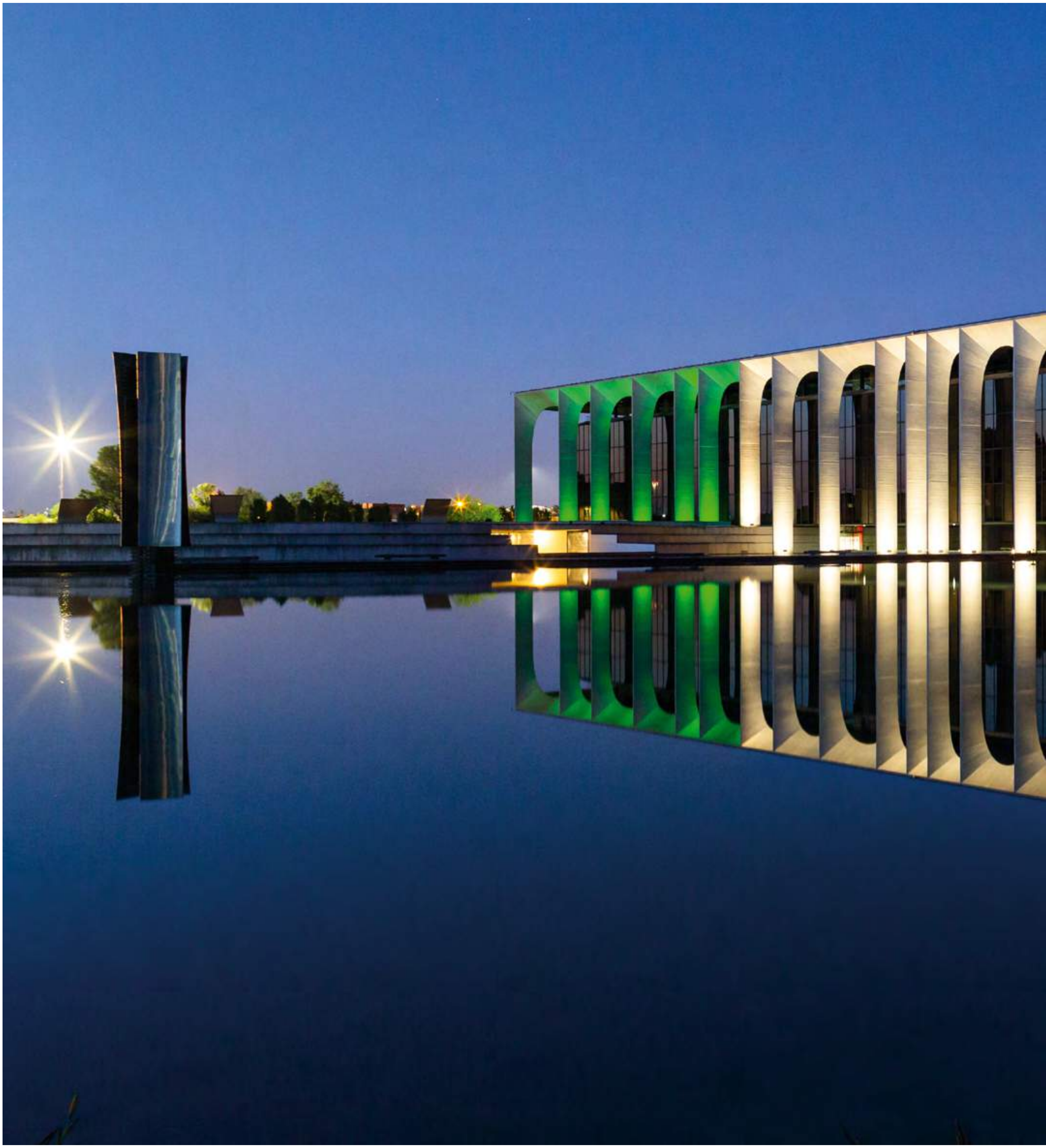
2020 ANNUAL REPORT

GRUPPO MONDADORI



The Tricolore lights up Palazzo Mondadori
In April 2020, the Mondadori Group HQ was lit up by Italy's Tricolore to share the feeling of solidarity and hope with all those fighting on the front line of the health emergency and to symbolically support our country.

ARNOLDO MONDADORI EDITORE S.p.A.

Share Capital 67.979.168,40

Registered Office in Milan
Administrative Offices in Segrate (Milan)

2020
ANNUAL
REPORT

Mondadori Group
Consolidated Financial Statements
and
Arnoldo Mondadori Editore S.p.A.
Financial Statements
at 31 December 2020

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MONDADORI GROUP CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2020

ARNOLDO MONDADORI EDITORE S.P.A. FINANCIAL STATEMENTS AT 31 DECEMBER 2020

LETTER TO STAKEHOLDERS

As the pandemic raged on, the Mondadori Group had to face in 2020 an unprecedented set of economic, social and business challenges.
In a global and national context marked by incredible suffering, which aroused feelings of solidarity and empathy in us all, our efforts focused not only on ensuring the continuity of the Company's activities and the safety of our employees and associates, but also on bringing relief where possible, morally and tangibly aiding those who were fighting on the front line, and contributing, each with their own role and function, to the recovery of the country. And in an inclusive vision of business, we also supported our own sector and supply chain with targeted actions for our suppliers and customers.
Thanks to our people, their sense of responsibility and dedication, and thanks also to the solid foundations built over the previous years, we were able to respond readily and effectively to the continuous trials that appeared and that affect our lives and our activities to this very day.
The impact of the spread of the virus and its fallout on business activities, however, have hurt our revenue, which is undeniably affected both by the restrictions imposed to contain infections and by the deterioration of our markets of operation.
On the other hand, the strategic decisions taken in the recent past and the resulting solidity of our businesses have enabled us to achieve positive results: the growing margins - higher than last year's, a further improvement in the net financial position and high cash generation show that the Group's strong fundamentals have not been undermined. The protection of profitability, in particular, is the result of the strong and timely response adopted by our Management to meet the challenges brought by the pandemic. Through cost containment, of course, but also by rescheduling activities, to increase efficiency and ensure continuity and quality of our portfolio of products and services.
While managing the emergency, we have never stopped planning; we see a future where there is no turning back to a pre-Covid world, but a future built on a new, better and more inclusive tomorrow, respectful of the environment and full of opportunities for growth for all our stakeholders.
The ability to contain the effects of the crisis triggered by the spread of the pandemic, and not simply to "move on", but setting higher and more ambitious goals, is the most valuable legacy of this year beyond belief. We will cherish it to look to the future with optimism and confidence and continue to help grow the Group in its mission to spread culture, entertainment, in-depth information with a quality, innovative and accessible offer.

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
Alessandro Franzosi***
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
*** Appointed Director, by co-optation, by resolution of the Board of Directors of 14 May 2020

MONDADORI GROUP ORGANIZATION

ARNOLDO MONDADORI EDITORE S.P.A.

Books	Retail	Magazines Italy	Other business
Mondadori Libri S.p.A. **100%**	Mondadori Retail S.p.A. **100%**	Mondadori Media S.p.A. **100%**	Società Europea di Edizioni S.p.A. **18.445%**
Giulio Einaudi editore S.p.A. **100%**		AdKaora S.r.l. **100%**	Monradio S.r.l. **20%**
Edizioni EL S.r.l. **50%**		Press-di S.r.l. **100%**	
Mondadori Education S.p.A. **100%**		Mondadori Scienza S.p.A. **100%**	
Electa S.p.A. **100%**		Direct Channel S.p.A. **100%**	
Rizzoli Education S.p.A. **99.99%**		Attica Publications S.A. **41.98%**	
Mach 2 Libri S.p.A.* **44.91%**		Mediamond S.p.A. **50%**	
		Mondadori Seec (Beijing) Advertising Co.Ltd **50%**	

Legend:

Subsidiary companies	Affiliated companies

As at 31 December 2020

* 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**
Alessandro Franzosi*	**Group Chief Financial Officer**
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	**Managing Director of Mondadori Media S.p.A.**
Andrea Santagata	**Group Chief Innovation Officer and General Manager of Mondadori Media S.p.A.**

As at 31 December 2020

* Members of the Board of Directors

OVERVIEW OF GROUP ACTIVITIES

One of the leading groups in the publishing industry, Mondadori is the **major publisher of books, a leader in the magazine area, the top multimedia publisher in digital and social media** and, thanks to an extensive network of bookstores across the country (over 550 stores), **one of the main players in the retail area**.

BOOKS

The area is managed through Mondadori Libri S.p.A., a wholly-owned subsidiary which absorbed all of the book publishing activities.
With a **24.8%** share,[1] the Group leads the Trade market, which includes: fiction, non-fiction and children's book in which it publishes, in both traditional and digital formats, under the following brands: *Mondadori, Giulio Einaudi editore, Piemme, Sperling & Kupfer, Frassinelli, Rizzoli, BUR, Fabbri Editor* and *Rizzoli Lizard*.
The Group also operates, through Mondadori Education and Rizzoli Education, in the school textbooks segment where it holds, with a **22.1%** market share at end 2020[2], a leadership position and owns a total catalogue of approximately **30** proprietary and distributed brands, with 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 of exhibitions and cultural events, managed in Italy by Electa S.p.A. (under the brands *Electa* and *Abscondita*, a Milanese publishing house acquired in December 2019) and internationally by Rizzoli International Publications (under *Rizzoli*, *Rizzoli New York*, *Rizzoli Electa* and *Universe*).

RETAIL

Through its subsidiary Mondadori Retail S.p.A., the Group manages a network of bookstores that includes over 550 points of sale spread across the country, which operates, in the physical channel, through three different formats either directly-managed or franchised: *Mondadori Megastore, Mondadori Bookstore* and *Mondadori Point*, in addition to the online sales channel (*mondadoristore.it*) and the *bookclub*.
Mondadori Retail, whose portfolio has gradually focused on the "Book" product (which accounts for over 80% of revenue), held an **11.2%**[3] market share at end 2020.

[1] GFK, December 2020 (in terms of value)
[2] ESAIE, 2020 (adopted sections)
[3] GFK, December 2020 (in terms of value)

MEDIA

Thanks to its consolidated leadership in the *women & lifestyle, food, health & wellness verticals*, in 2020 the Mondadori Group retained its position as one of the leaders in the segment and the top multimedia publisher in digital and social media, with metrics that confirm its domestic leadership: a broad and selected portfolio of brands with **21 print magazines and 14 digital properties**; **24.2%** (at December 2020) of circulation market share; 10.5 million readers per month, 66% of whom are women; a digital reach of 83.5%; 33.9 million users per month, 56% of whom are women[4]; 106 social profiles, with 36.5 million fans, 70% of whom are women[5].

Through the subsidiary Press-di Distribuzione Stampa e Multimedia, the Group distributes its own magazines as well as magazines and dailies 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.

Over the years, the portfolio of brands and magazines has lent itself to intense international exploitation, which has led to the creation of an important network of international editions, through joint venture or licensing agreements with foreign 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] Comscore, December 2020
[5] Shareablee + Tik Tok and Pinterest, at 31 December 2020

CORPORATE & SHARED SERVICES

The Corporate segment includes - besides the 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 consideration for services provided to subsidiaries and associates.

GROUP HISTORY MILESTONES

1907

LUCE!

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

1920s

GIALLI MONDADORI

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

1990s

LAUNCH OF MITI

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.

Cento Anni Mondadori
La Casa in cui siamo cresciuti

2000s

100th ANNIVERSARY

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.

2010s

MONDADORI ACQUIRES RCS LIBRI

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.

2019 - With the disposal of the subsidiary Mondadori France and a number of **non-core** Italian magazines, the process of **strategic repositioning** and focus of the Group's activities takes a further step forward.

1930s

GRAZIA

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

1940s

BIBLIOTECA MODERNA MONDADORI

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.

1950s

MONDADORI PER VOI

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

1960s

OSCAR

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.

1970s

THE NEW MONDADORI HEADQUARTERS

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

1980s

THE GROUP IS LISTED ON THE MILAN STOCK EXCHANGE

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.

2020

FOCUS ON CORE BUSINESS

Creation of **Mondadori Media S.p.A.**, a corporate unit dedicated to the business of print and digital brands. Thanks to the smart working project launched in 2019, the Group was able, in the space of a few weeks only during the lockdown imposed by the outbreak of the Covid-19 pandemic, to ensure business continuity.

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 Small Cap;
- industry specific: FTSE Italia Servizi al consumo and FTSE Italia Media.

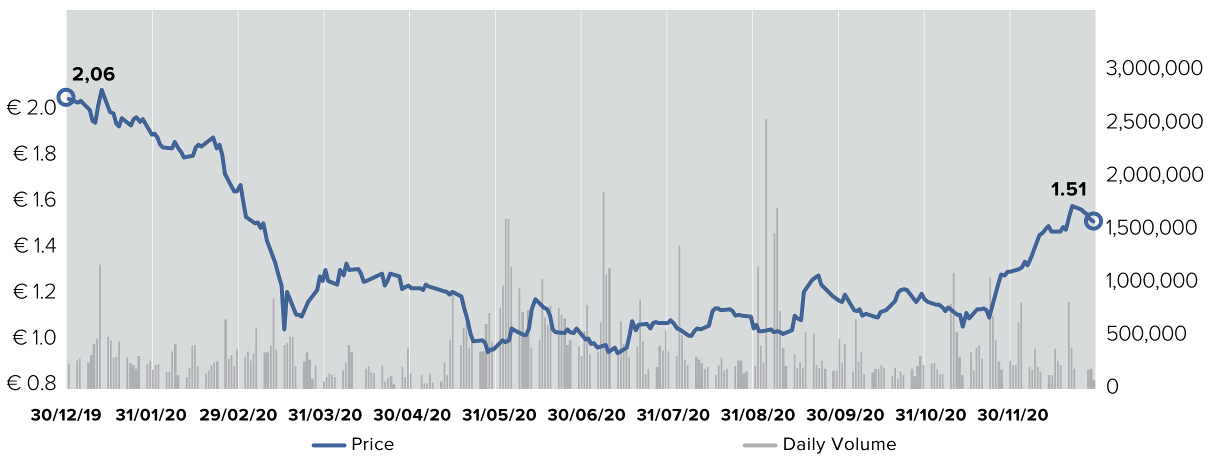
In 2020, Mondadori's share traded at an average price of **Euro 1.31** (average market capitalization approximately **Euro 343 million**), while the volume traded on the market exceeded 400,000 average shares per day. In 2020, Mondadori shares traded on the market managed by Borsa Italiana S.p.A. reached the average daily equivalent of **Euro 0.5 million** (a maximum of **Euro 3.3 million** recorded on 4 September 2020).

On 30 December 2020, the last trading day of the year, Mondadori's share recorded a closing price of **Euro 1,51**, with a market capitalization of approximately **Euro 395 million**,

Share price and share trading data	**2020**
Closing price on 30/12/2020 in Euro	1.51
Average price in Euro	1.31
High in Euro (10/01/2020)	2.100
Low in Euro (03/07/2020)	0.954
Average volume (thousands)	407,255
Maximum volume (thousands, 04/09/2020)	2,709.3
Minimum volume (thousands, 24/04/2020)	42.1
No, of ordinary shares (mn)*	261,458340
Average market capitalization in Euro millions	343.4
Market capitalization at 30/12/2020 in Euro millions	394.8

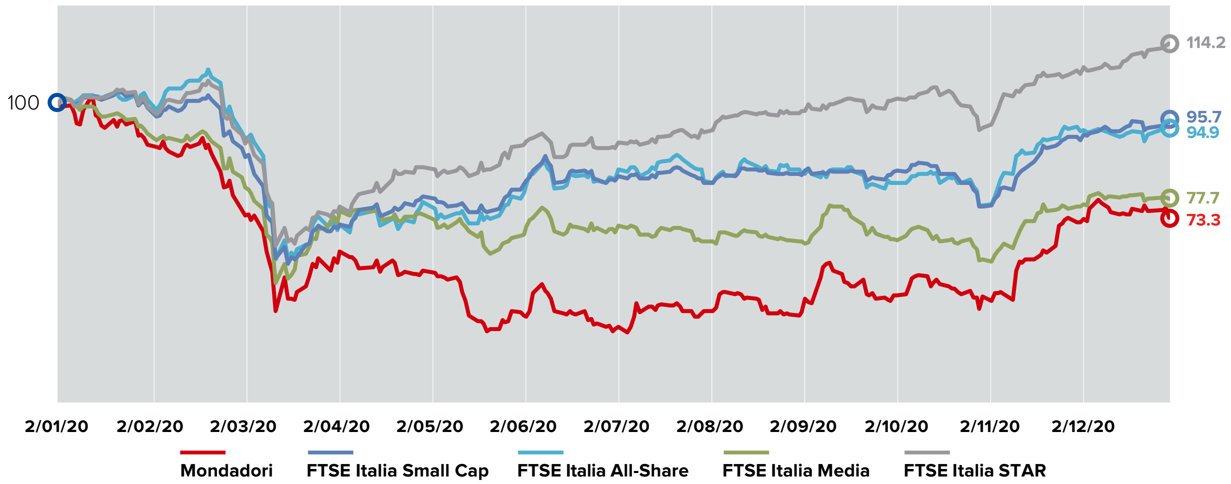
Source: FactSet
*Number of shares issued at 31 December 2020

MONDADORI SHARE PRICE PERFORMANCE IN 2020



Source: FactSet

MONDADORI SHARE PRICE PERFORMANCE AGAINST MAIN SE INDEXES IN 2020



Source: FactSet

FINANCIAL MARKETS

Mondadori's share performed poorly in 2020, with its price losing approximately **26.7%** versus end 2019; the main national stock exchange indices showed a similar negative pattern (FTSE Italia All Share **-5.6%**, FTSE Italia Small Cap **-4.6%**, FTSE Italia Media **-22.4%**), with the exception of the FTSE Italia STAR index relating to the STAR segment, which grew by approximately **14%** in 2020.

OWNERSHIP STRUCTURE

At 31 December 2020, the Company's share capital amounts to Euro 67,979,168.40, equal to 261,458,340 ordinary shares with a par value of Euro 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 31/12/2020
Fininvest S.p.A.	53.3%
Silchester International Investors Llp	12.6%

INVESTOR RELATIONS

The Mondadori Group pursues a policy of communication vis-à-vis the financial market players, hinged on the disclosure of complete, truthful 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.

In 2020, despite the difficulties arising from the pandemic period, which prevented the typical organization of roadshows and meetings with institutional investors, communication and the development of relations with shareholders, institutional investors and financial analysts continued through numerous meetings (**55** vs 46 in 2019) organized remotely (with approximately **160** institutional investors met in **8** events versus 100 in 2019), in order to ensure the Mondadori Group increasing visibility and to take full advantage of its activities. The Company's presence on the STAR segment of Borsa Italiana (transition completed in December 2016) continued to qualify Mondadori as one of the top-ranking companies listed on the Italian market, also through a corporate governance aligned with the best international standards.

A year of developments and changes
In 2020, the Mondadori Group social channels continued to chronicle the developments and changes that have affected the Company and its people. Among them: Mondadori Ragazzi's new marketing team (Arianna Caggia, Luisella Marzaroli, Fabrizio Costantini, Viola Ramolini, Elena Pistolese, top left); Nicoletta Pinoia, investor relator (top right); Annalisa Aceti, Rizzoli Education sales manager (centre left); the birth of Mondadori Media (the staff pictured centre right: Carlo Mandelli, Davide Tran, Gianluca Danesin, Daniela Cerrato, Gianluigi Piccinali, Daniela Sola, Daniele Fiasca, Pamela Carati, Maurizio Mozzali, Righel Anglois, Fabrizio Grea, Alessandra Rigolio, Andrea Santagata), the Administration, Finance and Control team (Andrea Colli, Antonella Lorusso, Francesco Corengia, bottom left); our Mondadori Retail colleagues (Tecla Palumbo, Francesco Riganti, Elena Ghio, Carmine Perna, bottom right).

Directors’ Report on Operations in 2020

MONDADORI GROUP HIGHLIGHTS IN 2020

(Euro/millions)	2020	2019	Chg.*
Mondadori Group*			
Revenue	**744.0**	**884.9**	**(140.9)**
Adjusted EBITDA	**98.1**	**110.4**	**(12.3)**
% on revenue	13.2%	12.5%	
EBITDA	**84.6**	**102.9**	**(18.3)**
% on revenue	11.4%	11.6%	
EBIT	**14.8**	**62.3**	**(47.6)**
% on revenue	2.0%	7.0%	
Group net result	**4.5**	**28.2**	**(23.7)**
Business Areas*			
Revenue	**744.0**	**884.9**	**(140.9)**
Books	422.9	478.4	(55.4)
Retail	153.7	186.9	(33.2)
Media	197.6	256.6	(59.0)
Corporate & Shared Services	45.1	38.5	6.6
Intercompany	(75.4)	(75.6)	0.2
Adjusted EBITDA	**98.1**	**110.4**	**(12.3)**
Books	87.5	94.5	(6.9)
Retail	1.3	5.0	(3.8)
Media	7.9	11.3	(3.3)
Corporate & Shared Services	(0.6)	(0.4)	(0.2)
Intercompany	1.9	0.1	1.9

Balance sheet	31/12/2020	31/12/2019	Chg.*
Group Equity	**172.4**	**170.0**	**2.4**
No IFRS 16 Net Financial Position	**(14.8)**	**(55.4)**	**40.6**
Net Financial Position IFRS 16	**(97.6)**	**(151.3)**	**53.7**
Human resources			
End-of-year headcount	**1,845**	**2,018**	**(8.6%)**

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

The year 2020 was marked - both on an economic and social level - by the negative effects of the Covid-19 health emergency and the resulting application, from March, of measures to contain the pandemic that greatly curtailed economic activities and the businesses in which Mondadori operates and is a leader[6], leading to a severe economic crisis.

Against this backdrop, the **Mondadori Group** was able, on the one hand, to benefit from the **resilience** shown by the books market, today, with its Trade and School Textbooks segments, the major business component, and, on the other, to implement, in a timely and effective manner, a series of measures aimed both at guaranteeing its employees safe working conditions - by also encouraging smart working - and at ensuring **business continuity**.

Additionally, Management launched a **drastic cost containment** plan that enabled the Group to **increase its efficiency and sustain profitability** even in a severely deteriorated environment. The measures adopted by Management included social shock absorbers, further actions to contain payroll costs, such as a freeze on pay policies, the use of holidays, a hiring freeze, significant savings on discretionary spending, such as marketing and advertising, as well as the renegotiation of lease agreements on the retail network.

More specifically, mention should be made that the **books market** in 2020 showed an **unexpected resilience** that allowed the segment, following gradual reopening of bookstores after the first lockdown, to witness a steady recovery that peaked in a growth in the fourth quarter - versus the same period of 2019 - of approximately 17%, while versus the whole year, **market growth stood at 3.3%**. A strong contribution to the buoyancy of the books market came from the development of the e-commerce channel, which saw double-digit growth during the year, and from the increased penetration of digital books (e-books and audio-books), which made for 7.4% of total segment revenue.

As far as the Group is concerned, the business unit that benefited most from the buoyancy of the books market was, of course, **Trade** which, in the second half of the year, was able to recover a large part of revenue lost during the two months of lockdown, and saw an increase in the contribution to its profitability from the growth in e-book sales.

As regards **Retail**, the positive effects of the upswing in the books market were partly offset by the fact that, even after the end of the first lockdown, the area continued to be subject to restrictive measures that severely limited its operations throughout the year. Mention should be made, in fact, that measures aimed at limiting the number of visitors to stores remained in force throughout the year, and that, starting from the fourth quarter, closures were imposed on public holidays, pre-holidays and weekends for points of sale located in shopping centres, which affected in particular the activities of megastores and directly-managed stores. Franchised outlets showed greater resilience, as

[6] From 12 March up to the end of April, the adoption of government measures to contain the pandemic led to the closure of bookstores throughout Italy, with the resulting suspension of most of the activities related to the Group's Retail business. Parallel to that and over the same period, the Trade business had to tackle the shutdown of the physical channel for the marketing of its products and, consequently, could only rely on the online channel for the sale of books which, moreover, had to apply restrictions to the delivery of books arising from the need to prioritize the distribution of staple goods.
The emergency measures also led to the closure of museum sites, archaeological parks and relating bookstores across all Italian regions, with the resulting interruption of the Group's activities for managing museums and cultural heritage.
Lastly, the Media business too recorded declines following closure of part of the newsstands in Italy and the reduction of advertising investments

their small size and location in smaller populated areas helped shield them, at least in part, from the above restrictions and from the competition of online sales platforms (Amazon in particular), which saw their market share grow dramatically.

In this regard, it should be noted that, as a partial offsetting for the loss of revenue from the physical channel caused by the Covid-related restrictions on business, the Retail business unit saw its **online platform achieve strong sales growth** and a positive operating profitability.

School textbooks, on the other hand, saw the health emergency situation significantly affect the way in which the adoption campaign is run by its sales units: the closure of schools made it extremely difficult to approach the teaching staff to whom new publications can be proposed in order to promote adoption. An atypical adoption campaign run "remotely" or, at any rate, with limited access to the teaching staff, coupled with often poorly-timed school guidelines, limited adoption changes compared to the past. As is generally known, the reduction in adoption rates fuels the second-hand market and, therefore, affects the ratio of adoptions to sold items and, as a result, the dynamics of revenue, which fell by 7% at market level.

In this context, the Group's school textbooks activities managed to **increase their market share to 22.1% and further increase their profitability** thanks to a careful cost-cutting policy.

Conversely, the reopening procedures of museum and archaeological sites (restrictions on access, distancing, sanitation obligations) and the decline of tourist flows have represented **a major obstacle for the museum business** to see a similar recovery capable of offsetting (even if only partly) the reduction in activities witnessed during the lockdown phase. In the last quarter of the year, however, museum activities were able to benefit from the relief measures[7] which almost offset, at the margin level, the effects of the closures of archaeological sites and the suspension of exhibitions, and generally speaking, the measures to contain the contagion.

The **magazines publishing segment** witnessed unprecedented **market downturns**: advertising in the print area fell by 37%, circulation revenue by 12% and add-on sales by 18%. **Digital advertising** partly bucked the trend after an approximately 16% drop in the first half of the year, with a steady recovery that peaked in the last quarter of the year with a 12% growth versus the same period of the prior year, ending the entire year with a -0.8% change versus 2019.

Against this highly negative backdrop, the Group's **Media business unit** stood out for its Management's ability to react readily to a trend in revenue that was quite similar to the market's, with drastic actions taken on structural costs that brought, despite the loss in revenue of Euro 42 million (on a like-for-like basis), an operating profit (adjusted EBITDA) of Euro 7.9 million, i.e. only Euro 3.3 million less than the prior year.

[7] Pursuant to Decree M.D. 521 16/11/2020 "further allocation of a portion of the emergency fund for companies and cultural institutions", intended to provide relief to art exhibition operators

In conclusion, taking account of the crisis scenario, both in health and economic terms, surrounding the Group, the **results for the year are truly outstanding** and significantly **higher than the indications and forecasts** gradually disclosed to the market:

- **revenue** amounted to Euro **744** million, down by approximately 16% versus 2019, or 14.3% on a like-for-like basis, recovering strongly versus the first half of the year, despite the failed restart of the Group's activities that gravitate around the management of museums, exhibitions and cultural assets;
- **adjusted EBITDA** (including the IFRS 16 effect), amounting to Euro **98.1** million versus Euro **110.4** million of the prior year, reflects a **margin of more than 13% -** versus the forecast 12% - thanks to the positive effects of the cost-cutting measures adopted by the Group and the relief received by the museum area following closure of archaeological sites and the suspension of exhibitions;
- **cash flow from ordinary operations** amounted to Euro **51.2** million**,** up versus Euro 48.4 million in 2019 (continuing operations), due also to the relief received, confirming the **ability of the business to steadily generate cash, even in a highly deteriorated context**;
- **net financial debt (no IFRS 16)** amounted to Euro **-14.8** million, down by more than 70% versus Euro **-55.4** million at 31 December 2019. Including the effects of the application of IFRS 16, net debt stands at Euro **-97.6** million.

Additionally, in the year the Group continued its strategy of **disposing of non-core assets**, leading in the fourth quarter to the sale of the remaining 25% stake in Stile Italia Edizioni (Media area) and of 13.1% of the share capital of Reworld Media (from the initial 16.3% stake). On 15 February 2021, the investment was entirely sold.

COVID-19 FOCUS

Since 23 February 2020, the Group has taken immediate action to both implement all the preventive measures required to protect the health of its employees and associates, in accordance with the provisions of the Ministry of Health and in conjunction with the company health officer, and curb the impact of the health emergency on the operations and performance of the business areas.
These actions have been integrated by constantly monitoring the situation and providing updates on developments, also in order to guarantee the entire company population real-time access to information deemed essential for working safely.

Specifically, the Mondadori Group:

i. set up a cross-functional **Crisis Committee**, including workers' representatives, tasked with putting forward the necessary urgent measures and coordinating actions, taking account of the specific nature of each company area, and monitoring the application of the rules of the regulatory protocols;
ii. promptly encouraged the use of **smart working**, enabling over 80% workers to do so, with a physical presence only of staff tasked with monitoring the sites;
iii. published and made available to the entire company population a **Company Anti-Contagion Protocol**, containing the principles and rules adopted and to adopt;
iv. fitted itself with the necessary personal and corporate **protective equipment**, distributed face masks and sanitizers to the company population, installed 700 partition panels, thermo-scanners at all entrances for the detection of body temperature and spray dispensers inside the premises. It also took steps to sanitize the workplace in coordination with the company health officer, the relevant authorities, Safety Managers and Workers' Trade Union Representatives;

v. provided the entire company population with the possibility of **rapid diagnostic screening** (antigenic swabs), in addition to traditional diagnostic tools for a total of **over 2,550** serological tests and molecular and rapid swabs;
vi. launched a **new Intranet platform** accessible from all devices, which has allowed employees and associates to engage seamlessly with the company even remotely;
vii. carried out, through workshops and online webinars, **training** on how to behave in order to carry out remote activities safely;
viii. introduced **new services for employees and associates**, including an "always on" website dedicated to the issues of the epidemic with all the necessary information, an email address with dedicated support service to submit specific questions and requests, and psychological counseling desks both online and within the company;
ix. offered employees the possibility of taking advantage, during the period of social distancing, of a series of initiatives launched by the Group's publishing houses, bookstores and brands, including a year's free digital subscription to the Group's magazines and a temporary service that allows employees to purchase books from their home at the same conditions applied by the company bookstore;
x. assessed the adequacy of the measures taken and their compliance with the principles of the **privacy** law.

With regard to the measures implemented, **disclosure** was provided to the corporate control bodies and Internal Committees, also in order to receive guidance on the strategies to adopt, both in the initial phase of the health emergency and later.

It should be noted that the Group started an analysis of the organization models and processes to make the most of the current experiences and use them to gain ongoing benefits in terms of efficiency of a number of adopted and planned solutions (e.g. digitization, computerization and smart working most of all); the experience gained during the various lockdown periods enabled Mondadori to experiment with a new approach to work, accelerating a gradual process of introducing agile working in the company.

The Mondadori Group's school textbook publishing houses also made their constantly-updated digital assets available free of charge to teachers and students in support of the entire school system in Italy, which found itself having to intermittently deal with distance learning for the first time ever; in the frame of integrated digital teaching, the publishing houses in fact participated in the digital solidarity initiative launched by the Ministry for Technological Innovation and Digitization to provide tangible support to children and their families in managing distance learning.

