venture arising from the application of IAS 28 - Investments in Associates and Joint Ventures. These changes had no impact on the Company's financial statements.

- IFRS 11 - Joint Arrangements - An entity that participates in a joint operation, without having joint control, could obtain joint control of the joint operation if the activity of the joint operation constitutes a business as defined in IFRS 3.
  The amendments clarify that the investments previously held in this joint operation are not remeasured. An entity applies such amendments to the operations in which it has joint control from the beginning of the year beginning on or after 1 January 2019; early application is allowed.
  This amendment had no impact on the Company's financial statements as there was no business combination in which joint control was obtained.

- IAS 12 - Income tax - The amendments clarify that the effects of tax on dividends are related to past transactions or events that generated distributable profits rather than to distributions to shareholders. Therefore, an entity recognizes the income tax effects arising on dividends in the profit or loss for the year, in other comprehensive income/loss or in equity, consistent with the way in which the entity has previously recognized such past operations or events.
  An entity applies these amendments for annual periods beginning on or after 1 January 2019; early application is allowed. When an entity first applies such amendments, it applies them to the effects that tax on dividends recognized from the beginning of the first annual period have had. Since the Company's current practice is in line with these amendments, the Company did not record any impact from these amendments on its financial statements.

- IAS 23 - Borrowing Costs - The amendments clarify that an entity treats as non-specific loans any loan that was intended from the outset to develop an asset, when all the actions necessary to prepare that asset for use or sale are completed.
  An entity applies such amendments to financial expense incurred from the beginning of the period in which the entity first applies the amendments. An entity applies these amendments for annual periods beginning

on or after 1 January 2019; early application is allowed. Since the Company's current practice is in line with such amendments, the Company did not record any impact from this amendment on its financial statements.

3.25 Accounting standards, amendments and IFRS and IFRIC interpretations endorsed by the European Union but not yet applicable on a compulsory basis and not adopted in advance by the Company at 31 December 2019

- Amendments to IFRS 3 - Definition of a Business - In October 2018, the IASB issued amendments to IAS 1 - Presentation of Financial Statements and IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors, to align the definition of "material" in the standards and to clarify certain aspects of the definition. The new definition indicates that information is material if, omitting it, or misstating or obscuring it, it could reasonably be expected to influence the decisions that the primary users of the financial statements would make on the basis of the financial information contained therein. From the change to the definition of material, the Company expects no significant impact on the financial statements.

- Amendments to IAS 1 and IAS 8 - Definition of Materiality - In October 2018, the IASB issued amendments to IAS 1 - Presentation of Financial Statements and IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors, to align the definition of "material" in the standards and to clarify certain aspects of the definition. The new definition indicates that information is material if, omitting it, or misstating or obscuring it, it could reasonably be expected to influence the decisions that the primary users of the financial statements would make on the basis of the financial information contained therein. From the change to the definition of material, the Company expects no significant impact on the financial statements.

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 debts, inventory obsolescence and risks, post-employment benefits and taxation and the expected cash flows to calculate the value of certain current and non-current assets, including intangible assets and goodwill.

These estimates are periodically reviewed and any effects are recognized in the income statement.

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

It should be noted that in the current macroeconomic context and in the specific scenario of the publishing industry, marked by an ongoing financial and economic crisis, it was deemed necessary to make assumptions on the future trend based on significant uncertainty. Results in the coming years, therefore, may differ from the estimates, resulting in the need to make adjustments to the value of items, including significant adjustments, which cannot be foreseen or quantified today.
The most significant accounting estimates that involve a high level of subjective opinion are outlined below:

Goodwill and intangible assets
The impairment of goodwill and intangible assets is tested by comparing the book value of the Cash Generating Units with their recoverable value, represented by the higher of 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 and the royalty method.

Provision for bad debts

The recoverability of receivables is measured by taking into account the risk of non-payment, the lifetime expected credit losses, ageing and losses on receivables recorded in the past for similar types of receivables.

Provision for inventory write-down

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.

Returns to receive

In the publishing sector, it is an accepted practice that unsold books and magazines are returned to the publisher under pre-established conditions.
Therefore, at the end of each financial year, the Company measures the quantities that are expected to be returned in the following year: this estimate is based on historical statistics and takes into account also the level of circulation.

Provision for risks

Provisions made in relation to 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.

Post-employment benefits

Provisions made in favour of employees are based on actuarial assumptions: any changes in the underlying assumptions may have significant effects on the provisions.

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 a detailed 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 EXPENSE

As required by Consob Resolution no. 15519 of 27 July 2006, in a specific statement, income and expense deriving from non-recurring transactions are recognized in the income statement. Transactions and events are considered non-recurring when, by nature, they do not occur repeatedly during normal business operations. Mention should be made that no non-recurring income and expense was identified in the current year, as outlined in the above Consob Resolution.

7. INFORMATION RELATING TO IFRS 5

On 27 September 2018, the Board of Directors of Arnoldo Mondadori Editore S.p.A. authorized the Chief Executive Officer to open exclusive negotiations with Reworld Media S.A. with a view to the possible disposal of Mondadori France.
The transaction falls into the repositioning strategy pursued by the Group and aimed at consolidating its leadership in the books sector.

At the reporting date of the Interim Management Statement at 30 September 2018, owing to the negotiations underway, the Directors deemed that all the requirements of the international accounting standards for the presentation of the transaction as a discontinued operation had been met, including the high likelihood of its being executed under IFRS 5. The successful outcome of the negotiations, in fact, implies the Mondadori Group's exit from the French magazine publishing market, considered a major line of business under IFRS 5.

On 31 July 2019, Arnoldo Mondadori Editore S.p.A. completed the disposal of Mondadori France S.a.s., for a gross consideration of € 70 million, which, subsequently adjusted by the other price adjustment components set out in the agreement, amounted to € 62.8 million. The agreement also envisages an earn-out of € 5 million that the acquirer will pay to Mondadori if certain conditions, which are not certain, are met at the date of preparation of these financial statements.

The effects of the disposal on the financial statements at 31 December 2019 are as follows (gross of the price adjustment components envisaged in the contract):
- collection of € 50 million;
- recognition of a financial receivable from Reworld Media for deferred payment, maturing on 31 July 2021 for the discounted amount of € 10.2 million;
- recognition of securities under other current financial assets totaling € 10 million, represented by shares of the acquirer Reworld Media, listed on the Paris Stock Exchange, received as a non-monetary component of the price.

The negative impact on the income statement from the fair value adjustment of the assets disposed of with respect to the valuation at 31 December 2018 and transaction costs, net of interest income accrued in the year for the existing loan, totaling € 2.3 million, was recognized as Expense from discontinued operations.

Mention should also be made of the loans to two French magazine distributors acquired by Mondadori France before the closing, for a total amount, net of write-downs, of € 1.6 million.

Details regarding the items of the financial statements

All the amounts are expressed in Euro thousands, with the exception of certain ancillary figures, which are expressed in Euro millions. The amounts in brackets refer to 2018 figures. For the sake of greater comparability, certain items in the statement of financial position and income statement of the prior year were reclassified without any impact on equity at 31 December 2018.

BALANCE SHEET

ASSETS

1. Intangible assets

Intangible assets (Euro/thousands)	**31/12/2019**	**31/12/2018**
Intangible assets with finite useful life	30,194	23,962
Intangible assets with indefinite useful life	92,505	104,916
Total intangible assets	**122,699**	**128,878**

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/thousands)	**Licences, rights and content**	**Trademarks**	**Software**	**Cost of development**	**Others and under development**	**Total**
Historical cost at 01/01/2018	4,397	14,633	13,513	14,533	2,318	49,393
Capital expenditure	-	-	1,055	160	6,220	7,436
Disposals	(846)	-	(8,547)	(10,533)	(133)	(20,059)
Historical cost at 31/12/2018	3,551	14,633	6,021	4,161	8,405	36,770
Accumulated amortization and impairment loss at 01/01/2018	1,995	3,093	10,198	13,366	228	28,880
Amortization	712	860	1,334	790	217	3,913
Disposals	(846)	-	(8,547)	(10,533)	(60)	(19,986)
Accumulated amortization and impairment loss at 31/12/2018	1,861	3,953	2,986	3,624	385	12,809
Net book value at 01/01/2018	2,402	11,540	3,314	1,167	2,090	20,513
Net book value at 31/12/2018	**1,690**	**10,680**	**3,035**	**537**	**8,020**	**23,962**

Intangible assets with finite useful life (Euro/thousands)	**Magazines**	**Licences, rights and content**	**Trademarks**	**Software**	**Cost of development**	**Others and under development**	**Total**
Historical cost at 01/01/2019	-	3,551	14,633	6,021	4,161	8,405	36,770
Capital expenditure	-	-	-	2,506	433	506	3,445
Disposals	-	-	-	(124)	-	-	(124)
Reclassifications	17,372	-	1,162	7,120	-	(7,120)	18,534
Historical cost at 31/12/2019	17,372	3,551	15,795	15,543	4,594	1,791	58,646
Accumulated amortization and impairment loss at 01/01/2019	-	1,861	3,953	2,986	3,624	385	12,809
Amortization	1,238	699	868	3,084	444	221	6,554
Write-downs	2,710	-	353	-	-	-	3,063
Disposals	-	-	-	(123)	-	8	(115)
Reclassifications	4,996	-	1,127	-	-	-	6,123
Accumulated amortization and impairment loss at 31/12/2019	8,943	2,560	6,301	5,967	4,068	614	28,453
Net book value at 01/01/2019	-	1,690	10,680	3,035	537	8,020	23,962
Net book value at 31/12/2019	**8,428**	**991**	**9,494**	**9,576**	**526**	**1,177**	**30,193**

The most significant changes in Intangible assets with finite useful life in 2019 were the following:

- the reclassification from Intangible assets with indefinite useful life of the amounts of the magazines *Chi*, *Telepiù* and *Interni*, following restatement of their useful life, for a balance net of previous write-downs of € 12,376 thousand. The useful life of *TV Sorrisi e Canzoni*, given the popularity and commercial strength of the brand, which allow the title to position itself as the Italian magazine with the highest circulation of copies, was classified again as indefinite;
- capital expenditure, amounting to € 3,445 thousand, relating mainly to software for the management of the GDPR (€ 295 thousand) and the completion and upgrading of the SAP project (€ 2,344 thousand), ERP adopted by the Company with successful go live on 1 January 2019, in relation to which the fixed assets under construction at 31 December 2018 were reclassified under software. Capital expenditure in development costs refers to the cost of personnel for resources working specifically on website creation;
- write-downs, following the impairment test performed under IAS 36 on assets with finite useful life, specifically on the title *Chi* and the website *pianetadonna.it*.

Following the merger with Banzai Media S.r.l. on 1 January 2017, the Company booked in its fixed assets the fair value of the assets recognized on final purchase price allocation. Assets with finite useful life consist of the trademarks, content and technological platforms (software) of the vertical sites acquired by Banzai Media S.r.l. Lastly, goodwill amounting to € 18,697 thousand was recorded from the price allocation.

Intangible assets with indefinite useful life (Euro/thousands)	Magazines	Trademarks	Goodwill	Total
Historical cost at 01/01/2018	83,577	1,910	19,429	104,916
Capital expenditure	-	-	-	-
Disposals	-	-	-	-
Historical cost at 31/12/2018	83,577	1,910	19,429	104,916
Impairment loss at 01/01/2018	-	-	-	-
Write-downs/write-backs	-	-	-	-
Impairment loss at 31/12/2018	-	-	-	-
Net book value at 01/01/2018	83,577	1,910	19,429	104,916
Net book value at 31/12/2018	**83,577**	**1,910**	**19,429**	**104,916**

Intangible assets with indefinite useful life (Euro/thousands)	Magazines	Trademarks	Goodwill	Total
Historical cost at 01/01/2019	83,577	1,910	19,429	104,916
Capital expenditure	-	-	-	-
Disposals	-	-	-	-
Reclassifications	(10,501)	(1,910)		(12,411)
Historical cost at 31/12/2019	73,076	-	19,429	92,505
Impairment loss at 01/01/2019	-	-	-	-
Write-downs	-	-	-	-
Reclassifications	-	-	-	-
Impairment loss at 31/12/2019	-	-	-	-
Net book value at 01/01/2019	83,577	1,910	19,429	104,916
Net book value at 31/12/2019	**73,076**	**-**	**19,429**	**92,505**

The only remaining title with indefinite useful life is *TV Sorrisi e Canzoni*, resulting from the acquisition of the former SBE business unit in 1994. All other titles have been reclassified as assets with finite useful life.

Amortization, write-downs and write-backs of intangible assets

Amortization and impairment loss on intangible assets (Euro/thousands)	2019	2018
Magazines	1,238	-
Licences, rights and content	699	712
Trademarks	868	860
Software	3,084	1,334
Cost of development	444	790
Other	221	217
Total amortization of intangible assets	**6,554**	**3,913**
Write-downs of intangible assets	3,063	-
Write-backs of intangible assets	-	-
Total write-downs (write-backs) of intangible assets	**3,063**	**-**
Total amortization of intangible assets	**9,617**	**3,913**

Pursuant to IAS 36, assets with 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.

Cash Generating Unit former Silvio Berlusconi Editore

The value of magazines, each of which represents a Cash Generating Unit, refers to the acquisition of Silvio Berlusconi Editore, completed in 1994. The titles acquired are *TV Sorrisi e Canzoni*, with indefinite useful life, *Chi* and *Telepiù*, with finite useful life; goodwill is also allocated to the CGU.

The recoverable value of magazines was determined based on the higher of value in use and fair value.

The recoverable value of the Cash Generating Unit was determined based on the calculation of the value in use, based in turn on the projections of the cash flows obtained from the figures appearing in the respective forward plans for the three-year period 2020-2022, whose guidelines were reviewed and approved by the Board of Directors on 17 March 2020. The above cash flows were measured based on the current market scenario, also considering uncertainties on trend expectations in the sector.

The amounts are inferred from the income statements of the individual magazines, considered representative of the relevant cash flows, taking account of the immediate collection of revenue typical of magazines. The margins from the magazines also include overhead and operating costs.

The operating results used for the projections are net of tax; the discount rate after tax, applied to cash flow projections, is equal to 5.28% and cash flows beyond the period of analytical projection are assumed to decrease by 3%.

Concurrently, as regards *Chi*, the Directors also deemed it appropriate to determine the fair value by applying the royalty method, based on estimated revenue in the medium-term forecast scenarios of the magazine.

To calculate the fair value, in addition to presumed revenue, the following parameters were taken into account:
- a 6% royalty rate, in line with the average rates contracted by the Group with foreign publishers for the international editions of the magazines;
- a negative revenue growth rate, beyond the last year included in the medium-term plan, equal to -3%.

Furthermore, taking account of the fair value/value in use of the other former SBE titles, any changes in the assumptions used in the impairment test could lead to adjustments, even significant ones, to the carrying amounts of the titles.

After completing the analysis on titles and goodwill, the Directors recognized the need to write down *Chi* by € 2,710 thousand.

Based on the elements available to date, the Directors believe that the estimates reflect the uncertainties of the relevant market, which has witnessed further downturns in the current year as well; they will closely monitor the situation to verify that the final results match the forecasts, and promptly highlight any deviations.

Cash Generating Unit magazines former Elemond

The value of magazines with finite 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 of the value in use and fair value.

The value in use of the Cash Generating Unit was determined based on the projections of the cash flows obtained from the figures appearing in the respective forward plans for the three-year period 2020-2022, whose guidelines were reviewed and approved by the Board of Directors on 17 March 2020. The above cash flows were measured on the basis of the current market scenario, also considering uncertainties on trend expectations in the sector.

The amounts are inferred 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 and operating costs.

The operating results used for the projections are net of tax; the discount rate after tax, applied to cash flow projections, is equal to 5.28% and cash flows beyond the period of analytical projection inferred from the medium-term plans, have been assumed to decrease by 3%.

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 forecast scenarios of each magazine.

To calculate the fair value, in addition to presumed revenue, the following parameters were taken into account:
- a 6.5% royalty rate, representing the average rates contracted by the Group with foreign publishers for the international editions of the magazine;
- a negative revenue growth rate, beyond the last year included in the medium-term plan, equal to -3%.

After completing the analysis, the Directors concluded that there was no need for a write-down of the assets belonging to the Cash Generating Units under review.

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, based in turn on the projections of the cash flows obtained from the figures appearing in the respective forward plans for the three-year period 2020-2022, whose guidelines were reviewed and approved by the Board of Directors on 17 March 2020. The above cash flows were measured on the basis of the current market scenario, also considering uncertainties on trend expectations in the sector.

The cash flows used for the projections are net of tax and financial income and expense; the discount rate after tax, applied to cash flow projections, is 5.28% and cash flows beyond the period of analytical projection deriving from medium-term plans, have been assumed with growth rates between 0 and 2.

To complete the analysis carried out, the Directors identified the need to align a single asset (*pianetadonna.it*) to the value in use for € 353 thousand.

2. Property, plant and equipment

Property, plant and equipment (Euro/thousands)	**Land**	**Instrumental buildings**	**Plant and equipment**	**Other tangible assets**	**Total**
Historical cost at 01/01/2018	903	6,445	11,702	36,651	55,701
Capital expenditure	-	-	122	1,425	1,547
Disposals	-	(957)	(755)	(23,618)	(25,330)
Historical cost at 31/12/2018	903	5,488	11,069	14,458	31,918
Accumulated depreciation and impairment loss at 01/01/2018	-	3,959	10,540	35,436	49,935
Depreciation	-	191	307	562	1,060
Disposals	-	(352)	(626)	(23,501)	(24,479)
Accumulated depreciation and impairment loss at 31/12/2018	-	3,798	10,221	12,497	26,516
Net book value at 01/01/2018	903	2,486	1,162	1,215	5,766
Net book value at 31/12/2018	**903**	**1,690**	**848**	**1,961**	**5,402**

Property, plant and equipment (Euro/thousands)	**Land**	**Instrumental buildings**	**Plant and equipment**	**Other tangible assets**	**Total**
Historical cost at 01/01/2019	903	5,488	11,069	14,458	31,918
Capital expenditure	-	-	158	873	1,031
Disposals	-	-	(742)	(796)	(1,538)
Reclassifications	-	-	(58)	(52)	(110)
Historical cost at 31/12/2019	903	5,488	10,427	14,483	31,301
Accumulated depreciation and impairment loss at 01/01/2019	-	3,798	10,221	12,497	26,516
Depreciation	-	156	217	688	1,061
Disposals	-	-	(740)	(791)	(1,531)
Reclassifications	-	-	(98)	(11)	(109)
Accumulated depreciation and impairment loss at 31/12/2019	-	3,954	9,600	12,383	25,937
Net book value at 01/01/2019	903	1,690	848	1,961	5,402
Net book value at 31/12/2019	**903**	**1,534**	**828**	**2,100**	**5,365**

Other tangible assets (Euro/thousands)	**31/12/2019**	**31/12/2018**
Industrial and commercial equipment	98	113
Electronic office equipment	799	952
Office furniture, facilities and fittings	314	296
Leasehold improvements	816	510
Motor vehicles	34	44
Assets under construction and advances	39	46
Total other tangible assets	**2,100**	**1,961**

Investments in the year regarded upgrades to:
- the technology made available to the magazine editing offices for € 108 thousand;
- data processing tools (personal computers and local networks) for € 157 thousand;
- the Segrate offices (improvements, office automation, furniture and equipment, plant) for € 766 thousand.

Disposals with a residual amount of zero refer instead to the depreciation of tangible assets, mainly equipment and furnishings, no longer present or in use in the company, fully depreciated and derecognized from the asset book.

Depreciation of property, plant and equipment

Depreciation of property, plant and equipment (Euro/thousands)	**2019**	**2018**
Instrumental buildings	156	191
Plant and equipment	217	307
Equipment	74	104
Electronic office equipment	409	303
Furniture and fittings	85	98
Motor and transport vehicles	9	3
Leasehold improvements	111	54
Total depreciation of property, plant and equipment	**1,061**	**1,060**

In 2019, 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.

3. Assets from rights of use

Assets from rights of use, as set out in lease contracts, rental contracts or contracts for the use of third-party assets, were recognized separately and, at 1 January 2019, the date of first-time application of IFRS 16, amounted to € 58,934 thousand.

The table below shows the changes during the year:

Assets from rights of use (Euro/thousands)	**Buildings**	**Motor vehicles**	**Office equipment**	**Total**
Historical FTA cost at 01/01/2019	58,134	270	530	58,934
Capital expenditure	191	-	1,306	1,497
Disposals	-	-	(289)	(289)
Historical cost at 31/12/2019	**58,325**	**270**	**1,547**	**60,142**
Accumulated depreciation at 01/01/2019	-	-	-	-
Depreciation	5,478	81	264	5,823
Fondo ammortamento al 31/12/2019	5,478	81	264	5,823
Net book value at 31/12/2019	**52,848**	**189**	**1,284**	**54,321**

In 2019, net disposals for € 289 thousand and increases of € 1,497 thousand were recorded, related mainly to a new lease contract and to the renegotiation of the IT infrastructure agreement.

The normal depreciation process involved costs of € 5,823 thousand.

4. Investments

The Company has chosen to exercise the right granted by the amendment to IAS 27 - Equity Method in Separate Financial Statements, to measure investments in subsidiaries, joint arrangements and associates using the equity method.

Investments, amounting to € 434,105 thousand (€ 404,739 thousand), consists of the cost of investments for € 311,049 thousand, their adjustment to equity for a total net of € 121,872 thousand, and the effects of the application of IFRS 2 on the long-term incentive plan (performance share) for the granting of Arnoldo Mondadori Editore S.p.A. shares to executives and directors of subsidiaries who perform strategic functions for the fulfilment of Group targets, for the amount of € 1,185 thousand. The detail for each subsidiary and associate is shown in Annexes A and B.

The increase versus 2019 is due mainly to the write-back of the investment in Mondadori Libri S.p.A. for the result for the year, net of the reduction from dividends received from it.