On top of these actions, the Group also adopted a series of measures to contain the impact on results from the health emergency (and its containment measures) and safeguard its operating and financial profile, specifically, it:

i. took steps to **contain and cut operating and structural costs**, including through the rescheduling of advertising expenditure, the renegotiation of contracts and the review of tariffs, with overall savings estimated at **approximately Euro 26 million** for the whole year;

ii. implemented actions to reduce payroll costs by **approximately** Euro **22** million for the full year versus 2019 (or Euro 15 million on a like-for-like basis), through (i) **the use of outstanding holidays and resort to social shock absorbers,** (ii) **the reduction of Management's variable remuneration** for 2020 and, lastly, (iii) **the suspension of pay and hiring policies**;
iii. placed particular emphasis on optimizing the **Group's working capital** (with specific actions on customers and suppliers);
iv. implemented a policy of **deferred payments** in favour of the book chains, independent and franchised bookstores of the Retail area, aimed at safeguarding the strength of the distribution channels and **supporting the chain** in the Group's area of operation.

Additionally, for the different business activities:

- in the **Trade** area, the editorial programmes were reshaped, with a plan to phase out "minor" titles and to postpone those with greater commercial potential to the last quarter of the year;
- in the **Educational** area, actions were taken to curb or eliminate the costs related to the stoppage and canceling of museum and archaeological park activities;
- in the **Media** area, a strict policy was adopted to reduce the production costs of the Group's various magazines, also by merging and re-calendaring the issues of various titles including *Grazia* and *Icon*, as well as reducing the number of pages;
- in the **Retail** area, a plan was implemented to reduce the overheads of the points of sale, to rationalize the units and to streamline the portfolio of points of sale, which envisaged the opening of new locations and the closure of the more marginal ones.

As a result of the strong discontinuity in the relevant markets of the magazines business, which accelerated the downturn in both advertising and circulation revenue, the need arose to prudentially realign the value of assets in the Media area, based on the results of the impairment test. This significant (and extraordinary) **write-down, amounting to Euro 26.5 million**, impacted, in particular, on the achievement of a Group net result in 2020 that ended much lower than the prior year.

MAIN KPIS AND MARKET SHARES OF MONDADORI BUSINESSES

- In the **Trade Books** area, after the decline witnessed in the first half of the year caused by the health emergency and the closure of bookstores during the first lockdown period (-10.1%), the market reported a strong growth in the second half (**+13.5%**), resulting in an annual increase of **+3.3%**. The Group retained its leadership position with a **24.8%** market share and **10 books appearing in the top 20 bestselling titles** of the year.
- In the **school textbooks** market, Mondadori retained its strong position of the overall market, with a **22.1%** share on the rise, adoptions-wise.
- In the **Retail** area, Books segment (which accounted for more than **80%** of revenue), Mondadori's market share stood at **11.2%,** down versus the prior year, as the Group was only able to operate, during lockdown periods, through the online channel.

- In the **Media** area**,** the Mondadori Group in 2020 retained its position as **Italy's top multimedia publisher**:
- in **print** with a market share above **24.2%**[8] (10.2 million readers, of whom 6.8 million women)[9];
- on the **web** with an 83.5% reach in December (approximately **34 million unique users** in December 2020[10]);
- in **social media** with an aggregate fan base of 36.5 million and 106 profiles[11].

[8] Press-di, figures in terms of cover value, newsstands and subscriptions channels
[9] Audipress 2020 /III
[10] Comscore, December 2020
[11] Comscore, December 2020

2020 CONSOLIDATED FINANCIAL HIGHLIGHTS

(Euro/millions)	2020		2019		% chg.
Revenue	**744.0**		**884.9**		**(15.9%)**
Industrial product cost	225.3	30.3%	279.4	31.6%	(19.4%)
Variable product costs	112.7	15.1%	115.5	13.1%	(2.5%)
Other variable costs	144.9	19.5%	168.8	19.1%	(14.2%)
Structural costs	49.7	6.7%	60.1	6.8%	(17.3%)
Extended labour cost	131.3	17.6%	153.2	17.3%	(14.3%)
Other expense (income)	(18.0)	(2.4%)	(2.6)	(0.3%)	n.s.
Adjusted EBITDA	**98.1**	**13.2%**	**110.4**	**12.5%**	**(11.2%)**
Restructuring costs	8.9	1.2%	6.4	0.7%	39.0%
Extraordinary expense (income)	4.6	0.6%	1.1	0.1%	299.9%
EBITDA	**84.6**	**11.4%**	**102.9**	**11.6%**	**(17.7%)**
Amortization and depreciation	26.8	3.6%	22.4	2.5%	19.9%
Impairment and write-downs	28.6	3.8%	3.6	0.4%	n.s.
Amortization and depreciation IFRS 16	14.4	1.9%	14.6	1.7%	(1.6%)
EBIT	**14.8**	**2.0%**	**62.3**	**7.0%**	**(76.2%)**
Financial expense (income)	4.1	0.5%	2.2	0.2%	87.6%
Financial expense IFRS 16	2.5	0.3%	2.4	0.3%	5.2%
Financial expense (income) from securities valuation	(0.6)	(0.1%)	(1.0)	(0.1%)	n.s.
Expense (income) from investments	7.3	1.0%	8.1	0.9%	(10.7%)
EBT	**1.5**	**0.2%**	**50.6**	**5.7%**	**(96.9%)**
Tax expense (income)	(3.0)	(0.4%)	18.6	2.1%	n.s.
Result from continuing operations	**4.5**	**0.6%**	**32.0**	**3.6%**	**(85.9%)**
Result from discontinued or discontinuing operations	0.0	0.0%	2.6	0.3%	(100.0%)
Net result for the period (group and non-controlling interests)	**4.5**	**0.6%**	**29.4**	**3.3%**	**(84.7%)**
Minorities	0.0	0.0%	1.2	0.1%	(99.9%)
Group net result	**4.5**	**0.6%**	**28.2**	**3.2%**	**(84.0%)**

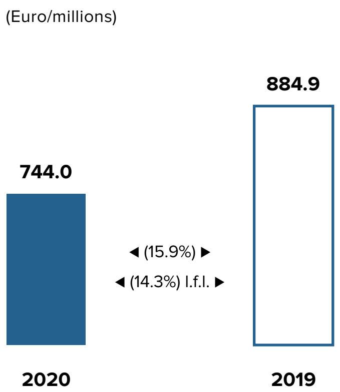
Cost of personnel includes costs for collaborations and temporary employment

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 2020 amounted to E**uro 744.0** million, down by 15.9% versus Euro 884.9 million in the prior year.

Net of the change in the scope of consolidation of the Media area from the disposal of the titles and websites of *Sale&Pepe*, *Cucina Moderna*, *Starbene*, *Tu Style* and *Confidenze*, **revenue fell by approximately 14%, due mostly to the effects of Covid-19**.

In the **Books** area, revenue fell by approximately **12%**, due mainly to the sharp drop in activities gravitating around the management of museums and cultural heritage, while the **Retail** area dropped by 17.7%, attributable mostly to the suspension of bookstore sales activities throughout the country during the first lockdown period and the restrictive measures imposed on weekends in the fourth quarter of the year.

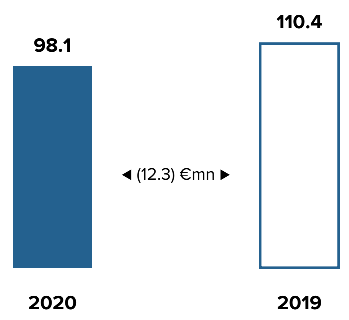
In the **Media** area, on a like-for-like basis, revenue was down by **17.5%**, while showing however a steady trend versus 2019 in advertising sales of digital activities (+0.3%).

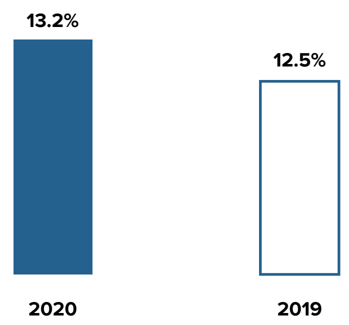
Revenue by Business Area (Euro/millions)	**2020**	**2019**	**% chg.**
Books	422.9	478.4	(11.6%)
Retail	153.7	186.9	(17.7%)
Media	197.6	256.6	(23.0%)
Corporate & Shared Services	45.1	38.5	17.1%
Total aggregate revenue	**819.4**	**960.4**	**(14.7%)**
Intercompany	(75.4)	(75.6)	n.s.
Total consolidated revenue	**744.0**	**884.9**	**(15.9%)**

Revenue by geographical area (Euro/millions)	**2020**	**2019**	**% chg.**
Italy	676.5	817.9	(17.3%)
Other EU countries	23.7	22.2	7.1%
Other extra EU countries	43.8	44.8	(2.3%)
Total consolidated revenue	**744.0**	**884.9**	**(15.9%)**

EBITDA

(Euro/millions)





Adjusted EBITDA in 2020 amounted to Euro **98.1** million, down by Euro 12.3 million versus 2019 (Euro 110.4 million); **this performance reflects both the significant effects of the quick response and countermeasures implemented by the Group to tackle the consequences of Covid-19** - which enabled it to **curb operating and structural costs by approximately Euro 48 million** - **and the relief acknowledged to Electa** for the exhibitions suspended, cancelled or postponed due to the pandemic.

More specifically, the various business segments achieved the following results:

- the **Books** area fell by Euro **7** million, due primarily to the drop in revenue from the Trade area and a reduction in activities linked to the management of museums and cultural heritage, which was not fully offset by the relief accounted for during the year (approximately Euro 8 million, net of certain provisions);

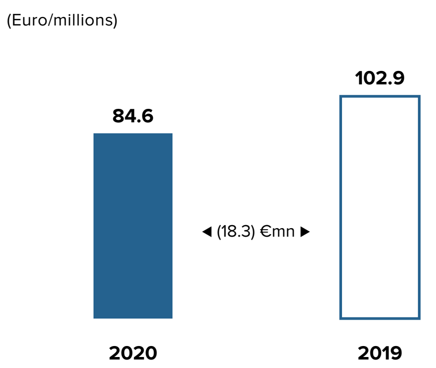
- the **Retail** area curbed the drop to Euro **3.8** million, despite the sharp reduction in revenue from the closure of points of sale imposed by the Authorities for two months during the first lockdown and the resulting restrictive measures that affected the business unit's operations;

- the **Media** area fell by only Euro **3.3** million, despite the lower revenue of approximately Euro 42 million on a like-for-like basis, thanks to the effective measures taken by management through drastic **measures to contain structural costs** and to the **rebound of digital advertising sales**.

With regard to the Group as a whole, special mention should be made of the **profitability percentage,** amounting to **13.2% versus 12.5%** recorded in the prior year, proof of the **effectiveness of the operational efforts** made by the Group; this percentage is equal to **12.1%**, net of the relief measures to museum activities.

EBITDA amounted to Euro **84.6** million versus Euro 102.9 million in the prior year, down by approximately Euro 18 million, due to the above dynamics and to higher negative non-ordinary items for a total of Euro 6 million: specifically, in 2020 restructuring costs amounted to Euro 8.9 million (Euro +2.5 million versus 2019), while extraordinary expense amounted to Euro 4.6 million (up by Euro 3.4 million versus 2019), due mainly to a provision of Euro 1.6 million related to the closure of an IMU tax dispute for the years 2013-2019.

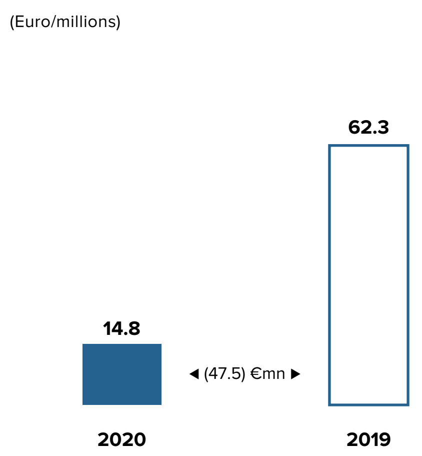
Adjusted EBITDA by Business Area (Euro/millions)	**2020**	**2019**	**Chg.**
Books	87.5	94.5	(6.9)
Retail	1.3	5.0	(3.8)
Media	7.9	11.3	(3.3)
Corporate & Shared Services	(0.6)	(0.4)	(0.2)
Intercompany	1.9	0.1	1.9
Total adjusted EBITDA	**98.1**	**110.4**	**(12.3)**
EBITDA margin %	**13.2%**	**12.5%**	



With regard to the Group as a whole, special mention should be made of the **profitability percentage**, amounting to **13.2% versus 12.5%** recorded in the prior year, proof of the **effectiveness of the operational efforts** made by the Group; this percentage is equal to **12.1%**, net of the relief measures to museum activities.

EBITDA by Business Area (Euro/millions)	**2020**	**2019**	**Chg.**
Books	84.8	94.0	(9.3)
Retail	(2.7)	2.9	(5.6)
Media	3.7	9.4	(5.6)
Corporate & Shared Services	(3.1)	(3.4)	0.4
Intercompany	2.0	0.1	1.9
Total EBITDA	**84.6**	**102.9**	**(18.3)**

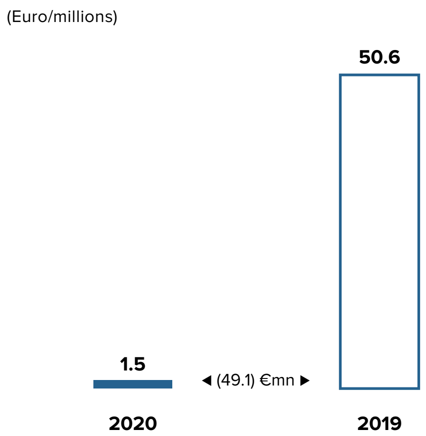
EBIT



EBIT in 2020 amounted to Euro **14.8** million, down by approximately Euro 48 million versus 2019, due to higher **amortization, depreciation and write-downs** for a total of **approximately Euro 30 million**: mention should be made of the start of the amortization process and concurrent write-down of the title *TV Sorrisi e Canzoni* (Euro 3.5 million), of other brands and of goodwill for a total of Euro 26.5 million; the write-off, resulting from the impairment test, was required to realign the amount of the Media area assets, as a result of the strong discontinuity reported in 2020 by the relevant markets, which accelerated the downward trends of both advertising sales, relating in particular to traditional print activities, and circulation revenue.

EBIT by Business Area (Euro/millions)	**2020**	**2019**	**Chg.**
Books	69.4	81.4	(12.0)
Retail	(13.0)	(7.7)	(5.3)
Media	(30.6)	1.1	(31.7)
Corporate & Shared Services	(13.0)	(12.6)	(0.4)
Intercompany	2.0	0.1	1.9
Total EBIT	**14.8**	**62.3**	**(47.5)**

CONSOLIDATED RESULT BEFORE TAX



Consolidated profit before tax in 2020 came to Euro **1.5** million versus Euro **50.6** million in 2019.

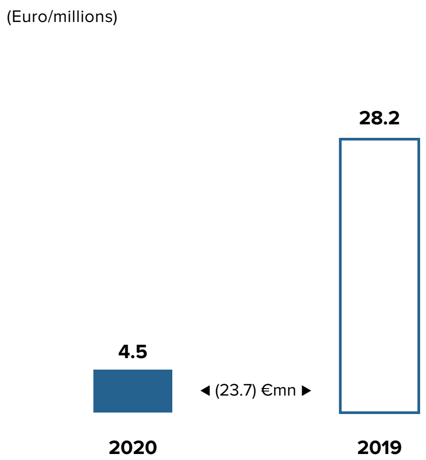
In addition to the above, the drop was affected also by the greater financial expense (from Euro **2.2** million to Euro **4.1** million excluding the effects of the application of IFRS 16) from the recognition of two positive components in 2019:

- a gain from the adjustment of the amortized cost pursuant to IFRS 9;
- a substitute tax refund.

The adjustment of the amount of the remaining investment in **Reworld Media** to the stock market price at 31 December 2020 (Euro 3.17 versus Euro 2.75 at 31 December 2019), together with the sale of the company's shares in the fourth quarter of the year, resulted in the recognition of a **capital gain** of Euro **0.6 million**.

The **result of the associates** (consolidated at equity) came to a negative Euro **7.3** million, **improving** however versus 2019, thanks also to the halved investment in the company that publishes Il Giornale (SEE), although largely offset by the further deterioration in the result of the other investments in the Media area (Attica Publications, Seec) and of Mediamond, due to the economic trend.

NET RESULT



The **Group's net profit**, after minority interests, came to Euro **4.5** million versus Euro **28.2** million in 2019 (which included Euro -2.6 million from the discontinued operations of Mondadori France).

It should be noted that the 2020 result benefited from the recognition of **tax income in 2020** of Euro 5.5 million related to the tax receivable from the "Patent box" facility.

FINANCIAL RESULTS

(Euro/millions)	**2020**	**2019**	**% chg.**
Trade receivables	192.1	222.7	(13.7%)
Inventory	111.5	120.8	(7.7%)
Trade payables	238.2	273.3	(12.9%)
Other assets (liabilities)	(21.8)	(20.7)	n.s.
Net working capital	**43.6**	**49.4**	**(11.7%)**
Intangible assets	187.7	220.3	(14.8%)
Property, plant and equipment	17.0	17.9	(5.5%)
Investments	20.6	28.1	(26.8%)
Net fixed assets with no rights of use IFRS 16	**225.3**	**266.4**	**(15.4%)**
Assets from rights of use IFRS 16	80.3	93.9	(14.6%)
Net fixed assets with rights of use IFRS 16	**305.5**	**360.4**	**(15.2%)**
Provisions for risks	46.4	55.1	(15.7%)
Post-employment benefits	32.8	33.4	(1.8%)
Provisions	**79.2**	**88.5**	**(10.5%)**
Net invested capital	**270.0**	**321.3**	**(16.0%)**
Share capital	68.0	68.0	0.0%
Reserves	99.9	73.9	35.3%
Profit (loss) for the period	4.5	28.2	(84.0%)
Group equity	**172.4**	**170.0**	**1.4%**
Non-controlling interests' equity	-	-	n.s.
Equity	**172.4**	**170.0**	**1.4%**
Net Financial Position before IFRS 16	14.8	55.4	(73.3%)
Net Financial Position IFRS 16	82.8	95.9	(13.6%)
Net Financial Position	**97.6**	**151.3**	**(35.5%)**
Sources	**270.0**	**321.3**	**(16.0%)**

NET INVESTED CAPITAL

The Group **Net Invested Capital** at 31 December 2020, amounting to **Euro 270.0** million, decreased by 16% versus Euro 321.3 million at 31 December 2019, attributable primarily to the reduction in Fixed Assets.

The **Net Working Capital** amounted to Euro **43.6** million, down by **approximately 12%** versus the prior year, due partly to the higher write-down of receivables from authors.

Net Fixed Assets amounted to Euro **305.5** million versus Euro 360.4 million, decreasing mainly as a result of the reduction in intangible assets following the write-downs made during the year on a number of Media brands, and of the reduction in the assets from rights of use consistent with the life cycle of the relevant contracts.

Consolidated equity, amounting to Euro 172.4 million, rose slightly versus the prior year thanks to the profit recorded during the year.

The **Net Financial Position before IFRS 16** at 31 December 2020 stood at Euro **-14.8** million**, a sharp improvement** versus Euro -55.4 million at end 2019, due to the **significant cash generation** recorded in 2020.

The **IFRS 16 Net Financial Position** stood at Euro -**97.6** million and includes the financial payable of Euro **82.8** million from the application of IFRS 16.

CONSOLIDATED FINANCIAL HIGHLIGHTS IN FOURTH QUARTER 2020

(Euro/millions)	Q4 2020		Q4 2019		% chg.
Revenue	**202.1**		**225.9**		**(10.6%)**
Industrial product cost	65.8	32.5%	74.0	32.8%	(11.2%)
Variable product costs	40.3	19.9%	29.3	13.0%	37.5%
Other variable costs	39.5	19.5%	41.0	18.2%	(3.7%)
Structural costs	13.9	6.9%	18.3	8.1%	(24.3%)
Extended labour cost	33.0	16.3%	38.5	17.0%	(14.1%)
Other expense (income)	(17.5)	(8.6%)	(2.2)	(1.0%)	n.s.
Adjusted EBITDA	**27.1**	**13.4%**	**27.0**	**12.0%**	**0.3%**
Restructuring costs	6.2	3.1%	3.4	1.5%	80.7%
Extraordinary expense (income)	1.4	0.7%	(0.9)	(0.4%)	n.s.
EBITDA	**19.5**	**9.7%**	**24.5**	**10.8%**	**(20.3%)**
Amortization and depreciation	7.2	3.6%	5.6	2.5%	30.3%
Impairment and other write-downs	22.8	11.3%	3.3	1.5%	n.s.
Amortization and depreciation IFRS 16	3.6	1.8%	3.5	1.6%	2.1%
EBIT	**(14.1)**	**(7.0%)**	**12.2**	**5.4%**	**n.s.**
Financial expense (income)	0.9	0.4%	1.5	0.7%	(42.5%)
Financial expense IFRS 16	0.6	0.3%	0.6	0.3%	(7.1%)
Financial expense (income) from securities valuation	0.3	0.1%	(2.0)	(0.9%)	n.s.
Expense (income) from investments	2.1	1.1%	2.8	1.2%	(24.3%)
EBT	**(18.0)**	**(8.9%)**	**9.2**	**4.1%**	**n.s.**
Tax expense (income)	(4.5)	(2.2%)	2.6	1.1%	n.s.
Result from continuing operations	**(13.5)**	**(6.7%)**	**6.6**	**2.9%**	**n.s.**
Result from discontinued or discontinuing operations	-	-	1.5	0.7%	n.s.
Net result for the period (group and non-controlling interests)	**(13.5)**	**(6.7%)**	**5.1**	**2.3%**	**n.s.**
Minorities	-	-	-	-	n.s.
Group net result	**(13.5)**	**(6.7%)**	**5.1**	**2.3%**	**n.s.**

Cost of personnel includes costs for collaborations and temporary employment

ALTERNATIVE PERFORMANCE MEASURES

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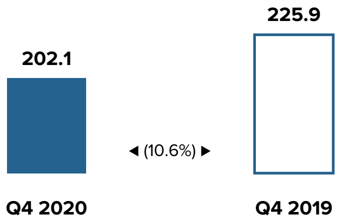
INCOME STATEMENT

REVENUE

(Euro/millions)



Consolidated revenue in fourth quarter 2020 amounted to Euro **202.1** million (versus Euro 225.9 million of the prior year), **down by 10.6%**: net of the discontinuity from the titles disposed of at end 2019, the drop would be approximately **9%**.

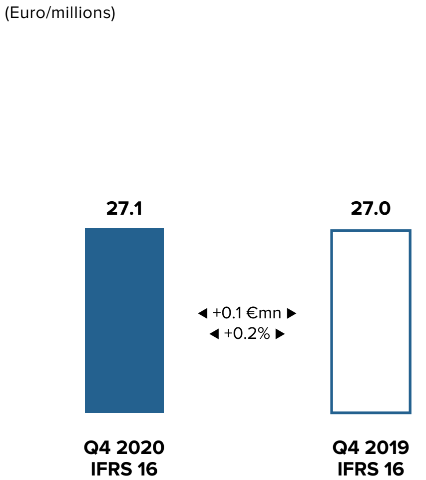
In the **Books** area, revenue fell by **4.9%**: this figure reflects a **sharp recovery** versus the -14% reported in the first nine months of 2020, due also to the postponement of certain revenue from the School textbooks segment in the last quarter; museum activities, instead, continued their downward trend.

The **Retail** area **fell by approximately 14%**, **recovering slightly from the -20% drop of the first nine months**: the upswing reported by the books market as from May was largely affected in the physical channel by the restrictive measures adopted in the final months of the year (which impacted, in particular, on the opening of points of sale located in shopping centres).

Revenue in the **Media** area posted a **18.2%** loss, or **approximately 13% on a like-for-like basis in terms of titles, with digital activities** on a strong upswing, up on a like-for-like basis by **approximately 21%** during the quarter.

Revenue by Business Area (Euro/millions)	**Q4 2020**	**Q4 2019**	**% chg.**
Books	106.8	112.4	(4.9%)
Retail	51.7	60.3	(14.3%)
Media	53.5	65.4	(18.2%)
Corporate & Shared Services	11.9	9.8	21.3%
Total aggregate revenue	**224.0**	**247.9**	**(9.7%)**
Intercompany	(21.9)	(22.0)	n.s.
Total consolidated revenue	**202.1**	**225.9**	**(10.6%)**

EBITDA

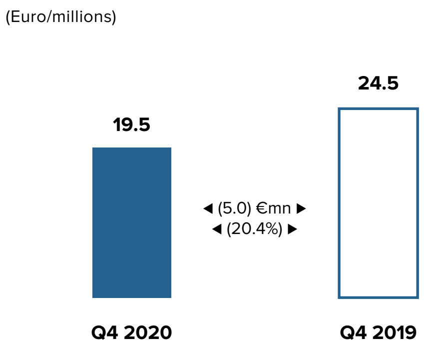


Adjusted EBITDA in the last quarter of 2020 amounted to Euro **27.1** million, **steady** versus fourth quarter 2019 (Euro 27.0 million), thanks to the **recognition of contributions acknowledged** by the Decree of the Minister of Cultural Heritage in connection with the interruption of the Group's activities in the management of museums, exhibitions and archaeological sites, and to the **targeted measures to support activities and contain costs implemented by the Group across all business areas**.

More specifically:

- the **Books** area posted an **increase of Euro 4.2 million** in the period versus the same quarter of the prior year, due to the relief received by the museum business;
- the **Retail** area, on the other hand, recorded a decline of Euro 2.4 million versus fourth quarter 2019: the area was impacted by the restrictive measures that imposed closures on public holidays and pre-holidays and on weekends of stores located in shopping centres. The cost-cutting plan implemented by management failed to fully offset the drop in revenue recorded by the area;
- the **Media** area **lost** Euro **1.1** million, recovering from the trend seen in the first nine months of the year, due to the combined effect of i) the **positive performance of digital advertising, which contributed approximately Euro 1 million to the increase in margin** versus 4Q 2019, and ii) the continued cost containment measures in the print activities.

Adjusted EBITDA by Business Area (Euro/millions)	**Q4 2020**	**Q4 2019**	**Chg.**
Books	20.1	15.9	4.2
Retail	1.8	4.2	(2.4)
Media	4.7	5.8	(1.1)
Corporate & Shared Services	(0.2)	0.1	(0.3)
Intercompany	0.7	1.0	(0.3)
Total adjusted EBITDA	**27.1**	**27.0**	**0.1**
EBITDA margin %	**13.4%**	**12.0%**	



Reported EBITDA in the quarter fell from Euro 24.5 million to Euro **19.5** million, due to increased non-recurring negative components.

Consolidated EBIT in fourth quarter 2020 amounted to Euro -14.1 million (versus Euro 12.2 million in the prior year), while the **consolidated result before tax** came to a negative Euro 18.0 million from Euro 9.2 million in fourth quarter 2019, due to the mentioned dynamics.

The **consolidated net result** amounted to an **approximately negative Euro 13.5 million** versus Euro 5.1 million in the same quarter of 2019.

EBITDA by Business Area (Euro/millions)	**Q4 2020**	**Q4 2019**	**Chg.**
Books	18.3	15.9	2.4
Retail	(0.4)	2.4	(2.8)
Media	2.0	6.8	(4.8)
Corporate & Shared Services	(1.2)	(1.6)	0.5
Intercompany	0.7	1.1	(0.3)
Total EBITDA	**19.5**	**24.5**	**(5.0)**

PERFORMANCE BY BUSINESS AREA

PERFORMANCE BY BUSINESS AREA

(Euro/millions)	Revenue		Adjusted EBITDA		EBITDA		Amortization, depreciation and write-downs		EBIT	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Books	422.9	478.4	87.5	94.5	84.8	94.0	(15.3)	(12.6)	69.4	81.4
Retail	153.7	186.9	1.3	5.0	(2.7)	2.9	(10.2)	(10.5)	(13.0)	(7.7)
Media	197.6	256.6	7.9	11.3	3.7	9.4	(34.3)	(8.2)	(30.6)	1.1
Corporate & Shared Services	45.1	38.5	(0.6)	(0.4)	(3.1)	(3.4)	(9.9)	(9.2)	(13.0)	(12.6)
Intercompany	(75.4)	(75.6)	1.9	0.1	2.0	0.1	-	-	2.0	0.1
Total	**744.0**	**884.9**	**98.1**	**110.4**	**84.6**	**102.9**	**(69.8)**	**(40.6)**	**14.8**	**62.3**

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

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 numerous publishing houses: *Mondadori*, *Einaudi*, *Rizzoli, Fabbri, Piemme*, *Sperling & Kupfer*, *Frassinelli*, *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, both with its own and distributed brands (one for English language, Oxford University Press, and one for Spanish, Edinumen).

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.

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* and with the *Rizzoli Bookstore* located in New York.

Relevant market performance

Owing to the Covid-19 emergency and the relating health measures adopted (in particular, the total closure of the physical sales channel - bookstores and chains - with restrictions also on sales in the e-commerce channel experienced during the first lockdown), at the end of the first half, the Trade Books market lost 10.1% in terms of value versus 2019, the result of a reduction generated mainly in March (-29.2%) and April (-45.8%). The strong growth witnessed in the third (**+8.4% versus 2019**) and especially fourth quarter (**+16.8% versus 2019**) helped the market make a **strong recovery**, materializing at the end of the year in a **3.3% increase in terms of value**[12], driven mainly by the **double-digit growth of the e-commerce channel**.

As for the different **product** categories of the segment, **hardcovers**, which account for approximately 84% of the market, increased by 3.6% in the entire year, fully recovering the delay in the first part of the year, while **paperbacks** grew at a more moderate pace (+2.1%).

Against this backdrop, the **Mondadori Group retained its leadership position** with a **24.8%** market share, down versus 2019, due to the closure (during the first lockdown) of the physical channels and the resulting increase in the weight of the e-commerce channel, in which the Group has a slightly lower market share than the traditional channels.

[12] GFK, December 2020 - sell-out figures in terms of market value (53 weeks in 2020 vs. 52 weeks in 2019)

Trade market shares	December 2020	December 2019
Mondadori Group	**24.8%**	**26.0%**
GeMS group	11.3%	10.6%
Giunti group	7.6%	8.7%
Feltrinelli	5.1%	5.4%
Sellerio Editore Palermo	1.5%	1.5%
DeAgostini group	1.4%	1.6%
Other publishers	48.3%	46.2%

GFK, December 2020 (in terms of value)

In 2020, the Group placed **4 titles in the top ten bestsellers** in terms of value, and **10 titles in the top twenty**[13]: in particular: "*Fu sera e fu mattina*" by K. Follett (Mondadori) in first position overall, "*Insieme in cucina*" by B. Rossi (Mondadori Electa), sixth, "*Come un respiro*" by F. Ozpetek and "*La misura del tempo*" by G. Carofiglio (Einaudi), ninth and tenth respectively.