Investments are broken down as follows:

Investments (Euro/thousands)	**31/12/2019**	**31/12/2018**
Subsidiaries	417,584	384,637
Associates	16,458	20,035
Other companies	63	68
Total investments	**434,105**	**404,739**

Changes in investments in subsidiaries over the past two years:

Subsidiaries (Euro/thousands)	**31/12/2019**	**31/12/2018**
Opening amount	**384,636**	**465,160**
Increases:		
- purchases, establishments and capital contributions	1,000	-
- granting of performance share	452	435
- pro-rata share of the result	63,191	47,871
- reversal of dividends	(29,975)	(35,135)
- other changes	471	1,257
Total increases	**35,139**	**14,428**
Decreases:		
- pro-rata share of the result	(2,150)	(1,924)
- reclassification to assets held for sale	-	(89,833)
- disposal of investments	-	(3,031)
- other changes	(41)	(164)
Total decreases	**(2,191)**	**(94,952)**
Closing amount	**417,584**	**384,636**

Purchases, establishments and capital contributions refers to the capital contribution made in favour of the subsidiary Press-di Distribuzione Stampa e Multimedia S.r.l.

Increases in investments as a result of the performance share plan are the following:
- Mondadori Libri S.p.A. for € 434 thousand;
- Mondadori International Business S.r.l. for € 18 thousand.

The Pro-rata share of the result included in the increases reflects the positive results of the following companies:
- Mondadori Libri S.p.A. for € 60,091 thousand;
- Mondadori International Business S.r.l. for € 1,583 thousand;
- Adkaora S.r.l. for € 1,078 thousand;
- Direct Channel S.p.A. for € 439 thousand.

Reversal of dividends refers to the dividends received in the year from:
- Mondadori Libri S.p.A. for € 27,045 thousand;
- Direct Channel S.p.A. for € 1,980 thousand;
- Adkaora S.r.l. for € 950 thousand.

The Pro-rata share of the result included in the decreases reflects the negative results of the following companies:
• Press-di Distribuzione Stampa e Multimedia S.r.l. for € 1,861 thousand;
• Mondadori Scienza S.p.A. for € 289 thousand.

Other changes reflect all the changes in the equity of the subsidiaries that have no effect on the income statement.

Changes in investments in associates over the past two years:

Associates (Euro/thousands)	**31/12/2019**	**31/12/2018**
Opening amount	**20,034**	**25,871**
Increases:		
- purchases, establishments and capital contributions	6,190	3,505
- pro-rata share of the result	53	158
Total increases	**6,243**	**3,663**
Decreases:		
- pro-rata share of the result	(6,899)	(4,483)
- value adjustments	(2,900)	(5,000)
- disposal of investments	(8)	-
- other changes	(12)	(17)
Total decreases	**(9,819)**	**(9,500)**
Closing amount	**16,458**	**20,034**

Purchases, establishments and capital contributions refers to capital contributions to Società Europea di Edizioni S.p.A. and the establishment of Stile Italia Edizioni S.r.l., the SPV which absorbed the five titles in the deal (*Starbene*, *Tu Style*, *Confidenze*, *Sale & Pepe*, *Cucina Moderna*), 75% of which was sold to La Verità S.r.l. effective 31 December 2019, for a total consideration of € 1,504 thousand.
The Pro-rata share of the result included in the increases reflects the fair value adjustment of the put option on the remaining 25% of Stile Italia Edizioni S.r.l. shares.

The Pro-rata share of the result included in the decreases reflects the negative results of the following companies:
• Monradio S.r.l. for € 1,195 thousand;
• Società Europea di Edizioni S.p.A. for € 5,704 thousand;

Value adjustments includes the write-down of the investment in Società Europea di Edizioni S.p.A. for € 2,900 thousand, following its fair value adjustment made by an independent expert.

Other changes reflect all the changes in the equity of the associates that have no effect on the income statement.

Impairment test

As explained above, investments are measured at equity, and therefore the Company adjusts their amounts to the net assets presented in the Group's consolidated financial statements, which include goodwill, publications and brands. The impairment test on investments follows the same procedures as the test at consolidated level.

Assets with 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 whether any impairment loss has occurred.
At the balance sheet date, market capitalization is higher than booked equity.

An impairment test was developed on the individual Cash Generating Units, based on cash-flow projections appearing in the projections of the respective 2020-2022 three-year plans, whose guidelines were reviewed and approved by the Board of Directors on 17 March 2020. The above cash flows were measured based on the current market scenario, also considering uncertainties on trend expectations in the sector.

For the purpose of calculating the recoverable value of assets - whichever is the higher of 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 amortization and write-downs identified in the year, as shown in the table below:

Cash Generating Unit (Euro/thousands)	**Trademarks and series**	**Other assets**	**Goodwill**	**Total**
CGU former Gruner+Jahr Mondadori	2,794	-	2,251	5,045
Trade Books CGU	4,005	-	1,634	5,639
Einaudi CGU	2,991	-	286	3,277
Sperling & Kupfer CGU	1,847	-	731	2,578
Piemme CGU	8,287	-	5,059	13,346
Education CGU	29,483	-	12,042	41,525
Other CGUs	616	338	3,000	3,954
	50,023	**338**	**25,003**	**75,364**

Key elements used to calculate the recoverable value of investments and intangible assets:

Cash Generating Unit	**Criterion used**	**Economics**	**Growth rate on terminal value**	**Discounting rate**
CGU magazines former Silvio Berlusconi Ed.	Value in use / Fair value	EBITDA 2020-2022 Revenue 2020-2022	g = -3	5.28%
CGU magazines former Elemond	Fair value	Revenue 2020-2022	g = -3	5.28%
CGU former Gruner+Jahr Mondadori	Fair value	Revenue 2020-2022	g = -3	5.28%
Digital CGU	Value in use	EBITDA 2020-2022	g = 0 / g = 2	5.28%
Trade Books CGU	Value in use	EBITDA 2020-2022	g = 0	5.28%
Einaudi CGU	Value in use	Cash flow 2020-2022	g = 0	5.28%
Sperling & Kupfer CGU	Value in use	EBITDA 2020-2022	g = 0	5.28%
Piemme CGU	Value in use	EBITDA 2020-2022	g = 0	5.28%
Education CGU	Value in use	Cash flow 2020-2022	g = 0	5.28%
Other CGUs	Value in use	EBITDA 2020-2022	g = 0	5.28%

Trade Books Cash Generating Unit
The CGU includes the BUR trademark (€ 4,005 thousand) and goodwill (€ 1,634 thousand), determined on conclusion of the purchase price allocation process carried out with regard to the acquisition of Rizzoli Libri S.p.A. in 2016.

The recoverable value of the Cash Generating Unit was determined based on the calculation of the value in use, based in turn on the projections of the cash flows obtained from the figures appearing in the respective forward plans for the three-year period 2020-2022, whose guidelines were reviewed and approved by the Board of Directors on 17 March 2020. The above cash flows were measured on the basis of the current market scenario, also considering uncertainties on growth expectations in the sector.

The cash flows used for the projections are net of tax and financial income and expense; the discount rate after tax, applied to cash flow projections, is 5.28% and cash flows beyond the period of analytical projection deriving from medium-term plans, have always been assumed as constant (g = 0).

After completing the analysis, the Directors concluded that there was no need for a write-down of the assets belonging to the Cash Generating Units under review.

Einaudi Cash Generating Unit
This Cash Generating Unit includes Casa Editrice Einaudi series, acquired indirectly through the transaction completed in more than one instalment 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, based in turn on the projections of the cash flows obtained from the figures appearing in the respective forward plans for the three-year period 2020-2022, whose guidelines were reviewed and approved by the Board of Directors on 17 March 2020. The above cash flows were measured on the basis of the current market scenario, also considering uncertainties on growth expectations in the sector.

The cash flows used for the projections are net of tax and financial income and expense; the discount rate after tax, applied to cash flow projections, is 5.28% and cash flows beyond the period of analytical projection deriving from medium-term plans, have always been assumed as constant (g = 0).

After completing the analysis, the Directors concluded that there was no need for a write-down of the assets belonging to the Cash Generating Units under review.

Sperling & Kupfer Cash Generating Unit
This Cash Generating Unit includes the series published by Sperling & Kupfer, a company acquired in 1995.

The recoverable value of the Cash Generating Unit was determined based on the calculation of the value in use, based in turn on the projections of the cash flows obtained from the figures appearing in the respective forward plans for the three-year period 2020-2022, whose guidelines were reviewed and approved by the Board of Directors on 17 March 2020. The above cash flows were measured on the basis of the current market scenario, also considering uncertainties on growth expectations in the sector.

The cash flows used for the projections are net of tax and financial income and expense; the discount rate after tax, applied to cash flow projections, is 5.28% and cash flows beyond the period of analytical projection deriving from medium-term plans, have always been assumed as constant (g = 0).
After completing the analysis, the Directors concluded that there was no need for a write-down of the assets belonging to the Cash Generating Units under review.

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 Publisher 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, based in turn on the projections of the cash flows obtained from the figures appearing in the respective forward plans for the three-year period 2020-2022, whose guidelines were reviewed and approved by the Board of Directors on 17 March 2020. The above cash flows were measured on the basis of the current market scenario, also considering uncertainties on growth expectations in the sector.

The cash flows used for the projections are net of tax and financial income and expense; the discount rate after tax, applied to cash flow projections, is 5.28% and cash flows beyond the period of analytical projection deriving from medium-term plans, have always been assumed as constant (g = 0).

After completing the analysis, the Directors concluded that there was no need for a write-down of the assets belonging to the Cash Generating Units under review.

Education Cash Generating Unit
The Cash Generating Unit includes series and publishing lines referring to the production of textbooks 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), the acquisition of the Le Monnier group between 1999 and 2001 (€ 12,070 thousand) and the acquisition of Texto, publisher of school textbooks under the Piemme Scuola trademark, completed in 2004 (€ 380 thousand). 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, add up to the abovementioned values.

This CGU also includes the amounts attributed to the Rizzoli trademarks (€ 10,550 thousand), as a result of the acquisition in 2016, given the integration of the operating structures of Mondadori Education and Rizzoli Education, initiated following acquisition.

The entire legal entity 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, based in turn on the projections of the cash flows obtained from the figures appearing in the respective forward plans for the three-year period 2020-2022, whose guidelines were reviewed and approved by the Board of Directors on 17 March 2020. The above cash flows were measured on the basis of the current market scenario, also considering uncertainties on growth expectations in the sector.

The cash flows used for the projections are net of tax and financial income and expense; the discount rate after tax, applied to cash flow projections, is 5.28% and cash flows beyond the period of analytical projection deriving from medium-term plans, have always been assumed as constant (g = 0).

After completing the analysis, the Directors concluded that there was no need for a write-down of the assets belonging to the Cash Generating Units under review.

Cash Generating Unit former Gruner+Jahr Mondadori
Effective from 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 acquisition and after completion of the purchase price allocation process, also supported by the valuation of intangible assets by an independent expert, the higher price paid against the book values acquired, was attributed to the *Focus* trademark and to the relating subscriber list, and the remaining portion to goodwill.

The recoverable value was determined based on the higher of value in use and fair value.

The assets identified in the purchase price allocation are qualified as having finite useful life, except for goodwill; the trademark is amortized over 20 years and the subscriber list over four years, starting from 2016.

The value in use of the Cash Generating Unit was determined based on the projections of the cash flows obtained from the figures appearing in the respective forward plans for the three-year period 2020-2022, whose guidelines were reviewed and approved by the Board of Directors on 17 March 2020. The above cash flows were measured on the basis of the current market scenario, also considering uncertainties on trend expectations in the sector.

The amounts are inferred from the income statements of the individual magazines, considered representative of the relevant cash flows, taking account of the immediate collection of revenue typical of magazines. The margins from the magazines also include overhead and operating costs.

The cash flows used for the projections are net of tax and financial income and expense; the discount rate after tax, applied to cash flow projections, is 5.28% and cash flows beyond the period of analytical projection deriving from medium-term plans, have always been assumed to decrease (g = -3%).

Concurrently, as regards *Focus*, the Directors also deemed it appropriate to determine the fair value by applying the royalty method, based on estimated revenue in the medium-term forecast scenarios deriving from the trademark in question.

To calculate the fair value, in addition to presumed revenue, the following parameters were specifically taken into account:
- a 6% royalty rate, in line with the average rates contracted by the Group with foreign publishers for the international editions of the magazines;
- a negative revenue growth rate, beyond the last year included in the medium-term plan, equal to -3%.

After completing the analysis, the Directors concluded that there was no need for a write-down of the assets belonging to the Cash Generating Units under review, nor on their goodwill.

Other Cash Generating Units
This group of Cash Generating Units, each of which independent, comprises:
- the value of the bookclub member database of former Mondolibri S.p.A., amounting to € 2,500 thousand;
- the Grazia China trademark, regarding the local publication of the weekly, amounting to € 521 thousand;
- the goodwill of Skira Rizzoli, amounting to € 422 thousand;
- the value attributed to the assets of the Direct Channel business unit, amounting to € 415 thousand;
- residual assets of € 96 thousand.

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

After completing the analysis, the Directors concluded that there was no need for a write-down of the assets belonging to the Cash Generating Units under review.

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 shown net of tax, consistently with the flows used.

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 used in the determination of WACC are the following:
- cost of equity (ke) is quantified based on the CAPM (Capital Asset Pricing Model) as also envisaged in IAS 36. Based on the CAPM, the cost of equity is determined as the sum resulting from risk-free investment return and a risk premium, determined against the systematic risk on the investment under review. The risk premium is quantified as the product of 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 quantifying the individual parameters, the following were taken into account to properly measure the level of risk inherent in the cash flows envisaged by the Company Plan. The risk-free rate was determined taking account of 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 significant 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 5.20% (source: Damodaran, January 2020);
- the cost of debt (kd) was quantified by referring 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 relevant Cash Generating Unit/Country. Considering the specific financial structures of each Cash Generating Unit/Country, this refers 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;
- the weight attributed to equity and non-controlling interests’ equity was calculated based on the market normalized average of a panel of comparable companies;
- the execution risk component, aimed in particular at factoring the risk of possible changes in the value or timing of expected future cash flows, is estimated at 0.6%.

Sensitivity to changes in the assumptions
A sensitivity analysis was performed on the discounting rate and the growth rate.

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, while stressing the need, however, to oversee the performance of each CGU in order to verify the consistency of final and forecast trends, taking account of the current market context.

Associates
The Mondadori Group measures the value in use in order to verify the recoverable value of investments; when in determining this value, an impairment loss is identified, before making a write-down, the fair value is calculated after having deducted the estimated cost of disposal.

The fair value of Società Europea di Edizioni S.p.A. was determined through an independent third-party assessment, based on which the Directors made an adjustment to the recoverable value of € 2.9 million.

As far as the Attica Group is concerned, the value in use was determined based on the projections of the cash flows appearing in the long-term budgets, whose guidelines were reviewed and approved by the Board of Directors on 17 March 2020.

5. Non-current financial assets

Non-current financial assets, amounting to € 12,286 thousand (€ 500 thousand), is broken down as follows:

Non-current financial assets (Euro/thousands)	**31/12/2019**	**31/12/2018**
Medium-long term financial receivables from associates	500	500
Medium-long term financial receivables from third parties	14,761	-
Provision for bad debts on financial receivables from third parties	(2,975)	-
Total non-current financial assets	**12,286**	**500**

Financial receivables from associates refer to the intercompany loan granted to Attica Publications S.A.
Financial receivables from third parties consist mainly of the discounted financial receivable from Reworld Media for the deferred payment, maturing on 31 July 2021, from the disposal of the subsidiary Mondadori France and the receivable from La Verità S.r.l.

6. Pre-paid tax assets and deferred tax liabilities

Tax assets of € 6,246 thousand (€ 6,515 thousand) and tax liabilities of € 28,268 thousand (€ 28,324 thousand) 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/thousands)	31/12/2019	31/12/2018
Pre-paid IRES	6,209	6,312
Pre-paid IRAP	37	203
Total pre-paid tax assets	**6,246**	**6,515**
Deferred IRES	24,605	24,262
Deferred IRAP	3,663	4,062
Total deferred tax liabilities	**28,268**	**28,324**

Pre-paid tax and deferred tax is calculated based on the tax rates that will be applicable when these differences arise (IRES 24%, IRAP 3.9%).

Description of temporary differences that led to the recognition of pre-paid tax

	31/12/2019			31/12/2018		
(Euro/thousands)	Amount of temporary differences	Current tax rate	Pre-paid tax	Amount of temporary differences	Current tax rate	Pre-paid tax
Difference between book value and fiscal value of assets	958	24.00%	230	1,807	24.00%	434
Provision for bad debts	362	24.00%	87	403	24.00%	97
Write-down of inventory	128	24.00%	31	121	24.00%	28
Provisions	21,963	24.00%	5,271	21,077	24.00%	5,059
Other temporary differences	2,461	24.00%	591	2,893	24.00%	694
Total for IRES purposes	**25,872**		**6,209**	**26,301**		**6,312**
Difference between book value and fiscal value of assets	815	3.9%	32	5,084	3.9%	198
Write-down of inventory	128	3.9%	5	121	3.9%	5
Total for IRAP purposes	**680**		**37**	**5,205**		**203**

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

(Euro/thousands)	31/12/2019			31/12/2018		
	Amount of temporary differences	Current tax rate	Pre-paid tax	Amount of temporary differences	Current tax rate	Pre-paid tax
Difference between book value and tax value of fixed assets	93,979	24.00%	22,555	101,091	24.00%	24,262
Write-back of investments measured at equity	8,542	24.00%	2,050	-	24.00%	-
Total for IRES purposes	**102,521**		**24,605**	**101,091**		**24,262**
Difference between book value and tax value of fixed assets	93,922	3.9%	3,663	104,167	3.9%	4,062
Total for IRAP purposes	**93,922**		**3,663**	**104,167**		**4,062**

Changes in pre-paid and deferred tax amounts led to costs of € 164 thousand as shown in Note 28.
All assets are covered by the Company's provisions for pre-paid tax amounts, except for the write-downs of investments, for which no disposal can be expected as a result of tax-relevant transactions.

7. Other non-current assets

Other non-current assets, amounting to € 981 thousand (296 thousand), is broken down and commented on below:

Other non-current assets (Euro/thousands)	31/12/2019	31/12/2018
Security deposits	88	71
Medium-long term tax receivables from Fininvest	140	140
Medium-long term receivable disposal 75% Stile Italia Edizioni	752	-
Other	-	85
Total other non-current assets	**981**	**296**

The medium-long term receivable from the disposal of 75% of Stile Italia Edizioni from La Verità S.r.l. consists of 50% of the final sale price for the portion due in 2021.

The receivable from Fininvest S.p.A., amounting to € 140 thousand, includes the amount due from Fininvest S.p.A. on foreign withholding tax amounts pending reimbursement.

8. Tax receivables

Tax receivables, amounting to € 8,301 thousand (€ 20,029 thousand), is broken down as follows:

Tax receivables (Euro/thousands)	**31/12/2019**	**31/12/2018**
Advances to the Inland Revenue for disputes	9,208	9,208
Receivables from the Inland Revenue for VAT	5,599	11,299
Receivables from the Inland Revenue for direct and indirect tax to recover	286	286
Receivables from Fininvest for IRES	2,665	8,692
Provision for bad debts on tax receivables	(9,457)	(9,457)
Total tax receivables	**8,301**	**20,029**

Advances, amounting to € 9,208 thousand (€ 9,208 thousand), refer to payments made provisionally for pending disputes, currently pending before the Court of Cassation and written off.

Receivables from the Inland Revenue for VAT, amounting to € 5,599 thousand (€ 11,299 thousand), include € 5,568 thousand from the Group's VAT receivable accrued in the last two years, still pending a reimbursement claim. The reduction versus 2018 is due mainly to the lower VAT receivable accrued in the third and fourth quarters of 2019 by the Group. Indeed, as of 2017 the Company has had a Group VAT settlement regime with all its subsidiaries (Article 73, par. 3, Presidential Decree 633/72 and Ministerial Decree 13/12/1979); this option concentrates the obligations on periodic settlements with the parent and ensures that any credit positions can be used to offset the debit positions of the participating companies. The system adopted by the Mondadori Group involves the monthly settlement of credit/debit positions of subsidiaries, thereby concentrating the exposure to the Inland Revenue with the parent company.

Receivables from the Inland Revenue for direct and indirect tax to recover, amounting to € 300 thousand (€ 286 thousand), refer to the receivable for withholdings paid abroad of € 248 thousand, and to VAT receivables remaining from the liquidation of Gold 5 S.r.l. and Glaming S.r.l. of € 26 thousand and € 11 thousand, respectively.

The receivable from Fininvest S.p.A. relating to IRES of € 2,665 thousand (€ 8,692 thousand) includes the amount owed by Fininvest S.p.A. for the tax receivable for the period, down sharply versus 2018 due to the full use of receivables for prior losses, collected by the consolidating company for an amount of € 5,852 thousand as recovered in the Fininvest Group's tax return in June 2019, in view of the taxable profit made by Mondadori Group in the current year.
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.

The Company's income amounts are defined for fiscal purposes until 2014, except for the indications provided in Note 28. Commitments and potential liabilities.

In case of criminally relevant cases, Article 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.

9. Other current assets

Other current assets, amounting to € 3,879 thousand (€ 4,903 thousand), includes:

Other current assets (Euro/thousands)	31/12/2019	31/12/2018
Prepayments	2,553	3,017
Short-term receivable disposal 75% Stile Italia Edizioni	752	-
Receivables from personnel	131	202
Receivables from suppliers	74	68
Receivables from social security institutions	42	36
Other receivables from Group companies	23	26
Other receivables	305	1,554
Total other current assets	**3,879**	**4,903**

The short-term receivable from the disposal of 75% of Stile Italia Edizioni from La Verità S.r.l. consists of 50% of the final sale price for the portion due by 2020.

Prepayments, amounting to € 2,553 thousand (€ 3,017 thousand), refers to:

(Euro/thousands)	31/12/2019	31/12/2018
Freelance prepayments	380	794
Promotional campaigns	696	806
Payments	492	550
Accrued income	1	1
Other prepayments (rents, subscriptions, membership fees)	984	867
Total prepayments	**2,553**	**3,017**

Prepayments for freelance costs refer to costs previously incurred for the purchase of content, journalistic reports or photographic material that are suspended as they pertain to future publications. Other prepayments refer to rents, subscriptions and membership fees, and to promotional costs already accounted for but relating to future years.

10. Inventory

Inventory, amounting to € 5,089 thousand (€ 5,073 thousand), is broken down as follows:

Inventory (Euro/thousands)	**31/12/2019**	**31/12/2018**
Raw and ancillary materials and consumables	2,662	2,380
Write-down of raw and ancillary materials and consumables	(128)	(121)
Total raw and ancillary materials and consumables	**2,534**	**2,259**
Work in progress and semi-finished goods	2,555	2,801
Write-down of work in progress and semi-finished goods	-	-
Total work in progress and semi-finished goods	**2,555**	**2,801**
Finished products and goods	-	12
Write-down of finished products and goods	-	-
Total finished products and goods	**-**	**12**
Total inventory	**5,089**	**5,073**

Raw materials consist mainly of paper to be used in the printing of magazines; work in progress consists of production costs (paper, printing, rights and add-on sales) previously incurred for issues and initiatives published at a later time. The reduction in work in progress is due mainly to lower volumes following the exit of the five titles sold to La Verità.

Decrease (increase) in inventory to the income statement

Decrease (increase) in inventory (Euro/thousands)	**2019**	**2018**
Changes in finished products and goods	-	(8)
Allocation to the provision for write-downs of finished products and goods	-	-
Utilization of the provision for write-downs of finished products and goods	-	-
Total changes in finished products and goods	**-**	**(8)**
Changes in semi-finished goods	(117)	(887)
Allocation to the provision for write-downs of semi-finished goods	-	-
Utilization of the provision for semi-finished goods	-	-
Total changes in semi-finished goods	**(117)**	**(887)**
Changes in raw and ancillary materials and consumables	282	(67)
Allocation to the provision for write-downs of raw and ancillary materials and consumables	(7)	-
Utilization of the provision for write-downs of raw and ancillary materials and consumables	-	-
Total changes in raw and ancillary materials and consumables	**275**	**(67)**
Total decrease (increase) in inventory	**158**	**(962)**

No inventory is subject to restriction to cover liabilities.

11. Trade receivables

Trade receivables, amounting to € 46,858 thousand (€ 45,292 thousand), is broken down as follows:

Trade receivables (Euro/thousands)	**31/12/2019**	**31/12/2018**
Receivables from customers	4,991	4,585
Receivables from associates	31,396	29,848
Receivables from subsidiaries	10,458	10,859
Receivables from parent companies	13	-
Total trade receivables	**46,858**	**45,292**

Trade receivables do not include balances due over five years; the average collection period, calculated using the count back method, in 2019 was 141.64 days, up versus 118.9 days in 2018.

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

Receivables from subsidiaries of € 10,458 thousand (€ 10,859 thousand) and receivables from associates of € 31,396 thousand (€ 29,848 thousand) refer to trade transactions performed at standard market conditions. The breakdown by company and the changes versus 2018 are shown in Annex C1.

Trade transactions with the Fininvest Group are carried out under normal market conditions. Trade receivables include receivables from Fininvest group companies for € 50 thousand (€ 861 thousand).

Receivables from customers amount to € 4,991 thousand (€ 4,585 thousand):

Trade receivables **Receivables from customers** (Euro/thousands)	**31/12/2019**	**31/12/2018**
Receivables from customers	5,538	5,071
Provision for bad debts	(547)	(486)
Total receivables from customers	**4,991**	**4,585**

The changes in the provision for bad debts of € 547 thousand (€ 486 thousand) are detailed below:

Trade receivables **Receivables from customers - Provision for bad debts** (Euro/thousands)	**31/12/2019**	**31/12/2018**
Balance at beginning of year	486	622
Changes in the period:		
- provisions	185	83
- utilizations	(124)	(219)
Total provision for bad debts	**547**	**486**

The provision, considered appropriate to cover presumable risks of insolvency, was determined by analytically considering receivables under dispute and, for the other receivables, a general write-down in addition to a specific analysis of the non-performing positions based on the expected credit loss model.

12. Other current financial assets

Other current financial assets, amounting to € 52,630 thousand (€ 62,973 thousand), includes:

Other current financial assets (Euro/thousands)	**31/12/2019**	**31/12/2018**
Securities measured at fair value “held for trading”	23,591	-
Financial receivables:		
- financial receivables from subsidiaries	28,970	56,498
- other financial receivables	69	6,475
Total financial receivables	**29,039**	**62,973**
Total other current financial assets	**52,630**	**62,973**

The securities are in the form of Reworld Media shares, listed on the Bourse de Paris and classified as financial assets “held for trading” in accordance with points a) and b) of Annex A of IFRS 9. The shares total 8,578,638, with a € 2.75 per share on 31/12/2019, resulting from the non-monetary consideration of part of the sale price of Mondadori France (no. 3,558,718) and the subscription of the capital increase on 19 December 2019 fully reserved and subscribed by Arnoldo Mondadori Editore S.p.A. (no. 5,019,920). The fair value measurement of the shares resulted in the recognition of a positive component of € 991 thousand under financial income in the income statement.

Financial receivables from subsidiaries of € 28,970 thousand (€ 56,498 thousand) include current account transactions negotiated at interest rates in line with market rates. The reduction versus the prior year is attributable to the cash generated in 2019 by the subsidiary Mondadori Libri S.p.A.
The breakdown by company and the changes versus 2018 are shown in Annex C1.

Other financial receivables decreased versus 2018 following the collection in the year of the receivable from the disposal of the Sporting property complex in Verona (€ 5,500 thousand) and the earn-out of Adkaora on the seller, ePrice S.p.A. (€ 327 thousand).

13. Cash and cash equivalents

Cash and cash equivalents, amounting to € 35,609 thousand (€ 76,837 thousand), includes receivables from banks of € 35,608 thousand (€ 76,836 thousand), and € 1 thousand (€ 1 thousand) in cash and cash on hand.

Cash and cash equivalents (Euro/thousands)	**31/12/2019**	**31/12/2018**
Cash and cash on hand	1	1
Bank deposits	35,608	76,836
Total cash and cash equivalents	**35,609**	**76,837**

The fair value of cash and cash equivalents at 31 December 2019 is equal to the relevant book value.
The changes in the item are explained in the statement of cash flows.

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.

14. Assets held for sale

Assets held for sale (Euro/thousands)	**31/12/2019**	**31/12/2018**
Investments in subsidiaries	-	60,200
Financial receivables from subsidiaries	-	166,029
Current accounts with subsidiaries	-	3,892
Provision for bad debts on financial receivables	-	(166,029)
Total assets held for sale	**-**	**64,092**

As mentioned in paragraph 7 of this note on IFRS 5, on 31 July 2019 Arnoldo Mondadori Editore S.p.A. completed the disposal of the subsidiary Mondadori France S.a.s. to Reworld Media S.A.

The amounts recognized at 31 December 2018 under Assets held for sale were written off accordingly. The € 5 million earn-out envisaged under the contract on the results of the Reworld Media Group/Mondadori France at 31 December 2020 was not recorded as considered unfeasible.

The income statement item of the adjustment to the fair value of the investment and the transaction costs, net of interest income accrued during the year for the loan in place, were reclassified under Expense from discontinued operations and amount to € 2,270 thousand.

LIABILITIES

15. Equity

The share capital of € 67,979 thousand is fully underwritten and paid up and is divided into 261,458,340 ordinary shares with a par value of € 0.26 each.

The tables below show the changes in equity over the past two years:

(Euro/thousands)	Share capital	Treasury shares	Performance share reserve	Discounting reserve - IAS 19 post-employment benefits	Cash flow hedge reserve	Other reserves	Result for the period	Total equity
Balance at 31/12/2017	**67,979**	**(1,654)**	**850**	**428**	**(940)**	**218,734**	**30,417**	**315,814**
Effects of change in accounting standards - IFRS 9	-	-	-	-	-	(267)	-	(267)
Balance at 01/01/2018	**67,979**	**(1,654)**	**850**	**428**	**(940)**	**218,467**	**30,417**	**315,547**
Changes in:								
- allocation of result	-	-	-	-	-	30,417	(30,417)	-
- purchase of treasury shares	-	(628)	-	-	-	-	-	(628)
- performance share	-	-	1,563	-	-	-	-	1,563
- other reserves	-	-	-	-	-	22	-	22
- comprehensive profit/(loss)	-	-	-	19	(102)	2,685	(177,131)	(174,529)
Balance at 31/12/2018	**67,979**	**(2,282)**	**2,413**	**447**	**(1,042)**	**251,591**	**(177,131)**	**141,975**

(Euro/migliaia)	Share capital	Treasury shares	Performance share reserve	Discounting reserve - IAS 19 post-employment benefits	Cash flow hedge reserve	Other reserves	Result for the period	Total equity
Balance at 31/12/2018	**67,979**	**(2,282)**	**2,413**	**447**	**(1,042)**	**251,591**	**(177,131)**	**141,975**
Changes in:								
- allocation of result	-	-	-	-	-	(177,131)	177,131	-
- purchase of treasury shares	-	(2,658)	-	-	-	-	-	(2,658)
- performance share	-	-	1,898	-	-	-	-	1,898
- other reserves	-	-	-	-	-	-	-	-
- comprehensive profit/(loss)	-	-	-	116	65	436	28,200	28,817
Balance at 31/12/2019	**67,979**	**(4,940)**	**4,311**	**563**	**(977)**	**74,896**	**28,200**	**170,032**

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/thousands)	**Amount**	**Possible use**	**Available portion**	**Distributable portion**
Share capital	**67,979**		-	-
Income reserves:				
- legal reserve	13,596	B	13,596	-
- extraordinary reserve	58,779	A, B, C	58,779	58,779
IAS/IFRS:				
- reserves for investments measured at equity	2,520	B	2,520	-
- post-employment discounting reserve	564	B	564	-
- performance share reserve	4,311	B	4,311	-
- cash flow hedge reserve	(977)	B	(977)	(977)
Treasury shares	(4,940)		(4,311)	(629)
Total	**141,832**		**74,482**	**57,173**
Undistributable portion [1]	-		-	4,812
Residual distributable portion	-		-	52,361

Key: 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:

Treasury shares

In the period from 10 June to 19 December, the Company purchased a total of no. 1,591,590 treasury shares (0.609% of the share capital) on the Electronic Stock Market (MTA) at an average unit price of € 1.686. The value of treasury shares increased by € 2,658 thousand, reaching € 4,940 thousand at 31 December 2019.
The purchase was authorized by the Shareholders’ Meeting of 17 April 2019, following expiry of the term relating to the previous authorization approved on 24 April 2018, and is instrumental in the implementation of the long-term incentive plan (performance share) approved at the same meeting for the 2019-2021 period. This is an additional plan to those approved by the Shareholders’ Meeting on 24 April 2018 and 27 April 2017 for the three-year period 2018-2020 and the three-year period 2017-2019, respectively.

16. Provisions

Provisions, amounting to € 26,305 thousand (€ 27,291 thousand) in the year, is broken down as follows:

Provisions (Euro/thousands)	**31/12/2018**	**Provisions**	**Utilizations**	**31/12/2019**
Provision for legal risks	12,910	100	(1,918)	11,092
Provision for INPGI contribution dispute	1,899	-	-	1,899
Provision for charges on advertising receivables	5,103	136	(545)	4,694
Provision for charges on subscription receivables	389	-	(65)	324
Provision for charges on tax disputes	1,000	-	(600)	400
Provision for equity investment risks	5,214	-	(1,046)	4,168
Provision for other charges	776	2,944	(240)	3,480
Total provisions	**27,291**	**3,180**	**(4,414)**	**26,305**

The above provisions are intended to cover potential liabilities from legal disputes, bad debts, contractual clauses and commitments, and tax and contribution disputes. A provision of € 2,000 thousand was set aside in other provisions for risks to cover guarantees provided to counterparties on the disposal of 75% of Stile Italia S.r.l.
The provision for investment risks includes the equity measurement of subsidiaries and associates that exceed cost; in particular, the provision recorded in the financial statements refers to the subsidiary Mondadori Retail S.p.A.

17. Post-employment benefits

Post-employment benefits, amounting to € 8,772 thousand (€ 10,733 thousand), are composed as follows:

Post-employment benefits (Euro/thousands)	**31/12/2019**	**31/12/2018**
Provision for post-employment benefits (TFR)	8,750	10,662
Provision for journalists (IFGP)	22	71
Total post-employment benefits	**8,772**	**10,733**

Changes in the year are detailed below:

Post-employment benefits - Details (Euro/thousands)	**Post-employment benefits**	**IFGP**	**Total**
Balance at 31/12/2018	**10,662**	**71**	**10,733**
Changes in 2019:			
- utilizations	(745)	(49)	**(794)**
- disposals/acquisitions Company companies	11	-	**11**
- disposals/acquisitions of other companies	(1,176)	-	**(1,176)**
- discounting	(2)	-	**(2)**
- other	-	-	-
Balance at 31/12/2019	**8,750**	**22**	**8,772**

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	**31/12/2019**	**31/12/2018**
Economic assumptions:		
- increase in cost of living	0.80%	1.50%
- discounting rate	0.79%	1.57%
Demographic assumptions:		
- probability of death	IPS55 tables	IPS55 tables
- probability of disability	INPS-2000 tables	INPS-2000 tables
- probability of leaving for other reasons	7.63%	10.75%
- 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 the Provision for post-employment benefits would be equal to approximately € 0.3 million less or more.

Provision for retirement was not subject to discounting because the effects are irrelevant.

The cost for post-employment benefits in the income statement amounted to 4,081 thousand and is broken down as follows:

Cost of post-employment benefits (Euro/thousands)	**2019**	**2018**
Cost of post-employment benefits allocated to supplementary pension plans	3,919	4,085
Financial expense	162	140
Total cost of post-employment benefits	**4,081**	**4,225**

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 expense for the period.

18. Financial liabilities

Non-current financial liabilities, amounting to € 143,485 thousand (€ 114,997 thousand), is broken down as follows:

Non-current financial liabilities (Euro/thousands)	**Actual interest rate**	**Expiry over 5 years**	**31/12/2019**	**31/12/2018**
Medium-long term loans and borrowings	0.61%	-	92,264	114,220
Medium-long term financial payables IFRS 16	-	28,425	50,227	-
Liabilities from derivatives	-	-	994	777
Total non-current financial liabilities	**0.69%**	**28,425**	**143,485**	**114,997**

Medium-long term loans and borrowings is made up entirely of the amortized cost of the Line A Amortizing Term Loan, taken out with a pool of banks, coming to maturity in December 2022.

Medium-long term financial payables IFRS 16 refers to the financial payable originating from the application of the new IFRS 16 standard, the changes in the current year of which were as follows:

(Euro/thousands)	**01/01/2019**	**Increase**	**Decrease**	**Reclass.**	**31/12/2019**
Medium-long term financial payables to third parties - IFRS 16	54,003	1,793	(309)	(5,260)	50,227
Short-term financial payables to third parties - IFRS 16	5,230	-	(5,230)	5,260	5,260
Total financial payables IFRS 16	**59,233**	**1,793**	**(5,539)**	**-**	**55,487**

Liabilities in derivative instruments, amounting to € 994 thousand, include the fair value relating to the transactions to hedge the existing interest rate risk (with BPM, Intesa Sanpaolo, and UniCredit), applying to the A Term Loan Tranches of the amortizing pool loan agreement concluded in December 2017, coming to maturity in December 2022 for a notional amount of € 78.33 million and a weighted average rate of 0.199%.

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 Company 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 monthly basis.

Payables to banks and other financial liabilities amounted to € 313,946 thousand (€ 391,780 thousand):

Payables to banks and other financial liabilities (Euro/thousands)	**31/12/2019**	**31/12/2018**
Financial payables to subsidiaries	268,956	269,725
Short-term loans	37,200	117,585
Short-term financial payables IFRS 16	5,260	-
Other financial payables	2,512	4,451
Accrued liabilities and deferred income	18	19
Total payables to banks and other financial liabilities	**313,946**	**391,780**

Payables to subsidiaries of € 268,956 thousand (€ 269,725 thousand) refer mainly to current account transactions negotiated at interest rates in line with market rates. The breakdown by company and the changes versus 2018 are shown in Annex D1.
Short-term loans amounting to € 37,200 thousand (€ 117,585 thousand) include the portion of the Line A Amortizing Term Loan of the amortizing pool loan agreement of € 22,500 thousand and the use of short-term hot money lines for € 14,700 thousand (maturing in January 2020).
Other financial payables of € 5,260 thousand refer mainly to the payable for the share capital increase in the subsidiary Società Europea di Edizioni and to the payable to Reworld Media S.A., acquirer of Mondadori France S.a.s., regarding the price adjustment.
Accrued liabilities and deferred income of € 18 thousand (€ 19 thousand) were determined on an accrual basis and refer to short-term loan interest rates.

Changes in the drawdowns of committed credit lines are shown below:

(Euro/thousands)	**Balance at 1/01/2019**	**Utilizations**	**Repayments**	**Other changes**	**Balance 31/12/2019**
Term Loan A maturity 2022	131,720	-	(17,500)	544	114,764
Term Loan B maturity 2019	100,085	-	(100,000)	(85)	-
Balance	**231,805**	**-**	**(117,500)**	**459**	**114,764**

The above loans are tied, *inter alia*, to financial obligations (financial covenants), checked every six months or year, respectively, Group debt/EBITDA ratio and net financial exposure limits; at the date of drafting of these financial statements, the obligations have been met.
The portion of the Line B Amortizing Term Loan of the amortizing pool loan agreement, for € 100,085 thousand, was repaid in accordance with the agreement in June 2019.

At 31 December 2019, the Leverage Ratio Financial Covenant (debt/EBITDA) resulting from the consolidated annual report was equal to 0.59, far below the cap of 3.25 under the pool loan agreement. The forecasts contained in the three-year plan confirm that the Covenant is well below the contractual limit also from a prospective point of view.

The Company's comprehensive financial position at 31 December 2019, outlined as per Consob recommendations, indicates a net debt of € 363,930 thousand (€ 366,966 thousand).

Net financial debt (Euro/thousands)	**31/12/2019**	**31/12/2018**
A Cash	1	1
- Bank deposits	35,608	76,836
- Postal deposits	-	-
B Other cash and cash equivalents	35,608	76,836
C Securities held for trading	23,591	-
D Cash and cash equivalents and other financial assets (A+B+C)	**59,200**	**76,837**
- Financial receivables from subsidiaries	28,970	55,248
- Financial receivables from affiliates	-	1,250
- Derivatives and other financial assets	69	6,475
- Receivables and other current financial assets	29,040	62,973
E Current financial assets	**29,040**	**62,973**
F Current bank payables	-	-
- Loans	37,200	117,585
G Current portion of non-current debt	37,200	117,585
- Financial payables to subsidiaries	268,956	269,725
- Financial liabilities IFRS 16	5,260	-
- Derivatives and other financial liabilities	2,529	4,469
H Other current financial payables	271,485	274,194
I Payables to banks and other current financial liabilities (F+G+H)	**308,685**	**391,779**
L Current net financial position (D+E-I)	**(220,445)**	**(251,969)**
- Loans	92,264	114,220
M Debt non-current portion	92,264	114,220
- Financial liabilities IFRS 16	50,227	-
- Other non-current financial payables	994	777
N Other non-current financial payables	51,221	777
O Non-current financial debt (M+N)	**143,485**	**114,997**
P Net financial debt (L-O)	**(363,930)**	**(366,966)**

The net financial position, if determined by considering the balance of Non-current financial assets, improves by € 12,286 thousand, which includes mainly the financial receivable from Reworld Media S.A. for the deferred payment from the sale price of Mondadori France S.a.s., the financial receivables acquired following the disposal of Mondadori France S.a.s. and the loan granted to the associate Attica Publications Media S.A.

For the analysis of the Company’s net financial position and the relevant changes, reference should be made to the statement of cash flows in these financial statements.

19. Other current liabilities

Other current liabilities, amounting to € 26,069 thousand (€ 29,582 thousand), is detailed and commented on below:

Other current liabilities (Euro/thousands)	**31/12/2019**	**31/12/2018**
Payroll and other amounts to personnel	10,717	10,544
Payables to welfare and social security entities	5,447	6,554
Tax payables	4,885	5,971
Cost of post-employment benefits allocated to supplementary pension plans	1,503	1,302
Other payables to Group companies	2,670	4,088
Accrued liabilities and deferred income	588	586
Customer advances	-	48
Other payables	259	489
Total other current liabilities	**26,069**	**29,582**

Payables to welfare and social security entities of € 5,447 thousand (€ 6,554 thousand) include € 2,368 thousand (€ 3,317 thousand) for contributions on salaries relating to December and paid in January 2020; € 3,079 thousand (€ 3,237 thousand) for contributions allocated for deferred salary items.

Tax payables of € 4,855 thousand (€ 5,971 thousand) regard IRPEF withholdings on employee salaries and professional fees paid in January 2020 for € 2,732 thousand, payables to subsidiaries for the VAT receivable balance from their settlement in January, following participation in the Group VAT settlement regime for € 2,078 thousand, and other tax for € 75 thousand.

Post-employment benefits allocated to supplementary pension plans of € 1,503 thousand (€ 1,302 thousand) refer to pension funds in which post-employment benefits flow, also paid in January 2020.