#	Title	Author	Publisher
1	**Fu sera e fu mattina**	**Follett Ken**	**Mondadori**
2	Cambiare l'acqua ai fiori	Perrin Valérie	E/O
3	L'enigma della camera 622	Dicker Joël	La nave di Teseo
4	Il colibrì	Veronesi Sandro	La nave di Teseo
5	Riccardino	Camilleri Andrea	Sellerio Editore Palermo
6	**Insieme in cucina. Divertirsi in cucina con le ricette di «Fatto in casa da Benedetta»**	**Rossi Benedetta**	**Mondadori Electa**
7	I leoni di Sicilia. La saga dei Florio	Auci Stefania	Nord
8	Le storie del mistero	Lyon Gamer	Magazzini salani
9	**Come un respiro**	**Ozpetek Ferzan**	**Mondadori**
10	**La misura del tempo**	**Carofiglio Gianrico**	**Einaudi**
11	**Perché l'Italia amò Mussolini (e come è sopravvissuta alla dittatura del virus)**	**Vespa Bruno**	**Mondadori**
12	M. L'uomo della provvidenza	Scurati Antonio	Bompiani
13	Ah l'amore l'amore	Manzini Antonio	Sellerio Editore Palermo
14	**In cucina con voi! Tutte le nuove ricette di «Fatto in casa da Benedetta»**	**Rossi Benedetta**	**Mondadori Electa**
15	Io sono l'abisso	Carrisi Donato	Longanesi
16	**A riveder le stelle. Dante, il poeta che inventò l'Italia**	**Cazzullo Aldo**	**Mondadori**
17	**Il falco**	**Casati Modignani Sveva**	**Sperling & Kupfer**
18	**Sfida il Signor S con Luì e Sofì. Il fantalibro dei Me contro Te**	**Me contro Te**	**Mondadori Electa**
19	Una terra promessa	Obama Barack	Garzanti
20	**Le fantafiabe di Luì e Sofì**	**Me contro Te**	**Mondadori Electa**

[13] GFK, December 2020 (ranking in terms of cover value)

In the **school textbooks** segment, whose market suffered an estimated 7%[14], decline due to the pandemic, the Mondadori's Group publishing houses achieved a **market share higher** than in the prior year, thanks to the positive results of the 2020 adoption campaign.

Education market shares	December 2020	December 2019
Mondadori Group	**22.1%**	**21.7%**
Zanichelli	23.2%	22.8%
Pearson	13.8%	13.8%
De Agostini	10.7%	10.7%
Other publishers	30.2%	31.0%

AIE, December 2020 (sections adopted, provisional figures)

Conversely, the **museum** segment had its operations severely impacted by the closure of sites and exhibitions owing to the measures to contain the pandemic, and by the virtual collapse of tourist travel also throughout the summer season.

In the last quarter of the year, however, museum activities were able to benefit from the relief measures[15] which partly offset, at the margin level, the effects of the closures of archaeological sites and the suspension of exhibitions, and other measures to contain the contagion.

Performance of the Books Area

Books (Euro/millions)	2020	2019	Chg.	% chg.
Revenue	422.9	478.4	(55.4)	(11.6%)
Adjusted EBITDA	87.5	94.5	(6.9)	(7.3%)
EBITDA	84.8	94.0	(9.3)	(9.9%)
EBIT	69.4	81.4	(12.0)	(14.7%)

Revenue

Revenue in 2020 totaled Euro 422.9 million, down by approximately 12% versus the prior year, broken down as follows:

- -5.6% in the Trade area;
- -16.7% in the Educational segment, attributable to the virtual interruption of activities in the museum segment;
- -18.3% in distribution activities.

[14] Databank, June 2020 (revenue in terms of value net of channel discount)
[15] Pursuant to Decree M.D. 521 16/11/2020 "Further allocation of a portion of the emergency fund for companies and cultural institutions", intended to provide relief to art exhibition operators

Books revenue (Euro/millions)	**2020**	**2019**	**% chg.**
Total Trade[16]	**212.1**	**224.7**	**(5.6%)**
Education	156.8	164.9	(4.9%)
Mondadori Electa[17] (Art, exhibitions and museums)	10.2	41.7	(75.5%)
Rizzoli International Publications	38.0	39.0	(2.6%)
Intercompany	(0.9)	(0.5)	n.s.
Total Educational	**204.1**	**245.2**	**(16.7%)**
Distribution and other services	6.8	8.4	(18.3%)
Total consolidated revenue	**422.9**	**478.4**	**(11.6%)**

Trade Books revenue

In 2020, the Trade area published 2,193 titles (vs. 2,464 in 2019) and generated revenue of Euro 212.1 million (Euro 224.7 million in 2019), down by 5.6% versus the prior year.

The **Mondadori** publishing house improved its position as a leading player, with a 9.5% market share, posting a 6.9% increase in sell-outs thanks to growth in the Hardcovers segment (+3.3%), but most of all to the increase in sell-outs in the Paperbacks segment (+11.3%).

With regard to hardcovers, the most relevant titles were:

- for foreign fiction, "*Fu sera e fu mattina*" by K. Follett, which ranked first in the list of bestselling titles of 2020;
- for Italian fiction, the latest title by A. D'Avenia "*L'appello*" and *"Come un respiro*" by F. Ozpetek;
- for non-fiction, *"Perché l'Italia amò Mussolini"* by B. Vespa and "*A riveder le stelle"* by A. Cazzullo.

In the Paperbacks segment, the publishing house consolidated its leadership position in 2020 with a 28.1% market share, up versus the prior year, thanks to its longstanding catalogue and the paperback re-edition of past blockbusters.

Einaudi, with a 5.3% market share, consolidated in 2020 its position as the second Italian publisher after Mondadori.

Among the main books of the year, mention must be made of the two titles by M. De Giovanni, *"Fiori per i bastardi di Pizzofalcone"* and *"Troppo freddo per settembre"*, Jo Nesbø's "*Il fratello",* as well as "*L'inverno più nero"* by C. Lucarelli and "*La salita dei saponari"* by C. Cassar Scalia, all Stile Libero titles.

Italian fiction included *"Borgo Sud"* by D. Di Pietrantonio and *"La città dei vivi"* by N. Lagioia and, lastly, in the Frontiere series, "*Brevario per un confuso presente"* by C. Augias.

Rizzoli's market share stood at 3.9%; the major titles in 2020 include M. De Giovanni's" *Una lettera per Sara*" relating to the eponymous series and *"Un'amicizia"* by writer S. Avallone.

Piemme's market share at end 2020 stood at 2.2%. The main titles in 2020 were *"La morte è il mio mestiere"* and "*La fiamma nel buio*" by M. Connelly, and "*Quel che affidiamo al vento*" by L. Imai Messina.

In the Children's Books segment, Piemme retained its top market position with the Geronimo Stilton publications and the Battello a Vapore brand.

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

Sperling & Kupfer's market share stood at 1.9%.
The most successful fiction titles include "*Il Falco*" by Sveva Casati Modignani, "*La magia del ritorno*" by N. Sparks and *"Se scorre il sangue"* by S. King, while the miscellaneous segment includes "*Così è l'amore"* by F. Sole and "Adesso *lo sai"* by R. Emanuelli.

Mondadori Electa confirmed its market share at 1.7% in 2020.
The main titles of the year include several publications by Me contro te including "*Sfida il signor S con Luì e Sofì"*, *Diario 2020-2021* and *MiniFantafiabe* for younger audiences.
In the Miscellaneous segment, the new cookbook by Benedetta Rossi "*Insieme in cucina"* garnered strong success.

E-books
Revenue from the sale of **e-books and audiobooks**, which accounted for 7.8% of total publishing revenue in 2020, **rose sharply** (+**27.1%**), driven by the lockdown period (March-May) which curtailed operations of the physical channel.
Listening hours of the audiobook catalogue jumped by over 87% versus 2019, while downloads of e-books increased by 21.9%.
During the year, Mondadori Libri published new digital titles, increasing its catalogue to over 27,200 titles.
The main digital titles were "*Fu sera e fu mattina"* by K. Follett (Mondadori), "*La misura del tempo*" by G. Carofiglio (Einaudi), "*Come un respiro*" by F. Ozpetek (Mondadori), "*La fiamma nel buio*" by M. Connelly (Piemme), and "*Una lettera per Sara*" by M. de Giovanni (Rizzoli).
The most popular audiobook titles were *"Fu sera e fu mattina"* and *"I pilastri della terra"* by Ken Follett.

Educational Books revenue
Revenues in 2020 amounted to Euro **204.1** million, down by 16.7% versus 2019 (Euro 245.2 million), particularly in the area of exhibitions, museums and bookshops in which Electa operates, due to the closures, starting from March, of all cultural venues, aimed at containing the effects of the Covid-19 pandemic.

- In 2020, **Mondadori Education** retained its high-ranking position in the school textbooks segment, firmly at third place for number of sections in terms of books adopted, with a market share in line with the prior year (12.2%).
  The year saw a 2.2% decrease in revenue (Euro 79.9 million in 2019), due to a reduction in new adoptions, which hit new titles in particular, resulting in a deterioration of the adopted/sold ratio. The reduction in new adoptions was due primarily to the inability to conduct the promotional campaign within schools, due to the ongoing pandemic and the resulting decision by teachers to confirm most of the books already adopted.
  Adoption change percentages dropped from 83% to 28% in primary schools, from 37% to 13% in first-level secondary schools, and from 36% to 21% in second-level secondary schools; in the latter, the higher percentage is attributable, in part, to new programs in vocational institutes.
  In addition to the impact on adoptions, the other fallouts of the health emergency were: the postponement to 2021 of a number of new titles planned for 2020, a sharp reduction in the number of print essays distributed, as well as different ways of promoting new titles (remotely or through the provision of digital essays).
  Revenue from the sale of school textbooks in digital format was irrelevant, while a point worth mentioning is the remarkable result of university textbooks (+38% vs. 2019).

- In 2020, **Rizzoli Education** confirmed its fifth place in the school textbooks segment in terms of number of sections adopted (market share of 9.9%), up by 3.8% versus the prior year. Despite the increased market share in terms of sections adopted, the year ended with revenue of Euro 76.9 million, down by 7.5% versus 2019. The drop is attributable to the following macro factors:
  a) Covid-19, which severely hampered the adoption campaign, affecting the new titles published during the year
  b) the economic crisis brought by the lockdown period, which led households to make greater use of second-hand textbooks or to not purchase them at all
  c) the sharp reduction in the so-called extracurricular books, i.e., books ancillary to school activities such as texts for holiday homework, school reading and language learning books
  d) the reduction/suspension of language courses, which particularly affected the sale of books by third-party publishers distributed.

  In **primary schools**, the segment that generally has the highest number of adoption changes (over 80%), the percentage of changes recorded in 2020 was less than 30%: in this segment, the publishing house retained its position as one of the top players, with a market share that grew by 1.4 percentage points versus 2019, thanks mainly to the good results of the proprietary brands.
  In **first-level secondary schools**, the percentage of changes was around 14%, i.e. approximately one third of the usual figure; Rizzoli Education's market share in this segment grew by 0.2 percentage points.
  In **second-level secondary schools**, with half of the percentage of changes (22%) reported versus the prior year, the overall result of the publishing house was up in terms of both sections and market share, gaining approximately 0.2 percentage points.
  In the frame of **integrated digital teaching**, both the publishing houses participated in the digital solidarity initiative launched by the Ministry for Technological Innovation and Digitization, together with the entire Mondadori Group, to provide tangible support to children and their families in managing distance learning. Specifically, Mondadori Education gave free access for three months to the 2020 digital edition of its prestigious dictionary, the Nuovo Devoto-Oli.

  Starting from a base of approximately 1 million active users on the two publishers' portals - including teachers and students - before the lockdown, subscribers increased at a rate of 10,000/15,000 units per day during the central periods when schools were closed.

- **Mondadori Electa:** revenue for the year amounted to Euro 10.2 million, dropping by more than Euro 30 million versus the prior year (Euro 41.7 million).
  As from March, the Company suffered the effects of the Covid-19 health emergency and the extraordinary measures introduced by the authorities to contain the spread, which resulted in the cancellation, early closure or postponement of scheduled exhibitions and the suspension of scheduled events. Despite the reopening of archaeological sites and museums, which was, however, limited in terms of number of visitors and

opening hours, the overall impact of the pandemic affected all the activities managed by the Group, due also to the collapse in the number of visitors to art cities, which reached 90% (including Rome, Venice, Naples and Florence).
Throughout the first lockdown period from March to June, Management's commitment was geared toward securing all activities, both physical (the works and spaces set up or being set up) and economic, with the aim of containing the damage resulting from the closure of activities.
The reopening of museums and exhibitions in June failed to translate into positive results, as the harsh restrictions and quotas severely affected operations.
At the beginning of November 2020, with the second wave of the pandemic, museums and exhibitions were once again subject to closures: for Electa this meant, in addition to the suspension of the permanent activities of the bookshops, the closure of recently inaugurated important exhibitions (the Torlonia marbles at the Campidoglio in Rome; Enzo Mari at the Triennale in Milan; Carla Accardi at the Museo del 900 in Milan) and the freezing of pending exhibitions (Savinio at Palazzo Altemps in Rome; Pompeii 79 AD at the Colosseum; Raphael and the invention of the grotesques in the Domus Aurea, in Rome).
In 2020 therefore, Electa adopted a highly rigorous approach to protect and safeguard public contracts, reduce operating costs, collect receivables and obtain relief and support measures.
Mention should be made that even in an out-of-the ordinary year as 2020, art publishing in general, and Electa in particular, strengthened with the launch of new initiatives: a modern multidisciplinary approach is at the heart of the new Encyclopedia project, launched in 2020 with the two volumes dedicated to Alberto Savinio and Gianni Rodari.

As from January 2020, revenue generated by the Abscondita art books publishing house, controlled by Electa, also entered the scope of the segment.

- **Rizzoli International Publications:** the Adult Non-Fiction segment of the North American book market (USA and Canada), in which Rizzoli International operates, grew by 5% in 2020 versus the prior year[18].

Revenue, amounting to Euro 38.0 million in 2020, was down by 2.6% versus 2019, due mainly to a deterioration in the Euro/USD exchange rate:
- on a like-for-like basis in terms of exchange rate, on the other hand, publishing revenue rose slightly versus the prior year (up by 0.7%), thanks mostly to a significant increase in sales of catalogue titles;
- in the retail business, hinged on the Rizzoli Bookstore in New York, which represents only 3% of the Company's revenue, 2020 closed with a sharp decline in revenue (down by -52%) versus the prior year. Owing to the pandemic, the bookstore in fact remained closed for five months, lost its corners located at the five Eataly locations in the USA and was negatively impacted by the decrease in tourist flows to New York City, with a drop only partly offset by a sharp growth in e-commerce managed directly by the Company.

Revenue from distribution activities and other services
Revenue from distribution activities and other services on behalf of third-party publishers amounted to Euro 6.8 million in 2020, down by 18.3% versus the prior year, due mainly to the reduction in volumes handled.

[18] Nielsen Bookscan USA

EBITDA

Adjusted EBITDA in the Books area stood at Euro **87.5** million versus Euro 94.5 million in 2019, down mainly as a result of the negative trend of revenue from the Trade area and museum activities, only partly offset by the relief received.

In fact, under the decree of the Ministry of Cultural Heritage at end November[19], Electa's requests for relief for exhibitions suspended, cancelled or postponed due to the pandemic, in accordance with the Ministerial Decrees published as part of the Relaunch Decree, had a positive outcome. Accordingly, the recognition of the relief, which, net of the related provisions made, amounted to approximately Euro 8 million, allowed for the partial offsetting of the loss of margins from closure of archaeological sites and exhibitions and the interruption of all related activities.

Reported EBITDA amounted to Euro **84.8** million versus Euro 94.0 million in 2019, with a downward trend consistent with the above dynamics.

EBIT amounted to Euro **69.4** million versus Euro 81.4 million in 2019, dropping more due partly to higher amortization and depreciation recognized in 2020 resulting from higher investments related to the creation of school textbooks in the Educational area.

[19] Pursuant to Decree M.D. 521 16/11/2020 "Further allocation of a portion of the emergency fund for companies and cultural institutions", intended to provide relief to art exhibition operators

RETAIL

The Mondadori Group operates in Italy with a **network of 554 stores**:

Stores	December 2020	December 2019	Chg. yoy
Directly-managed bookstores	34	35	(1)
Franchised bookstores	520	540	(20)
Total	**554**	**575**	**(21)**

The number of points of sale fell by a net 21 units versus the same period of the prior year (including 17 small Point franchises).
Directly-managed stores decreased by one unit overall due to the renewal of the sales network, which saw the opening of two new stores (inside the Carrefour shopping centre in Limbiate and the Mondo Juve shopping centre in Vinovo) and the closure of three bookstores: one in Ferrara, the Club store in Turin and the megastore in Milan located in Via Marghera.
Added to the network of 554 points of sale are the shop-in-shops (48 units vs. 42 last year) and the online channel with the e-commerce site www.mondadoristore.it.

Relevant market performance

As previously mentioned, the books market (which generates **over 80%** of revenue[20] in the Retail division) showed significant growth in 2020 versus the prior year (**+3.3%**[21]), driven mainly by the double-digit increase in sales in the e-commerce channel, which benefited from the Covid-19 emergency and the resulting restrictions imposed on physical channels.
Mention should be made, as previously mentioned, that during the year the authorities imposed the closure of physical bookstores throughout the country from 12 March 2020 until early May (first lockdown) as well as, in the case of points of sale located in shopping centres, on public holidays, pre-holidays and on weekends in the last quarter of the year (second lockdown).

At the end of the first lockdown, the books market lost 14.4% versus the same period of the prior year, followed, in the months after, by a strong improvement, resulting in a **13.5%** growth in the **second half of the year**.

With regard to books, the **market share** of Mondadori Retail stood at **11.2%** (**13.2%** at December 2019), operating as it did during the lockdown periods only through the online channel where the unit's market share is lower.

Performance of the Retail Area

Retail (Euro/millions)	2020	2019	Chg.	% chg.
Revenue	153.7	186.9	(33.2)	(17.7%)
Adjusted EBITDA	1.3	5.0	(3.8)	(74.8%)
EBITDA	(2.7)	2.9	(5.6)	n.s.
EBIT	(13.0)	(7.7)	(5.3)	n.s.

[20] Product revenue excluding Club revenue
[21] GFK (in terms of value)

Revenue

In 2020, due to the above Covid-19-related government measures, the Retail area reported revenue of Euro 153.7 million, down by Euro 33.2 million (**approximately -18%**) versus the prior year, of which approximately half related to products other than Books.

If in the first six months of the year, sales were 27.5% lower than in the same period of 2019, in the second half of the year, Mondadori Retail saw its performance improve (-10.2% versus 2019), due in particular to the strong rebound of the Book product; the performance was still negative however when compared with the prior year. This partial rebound was achieved mostly in the third quarter, which recorded basically steady revenue versus the prior year, while the final months of the year were affected by the introduction of new restrictions.

The following table shows the trend in revenue by channel, indicating (i) the improved performance of the franchised channel versus the network of directly-managed stores, whose operations were impacted more by the restrictive measures imposed by the authorities, and (ii) the strong growth of the online channel:

Retail revenue (Euro/millions)	**2020**	**2019**	**% chg.**
Directly-managed bookstores	44.9	71.1	(36.9%)
Franchised bookstores	73.7	86.0	(14.3%)
Online	20.6	13.9	47.7%
Stores	**139.2**	**171.1**	**(18.7%)**
Book clubs and other	14.5	15.7	(7.8%)
Total revenue	**153.7**	**186.9**	**(17.7%)**

Regarding the sales trend of the individual **product categories**:

- **Books** were the main item of revenue (**over 80% of total)** down by **12.9%** versus 2019, but recovering sharply after the end of the lockdown; in the last quarter, Books ended at -9.2%, the result of a **much better performance by the franchised channel** (**-1.2%** versus 4Q 2019) versus the directly-managed stores and highly positive **in the online channel** (**approximately +45%**);
- **Extra-Books** posted a decline (with the Game and Stationery, Technology and Media categories losing over 40%), a result not only of the pandemic, but also of the clear strategic decision to focus more on books.

EBITDA

Despite the significant decline in revenue, **Mondadori Retail's 2020 adjusted EBITDA** came to a positive Euro **1.3** million, **down only by Euro 3.8 million** versus 2019. A result achieved thanks to heightened maintenance and renewal of the network of physical stores (opening of 18 franchised stores and two directly-managed stores), careful cost management and a deep organizational and process revision carried out starting from the second half of 2019 and continued even during the harshest period of the health emergency.

Reported EBITDA amounted to Euro **-2.7** million (versus Euro **+2.9** million in 2019), due to extraordinary items**,** which mainly include restructuring costs and closure of a dispute related to IMU tax for 2013-2019.

EBIT (which includes, under IFRS 16, among the cost components, imputed depreciation relating to directly-managed stores) amounted to Euro **-13.0** million (versus Euro **-7.7** million in 2019) and was equally impacted by the above extraordinary components.

MEDIA

As from 1 January 2020, all the activities referring to magazines and websites, as well as the investments in the Magazines Italy area, were transferred to Mondadori Media S.p.A. (100% owned by Arnoldo Mondadori Editore S.p.A.).
More specifically, the business unit transferred to Mondadori Media S.p.A. comprises:

- the print+digital magazines and relating 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 subsidiaries Mediamond (50%), Attica Publications S.A. (41.98%) and Mondadori Seec (Beijing) Advertising Co. Ltd (50%), publisher of the magazine *Grazia* in China.

Relevant market performance

The relevant market performed as follows in 2020:

- the **advertising market** posted an overall decline of **15.3%**; all channels were down, heavily affected by the impact of the Covid-19 health emergency: **digital -0.8%**, **TV -9.5%**, **newspapers -16.2%**, **radio -25.0%** and **magazines -36.6%**[22].
  The digital advertising segment alone showed a clear reversal from third quarter, **growing by approximately 12%** in the fourth quarter versus the same period of the prior year.
  - the magazines **circulation market** in the newsstands and subscriptions channels dropped by **11.8%**[23];
  - the **add-on sales market** reported a negative **2.0%** (-17.5% for add-ons bundled with magazines, +10% for those with newspapers)[24] .

Mondadori's market share (for magazine circulation) stood at **24.2%** (versus 25.5% in 2019 on a like-for-like basis, net of the disposal of *Sale&Pepe*, *Cucina Moderna*, *Starbene*, *Tu Style* and *Confidenze*)[25].

In 2020, the Mondadori Group retained its position as **Italy's leading multimedia publisher**, engaging readers and users and creating theme communities across all media:

- in **print** with a market share **above 24%** (10.2 million readers, of whom 6.8 million women)[26];
- on the **web** with an 83.5% reach in December (approximately **34 million unique users** in December 2020[27]);
- in **social media** with an aggregate fan base of 36.5 million and 106 profiles[28].

In the **digital** area, Mondadori Media also retained its leadership in segments with high sales value and audience figures[29]:

- food with ***GialloZafferano*** which, after recording 25.7 million unique users per month and an aggregate fan base of 12.6 million, retained its position as the most loved food media brand by Italians; additionally, the brand also started a process of internationalization with the launch, at end 2020, of a new multi-touchpoint platform in English, present on the web and on the main social networks (with a starting fan base abroad of over 4.5 million);
- wellness with ***MyPersonalTrainer*** with 15.5 million unique users per month and an aggregate fanbase of 1.6 million;
- the women & lifestyle segment with ***DonnaModerna*** and the new digital brand *DMNow,* with 12.8 million unique users per month and an aggregate fanbase of 2.8 million;
- parenting with ***NostroFiglio*****,** with 2.6 million unique users per month, thanks to a completely revamped site and an aggregate fanbase of 1.2 million.

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[22] Nielsen, December 2020, net of search, social, classified and OTT
[23] Internal source: Press-di, December 2020 in terms of value
[24] Internal source: Press-di, December 2020 in terms of value
[25] Internal source: Press-di, December 2020 (newsstands + subscriptions channel) in terms of value
[26] Press-di, December 2020 (newsstands + subscriptions channel) in terms of value; Audipress 2020/III
[27] Comscore, December 2020
[28] Shareablee, December 2020 + internal processing on Pinterest and Tik Tok figuresl
[29] Comscore, December 2020

Performance of the Media Area

Media (Euro/millions)	**2020**	**2019**	**Chg.**	**% chg.**
Revenue	197.6	256.6	(59.0)	(23.0%)
Adjusted EBITDA	7.9	11.3	(3.3)	(29.6%)
EBITDA	3.7	9.4	(5.6)	(60.1%)
EBIT	(30.6)	1.1	(31.7)	n.s.

Revenue

The Media area recorded revenue of Euro **197.6** million in 2020 (**-23%** versus Euro 256.6 million in 2019); net of the titles and related websites, sold in December 2019, the decline came to **17.5%**. In the fourth quarter, the drop was 18.2% (**approximately -12.8% on a like-for-like basis**), with a **strong upswing in digital activities** which, in the quarter, **grew by 17.3%** (+**20.8%** on a like-for-like basis) versus the same period of the prior year.

Media (Euro/millions)	**2020**	**2019**	**% chg.**
Circulation	75.3	98.7	(23.8%)
Add-on sales	28.1	37.9	(25.9%)
Advertising	54.5	75.7	(28.1%)
Distribution/Other revenue	39.8	44.2	(10.2%)
Total revenue	**197.6**	**256.6**	**(23.0%)**

Specifically:

- **Circulation** revenue (newsstands + subscriptions) was down approximately **24%**, due both to the disposal of the above five titles and the impact of Covid-19; on a like-for-like basis, the fall would be approximately 14%.
- Revenue from **add-on products** (DVDs, CDs, books and gifts), sold in attachment to Mondadori magazines, was down by approximately **26%** versus 2019; net of the disposal of the five titles, the decline would be approximately 24%. The reduction is explained by the closure of cinemas and the suspension of concerts caused by the pandemic, which led to the cancellation by the Majors of cinema and record releases and, therefore, the reduced availability of DVDs and CDs (the type of product typically bundled with Group magazines) for publication at newsstands. The fourth quarter was impacted by the lack of revenue from initiatives and series, whose publication was postponed to 2021.
- **Advertising** revenue was down by a total of **approximately 28%**; this is the form of revenue most affected by the ongoing health emergency, which led to the cancellation of an important event such as the Salone del Mobile. Net of scope discontinuities, the reduction would be 23%, which breaks down into a 41% drop in print and **a basic stability** versus 2019 (+0.3%) in revenue from **digital advertising sales**.
  In the last quarter of the year, against the persisting decline, albeit mitigated, in revenue from print media (down by approximately -22% on a like-for-like basis), revenue from **digital advertising sales grew by approximately 21%**, as already mentioned.
  In the digital segment, **AdKaora**, leader in proximity marketing, felt the brunt of the Covid-19 related closures in the first months of 2020; in the following months, however, as reopenings played out, the segment showed a steady growth that

led the company to achieve, in the fourth quarter, thanks to multiple initiatives and "drive-to-store" projects, a 41.6% increase in revenue versus the same period of 2019, allowing it to confirm its ranking as the partner of choice for mobile advertising marketing strategies.

Mention should be made that **digital revenue as a percentage** of the business unit's total advertising revenue amounted to **57%** (from 42% in 2019).

- **Other revenue** fell by **10.2%** versus the prior year, reflecting, on the one hand, the performance of distribution activities (affected by the downturn in the circulation market) and, on the other, a drop in royalties generated by the international editions of *Grazia* (in particular the Chinese edition of the magazine).

  In this regard, in October, Mondadori signed a licensing agreement with Pantheon Media Group LLC (PMG), a New York-based media company, to launch *Grazia* in the United States, which develops through a global multi-channel platform with digital, video and social content, adding print editions from September 2021.

EBITDA

Adjusted EBITDA in the Media area in 2020 amounted to Euro **7.9** million, down by Euro 3.3 million versus 2019 (Euro 11.3 million).

The sharp drop in revenue was alleviated by the effective measures to contain operating costs, which curbed their negative impact on profitability, and by the **excellent result of digital activities, which generated higher margins than the prior year**.

Against slightly declining revenue, **digital operations** in fact recorded a growth in 2020 in **adjusted EBITDA**, up from Euro 7.0 million to Euro **7.2** million**,** with a **margin of over 22%**.

In the last quarter, Mondadori Media recorded adjusted EBITDA of Euro 4.7 million, down by Euro 1.1 million versus the same period of the prior year, but recovering versus the trend seen in the first nine months of the year due to the combined effect of:

- the positive performance of digital advertising**,** which contributed in the quarter under review to an **increase in margins of approximately Euro 1 million** versus 4Q 2019
- the abovementioned continued cost containment actions, which partly offset the decline in profitability of print operations versus 4Q 2019.

Reported EBITDA amounted to Euro **3.7** million versus Euro 9.4 million in 2019.

EBIT came to Euro **-30.6** million versus Euro 1.1 million, due to the start of amortization of *TV Sorrisi e Canzoni* (for a total annual amount of Euro 3.5 million) and the concurrent non-recurring write-downs of the title, other brands and goodwill for a total of Euro 26.5 million; the write-off, resulting from the impairment test, is due primarily to the marked discontinuity in the relevant markets of the magazines business, which accelerated the downturn in both advertising sales, particularly in relation to print activities, and circulation trends in the newsstands and subscriptions channels.

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 consideration for services provided to subsidiaries and associates.

Adjusted EBITDA of the Corporate & Shared Services area came to a negative Euro **0.6** million, basically steady versus 2019 (Euro -**0.4** million).

Including non-ordinary items, **EBITDA** amounted to Euro **-3.1** million versus Euro **-3.4** million in the prior year.

The area's **EBIT** came to Euro -13 million (Euro -12.6 million in 2019) and reflects, with the application of IFRS 16, approximately Euro 7 million per year in imputed amortization and depreciation relating to the company's offices (excluding the stores of the Retail chain).

Corporate & Shared Services

(Euro/millions)	**2020**	**2019**	**Chg.**	**% chg.**
Revenue	45.1	38.5	6.6	17.1%
Adjusted EBITDA	(0.6)	(0.4)	(0.2)	n.s.
EBITDA	(3.1)	(3.4)	0.4	n.s.
EBIT	(13.0)	(12.6)	(0.4)	n.s.

BALANCE SHEET

The Mondadori Group's Net Financial Position before IFRS 16 at 31 December 2020, stood at Euro **-14.8** million, improving strongly versus Euro **-55.4** million at December 2019.

IFRS 16 NFP stood at Euro -**97.6** million (IFRS 16 impact of Euro -82.8 million), **improving by 35%** versus end 2019 (Euro -53.7 million).

Net Financial Position (Euro/millions)	**31/12/2020**	**31/12/2019**
Cash and cash equivalents	110.2	44.2
Assets (liabilities) from derivative financial instruments	(0.8)	(1.0)
Other financial assets (liabilities)	13.8	30.8
Loans (short and medium/long term)	(138.0)	(129.5)
Held-for-sale financial assets (liabilities)	-	-
Net Financial Position excluding IFRS 16	**(14.8)**	**(55.4)**
Financial payables IFRS 16	(82.8)	(95.9)
Total Net Financial Position	**(97.6)**	**(151.3)**

The overall credit lines available to the Group at 31 December 2020 amounted to Euro 456.0 million, of which Euro 195.0 million committed.

The Group's short-term loans, totaling Euro 261.0 million, Euro 44.7 million of which drawn down at 31 December 2020, include overdraft credit lines on current accounts, advances subject to collection and "hot money" flows.