Other payables to Group companies include the pre-paid subscription fee collection relating to the subsidiary Direct Channel S.p.A. for € 2,548 thousand (€ 3,965 thousand).

Accrued liabilities and deferred income of € 588 thousand (€ 586 thousand) was determined on an accrual basis and refers to insurance and other accrued expense for € 170 thousand (€ 115 thousand) and other deferred income for € 418 thousand (€ 471 thousand).

20. Trade payables

Trade payables amounts to € 71,743 thousand (€ 80,846 thousand):

Trade payables (Euro/thousands)	**31/12/2019**	**31/12/2018**
Payables to suppliers	65,103	73,430
Payables to subsidiaries	3,268	2,872
Payables to associates	3,358	4,507
Payables to parent company	14	37
Total trade payables	**71,743**	**80,846**

Payables to suppliers amounted to € 65,103 thousand (€ 73,430 thousand) and include payables to contractors and allocations to Directors and Statutory Auditors classified in the prior year under Other current liabilities.

The item also includes trade payables to Fininvest Group companies amounting to € 775 thousand (€ 662 thousand), the largest portion of which refer to Publitalia '80 S.p.A. for € 714 thousand (€ 317 thousand), RTI S.p.A. for € 48 thousand (€ 276 thousand) and other minor payables for a total of € 13 thousand (€ 19 thousand).

Trade payables to subsidiaries of € 3,268 thousand (€ 2,872 thousand) and trade payables to associates of € 3,358 thousand (€ 4,507 thousand) refer to trade transactions performed at standard market conditions.

The breakdown by company and the changes versus 2019 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 2019, the average payment period, calculated with the count back method, was 173.5 days (169.6 days in 2018).

INCOME STATEMENT

(Intercompany trade transactions in 2019 with related parties are explained in Annexes C2 and D2).

21. Revenue from sales and services

Revenue amounted to € 227,989 thousand and was down versus € 256,626 thousand in the prior year, due mainly to the reduction in the Magazines Italy print business, which recorded a 16.4% fall, in line with the performance of the relevant markets, and also to the sale of the weekly *Panorama*, completed in October 2018. Revenue from the Magazines web business, on the other hand, increased slightly (+1.5%), driven by the good performance of advertising sales. The Parent Company also recognizes revenue from services provided to other Group companies, equal to € 38,523 thousand. Sales trend by segment is exhaustively detailed in the Directors' Report on Operations. Revenue from print and online advertising services totaled € 58,265 thousand and refers mainly to the Company's share, as publisher of magazines and websites, of the advertising space sold by the advertising agency.

Revenue is detailed in the following tables:

Revenue from sales and services (Euro/thousands)	**2019**	**2018**	**% Difference**
Revenue from the sale of products:			
- magazines/publications	115,084	133,026	-13.49%
- magazines/subscriptions and digital	7,465	10,656	-29.95%
Revenue from the sale of services:			
- print advertising services	39,276	52,528	-25.23%
- online advertising services	18,989	18,981	0.04%
- revenue from administrative services	34,035	35,187	-3.27%
- reproduction rights	2,950	2,122	39.02%
- other revenue	10,190	4,126	146.97%
Total revenue	**227,989**	**256,626**	**-11.16%**

Other revenue includes mainly revenue from subsidiaries for the lease of offices for € 5,095 thousand, affiliation revenue for € 2,178 thousand and sponsorship revenue for € 1,358 thousand.

Revenue by geographical area:

Geographical area (Euro/thousands)	Magazines	Advertising	Rights and other	2019	2018
Italy	122,177	59,435	42,137	223,750	253,023
EU countries	193	2,227	1,086	3,505	2,808
USA	6	10	164	180	306
Switzerland	-	-	13	13	4
Other Countries	173	301	67	541	485
Total	**122,549**	**61,973**	**43,467**	**227,989**	**256,626**

22. Cost of raw and ancillary materials, consumables and goods

Cost of raw and ancillary materials, consumables and goods decreased by € 3,425 thousand versus the prior year:

Cost of raw and ancillary materials, consumables and goods (Euro/thousands)	2019	2018
Paper	16,104	18,876
Recovery of paper purchasing costs	(1,683)	(1,686)
Total cost of raw and ancillary materials	**14,421**	**17,190**
Goods for re-sale	3,633	4,416
Consumption and maintenance materials	574	447
Total cost of consumption materials and goods	**4,207**	**4,863**
Total cost of raw and ancillary materials, consumables and goods	**18,628**	**22,053**

The decrease in the cost of raw and ancillary materials, consumables and goods is due mainly to the lower turnover of print magazines.

23. Cost of services

Cost of services amounted to € 137,951 thousand and decreased by € 29,669 thousand versus € 167,620 thousand in 2018. Details are shown in the table below:

Cost of services (Euro/thousands)	**2019**	**2018**
Newsstands channel fee	30,228	34,779
Third party graphical processing	22,996	30,321
Rights and royalties	16,228	19,253
Advertising services	10,404	15,921
Third-party collaborations	12,761	12,501
Consultancy and professional services	8,347	6,753
Transport and shipping	4,821	8,783
Administrative and EDP services	4,779	6,767
Use of third-party assets	-	-
Lease expense	6,661	6,470
Rentals	6,323	6,210
Reversal of lease payments IFRS 16	(6,651)	-
Fees to Directors and Statutory Auditors	3,708	3,314
Maintenance	3,140	849
Catering and cleaning services	2,065	2,175
Subscription management	1,804	1,729
Staff work services	1,395	2,108
Utilities (electricity, gas, water)	1,289	1,231
Travel and other expense reimbursements	1,230	1,570
Storage	1,015	1,643
Audit and certification expenses	575	581
Other services	4,833	4,662
Total cost of services	**137,951**	**167,620**

The decrease in cost of services, being composed mainly of variable costs, is associated with the decrease in revenue, as well as the reversal of lease and rental payments under IFRS 16. Additionally, as from 2019, cost recoveries have been reclassified as a direct reduction of the individual cost item from Other revenue and income.

The newsstands channel fee consists of the premium guaranteed to newsstands magazine sales, reclassified under distribution costs in accordance with IFRS 15.

24. Cost of personnel

Cost of personnel amounted to € 70,486 thousand, down versus € 82,226 thousand in 2018.

Cost of personnel (Euro/thousands)	**2019**	**2018**
Salaries and wages and related costs	53,882	55,072
Capitalization of cost of personnel	(1,048)	(1,699)
Performance Share	704	640
Charging/(recovery) of costs for seconded staff	(3,295)	(2,419)
Social security expense	15,594	17,709
Post-employment benefits, retirement indemnity and supplementary pension scheme plans	3,946	11,835
Provision/utilization for risks from personnel reorganization	703	1,088
Total cost of personnel	**70,846**	**82,226**

Cost of personnel includes the net balance between the charging and recovery of costs for staff seconded from and to Group companies.
Capitalization of cost of personnel refers to the costs for the resources working specifically on the SAP project and the technology porting of legacy system, and to the man-days of staff dedicated to the development of property websites.
The decrease in cost of personnel is due mainly to the expense from leaving incentives, to the early retirement schemes for journalists, and to the restructuring action implemented by the Company in the prior year.

At 31 December 2019, the Company counted 828 employees, 98 less than at 31 December 2018, due to a reduction in the number of journalist and non-journalist staff in the Magazines Area, attributable mainly to the disposal of *Confidenze*, *Starbene*, *Tu Style*, *Cucina Moderna* and *Sale & Pepe*.

Headcount	**Actual 31/12/2019**	**Actual 31/12/2018**	**Average 2019**	**Average 2018**
Executives	48	50	49	51
Journalists	125	184	174	213
White collars and managers	649	686	672	701
Blue collars	6	6	6	6
Total	**828**	**926**	**901**	**971**

In the reporting period, there were an average 901 employees (971 employees in 2018).

Share-based management incentive plans (Performance Share Plans)

At 31 December 2019, the Mondadori Group had three share-based management incentive plans in place intended for managers of Group companies and for members of the Board of Directors of the Parent.
The reasons underlying the adoption of the Plans are:
- to create a stronger link between the creation of medium- and long-term value and the remuneration of Management;
- to support Mondadori's growth following the completed optimization of its assets, using a system that reflects the growth in the value of the company;
- to encourage teamwork at management level, supporting the shared objective of value creation.

The Board – or its representative, the CEO – has the power to amend the Performance Targets in extraordinary and/or unforeseen situations or circumstances that could have a significant impact on the results of the Group and/or its area of operations. These situations and circumstances could, for example, include mergers, demergers, acquisitions, disposals or spin-offs.
Shares are allocated to the beneficiaries at the end of the vesting period on the basis of pre-established performance targets. Specifically, these targets are related to:
- Total Shareholder Return (TSR) vis-à-vis the constituents of the FTSE Italia All Share index, with a weighting of 25%.
- Cumulative EBIT for the three-year period, with a weighting of 25% (EBITDA for the 2018-2020 and 2017-2019 plans).
- Cumulative Net profit over the three years, with a weighting of 25%.
- Cumulative Free Cash Flow over the three years, with a weighting of 25%.

For each of the above performance conditions, minimum, target and maximum result levels are set.
When the minimum (90%) is met for EBIT (EBITDA for the 2018-2020 and 2017-2019 plans), Net Profit and Free Cash Flow, the number of shares granted is equal to 50% of the target number of options assigned. When the target is met, 100% vests, while with the maximum, the number of shares granted is equal to 120% of the target number of options assigned.
The TSR is defined vis-à-vis the constituents of the FTSE Italia All Share index by measuring performance over the period of the Plan. If the TSR is equal to or greater than the median, the target is deemed met and the number of shares granted is equal to 100% of the options assigned. If the TSR is lower than the median, no shares are granted.

They are measured considering the four components of the Plan:
- the "market based" component connected to the measurement of the performance of Arnoldo Mondadori Editore S.p.A. in terms of Total Shareholder Return (TSR);
- the "non-market based" component relating to the achievement of targets on cumulative Net Profit, cumulative EBITDA and cumulative Free Cash Flow.

Pursuant to IFRS 2, the financial instruments underlying the Plan were stated at fair value on their granting.

The fair value measurement, which takes account of the current share price at the grant date, volatility, the expected flow of dividends, the duration of the Plan and the free-risk rate, was entrusted to an independent third-party expert and carried out using a Monte Carlo-type simulation model.

The information documents pursuant to Article 114-*bis* of Legislative Decree 58/98, which present the characteristics of the above plans, are publicly available on the Governance section of Arnoldo Mondadori Editore S.p.A.'s website (www.mondadori.it), at the registered office and at Borsa Italiana S.p.A. The table below shows for each plan the costs recognized in the income statement and the assumptions underlying the fair value measurement.

2019-2021 long-term incentive plan
At 31 December 2019, the cost of the 2019-2021 Performance Share Plan (intended for the Chief Executive Officer, the CFO - Executive Director and nine selected Mondadori managers who have an employment and/or directorship relationship with the Company or with its subsidiaries), recognized in the income statement under Cost of personnel, amounted to € 549 thousand.

The fair value of shares was determined based on the following assumptions:

Granting date	1 July 2019
Residual life at granting date (in months)	30
Expected volatility of the share price	37.8%
Risk-free interest rate	0.02%
% on expected dividends	0%
Fair value of share at granting date (Euro)	1.37

2018-2020 long-term incentive plan

At 31 December 2019, the cost of the 2018-2020 Performance Share Plan (intended for the Chief Executive Officer, the CFO - Executive Director and nine selected Mondadori managers who have an employment and/or directorship relationship with the Company or with its subsidiaries), recognized in the income statement under Cost of personnel, amounted to € 331 thousand.
The fair value of shares was determined based on the following assumptions:

Granting date	1 June 2018
Residual life at granting date (in months)	31
Expected volatility of the share price	39.6%
Risk-free interest rate	0.40%
% on expected dividends	0%
Fair value of share at granting date (Euro)	1.05

2017-2019 long-term incentive plan

At 31 December 2019, the cost of the 2017-2019 Performance Share Plan (intended for the CFO - Executive Director and nine selected Mondadori managers who have an employment and/or directorship relationship with the Company or with its subsidiaries), recognized in the income statement under Cost of personnel, amounted to € 494 thousand.

The fair value of shares was determined based on the following assumptions:

Granting date	13 September 2017
Residual life at granting date (in months)	28
Expected volatility of the share price	38.6%
Risk-free interest rate	0.20%
% on expected dividends	0%
Fair value of share at granting date (Euro)	1.85

25. Other (income) expense

Other (income) expense (Euro/thousands)	**2019**	**2018**
Other revenue and income	(1,539)	(11,810)
Other operating expense	933	2,598
Total other (income) expense	**(606)**	**(9,212)**

Other revenue and income, amounting to € 1,539 thousand (€ 11,810 thousand), refers to:

Other (income) expense - Other revenue and income (Euro/thousands)	**2019**	**2018**
Capital gains and contingent assets	(1,342)	(4,277)
Supplier rebates and miscellaneous contributions	(176)	(323)
Lease income	-	(2,708)
Third-party expense reimbursements	-	(4,337)
Other (promotions, publishing facilities)	(21)	(165)
Total other revenue and income	**(1,539)**	**(11,810)**

Capital gains and contingent assets refers mainly to contingencies realized from the closure of lapsed supplier items referring to prior years. The reduction versus 2018 is explained by the gains from the property in Bari and the Sporting property complex in Verona for a total of € 3,933 thousand.

Lease income was reclassified under other revenue, while third-party expense reimbursements were reclassified as a direct reduction of the individual cost item to which the reimbursement refers.

Other operating expense, amounting to € 933 thousand (€ 2,598 thousand), includes:

Other (income) expense - Other operating expense (Euro/thousands)	**2019**	**2018**
Compensation, settlements and allowances	997	889
Bad debts	124	219
Contractual charges for advertising and subscriptions	314	940
Membership fees and disbursements	1,217	1,251
Capital loss/contingent liabilities	145	157
Provisions for bad debts	185	83
Provisions for other risks	235	272
(Utilization) provision for bad debts	(124)	(219)
(Utilization) provision for legal risks	(1,918)	(534)
(Utilization) provision for other risks	(610)	(935)
Other tax and duties	356	382
Other expense	12	93
Total other operating expense	**933**	**2,598**

The provision for bad debts and the provision for other risks are allocated to cover potential losses that may arise in future years.

26. Financial income (expense)

The item, amounting to € 3,205 thousand in expense (€ 4,463 thousand), consists of:

Financial income (expense) (Euro/thousands)	2019	2018
Interest from subsidiaries	704	1,132
Interest from associates	31	24
Interest from banks and post offices	38	21
Other interest and financial income	544	131
Total interest and other financial income	**1,317**	**1,308**
Interest on loans and borrowings	(1,436)	(2,049)
Financial expense from derivatives	(828)	(928)
Other financial expense for discounting assets/liabilities	(162)	(140)
Interest expense to banks	(1)	(2)
Other interest expense and financial expense	(1,693)	(2,627)
Financial expense IFRS 16	(1,398)	-
Total interest expense and other financial expense	**(5,518)**	**(5,746)**
Financial income from the management of securities	991	-
Financial expense from management of securities	-	-
Utilization of the provision for write-down of securities	-	-
Total income (expense) from management of securities	**991**	-
Realized currency gains	5	(20)
Unrealized currency gains	-	(5)
Total income (loss) on currency transactions	**5**	**(25)**
Total financial income (expense)	**(3,205)**	**(4,463)**

Interest income accrued on the loan to Mondadori France S.a.s. has been reclassified under Income (expense) from assets held for sale for both years. 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.

Interest expense and other financial expense decreased by € 228 thousand, due to the net effect of the following items:
- IFRS 16 expense for € 1,398 thousand in application of the new standard effective from 1 January 2019;
- lower interest expense on loans, due mainly to the reduction in the Group's average bank exposure;
- lower ancillary expense due largely to the adjustment of amortized cost in accordance with IFRS 9 on medium-long term loans as a result of lower prospective interest rates.

Financial income from the management of securities refers to the write-back, as an adjustment to the stock market price at 31 December 2019, of Reworld Media S.A. shares, listed on the *Bourse de Paris* and classified as financial assets "held for trading" in accordance with points a) and b) of Annex A of IFRS 9.

27. Income (expense) from investments

This item is detailed and commented on below:

Income (expense) from investments (Euro/thousands)	2019	2018
Write-backs	63,237	48,029
Write-downs	(18,804)	(15,025)
Capital gain from disposal of Stile Italia Edizioni S.r.l.	903	-
Loss from on the disposal of Inthera	-	(2,082)
Other	-	(480)
Total income (expense) from investments	**45,336**	**30,440**

Write-backs refer to:

(Euro/thousands)	2019	2018
Subsidiaries:		
- Direct Channel S.p.A.	439	2,545
- Adkaora S.r.l.	1,078	986
- Mondadori International Business S.r.l.	1,583	424
- Mondadori Libri S.p.A.	60,091	42,677
- Mondadori Scienza S.p.A.	-	1,239
Total subsidiaries	**63,191**	**47,871**
Associates:		
- Attica Publications S.A.	-	158
- Stile Italia Edizioni S.r.l.	46	-
Total associates	**46**	**158**
Total write-backs	**63,237**	**48,029**

Write-downs, which include the negative performance of the companies and the value adjustments of the investments following impairment testing, refer to:

(Euro/thousands)	2019	2018
Subsidiaries:		
- Inthera S.p.A.	-	790
- Mondadori Retail S.p.A.	6,850	3,618
- Press-di Distribuzione e Stampa Multimedia S.r.l.	1,861	1,134
- Mondadori Scienza S.p.A.	289	-
Total subsidiaries	**9,000**	**5,542**
Associates:		
- Monradio S.r.l.	1,195	1,135
- Attica Publications S.A. – Impairment	-	2,800
- Società Europea Edizioni S.p.A. – Result	5,704	3,348
- Società Europea Edizioni S.p.A. – Impairment	2,900	2,200
Total associates	**9,799**	**9,483**
Other companies:		
- Confidimpresa	5	-
Total other companies	**5**	**-**
Total write-downs	**18,804**	**15,025**

During the year, the Company received dividends from its subsidiaries for a total of € 29,975 thousand: € 27,045 thousand from Mondadori Libri S.p.A., € 950 thousand from Adkaora S.r.l. and € 1,980 thousand from Direct Channel S.p.A.

Other expense for € 480 thousand in 2018 refers to the reimbursement of a lawsuit lost by Monradio S.r.l. (80% of which was sold to R.T.I. S.p.A. in 2015), for which the Company had guaranteed the acquirer full reimbursement of any outlays.

28. Income tax

Income tax amounted to an income of € 3,151 thousand (€ 3,322 thousand). The main components for the years ended at 31 December 2018 and 2019 are shown in the table below:

Income tax (Euro/thousands)	**2019**	**2018**
Income from tax consolidation (IRES tax on income for the year)	(2,651)	(2,834)
IRAP for the period	-	-
Total current tax	**(2,651)**	**(2,834)**
Deferred (pre-paid) tax for IRES	398	499
Deferred (pre-paid) tax for IRAP	(233)	163
Total deferred (pre-paid) tax	**164**	**662**
Prior-years' tax	(65)	(1,150)
Utilization of provision for tax disputes	(600)	-
Total income tax	**(3,151)**	**(3,322)**

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 € 2,651 thousand, which will be paid by the consolidating entity in 2020, and used to offset the current tax profit transferred from Mondadori companies to tax consolidation.

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

(Euro/thousands)	**2019**			**2018**		
	Pre tax result	**Tax amount**	**Current tax rate**	**Pre tax result**	**Tax amount**	**Current tax rate**
Theoretical IRES tax amount	27,318	6,556	24.00%	13,886	3,333	24.00%
Theoretical IRAP tax amount	-	1,065	3.90%	-	542	3.90%
Total theoretical tax amount/rate	**27,318**	**7,622**	**27.90%**	**13,886**	**3,874**	**27.90%**
Actual IRES tax amount	27,318	(2,918)	-10.68%	13,886	(3,485)	-25.10%
Actual IRAP tax amount		(233)	-0.85%		163	1.17%
Total actual tax amount/rate	**27,318**	**(3,151)**	**-11.53%**	**13,886**	**(3,322)**	**-23.92%**
Theoretical tax amount/rate	**27,318**	**7,622**	**27.90%**	**13,886**	**3,874**	**27.90%**
Effects of dividends	1,499	360	2.59%	1,757	422	3.04%
Effects of investments	(37,098)	(8,904)	-64.12%	(27,296)	(6,551)	-47.18%
Effects of non-deductible interest expense	703	169	1.22%	1,049	252	1.81%
Redemption of goodwill Banzai Media	(2,638)	(633)	-4.56%	-	-	-
Effects of other permanent increases	824	198	1.42%	1,055	253	1.82%
Effects of different taxable amount for IRAP (collaborations, financial and extraordinary expense/ income, bad debt)	(5,410)	(1,298)	-9.35%	(1,577)	(379)	-2.73%
Effects of other permanent decreases	(2,765)	(664)	-4.78%	(4,973)	(1,193)	-8.59%
Current tax amount/rate		**(3,151)**	**-11.53%**		**(3,322)**	**-23.92%**

29. Income (expense) from discontinued operations

The balance of Income (expense) from discontinued operations is an expense of € 2,270 thousand (€ 194,339 thousand) and includes the operating impacts from the disposal of the investment in Mondadori France S.a.s., the main components of which for the two years are as follows:

Income (expense) from discontinued operations (Euro/thousands)	**2019**	**2018**
Income from equity measurement of investments	1,323	2,646
(Expense) from fair value adjustment of the investment	(437)	(34,099)
Discounting of deferred payment maturity 31 July 2021	(292)	-
Write-down of financial receivables for fair value adjustment	(2,500)	(166,029)
Transaction costs	(1,915)	-
Interest income accrued on Intercompany loan	1,551	3,143
Total income (cost) from discontinued operations	**(2,270)**	**(194,399)**

30. Commitments and contingent liabilities

The following table shows Company commitments at 31 December 2019:

(Euro/thousands)	**31/12/2019**	**31/12/2018**
Guarantees, sureties, endorsements:		
- in favour of subsidiaries	15,981	26,733
- in favour of other companies	29,625	41,528
Total	**142,361**	**136,017**

Guarantees, sureties, endorsements:

- ***in favour of subsidiaries***: € 15,981 thousand (€ 26,733 thousand) refer mainly to letters of patronage issued in favour of subsidiaries. The decrease from last year is due mainly to a letter of patronage issued in favour of SIIC de Paris on behalf of Mondadori France S.a.s., which was reclassified as sureties in favour of other companies; this is covered by a surety issued by Reworld Media S.A., acquirer of Mondadori France S.a.s.
- ***in favour of other enterprises***: € 29,625 thousand (€ 41,528 thousand) 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;
- to the Lombardy Regional Inland Revenue Office for VAT reimbursements of € 15,039 thousand;
- to other entities and companies for a total of € 12,038 thousand, of which € 9,000 thousand for the lease of the Mondadori France S.a.s. headquarters.