At 31 December 2020, the Euro 195.0 million pool consisted of the following lines:

(Euro/millions)	Bank pool	of which: unutilized	of which: with interest rate hedge
Term Loan A	95.0 [30]	-	63.3
Revolving Credit Facility	100.0 [31]	100.0	-
Total loans	**195.0**	**100.0**	**63.3**

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

(Euro/millions)	31/12/2020	31/12/2019
Initial NFP IFRS 16	**(151.3)**	**(255.9)**
Financial liabilities application of IFRS 16	(95.9)	(108.7)
Initial NFP no IFRS 16	**(55.4)**	**(147.2)**
Adjusted EBITDA (no IFRS 16)	82.4	94.5
NWC and provisions	1.2	(5.4)
Capex no IFRS 16	(21.8)	(18.4)
Cash flow from operations	**61.9**	**70.8**
Financial income (expense) no IFRS 16	(3.7)	(1.6)
Tax	(6.9)	(20.7)
Cash flow from ordinary operations continuing operations	**51.2**	**48.4**
CF from ordinary operations discontinued or discontinuing operations	-	1.8
Cash flow from ordinary operations	**51.2**	**50.3**
Restructuring costs	(5.2)	(5.4)
Share capital increase/dividends non controlling interests and associates	(1.1)	(7.4)
Purchase/disposal	(0.5)	58.4
Other	(3.7)	(1.1)
CF extraordinary operations discontinued or discontinuing operations	-	(3.0)
Cash flow from extraordinary operations	**(10.5)**	**41.5**
Total cash flow	**40.7**	**91.8**
Net Financial Position no IFRS 16	**(14.8)**	**(55.4)**
IFRS 16 effects in the period	13.0	12.8
Final Net Financial Position	**(97.6)**	**(151.3)**

[30] Maturity date: Euro 27.5 million December 2021, Euro 67.5 million December 2022
[31] Bullet loan, coming to maturity in December 2022

Total cash generated in 2020 was Euro 40.7 million and consisted of the following components.

- **Cash flow from ordinary operations closed with a positive Euro 51.2 million** and includes Euro 61.9 million from operations, deducting tax and financial expense totaling approximately Euro 11 million; cash flow from operations is the result of a **positive operating income** of approximately Euro **82** million, capital expenditure for approximately Euro 22 million and a positive trend in net working capital (including provisions) of approximately Euro 1 million, attributable primarily to improved inventory management and a more careful policy of collecting post-lockdown receivables in the Retail area.

While extremely positive, the Group's cash flow was nevertheless affected by lower revenue from directly-managed stores in the Retail area and a sharp decline in museum activities, partly offset by relief received and paid to offset losses incurred by industry players.

- **Cash flow from non-ordinary operations came to Euro -10.5 million** and included mainly:
  - outlays for **restructuring costs** of Euro **5.2** million;
  - recapitalization of the associate **SEE** for approximately Euro **1.5** million.

(Euro/millions)	**31/12/2020**	**31/12/2019**	**% chg.**
Trade receivables	192.1	222.7	(13.7%)
Inventory	111.5	120.8	(7.7%)
Trade payables	238.2	273.3	(12.9%)
Other assets (liabilities)	(21.8)	(20.7)	n.s.
Net working capital	**43.6**	**49.4**	**(11.7%)**
Intangible assets	187.7	220.3	(14.8%)
Property, plant and equipment	17.0	17.9	(5.5%)
Investments	20.6	28.1	(26.8%)
Net fixed assets with no rights of use IFRS 16	**225.3**	**266.4**	**(15.4%)**
Assets from rights of use IFRS 16	80.3	93.9	(14.6%)
Net fixed assets with rights of use IFRS 16	**305.5**	**360.4**	**(15.2%)**
Provisions for risks	46.4	55.1	(15.7%)
Post-employment benefits	32.8	33.4	(1.8%)
Provisions	**79.2**	**88.5**	**(10.5%)**
Net invested capital	**270.0**	**321.3**	**(16.0%)**
Share capital	68.0	68.0	-
Reserves	99.9	73.9	35.3%
Profit (loss) for the period	4.5	28.2	(84.0%)
Group equity	**172.4**	**170.0**	**1.4%**
Non-controlling interests' equity	-	-	n.s.
Equity	**172.4**	**170.0**	**1.4%**
Net Financial Position before IFRS 16	14.8	55.4	(73.3%)
Net Financial Position IFRS 16	82.8	95.9	(13.6%)
Net Financial Position	**97.6**	**151.3**	**(35.5%)**
Sources	**270.0**	**321.3**	**(16.0%)**

Trend of key balance sheet figures versus 31 December 2020:

- the trend of **trade receivables** is consistent with the drop in revenue due to the effects of Covid-19;
- **inventory** decreased by Euro 9.3 million, due to lower purchases made in the Retail area and the products of third-party publishers distributed in the Educational area;
- **trade payables** decreased due to lower purchases in the period;
- **other assets and liabilities** increased by Euro 1.1 million, rising from Euro 20.7 million to Euro 21.8 million: the trend was affected, on the one hand, by the recognition of tax receivables deriving from the "Patent box" and the reduction in payables to staff and social security institutions, and, on the other, by the reduction in net receivables from authors following the write-downs made;
- **intangible assets** decreased as a result of the amortization processes underway, the start of amortization of *TV Sorrisi e Canzoni* (for a total annual amount of Euro 3.5 million) and the concurrent write-down of both the magazine and the goodwill of other brands for a total of Euro 26.5 million;
- **assets from rights of use** decreased primarily as a result of amortization and depreciation, as the impact of changes in the number and/or duration of lease contracts decreased;
- **investments** decreased, due mainly to the disposal of 50% of the stake held in the share capital of SEE attributable to the poor results recorded by associates in 2020 and the write-down of Attica Publications of Euro 1.6 million;
- **provisions** decreased, as a result mainly of the settlement of a number of legal disputes; **post-employment benefits** decreased by approximately Euro 0.6 million versus end 2019, consistent with the trend in headcount.

PERSONNEL

HEADCOUNT

Group employees with a fixed-term or permanent labour contract amounted to 1,845 units**, down by approximately -9%** versus 2,018 units at December 2019, as a result of the continued efforts to increase the efficiency of the individual business areas.

Group employees at 31 December 2020:

Headcount	**31/12/2020**	**31/12/2019**
Arnoldo Mondadori Editore S.p.A.	249	828
Italian subsidiaries	1,549	1,136
Foreign subsidiaries	47	54
Total	**1,845**	**2,018**

As from 1 January 2020, all the resources referring to Arnoldo Mondadori Editore S.p.A. magazines were transferred to Mondadori Media S.p.A., wholly owned by Arnoldo Mondadori Editore S.p.A.; in January 2020, the Group also announced completion of the outsourcing of the IT Factory BU. The following table shows the headcount by business area:

Headcount by Business Area	**31/12/2020**	**31/12/2019**	**% chg.**
Books	639	645	(0.9%)
Retail	343	370	(7.6%)
Media	547	592	(7.3%)
Corporate & Shared Services	316	411	(23.1%)
Total	**1,845**	**2,018**	**(8.6%)**

In the **Books** area, the number of employees was steady overall versus 2019.

The decrease in the **Retail** area (8%) reflects efficiencies achieved both in the central units and in the organizational structure of the directly-managed stores network.

The trend recorded by the **Media** area (-7.3%) reflects the efficiencies achieved in the editorial offices and the reorganization of the central units, also affected by the 2020-2022 early retirement plan.

The **Corporate & Shared Services** area recorded a drop in headcount of approximately 23%, or approximately 16% net of the abovementioned outsourcing of the IT Factory business unit, due to the efficiency measures taken at the central units and the start of the 2020-2022 early retirement plan.

Overall, the reduction in Mondadori Group's headcount on a like-for-like basis in 2020 is **6.9%**.

Personnel costs[32] in 2020 amounted to Euro 131.3 million, **down by approximately Euro 22 million (-14%)** versus 2019, due to the continued reduction in headcount, the outsourcing of the IT Factory business unit and the disposal of the five titles that took place at end 2019, as well as the effects of the actions implemented during the pandemic, which include, in particular:

- the use of **outstanding holidays**;
- measures regarding **social shock absorbers**;
- the **reduction** of the **variable remuneration of Management** for 2020;
- the virtual suspension of **remuneration and hiring policies**.

(Euro/millions)	31/12/2020	31/12/2019	% chg.
Cost of enlarged personnel (before restructuring)	**131.3**	153.2	(14.3%)

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

PERFORMANCE OF ARNOLDO MONDADORI EDITORE S.P.A.

As from 1 January 2020, all the activities referring to the print and digital magazines, as well as the investments in the Magazines Italy area, were transferred to Mondadori Media S.p.A. (100% owned by Arnoldo Mondadori Editore S.p.A.).
For a clearer understanding and comparison of results, the Company's income statement at 31 December 2020 shown below is also compared with the income statement of the prior year, which is presented *pro-forma* to take account of the changed scope due to the contribution of assets and liabilities relating to magazines to Mondadori Media S.p.A., which took place on 1 January 2020, and the disposal of five titles in December 2019.

Reclassified income statement (Euro/millions)	**2020**		**2019 pro-forma**		**Chg.**	**% chg.**	**2019 disposal of titles**	**2019 contribution of business unit**	**2019 published**
Revenue	**45.1**		**38.5**		**6.6**	**17.1%**	**17.2**	**172.3**	**228.0**
Industrial product cost	-	-	-	-	-	(175.7%)	3.8	36.4	40.2
Variable product costs	0.4	0.8%	-	0.1%	0.3	709.0%	8.7	71.3	80.0
Structural costs	25.8	57.2%	15.8	41.0%	10.0	63.2%	0.4	17.1	33.3
Extended labour cost	20.3	45.1%	25.4	66.0%	(5.1)	(20.1%)	5.1	39.7	70.2
Other expense (income)	(0.5)	(1.1%)	(2.4)	(6.1%)	1.9	(78.6%)	-	(0.3)	(2.7)
Adjusted EBITDA	**(0.9)**	**(2.0%)**	**(0.4)**	**(1.0%)**	**(0.5)**	**133.7%**	**(0.7)**	**8.1**	**6.9**
Restructuring costs	2.3	5.1%	2.1	5.4%	0.2	11.1%	-	1.7	3.8
Extraordinary expense (income)	1.0	2.3%	0.9	2.4%	0.1	12.1%	-	0.5	1.4
EBITDA	**(4.2)**	**(9.4%)**	**(3.4)**	**(8.7%)**	**(0.9)**	**25.3%**	**(0.7)**	**5.9**	**1.7**
Amortization and depreciation	4.1	9.0%	3.4	8.7%	0.7	21.4%	-	7.3	10.7
Amortization and depreciation IFRS 16	5.9	13.0%	5.8	15.1%	0.1	1.1%	-	-	5.8
EBIT	**(14.2)**	**(31.4%)**	**(12.5)**	**(32.5%)**	**(1.6)**	**13.0%**	**(0.7)**	**(1.5)**	**(14.8)**
Financial expense (income)	2.3	5.1%	2.1	5.5%	0.1	7.0%	-	0.7	2.8
Financial expense IFRS 16	1.4	3.2%	1.4	3.6%	-	1.5%	-	-	1.4
Financial expense (income) from securities valuation	(0.6)	(1.3%)	(1.0)	(2.6%)	0.4	(43.6%)	-	-	(1.0)
Expense (income) from investments	(13.2)	(29.2%)	(43.1)	(111.8%)	29.9	(69.4%)	-	0.6	(45.3)
EBT	**(4.1)**	**(9.1%)**	**28.0**	**72.7%**	**(32.1)**	**(114.7%)**	**(0.7)**	**(2.8)**	**27.3**
Tax expense (income)	(8.6)	(19.1%)	(2.5)	(6.5%)	(6.1)	241.6%	-	(0.7)	(3.2)
Result from continuing operations	**4.5**	**10.0%**	**30.5**	**79.3%**	**(26.0)**	**(85.3%)**	**(0.7)**	**(2.1)**	**30.5**
Result from discontinued or discontinuing operations	-	-	(2.3)	(6.0%)	2.3	(100.0%)	-	-	(2.3)
Net result for the period (group and non-controlling interests)	**4.5**	**10.0%**	**28.2**	**73.3%**	**(23.7)**	**(84.1%)**	**(0.7)**	**(2.1)**	**28.2**
Minorities	-	-	-	-	-	n.s.	-	-	-
Group net result	**4.5**	**10.0%**	**28.2**	**73.3%**	**(23.7)**	**(84.1%)**	**(0.7)**	**(2.1)**	**28.2**

The Parent Company's income statement at 31 December 2020 shows the same profit as in the consolidated financial statements of Euro **4.5** million (Euro 28.2 million in 2019), due to the fact that the Company has chosen to use the equity method to measure its investments in the separate financial statements.

Revenue, amounting to Euro **45.1** million, was **up** versus Euro 38.5 million of the prior year, due mainly to the revenue recognized for services provided to the company set up in 2020, Mondadori Media S.p.A. (the Corporate and Shared Services business area and the Magazines area were included in the same company, Arnoldo Mondadori Editore S.p.A.).

Adjusted like-for-like EBITDA dropped slightly from Euro -0.4 million to Euro -0.9 million, resulting mainly from higher costs incurred to manage the work organization during the Covid-19 pandemic.

The year 2020 includes net negative extraordinary items of Euro 3.3 million, attributable mainly to M&A costs versus Euro 3.0 million in 2019.

Amortization and depreciation in 2020, amounting to Euro 4.1 million, increased versus 2019 (Euro 3.4 million), due mainly to higher capital expenditure made during the year to equip the corporate population with the work tools required for the increased use of smart working and the Company's offices with prevention and safety equipment.

The year 2020 includes net financial expense (before application of IFRS 16) totaling Euro 2.3 million, in line with Euro 2.1 million in 2019.

The positive contribution from the equity measurement of investments amounted to Euro 13.2 million, down significantly versus Euro 43.1 million in the prior year, due primarily to the following factors:
- the write-down of a number of brands recognized in the subsidiary Mondadori Media S.p.A.;
- the write-down of Attica Publications (amounting to Euro 1.6 million);
- the lower write-back of the subsidiary Mondadori Libri S.p.A.;
- a lower write-down of Mondadori Retail S.p.A. versus 2019.

The **Company's net profit**, after tax income of Euro 8.6 million recognized in 2020, which includes the tax receivable arising from the use of the "Patent box" facility of Euro 5.2 million, amounted to Euro **4.5** million (versus Euro 28.2 million in pro forma 2019).

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. The assessment is carried out both at the level of inherent risk, i.e. in the absence of mitigation measures, and residual risk, following 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 the residual risk back 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.

Continuing impacts of the Coronavirus emergency

The pandemic crisis has reiterated, on a global level in a new and dramatic way, the issues related to health, environment and welfare, placing sustainability more than before at centre stage.
For some time now, the Mondadori Group has classified the risk areas with the greatest impact related to Sustainability, adding in 2020 the risks associated with the effects of the pandemic.
The pandemic has deprived societies of the benefit of planning, understood as linear progress, unhindered by external contingencies.
The lesson learned is to take the necessary actions to counteract unpredictable risks and implement the principles of Risk Management & Business Continuity, in order to make organizations more resilient.
The management plans implemented by the Mondadori Group in response to the pandemic crisis include the complete and up-to-date mapping of pandemic risks, comprising both risks deriving from the direct impacts on business (production

stoppages, slowdowns in receiving orders from clients, etc.) and the indirect impacts from organizational measures (delays in production, etc.). Based on the results of the analyses carried out, below are the main risks that the Group is exposed to and the mitigation actions undertaken.

The areas of risk are grouped as follows:
- associated with the economic scenario;
- legal and regulatory;
- financial and credit;
- strictly business-related, understood as product competitiveness;
- associated with brand protection.

RISKS ASSOCIATED WITH THE ECONOMIC SCENARIO

From an economic standpoint, the impact of the health crisis has led to a sharp deterioration in the main macroeconomic indicators.
All businesses have felt the brunt of the pandemic, **industry** in particular, which has suffered from the orders cancelled from domestic and foreign markets, and a number of **tertiary** activities (tourism, transport, accommodation and catering).
In Italy, the dramatic drop in activity levels has had a **heavy impact on the labour input, generating an unprecedented collapse in consumption by Italian households,** who have postponed many consumption decisions and changed their choices to opt for essential expenses.

In many cases, purchasing power has been backed by government measures to support income and employment.
GDP is expected to steadily recover in the first quarter of 2021, provided that the spread of Covid-19 is effectively contained.
The most significant risks, in relation to the business segments in which the Group operates, come from the external context and are caused almost entirely by the ongoing pandemic emergency.
Against this backdrop, the books market recorded a slight increase, versus the sharp drop in the advertising and circulation market: both represent the main external risk factors identified in the latest Risk Assessment.

Main risks	Mitigation measures
Downturn of the advertising and circulation market	Portfolio innovation that points to alternative and innovative forms of communication such as website development, integrated communication platforms and event creation.
Relevant market trends, with repercussions on Group performance	**Trade area:** ongoing focus on product quality and innovation of the publishing offer also through targeted integration strategies with the development of digital activities. **Education area:** focus on product planning for the different programmes to encourage adoption. Ongoing product renewal aimed at increasing the ratio of adopted to sold. **Retail area:** customer loyalty activities, fine-tuning of non-traditional sales channels (e-commerce) and reduction of structural costs.
Drastic reduction in sell-out and average sales, especially for the titles whose sales are event-driven, and stalled due to the pandemic; increased risk across the board, due to margins focused on few successful titles/authors.	Improvement in publishing efficiency through process rationalization. Enhancement of the talent scouting unit. Growth of the audio books channel. Development of new forms for promoting titles, through the digital channel, as an alternative to the traditional channel. Synergies with Retail and Digital marketing.

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 (resulting in particular from the pandemic) 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.
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. New and more stringent parameters for credit control vs. franchisees.

BUSINESS RISKS: COMPETITIVE SCENARIO AND STRATEGIC RISKS

The variables faced by publishing and the media remain appreciable: on the one hand, the uncertainty arising from relevant market trends and the transition towards new business models on the other that represent elements of discontinuity capable of disrupting the traditional market balances.
New consumer habits have changed as a result of the lockdown, and have increased e-commerce channels, to the detriment of traditional channels.

This contingent situation could irreversibly change customer behaviour, whose habit of making online purchases, overcoming the initial reluctance and fears, could become routine.
In the new scenario that is materializing, the online channel needs to be innovated in order to engage the customer more, improving the customer service process.
In this context, the risks generated by the increased level of competition in the main areas are a priority.

Main risks	Mitigation measures
Growing competition in the Group's markets, due to increased competitiveness of existing players and to new players coming into the market.	Further actions to overhaul the business model, including through the use of new platforms. New search engine in the e-commerce site in order to continue performance development. New formats and investments in new technologies to support digital events (cybersecurity).

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, including at the level of emergency compliance due to the pandemic, 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. Timely adjustment of business activities and products to regulatory changes also through the adoption of newly enforced regulations in the Group's internal policies.
Burden/criticalities from regulatory obligations following changes in the "traditional" and, in particular, "emergency" legal framework (Privacy, MAR, Whistleblowing, Legislative Decree 49/19, Business Crisis Legislative Decree 14/19)	Attendance, through the trade associations, in discussions on the issuance of new measures.

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 corporate functions (media relations, social media, sustainability).

RISKS ASSOCIATED WITH SUSTAINABILITY

As part of the Group's increasing commitment to sustainability, which also took its cue also from a review of the relevant stakeholders, Risk Assessment included a complete and systematic analysis of the risks associated with the social and environmental effects of the Company's activities.
In view of the deep interconnection and complexity of the economic and social environment in which the business operates, in some cases the mapping of risks was reconsidered, implementing a thorough review of the strategic actions implemented to date, in order to reduce the extent of the risks and ensure business continuity.
As long as the effects of the pandemic continue, major issues include:

- the supply chain, where the main risks include the possible closure or loss of profitability of points of sale or possible insolvency on the part of suppliers, as a result of the various situations of financial distress generated by the current economic context.
- risks related to "intellectual property protection," "education in schools," and "product accessibility".

The above critical issues are subject to appropriate mitigation actions.

The Risk Assessment system also maps transparency and anti-corruption in all company departments.
No cases of corruption were reported or found in 2020.

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 (respect for procedures), compliance with Legislative Decree 231/2001, IT, compliance with Law 262/2005 (financial audit), and fraud. Violations found in audits are recorded in detail and are subject to follow-ups; scheduling of the audits to perform during the year is approved by the Board of Directors, subject to the approval of the Control and Risk Committee.
  In 2020, during the Covid emergency phase, numerous audits were planned to ensure the preparation and effective adequacy of the crisis management systems, in order to serve as support to Management through ongoing useful suggestions for possible changes and to verify the correct application of the measures contained in the PAAM (Mondadori Anti-Contagion Protocol).

Specifically, actions were taken to:

- verify compliance with emergency legislation and Data Privacy regulations, as well as all the activities carried out by the Company;
- analyze the direct impacts on the business, such as possible issues involving the supply chain, or the sales network;
- review the indirect impacts, i.e. deriving from organizational measures and, in general, from all the government measures adopted to contain the spread of the virus, linked for instance to health and safety measures in the Company premises and points of sale.

The resulting overall assessment showed that, during the emergency phase, the Remediations put in place by the Mondadori Group had been swift, agile and effective and had involved and supported all of the company's departments.

Continuous monitoring was implemented in the following months, while further audits on pursuing the abovementioned actions will be conducted in 2021.

- **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 Group Organization, Legal and Corporate Affairs, Procurement-Real Estate and Group Logistics.

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 then initiates an investigation. Since 2011, only one such case has been reported (in 2012).

In line with the provisions of Law no. 179 of 30 November 2017, a Whistleblowing system was put in place, which incorporates and manages "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 that allow the 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

DISPOSAL TO PBF S.R.L. OF 50% OF THE INVESTMENT HELD IN SOCIETÀ EUROPEA DI EDIZIONI S.P.A.

On 18 March 2020, Arnoldo Mondadori Editore S.p.A. announced the disposal to PBF S.r.l. of 50% of its investment in the associate Società Europea di Edizioni S.p.A. Following this transaction, Arnoldo Mondadori Editore S.p.A.'s investment in the share capital of Società Europea di Edizioni S.p.A., publisher of *Il Giornale*, drops to 18.445%.

RESIGNATION OF ODDONE POZZI AS CFO AND FINANCIAL REPORTING MANAGER ON 3 JUNE 2020

On 20 March 2020, the Mondadori Group announced the resignation of Oddone Pozzi from the position of Group Director of Finance, Procurement, Legal Affairs, IT and Logistics, of Financial Reporting Manager, and from all of the directorships held both in the parent company Arnoldo Mondadori Editore S.p.A. (as Executive Director) and in the other companies of the Group. In order to ensure the activities regarding the Shareholders' Meeting called for the approval of the financial statements at 31 December 2019 and the approval of the Interim Management Statement at 31 March 2020, the resignation from the position of Group Director and Financial Reporting Manager took effect from 3 June 2020, while the resignation from the various directorships took effect from 22 April 2020, after the Shareholders' Meeting.

ALESSANDRO FRANZOSI CHIEF FINANCIAL OFFICER FROM 4 JUNE 2020

On 23 March 2020, the Mondadori Group announced that Alessandro Franzosi would take on the position of Chief Financial Officer from 4 June. Franzosi was previously Corporate Finance and Business Development Director of Fininvest S.p.A.

SHARE BUYBACK

On 1 June 2020, the Mondadori 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 543,232 shares to service the Incentive Plan named "2020-2022 Performance Share Plan" approved by the Shareholders' Meeting on 22 April 2020, and to service the continuation of the "2019-2021 Performance Share Plan" and the "2018-2020 Performance Share Plan".

On 8 June 2020, the Company announced the purchase, in the period from 1 to 5 June, of 465,000 ordinary shares (equal to 0.178% of the share capital), at an average unit price of Euro 1.0856 for a total amount of Euro 504,789.99.

On 15 June 2020, the Company announced the purchase, on 8 June, of 85,000 ordinary shares (equal to 0.033% of the share capital), at an average unit price of Euro 1.1689 for a total amount of Euro 99,356.50.

At 31 December 2020, Arnoldo Mondadori Editore S.p.A. held 1,838,326 treasury shares, equal to 0.703% of the share capital and 0.459% of total voting rights.

DISPOSALS

On 14 October 2020, the Mondadori Group sold 8.5% of the share capital of Reworld Media. Subsequently, other disposals of Company securities were made for a total value of 4.6%, thus bringing the remaining investment at 31 December 2020 to 3.2% of the Company's share capital.

On 20 October 2020, the Mondadori Group completed the disposal of 25% of the share capital of Stile Italia Edizioni S.r.l. to La Verità, which already held the remaining 75%.

FUTURE CEO OF THE MONDADORI GROUP

On 10 November 2020, the Board of Directors took note with regret of Ernesto Mauri's decision to end his experience as CEO of the Mondadori Group by completing his term with the natural expiry of the company's governing bodies and the approval of the financial statements scheduled in April 2021.

Mr. Mauri provided the reasons for his decision by explaining to the Board that he believes he has fulfilled the strong path of strategic re-launch and repositioning, marked by the financial recovery and solid results achieved, laying the foundations for the current Management - in total continuity - to push the Mondadori Group into a new phase of development.

In line with the strategic transformation that the Company has undergone in recent years, which has witnessed a gradual focus on its core business - Books - the Board of Directors, on the proposal of Chairman Marina Berlusconi, resolved to appoint Antonio Porro, current CEO of Mondadori Libri, as the future CEO of the Mondadori Group.

Mr. Porro's nomination, in accordance with the outcome of the succession plan adopted by the Board of Directors, will be submitted to the Shareholders, who will submit the lists for the appointment of the new Board to the Shareholders' Meeting next April.

PUBLICATION OF INFORMATION DOCUMENT

On 22 December 2020, Arnoldo Mondadori Editore S.p.A. made publicly available at the Company's registered office, on the Company website www.mondadori.it (Governance section) and on the authorized storage mechanism (www.1info.it) the information document relating to a transaction of greater importance (which qualifies for the exemption from the application of the procedure for related-party transactions) between Arnoldo Mondadori Editore S.p.A. and Mondadori Media S.p.A., regarding a capital contribution.

The information document was prepared pursuant to Article 5 and in compliance with the schedule referred to in Annex 4 of the Regulation adopted by CONSOB with Resolution no. 17221 of 12 March 2010, as subsequently amended.

SIGNIFICANT EVENTS AFTER YEAR END

On 29 January 2021, with a view to further strengthening its foothold in the digital world, the Mondadori Group completed the **acquisition of Hej!**, a company that specializes in tech advertising, a sector where Mondadori already operates successfully through AdKaora, a leading media agency in the field of mobile advertising and proximity marketing; the synergies and pooling of Hej! assets with AdKaora's will help expand the offer and strength in the tech advertising market, providing companies with innovative solutions for conversational mobile marketing.

On 15 February 2021, the Group completed the sale of its investment in Reworld Media (from the original 16.3% stake to 3.2% at 31 December 2020), realizing an overall gain of approximately Euro 1.1 million.

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) a major transaction was completed by Arnoldo Mondadori Editore S.p.A. and the wholly-owned subsidiary Mondadori Media S.p.A. regarding a capital contribution. Details on the transaction appear in the "Significant events during the year" section of the Notes to the Financial Statements of the Parent Company and in this Directors' Report on Operations, also with regard to the information document published on 22 December 2020 and available on the website www.mondadori.it and on the authorized storage mechanism (www.1info.it). The transaction derogates from the application of the provisions of the CONSOB Regulation and the Procedures adopted by Arnoldo Mondadori Editore S.p.A., in that it is a transaction with a subsidiary in the absence of further significant interests;
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. 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.

PATENT BOX AGREEMENT

On 29 September 2020, Arnoldo Mondadori Editore S.p.A. signed an agreement with the Revenue Agency on the so-called Patent Box, pursuant to Article 1, paragraph 39, of Law no. 190 of 23 December 2014, envisaging a reduced rate of income taxation (also known as contribution) deriving from trademarks attributable to the following titles: *TV Sorrisi e Canzoni*, *Telepiù*, *Guida TV*, *Chi*, *Donna Moderna*, and *Interni*.

The "residual profit split" method was used to determine the contribution. This approach requires isolating the income attributable to the ordinary functions from the income result of the company, allowing, by difference, the determination of the residual profit or loss deriving from the use of intangible assets.

The agreement determined, for the years 2015-2019, a reduction in taxable income in the amount of 30% in 2015, 40% in 2016 and 50% in the following three years.

The cumulative saving for the five years in terms of lower IRES amounts to Euro 5.2 million.

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

While Although Fininvest S.p.A. holds a controlling stake pursuant to Article 2359 of the Italian Civil Code, it does not exert any direction and coordination activity as defined in Article 2497 *bis* and ensuing articles 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.
- Electa S.p.A.

- 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 22 April 2020 resolved, pursuant to Article 2357 et seq. of the Italian Civil Code, on 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 17 April 2019, in order to retain the power of the Board of Directors 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 to employees or members of the governing or supervisory bodies of the Issuer or of an associate or 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 2020, while the authorization to sell is granted to last for an unlimited period, given the absence of provisions in this regard pursuant to the provisions in force and the opportunities to allow the Board of Directors to make use of the maximum flexibility, also in terms of time, to carry out the acts of disposal of the shares.

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 Euro 0.26, also taking account of the ordinary shares held directly or indirectly in the portfolio from time to time, up to a cap of 10% of the Company's share capital.

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

The purchases would be made in compliance with the principle of equal treatment of shareholders under Article 132 of the TUF, in accordance with any of the procedures set out in Article 144-*bis* of the Issuer Regulation, to be identified from time to time, and any other applicable regulations, as well as, where applicable, the market practices allowed from time to time in force. Additionally, share purchase transactions may also be carried out in the manner envisaged in Article 3 of EU Delegated Regulation no. 2016/1052 in order to benefit, if the conditions are met, from the exemption under Article 5, paragraph 1, of EU Regulation no. 596/2014 on market abuse with regard to inside information and market manipulation.

As far as disposal transactions are concerned, the authorization would allow the adoption of any appropriate method to fulfill the purposes pursued - including the use of treasury shares to service stock incentive plans and/or the transfer of real and/or personal rights and/or stock lending - to be carried out either directly or through intermediaries, in compliance with the relevant laws and regulations in force.

Without prejudice to the fact that purchases of treasury shares would be made in accordance with the time limits, conditions and requirements established by the applicable Community legislation and by the admitted market practices, the minimum and maximum purchase price would be determined for a unit price not lower than the official Stock Exchange price of Arnoldo Mondadori Editore S.p.A. shares on the day preceding the purchase transaction, reduced by 20%, and not higher than the official Stock Exchange price on the day preceding the purchase transaction, increased by 10%.

However, in terms of purchase prices, the additional conditions set forth in Article 3 of the above EU Delegated Regulation 2016/1052 would apply.

With regard to the provisions of Article 2357, paragraph 1, of the Italian Civil Code, purchases would in any case be made within the limits of the available "extraordinary reserve" as shown in the last duly approved financial statements.

In any case, purchases would be made, in terms of definition of volumes and unit prices, in accordance with the conditions governed by Article 3 of EU Delegated Regulation 2016/1052, and in particular:

- no shares shall be purchased at a price higher than the higher between the price of the last independent trade and the price of the highest current independent bid on the trading venue where the purchase is carried out;
- in terms of volumes, no more than 25% of the average daily trading volume of Arnoldo Mondadori Editore S.p.A. shares shall be purchased in the 20 trading days prior to the dates of purchase.

Purchases instrumental in the support to market liquidity shall also be made in accordance with the conditions provided by the admitted market practices.

Following partial execution of the resolution adopted on 22 April 2020, Arnoldo Mondadori Editore S.p.A. purchased a total of no. 550,000 treasury shares on the market (equal to 0.21% of the share capital).

At 31 December 2020, Arnoldo Mondadori Editore S.p.A. held 1,838,326 treasury shares, equal to 0.703% 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.