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

- Year 2004: the Central Division of the Lombardy Region raised a few points on 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, plus applicable ancillary expense. An appeal is pending against such assessment 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 plus applicable ancillary expense by means of a tax assessment, in relation to interest paid on a loan stock stated in 2004. An appeal is pending against such assessment before the Court of Cassation.

For the above indicated potential liabilities, while taking account of the substantial grounds of defense, the risk of a negative outcome is considered likely, covered by a specific provision for write-downs.

31. Non-recurring (income) expense

In accordance with Consob Resolution no. 15519 of 27 July 2006, the Company did not carry out non-recurring transactions in 2019, net of the provisions of par. 7 of these explanatory notes relating to IFRS 5.

32. 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 operating and financial impacts of transactions with parent companies, subsidiaries, associates and affiliates performed in 2019 and 2018.

33. Financial risk management and other information required by the application of IFRS 7 and IFRS 9

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 regard 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 net financial income, in terms of lower yield from an asset 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 prime 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 consistent with the Group risk profiles and the Group financial assets and liabilities performance from an asset and liability management perspective.

The Company's exposure to interest rate risk refers mainly to medium-long term loans, and, in particular, the pool loan granted in December 2017, and the interest rate swaps taken out to partly hedge the loan.

The following table shows 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 (expense)**	**Equity increase (decrease)**
2019	168.7	1%	(1.1)	1.8
2018	45.3	1%	0.4	2.8
2019	168.7	(0.2%)	0.2	(0.4)
2018	45.3	(0.2%)	(0.1)	(0.6)

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 2018);
- 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 and 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 2019, the type of exposure and the hedge policy adopted for exchange rate risks did not show any particular changes from 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 2018 and 2019.

Liquidity risk

Liquidity risk refers to the possibility that the Company may not be able to meet 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 overly 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 detailed information regarding current and non-current financial liabilities, reference should be made to Note 18. Financial liabilities.

At 31 December 2019, 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 31/12/2018						
	< 6 months	6-12 months	1-2 years	2-5 years	5-10 years	>10 years	Total
Trade payables	65.7	-	-	-	-	-	65.7
Medium-long term intra-group loans	-	-	-	-	-	-	-
Medium-long term third-party loans	101.1	18.3	23.9	97.4	-	-	240.8
Other financial liabilities:							
- committed lines	-	-	-	-	-	-	-
- uncommitted lines	3.7	-	-	-	-	-	3.7
Other liabilities	9.0	-	-	-	-	-	9.0
Intercompany payables	281.9	-	-	-	-	-	281.9
Total	**461.5**	**18.3**	**23.9**	**97.4**	**-**	**-**	**601.2**
Derivatives on rate risk	(0.3)	(0.2)	(0.5)	(0.6)	-	-	(1.7)
Total exposure	**461.8**	**18.5**	**24.4**	**98.1**	**-**	**-**	**602.9**

Liquidity risk (Euro/millions)	Analysis of maturity periods at 31/12/2019						
	<6 months	6-12 months	1-2 years	2-5 years	5-10 years	>10 years	Total
Trade payables	65.1	-	-	-	-	-	65.1
Medium-long term intra-group loans	-	-	-	-	-	-	-
Medium-long term third-party loans	0.7	23.2	28.7	68.5	-	-	121.0
Other financial liabilities:							
- committed lines	-	-	-	-	-	-	-
- uncommitted lines	15.5	-	-	-	-	-	15.5
Other liabilities	0.8	-	-	-	-	-	0.8
Intercompany payables	280.2	-	-	-	-	-	280.2
Total	**362.3**	**23.2**	**28.7**	**68.5**	**-**	**-**	**482.6**
Derivatives on rate risk	(0.2)	(0.2)	(0.3)	(0.2)	-	-	(1.0)
Total exposure	**362.5**	**23.4**	**29.0**	**68.7**	**-**	**-**	**483.7**

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 shown in the first column.

For the purpose of meeting liquidity requirements, the Company relies on credit lines and liquidity, as already commented on above, and 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 gain positions as a result of the possibility that the counterparty

fails to meet 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 targets, sales 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, to ensure that the amount of exposure to losses is kept low.
The table below shows 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)	**31/12/2019**	**31/12/2018**
Deposits	35.6	76.8
Securities held for trading	23.6	-
Receivables and loans:		
- trade receivables and other current financial assets	79.6	115.5
- trade receivables and other non-current financial assets	13.3	2.0
- guarantees	-	-
Total maximum exposure to credit risk	**152.2**	**194.4**

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

Credit risk concentration	**31/12/2019** (Euro/millions)	**31/12/2018** (Euro/millions)	**31/12/2019** %	**31/12/2018** %
By business area:				
Magazines (print + web)	35.9	34.8	76.6%	76.8%
Other	11.0	10.5	23.4%	23.2%
Total	**46.9**	**45.3**	**100.0%**	**100.0%**
By geographical area:				
Italy	45.8	44.5	97.6%	98.2%
Other Countries	1.1	0.8	2.2%	1.8%
Total	**46.9**	**45.3**	**100.0%**	**100.0%**

Below is a description of management criteria used for the main business segments:

Magazines (Print)

Sale and distribution in the newsstands and subscription channels is performed by the subsidiaries Press-di Distribuzione Stampa e Multimedia S.r.l. and Direct Channel S.p.A.

Regarding sales in the newsstands 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 Direct Channel S.p.A. are charged back to the Company. However, given the fragmentation of the balance receivable and the minor 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 (Print + Web)

Receivables from advertising refer to the sale of advertising space in the Company's magazines and space on its websites. Sales are managed by the associate Mediamond S.p.A., which is therefore responsible for the definition of the relevant criteria to efficiently manage and oversee such receivables.

Price risk

Price risk refers mainly to changes in the market price of equity instruments and the impairment of financial assets/liabilities as a result of changes 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.

Owing to the nature of its core business, the Company is exposed to changes in the price of paper.

Other information requested pursuant to IFRS 7 and IFRS 9

The table below summarizes financial assets and liabilities classified according to the categories defined by IFRS 9 and the relevant fair value:

Classification

(Euro/millions)	Book value						Fair value	
	Total		of which current		of which non-current			
	31/12/2019	31/12/2018	31/12/2019	31/12/2018	31/12/2019	31/12/2018	31/12/2019	31/12/2018
Financial assets classified as “held for trading” measured at fair value with changes booked to the income statement (securities)	23.6	-	23.6	-	-	-	23.6	-
Receivables and loans:								
- cash and cash equivalents	35.6	76.8	35.6	76.8	-	-	35.6	76.8
- trade receivables	4.7	4.2	4.7	4.2	-	-	4.7	4.2
- other financial assets	16.6	11.7	4.9	11.5	11.7	0.2	16.6	11.7
- receivables due from subsidiaries, associates	71.6	101.6	71.1	99.8	0.5	1.8	71.6	101.6
Available-for-sale financial assets (investments)	0.1	0.1	0.1	0.1	-	-	0.1	0.1
Cash flow hedges	-	-	-	-	-	-	-	-
Total financial assets	**152.2**	**194.4**	**140.0**	**192.5**	**12.2**	**2.0**	**152.2**	**194.4**
Financial liabilities classified as “held to collect”, measured at amortized cost or fair value with adjustments recognized in the income statement:	-	-	-	-	-	-	-	-
- trade payables	65.1	73.2	65.1	73.2	-	-	65.1	73.2
- payables to banks and other financial liabilities	131.1	236.8	38.8	122.6	92.3	114.2	136.6	241.0
- payables to subsidiaries, associates	280.2	281.9	280.2	281.9	-	-	280.2	281.9
Cash flow hedges	1.0	0.8	-	-	1.0	0.8	1.0	0.8
Total financial liabilities	**477.4**	**592.7**	**384.1**	**477.7**	**93.3**	**115.0**	**483.0**	**596.9**

The table below summarizes income and expense recognized in the income statement and attributable to financial assets and liabilities, classified according to the categories defined by IFRS 9:

Income and loss from financial instruments (Euro/millions)	**2019**	**2018**
Interest income on financial assets:		
- intercompany receivables	0.7	1.2
- other financial assets	0.6	0.2
Income from financial assets:		
- write-back of "held for trading" securities	1.0	-
Total income	**2.3**	**1.3**
Net loss on derivative instruments	0.8	0.9
Interest due on financial liabilities:		
- borrowings	2.4	3.9
- other	0.7	0.8
Losses from financial instrument impairment:		
- trade receivables	0.4	1.1
Total expense	**4.3**	**6.8**
Total	**(2.0)**	**(5.5)**

34. Fair value measurement

Some of the Company's financial assets and liabilities are measured at fair value at each balance sheet date. The table below provides information on the measurement of the abovementioned fair value:

Financial assets/liabilities (Euro/thousands)	**Fair value at 31/12/2019**	**Fair value hierarchy**	**Valuation method and main inputs**
Securities measured at fair value "held for trading"	23,591	Level 1	Stock market price at 31 December 2019, as these shares are listed on the Bourse de Paris.
Interest rate swap contracts	(994)	Level 2	Discounted cash flow Future cash 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.

35. Events after year end

With regard to events that took place after year end, reference should be made to the Directors' Report on Operations. All the forecasts in this document refer to the current scope of the Group's business: owing to the current Covid-19-related emergency, no reliable forecasts can be made at this time on the duration and on the impacts, if any, on operations and results in 2020. The current events are, however, believed not to change the Group's solid medium-long term prospects.

36. Information pursuant to Article 149-duodecies of Consob Issuer Regulation

IThe table below, prepared pursuant to Article 149-duodecies of the Consob Issuer Regulation, shows the fees paid in 2019 (net of ancillary expenses) for auditing activities and other services provided by EY S.p.A. and by other entities belonging to the same network.

(Euro/thousands)	**Entity providing the service**	**Amount in 2019**
Auditing	EY S.p.A.	424.7
Certification	EY S.p.A.[1]	33.4
Other services	Other EY network companies	30.0
Total		**488.1**

[1] Independent auditors' report on the consolidated disclosure of non-financial information

37. Proposed resolutions of the Board of Directors

The financial statements at 31 December 2019 show a profit for the year of € 28,199,749.34.

First resolution:

The Shareholders' Meeting of Arnoldo Mondadori Editore S.p.A., convened in ordinary session, having reviewed the draft financial statements for the year ended 31 December 2019, which show a profit for the year of € 28,199,749.34, the Directors' Report on Operations, and having taken note of the Statutory Auditors' Report and the Independent Auditors' Report

resolves

to approve the financial statements at 31 December 2019, including all the information and results therein contained.

Second resolution:

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

- *having reviewed the explanatory report prepared by the Board of Directors;*
- *having regard to the financial statements for the year ended 31 December 2019, approved by today's Shareholders' Meeting;*
- *having taken note of the proposed resolutions submitted;*

resolves:

- *to allocate the profit for the year of Arnoldo Mondadori Editore S.p.A. in 2019, equal to € 28,199,749.34, entirely to the extraordinary reserve, having the legal reserve already reached the statutory minimum amount, equal to one fifth of the share capital;*
- *to distribute to the Shareholders, a dividend for the unit amount of € 0.06, gross of tax, for each ordinary share (net of treasury shares) outstanding at the ex dividend date, drawing the relating amount from the distributable portion of the extraordinary reserve. The dividend will be paid, in accordance with the provisions of the "Regulations of the markets organized and managed by Borsa Italiana S.p.A.", from 10 June 2020 (payment date), with ex dividend date (coupon no. 21) on 8 June 2020 (ex date) and with the date of entitlement to payment of the dividend, pursuant to Article 83-terdecies of the TUF (record date) on 9 June 2020.*

For the Board of Directors
The Chairman
Marina Berlusconi

Annexes to the Financial Statements

ANNEX A: STATEMENT OF INVESTMENTS

Description (Euro/thousands)	Registered office	Share capital	Equity
Subsidiaries:			
AdKaora S.r.l.	Milan	15	1,179
Mondadori Retail S.p.A.	Milan	2,000	8,489
Mondadori Media S.p.A. former Mondadori International Business S.r.l.	Milan	200	2,367
Mondadori Libri S.p.A.	Milan	30,050	256,718
Direct Channel - former Press-di Abbonamenti S.p.A.	Milan	3,120	3,402
Mondadori Scienza S.p.A.	Milan	2,600	5,288
Press-di Distribuzione Stampa e Multimedia S.r.l.	Milan	275	2,796
Total			
Associates: (*)			
Monradio S.r.l.	Milan	3,030	30,370
Società Europea di Edizioni S.p.A. (*)	Milan	2,529	10,226
Attica Publications S.A. (*)	Athens	4,590	4,471
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			

(*) Figures at 31/12/2018
Note: the amounts refer to balance sheet and income statement figures, in accordance with the accounting standards adopted for the preparation of the financial statements of the individual subsidiaries

Profit (loss) 2019	Total equity	Group interest	Share of equity	Balance sheet values
1,078	2,257	100.00%	2,257	7,424
(6,904)	1,585	100.00%	1,585	(4,168)
1,560	3,927	100.00%	3,927	3,951
121,897	378,615	100.00%	378,615	388,941
1,072	4,474	100.00%	4,474	7,631
35	5,323	100.00%	5,323	8,709
(1,845)	951	100.00%	951	928
			397,132	**413,416**
(6,494)	23,876	20.00%	4,775	4,834
(9,633)	593	36.90%	219	2,000
239	4,710	41.98%	1,977	9,569
			6,971	**16,403**
-	-	16.67%	-	11
-	40	9.56%	4	1
-	5,890	7.88%	464	51
			468	**63**
			404,571	**429,882**

ANNEX B1: MAIN INDIRECT SUBSIDIARIES AND ASSOCIATES AT 31 DECEMBER 2019

Description (Amounts in currency/thousands)	**Registered office**	**Currency**	**Share Capital**	**Equity**
Subsidiaries:				
Giulio Einaudi editore S.p.A.	Turin	Euro	23,920	35,644
Mondadori Education S.p.A.	Milan	Euro	10,608	48,103
Mondadori Electa S.p.A.	Milan	Euro	1,594	7,347
Rizzoli Education S.p.A.	Milan	Euro	42,405	83,208
Total				
Associates:				
Attica group companies:				
Airlink S.A.	Athens	Euro	520	1,089
Attica Publications S.A.	Athens	Euro	4,590	15,212
Attica Media Bulgaria Ltd	Sofia	Lev	155	(849)
Attica Media Serbia Ltd	Belgrade	Euro	2,358	18
Attica-Imako Media Ltd	Bucharest	Ron	700	60
Civico Ltd	Cyprus	Usd	2	(250)
E-One S.A. (in liquidation)	Athens	Euro	339	-
Ennalaktikes Publications S.A. (in liquidation)	Athens	Euro	487	-
HRS Ltd	Athens	Euro	18	(14)
International Radio Networks Holdings S.A.	Luxembourg	Euro	473	707
International Radio Networks S.A.	Athens	Euro	380	1,243
Ionikes Publishing S.A.	Athens	Euro	1,374	(3,150)
Lampsi Publishing Radio & Radio Enterprises S.A.	Athens	Euro	3,251	1,590
Attica Media Romania Ltd (former PBR Publication Ltd)	Bucharest	Ron	1	1
Tilerama S.A.	Athens	Euro	1,467	1,590
(Attica consolidated financial statement figures) [b]	Athens	Euro	4,590	4,471
Campania Arte S.c.ar.l.	Rome	Euro	100	22
Consorzio Covar (in liquidation)	Rome	Euro	15	7
Consorzio Forma	Pisa	Euro	4	3
Edizioni EL S.r.l. [b]	Trieste	Euro	620	5,484
GD Media Service S.r.l. [b]	Peschiera Borromeo (MI)	Euro	789	1,570
Mediamond S.p.A.	Milan	Euro	2,400	3,916
Mondadori Seec (Beijing) Advertising Co. Ltd [b]	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	185
Venezia Musei Società per i servizi museali S.c.ar.l. (in liquidation)	Venice	Euro	10	(453)
Total				

[a] Exchange rates: Usd/Euro 1.20; Cny/Euro 7.80
[b] Figures at 31/12/2018

Profit (loss) 2019	Total equity	Group interest	Share of equity denominated in currency	Share of equity in euro [a]
11,887	47,531	100.00%	47,531	47,531
14,553	62,656	100.00%	62,656	62,656
7,997	15,344	100.00%	15,344	15,344
8,407	91,615	99.99%	91,606	91,606
				217,137
-	-	41.98%	-	
-	-	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%	-	-
239	4,710	41.98%	-	-
-	22	22.00%	5	5
-	7	25.00%	2	2
-	3	25.00%	1	1
1,238	6,722	50.00%	3,361	3,361
(875)	695	38.00%	264	264
46	3,962	50.00%	1,981	1,981
20,931	83,704	50.00%	41,852	4,255
-	945	25.60%	242	242
-	185	25.00%	46	46
-	(453)	34.00%	(154)	(154)
				10,003

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		% total of investment	Ownership mode
AdKaora S.r.l. (Italy)	Euro	15,000	100%	direct
Aranova Freedom Soc. Cons. ar.l. (Italy)	Euro	19,200	16.67%	indirect
Campania Arte S.c.a.r.l. in liquidation (Italy)	Euro	100,000	23.41%	indirect
Club Dab Italia Società consortile per azioni (Italy)	Euro	240,000	12.50%	indirect
Edizioni EL S.r.l. (Italy)	Euro	620,000	50%	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
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
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 Media S.p.A. (ex Mondadori International Business S.r.l.)	Euro	200,000	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
Direct Channel S.p.A. (former Press-di Abbonamenti 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 Education S.p.A. (Italy)	Euro	42,405,000	99.99%	indirect
Società Europea di Edizioni S.p.A. (Italy)	Euro	2,528,875	36.90%	direct
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)	Euro	10,000	34%	indirect
Attica Publications S.A. (Greece)	Euro	4,590,000	41.99%	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
Rizzoli International Publications Inc. (USA)	Usd	26,900,000	100%	indirect
Rizzoli Bookstore Inc. (USA)	Usd	3,498,900	100%	indirect

At 31 December 2019

Holder	% owned	Registered office	As per code from tax consolidation	Date of incorporation
Arnoldo Mondadori Editore S.p.A.	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
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	97174850152	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%	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.	44.91%	Peschiera Borromeo (MI) - Via Galileo Galilei 1	03782990158	06/05/1983
Press-di Distribuzione Stampa e Multim. S.r.l. Mach 2 Libri S.p.A.	24%	Peschiera Borromeo (MI) - Via Galileo Galilei 1	07014150960	27/04/2010
Arnoldo Mondadori Editore S.p.A.	14%			
Press-di Distribuzione Stampa e Multim. S.r.l.	20%	Milan - Via dei Martinitt 3	08730930966	18/07/2017
Direct Channel S.p.A.	17%	Milan - Via Carlo Cazzaniga 19	10463540152	02/10/1991
Arnoldo Mondadori Editore S.p.A.	50%	Milan - Via Bianca di Savoia 12	06703540960	30/07/2009
Mondadori Libri 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	1/10/2001
Arnoldo Mondadori Editore 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	2/12/2014
Arnoldo Mondadori Editore S.p.A.	20%	Milan - Via Paleocapa 3	04571350968	15/10/2004
Arnoldo Mondadori Editore S.p.A.	100%	Milan - Via Bianca di Savoia 12	08696660151	12/02/1987
Mondadori Libri S.p.A.	100%	Milan - Via Bianca di Savoia 12	03864370964	19/02/2003
Arnoldo Mondadori Editore S.p.A.	99.99%	Milan - Via Bianca di Savoia 12	05877160159	30/06/1980
Mondadori Electa S.p.A.	36.90%	Milan - Via G. Negri 4	01790590150	27/02/1974
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.	41.99%	Greece - Athens - Maroussi, 40 Kifissias Avenue		01/08/1994
Mondadori France S.a.s.	50%	France - Montrouge Cedex - 8, rue François Ory		9/12/1999
Mondadori France S.a.s.	50%	France - Montrouge Cedex - 8, rue François Ory		13/9/2011
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		30/3/2004
Direct Channel 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
Rizzoli Education S.p.A.	100%	New York - 300 Park Avenue South		
Rizzoli International Publications Inc.	100%	New York - 11133 Broadway		

RELATED PARTIES
ANNEX C1: RECEIVABLES FROM SUBSIDIARIES AND ASSOCIATES AT 31 DECEMBER 2019

Current account transactions and financial receivables (Euro/thousands)	**31/12/2019**	**31/12/2018**
Subsidiaries:		
Mondadori Media S.p.A. (former Mondadori International Business S.r.l.)	-	193
Mondadori Retail S.p.A.	28,970	33,579
Mondadori Libri S.p.A.	-	21,468
Direct Channel S.p.A. (former Press-di Abbonamenti S.p.A.)	-	1,250
Associates:		
Attica Publications S.A.	500	500
Other companies for amounts lower than € 52 thousand	-	-
Total	**29,470**	**56,990**
Percentage on item	**45.4%**	**89.8%**

Trade transactions (Euro/thousands)	**31/12/2019**	**31/12/2018**
Subsidiaries:		
AdKaora S.r.l.	34	62
Giulio Einaudi editore S.p.A.	233	321
Mondadori Education S.p.A.	1,060	1,337
Mondadori Electa S.p.A.	622	622
Mondadori Media S.p.A. (former Mondadori International Business S.r.l.)	180	246
Mondadori Libri S.p.A.	3,290	3,451
Mondadori Retail S.p.A.	2,174	1,957
Mondadori Scienza S.p.A.	601	668
Press-di Distribuzione Stampa e Multimedia S.r.l.	906	654
Direct Channel S.p.A. (former Press-di Abbonamenti S.p.A.)	580	582
Rizzoli Education S.p.A.	767	788
Mondadori France S.a.s. (*)	-	52
Mondadori Magazines France S.a.s. (*)	-	119
Associates:		
Attica Publications S.A.	24	24
Edizioni EL S.r.l.	-	4
Mediamond S.p.A.	31,354	29,803
Monradio S.r.l.	19	16
Società Europea di Edizioni S.p.A.	10	-
Parent company:		
Fininvest S.p.A.	13	-
Affiliates:		
RTI S.p.A.	47	879
Other companies for amounts lower than € 52 thousand	3	-
Total	**41,917**	**41,585**
Percentage on item	**89.5%**	**91.8%**

(*) Prior-year amounts include receivables from companies transferred in 2019

Receivables for income tax and other tax receivables (Euro/thousands)	**31/12/2019**	**31/12/2018**
Parent company:		
Fininvest S.p.A.	2,791	8,692
Total	**2,791**	**8,692**

Sundry receivables (Euro/thousands)	**31/12/2019**	**31/12/2018**
Subsidiaries:		
Direct Channel S.p.A.	23	26
Total	**23**	**26**

RELATED PARTIES ANNEX C2: INTERCOMPANY TRANSACTIONS IN 2019

Related parties (Euro/thousands)	**Revenue from sales and services**	**Other income**	**Financial income**	**Income from investments***	**Total**
Parent company:					
Fininvest S.p.A.	-	-	-	-	-
Subsidiaries:					
AdKaora S.r.l.	148	-	-	1,078	1,226
Direct Channel S.p.A. (former Press-di Abbonamenti S.p.A.)	9,518	-	-	439	9,957
Giulio Einaudi editore S.p.A.	962	-	-	-	962
Mondadori Education S.p.A.	3,762	-	-	-	3,762
Mondadori Electa S.p.A.	2,509	-	-	-	2,509
Mondadori Media S.p.A. (former Mondadori International Business S.r.l.)	761	-	-	1,583	2,344
Mondadori Libri S.p.A.	12,862	-	118	60,091	73,071
Mondadori Retail S.p.A.	7,424	-	575	-	7,999
Mondadori Scienza S.p.A.	1,588	-	-	-	1,588
Press-di Distribuzione Stampa e Multimedia S.r.l.	120,891	-	11	-	120,902
Rizzoli Education S.p.A.	2,931	-	-	-	2,931
Mondadori Magazines France S.a.s.**	288	-	-	-	
Total	**163,644**	**-**	**704**	**63,191**	**227,251**

* Income from investments in indirect subsidiaries is shown in direct subsidiaries
** Figures up to 31 July 2019, date of disposal of Mondadori France to Reworld Media S.A.

Related parties (Euro/thousands)	**Revenue from sales and services**	**Other income**	**Financial income**	**Income from investments***	**Total**
Associates:					
Attica Publications S.A.	-	-	23	-	23
Mediamond S.p.A.	60,274	-	7	-	60,281
Monradio S.r.l.	3	-	-	-	3
Stile Italia Edizioni S.r.l.	-	-	-	948	-
Total	**60,277**	**-**	**30**	**948**	**60,307**
Fininvest Group companies:					
Publitalia '80 S.p.A.	6	-	-	-	6
Radiomediaset S.p.A.	12	-	-	-	12
RTI Reti Televisive Italiane S.p.A.	10	-	-	-	10
Total	**28**	**-**	**-**	**-**	**28**
Grand total	**223,949**	**-**	**734**	**64,139**	**287,586**
Percentage on item	**98.23%**	**-**	**54.09%**	**100.00%**	**98.29%**

* Income from investments in indirect subsidiaries is shown in direct subsidiaries
** Figures up to 31 July 2019, date of disposal of Mondadori France to Reworld Media S.A.

RELATED PARTIES
ANNEX D1: PAYABLES TO PARENT COMPANY, SUBSIDIARIES, ASSOCIATES AND AFFILIATES AT 31 DECEMBER 2019

Current account transactions and financial payables (Euro/thousands)	**31/12/2019**	**31/12/2018**
Subsidiaries:		
AdKaora S.r.l.	1,885	1,511
Direct Channel S.p.A.	8,733	9,577
Giulio Einaudi editore S.p.A.	26,028	31,490
Mondadori Education S.p.A.	62,235	58,371
Mondadori Electa S.p.A.	28,633	29,218
Mondadori Media S.p.A. (former Mondadori International Business S.r.l.)	1,460	-
Mondadori Libri S.p.A.	64,538	-
Mondadori Scienza S.p.A.	10,078	10,960
Press-di Distribuzione Stampa e Multimedia S.r.l.	4,050	7,475
Rizzoli Education S.p.A.	61,316	121,124
Associates:		
Società Europea di Edizioni S.p.A.	1,776	738
Total	**270,732**	**270,464**
Percentage on item	**59.2%**	**53.4%**

Trade transactions (Euro/thousands)	**31/12/2019**	**31/12/2018**
Subsidiaries:		
Giulio Einaudi editore S.p.A.	70	35
Mondadori Education S.p.A.	17	9
Mondadori Electa S.p.A.	203	24
Mondadori Media S.p.A. (former Mondadori International Business S.r.l.)	-	65
Mondadori Libri S.p.A.	105	71
Direct Channel S.p.A. (former Press-di Abbonamenti S.p.A.)	812	686
Mondadori Retail S.p.A.	21	6
Mondadori Scienza S.p.A.	58	120
Press-di Distribuzione Stampa e Multimedia S.r.l.	1,981	1,856
Associates:		
Edizioni EL S.r.l.	27	25
Mediamond S.p.A.	3,318	4,459
Società Europea di Edizioni S.p.A.	12	146
Monradio S.r.l.	5	-
Parent company:		
Fininvest S.p.A.	14	-
Affiliates:		
RTI S.p.A.	48	825
Publitalia '80 S.p.A.	714	565
Other companies for amounts lower than € 52 thousand (*)	13	19
Total	**7,418**	**8,911**
Percentage on item	**10.3%**	**12.2%**

(*) 2019 is inclusive of IFRS 16

Other payables	**31/12/2019**	**31/12/2018**
Subsidiaries:		
Direct Channel S.p.A.	2,548	3,957
Associates:		
Mediamond	128	-
Società Europea di Edizioni S.p.A.	123	123
Total	**2,799**	**4,080**
Percentage on item	**10.7%**	**13.8%**

RELATED PARTIES
ANNEX D2: INTERCOMPANY TRANSACTIONS IN 2019

Related parties (Euro/thousands)	**Raw and ancillary, materials, consumables and goods**	**Services**	**Cost of personnel**	**Other expense**	**Financial expense**	**Expense from investments**	**Total**
Parent company:							
Fininvest S.p.A.	-	31	(13)	-	-	-	18
Subsidiaries:							
AdKaora S.r.l.	-	18	-	-	-	-	-
Direct Channel S.p.A.	-	2,292	(42)	85	-	-	2,335
Giulio Einaudi editore S.p.A.	-	68	(169)	-	-	-	(101)
Mondadori Electa S.p.A.	-	169	(265)	-	-	-	(96)
Mondadori Education S.p.A.	-	(90)	(431)	-	-	-	(521)
Mondadori France S.a.s.	-	-	-	-	-	-	-
Mondadori Media S.p.A. (former Mondadori International Business S.r.l.)	-	184	(69)	-	-	-	115
Mondadori Magazines France S.a.s.	-	-	-	-	-	-	-
Mondadori Libri S.p.A.	58	(243)	(913)	-	-	-	(1,098)
Mondadori Retail S.p.A.	(1)	(141)	(487)	38	-	6,850	6,259
Mondadori Scienza S.p.A.	(1,627)	62	(393)	-	-	289	(1,669)
Press-di Distribuzione Stampa e Multimedia S.r.l.	-	38,184	(215)	-	-	1,861	39,830
Rizzoli Education S.p.A.		(85)	-	-	-	-	(85)
Total	**(1,570)**	**40,418**	**(2,984)**	**123**	**-**	**9,000**	**44,969**

Related parties (Euro/thousands)	**Raw and ancillary, materials, consumables and goods**	**Services**	**Cost of personnel**	**Other expense**	**Financial expense**	**Expense from investments**	**Total**
Associates:							
Edizioni EL S.r.l.	-	2	-	-	-	-	2
Mach 2 Libri S.p.A.	2	-	-	-	-	-	2
Mediamond S.p.A.	2,144	740	-	228	-	-	3,112
Monradio S.r.l.	-	(6)	(1)	-	-	1,195	1,188
Società Europea di Edizioni S.p.A.	-	16	-	-	-	8,604	8,620
Total	**2,146**	**752**	**(1)**	**228**	**-**	**9,799**	**12,924**
Fininvest Group companies:							
Alba Servizi Aerotrasporti S.p.A.	-	38	-	-	-	-	38
Il Teatro Manzoni S.p.A.	-	-	(9)	-	-	-	(9)
Fininvest Gestione Servizi S.p.A.	-	10	-	-	-	-	10
Publitalia '80 S.p.A.	-	1,950	-	-	-	-	1,950
Radiomediaset S.p.A.	-	6	-	-	-	-	6
RMC Italia S.p.A.	-	1	-	-	-	-	1
RTI Reti Televisive Italiane S.p.A.	-	50	-	-	-	-	50
Sub-total	**-**	**2,055**	**(9)**	**-**	**-**	**-**	**2,046**
Other related parties:							
Confidiimpresa	-	-	-	-	-	4	4
Total	**-**	**-**	**-**	**-**	**-**	**4**	**4**
Total	**576**	**43,256**	**(3,007)**	**351**	**-**	**18,803**	**59,961**
Percentage on item	**3.09%**	**31.36%**	**4.27%**	**10.14%**	**-**	**100.00%**	**29.68%**

ANNEX E: FINANCIAL HIGHLIGHTS OF SUBSIDIARIES PREPARED ACCORDING TO IAS INTERNATIONAL ACCOUNTING STANDARDS

(Euro/thousands)	Direct Channel	Press-di Distrib. Stampa e Multimedia	Mondadori Retail
Financial year at	**31/12/2019**	**31/12/2019**	**31/12/2019**
Balance sheet			
Assets			
Intangible assets	424	256	382
Investment property	-	-	-
Property, plant and equipment	29	10	9,777
Assets from rights of use	125	63	32,436
Investments	4,140	443	-
Non-current financial assets	-	-	283
Pre-paid tax assets	332	809	4,358
Other non-current assets	-	-	27
Total non-current assets	**5,050**	**1,581**	**47,263**
Tax receivables	279	710	1,901
Other current assets	11,170	450	2,349
Inventory	-	-	52,503
Trade receivables	6,790	27,668	28,129
Securities and other current financial assets	8,733	4,050	124
Cash and cash equivalents	227	15	2,167
Total current assets	**27,199**	**32,893**	**87,173**
Assets held for sale or transferred	-	-	-
Total assets	**32,249**	**34,474**	**134,436**
Liabilities			
Share capital	3,120	275	2,000
Reserves	282	2,521	6,489
Profit (loss) for the year	1,072	(1,845)	(6,905)
Total equity	**4,474**	**951**	**1,584**
Provisions	536	765	1,949
Post-employment benefits	774	672	3,551
Non-current financial liabilities	109	43	26,437
Financial liabilities IFRS 16	-	-	-
Deferred tax liabilities	3	-	29
Other non-current liabilities	-	-	-
Total non-current liabilities	**1,422**	**1,480**	**31,966**
Income tax payables	(75)	-	-
Other current liabilities	19,077	886	9,517
Trade payables	7,232	31,134	55,506
Payables to banks and other financial liabilities	119	23	35,863
Total current liabilities	**26,353**	**32,043**	**100,886**
Assets held for sale or transferred	-	-	-
Total liabilities	**32,249**	**34,474**	**134,436**

Mondadori Media	Mondadori Scienza	Mondadori Libri	Adkaora
31/12/2019	**31/12/2019**	**31/12/2019**	**31/12/2019**
542	44	21,605	23
-	-	-	-
2	10	247	56
		270	511
-	-	221,122	-
-	-	-	-
93	91	14,540	51
-		14	19
637	**145**	**257,798**	**660**
1,301	67	2,077	-
16	165	52,225	43
-	249	30,922	-
4,000	3,669	93,034	5,090
1,460	10,393	64,539	1,892
235	-	12	
7,012	**14,543**	**242,809**	**7,025**
-	-	-	-
7,649	**14,688**	**500,607**	**7,685**
200	2,600	30,050	15
2,168	2,688	226,668	1,164
1,560	35	121,897	1,078
3,928	**5,323**	**378,615**	**2,257**
-	303	6,215	-
122	691	5,701	137
	-	-	470
-	-	199	-
95	-	441	-
-	-	-	-
217	**994**	**12,556**	**607**
209	(56)	1,895	388
362	3,882	37,998	527
2,933	4,230	67,471	3,859
-	315	2,072	47
3,504	**8,371**	**109,436**	**4,821**
-	-	-	-
7,649	**14,688**	**500,607**	**7,685**

ANNEX E: FINANCIAL HIGHLIGHTS OF SUBSIDIARIES PREPARED ACCORDING TO IAS INTERNATIONAL ACCOUNTING STANDARDS

(Euro/thousands)	Direct Channel	Press-di Distrib. Stampa e Multimedia	Mondadori Retail
Financial year at	**31/12/2019**	**31/12/2019**	**31/12/2019**
Income statement			
Revenue from sales and services	11,156	40,548	186,862
Decrease (increase) in inventory	-	-	4,920
Purchase of raw and ancillary materials, consumables and goods	66	1,120	116,028
Purchase of services	7,787	36,248	42,566
Cost of personnel	2,032	3,368	17,674
Other (income) expense	(346)	1,933	2,812
Result from investments valued at equity	-	-	-
EBITDA	**1,617**	**(2,121)**	**2,862**
Depreciation of property, plant and equipment	32	28	10,530
Amortization of intangible assets	143	9	-
EBIT	**1,442**	**(2,158)**	**(7,668)**
Financial income (expense)	(10)	(24)	(1,238)
Income (expense) from investments	-	-	-
Result before tax for the year	**1,432**	**(2,182)**	**(8,906)**
Income tax	360	(337)	(2,001)
Net result	**1,072**	**(1,845)**	**(6,905)**

	Mondadori Media	Mondadori Scienza	Mondadori Libri	Adkaora
	31/12/2019	31/12/2019	31/12/2019	31/12/2019
	5,472	18,476	177,461	9,010
	-	(164)	(1,259)	-
	2	1,611	14,057	29
	2,136	11,705	124,414	6,055
	1,051	4,775	18,968	1,299
	283	(127)	(571)	22
	-	-	-	-
	2,000	**94**	**21,852**	**1,605**
	2	7	200	71
	4	23	254	7
	1,994	**64**	**21,398**	**1,527**
	13	(11)	(260)	(17)
	-	-	107,137	-
	2,007	**53**	**128,275**	**1,510**
	447	18	6,378	432
	1,560	**35**	**121,897**	**1,078**

ANNEX F: FINANCIAL HIGHLIGHTS OF THE MAIN INDIRECT SUBSIDIARIES

(Euro/thousands)	Mondadori Electa	Mondadori Education	Giulio Einaudi editore	Rizzoli Education
Financial year at	**31/12/2019**	**31/12/2019**	**31/12/2019**	**31/12/2019**
Balance sheet				
Assets				
Intangible assets	12	32,146	11	18,188
Investment property	-	-	-	-
Property, plant and equipment	345	49	89	73
Assets from rights of use	13	53	1,181	13
Investments	59	-	1,332	22,836
Non-current financial assets	-	-	-	-
Pre-paid tax assets	5,050	2,186	4,885	10,249
Other non-current assets	1	9	-	-
Total non-current assets	**5,480**	**34,443**	**7,498**	**51,359**
Tax receivables	618	258	274	1,116
Other current assets	4,817	456	7,809	896
Inventory	5,195	7,057	4,529	12,606
Trade receivables	11,767	7,344	19,706	7,834
Securities and other current financial assets	29,377	62,235	26,028	61,320
Cash and cash equivalents	96	16	59	90
Total current assets	**51,870**	**77,366**	**58,405**	**83,862**
Assets held for sale or transferred	-	-	-	-
Total assets	**57,350**	**111,809**	**65,903**	**135,221**
Liabilities				
Share capital	1,594	10,608	23,920	42,405
Reserves	5,753	37,496	11,724	40,803
Profit (loss) for the year	7,997	14,553	11,887	8,407
Total equity	**15,344**	**62,657**	**47,531**	**91,615**
Provisions	12,236	5,666	508	4,262
Post-employment benefits	438	5,069	1,544	5,543
Non-current financial liabilities	8	36	-	3
Financial liabilities IFRS 16	-	-	800	-
Deferred tax liabilities	4	6,295	18	2,944
Other non-current liabilities	-	-	-	-
Total non-current liabilities	**12,686**	**17,066**	**2,870**	**12,752**
Income tax payables	2,541	4,271	2,849	
Other current liabilities	7,152	8,298	5,482	8,219
Trade payables	19,005	18,964	6,767	22,517
Payables to banks and other financial liabilities	622	553	1	118
Financial liabilities IFRS 16	-	-	403	-
Total current liabilities	**29,320**	**32,086**	**15,502**	**30,854**
Assets held for sale or transferred	-	-	-	-
Total liabilities	**57,350**	**111,809**	**65,903**	**135,221**

(Euro/thousands)	Mondadori Electa	Mondadori Education	Giulio Einaudi editore	Rizzoli Education
Financial year at	**31/12/2019**	**31/12/2019**	**31/12/2019**	**31/12/2019**
Income statement				
Revenue from sales and services	60,199	81,750	49,035	83,146
Decrease (increase) in inventory	(709)	135	423	(997)
Purchase of raw and ancillary materials, consumables and goods	6,456	8,040	2,908	24,631
Purchase of services	37,266	41,637	24,214	38,521
Cost of personnel	4,786	7,184	5,225	5,546
Other (income) expense	1,039	(611)	349	(447)
EBITDA	**11,361**	**25,365**	**15,916**	**15,892**
Depreciation of property, plant and equipment	157	51	457	42
Amortization of intangible assets	12	5,322	8	4,750
EBIT	**11,192**	**19,992**	**15,451**	**11,100**
Financial income (expense)	(24)	(26)	(44)	(15)
Income (expense) from investments	-	-	837	-
Result before tax for the year	**11,168**	**19,966**	**16,244**	**11,085**
Income tax	3,171	5,413	4,357	2,678
Net result	**7,997**	**14,553**	**11,887**	**8,407**

ANNEX G: FINANCIAL HIGHLIGHTS OF ASSOCIATES PREPARED ACCORDING TO IAS INTERNATIONAL ACCOUNTING STANDARDS

(Euro/thousands)	Mediamond	Monradio	Società Europea di Edizioni *	Attica Publications
Financial year at	**31/12/2019**	**31/12/2019**	**31/12/2018**	**31/12/2018**
Balance sheet				
Assets				
Share capital proceeds to be received	-	-	2,000	-
Intangible assets radio frequencies	-	-	-	-
Other intangible fixed assets	2,170	36,607	3,460	9,955
Property, plant and equipment	195	2,939	341	272
Investments	2,450	-	647	4
Non-current financial assets	-	101	-	12
Pre-paid tax assets	768	55	-	3,155
Other non-current assets	1	-	-	159
Total non-current assets	**5,584**	**39,702**	**6,448**	**13,557**
Tax receivables	6,302	-	314	-
Other current assets	3	2,789	794	2,784
Inventory	-	-	376	1,194
Trade receivables	117,164	6,981	13,072	9,614
Securities and other current financial assets	4,057	-	-	-
Cash and cash equivalents	-	1	18	4,952
Total current assets	**127,526**	**9,771**	**14,574**	**18,544**
Assets held for sale or transferred	-	-	-	-
Total assets	**133,110**	**49,473**	**21,022**	**32,101**
Liabilities				
Share capital	2,400	3,030	2,529	4,590
Reserves	1,516	27,341	7,697	(119)
Profit (loss) for the year	46	(6,494)	(9,633)	239
Total equity	**3,962**	**23,877**	**593**	**4,710**
Provisions	1,017	84	950	-
Post-employment benefits	4,001	241	2,241	-
Non-current financial liabilities	84	-	-	7,641
Deferred tax liabilities	84	7,259	-	-
Other non-current liabilities	-	-	-	5
Total non-current liabilities	**5,186**	**7,584**	**3,191**	**7,646**
Income tax payables	148	-	562	95
Other current liabilities	5,373	271	1,603	3,810
Trade payables	118,141	3,809	3,270	6,522
Payables to banks and other financial liabilities	300	13,932	11,803	9,318
Total current liabilities	**123,962**	**18,012**	**17,238**	**19,745**
Assets held for sale or transferred	-	-	-	-
Total liabilities	**133,110**	**49,473**	**21,022**	**32,101**

* Financial statements prepared according to Italian accounting standards

(Euro/thousands)	Mediamond	Monradio	Società Europea di Edizioni *	Attica Publications
Financial year at	**31/12/2019**	**31/12/2019**	**31/12/2018**	**31/12/2018**
Income statement				
Revenue from sales and services	223,926	11,163	27,542	31,222
Decrease (increase) in inventory	-	-	(21)	-
Purchase of raw and ancillary materials, consumables and goods	(2,031)	81	3,072	15,275
Purchase of services	211,916	14,020	15,220	14,073
Cost of personnel	13,350	1,056	15,273	-
Other (income) expense	390	1,985	1,898	(138)
EBITDA	**301**	**(5,979)**	**(7,900)**	**2,012**
Depreciation of property, plant and equipment	90	2,387	198	-
Amortization of intangible assets	-	-	1,046	-
EBIT	**211**	**(8,366)**	**(9,144)**	**2,012**
Financial income (expense)	(52)	(191)	(489)	(1,022)
Income (expense) from investments	-		-	(7)
Result before tax for the year	**159**	**(8,557)**	**(9,633)**	**983**
Income tax	113	(2,063)	-	744
Net result	**46**	**(6,494)**	**(9,633)**	**239**

* Financial statements prepared according to Italian accounting standards

CERTIFICATION OF THE COMPANY'S FINANCIAL STATEMENTS

CERTIFICATION OF THE COMPANY'S FINANCIAL STATEMENTS PURSUANT TO ARTICLE 81-*TER* OF CONSOB REGULATION NO. 11971 OF 14 MAY 1999 AS SUBSEQUENTLY AMENDED AND SUPPLEMENTED

1. The undersigned Ernesto Mauri, in his capacity as CEO, and Oddone Pozzi, in his capacity as Financial Reporting Manager of Arnoldo Mondadori Editore S.p.A., also in compliance with the provisions set out in Article 154-*bis*, par. 3 and 4, of Legislative Decree no. 58 of 24 February 1998, hereby certify:

   • the adequacy in relation to the Company's characteristics and
   • the effective application

   of the administrative and accounting procedures for the preparation of the Company's financial statements in 2019.