COMPLIANCE WITH 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 1, PARAGRAPH 125 *BIS*

In 2020, the Group received the following amounts:

- Euro 10.9 million, contribution pursuant to Ministerial Decree of the MiBACT no. 803 of 16 November 2020 and no. 825 of 24 November 2020,
- Euro 0.2 million, pursuant to Article 1 of Law Decree no. 137 of 28 October 2020 and to Article 59 of Law Decree no. 104 of 14 August 2020.

LIST OF BRANCH OFFICES

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)	2020	2019
Gross Operating Profit - EBITDA (as shown in the financial statements)	**84,626**	**102,891**
Restructuring costs under "Cost of personnel" Note 33	8,901	6,402
Expense from acquisition and disposal of companies and business units, other (income) expense, Note 32 and Note 34	4,557	2,043
Loss (profit) from disposal of fixed assets and investments Note 34		(903)
Adjusted Gross Operating Profit - Adjusted EBITDA (as shown in the Directors' Report on Operations)	**98,084**	**110,433**

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

EBT: EBT or consolidated income before tax is the net result for the period before income tax.

Result from continuing operations: net result of the Group, excluding the contribution of Mondadori France and the financial expense charged to the subsidiary in 2019.

Result from discontinued operations: net result in 2019 of Mondadori France, 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

The ability demonstrated by the Mondadori Group in 2020 to react promptly to a strongly deteriorated context, as well as the financial solidity shown by the capital position at year end, give reasons, from an operational point of view, to be optimistic all in all on the future development of the business and the results that the Group can achieve in the new year.

From a strategic point of view, the Group has all the managerial and financial resources required to continue along the path of strengthening its core businesses, of expanding into new segments in or adjacent to publishing, and of rationalizing, if possible, non-strategic activities consistently pursued in recent years, including through M&A operations.

More specifically, in 2021 Mondadori intends to continue to **consolidate its leadership** in the **Books** area **-** both in the school textbooks and Trade publishing segments, increasing its relevance and impact on the Group's overall activities - and to **complete** its skills and solutions in the **digital** area.

As for the Group's operating-financial targets, referring to a business scope unchanged from today's:

- **Revenue and EBITDA**
  In line with the outlined strategy and in light of the relevant context, the operating targets for 2021 envisage estimates pointing to **a slight growth in revenue** (**low single-digit**) and an **adjusted EBITDA** that reflects **margins** between **11% and 12%**, in a context - in the absence of the relief received in 2020 - that shows a **substantial stability** of the Group's operating profit.
  This is the result of a renewed effort to contain costs aimed at countering the lack of temporary measures, relating primarily to payroll costs, which brought benefits to the Group last year.

- **Net profit**
  The **net result** in 2021 is expected to **grow strongly** due also to two "one-off" effects:
  - the impact on the 2020 results of the write-down of certain balance sheet items, which is currently not expected to repeat in the new year;
  - the likely resort by the Group to tax redemption on part of the intangible assets, which would give rise to recognition of a positive tax component.

- **Business Units**
  The outlook for the individual Business Units is as follows:
  - **Trade books:** the area is expected to operate in a **sluggish market with a competitive publishing plan** that should enable it to achieve higher growth rates than the market and, therefore, to **increase its market share**. The increase in operating costs attributable, as mentioned, mainly to the lack of social shock absorbers, cannot be totally neutralized by the efficiency measures planned by management, consequently, eating away, albeit moderately, the operating profit generated by the business unit;
  - **School textbooks:** the forecast of greater changes in book adoptions authorizes expectations on **market and revenue growth** for the business unit. The more subdued growth (versus the Trade area) in operating costs is neutralized by the cost-cutting policies implemented by Management, allowing the area to keep **profitability basically steady**;

- **Museums**: the easing of Covid-19 restrictions on the management of museum activities gives reasons to suggest a **modest “restart”** and a moderate **improvement in revenue and profitability,** net of compensation and relief received in 2020;
- **Retail**: the deep organizational and process review, the rationalization strategy on the portfolio of stores, the continued focus on the book product as part of a broader streamlined offering are expected to bring a **sharp increase in profitability**;
- **Media**: **recovery of both the print and digital advertising market** versus 2020; with overall revenue of the area in slight decline, **percentage profitability basically steady** thanks to the continued optimization of the structures, and the continued **strengthening of the digital area**.
- **Cash Flow and Net Financial Position**

  In 2021, the Group is expected to confirm the **cash-generating** capacity shown in recent years, in a 2020 year marked by adverse events. Specifically, forecasts on the new year indicate that **cash flow from ordinary operations** will range **between Euro 40 million and Euro 45 million**.

  These forecasts suggest, in the absence of transformational acquisitions and excluding the impacts of the adoption of the accounting standards under IFRS 16, a **positive consolidated net financial position** at year end.

  Conversely, taking account of the impact of IFRS 16, indications point to a **Group financial debt no greater than 0.8x adjusted EBITDA**.

As already mentioned, financial strength gives reasons to believe that during the year the Group will be able to firmly and actively pursue any **acquisition opportunities** that may arise, as well as to pave the way for a possible return to a **shareholder remuneration policy** from 2022, applied to the net result of 2021.

For the Board of Directors
The Chairman
Marina Berlusconi

Meeting on the web

Organizing events related to books and brands is an important feature of the publishing business, which continued relentlessly throughout 2020.

Conversely, the new forms of web engagement have expanded audiences and sparked the creativity of new formats.

On this page from left from top: Pinguini Tattici Nucleari and their new album Ahia! in an exclusive online event for Mondadori Store fans only; Casa Chi, the new format of the weekly led by Alfonso Signorini (pictured Gabriele Parpiglia, Azzurra Della Penna, Valerio Palmieri, Gilberto Savini and the editor-in-chief via link); Interni Designer's Week (with Filippo Del Corno, Ernesto Mauri and Gilda Bojardi); the presentation of the novel *Gli eletti* by Jeffery Deaver (Rizzoli), with the author and Donato Carrisi; Alessandro D'Avenia in the show based on his novel *L'appello* (Mondadori) and the awarding of the three finalists of Corri con Noi (Donna Moderna event) in Gressoney-Saint-Jean.

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, this Non-Financial Statement (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 2020 (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 Model** 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.

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

With regard to the recommendations of ESMA (European Securities and Markets Authority, *European Accounting Enforcers To Enhance Transparency On Covid-19 Impac*t, dated 28/10/20) and CONSOB (Warning Notice no. 1/21 dated 16/02/21), it should be noted that:

- the **impacts on individual non-financial topics and the mitigation actions taken** are discussed in the sections on each topic;
- **social and staff-related topics** are dealt with in the sections *Organizational developments and industrial relations* (p. 118), *Training and development* (p. 119), *Health and safety in the workplace* (p. 127) as well as in the section *Covid-19 Focus* in the *2020 Annual Report* (p. 30);
- the **business model, value creation**, and the i**nterconnection of financial and non-financial information** are addressed in *Strategic business innovation* (p. 110);
- **risks associated with climate change** are analyzed on p. 107 of the NFS.

The first step in the materiality analysis process for the 2020 NFS was to update the list of material topics to consider.
The Sustainability Committee reviewed and modified the list of non-financial topics, improving the terminology used to define each area of sustainability and the detail of the specific challenges that mark each topic and act as a guide in the assessment stage.
Owing to the implications related to the pandemic and its fallout, **Health and safety in the workplace and Supply chain management**, already appearing in the sphere of topics in the 2019 materiality analysis but found to be non-material, were included in the list of topics to be submitted to internal and external stakeholders in 2020.
The **Strategic Business Innovation** topic brings together the 2019 material topics **Business Model Transformation** (with the exception of the specific aspect related to economic performance) and Digital Evolution. The material topic in 2019 **Market abuse** became a specific aspect of **Business integrity and combating corruption**: the latter and the economic performance aspect were not included in the new list of topics to be submitted to materiality analysis as they are considered essential in non-financial reporting (also as a result of Legislative Decree 254/16) and are therefore addressed in the section *Business ethics and integrity* (p. 102), together with the indicator **GRI-207 Tax**.

The result of the updated material topics to be submitted to internal and external stakeholders is shown in the table below:

Topics	Specific aspects
Product accessibility	• Effective distribution of products/stores • Content digital accessibility • Accessibility for people with disabilities or disadvantaged groups • Creation of new content formats (e,g,. podcasts) • Price accessibility
Brand management	• Brand enhancement and reputation • Multi-channel/multi-product brand propagation
Life cycle of paper products	• Search for innovative and sustainable solutions • Returns and pulping management • Protection of biodiversity
Climate change	• Oversight and reduction of climate-altering gas emissions • Efficiency in energy consumption
Management of environmental impacts	• Waste management • Water resources management
Supply chain management	• Engagement of suppliers in a circular economy and sustainability process • Oversight and cooperation with suppliers on social sustainability topics
Inclusiveness	• Fostering inclusion and enhancing diversity as levers for innovation and business development • Encouraging cultural exchange and debate on diversity and inclusion
Strategic business innovation	• Ongoing development of business strategies • Ability to intercept new businesses and markets • Product innovation • Synergy between digital and traditional products
Education and the school world	• Production of quality training tools • Design of tools for distance and blended learning • Promotion of initiatives to combat early school leaving • Promotion of initiatives to reduce the digital divide • Initiatives to engage young people in civil society
Privacy and personal data protection	• Protection of customer privacy • Protection of children's privacy

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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 • Freedom of expression and publication • Education on sustainability topics
Health and safety in the workplace	• Constant improvement of safety conditions in the workplace. also in view of emergencies
Intellectual property and copyright protection	• Fight against piracy • Cooperation between players. trade associations and with national and European bodies to improve copyright regulations
Enhancement and management of human capital	• Development of a culture of employee empowerment and results orientation • Training • Consistent development of work organization with effective use of smart working • Assessment and development of human resources • Relations with trade union representatives

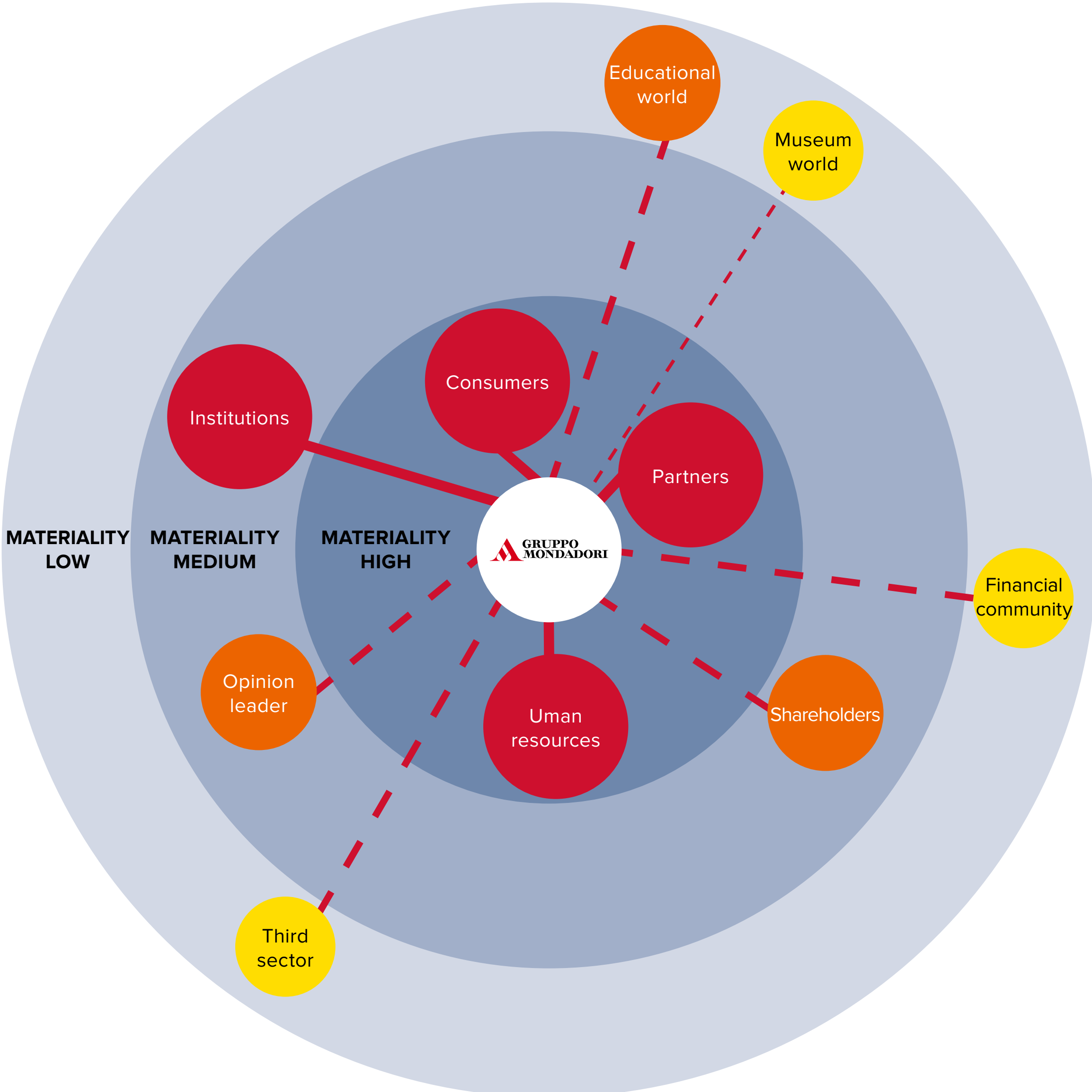
Based on the stakeholder map updated in 2019, last year the **Consumers** category, specifically customers of the bookstore network, was involved, thus completing, in the two-year period 2019-20, the engagement of the three main categories of stakeholders identified during the mapping process: partners (subcategory suppliers), human resources (subcategory employees) and consumers (subcategory bookstore customers).

Based on the planned path of steady stakeholder engagement, starting with the most significant categories, the stakeholders involved in 2020 were:

Mondadori Group	External stakeholders
CEO and Top Management members Members of the Sustainability Committee	Consumers

Below is the table of stakeholder categories, sub-categories and the full stakeholder map chart.

Category	Detail	Engagement Activities
Shareholders	Majority shareholders Non-controlling interests	Shareholders' Meeting
Financial Community	Analysts/rating agencies Banks Investors	55 virtual meetings with approximately 160 institutional investors at 8 events
Consumers	Bookstores and newsstands customers Users of online content and services Book readers Magazine readers Students/student families	Bookstore Customer Questionnaire
Institutions	Antitrust Trade associations Consob National/Community lawmaker Public Administration	Ad hoc discussions on specific topics
Educational world	Ministry of Education and Research Teachers/educators	Faculty survey
Museum world	Museums Superintendencies Museum visitors	Participation in tenders
Opinion leaders	Authors Influencers and bloggers Media People making the news	Media relations activities
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,,,)	Regular meetings with suppliers Franchisee conventions
Human resources	Associates Advisors Employees Trade unions INPS, INAIL	Weekly Crisis Committee meetings
Third sector	NGOs Non-profit organizations	Regular discussions on project development



Influence on Mondadori

- HIGH
- MEDIUM
- LOW

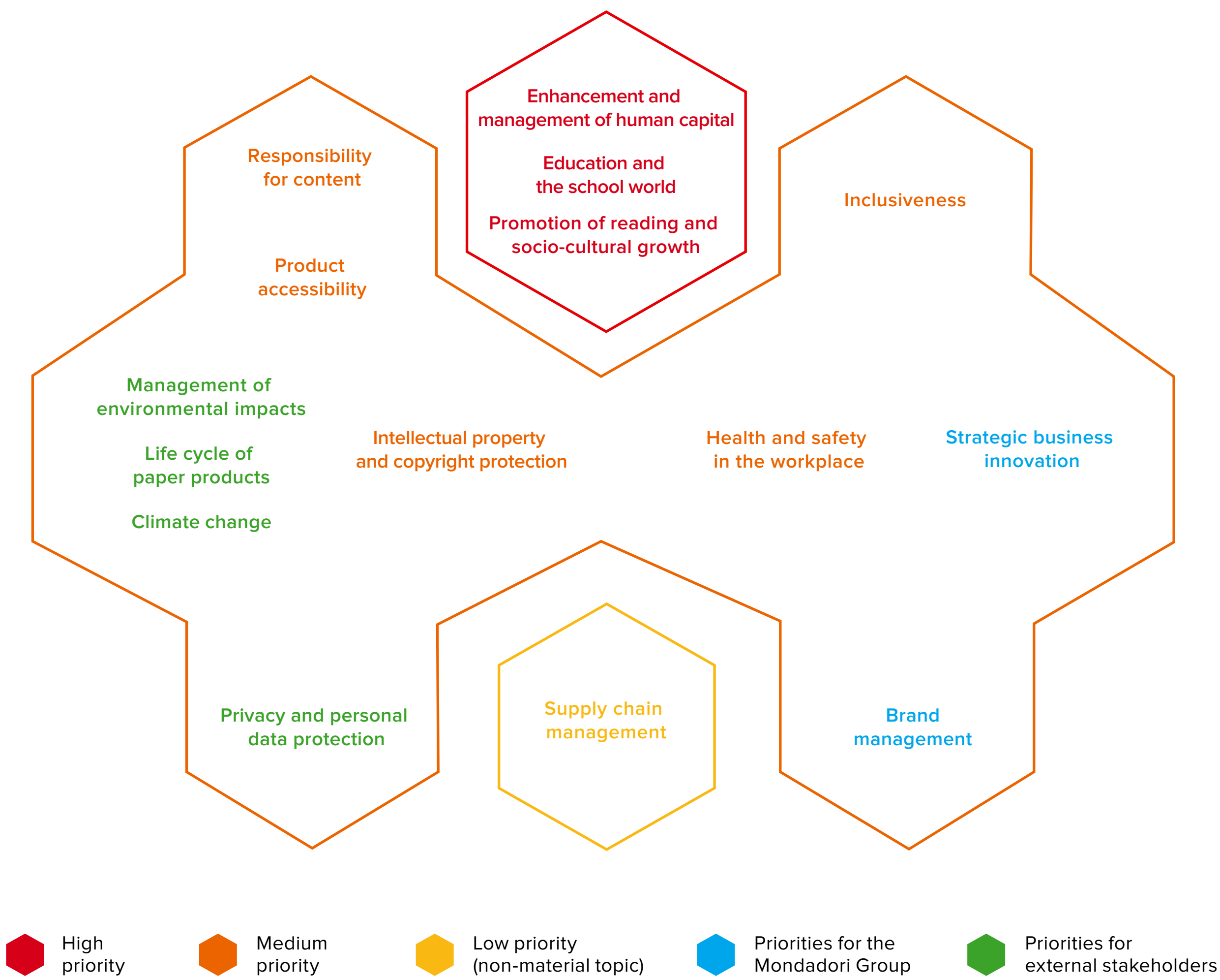
Interest in Mondadori

- HIGH
- MEDIUM
- LOW

As in prior years, the Chief Executive Officer, Top Management and the Sustainability Committee were interviewed for the assessment of the topics by the Mondadori Group.
Specifically, this year, the interview included an initial stage dedicated to the Covid-19 impacts on the Group's business and activities in 2020, by addressing the scenario topics from a qualitative point of view; in the second part of the discussion, a questionnaire was administered to prioritize the topics for the Mondadori Group.
With regard to the external dimension of stakeholders, the decision was taken to involve a select sample of customers of Mondadori bookstores through the administration of an online questionnaire. The result of the engagement returned over 700 complete answers.

A question was submitted to the sample of customers on the material topics and their expectations by Mondadori on these issues.
Stakeholder opinions collected in prior years were not considered, due to the difference in topic lists and the resulting inability to match results.

The set of results of the stakeholder engagement carried out in 2020 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 Non-Financial Statement.
The results of the 2020 materiality analysis were validated by the Sustainability Committee and submitted for review to the Control and Risk



Committee and the Board of Statutory Auditors.
The graphical presentation of the materiality analysis shows a grouping of topics into priority clusters: in red, the priorities classified as high by both external stakeholders and the Mondadori Group; in orange, the priorities classified as medium: as part of these, certain topics are more relevant for external stakeholders (green) or for the Company (blue); in yellow, the low priority topic for both external and internal stakeholders, therefore, non-material.

BUSINESS ETHICS AND INTEGRITY

The Mondadori Group's organizational and management model is designed to ensure the economic sustainability of the company and the creation of long-term value, enhancing the mission and values that guide the day-to-day management of the Group's operations; this is witnessed by the Group's compliance with the external codes and regulations that shape its governance and control system.
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 able to 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 ofintellectual 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. 135-138.

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,

With 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, The year 2020 saw completion of the drafting of the anti-corruption procedure (under approval in 2021),

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.

The project on the adoption of an *Anti-Corruption Policy* and *Compliance Programme*, in compliance with current legislation, was entrusted to the Internal Audit and Internal Control Departments (at the request of the Committee of Independent Directors).
During the year, interviews were conducted with company management in order to identify the risks which company processes and activities are exposed to, assess the mitigation actions underway and the areas of intervention to implement.
The goal for 2021 is approval of the Programme, as well as definition of all activities and oversight of all the steps in the Policy.

In the three-year period 2018-2020, 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.

Additionally, no reports were received in 2020 within the whistleblowing system, which was implemented in 2019 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.

Market abuse

Following adaptations of the *Procedure on inside information* made in 2016 and 2019 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 was complemented by the internal dealing procedure as regards the disclosure obligations towards CONSOB, the Company itself and the market of all the transactions of an amount equal to or higher than Euro 20,000 (including all subsequent transactions, carried out on financial instruments issued by the Company, regardless of the amount, once a total amount of Euro 20,000 has been reached in the course of a calendar year), 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.

In 2020, the notion of Specific Relevant Information was integrated into the procedure, the notion of Relevant Information List and the related management criteria.
Roles and responsibilities relating to the inside information management process were reviewed, also assigning the role of FGIP (Inside Information Management Function) to the Group CFO.
Training programs, paid for by the Mondadori Group, were also delivered to the owners of the process.

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.

Penalties

In carrying on business, the Mondadori Group complies strictly with all the laws and regulations of its markets of operation. However, when doing so, cases deemed punishable may arise: specifically, publishing activities, despite the meticulous audits conducted before books or articles are published, may in some cases give rise to legal action which, if the outcome is negative for the Group, implies the payment of penalties.

Penalties paid in 2020 amounted to approximately Euro 350 thousand, of which Euro 213 thousand in tax penalties and Euro 136 thousand in financial penalties relating to sentences.

Monetary penalties (Euro/millions)	**2020**	**2019**	**2018**
Tax penalties	0.21	-	0.03
Financial penalties	0.14	0.26	0.23
Total	**0.35**	**0.26**	**0.26**

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.
Only one case was reported in 2020.

Non-monetary penalties	**2020**	**2019**	**2018**
Number of cases	1	-	1

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

Tax policy

With regard to the national tax consolidation scheme, in 2019 the Mondadori Group renewed the agreement with Fininvest S.p.A. (the Consolidating Company) for three years (2019-2021), containing a protection clause under which Arnoldo Mondadori Editore S.p.A. and its subsidiaries participating in the 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.

Additionally, on 29 September 2020 Arnoldo Mondadori Editore S.p.A. signed an agreement with the Revenue Agency on the so-called *Patent Box*, envisaging a reduced rate of income taxation deriving from trademarks attributable to *TV Sorrisi e Canzoni, Telepiù, Guida TV, Chi, Donna Moderna* and *Interni*.
For further details, reference is made to the *Tax Consolidation, Tax Transparency* and *Patent Box Agreement* sections in this *2020 Annual Report*.

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.

2020 Tax (Euro/000)	**Italy**	**USA**
Revenue from sales to third parties	707,374	36,619
Revenue from intercompany transactions with other tax jurisdictions	568	564
Pre-tax profit/loss	139	1,411
Ttangible assets other than cash and cash equivalents	15,484	1,470
Corporate income tax paid on a cash basis	6,949	-
Corporate income tax accrued on profit/loss	12,257	435

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 2020, fully paid up and subscribed, amounted to Euro 67,979,168.40, divided into 261,458,340 ordinary shares with a par value of Euro 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 31/12/2020**
Fininvest S.p.A.	53.3%
Silchester International Investors LLP	12.6%

In 2020 the Group received - from Italian Public Administration, the US Government, Italian and foreign bodies and private individuals - over Euro 12 million, of which approximately Euro 11 million and 872 thousand as Covid-19 relief (Euro 11 million for museum activities in Italy and $ 872 thousand in the United States); Euro 134 thousand in refunds for the purchase of personal protective equipment; approximately Euro 35 thousand in tax receivables (Art Bonus and upgrading of cash registers); Euro 80 thousand from the ownership of the Segrate offices (Generali Real Estate Sgr S.p.A.) for building renovation; approximately Euro 54 thousand in training grants and approximately Euro 75 thousand 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 other grants or subsidies from Public Administration or from private individuals in the 2018-2020 three-year period.

Grants received (Euro)	**2020**	**2019**	**2018**
	12,159,916	331,072	706,080

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

MAIN NON-FINANCIAL RISKS

In order to meet the requirements of Legislative Decree 254/2016, as part of the Group's increasing commitment to sustainability, which also took its cue from a review of the relevant stakeholders, Risk Assessment included a complete and systematic analysis of the risks associated with the social and environmental effects of the company's activities.

These risks are the result of an integration of the non-financial risks already covered by the Group Risk Assessment process and specific internal considerations.
With regard to mitigation measures, reference should be made to the section on *Internal Control and Risk Management System* (p. 76 of the *2020 Annual Report*).

Amid the deep interconnection and complexity of the economic and social environment in which the business operates, aggravated by the emergency situation brought by Covid-19, in some cases the mapping of risks was reconsidered, implementing a thorough review of the strategic actions implemented to date, in order to reduce the extent of the risks and ensure business continuity.
As long as the effects of the pandemic continue, major issues include:

- the supply chain, where the main risks include the possible closure or loss of profitability of points of sale or possible insolvency on the part of suppliers, as a result of the various situations of financial distress generated by the current economic context;
- risks related to intellectual property protection, education in schools, and product accessibility.

The above critical issues are subject to appropriate mitigation actions.

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 from conduct deriving from external causes.
There is no question that in such circumstances, the crucial aspect will be to monitor the growing risks in terms of personal freedom, well-being, educational prospects and wealth of the younger generations.

Main risks	Mitigation measures
Critical issues related to potential restrictions on the freedom of expression of authors.	Continuous monitoring of the variety of titles published.
Critical issues 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 issues related to the change in the way consumers purchase books, who have opted, during the lockdown period of the pandemic, and the resulting closure of bookstores, for the online channel	Efforts should be made to develop the online channel, in order to be competitive on the market and enhance customer purchasing experience, by leveraging on multi-channel benefits, understood as the concurrent use of online and traditional channels (e.g. the "Libreria Infinita" portal; pick up point; "book and collect" service).
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 issues 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 issues 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 issues 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 reporting; 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.

STRATEGIC BUSINESS INNOVATION

The path of strategic repositioning undertaken by the Mondadori Group until 2019 defined a business model focused on the publishing and sale of books, alongside the world of both physical and digital brands.
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 S.p.A., dedicated to the print and digital brand business, 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 their specific peculiarities. 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. The impacts of Covid-19 on these segments, and more generally on all facets of the company's activities, have placed even more emphasis on the need for constant and strategic innovation aimed at seizing and creating further development opportunities. Added to this is the responsibility to generate shared value over the long term and the resulting implications of the Group's activities for multiple stakeholders.

Specifically, the measures taken to contain the pandemic also had major repercussions on the Group's businesses (see p. 28 of the *2020 Annual Report*), but at the same time encouraged the launch of new initiatives and helped to contain costs and consumption. The rationalization of book and magazine production, for example, resulted in a sharp reduction in paper consumption and GHG emissions linked to distribution processes; likewise, the closure of offices and bookstores during the lockdown period and the only partial repopulation of company offices during the rest of the year resulted in a reduction in natural gas and electricity consumption. The ongoing restrictions offer the possibility of rethinking all the activities from a different perspective that is more mindful of the environment and society, as shown by a number of initiatives taken in March and April 2020 for the supply chain (bookstores and newsstands, see p. 32 of the *2020 Annual Report*). Or again, by the development of a mixed work model that brings together the numerous advantages of smart working: for the company, for the workers, for the environment (see p. 123).

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, in a year strongly impacted by physical and economic limitations to content in the print version.
Aside of the various initiatives described below (see paragraphs on pages 132, 133 and 134), there are at least three noteworthy events linked to three different brands of the Group which combined, in the pre-Christmas period, brand reputation and solidarity:

- **#CucinaEDonaConGiallo**, the first social charity challenge spearheaded by the food media brand Giallo Zafferano in support of Fondazione Progetto Arca onlus: a five-hour Christmas cooking marathon, which peaked in 5,000 litres of milk and almost a ton of Grana Padano donated to enrich the Progetto Arca Onlus food parcels for 1,500 families in distress throughout Italy;
- **Sorrisi Live – Un Sorriso per Natale**, an exclusive musical event offered by *TV Sorrisi e Canzoni*, the Mondadori Group brand and point of reference in the world of music and entertainment, to all its readers and users for the Christmas holidays; the initiative, broadcast on the sorrisi.com website, on the magazine's Facebook page and Instagram account, was graced by the presence of some of the most popular Italian singers; the event was an opportunity to bring a moment of respite also to children in hospital and their families, thanks to the support of Fondazione Dottor Sorriso, which has been fostering for 25 years now the smile therapy in Italy, with the mission of cheering up the hospital stay of younger patients, helping them to face illness and hospitalization with greater strength;
- **Impacchettiamo un sogno**: the sixth edition of the initiative by Cesvi Foundation - a humanitarian organization that has been working for 35 years in Italy and around the world - hosted by Mondadori Store: more than 500 volunteers in over 40 Mondadori Store bookstores in the main Italian cities to make gift packages and support the Foundation's program to prevent and combat child abuse in the cities of Bergamo, Bari and Naples.

ENHANCEMENT AND MANAGEMENT OF HUMAN CAPITAL

As in 2019, and in particular based on the engagement carried out on the Mondadori Group employees, the enhancement and management of human capital was considered a priority also in 2020. 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. The onset of the pandemic and the multiple social consequences have led to organizational and operating changes, placing emphasis on remote working procedures, the safety of working environments and possible preventive measures.

Headcount

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

Employees (no.)	2020	2019	2018
Italy	1,798	1,964	2,083
USA	47	54	49
Total	**1,845**	**2,018**	**2,132**

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	2020	2019	2018
Temporary workers (no.)			
Corporate	6	9	14
Books	21	21	33
Magazines	15	15	29
Retail	56	164	84
Total	**98**	**209**	**160**

Hires and terminations Italy		2020		2019		2018	
Gender	**Age**	**Number**	**%**	**Number**	**%**	**Number**	**%**
			HIRES				
Women	<30 years old	12	28%	25	24%	23	20%
	30-50 years old	15	35%	44	42%	39	35%
	>50 years old	1	2%	3	3%	2	2%
Total women		**28**	**65%**	**72**	**68%**	**64**	**57%**
Men	<30 years old	5	12%	12	11%	12	11%
	30-50 years old	9	21%	22	21%	31	28%
	>50 years old	1	2%	-	-	5	4%
Total men		**15**	**35%**	**34**	**32%**	**48**	**43%**
Total hires		**43**	**100%**	**106**	**100%**	**112**	**100%**
Turnover rate (new employees)			**2.39%**		**5.40%**		**5.38%**
			TERMINATIONS*				
Women	<30 years old	6	3%	14	6%	9	3%
	30-50 years old	48	23%	63	28%	84	33%
	>50 years old	51	25%	67	30%	52	20%
Total women		**105**	**50%**	**144**	**65%**	**145**	**56%**
Men	<30 years old	-	-	7	3%	1	1%
	30-50 years old	31	15%	44	20%	60	23%
	>50 years old	72	35%	28	13%	51	20%
Total men		**103**	**50%**	**79**	**35%**	**112**	**44%**
Total terminations		**208**	**100%**	**223**	**100%**	**257**	**100%**
Turnover rate (leaving employees)			**11.57%**		**11.35%**		**12.34%**

* The number of terminations does not include any employees seconded to other companies not part of the Group. As this is a secondment with a clearing entry for costs, the employees are not included in the total headcount at 31 December
Specifically, one employee for 2020 and two employees for 2019

Hires and terminations USA		2020		2019		2018	
Gender	Age	Number	%	Number	%	Number	%
		HIRES					
Women	<30 years old	2	29%	4	36%	4	50%
	30-50 years old	-	-	2	18%	2	25%
	>50 years old	-	-	-	-	-	-
Total women		**2**	**29%**	**6**	**55%**	**6**	**75%**
Men	<30 years old	3	43%	2	18%	-	-
	30-50 years old	2	29%	3	27%	2	25%
	>50 years old	-	-	-	-	-	-
Total men		**5**	**71%**	**5**	**45%**	**2**	**25%**
Total hires		**7**	**100%**	**11**	**100%**	**8**	**100%**
Turnover rate (new employees)			**14.89%**		**20.37%**		**16.33%**
		TERMINATIONS					
Women	<30 years old	2	14%	5	42%	2	33%
	30-50 years old	3	21%	1	8%	4	67%
	>50 years old	-	-	-	-	-	-
Total women		**5**	**36%**	**6**	**50%**	**6**	**100%**
Men	<30 years old	4	29%	2	17%	-	-
	30-50 years old	4	29%	4	33%	-	-
	>50 years old	1	7%	-	-	-	-
Total men		**9**	**64%**	**6**	**50%**	**-**	**-**
Total terminations		**14**	**100%**	**12**	**100%**	**6**	**100%**
Turnover rate (leaving employees)			**29.79%**		**22.22%**		**12.24%**

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

Workforce by gender (Italy + USA)

2020		2019		2018	
Women	Men	Women	Men	Women	Men
63%	37%	62%	38%	62%	38%

Workforce by age (Italy + USA)

	2020			2019			2018		
	Total	Women	Men	Total	Women	Men	Total	Women	Men
<30 years	3%	57%	43%	3%	55%	45%	2%	56%	44%
30-50 years	58%	64%	36%	59%	64%	36%	62%	63%	37%
>50 years	40%	62%	38%	38%	59%	41%	36%	60%	40%

Workforce by business (Italy + USA)

	2020			2019			2018		
	Total	Women	Men	Total	Women	Men	Total	Women	Men
Corporate	17%	56%	44%	20%	53%	47%	19%	51%	49%
Books	35%	70%	30%	32%	70%	30%	31%	69%	31%
Retail	19%	59%	41%	18%	60%	40%	18%	59%	41%
Magazines	30%	62%	38%	30%	61%	39%	32%	63%	37%

Workforce by grading, gender and age

Italy

	2020			2019			2018		
	Total	Women	Men	Total	Women	Men	Total	Women	Men
Executives	5%	29%	71%	5%	24%	76%	4%	22%	78%
Middle managers	14%	55%	45%	13%	54%	46%	13%	53%	47%
White collars	71%	66%	34%	72%	65%	35%	71%	65%	35%
Journalists	9%	73%	27%	9%	71%	29%	11%	74%	26%
Blue collars	1%	20%	80%	1%	17%	83%	1%	15%	85%

Italy

	2020				2019				2018			
	Total	<30 years old	30-50 years old	>50 years old	Total	<30 years old	30-50 years old	>50 years old	Total	<30 years old	30-50 years old	>50 years old
Executives	5%	-	45%	55%	5%	-	46%	54%	4%	-	47%	53%
Middle managers	14%	0.4%	54%	46%	13%	-	53%	47%	13%	-	55%	45%
White collars	71%	0.3%	63%	33%	72%	3%	65%	32%	71%	3%	68%	29%
Journalists	9%	-	35%	65%	9%	-	39%	61%	11%	-	39%	61%
Blue collars	1%	-	40%	60%	1%	-	33%	67%	1%	-	54%	46%

USA

	2020			2019			2018		
	Total	Women	Men	Total	Women	Men	Total	Women	Men
Executives	6%	33%	67%	7%	25%	75%	6%	33%	67%
Office workers	94%	55%	45%	93%	54%	46%	94%	52%	48%

USA

	2020				2019				2018			
	Total	<30 years old	30-50 years old	>50 years old	Total	<30 years old	30-50 years old	>50 years old	Total	<30 years old	30-50 years old	>50 years old
Executives	6%	-	-	100%	7%	-	-	100%	6%	-	-	100%
Office workers	94%	16%	34%	50%	93%	14%	48%	38%	94%	17%	48%	35%

Workforce by type of contract and geographical area

Italy

	2020			2019			2018		
	Total	Women	Men	Total	Women	Men	Total	Women	Men
Permanent[1]	99.6%	63%	37%	99%	62%	38%	99%	62%	38%
Fixed-term	0.4%	75%	25%	1%	84%	16%	1%	67%	33%

[1] including apprenticeship contracts (in Italy)

USA

	2020			2019			2018		
	Total	Women	Men	Total	Women	Men	Total	Women	Men
Permanent	89%	52%	48%	93%	50%	50%	100%	51%	49%
Fixed-term	11%	60%	40%	7%	75%	25%	-	-	-

Workforce by professional category (full time/part time - Italy + United States)

	2020			2019			2018		
	Total	Women	Men	Total	Women	Men	Total	Women	Men
Full time	89%	60%	40%	88%	58%	42%	88%	58%	42%
Part time	11%	85%	15%	12%	85%	15%	12%	85%	15%

Almost 3% of employees (mostly women, 74.5%) took **parental leave** (a right that extends to all the workforce, regardless of contract type).

	2020			2019			2018		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
Employees entitled to parental leave[1] (no.)	1,163	682	1,845	1,244	774	2,018	1,315	817	2,132
Employees who took parental leave (no.)	38	13	51	98	18	116	98	4	102
Employees returning to work after parental leave (no.)	38	13	51	95	18	113	86	4	90
% returning after parental leave	100%	100%	100%	97%	100%	97%	88%	100%	88%

[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

Organizational developments and industrial relations

The major organizational change implemented in 2020 is the establishment in January 2020 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 regard to the adoption of the new company contract covering workers under the Graphics Publishing collective labour agreement signed by the parties in July 2018, as from June, the beneficiaries of the 2019 performance bonus (approximately 1,100 employees) were able to use the services made available by the MyWelfare platform to manage flexible benefits. Participation in the initiative made available by the Group stood at 48% of those eligible (approximately 30% higher than the national average - source: Welion Generali) and approximately 35% chose to convert 100% of the gross premium into a welfare credit. At end December 2020, approximately 58% of the total amount of welfare credits appeared to have been spent on initiatives made available to beneficiaries in full compliance with current regulations.

In response to the lockdown brought by the Covid-19 pandemic, in March the Group enabled its employees to continue working, albeit remotely, by providing them with the IT, technological and communications infrastructure needed to guarantee business continuity. As explained in greater detail in the *Training and development* section (p. 119), a training plan was developed and delivered to all Mondadori personnel aimed at enhancing the soft skills and digital skills typically required by a working model that involves the concurrent presence of people who carry out their work on site (in full compliance with social security regulations) and remotely. The program will continue throughout 2021 based on a comprehensive plan to be financed through the New Skills Fund. The Group has in fact decided to structurally adopt the working model used in the emergency context, with implementation methods that fully satisfy, while respecting common guiding principles and guidelines, the different needs of the various Business Units in which it is structured.

In the HR area, the digital transformation project continued with the steady integration of the functions of HR Portal (the integrated suite for the management of HR processes), which took place with the adoption of the Learning Management System module for the management of training processes (including e-learning), the preparation of the MBO module to be used in the management of the MBO process in 2021, and the planning of the Talent Management module, scheduled to gradually enter production in 2021.

On the industrial relations front, 2020 was a year marked by the health emergency, which involved the management of the Covid-19 redundancy fund, both ordinary and by way of derogation, for all the Group's companies.
March 2020 saw the opening of trade-union procedures, which led in April 2020 to the signing of 31 agreements with local and national trade unions representing workers under the Graphic, Publishing, Trade and Journalists contracts, which were then extended from time to time until the end of the year.

The year 2020 was also marked by the start of the early retirement program for Arnoldo Mondadori Editore, Mondadori Media and Press-di. In December 2020, a total of 58 people were able to take early retirement upon reaching the requirement (35 years of contribution years).

The Retail segment continued to rationalize points of sale, with the closure of the Milan store in Via Marghera at the end of the year. The operation ended with an agreement signed with the trade unions envisaging, on the one hand, the preservation of a large part of the workforce through relocation to other points of sale in Lombardy and, on the other, the opportunity of voluntary redundancy.

Lastly, in November 2020 union agreements were signed for all Group companies aimed at presenting the training plan in order to qualify for the New Skills Fund.

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 the employees in Italy are covered by collective bargaining agreements: the Graphics Publishing CBA (covering 73% of employees and including Industry managers), the Journalists CBA (9% of the corporate population) and the Trade CBA (applied to 18% of employees, including Trade managers). 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.

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.

Training and development

The table below shows the number of hours of training delivered and the number of attendees over the three-years in Italy; it should be noted that all employees at Rizzoli International Publications were delivered a course on harassment in the workplace, for a total of 48.5 hours, equal to 1.03 hours per person (approximately one hour on average for both women and men). Specifically, the course lasted an hour and a half for executives and an hour for office workers.

Hours delivered (no.)	2020	2019	2018
Total	11,185	17,959	14,323

Attendees (no.)	2020	2019	2018
Total	2,006	1,963	1,139

The training programs adopt, this year too, a business-oriented approach to provide the necessary skills and tools to effectively cope with the changes in the relevant markets and to ensure the development of the Company.
Requirements were defined within the scope of the Group's people strategy objectives, which set and steered the projects and activities of the personnel department, consistent with the Group's business strategy and the strategy of the individual business units. The primary needs involved digital upskilling to adjust skills to technological and organizational innovation.

The onset of the pandemic and the lockdown accelerated the widespread adoption of smart working and brought out new needs and requirements. Planned programs were amended in both teaching methodology and content.
Only 20% of the people involved in remote working had previously had other smart working experience, so the Company was suddenly faced with an unplanned contingency. For such reason, efforts were made not only to provide the tools needed to work from home, but more importantly to provide support to people and try to create a sense of community among employees through specific participation-related communication.

Over the weeks and months, targeted actions were planned and implemented to overcome the difficulties and problems, providing various tools:
- e-learning programs delivered through the LMS (Learning Management System) platform, integrated into the HR Portal for the use of training content;
- webinars (addressed primarily to management and middle management);
- implementation of listening tools ("#aiutaciadaiutarti" campaign, satisfaction surveys, interviews, listening groups) to identify the requests and needs of employees

and to design new training and professional development paths;
- voluntary psychological counseling service provided online by specialists;
- WhatsApp groups for engagement and exchange of experience among managers;
- Company digital & social networking systems.

Specifically, training was developed in different ways and addressed different company targets, based on the needs identified by the Group's Human Resources and Organization Department:
- **Employee kit**: containing an operational document to explain to all employees how to manage work in the new emergency situation;
- **training via e-learning**, with different courses and content to manage smart working, not only the working aspects, but also the behavioural ones related to the new working mode, through five specific modules:
  - **smart leader**: targeted training for middle and senior management (approximately 170 people), to support managers in facing the changed context and remote work requiring a new managerial approach hinged on work by objectives, greater delegation, new relational and communication skills and a new way of managing the team. These are the topics covered in both the e-learning courses (12 videoclips) and the webinars (four lasting one and a half hours each): **Smart management** - planning, goal setting and delegation; **Team communication & engagement, Leadership for change, Work by objectives** and **Remote team management**. The content was defined in keeping with the *LeaderMe* path launched in 2018;
- **smart working support**: a community created on the HR Portal to support people (approximately 1,700) in quickly learning new skills relevant to remote work. The topics covered in the courses ranged from work and safety aspects related to smart working, but also behavioural aspects related to the new working mode. The programs were structured in eight modules: Smart working: working effectively at a distance; Digital skills for smart working; Emotional skills for smart working; Smart working: regulations and safety; Self Efficacy in Smart working; Communicating in smart working; Working as a Smart Team.

In 2020, a number of training programs launched in 2019 were completed alongside those listed above, totaling more than 10,000 hours of specialized and management training:
- **Academy Editor**: a modular path addressed to approximately 80 Editorial Managers and Junior Editors, which made use of 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. In the early months of 2020, the final days were dedicated to the topic of Creative Publishing and to the new trends and tools for rethinking the communication and graphics of a book, with the contribution of testimonials from internationally renowned Art Directors, who explained the new trends and new codes of communication, influenced by the social world.

- **Inspirational Talk**: a cycle of workshops graced by main speakers including sociologists, economists and experts in work organization of national renown to share their vision of the future and spark discussion and debate on the main changes imposed by the pandemic, new business models, organization and way of working, as well as society in the post Covid world (three open sessions for N-2 and N-3).
- **Lean Six Sigma path** (with Green and Black Belt certification): the path implemented represents the continuation on the Media BU of the long-term Lean Six Sigma program aimed at spreading across the Group 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 implemented in 2020 addressed a new team of 15 people with certified Lean Six Sigma skills, who can implement improvement projects synergistic with the Mondadori Business Plan objectives. Specifically, the practical part of the course involved the development of two projects in the magazines area based on a L6S logic, one on the circulation front and the other in the add-ons area, in order to bring results in terms of cost reduction and revenue enhancement.
- **Diversity & Inclusion path**: training path on female empowerment, spanning from training webinars to develop awareness of their resources and strengthen managerial skills relevant to career development, to inspirational talk with role models to inspire and transfer strategies and tools of managerial practice.

The training plan of the Academy system was complemented by language training (over 330 hours), delivered either traditionally through one-to-one lessons, or in blended mode, i.e. through digital platforms.
Complementing the programs, workplace safety training, delivered both in the classroom and via e-learning (see p. 130).

Hours delivered (no.)	2020	2019	2018	Attendees (no.)	2020	2019	2018
Ad hoc training	**10,091**	**7,595**	**11,786**	**Ad hoc training**	**1,617**	**423**	**866**
Executives	643	1,556	2,017	Executives	98	49	42
Middle managers	2,639	1,687	2,838	Middle managers	260	97	132
White collars	6,574	4,308	5,373	White collars	1,172	273	566
Journalists	213	44	1,558	Journalists	83	4	126
Blue collars	22	-	-	Blue collars	4	-	-
% hours delivered to women	68%	57%	56%	% women	65%	65%	67%
% hours delivered to men	32%	43%	44%	% men	35%	35%	33%
Language courses	**331**	**1,263**	**1,042**	**Language courses**	**24**	**46**	**40**
Executives	147	219	354	Executives	11	8	13
Middle managers	92	382	66	Middle managers	7	10	4
White collars	68	180	20	White collars	5	6	1
Journalists	25	482	602	Journalists	1	22	22
% hours delivered to women	72%	80%	65%	% women	58%	76%	68%
% hours delivered to men	28%	20%	35%	% men	42%	24%	32%
Safety training	**763**	**9,101**	**1,495**	**Safety training**	**367**	**1,494**	**224**
Executives	2	226	-	Executives	2	38	-
Middle managers	48	1,090	84	Middle managers	37	180	14
White collars	676	6,859	1,351	White collars	311	1,123	202
Journalists	28	870	40	Journalists	14	144	5
Blue collars	9	56	20	Blue collars	2	9	3
% hours delivered to women	52%	62%	51%	% women	56%	62%	53%
% hours delivered to men	48%	38%	49%	% men	44%	38%	47%
Total hours of training delivered	**11,185**	**17,959**	**14,323**	**Total attendees**	**2,006**	**1,963**	**1,130**
Executives	736	2,001	2,371	Executives	111	95	55
Middle managers	2,778	3,159	2,988	Middle managers	304	288	150
White collars	7,318	11,347	6,744	White collars	1,488	1,402	769
Journalists	266	1,396	2,200	Journalists	97	170	153
Blue collars	31	56	20	Blue collars	6	9	3
% hours delivered to women	67%	61%	56%	% women	63%	63%	65%
% hours delivered to men	33%	39%	44%	% men	37%	37%	35%

Average hours of training per capita (no.)	2020	2019	2018
Total	**6.22**	**9.14**	**6.88**
Women	6.56	8.98	6.23
Men	5.64	9.41	7.92
Executives	7.75	20.42	24.44
Middle managers	11.29	12.06	11.03
White collars	5.70	7.98	4.58
Journalists	1.62	8.21	9.61
Blue collars	3.1	4.67	1.54

With regard to staff assessment and development, activities carried out in 2020 include:

- **assessment for middle management** (a project launched before the emergency, but continued with new online delivery methods) for a further 60 middle managers, via individual interviews, group simulations, assessment interviews and calibration with department heads. The initiative aims to bring to light the strategic and operational skills of managers; identify people with present and future potential to shape Mondadori in the coming years; identify the gaps on which to focus individual and collective intervention plans. The skills measured are 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.
- **development plans**: definition of a process for managing development plans consistent with smart working for managers who have not undergone assessment yet (based on a self-development logic) and completion of individual development plans for people who have already undergone assessment.

These initiatives also stemmed from analyzing the results of a **survey** conducted at the peak of the lockdown to understand how our employees were living the new experience of working remotely without having been previously prepared and trained. The responses gave us an initial snapshot of how our people were approaching work from home. In autumn, we once again involved the Mondadori Group people in the second part of the survey, to know their point of view on the switch between smart and physical working, in order to shape together a new way of collaborating for the future. The results of the survey confirmed how smart working is an important resource for the company and the worker. The main findings were: the opportunity to juggle professional and personal commitments in an easy and balanced way, the increase in efficiency and productivity, thanks to flexible timetables, the possibility of choosing a more comfortable location and the reduction of commuting costs: 94% of Mondadori people believe that smart working should be pursued in order to avoid having to reach the workplace when not required and, among other things, to reduce CO_2 emissions caused by travel between home and the company premises. For all these reasons, 96% of our people believe that the new mixed work model is the best way forward for the Mondadori Group. These findings and the objective of capitalizing on the experience and learnings of these months led to the development of the Hybrid Working Model project, to lay the foundations of the Group's new way of working when we come out from the current emergency. The Hybrid Working project has the following targets:

- to enhance and spread a management style based on delegation skills, clear objectives and accountability on results;
- to reshape a new way of working based on greater flexibility and autonomy in choosing work space and time, widespread decision-making, enhancement of skills, and of work responsibility and autonomy.

A process for mapping the know-how of the Group's people (professional/training experience gained by each person in Mondadori or in other contexts) was concurrently launched. This process allowed us, on the one hand, to initiate a permanent process of search, management and development of talent within the Group, which facilitates internal mobility processes, and, on the other, enables us to design evolutionary itineraries, monitor any gaps, support line managers in enhancing the value of their staff and accompany the Mondadori Group people in their professional growth.

Welfare and benefits

The company agreement covering employees under the Graphics Publishing collective labour contract signed in 2018 introduced effective work-life balance tools, such as smart working, which switched from the experimental stage in 2019 to the mainstream tool in 2020 due to the spread of the pandemic, and measures to support households, with the aim of providing more favourable 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 came into operation in 2020 (see p. 118).

A number of initiatives were set up to meet the needs of smart working staff: the possibility of claiming free annual subscriptions to the Group's magazines; the purchase of books from home with the same discounts applied in the company bookstore; remote assistance in filing tax returns.

Lastly, March 2020 saw the inauguration of the **Health Point**, an outpatient facility of excellence, which offers Mondadori Group employees a wide range of services to take care of their health at special prices. In addition to all the nursing and occupational health services already in operation, the new company health point allows employees to receive check-ups and various health services (in the Segrate office and in about ten local Health Point clinics) and provides specialist care via video and telephone advice with specialized doctors.

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. In 2020, these objectives were complemented by the need to inform the corporate population in real time about the measures and steps taken to contain the pandemic. To this end, a special website was developed, accessible anywhere, anytime and from any device and, supplemented by a digital assistant service accessed from the HR Portal and intranet, to receive clarifications in real time. With this same "total accessibility" logic, the year saw the release of the new version of the Mondadori Network corporate intranet, a service communication platform for employees and associates. The site is the result of all the efforts in the development work made together with the Cattolica University of Milan, in addition to the contribution from all the people from our company. Focus groups were organized on site to listen to the needs and ideas of end users, at the end of which a questionnaire was administered to all those involved on the points raised.
In addition to the accessibility requirements (anywhere, from any device, at any time), the new Mondadori Network interacts effortlessly with the tools of the G Suite, already adopted by the Mondadori Group, and integrates platforms and channels, collecting links and methods for accessing useful systems for working life and corporate communication channels. The new platform also addresses the need to constantly keep abreast of things, a need that has forcefully asserted itself throughout the remote working period.

The Intranet and e-mails to all employees in Italy and around the world are the main tools used by the CEO to share the Group's performance and financial results with all employees and associates.
In a broader communication perspective, which transcends the traditional distinction between external and internal communication, the use of the Group's social accounts in 2020 strengthened the narrative of the company with posts dedicated to new appointments and organizational changes.

INCLUSIVENESS

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, however, in the Mondadori Group to the different issues tied to the notion of diversity.

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, developed in 2020 in web mode, the program was 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

	2020			2019			2018		
	Women	**Men**	**Total**	**Women**	**Men**	**Total**	**Women**	**Men**	**Total**
<30 years old	-	-	-	-	-	-	-	-	-
30-50 years old	1	-	1	1	-	1	1	1	2
>50 years old	4	9	13	4	9	13	4	8	12
Total	**36%**	**64%**	**14**	**36%**	**64%**	**14**	**36%**	**64%**	**14**

Ratio of basic salary of women to men by category

	2020
Executives	65%
Middle managers	92%
White collars	98%
Journalists	81%
Blue collars	81%

The calculation of the basic salary ratio is based on the average annual gross salary. In order to calculate the ratio, the basic salary of employees belonging to the "part-time" professional category was re-proportioned to make it comparable to the salary of full-time employees

Ratio of the remuneration of women to men by category

	2020
Executives	61%
Middle managers	88%
White collars	95%
Journalists	76%
Blue collars	81%

Remuneration considers the average annual gross salary as well as any MBO bonuses paid for specific gradings of employees at 31 December. Additionally, in order to calculate the ratio, employees falling in the "part-time" professional category have been brought back to “full time”

Employees with disabilities

	2020			2019			2018		
	% 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	5%	75%	25%	6%	60%	40%	6%	60%	40%
White collars	84%	47%	53%	84%	50%	50%	85%	47%	53%
Journalists	4%	100%	-	3%	100%	-	2%	100%	-
Blue collars	8%	33%	67%	7%	33%	67%	7%	33%	67%
	% of total employees	of whom % women	of whom % men	% of total employees	of whom % wo-men	of whom % men	% of total employees	of whom % women	of whom % men
	4%	49%	51%	4%	51%	49%	4%	48%	52%

Top positions in magazines

	2020	
	Women	Men
Editors-in-Chief	57%	43%
Deputy Editors-in-Chief	25%	75%

HEALTH AND SAFETY IN THE WORKPLACE

Ensuring safety in the workplace and safeguarding the health of Mondadori Group employees has always been one of the core purposes of the prevention and protection service.

In 2020, the activities aimed at countering the Covid-19 pandemic took on a key priority for the Group Safety Coordination, a body set up by the parent company in 2016 to coordinate the planning and assessment of the ordinary legal obligations under Legislative Decree 81/08 - Consolidated Law on Work Safety.

The various measures taken by the Mondadori Group to combat the spread of the virus were readily implemented through the ceaseless work of the Covid-19 Crisis Committee, set up from the onset of the emergency and saw the ongoing participation of employers, the head of the prevention and protection service, the departments heading Human Resources and Organization, Procurement, Legal, Group Communications and representatives from the business areas: in addition to monitoring the developments of the emergency, the measures to be implemented immediately to guarantee the safety and health of all workers were assessed, defined and concurrently authorized, in collaboration with the coordinator of the competent medical officers, who played a fundamental role in setting the guidelines to follow.

In accordance with the regulatory provisions issued by the competent public authorities and, in particular, with the measure contained in Prime Ministerial Decree of 11 March 2020, as well as with the provisions, on 14 March 2020, of the *Shared Protocol for the regulation of measures to combat and contain the spread of the Covid-19 virus in the workplace*, the Mondadori Group drew up and validated its own corporate anti-contagion protocol, listing the measures adopted in 13 points:

Information

All communications, news and information related to the Covid-19 emergency were circulated to all employees and associates of the Mondadori Group, both through e-mails sent to workers and by setting up an ad hoc website https://sites.google.com/mondadori.it/covid-19; in addition to the constant updates, the site also contains the latest version of the Group's Anti-Contagion Protocol.

Guidelines on entry to premises

By forwarding specific communications via e-mail and posting *Our Rules of Conduct* at the entrances to the offices, the staff and all those who needed to enter the company were informed of the no access notice for those who, over the last 14 days, had had contact with persons who tested positive to Covid-19 or came from areas at risk according to WHO indications.

Entry into the company was restricted to workers formally authorized by their managers,

in compliance with the distancing between workstations set out in the plans agreed with the competent medical officer.
External guests were allowed to enter the company only when strictly required.
In agreement with the competent medical officer and in compliance with privacy regulations, a system for monitoring body temperature at the entrance to the offices was set up, through installation of dedicated thermal scanners.
All those recognized by the competent medical officer as experiencing emotional situations were released from on-site work until the end of the state of emergency ordered by the Government.

Guidelines on entry of external suppliers

All external suppliers, before entering the premises, signed and followed the entry and parking procedures, in order to reduce the possibilities of contact with on-site personnel; likewise, the couriers and truckers were made to sign the directives for guaranteeing the respect of an at least one metre distance from the personnel inside the premises to carry out loading and unloading operations.

Cleaning and sanitization of locations

The company increased daily cleaning and scheduled regular sanitization of the spaces, common areas, equipment and workstations, more often for the workstations actually used through daily reporting by the person involved.
In the event of the presence/reporting of a person with Covid-19 within company premises, a cleaning and sanitization procedure was defined according to the provisions of Circular no. 5443 of 22 February 2020 of the Ministry of Health.

At the Mondadori Group offices, where it was technically possible, recirculated air was not used; all air handling units, their respective ventilation ducts and work environments were sanitized as a preventive measure.

Personal health precautions

Information was circulated regarding all health precautions to be implemented as defined by the Ministry of Health; the company provided all personnel with suitable hand cleaning and disinfecting equipment.

Personal protective equipment

All personnel were provided on a daily basis with surgical masks at the entrance of the premises, with the obligation to wear them in all common areas, corridors, lifts, stairs and whenever it was not possible to maintain the interpersonal distance of at least one meter; in the different premises, more than 700 plexiglass panels were installed to separate workstations and further increase the level of containment of the spread of the virus.

Management of common areas

Access to the company canteen in Segrate was restricted and limited to workstations that were set up to guarantee an interpersonal distance of at least one meter and after booking one's turn through a dedicated digital app; those who wished to do so could collect a packed lunch to be eaten at their own workstation or in another isolated place.
The tables in the canteen areas were sanitized always after being used and the push buttons

on the vending machines, photocopiers and lifts were cleaned daily with special detergents. Beverage dispensers in the canteen and lift buttons were replaced with touchless devices.

Company organization

Agreements with company trade union representatives were fostered, encouraging and facilitating the resort to agile working: staff were readily put in a position to carry out their activities in smart working mode using the necessary equipment.
A free online psychological counseling service was set up to help those going through a state of stress or discomfort related to the specific situation experienced.

Employee entry/exit management

Different entry/exit routes were identified to limit contact; hand sanitizers were placed at all entrances and in transit areas, in addition to signage for adopting the appropriate behaviour to contain the virus.

Internal movement, meetings, internal events and training

In-person meetings, when necessary, were limited to the persons strictly required in compliance with interpersonal distancing and the rules for the use of the rooms posted at the entrance to the premises; at the end of the meetings, adequate cleaning of the premises used was guaranteed; remote connections were given priority over in-person meetings.
Safety training activities, if not available via e-learning, were conducted in the classroom with a small number of attendees and in accordance with procedures aimed at containing the virus.
Scheduling of all events with public attendance was suspended.

Management of a symptomatic person in the company premises

The Mondadori Group's corporate code of conduct, which is constantly updated as new regulations are issued by the authorities, establishes that if a person physically present in the company develops a fever and respiratory infection symptoms, he or she must immediately report it to the company's emergency number, which runs 24 hours a day, and to the dedicated e-mail address, in order to initiate the procedure for managing a symptomatic person, defined in collaboration with the competent medical officer.

Health surveillance / competent medical officer / WSR

Health surveillance visits, after a suspension imposed by the context, were rescheduled in accordance with the provisions of the protocols.
In keeping with the measures adopted to combat the spread of the Covid-19 virus, in 2020 the Mondadori Group launched a diagnostic screening program, offering employees the opportunity to perform and repeat free of charge over 2,550 serological tests, molecular swabs and antigenic swabs.
Despite the difficulties in finding doses, free flu vaccine (approximately 1,300 doses) was offered to all employees and their families in November 2020.
The competent medical officer also administered the pneumococcal vaccine to all those over 55 and to people with particular pathologies who requested it.

Regulatory Enforcement and Assessment Committee

On 19 March 2020, under the provisions issued by the Presidency of the Council of Ministers, the Committee for the enforcement and assessment of the rules of the regulatory protocols was set up: the core structure of the Committee saw the participation of the members from the Committee previously set up within the company on 25 February 2020, with the trade union representatives and the workers' safety representatives; additionally, a safety contact person was identified for each location with the task of monitoring and reporting on compliance with the rules of conduct defined in *Our rules of conduct*.

The state of emergency that changed the priorities of the Group's Safety Coordination in 2020 did not, however, affect the observance and planning of the annual obligations required by Legislative Decree 81/08:

- **Regular meetings**: regular safety meetings were held remotely and minutes were taken of these meetings, concerning 31 retail stores and 13 Mondadori Group premises, involving the employers (or their delegates) of the respective subsidiaries, the health and safety managers and health and safety officers, and 17 workers' safety representatives.
- **On-site workplace inspections**: in 2020 the competent medical officers carried out and took minutes of the workplace inspection of 16 company premises.
- **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 the personnel in attendance. Feedback received on the drills was then used to identify and formalize the actions needed to improve emergency procedures.

The refresher courses for professionals from the prevention and protection service involved 15 workers including first aid and firefighters, workers' safety representatives, supervisors, health and safety managers, health and safety officers for a total of 82 hours delivered by teachers in the classroom, complying strictly with the provisions to guarantee the containment of the spread of the virus; as for the refresher programs on the remaining mandatory safety training, e-learning courses were organized involving 373 employees, associates and interns for a total of 823.5 hours.
The occupational medicine service was guaranteed by the San Raffaele Resnati Hospital in compliance with interpersonal distancing: the competent medical officers in 2020 issued the work ability at the end of the visit of 335 workers subject to health surveillance for risks from the use of video terminals for over 20 hours per week.

Accidents in the workplace

Owing to the nature of the activities carried out at the premises (offices and bookstores), the risk profile for accidents in the workplace for the Group is low. Below is the table on accidents in the two-year period 2019-2020 for Italy. During the period, no cases of occupational illness or deaths resulting from accidents were reported: the relating rates are therefore equal to 0.
No accidents were reported in the United States in 2020; figures for 2019 are not available.