2. The assessment of the adequacy of the administrative and accounting procedures for the preparation of the Company's financial statements at 31 December 2019 was carried out based on a specific process defined by Arnoldo Mondadori Editore S.p.A. consistent 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 2019:

   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 with the provisions set out for the implementation of Article 9 of Legislative Decree no. 38/2005;

   b) correspond to the accounting books and entries;

   c) provide a true and fair view of the financial position and results of operations of the Company.

   3.2 the Report on Operations includes a reliable analysis of performance and results, of the situation of the Company and of the businesses included in the consolidation scope, along with the description of the main risks and uncertainties they are exposed to.

17 March 2020

The CEO
(Ernesto Mauri)

The Financial Reporting Manager
(Oddone Pozzi)

Anniversaries to remember
So many memorable anniversaries in 2019 for our brands and editorial series, celebrated on Instagram and Facebook showing the faces of the people who work there. From top: the whole crew from Sperling & Kupfer for the publishing house's 120th anniversary; the editorial staff of Meridiani with its amazing fifty-year olds; for the 70th anniversary, the group of colleagues from the time-honoured BUR; and the team from Gialli Mondadori, 90 years on and still looking good.

Board of Statutory Auditors' Report

STATUTORY AUDITORS' REPORT TO THE SHAREHOLDERS' MEETING CALLED TO APPROVE THE FINANCIAL STATEMENTS AT 31 DECEMBER 2019 PURSUANT TO ARTICLE 153 OF LEGISLATIVE DECREE NO. 58/1998

To the Shareholders' Meeting of Arnoldo Mondadori Editore S.p.A.

Dear Shareholders,

the Board of Statutory Auditors of Arnoldo Mondadori Editore S.p.A. (hereinafter also referred to as "the Company") presents its Report, pursuant to Article 153 of Legislative Decree 58/1998 (T.U.F.), to refer on the activities carried out.
This Board of Statutory Auditors was appointed by the Shareholders' Meeting of 24 April 2018 and its term of office expires with the Shareholders' Meeting called to approve the financial statements for the year ending 31 December 2020.
Pursuant to Legislative Decree no. 58/1998 and Legislative Decree no. 39/2010, EY S.p.A. (hereinafter referred to as the "Independent Auditors") were appointed as Independent Auditors by the Shareholders' Meeting of 17 April 2019 for the period 2019-2027, for the statutory audit of the financial statements and the consolidated financial statements and the performance of further activities pursuant to Article 14 of Legislative Decree no. 39/2010. The appointment is also in line with Regulation (EU) no. 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding the statutory audit of public-interest entities.
In the year ended 31 December 2019, the Board of Statutory Auditors carried out the controls and other supervisory activities in compliance with the relevant laws and regulations in force, as well as with the Corporate Governance Code for Listed Companies, the Rules of Conduct for the Board of Statutory Auditors of listed companies issued by the Italian Association of Public Accountants and Accounting Professionals, and the Communications issued by Consob on corporate control and the activities of the Board of Statutory Auditors. This report was drawn up in accordance with the guidelines provided by Consob itself in Communication DEM/1025564 of 6 April 2001 as subsequently amended.

The Board of Statutory Auditors met regularly in 2019, recording its supervisory activities.
The Board of Statutory Auditors also carried out a self-assessment of the independence of its members, confirming that the requirements of law and of the above Corporate Governance Code for Listed Companies had been met. It is acknowledged that no Statutory Auditor had any interest, on their own behalf or of third parties, in any transaction of the Company during the year, and that the members of the Board of Statutory Auditors met the requirements regarding the holding of multiple positions set out in Article 144-*terdecies* of the Issuer Regulation.
With this Report, also in compliance with the guidelines provided by Consob with Communication DEM/1025564 of 6 April 2001, as subsequently amended and supplemented, the Board of Statutory Auditors reports on the activities carried out in 2019 for each matter that is subject to supervision as set out in the regulations governing its tasks.

Supervision of the compliance with laws, regulations and bylaws

During 2019, the Board of Statutory Auditors met 23 times in total, again with the participation of the majority of its members. The Board of Statutory Auditors attended all the meetings of the Board of Directors in its entirety, with the exception of one meeting attended by the majority of its members.
In 2019, the Board of Statutory Auditors attended all the meetings of the Control and Risk Committee, the Remuneration and Appointments Committee, and the Committee for Related Party Transactions, either in its entirety or through the Chairman or his delegates. The Board of Statutory Auditors also periodically interacted

with the Supervisory Board, including through the Chairman of the Board of Statutory Auditors, acting also as Chairman of the Supervisory Board, and the Head of Internal Audit, who is a member of the Supervisory Board. In this context, the Board of Statutory Auditors:

- supervised the compliance with the law and the bylaws;
- carried out verifications and gathered information from the heads of the various departments, meeting periodically with senior management to exchange information on the progress of operations carried out by the Company, acquiring the information required to supervise, pursuant to art. 149 of Legislative Decree 58/1998, the compliance with the law and the bylaws, compliance with the principles of correct administration and the adequacy of the organizational structure, the internal control system, the administrative-accounting system, also in light of Article 2086 of the Italian Civil Code, as well as the implementation of corporate governance rules set out in the codes of conduct, and the adequacy of the instructions given to subsidiaries, with no observations to make. In this regard, it acknowledges that the relations with Company staff were built on mutual cooperation, respecting the respective roles and areas of responsibility, and that each body or department fulfilled the information obligations required by applicable legislation;
- supervised the procedures on the effective implementation of the Corporate Governance Code for Listed Companies adopted by the Company, and verified correct application of the assessment criteria and procedures adopted by the Board to assess the independence of Directors. The Board of Statutory Auditors also rendered a positive assessment of the criteria adopted by the Board of Directors to ascertain the continued satisfaction of the independence requirements for non-executive Directors qualified as independent, pursuant to the Corporate Governance Code and of those set forth in the TUF; it should be noted that for two directors, the Board of Directors confirmed, as for the prior year, their assessment of independence even in the absence of one of the requirements set out in the Code, i.e. the duration of office not exceeding nine years in the last 12 years, justified by the professional qualities and independent judgement shown in carrying out activities within the Board, and given also the satisfaction of all the additional requirements of independence for such directors set out in the Code;
- verified that the Report on Corporate Governance and Ownership Structure contains all the information required by Article 123-*bis* TUF, as well as other information provided in compliance with the regulations governing issuers listed on regulated markets;
- rendered its opinion in all the cases provided for by law, in particular regard to the remuneration of directors holding particular responsibilities;
- acknowledges that, in accordance with the recommendations of the joint Bank of Italy-Consob-ISVAP document no. 4 of 3 March 2010, the Impairment Test procedure governed by IAS 36 received the favourable opinion of the Control and Risk Committee on 3 February 2020 and was approved by the Board of Directors on 20 February 2020; in this regard, the Board of Statutory Auditors supervised the substantial and formal legitimacy of the impairment process;
- verified that the Report on remuneration policy and compensation paid contains all the information required by Article 123-*ter* TUF, as well as other information provided in compliance with the regulations governing issuers listed on regulated markets.

Supervision of the compliance with the principles of correct administration and of the relations with subsidiaries or other related parties

In order to supervise the compliance with the principles of correct administration, in addition to having attended, as mentioned above, all meetings of the Board of Directors and the Control and Risk Committee, the Remuneration and Appointments Committee, and the Committee for Related Party Transactions, the Board of Statutory Auditors:

- attended the Shareholders' Meeting held in both ordinary and extraordinary session;
- obtained from the Directors, with the frequency set out in Article 20 of the bylaws, the due information on the activities carried out and on transactions having a significant impact on the balance sheet, income statement and cash flows approved and carried out during the year by the Company and its subsidiaries; this information is fully presented in the Directors' Report on Operations, to which reference should be made.

Based on the information made available to the Board of Statutory Auditors, the latter may reasonably deem that the above transactions comply with the law and bylaws, and are not openly incautious, risky, or in conflict with the resolutions passed by the Shareholders' Meeting or such as to compromise the integrity of the Company's assets;

- in compliance with the recommendations of Consob Resolution DEM/1025564 of 6 April 2001, did not identify any critical issues regarding the transactions having a significant impact on the balance sheet, income statement and cash flows carried out during the year in question, including through subsidiaries, which are summarized in the draft financial statements to which it refers;
- did not identify atypical or unusual transactions with Group companies, third parties or other related parties which, due to their significance or relevance, nature of the counterparts, object of the transaction, transfer pricing method and timing of the event, may give rise to doubts as to the accuracy/completeness of the information in the financial statements, conflicts of interest, safeguarding of company assets or protection of non-controlling interests. During the year, the Company purchased 1,591,590 treasury shares;
- supervised corporate documents and market disclosures, and specifically:
  - gave its positive assessment of the compliance of the Procedures for Transactions with Related Parties adopted by the Board of Directors on 25 November 2010 with the principles indicated in Consob Regulation adopted with Resolution no. 17221 of 12 March 2010 as subsequently amended. These procedures will be subject to appropriate analysis and possible review in consideration of the issuing Consob regulations pursuant to Legislative Decree 49/2019. No significant transactions with related parties took place in 2019;
  - oversaw market disclosures, monitoring the adequacy of the relevant procedures.

Supervision of the adequacy of the organizational structure

The Board of Statutory Auditors acquired knowledge of and supervised, within the scope of its duties, the adequacy of the Company's organizational structure, pursuant also to Article 2086 of the Italian Civil Code, and the adequacy of the instructions given by the Company to its subsidiaries pursuant to Article 114, par. 2, of Legislative Decree 58/1998, through:

- the acquisition of information from the heads of the relevant departments;
- the acquisition of information on changes in the organizational structure, supervising the existence, updating and effective dissemination of company directives and procedures;
- meetings and exchange of information with the Boards of Statutory Auditors of the main subsidiaries relevant to the mutual exchange of data and information, with particular regard to the operation of corporate activities, the reliability of the internal control system and of corporate organization, significant litigation - as required by Article 151 of the TUF - and compliance with the internal procedures issued by the Parent Company. The purpose of the verifications was to obtain information and assessments on the administration and control systems of the subsidiaries, pursuant also to Article 2086 of the Italian Civil Code: the Boards of Statutory Auditors of the companies of the Group did not report any critical points worthy of mention in this regard. All the Boards of Statutory Auditors involved also expressed a positive opinion on the adequacy of the organizational, administrative and accounting system of the respective companies; there was no report of any violations of procedures qualifying as relevant or significant, nor shortfalls or inadequacies in the internal control systems; for the directly controlled foreign companies, the supervisory activity of the Board of Statutory Auditors was developed in association with Internal Audit;
- meetings with the Independent Auditors and the outcome of specific audits carried out, including on foreign subsidiaries;
- active participation in the meetings organized by the Company, the Board Committees or the Independent Directors as part of the "*Induction*" programme proposed to the members of the corporate bodies, in compliance with the Code of Conduct, in order to increase the skills and knowledge of the Company's areas of operation and to gain insights into the changes in legislation and regulations having a direct impact on the supervisory role assigned to the Board of Statutory Auditors.

As part of its supervisory activities, the Board of Statutory Auditors also reviewed and obtained information on the organizational and procedural activities carried out pursuant to Legislative Decree no. 231/2001 as subsequently amended and supplemented, and on the administrative liability of entities for the offences envisaged by such regulations; these activities are presented in the Report on Corporate Governance and Ownership Structure, to which reference should be made. The Board of Statutory Auditors in particular:

- was informed, during the meetings of the Control and Risk Committee and of the Board of Directors, of the updating of the Organization, Management and Control Model pursuant to Legislative Decree no. 231/2001, carried out in consideration of certain internal organizational changes and new regulations that took place;
- supervised the activities carried out in this area in 2019, without reporting any facts or situations to be highlighted in this Report;
- acknowledged the appointment of multi-member Supervisory Bodies in significant subsidiaries with regard to the requirements of Legislative Decree 231/2001.

Supervision of the internal control and risk management system and the administrative and accounting system

The Board of Statutory Auditors supervised the adequacy of the internal control and risk management system and of the administrative-accounting system, as well as the latter's suitability to correctly represent operations, through:

- review of the positive assessment expressed by the Board of Directors on the adequacy and effective operation of the internal control and risk management system rendered on 17 March 2020;
- periodic meetings with the Financial Reporting Manager and review of his half-year and annual reports on the administrative and accounting structure;
- periodic meetings with the Head of Internal Audit and review of the relating Reports to the Board of Directors on the internal control and risk management system;
- review of Internal Audit reports, as well as information on the outcomes of the monitoring activity on implementation of the remedial actions identified as a result of the audits;
- review of the Reports prepared as part of the Risk Management activities, aimed at representing the main risks of the Group and the related mitigation actions;
- periodic updates on the main disputes of the Company and the Group, monitoring their progress during the year;
- information received from the heads of the relevant departments;
- periodic meetings with the representatives of the Independent Auditors, who informed the Board of the audit strategy, the focus areas, the audits carried out and the relating results, as well as the main issues identified in performing the activity, also in relation to the provisions of Article 19 of Legislative Decree no. 39/2010 and art. 11 of EU Regulation no. 537/2014 as indicated in the section "*Supervision of the statutory audit process and the independence of the Independent Auditors*" of this Report;
- information reports with the Boards of Statutory Auditors of the main subsidiaries pursuant to Article 151, paragraphs 1 and 2, of Legislative Decree 58/1998;
- attendance in the proceedings of the Control and Risk Committee and, whenever the topics discussed so required, joint discussion with the Committee. The collaboration and discussion with the Control and Risk Committee, also through the organization of joint meetings on issues of common interest, was fruitful and effective and, among other things, allowed the Board of Statutory Auditors to complete the process of analysis on risk control and management, acquiring information additional to the information obtained independently through ongoing interaction with the Head of Internal Audit and the Risk Manager of the Company. The Board of Statutory Auditors, in particular, acknowledges that during the meetings of the Control and Risk Committee, the relevant verifications were made, in accordance with the provisions of the Corporate Governance Code for Listed Companies and the Committee's Regulations, which were regularly presented to the Board of Statutory Auditors in its capacity as Internal Control and Audit Committee. Specifically, the Board of Statutory Auditors supervised the adequacy and effectiveness of the internal control and risk management system, in relation to the characteristics of the Company and the risk profile assumed, the work plan prepared by the Head of Internal Audit, the adequacy of the resources assigned, as well as its organizational effectiveness and efficiency. Additionally, the Board of Statutory Auditors acknowledged that on 17 March 2020 the Control

and Risk Committee issued a favourable opinion on the annual assessment of the adequacy of the Internal Control and Risk Management System;
- assessment of the full compliance with the obligations on regulated, inside or requested information by the Supervisory Authorities;
- acknowledgement of the actions taken by the Company for the COVID-19-related health emergency, including the prompt set up of a Crisis Committee, the mitigation actions taken and indication in the Financial Report of the impossibility of making reliable forecasts on the length of the emergency and the impacts on 2020 operations and results.

Supervision of the statutory audit process and the independence of the Independent Auditors
The Independent Auditors issued the reports pursuant to Article 14 of Legislative Decree no. 39/2010, and to articles 10 and 11 of EU Regulation no. 537/2014: these reports do not contain any issues of note or explanatory comments, nor statements made pursuant to letters e) and f) of Article 14, second paragraph, of Legislative Decree no. 39/2010. The Independent Auditors identify as key points of the audit:
a) the valuation of goodwill, intangible assets with indefinite and finite useful life and investments;
b) the recognition of revenue from advertising services;
More specifically, the Board of Statutory Auditors reviewed the Independent Auditors' Report on the Financial Statements for the year ended 31 December 2019 issued, pursuant to Article 14 of Legislative Decree 39/2010 and Article 10 of EU Regulation 537/2014, on 27 March 2020, by which the Independent Auditors certified that:
- the Company's financial statements and the Group's consolidated financial statements at 31 December 2019 provide a true and fair view of the financial position and results of operations at 31 December 2019 and of cash flows for the year, in accordance with the *International Financial Reporting Standards* adopted by the European Union and the provisions issued in implementation of Article 9 of Legislative Decree no. 38/2005;
- the Directors' Report on Operations and certain specific information contained in the Report on Corporate Governance and Ownership Structure indicated in Article 123-*bis*, par. 4, of Legislative Decree no. 58/1998, are consistent with the Company's financial statements and the Group's consolidated financial statements, and have been prepared in accordance with the law;
- the opinion on the separate and consolidated financial statements expressed in the above Reports is in line with the indications in the Additional Report prepared pursuant to Article 11 of EU Regulation 537/2014.

The Board also reviewed the content of the Additional Report pursuant to Article 11 of EU Regulation 537/2014, to be sent to the Administrative Body, which contained no aspects to be highlighted in this report.
The Board of Statutory Auditors took note of the assessment by the Independent Auditors, pursuant to Article 123-*ter*, paragraph 8-*bis*, of the TUF, of the preparation by the Directors of Section Two of the "Report on remuneration policy and compensation paid".
The Board of Statutory Auditors held regular meetings with the Independent Auditors' managers, also pursuant to Article 150, par. 3, of Legislative Decree 58/1998, Article 19, par. 1, of Legislative Decree 39/2010, during which no facts or situations arose to be highlighted in this Report.
The Board of Statutory Auditors:
- verified, in a limited supervisory role on the underlying issues and processes, compliance with the obligations set out in Legislative Decree no. 254/2016 (supplemented by the 2019 Budget Law) and in particular, that the Company has drawn up the consolidated Non-Financial Statement - prepared and approved by the Administrative Body - in accordance with the provisions of articles 3 and 4 of the Decree;
- verified that the above Statement was accompanied by the Independent Auditors' Report, pursuant to Article 3, par. 10 of Legislative Decree no. 254/2016, which certified that the directors had prepared the Non-Financial Statement, included in the Directors' Report on Operations as a specific section. Under a specific assignment, on 27 March 2020 the Independent Auditors also issued a "*Limited Assurance*" certification, with no observations to make, on the conformity of the information provided in the consolidated non-financial statement with the requirements of the above Decree and with the principles, methods and procedures of preparation, as well as with Article 5 of Consob Regulation adopted by Resolution no. 20267 of 18 January 2018.

The Board of Statutory Auditors, pursuant to Article 19 of Legislative Decree no. 39/2010, as amended by Legislative Decree no. 135/2016, exchanged information on an ongoing basis with the Independent Auditors, in particular:

- supervised the adoption and monitored compliance with the Company's procedure on the granting of assignments to the Group's Independent Auditors, which envisages specific information and authorization flows and procedures on the granting of such assignments to enable the Board of Statutory Auditors to adequately carry out its supervisory activities. The overall flow of information, which the Board of Statutory Auditors deems adequate, did not identify any critical issues or anomalies that could affect the opinions expressed on the separate and consolidated financial statements of the Company;
- declares that the fees for services other than statutory audit indicated, pursuant to art. 149-*duodecies* of the Issuer Regulation, in an annex to the 2019 Annual Report, comply with the limits set out in Article 4, par. 2, of EU Regulation 537/2014.

The Independent Auditors have not been assigned tasks that are not permitted under the regulations applicable to Arnoldo Mondadori Editore S.p.A.

Taking into account the statements of independence issued by EY S.p.A. and its transparency report pursuant to Article 18 of Legislative Decree 39/2010, published on its website, as well as the assignments granted to the Independent Auditors and to companies belonging to its network by Arnoldo Mondadori Editore S.p.A. and companies of the Mondadori Group, the Board of Statutory Auditors deems there are no critical aspects regarding the independence of EY S.p.A.

Complaints pursuant to Article 2408 of the Italian Civil Code

From the date of the previous Report of the Board of Statutory Auditors up to the date of this Report, the Board of Statutory Auditors identified no omissions or reprehensible events, and confirms that no complaints were received from Shareholders pursuant to Article 2408 of the Italian Civil Code.

During the supervisory activity carried out by the Board of Statutory Auditors in the manner described above, based on the information and data acquired, there were no facts that could imply non-compliance with the law and the bylaws or such as to justify reports to the Supervisory Authority or mention in this report.