Accident rates	**UoM**	**2020**	**2019**
Hours worked	no.	1,417,658[4]	3,145,524
Number of accidents in the workplace	no.	1	6
of which with severe consequences[1]	no.	-	-
Rate of accidents in the workplace[2]	-	0.14	0.38
Rate of accidents in the workplace with severe consequences[3]	-	-	-
Accidents from work-related travel	no.	6	15[5]

[1]An accident with severe consequences is understood as an accident in the workplace that has caused an impairment which the employee cannot heal from, does not heal from, or is not likely to fully heal from within 180 days
[2] The rate of accidents in the workplace is calculated as follows: number of accidents in the workplace/hours worked 200,000
[3] The rate of accidents in the workplace with severe consequences is calculated as follows: no. of accidents in the workplace with severe consequences/ hours worked 200,000
[4] The decrease in hours worked in 2020 versus 2019 is explained by the reduction in headcount (-8.5%) and the measures taken as a result of the health emergency: plan to use up outstanding holidays, redundancy fund and Covid leave
[5] In 2019, an accident from work-related travel was reported for an associate

EDUCATION AND THE SCHOOL WORLD

It was "the" topic of 2020, second probably only to the Coronavirus. The Group's school textbook publishers acted quickly and effectively. Attention to the context, adaptability and responsiveness are the elements that marked the work of Mondadori Education and Rizzoli Education, providing students, teachers and families with the entire wealth of digital content of their catalogues to enable and facilitate distance learning. An open digital environment, constantly updated, to use and download freely, with no registration, over 40 gigs of content available for immediate use for Distance Learning. More than 12,000 pieces of content including videos, audios, customizable maps, playlists, inclusive books, and many other multimedia resources. All the content was selected and organized by the editors to make things easier for teachers; they are divided by school level (from primary to secondary schools) and by subject, to be easily identifiable.

Additionally, as a tangible help to teachers, lesson plans were made available on specific topics to spark ideas and provide teaching tips to start off quickly with distance lessons.

In order to better manage the increase in traffic and accesses generated during the DAD (distance teaching), the technological infrastructure of HUB Scuola, the platform for digital education in the Education area, was more than doubled; furthermore, the reading apps HUB Young and HUB Kids were redesigned and republished to ensure better usability and improved user experience, further improving the accessibility of these tools for students with special educational needs.

The digital content appearing on the HUB Scuola platform was then made available free of charge to RAI to enhance the educational offerings on traditional television channels. The RAI project, developed in association with the Ministry of Education, addresses children and young people who are unable to access distance learning either because they lack a device on which to study or live in places and situations where the Internet is unavailable, and to counter the rising trend during the months of lockdown of dropouts.

During the lockdown period, a detailed survey was conducted by the Group's Education area among the teachers of the three school levels on their experience during the DAD, on their fears and hopes for the future, and cast a spotlight on the one hand on the shortcomings and lack of familiarity of the teaching staff with technology; on the other hand, the awareness of the great potential offered by the integration between digital and traditional education.

Based on these results, with the resumption of the new school year 2020/21, the Group's school textbook publishers continued their support of teachers and students, offering on their sites and on the HUB Scuola platform a series of new tools designed specifically for teachers from all school levels, from primary to first and second-level secondary schools:

- **entry tests**, designed to assess the level of preparation of students on their return to school, all in editable format to allow maximum customization; also available are specific tests for students with Special Educational Needs,
- **planning insights**, to deal with the core foundations of the various subject areas for each school level, instrumental in better preparing the learning paths and setting up flexible planning, even for blended teaching.
- **digital lessons**, designed to offer tangible support for Integrated Digital Teaching, collect both digital and textbook resources, with specific attention to inclusive teaching.

And lastly, 2020 marked the opening of *#Leparolechesiamo, la scuola che vogliamo*, the competition for schools, now in its third edition, promoted by Mondadori Education and the Nuovo Devoto-Oli; in an unprecedented joint effort, it sees the collaboration of the Cattolica University, for the scientific research side, and Intesa Sanpaolo, the institute that has today the greatest impact on the promotion of concrete social initiatives. It is a collaborative project where, for the first time ever, students speak out on what they think about the school of today and how they would like the school of tomorrow. The first phase - the listening phase - of the competition involved 190 fourth graders in 13 schools, from Enna to Foggia, from Lecce to Milan, from Prato to Naples, from Rho to Catania and

Caltanissetta. The results of this unprecedented survey - the first qualitative analysis of such a large sample of children in the Covid-19 age, a moment of major disruption - will be used to develop the indications of the second step hinged on restitution: a call to action to schools of all levels across Italy, which calls on students in a challenge to work on a tangible project on the school they want, gravitating around the three fundamental guidelines for harmonious development: innovation, sustainability, inclusion. A project that re-asserts the pivotal role of school in the building of a future, that offers the possibility of involving young people from all social classes and backgrounds, that aims to bridge economic, cultural and social gaps.

In the third step of the competition, the implementation phase, the three winning projects will be submitted to the school institutions and, through appropriate funding, brought to their accomplishment.

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). 2020 figures: 300 thousand books donated by citizens and publishers (200 thousand by Italians and 100 thousand by publishers), 13,109 schools listed throughout the country and 2,577 participating bookstores, this year also through remote donation (1,138 bookstores).

Additionally, the Group regularly donates books to school and municipal libraries, located in prisons or welfare facilities.
The growing attention to books and reading was another of the many fallouts of Covid-19 and also the inspiration for an institutional communication campaign by the Mondadori Group.
The *Io esco con la fantasia* ad, created by the Mondadori Group, reminds us - in a cheerful way - that reading allows us to grow and free our minds. At the heart of the ad's narrative is the importance and value of reading, even in the emergency situation experienced during the lockdown. The pages of a book can unfold into endless stories without leaving home, as the hashtag that signs the project says: #IEscoConLaFantasia.
Even though in an online version only, 2020 saw the continuation of the media literacy activities carried out for several years now by the magazine *Focus Junior* to teach children and young people about the world of publishing and journalism, **Focus Junior Academy**: the initiative, in its 2021 edition, casts a spotlight on the objectives of the UN 2030 Agenda.

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 2020, 13 surveys were conducted for the titles *Donna Moderna* (comparative surveys on the women's magazine segment and on reading/ purchasing habits during the lockdown), *Focus* (coverage of three issues for the restyling and on the cover, survey on science dissemination), *Focus Junior* and *Focus Scuola* (survey on subscribers) and *TV Sorrisi e Canzoni* (qualitative survey on the relaunch project), and nine additional market surveys on purchasing habits and cultural consumption during and after the lockdown, environmental sustainability in the consumption of beauty, mobility and food, other brands.
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 105 social profiles (most of them linked to individual product brands) for a total of approximately 33.9 million fans.

INTELLECTUAL PROPERTY AND COPYRIGHT PROTECTION

The Group's commitment to protecting the rights associated with intangible assets resulting from creativeness and inventiveness is enshrined in the Company's Code of Ethics, as the cornerstone of publishing activities. But the customary notion of copyright, effectively protected by Italian legislation, has been complemented in recent years by a heated debate that pits traditional content producers against the new web players who use this content. Against this backdrop, the Group collaborates with national and international trade associations (FIEG - Federazione Italiana Editori Giornali, and EMMA - European Magazine Media Association) in order to effectively transpose the European Directive on Copyright in the Digital Single Market (Directive 2019/790) into the legislation of the Member States.

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.
The need to reach out to one's audience during and after lockdown has engendered various initiatives that have made accessibility the winning ingredient.
All business areas provided free online content and offered opportunities for insights, new content formats, and alternative ways for meeting:

- free e-books from the trade book catalogue;
- free access for three months to the New Devoto Oli (online version);
- digital magazine subscriptions and premium content;
- events on social channels organized by the most followed brands;

- e-books for public, school and academic libraries that are members of the MLOL (Media Library On Line, the daily digital library) lending network;
- the new free phone personal shopping service "Il tuo libraio": a hot line to the Mondadori Store booksellers, offering customers reading tips, targeted advice based on their likings and passions or new ideas, with the possibility of buying and receiving the suggested title directly at home, whether for themselves or as a gift;
- *#puntoeacapo*, the new format of digital art stories in the form of short videos created by Electa;
- the 2020 edition of *Focus Live, Focus*'s science popularization festival that took place in Milan from 19 to 22 November. 40 hours of streaming on *Focus*'s digital and social platforms, live from the Leonardo Gallery (inside the National Museum of Science and Technology). Over four days, 57 events with 86 guests went live online, with speeches delivered from all over the world focused on the core theme of the event: Frontiers.

A wealth of innovative proposals that complement the traditional portfolio and will help reshape the accessibility of the Group's products and services in the future.

PRIVACY AND PERSONAL DATA PROTECTION

Privacy and personal data protection are fundamental elements for the Mondadori Group 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 the 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 2020 the Mondadori Group carried out a number of activities. These include:

- the use of the tool adopted since 2019 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 relating to the processing of the personal data of data subjects as part of the processing conducted and managed by Mondadori Education S.p.A. and Rizzoli Education 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 performance, currently underway, of a compliance audit - conducted externally - on the processing of personal data of data subjects in the magazines and digital areas, which involved Mondadori Media S.p.A., Direct Channel S.p.A., Press-di S.r.l. and AdKaora S.r.l.;
- the performance, currently underway, of a compliance audit - carried out externally - on the processing carried out by specific suppliers outside the Mondadori Group, appointed for the purpose as data processors pursuant to Article 28 of the GDPR by the companies acting as data controllers;
- the organization of 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 2020 and distributed to all delegated controllers and members of the boards of statutory auditors of the subsidiaries.

In 2020, the Mondadori Group, as part of the risk prevention and management of operations to contain the spread of Covid-19 inside its premises, was from the outset well aware that the collection of personal data of employees, suppliers and visitors, required by the emergency situation, had to be carried out in compliance with the GDPR as well as with all applicable regulations on the protection of personal data, also in light of the clarifications and indications provided by the Data Protection Authority.
In order to provide tangible support to the entire company organization, the Legal and Corporate Affairs Department, aided by the Group's Information Systems Department, drew up a special guide regarding the processing of personal data in the context of the company management of the Covid-19 emergency and smart working (hereinafter the “Guide").
In the context of the Guide, with regard to the possibility and/or need to carry out work in Smarting Work mode, all employees were cautioned to pay the utmost care and attention to monitoring personal and/or company devices and network connections used, in order not to leave them unattended with active access to the network and systems of the Mondadori Group.

With regard to the growing number of computer attacks - phishing attacks in particular - that exploit the general concern related to the spread of Covid-19, particular emphasis was placed on the attention that each employee should pay in opening and executing attachments appearing in suspicious e-mails with the subject of communications on the Coronavirus from apparently legit senders (e.g. WHO or Ministries). In this regard, the Guide re-asserted the indication to report suspicious e-mail content to the DPO of the Mondadori Group, by writing to dpo@mondadori.it and to the Group's Information Systems Department.

Also in light of the Guide, the Mondadori Group took steps to further guarantee the rights and freedoms of those concerned, such as, by way of example but not limited to: (i) placement of notices at the entrance to company premises, inviting people to refrain from entering in the presence of flu symptoms; (ii) sending of e-mails to company personnel and suppliers, concerning rules of conduct aimed at preventing the risks of infection within the company, as well as information on the state of emergency and updates on all measures taken in this regard. Additionally, the competent medical officer was duly involved in the processing of health-related personal data.

Owing to the developments in the emergency situation, the Mondadori Group put in place measures to detect and control the body temperature of people entering its premises, in order to allow the containment of the spread of Covid-19, preserving the safety and safeguarding the health of its employees and associates.

In view of the above, the Mondadori Group installed special thermal scanners near each access to the premises. All persons wishing to access the premises of the Mondadori Group must undergo a body temperature measurement, duly and previously informed by a special notice issued by the data controller pursuant to Article 13 of the GDPR. If a temperature higher than 37.5°C is read, the thermal scanner sends an appropriate alert to the persons in charge and the person concerned is denied access to the Mondadori Group's premises. In the case of an employee, the employee is encouraged to follow the instructions that the employer has established in the documentation circulated to employees as part of the prevention of the Covid-19 pandemic (e.g., contact primary care physician). Processing, in the latter case, falls within the normal management of the employment relationship as also regulated by the privacy policy provided for this purpose. Body temperature measurement, also in light of the clarifications provided by the Data Protection Authority, was planned by the data controller, based on the principles of privacy by design and privacy by default, and in accordance with the principle of data minimization referred to in Article 5, par. 1 lett. c) of the GDPR; the personal data collected are not stored.

For body temperature measurement, the data controller also conducted a special impact assessment pursuant to Article 35 of Regulation (EU) 2016/679, which found no critical issues.

In line with the measures taken to combat the spread of the Covid-19 virus in the workplace, in June 2020 the Mondadori Group also decided to comply with a diagnostic screening program, offering its employees the opportunity to take a free serological antibody test and, if required, a nasal/oropharyngeal swab. The protocol was launched in Lombardy with the collaboration of the San Raffaele Resnati Hospital (HSRR), acting as the independent data controller. The Mondadori Group's decision to do so was also taken in light of the clarifications provided by the Data Protection Authority on the matter, as well as the principles set out in Regulation (EU) 2016/679 and further applicable legislation.

All processing activities implemented by data controllers in the context of managing the emergency situation brought by the spread of Covid-19 were duly entered in their respective registers of personal data processing activities, which are constantly updated.

In 2020, 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. No personal data breaches that could be considered data breaches were reported.

Source of complaints (no.)	2020	2019	2018
Supervisory bodies	1	-	-
External parties	1	1	4
Total	**2**	**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.

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. 154-155), which in 2012 prepared a Company environmental policy, published on the Mondadori Group corporate website (www.mondadori.com/sustainability/climate-change). 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).

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 2020, 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 52,760 tonnes (-20% versus 2019). 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 PEFC and FSC, 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 2018-2020 period.

In the three-year period, the breakdown by type of paper shows a slight by constant reduction in the use of traditional paper (0.01% of the total versus 0.02% in 2018) in favour of certified paper (99.99% of the total versus 99.94% in 2018).

Total printing paper

Type of paper	2020		2019		2018	
	t.	%	t.	%	t.	%
Certified	49,256	99.99%	62,643	99.98%	67,325	99.94%
Recycled	1	0.00%	5	0.01%	32	0.05%
Traditional	6	0.01%	7	0.01%	11	0.02%
Total	**49,263**		**62,655**		**67,367**	

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 2020 approximately 85% of paper used will be certified, up versus the prior year (in 2019, approximately 80%); below are paper consumption estimates for 2018-2020.

Total printing paper[1]

	2020	2019	2018
Tonnes	3,500	3,500	3,249

[1] Figures on RIP 2018, 2019 and 2020 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 2020, regarding the Italian scope, a total of just less than 2,200 tonnes of renewable packaging materials (wood and cardboard) was consumed, while non-renewable packaging materials (polyethylene, polypropylene and expanded polystyrene foam) amounted to approximately 280 tonnes (-24% versus 2019). 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 and subscribers.
Press-di's logistics processes, including transport management, are all outsourced to select suppliers. Specifically, the logistics processes for the magazines were entrusted at end 2019 to Di2, of which Press-di Distribuzione Stampa e Multimedia S.r.l. is a 50% partner.

With regard to magazines, in 2020, approximately 55,027 tonnes of product were transported (-15% versus the prior year), 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 strong cut in the number of pallets transported, from 114,355 to 85,145 (-26%), is more than proportional to the drop in weight (-15%), thanks to the logistical efficiencies in warehouse and load management brought by Di2, with resulting benefits in terms of environmental impact due to the reduction in the number of vehicles required for transport.

The magazines logistics process in Italy involves four steps:

- film wrapping and shipment preparation: in 2020 this process was applied to approximately 28.36 million copies, using 116 tonnes of cellophane wrapping, approximately 85,145 pallets (equal to 553 tonnes of wood), and 21 tonnes of film; the activity was discontinued in November 2020 by Press-di and returned directly to the user companies (captive and third parties) through an agreement managed centrally by the Group Procurement Department.

- primary transport: from distribution logistics centres (Cinisello Balsamo, Milan, Rome) to local distributors (43 local distributors in 2020);
- 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 Bregnano (Como) 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 (t.)	**Detail**	**Press-di**		
		2020	**2019**	**2018**
Wood	Pallets[1]	553	687	2,103
Cardboard	Cardboard boxes and packaging materials	-	-	-
Polyethylene	Film	138	206	268[2]
	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 2018 was estimated on the basis of consumption in 2017

The daily newspapers produced by third-party publishers (including *Il Giornale*, *Libero, Avvenire* and *Il Fatto Quotidiano*) 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 (deriving from the progressive reduction in transported weights) correspond to a proportional reduction in emissions due to transportation. Added to that is the effect of the certified returns process, by which unsold copies of publications are sent for pulping by local distributors. The process, while ensuring the processing of returns for statistical and accounting purposes for the publishers, does not require 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 deriving from the transport of magazines from the distribution logistics centres to local distributors in the three-year period 2018-2020 (in 2020 from Melzo and Rome, in 2018 and 2019 from Melzo, Verona and Rome). In 2020, these emissions decreased significantly, reaching 908 tonnes of CO_2eq, thanks mainly to logistics rationalization, which brought environmental as well as economic benefits. Specifically, the number of journeys fell, thanks to careful planning aimed at making the most of the vehicles' load capacity.

CO_2eq emissions from primary transport

	2020	2019	2018
tCO_2eq[1]	908	5,769	5,378

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

Emission factors used

Transport of magazines	Source 2020	DEFRA: 2020 UK Government GHG Conversion Factors for Company Reporting (Freighting goods - All rigids, 100% laden)	0.92 $kgCO_2eq$/km
	Source 2019	DEFRA: 2019 UK Government GHG Conversion Factors for Company Reporting (Freighting goods - All rigids, average laden)	0.80 $kgCO_2eq$/km
	Source 2018	DEFRA: 2018 UK Government GHG Conversion Factors for Company Reporting (Freighting goods - All rigids, average laden)	0.81 $kgCO_2eq$/km

With regard to the management of returns, Mondadori has a high local pulping rate: Press-di (in agreement with the Group and third-party publishers distributed) has, in fact, encourages 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 2020, local pulping amounted to approximately 12,483 tonnes for magazines (-34% versus 2019) and approximately 8,834 tonnes for newspapers (-18% versus 2019). Currently, out of the 43 local distributors used by Press-di, 40 guarantee certified returns (versus 48 out of 51 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.
November 2020 saw the start of the relocation of supply activities from the Stradella warehouse to a new dedicated warehouse located in Broni (PV). This transfer will end in March 2021.
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]	2020	2019	2018
Copies	9,683,088	12,788,000	9,925,000
Packages	302,597	399,000	325,000
Shipments	33,275	43,900	35,200

[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 2020, Mondadori Education distributed approximately 5.53 million textbooks and teachers' guidebooks. In 2020, 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 591,000 copies in 2020.

The distribution processes adopted by Rizzoli Education are similar, with the exception of the relevant logistics hub, which in the case of the publisher is Stradella.
As for the number of copies transported, approximately 6,217,000 copies were distributed in 2020, while returns amounted to 901,062 (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 books, Retail and school textbooks[1]

		Verona and Stradella logistics hub		
Raw material (t.)	**Detail**	**2020**	**2019**	**2018**
Wood	Pallets	734	802	1,523
Cardboard	Cardboard boxes and packaging materials	954	1,050	1,316
Polyethylene	Film	58	60	39
	Package filling	12	15	8
	Pallet covers	30	36	4
Polypropylene	Tape	8	9	22
	Strapping	22	25	11
Expanded polystyrene foam	Filling of packages with polystyrene	13	15	38

[1] The consumption figure for Mondolibri is not available

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 2020 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 environmental impact*, p. 149).
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 2020 amounted to approximately 26,330 tonnes of CO_2 (approximately -20% versus 2019). Total electricity consumption in 2020 amounted to 11,565 MWh (41,636 GJ, -12% versus 2019), while natural gas consumption amounted to 367,939 m^3 (12,981 GJ, -14% versus 2019). 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.

Greenhouse gas emissions (t.)	2020	2019	2018
Direct (Scope 1) - CO_2eq	726	848	801
Energy indirect (Scope 2)			
location-based - CO_2	3,676	4,617	4,840
market-based - CO_2eq	5,097	6,266	6,453
Other indirect emissions (Scope 3) - CO_2	20,280	25,951	28,534
Emissions from paper production	*19,705*	*24,435*	*26,947*
Emissions from business travel	*574*	*1,516*	*1,587*
Total location-based emissions - CO_2	**24,681**	**31,416**	**34,175**

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)	2020 Source: Terna international comparisons on Enerdata figures (2018 figures)	336 gCO_2/kWh
	2019 Source: Terna international comparisons on Enerdata figures (2017 figures)	359 gCO_2/kWh
	2018 Source: Terna international comparisons on Enerdata figures (2016 figures)	360 gCO_2/kWh
Electricity (market-based)	2020 Source: AIB, (2020) European Residual Mixes 2019	466 gCO_2eq/kWh
	2019 Source: AIB, (2019) European Residual Mixes 2018	487 gCO_2eq/kWh
	2018 Source: AIB, (2018) European Residual Mixes 2017	480 gCO_2eq/kWh
Natural gas	2020 Source: NIR ISPRA	1,972 kg of CO_2/m^3
	2019 Source: NIR ISPRA	1,976 kg of CO_2/ m^3
	2018 Source: NIR ISPRA	1,978 kg of CO_2/ m^3 0,00008571 $kgCH_4/ m^3$ 0,00003428 kgN_2O/ m^3
Paper production	2020 Source: Key Statistics 2019 of the Confederation of European Paper Industries (CEPI)	0,4 t. CO_2/t. paper
	2019 Source: Key Statistics 2018 of the Confederation of European Paper Industries (CEPI)	0,39 t. CO_2/t. paper
	2018 Source: Key Statistics 2017 of the Confederation of European Paper Industries (CEPI)	0,4 t. CO_2/t. paper

[1] Figures relating to business travel are disclosed through a specific report by the travel agency 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 the two-year period 2019-2020. For such reason, Scope 1 emissions derive exclusively from natural gas consumption. Natural gas consumption figures are accurately measured. The 2020 figure, however, includes a partial estimate, not the actual figure, at the date of issue of this document, on the consumption of natural gas by one of Mondadori Retail's offices, owing to a malfunction in the measurement system.

Natural gas - Italy	**UoM**	**2020**	**2019**	**2018**
Natural gas consumption	m^3	367,939	428,985	402,420
	GJ	12,981	15,144	14,139

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 (2020, 2019, 2018).

In Italy, the Group's gas consumption decreased by 14% versus 2019 from 428,985 m^3 to 367,939 m^3 in 2020, due primarily to site closures during the lockdown period.

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**	**2020**	**2019**	**2018**
Total electricity purchased from the national grid	MWh	10,941	12,860	13,445
	GJ	39,387	46,295	48,401

The trend in electricity consumption in Italy has been steadily falling over the past three years: the approximately 19% reduction between 2018 and 2020 is due to the energy saving measures and actions implemented over the three-year period and, with regard to last year, the closure of offices during the lockdown period (see *Initiatives to reduce the environmental impact*, p. 149).

Other indirect (Scope 3) emissions consist of emissions from paper production operations (see *The raw material: the paper used to print editorial products*, p. 139) and business travel by employees. Emissions from the paper production cycle totaled approximately 19,700 tonnes of CO_2 in 2020, down (-19%) versus the prior year as a result of the declining consumption of paper and of the rescheduling of trade books and magazines production during the lockdown period.

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	2020
Train	6.0%
Company car	66.8%
Car rental	0.8%
Plane	26.4%

Versus the prior years, due to the Covid-19 pandemic in 2020, business travel was greatly scaled back. As a result, company cars appear to be the largest contributor to CO_2 emissions from business travel in 2020 (66.8% vs. 26.0% in 2019), versus air travel which dropped dramatically (26.4% vs. 63.9% the prior year).

Other significant Scope 3 emissions were found to be connected with the logistics of transporting raw material (paper) and finished goods. Due to the difficulty of collecting reliable data on these flows, currently these emissions are only partially recorded (see table on p. 142) and may be explored more thoroughly 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.

Greenhouse gas emissions (t.)		2020	2019	2018
Energy indirect (Scope 2) – CO_2				
	location-based	249	125	117
	market-based	249	125	117
Other indirect emissions (Scope 3) - CO_2		1,400	1,365	1,300
Total location-based emissions - CO_2		**1,649**	**1,490**	**1,416**

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)	2020 Source: Terna international comparisons on Enerdata figures (2018 figures)	399 gCO_2/kWh
	2019 Source: Terna international comparisons on Enerdata figures (2017 figures)	411 gCO_2/kWh
	2018 Source: Terna international comparisons on Enerdata figures (2016 figures)	421 gCO_2/kWh
Paper production	2020 Source: Key Statistics 2019 of the Confederation of European Paper Industries (CEPI)	0.4 t, CO_2/t, paper
	2019 Source: Key Statistics 2018 of the Confederation of European Paper Industries (CEPI)	0.39 t, CO_2/t, paper
	Source: Key Statistics 2017 of the Confederation of European Paper Industries (CEPI)	0.4 t, CO_2/t, paper

In 2020, total emissions by Rizzoli International Publications were 1,649 tonnes CO_2 from electricity consumption and paper production.

Electricity – USA	UoM	2020	2019	2018
Total electricity purchased from the national grid	MWh	624	305	277
	GJ	2,248	1,099	997

The 2020 figure includes a partial estimate on the bookstore's electricity consumption, calculated on the basis of expense incurred for the purchase of electricity
The 2019 figures are estimated on the basis of 2018 electricity consumption per employee, as detailed figures on consumption are unavailable.
Electricity consumption for 2018 was estimated on the basis of expense incurred for the purchase of electricity, as detailed figures on consumption 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 zero production between 2020 and 2019 of hazardous waste.

Waste	2020		2019		2018	
Segrate head office	**t**	**%**	**t**	**%**	**t**	**%**
Hazardous	-	-	2.738	1.14%	0.771	0.4%
Non-hazardous	141.247	100%	238.158	98.86%	199.73	99.6%
Total	**141.247**		**240.896**		**200.5**	

Energy saving initiatives in 2020

In 2020 too, despite the pandemic that forced urgent and specific sanitization and management measures, the attention to energy saving remained high, with initiatives involving mainly the Segrate headquarters. The initiatives shown below are those planned in 2019 and partly implemented in 2020, the benefits of which will be fully felt in 2021. Other initiatives are currently in the pipeline or being assessed and planned.

Paper and toners

Among the measures taken to reduce the environmental impacts of Group offices and bookstores, 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 50%. Toners also saw a reduction over the three-year reporting period, due to both printer replacement policies applied over the years and office closures due to the national lockdown.

Toner and printing paper consumption (offices) Raw material (t.)	2020	2019	2018
Paper for printouts	29	61	72
Toners for office printouts	0.3	1	2

Segrate head office

Water and air treatment plants

- Replacement in March of the south well pump with a new inverter to reduce groundwater and electricity consumption especially at nighttime and in winter, proportional to actual needs, while still ensuring a minimum constant flow to the lake required to supply the Idroscalo, as requested by the Metropolitan City. Lastly, work on well management that began last year with similar work on the north well, was completed with the installation of a lake relief valve, automatically controlled and related to the discharge pressure. Installation and final operation took place in September. Thanks to this additional intervention, only the water strictly required is constantly drawn. Annual savings are estimated at approximately 30,000 kWh, supported by data gathered during the months of actual operation. The reduction in groundwater withdrawal is approximately 200,000 m^3/year.
- Installation in July of inverters on the well booster pumps dedicated to multi-purpose machines to reduce the consumption of condensation water and electricity, proportional to the actual machine needs. Annual savings are estimated at approximately 3,000 kWh, supported by data gathered during the months of actual operation. This intervention also optimizes the performance of the multi-purpose machines.
- Following renovation in January/February of the company's Bar, new VRV autonomous air treatment systems with heat recovery unit on outdoor air renewal were installed, as per the requirements of the standards. The old and obsolete centralized system was replaced, allowing greater comfort and flexibility linked to the actual use of the spaces, therefore bringing obvious energy saving.

Environmental redevelopment

- Underground petrol and diesel station tanks decommissioned and removed. Area involved reclaimed and legal paperwork discharged.
- In 2020, an innovative coating product was applied to the canteen at the Segrate HQ. The AIRLITE company has developed and marketed a paint boasting extraordinary features. The product has already been applied in several cities, thanks to its remarkable antibacterial, anti-mold and anti-pollution pluses. As shown in the technical fact sheet (attached), the paint applied to exterior/interior walls cuts CO_2 emissions significantly. In our case, the product was applied on the walls of the company canteen; a table (see attachment) shows the reduction in grams of CO_2. In 2021, the product is also expected to be applied to the exterior walls of the property.

CO_2 uptake from a surface painted with Airlite during the carbonation phase

g of CO_2 uptake per kg of Airlite	237.8 gCO_2/kg
Yield per kg	10 - 12 m^2
Yield used in calculation	11 m^2
g of CO_2 uptake per m^2 painted with Airlite	21.62 gCO_2/ m^2
m^2 painted with Airlite	1,100 m^2
Total CO_2 uptake	23,780 g

Energy monitoring

- We have further improved the electrical energy monitoring system in accordance with Legislative Decree 102/2014. The system allows us to split energy consumption based on use (conditioning, motive power, lighting, auxiliary devices), crucial for implementing new saving measures.

Initiatives planned or in the pipeline for 2021

Segrate head office

- As already written last year, but suspended due to the pandemic, the project has been laid out and quotations requested for the splitting of the induction system on the main building, north side, through sectioning of the hydraulic distribution into two macro-areas per each 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.
- Quotations stage planned and requested for 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 (in the case of the UPS backup room), but at the same time it helps create a system that offers greater efficiency and reduced electricity consumption.
- Quotations stage planned and requested for installation of the box management system on the “Foglia” floor. Achievable also in two stages. The intervention marks the completion of the intervention carried out a few years ago on the “Sottofoglia” on the fifth floor. Goal: energy saving, greater system flexibility, and control operations no longer manual and on site via operator.

- Planned project for the construction of a new south tower hallway treatment plant and air gates. The new system will replace the obsolete and poorly performing centralized system. Plans involve an autonomous system with geothermal heat pump. The new system can guarantee energy saving with flexible autonomous management linked to actual use of the spaces.
- In the study phase, an automated and start management program of the main systems linked to actual occupation of the spaces and to external conditions (Optimum Start/Stop). Goal: energy saving while maintaining constant conditions of wellbeing.

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 2020, the size of the Group's car fleet in Italy remained virtually 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 2020, almost 50% of the car fleet consisted of class A and B vehicles (in line with 2019), with a slight increase in vehicles with less virtuous emission classes (D).

Mondadori car fleet Type (no.)	**2020**	**2019**	**2018**
Owned cars	-	-	-
Rental cars	111	112	112
Total	**111**	**112**	**112**

In 2020, no class G cars were reported in the fleet.

Type (no.)	2020	2019	2018
CLASS A - less than or equal to 100 gCO_2/km	16	13	16
CLASS B - from 101 to 120 gCO_2/km	39	43	42
CLASS C - from 121 to 140 gCO_2/km	32	31	31
CLASS D - from 141 to 160 gCO_2/km	17	14	8
CLASS E - from 161 to 200 gCO_2/km	6	11	15
CLASS F - from 201 to 250 gCO_2/km	1	-	-
CLASS G - more than 250 gCO_2/km	-	-	-
Total	**111**	**112**	**112**

Average of emission classes (in grams of CO_{2eq})

2020	**125**	**C**
2019	127	C
2018	127	C

In 2020, the average emissions per km dropped to 123 gCO_2/km.