In conclusion, in light of the above, and within the scope of its duties, based on the supervisory activities carried out during the year, the Board of Statutory Auditors, pursuant to Article 153, par. 2, of the TUF, has not found any impediment that may prevent the approval of the financial statements for the year ended 31 December 2019, which closes with a profit of € 28,199,749, or of the proposed resolutions put forward by the Board of Directors.

Milan, 27 March 2020

For the Board of Statutory Auditors
the Chairman
Sara Fornasiero

INDEPENDENT AUDITOR'S REPORTS

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Independent auditors' report on the consolidated disclosure of non-financial information in accordance with Article 3, par. 10, of Legislative Decree 254/2016 and with Article 5 of CONSOB Regulation adopted with Resolution n. 20267 of January 18, 2018

(Translation from the original Italian text)

To the Board of Directors of
Arnoldo Mondadori Editore S.p.A.

We have been appointed to perform a limited assurance engagement pursuant to Article 3, paragraph 10, of Legislative Decree 30 December 2016, n. 254 (Decree) and article 5 of CONSOB Regulation adopted with Resolution 20267/2018, on the consolidated disclosure of non-financial information of Arnoldo Mondadori Editore S.p.A. and its subsidiaries (the Group) for the year ended on 31st December 2019 in accordance with article 4 of the Decree and approved by the Board of Directors on 17th March 2020 (DNF).

Responsibilities of Directors and Board of Statutory Auditors for the DNF

The Directors are responsible for the preparation of the DNF in accordance with the requirements of articles 3 and 4 of the Decree and the "Global Reporting Initiative Sustainability Reporting Standards" defined by GRI – *Global Reporting Initiative* (GRI Standards), with regards to the selection of GRI Standards, identified by them as a reporting standard.

The Directors are also responsible, within the terms provided by law, for that part of internal control that they consider necessary in order to allow the preparation of the DNF that is free from material misstatements caused by fraud or not intentional behaviors or events.

The Directors are also responsible for identifying the contents of the DNF within the matters mentioned in article 3, par. 1, of the Decree, considering the business and the characteristics of the Group and to the extent deemed necessary to ensure the understanding of the Group's business, its performance, its results and its impact.

The Directors are also responsible for defining the Group's management and organization business model, as well as with reference to the matters identified and reported in the DNF, for the policies applied by the Group and for identifying and managing the risks generated or incurred by the Group.

The Board of Statutory Auditors is responsible, within the terms provided by the law, for overseeing the compliance with the requirements of the Decree.

Auditors' independence and quality control

We are independent in accordance with the ethics and independence principles of the *Code of Ethics for Professional Accountants* issued by the *International Ethics Standards Board for Accountants*, based on fundamental principles of integrity, objectivity, professional competence and diligence, confidentiality and professional behavior. Our audit firm applies the *International Standard on Quality Control 1 (ISQC Italia 1)* and, as a result, maintains a quality control system that includes documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable laws and regulations.

EY S.p.A.
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Capitale Sociale Euro 2.525.000,00 i.v.
Iscritta alla S.O. del Registro delle Imprese presso la C.C.I.A.A. di Roma
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Consob al progressivo n. 2 delibera n.10831 del 16/7/1997

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Auditors' responsibility

It is our responsibility to express, on the basis of the procedures performed, a conclusion about the compliance of the DNF with the requirements of the Decree and of the GRI Standards, with regards to the selection of GRI Standards. Our work has been performed in accordance with the principle of *"International Standard on Assurance Engagements ISAE 3000 (Revised) - Assurance Engagements Other than Audits or Reviews of Historical Financial Information"* (*ISAE 3000 Revised*), issued by the *International Auditing and Assurance Standards Board* (IAASB) for limited assurance engagements. This principle requires the planning and execution of work in order to obtain a limited assurance that the DNF is free from material misstatements. Therefore, the extent of work performed in our examination was lower than that required for a full examination according to the ISAE 3000 Revised (reasonable assurance engagement) and, hence, it does not provide assurance that we have become aware of all significant matters and events that would be identified during a reasonable assurance engagement.

The procedures performed on the DNF were based on our professional judgment and included inquiries, primarily with company's personnel responsible for the preparation of the information included in the DNF, documents analysis, recalculations and other procedures in order to obtain evidences considered appropriate.

In particular, we have performed the following procedures:

1. analysis of the relevant matters in relation to the activities and characteristics of the Group reported in the DNF, in order to assess the reasonableness of the selection process applied in accordance with the provisions of article 3 of the Decree and considering the reporting standard applied;

2. analysis and evaluation of the criteria for identifying the consolidation area, in order to evaluate its compliance with the provisions of the Decree;

3. comparison of the economic and financial data and information included in the DNF with those included in the Group's consolidated financial statements;

4. understanding of the following aspects:
   - Group's management and organization business model, with reference to the management of the matters indicated in the article 3 of the Decree;
   - policies adopted by the Group related to the matters indicated in the article 3 of the Decree, results achieved and related key performance indicators;
   - main risks, generated or suffered related to the matters indicated in the article 3 of the Decree.

   With regard to these aspects, we obtained the documentation supporting the information contained in the DNF and performed the procedures described in item 5. a) below;

5. understanding of the processes that lead to the generation, detection and management of significant qualitative and quantitative information included in the DNF.
   In particular, we have conducted interviews and discussions with the management of Arnoldo Mondadori Editore S.p.A. and we have performed limited documentary evidence procedures, in order to collect information about the processes and procedures that support the collection, aggregation, processing and transmission of non-financial data and information to the management responsible for the preparation of the DNF.

Furthermore, for significant information, considering the Group activities and characteristics:

- at group level:
  a) with reference to the qualitative information included in the DNF, and in particular to the business model, policies implemented and main risks, we carried out inquiries and acquired supporting documentation to verify its consistency with the available evidence;
  b) with reference to quantitative information, we have performed both analytical procedures and limited assurance procedures to ascertain on a sample basis the correct aggregation of data.
- for the company Arnoldo Mondadori Editore S.p.A., that we have selected based on its activity, relevance to the consolidated performance indicators and location, we have carried out site visits during which we have had discussions with management and have obtained evidence about the appropriate application of the procedures and the calculation methods used to determine the indicators.

Conclusion

Based on the procedures performed, nothing has come to our attention that causes us to believe that the DNF of the Group for the year ended on 31st December 2019 has not been prepared, in all material aspects, in accordance with the requirements of articles 3 and 4 of the Decree and the GRI Standards, with regards to the selection of GRI Standards.

Other matters

The DNF for the years ended on 31st December 2018 and 31st December 2017, whose data are presented for comparative purposes, have been subject to limited assurance procedures by another auditor, who expressed unqualified conclusions on 27th March 2019 and 29th March 2018, respectively.

Milano, March 27, 2020

EY S.p.A.
Signed by: Luca Pellizzoni (Auditor)

This report has been translated into the English language solely for the convenience of international readers.

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Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010 and article 10 of EU Regulation n. 537/2014
(Translation from the original Italian text)

To the Shareholders of
Arnoldo Mondadori Editore S.p.A.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Mondadori Group (the Group), which comprise the consolidated balance sheet as at December 31, 2019, the consolidated income statement, the consolidated comprehensive income statement, the statement of changes in consolidated equity and the consolidated statement of cash flow for the year then ended, and explanatory notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at December 31, 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of Arnoldo Mondadori Editore S.p.A. in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matters

The consolidated financial statements of Arnoldo Mondadori Editore S.p.A. for the year ended December 31, 2018 were audited by another auditor who expressed an unmodified opinion on those statements on March 27, 2019.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We identified the following key audit matters:

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Key Audit Matter	Audit Response

Valuation of goodwill and intangible assets with indefinite and definite useful lives

Intangible assets as of December 31, 2019 are referred for Euro 192 million to goodwill, magazines, trademarks and book series, and other assets (of which Euro 170 million with an indefinite life). The Company has performed an impairment test for all the Cash Generating Units (CGUs) to which such assets are attributed.

Impairment tests are conducted by comparing CGUs carrying amount with the higher between fair value less costs of disposal and the value in use.

The impairment test process conducted by the Management is complex and is based on assumptions that include, among others: (i) the forecast of revenues and cash flows included in 2020-2022 plan approved by the Board of Directors (the Plan), and (ii) the determination of appropriate discount rate (WACC) and long-term growth rate (g rate).

For such purposes, the evaluation of uncertainties, specific to the industry in which the company operates and typical of each forecasting activity related to the estimate of revenues and cash flows expected over the period of the Plan, are particularly important. Considering the magnitude of the amounts subject to impairment, the judgment required from Management and the complexity of the assumptions used in the estimate of the recoverable amount, we determined that this matter represents a key audit matter.

Explanatory notes 6.1, 6.5 and 7 include the applicable accounting standards, the evaluation's criteria and the estimates adopted in connection with such assets. In addition, the explanatory note 12 to the balance sheet includes disclosures on intangible assets, including the related impairment test process.

Our audit procedures in response to this key audit matter included, among others:

- Understanding of the impairment process and methodology approved by the Board of Directors;
- Assessment of the compliance with applicable accounting standards for the methodology adopted by Management in the impairment test process;
- Assessment of the adequacy of CGUs perimeter and the allocation of accounting values to each CGU;
- Assessment of the key assumptions used for the Impairment test, including: (i) forecasted revenues and cash flows for the CGUs as included in the Plan, and (ii) discount rate (WACC) and long-term growth rate (g-rate).

For our procedures, we had been also supported by our expert in valuation techniques.

Lastly, we assessed the adequacy of the disclosures provided in the explanatory notes to the financial statements.

Key Audit Matter	Audit procedures performed
Revenue recognition for book sales – estimate of expected returns	
Group Revenues for 2019 book sales amounted to Euro 478 million, representing approximately 54% of total revenues, which are accounted for net of actual end expected returns, which amounted to an aggregate of Euro 116 million. The quantities of books that are expected to be returned in the years subsequent to their sales are subjected to an estimation process based on historical trends, which consider product print runs during the year and other factors that can affect the amount of returned books. We determined that the estimate of the adjustments to revenues due to expected returns represents a key audit matter considering the magnitude of the amounts involved, the discretionary component of the estimation process, and the complexity of the calculation involved considering the large number of publishers, editorial lines and distribution channels of the Group. Explanatory notes 6.18 and 7 include the applicable accounting standards, evaluation criteria for revenue recognition of book sales and the estimate of expected returns. Explanatory note 31 of the income statement includes disclosures for revenues recognized in the fiscal year.	Our audit procedures in response to this key audit matter included, among others: • Understanding of sales returns determination process implemented by the Management in order to determine estimated and actual returns; • Assessment of compliance with applicable accounting standards of the methodology used by the Management to recognize adjustments to sales revenues; • Assessment of the key assumptions impacting the estimation of expected returns, based, among others, on the characteristics of publishers, editorial lines and distribution channels; • Substantial analytical procedures and tests of detail on a sample basis in order to assess the completeness and accuracy of adjustments to revenues due to returns. Lastly, we assessed the adequacy of the information provided in the explanatory notes.

Key Audit Matter	Audit procedures performed
Revenues recognition – advertising services Revenues for 2019 advertising services recorded in the consolidated financial statements amount to Euro 76 million and represent approximately 9% of the Group's total revenues. Such revenues mainly refer to the Group's share, as publisher of periodical magazines and websites, of the sales of advertising space made by the advertising concessionaire. We determine that the recognition of revenues from the sale of advertising space is a key audit matter in consideration of the magnitude of the amounts involved and the different contractual terms applied to customers. Explanatory note 6.18 includes a description of applicable accounting standards and evaluation criteria adopted for revenue recognition. Explanatory Note 31 of the income statement includes disclosures on revenues for the fiscal year.	Our audit procedures in response to this key audit matter included, among others: • Understanding of revenues recognition process for advertising services; • Assessment of compliance of the methodology used by the Management to recognize revenues from advertising; • Test on a sample basis of sales transactions by assessing the related documentation to support the performance of the service and the recognition of the related revenues. Lastly, we assessed the adequacy of the information provided in the explanatory notes.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005, and, within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Directors are responsible for assessing the Group's ability to continue as a going concern and, when preparing the consolidated financial statements, for the appropriateness of the going concern assumption, and for appropriate disclosure thereof. The Directors prepare the consolidated financial statements on a going concern basis unless they either intend to liquidate the Parent Company Arnoldo Mondadori Editore S.p.A. or to cease operations or have no realistic alternative but to do so.

The statutory audit committee ("Collegio Sindacale") is responsible, within the terms provided by the law, for overseeing the Group's financial reporting process.

Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

- we have identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we have obtained an understanding of internal control relevant to the audit 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 Group’s internal control;
- we have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- we have concluded on the appropriateness of Directors’ use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to consider this matter in forming our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- we have evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- we have obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We have communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We have provided those charged with governance with a statement that we have complied with the ethical and independence requirements applicable in Italy, and we have communicated with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we have determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We have described these matters in our auditor's report.

Additional information pursuant to article 10 of EU Regulation n. 537/14

The shareholders of Arnoldo Mondadori Editore S.p.A., in the general meeting held on April 17, 2019 engaged us to perform the audits of the consolidated financial statements for each of the years ending December 31, 2019 to December 31, 2027.

We declare that we have not provided prohibited non-audit services, referred to article 5, par. 1, of EU Regulation n. 537/2014, and that we have remained independent of the Group in conducting the audit.

We confirm that the opinion on the consolidated financial statements included in this report is consistent with the content of the additional report to the audit committee (Collegio Sindacale) in their capacity as audit committee, prepared pursuant to article 11 of the EU Regulation n. 537/2014.

Report on compliance with other legal and regulatory requirements

Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated 27 January 2010 and of article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998

The Directors of Arnoldo Mondadori Editore S.p.A. are responsible for the preparation of the Report on Operations and of the Report on Corporate Governance and Ownership Structure of Mondadori Group as at December 31, 2019, including their consistency with the related consolidated financial statements and their compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Report on Operations and of specific information included in the Report on Corporate Governance and Ownership Structure as provided for by article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998, with the consolidated financial statements of Mondadori Group as at December 31, 2019 and on their compliance with the applicable laws and regulations, and in order to assess whether they contain material misstatements.

In our opinion, the Report on Operations and the above mentioned specific information included in the Report on Corporate Governance and Ownership Structure are consistent with the consolidated financial statements of Mondadori Group as at December 31, 2019 and comply with the applicable laws and regulations.

With reference to the statement required by art. 14, paragraph 2, subparagraph e), of Legislative Decree n. 39, dated 27 January 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

Statement pursuant to article 4 of Consob Regulation implementing Legislative Decree n. 254, dated 30 December 2016

The Directors of Arnoldo Mondadori Editore S.p.A. are responsible for the preparation of the non-financial information pursuant to Legislative Decree n. 254, dated 30 December 2016. We have verified that non-financial information have been approved by Directors.

Pursuant to article 3, paragraph 10, of Legislative Decree n. 254, dated 30 December 2016, such non-financial information are subject to a separate compliance report signed by us.

Milan, March 27, 2020

EY S.p.A.
Signed by: Luca Pellizzoni, Auditor

This report has been translated into the English language solely for the convenience of international readers.

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Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010 and article 10 of EU Regulation n. 537/2014
(Translation from the original Italian text)

To the Shareholders of
Arnoldo Mondadori Editore S.p.A.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Arnoldo Mondadori Editore S.p.A. (the Company), which comprise the balance sheet as at December 31, 2019, the income statement, the comprehensive income statement, the statement of changes in equity and the cash flow statement for the year then ended, and explanatory notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at December 31, 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matters

The financial statements of Arnoldo Mondadori Editore S.p.A. for the year ended December 31, 2018 were audited by another auditor who expressed an unmodified opinion on those statements on March 27, 2019.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We identified the following key audit matters:

Key Audit Matter	Audit procedures performed
Valuation of goodwill, intangible assets with indefinite and definite useful lives and investments	
Intangible assets as of December 31, 2019 are referred for Euro 112 million to goodwill, magazines, trademarks and other assets (of which Euro 93 million are assets with indefinite useful lives). The financial statements also include investments in subsidiaries, joint controlled entities and associates accounted for with the equity method, for Euro 434 million, value inclusive of goodwill and other intangible assets identified at the acquisition date. The Company has performed to impairment test all Cash Generating Units (CGUs) to which the above mentioned intangible assets are referred, including those related to investments. Impairment test is carried out by comparing carrying amount of CGUs, or of investments when impairment indicators are recognized, with the related recoverable amounts, defined as the higher between value in use and fair value less costs of disposal. The impairment test process conducted by the Management is complex and is based on assumptions that include, among others: (i) the forecast of revenues and cash flows included in 2020-2022 plan approved by the Board of Directors (Plan), and (ii) the determination of an appropriate discount rate (WACC) and a long-term growth rate (g rate). For such purpose, the evaluation of uncertainties, specific to the industry in which the company operates and typical of each forecasting activity related to the estimate of revenues and cash flows expected over the period of the Plan, are particularly important. Considering the magnitude of the amounts subject to impairment, the judgment required from Management and the complexity of the assumptions used in the estimate of the recoverable amount of these	Our audit procedures in response to this key audit matter have included, among others: • Understanding of the impairment process and methodology approved by the Board of Directors; • Assessment of the compliance with applicable accounting standards for the methodology adopted by Management in the impairment test process; • Assessment of the adequacy of CGUs perimeter and the allocation of accounting value to each CGU; • Assessment of the key assumptions used for the Impairment test, including: (i) forecasted revenues and cash flows for the CGUs as included in the Plan, and (ii) discount rate (WACC) and long-term growth rate (g-rate). For our procedures, we had been also supported by our expert in valuation techniques. Lastly, we assessed the adequacy of the disclosures provided in the explanatory notes to the financial statements.

assets, we determined that this matter represents a key audit matter.

Explanatory notes n.3.1, n.3.4, n.3.5 and n.4 include the applicable accounting standards, the evaluation's criteria and the estimates adopted in connection with such assets. In addition, the explanatory notes n.1 and n.4 to the balance sheet include information on intangible assets and investments, including impairment process.

Key Audit Matter	Audit procedures performed
Revenues recognition – advertising services Revenues for 2019 advertising services recorded in the financial statements amount to Euro 58 million and represent approximately 25% of the total revenues. Such revenues mainly refer to the Company's share, as publisher of periodical magazines and websites, of the sales of advertising space made by the advertising concessionaire. We determine that the recognition of such revenues is a key audit matter in consideration of the magnitude of the amounts involved and the different contractual terms applied to customers. Explanatory note n. 3.18 includes a description of applicable accounting standards and evaluation criteria adopted for revenue recognition. Explanatory note n.21 of the income statement includes disclosures on revenues for the fiscal year.	Our audit procedures in response to this key audit matter have included, among others: • Understanding of revenues recognition process for advertising services; • Assessment of compliance of the methodology used by the Management to recognize revenues from advertising; • Test on a sample basis of sales transactions by assessing the related documentation in support of the performance of the service and of the recognition of the revenues in question. Lastly, we assessed the adequacy of the information provided in the explanatory notes.

Responsibilities of Directors and Those Charged with Governance for the Financial Statements

The Directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005, and, within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Directors are responsible for assessing the Company's ability to continue as a going concern and, when preparing the financial statements, for the appropriateness of the going concern assumption, and for appropriate disclosure thereof. The Directors prepare the financial statements on a going concern basis unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The statutory audit committee ("Collegio Sindacale") is responsible, within the terms provided by the law, for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

- we have identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we have obtained an understanding of internal control relevant to the audit 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 Company's internal control;
- we have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- we have concluded on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to consider this matter in forming our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- we have evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We have communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We have provided those charged with governance with a statement that we have complied with the ethical and independence requirements applicable in Italy, and we have communicated with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we have determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We have described these matters in our auditor's report.

Additional information pursuant to article 10 of EU Regulation n. 537/14

The shareholders of Arnoldo Mondadori Editore S.p.A., in the general meeting held on April 17, 2019, engaged us to perform the audits of the financial statements for each of the years ending December 31, 2019 to December 31, 2027.

We declare that we have not provided prohibited non-audit services, referred to article 5, par. 1, of EU Regulation n. 537/2014, and that we have remained independent of the Company in conducting the audit.

We confirm that the opinion on the financial statements included in this report is consistent with the content of the additional report to the audit committee (Collegio Sindacale) in their capacity as audit committee, prepared pursuant to article 11 of the EU Regulation n. 537/2014.

Report on compliance with other legal and regulatory requirements

Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated 27 January 2010 and of article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998

The Directors of Arnoldo Mondadori Editore S.p.A. are responsible for the preparation of the Report on Operations and of the Report on Corporate Governance and Ownership Structure of Arnoldo Mondadori Editore S.p.A. as at December 31, 2019, including their consistency with the related financial statements and their compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Report on Operations and of specific information included in the Report on Corporate Governance and Ownership Structure as provided for by article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998, with the financial statements of Arnoldo Mondadori Editore S.p.A. as at December 31, 2019 and on their compliance with the applicable laws and regulations, and in order to assess whether they contain material misstatements.

In our opinion, the Report on Operations and the above mentioned specific information included in the Report on Corporate Governance and Ownership Structure are consistent with the financial statements of Arnoldo Mondadori Editore S.p.A. as at December 31, 2019 and comply with the applicable laws and regulations.

With reference to the statement required by art. 14, paragraph 2, subparagraph e), of Legislative Decree n. 39, dated 27 January 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

Statement pursuant to article 4 of Consob Regulation implementing Legislative Decree n. 254, dated 30 December 2016

The Directors of Arnoldo Mondadori Editore S.p.A. are responsible for the preparation of the non-financial information pursuant to Legislative Decree n. 254, dated 30 December 2016. We have verified that non-financial information have been approved by Directors.

Pursuant to article 3, paragraph 10, of Legislative Decree n. 254, dated 30 December 2016, such non-financial information are subject to a separate compliance report signed by us.

Milan, March 27, 2020

EY S.p.A.
Signed by: Luca Pellizzoni, Auditor

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