Average CO_2 emissions per km (in grams of CO_{2eq})

2020	**123**	**C**
2019	125	C
2018	125	C

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.com 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
- Administration, finance and control
- Trade books

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.

Educational

Mondadori Media

Mondadori Retail

Remuneration and appointments committee

Makes proposals to the BoD regarding:
- remuneration of BoD 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 BoD.
Carries out specific jobs delegated to it by the BoD.

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 BoD to ensure the good operation of the BoD 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 BoD or the corporate governance system, with the possibility of inviting members of Group management to report.

Related parties committee

Provides advice on the BoD 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 BoD, 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 BoD.

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 (hereinafter also “Statement” or “NFS”) of the Mondadori Group meets the requirements of Legislative Decree 254/2016 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).

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 2020. This

Topics not subject to materiality analysis but reported nevertheless	Legislative Decree 254 areas	GRI Topics
Business integrity and combating corruption	Combating corruption	Anti-corruption
	Social	Anti-competitive behavior
	Social	Socio-economic compliance
	Social	Tax
Economic performance	Social	Economic performance

Non-Financial Statement, prepared on an annual basis, is also published on the Group's website, www.mondadori.com, as part of the *2020 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 103-3 GRI 205-3	Group	Generated by the Group		
GRI 103-1 GRI 103-2 GRI 103-3 GRI 206-1				
GRI 103-1 GRI 103-2 GRI 103-3 GRI 419-1				
GRI 103-1 GRI 103-2 GRI 103-3 GRI 207-4				
GRI 103-1 GRI 103-2 GRI 103-3 GRI 201-4	Group	Generated by the Group		

Material topic	Legislative Decree 254 areas	GRI Topics
Product accessibility	Social	Content distribution (M)
		Cultural rights (M)
	Respect for human rights	Human rights assessment (M)
Brand management	Social	Non GRI Topic
Life cycle of paper products	Environmental	Materials
Climate change	Environmental	Emissions
		Energy
Management of environmental impacts	Environmental	Waste (2016)
Inclusiveness	Personnel	Diversity and equal opportunity

(M): Material topics under G4 Sector Disclosures – Media

* Rizzoli International Publications

GRI indicators	Scope of material topics		Scope limitations	
	Where the impact occurs	Type of impact	Internal	External
GRI 103-1 GRI 103-2 GRI 103-3 M4				
GRI 103-1 GRI 103-2 GRI 103-3	Group	Generated by the Group		
GRI 103-1 GRI 103-2 GRI 103-3				
GRI 103-1 GRI 103-2 GRI 103-3	Group, franchisees	Generated by the Group		Reporting scope not extended to franchisees
GRI 103-1 GRI 103-2 GRI 103-3 GRI 301-1 GRI 301-2	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 103-3 GRI 305-1 GRI 305-2 GRI 305-3	Group, distributors, paper suppliers, printing suppliers, franchisees	Generated by the Group and related to Group activities	Reporting scope partially 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 103-3 GRI 302-1				
GRI 103-1 GRI 103-2 GRI 103-3 GRI 306-2	Group	Generated by the Group		
GRI 103-1 GRI 103-2 GRI 103-3 GRI 405-1	Group	Generated by the Group		

Material topic	Legislative Decree 254 areas	GRI Topics
Strategic business innovation	Social	Non GRI Topic
Education and the school world	Social	Disclosure of content (M)
Privacy and personal data protection	Social	Customer privacy
	Respect for human rights	Privacy protection (M)
Promotion of reading and socio-cultural growth	Social	Interaction with the public (M)
		Media literacy (M)
Responsibility for content	Social	Content creation (M)
Health and safety in the workplace	Personnel	Occupational Health and Safety (2018)
Intellectual property and copyright protection	Social	Freedom of expression (M)
		Public policies
	Respect for human rights	Cultural rights (M)
Enhancement and management of human capital	Personnel	Employment
		Training and education
		Labor/Management relations

(M): Material topics under G4 Sector Disclosures – Media

GRI indicators	Scope of material topics		Scope limitations	
	Where the impact occurs	Type of impact	Internal	External
GRI 103-1 GRI 103-2 GRI 103-3	Group	Generated by the Group		
GRI 103-1 GRI 103-2 GRI 103-3 M4	Group	Generated by the Group		
GRI 103-1 GRI 103-2 GRI 103-3 GRI 418-1	Group	Generated by the Group		
GRI 103-1 GRI 103-2 GRI 103-3				
GRI 103-1 GRI 103-2 GRI 103-3 M6	Group	Generated by the Group		
GRI 103-1 GRI 103-2 GRI 103-3 M7				
GRI 103-1 GRI 103-2 GRI 103-3 M2	Group	Generated by the Group		
GRI 103-1 GRI 103-2 GRI 103-3 GRI 403-1/7 GRI 403-9	Group	Generated by the Group		
GRI 103-1 GRI 103-2 GRI 103-3	Group	Generated by the Group		
GRI 103-1 GRI 103-2 GRI 103-3 GRI 415-1				
GRI 103-1 GRI 103-2 GRI 103-3				
GRI 103-1 GRI 103-2 GRI 103-3 GRI 401-1	Group	Generated by the Group		
GRI 103-1 GRI 103-2 GRI 103-3 GRI 404-1 GRI 404-2				
GRI 103-1 GRI 103-2 GRI 103-3 GRI 402-1				

Reporting scope and standard

In accordance with the requirements of the Decree, the **reporting scope** matches the scope of the consolidated financial statements, including all companies consolidated on a line-by-line basis in financial reporting.

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.

The **reporting period** for the information and figures provided in this NFS is 2020 (1 January - 31 December).
The **reporting 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 (GRI). This report was prepared in accordance with GRI Standards: Core option. As an annex to the document, the GRI Content Index shows GRI indicators associated with each material topic.

The standards used for defining content and in quality assurance of the NFS are the reporting standards set out by GRI Standard 101: Foundation (completeness, sustainability context, stakeholder inclusiveness, and materiality for defining report content and accuracy; reliability, clarity, comparability, balance, timeliness for quality assurance).

Reporting process and calculation criteria

The identification of the qualitative and quantitative information contained in this 2020 Non-Financial Statement involved all relevant company functions, in concert with and coordinated by CSR officers.
Specifically, the figures shown were selected on the basis of the materiality 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 2020 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.

In order to compare figures over time, where possible, figures for the previous two years were included.
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 18 March 2021.

This document was 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 Disclosure (2016)			
Profile of the organization			
	102-1 Name of the organization	p. 96	
	102-2 Activities, brands, products and services	Overview of Group activities (*2020 Annual Report*, pp. 15-17)	
	102-3 Location of main office	Segrate - Milan	
	102-4 Location of operations	Italy - United States	
	102-5 Ownership and legal form	p. 106	
	102-6 Markets served	Overview of Group activities (*2020 Annual Report*, pp. 15-17); pp. 110-111	
	102-7 Scale of the organization	p. 112	
	102-8 Information on employees and other workers	p. 112	
	102-9 Supply chain	pp. 139-144	
	102-10 Significant changes to the organization and its supply chain	p. 118-119	
	102-11 Precautionary principle	p. 162	
	102-12 External initiatives	pp. 102-103	
	102-13 Membership of associations	pp. 102-103	
Strategy			
	102-14 Statement from senior decision-maker	Letter to Stakeholders *(2020 Annual Report,* p. 11)	
	102-15 Key impacts, risks and opportunities	pp. 107-110	
Ethics and Integrity			
	102-16 Values, principles, standards, and norms of behaviour	pp. 102-106	
Governance			
	102-18 Governance structure	pp. 154-155	
Stakeholder involvement			
	102-40 List of stakeholder groups	pp. 99-100	
	102-41 Collective bargaining agreements	p. 119	
	102-42 Identifying and selecting stakeholders	pp. 98-99	
	102-43 Approach to stakeholder engagement	p. 101	
	102-44 Key topics and concerns raised	pp. 101-102	

GRI Standard	Disclosure	Page reference	Omission
Reporting practices			
	102-45 Entities included in the consolidated financial statements	p. 162	
	102-46 Defining report content and topic boundaries	pp. 96; 156-161	
	102-47 List of material topics	pp. 101; 156-161	
	102-48 Restatements of information	No figure restatements were made from previous Non-Financial Statements (2018 and 2019)	
	102- 49 Changes in reporting	pp. 156-162	
	102- 50 Reporting period	pp. 96; 162	
	102-51 Date of most recent report	27 March 2020	
	102-52 Reporting cycle	pp. 156-157	
	102-53 Contact point for questions regarding the report	csr@mondadori.it tel. +39 02 7542 3159	
	102-54 Claims of reporting in accordance with the GRI Standards	In accordance: "Core"; p. 162	
	102-55 GRI content index	pp. 163-170	
	102-56 External assurance	pp. 403-405	

Material Topics			
GRI 200 Economic Standard Series			
Economic performance			
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its boundary	pp. 96-98; 101-102; 156-161	
	103-2 The management approach and its components	pp. 106; 110-111	
	103-3 Evaluation of the management approach	pp. 110-111	
GRI 201: Economic performance 2016	201-4 Financial assistance received from government	p. 106	
Anti-corruption			
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its boundary	pp. 96-98; 101-102; 156-161	
	103-2 The management approach and its components	pp. 102-106	
	103-3 Evaluation of the management approach	pp. 102-106; 109	
GRI 205: Anti-corruption 2016	205-3 Confirmed incidents of corruption and actions taken	p. 104	

GRI Standard	Disclosure	Page reference	Omission
Anti-competitive behaviour			
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its boundary	pp. 96-98; 101-102; 156-161	
	103-2 The management approach and its components	p. 104	
	103-3 Evaluation of the management approach	pp. 104; 109	
GRI 206: Anti-competitive behaviour 2016	206-1 Legal actions for anti-competitive behavior, antitrust and monopoly practices	p. 104	
Tax			
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its boundary	pp. 96-98; 101-102; 156-161	
	103-2 The management approach and its components	pp. 105-106	
	103-3 Evaluation of the management approach	pp. 105-106; 109	
GRI 207: Tax 2019	207-1 Approach to tax	pp. 105-106	
	207-2 Tax governance, control and risk management	pp. 105-106	
	207-3 Stakeholder engagement and management of concerns related to tax	pp. 105-106	
	207-4 country-by-country reporting	p. 106	

GRI 300 Environmental Standards Series			
Materials			
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its boundary	pp. 96-98; 101-102; 156-161	
	103-2 The management approach and its components	pp. 138-140	
	103-3 Evaluation of the management approach	pp. 107; 138-140	
GRI 301: Materials 2016	301-1 Materials used by weight or volume	pp. 138-144; 149	
	301-2 Recycled input materials used	pp. 138-144; 149	
Energy			
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its boundary	pp. 96-98; 101-102; 156-161	
	103-2 The management approach and its components	pp. 144-148	
	103-3 Evaluation of the management approach	pp. 107; 144-148	
GRI 302: Energy 2016	302-1 Energy consumption within the organization	pp. 146; 148	

GRI Standard	Disclosure	Page reference	Omission
Emissions			
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its boundary	pp. 96-98; 101-102; 156-161	
	103-2 The management approach and its components	pp. 144-148	
	103-3 Evaluation of the management approach	pp. 107; 140-148	
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	p. 145	
	305-2 Energy indirect (Scope 2) GHG emissions	pp. 145; 147-148	
	305-3 Other indirect (Scope 3) GHG emissions	pp. 142; 145; 147-148	Scope 3 emissions include, for Italy, emissions from paper consumption, business travel and shipments of magazines to local distributors; for the United States, they include emissions from paper consumption.
Waste			
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its boundary	pp. 96-98; 101-102; 156-161	
	103-2 The management approach and its components	p. 149	
	103-3 Evaluation of the management approach	pp. 107; 149	
GRI 306: Water discharges and waste 2016	306-2: Waste by type and disposal method	p. 149	Waste production figures refer only to the Segrate offices of Arnoldo Mondadori Editore S.p.A.
GRI 400 Social Standards Series			
Employment			
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its boundary	pp. 96-98; 101-102; 156-161	
	103-2 The management approach and its components	p. 112	
	103-3 Evaluation of the management approach	pp. 110; 112	
GRI 401: Employment 2016	401-1 New hires and turnover	pp. 113-114	

GRI Standard	Disclosure	Page reference	Omission
Relations between labour and management			
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its boundary	pp. 96-98; 101-102; 156-161	
	103-2 The management approach and its components	pp. 118-119	
	103-3 Evaluation of the management approach	pp. 110; 118-119	
GRI 402: Relations between labour and management 2016	402-1 Minimum notice period regarding operational changes	p. 119	
Health and safety in the workplace			
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its boundary	pp. 96-98; 101-102; 156-161	
	103-2 The management approach and its components	pp. 127-131	
	103-3 Evaluation of the management approach	pp. 110; 127-131	
GRI 403: Health and safety in the workplace 2018	403-1 Occupational Health and Safety Management System	p. 130	
	403-2 Hazard identification, risk assessment, and accident investigation	p. 130	
	403-3 Occupational health services	p. 130	
	403-4 Worker participation, consultation and communication on health and safety in the workplace	p. 130	
	403-5 Worker training on health and safety in the workplace	pp. 121-122; 130	
	403-6 Promoting of worker health	pp. 123-124; 127-130	
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	pp. 127-130	
	403-9 Accidents in the workplace	p. 131	
Training and education			
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its boundary	pp. 96-98; 101-102; 156-161	
	103-2 The management approach and its components	pp. 119-123	
	103-3 Evaluation of the management approach	pp. 110; 119-123	
GRI 404: Training and education 2018	404-1 Average hours of training per year per employee	pp. 119; 122	
	404-2 Programs for upgrading employee skills and transition assistance programs	pp. 119-121; 123	

GRI Standard	Disclosure	Page reference	Omission
Diversity and equal opportunities			
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its boundary	pp. 96-98; 101-102; 156-161	
	103-2 The management approach and its components	pp. 125-126	
	103-3 Evaluation of the management approach	pp. 110; 125-126	
GRI 405: Diversity and equal opportunities 2016	405-1: Diversity of governance bodies and employees	pp. 125-127	
Public policy			
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its boundary	pp. 96-98; 101-102; 156-161	
	103-2 The management approach and its components	p. 106	
	103-3 Evaluation of the management approach	pp. 106-108	
GRI 415: Public policy 2016	415-1 Political contributions	p. 106	
Customer privacy			
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its boundary	pp. 96-98; 101-102; 156-161	
	103-2 The management approach and its components	pp. 108: 135-138	
	103-3 Evaluation of the management approach	pp. 108; 135-138	
GRI 418: Customer privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and loss of customer data	p. 138	
Socio-economic compliance			
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its boundary	pp. 96-98; 101-102; 156-161	
	103-2 The management approach and its components	p. 105	
	103-3 Evaluation of the management approach	pp. 105; 109	
GRI 419: Socio-economic compliance 2016	419-1 Non-compliance with laws and regulations in the social and economic area	p. 105	

*GRI G4 Media Sector Disclosure

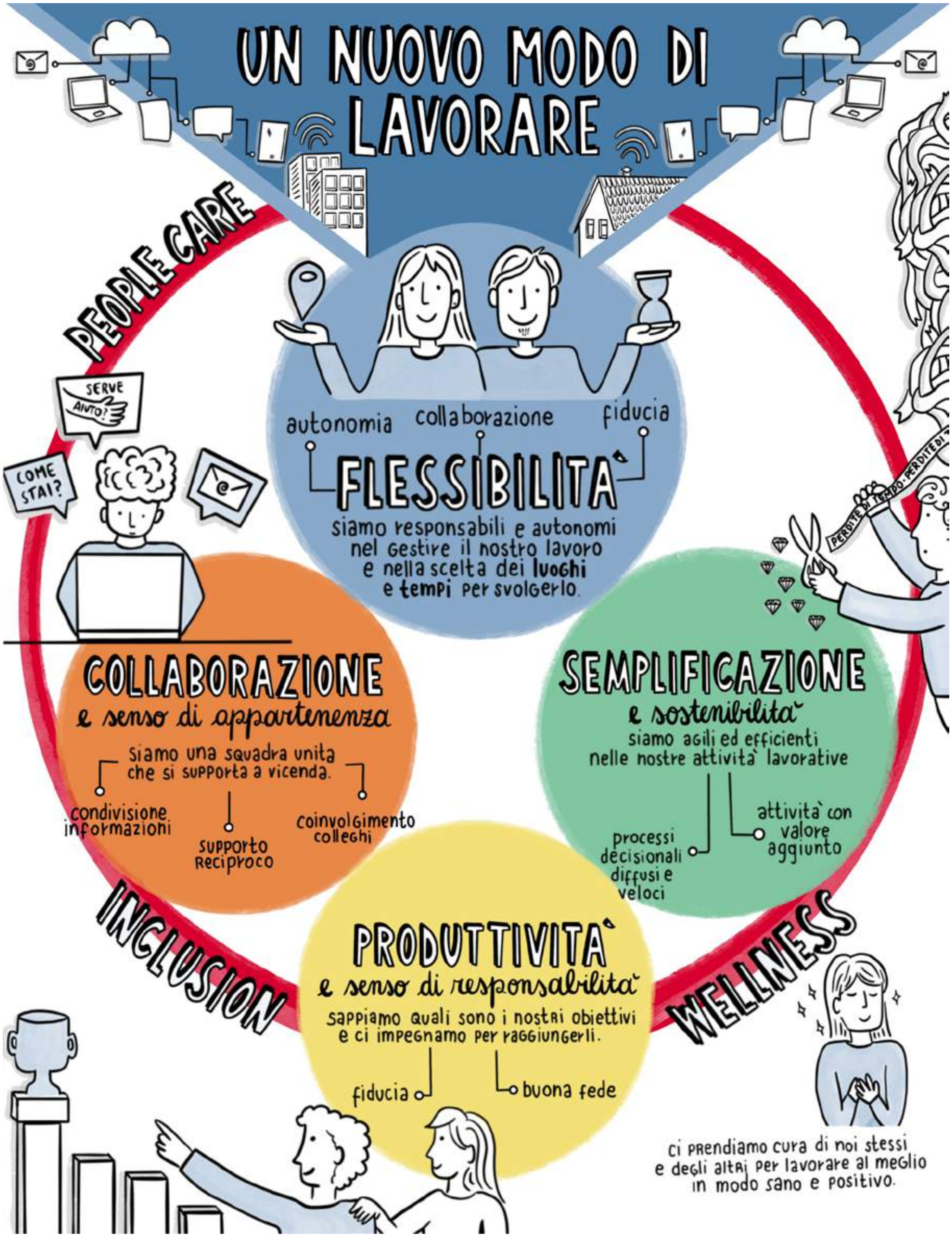
GRI Standard	Disclosure	Page reference	Omission
Content creation*			
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its boundary	pp. 96-98; 101-102; 156-161	
	103-2 The management approach and its components	pp. 133-134	
	103-3 Evaluation of the management approach	pp. 108; 133-134	
M2	Methodology for assessing and monitoring adherence to content creation values	pp. 133-134	
Content distribution*			
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its boundary	pp. 96-98; 101-102; 156-161	
	103-2 The management approach and its components	pp. 132-135	
	103-3 Evaluation of the management approach	pp. 108; 132-135	
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. 132-135	
Interaction with the public*			
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its boundary	pp. 96-98; 101-102; 156-161	
	103-2 The management approach and its components	p. 133	
	103-3 Evaluation of the management approach	pp. 108; 133	
M6	Methods to interact with audiences and results	p. 133	
Media literacy*			
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its boundary	pp. 96-98; 101-102; 156-161	
	103-2 The management approach and its components	p. 133	
	103-3 Evaluation of the management approach	pp. 108; 133	
M7	Actions taken to empower audiences through media literacy skills development and results obtained	p. 133	
Freedom of expression*			
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its boundary	pp. 96-98; 101-102; 156-161	
	103-2 The management approach and its components	p. 134	
	103-3 Evaluation of the management approach	pp. 108; 134	

GRI Standard	Disclosure	Page reference	Omission
Human rights assessment*			
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its boundary	pp. 96-98; 101-102; 156-161	
	103-2 The management approach and its components	pp. 102-103; 134-135	
	103-3 Evaluation of the management approach	pp. 108; 134-135	
Cultural rights*			
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its boundary	pp. 96-98; 101-102; 156-161	
	103-2 The management approach and its components	pp. 102-103; 134-135	
	103-3 Evaluation of the management approach	pp. 108; 134	
Privacy protection*			
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its boundary	pp. 96-98; 101-102; 156-161	
	103-2 The management approach and its components	pp. 102-103; 135-138	
	103-3 Evaluation of the management approach	pp. 108; 135-138	

Non-GRI material topics			
Strategic business innovation	103-1 Explanation of the material topic and its boundary	pp. 96-98; 101-102; 156-161	
	103-2 The management approach and its components	pp. 110-111	
	103-3 Evaluation of the management approach	pp. 110-111	
Brand management	103-1 Explanation of the material topic and its boundary	pp. 96-98; 101-102; 156-161	
	103-2 The management approach and its components	p. 111	
	103-3 Evaluation of the management approach	p. 111	

For the Board of Directors
The Chairman
Marina Berlusconi

*GRI G4 Media Sector Disclosures



A new way of experiencing work and the company
In 2020, the Group's people had to stand up against the extraordinary events brought by the pandemic, showing incredible flexibility and resilience. This change ushered in the possibility of experimenting and adopting a new way of working that enhances and spreads a management style based on delegation skills, clear objectives and accountability on results. This new approach also reshapes the relationship between the company and its people, based on greater flexibility and autonomy in choosing work space and time, thanks to widespread decision-making processes, skill enhancement and responsibility in carrying out activities.

Consolidated Financial Statements at 31 December 2020

CONSOLIDATED BALANCE SHEET

Assets (Euro/thousands)	Notes	31/12/2020	31/12/2019
Intangible assets	11	**187,722**	**220,349**
Land and buildings		2,304	2,437
Plant and equipment		2,672	2,971
Other tangible assets		11,977	12,532
Property, plant and equipment	12	**16,953**	**17,940**
Assets from rights of use	13	**80,267**	**93,939**
Equity-accounted investees		20,331	27,715
Other investments		270	435
Total investments	14	**20,601**	**28,150**
Non-current financial assets	21	**677**	**12,569**
Pre-paid tax assets	15	**54,050**	**54,891**
Other non-current assets	16	**1,222**	**1,400**
Total non-current assets		**361,492**	**429,238**
Tax receivables	17	**8,387**	**10,002**
Other current assets	18	**76,446**	**82,964**
Inventory	19	**111,452**	**120,784**
Trade receivables	20	**192,129**	**222,687**
Other current financial assets	21	**15,902**	**24,541**
Cash and cash equivalents	22	**110,247**	**44,211**
Total current assets		**514,563**	**505,189**
Discontinued operations		-	-
Total assets		**876,055**	**934,427**

Liabilities (Euro/thousands)	**Notes**	**31/12/2020**	**31/12/2019**
Share capital		67,979	67,979
Treasury shares		(2,771)	(4,940)
Other reserves and results carried forward		102,698	78,793
Profit (loss) for the year		4,503	28,200
Group equity	23	**172,409**	**170,032**
Share capital and reserves attributable to non-controlling interests	24	7	9
Total equity		**172,416**	**170,041**
Provisions	25	46,435	55,110
Post-employment benefits	26	32,757	33,364
Non-current financial liabilities	27	66,732	93,541
Financial liabilities IFRS 16	27	71,050	82,777
Deferred tax liabilities	15	30,380	38,174
Other non-current liabilities		-	-
Total non-current liabilities		**247,354**	**302,966**
Income tax payables	18	6,213	8,208
Other current liabilities	28	125,266	123,608
Trade payables	29	238,198	273,341
Payables to banks and other financial liabilities	27	74,869	43,189
Financial liabilities IFRS 16	27	11,739	13,074
Total current liabilities		**456,285**	**461,420**
Discontinued liabilities		-	-
Total liabilities		**876,055**	**934,427**

CONSOLIDATED INCOME STATEMENT

(Euro/thousands)	Notes	2020	2019
Revenue from sales and services	30	**743,993**	**884,860**
Decrease (increase) in inventory	19	7,499	1,869
Cost of raw and ancillary materials, consumables and goods	31	120,879	160,537
Cost of services	32	405,796	468,915
Cost of personnel	33	130,941	147,154
Other (income) expense	34	(5,748)	3,494
EBITDA		**84,626**	**102,891**
Depreciation and impairment loss on property, plant and equipment	11	5,481	4,527
Amortization and impairment loss on intangible assets	12	49,946	21,411
Amortization/depreciation and impairment loss of assets from rights of use	13	14,399	14,634
EBIT		**14,800**	**62,319**
Financial expense (income)	35	5,988	5,092
Expense (income) from investments	36	7,262	8,131
Result before tax		**1,550**	**49,096**
Income tax	37	(2,954)	18,625
Result from continuing operations		**4,504**	**30,471**
Result from discontinued operations		-	(1,069)
Net result		**4,504**	**29,402**
Attributable to:			
- Non-controlling interests	24	**1**	**1,202**
- Parent Company shareholders		**4,503**	**28,200**
Earnings per share of continuing operations (expressed in Euro units)	38	0.017	0.117
Diluted earnings per share of continuing operations (expressed in Euro units)	38	0.017	0.116
Net earnings per share (in Euro units)	38	0.017	0.109
Diluted net earnings per share (in Euro units)	38	0.017	0.108

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

(Euro/thousands)	Notes	2020	2019
Net result		**4,504**	**29,402**
Items reclassifiable to income statement			
Profit (loss) deriving from the translation of currency denominated financial statements of foreign companies	23	(2,036)	416
Other profit (loss) from equity-accounted investees	23	(325)	(54)
Effective part of profit (loss) on cash flow hedge instruments (cash flow hedge)	21-27	174	(254)
Profit (loss) from held-for-sale assets (fair value)	21-27	-	-
Tax effect on other profit (loss) reclassifiable to income statement		(42)	60
Items reclassified to income statement			
Profit (loss) on cash flow hedge instruments		292	340
Profit (loss) from held-for-sale assets (fair value)		-	-
Tax effect on other profit (loss) reclassified to income statement		(70)	(81)
Items not reclassifiable to income statement			
Actuarial profit (loss)	26	(531)	253
Tax effect on other profit (loss) not reclassifiable to income statement		124	(57)
Total other profit (loss) net of tax effect		**(2,414)**	**623**
Comprehensive result for the year		**2,090**	**30,025**
Attributable to:			
- Non-controlling interests		**1**	**1,202**
- Parent Company shareholders		**2,089**	**28,823**

For the Board of Directors
The Chairman
Marina Berlusconi

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AT 31 DECEMBER 2019/2020

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 shares		-	-	1,898	-	-
Other changes		-	-	-	-	-
Comprehensive profit (loss)		-	-	-	65	-
Balance at 31 December 2019	23	**67,979**	**(4,940)**	**4,311**	**(977)**	**-**

Euro/thousands	**Notes**	**Share capital**	**Treasury shares**	**Performance share reserve**	**Cash flow hedge reserve**	**Fair value reserve**
Balance at 1 January 2020		**67,979**	**(4,940)**	**4,311**	**(977)**	**-**
Allocation of result		-	-	-	-	-
Dividends paid		-	-	-	-	-
Change in consolidation scope		-	-	-	-	-
Transactions on treasury shares		-	(605)	-	-	-
Performance shares		-	-	885	-	-
Other changes		-	2,774	(3,052)	-	-
Comprehensive profit (loss)		-	-	-	354	
Balance at 31 December 2020	23	**67,979**	**(2,771)**	**2,144**	**(623)**	**-**

Currency reserve	Post-employment discounting reserve	Other reserves	Profit (loss) for the period	Total Group equity	Minority 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	-	(5)	-	(5)
464	196	(102)	28,200	28,823	1,202	30,025
172	**719**	**74,568**	**28,200**	**170,032**	**9**	**170,041**

Currency reserve	Post-employment discounting reserve	Other reserves	Profit (loss) for the period	Total Group equity	Minority equity	Total
172	**719**	**74,568**	**28,200**	**170,032**	**9**	**170,041**
-	-	28,200	(28,200)		-	
-	-	-	-		(1)	(1)
-	-	-	-		-	
-	-	-	-	(605)	-	(605)
-	-	-	-	885	-	885
-	-	286	-	8	(2)	6
(2,153)	(407)	(208)	4,503	2,089	1	2,090
(1,981)	**312**	**102,846**	**4,503**	**172,409**	**7**	**172,416**

For the Board of Directors
The Chairman
Marina Berlusconi

CONSOLIDATED STATEMENT OF CASH FLOWS

(Euro/thousands)	Notes	2020	2019
Net result		4,503	28,200
Adjustments			
Amortization, depreciation and write-downs	11-12-13	69,825	40,572
Income tax for the year	37	(2,954)	18,625
Performance Shares		853	1,898
Provisions (utilization) and post-employment benefits		(7,508)	(12,255)
Capital loss (gain) from the disposal of intangible assets, property, plant and equipment, investments		143	(826)
Capital loss (gain) from the measurement of financial assets		(1,608)	(991)
(Income) expense of equity-accounted investees	36	7,131	8,131
Net financial expense on loans, leases and derivative transactions	35	6,956	6,082
Other non-monetary adjustments to assets held for sale		-	(2,164)
Cash flow generated from operations		**77,341**	**87,272**
(Increase) decrease in trade receivables		36,688	1,114
(Increase) decrease in inventory		16,142	4,354
Increase (decrease) in trade payables		(35,980)	(1,058)
Income tax payments		(6,949)	(20,732)
Advances and post-employment benefits		(2,409)	(3,663)
Net change in other assets/liabilities		(931)	20,804
Cash flow generated from (absorbed by) assets held for sale		-	(2,181)
Cash flow generated from (absorbed by) operations		**83,902**	**85,910**
Price collected (paid) net of cash transferred/acquired		(1,564)	45,275
(Purchase) disposal of intangible assets		(16,534)	(21,576)
(Purchase) disposal of property, plant and equipment		(4,360)	(4,448)
(Purchase) disposal of investments		(1,016)	(8,805)
(Purchase) disposal of financial assets		21,176	(8,068)
Cash flow generated from (absorbed by) assets held for sale		-	3,349
Cash flow generated from (absorbed by) investing activities		**(2,298)**	**5,727**
Net difference in financial liabilities		5,187	(104,579)
Payment of net financial expense on loans and transactions with derivatives		(2,014)	(2,783)
Net refund leases		(15,645)	(15,897)
Interest on leases		(2,491)	(2,368)
(Purchase) disposal of treasury shares	23	(605)	(2,658)
Cash flow generated from (absorbed by) assets held for sale		-	(1,497)
Cash flow generated from (absorbed by) financing activities		**(15,568)**	**(129,782)**
Increase (decrease) in cash and cash equivalents		**66,036**	**(38,145)**
Cash and cash equivalents at the beginning of the period	22	**44,211**	**82,356**
Cash and cash equivalents at the end of the period	22	**110,247**	**44,211**

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**	**31/12/2020**	**of which related parties (Note 41)**	**31/12/2019**	**of which related parties (Note 41)**
Intangible assets	11	187,722	-	220,349	-
Land and buildings		2,304	-	2,437	-
Plant and equipment		2,672	-	2,971	-
Other tangible assets		11,977	-	12,532	-
Property, plant and equipment	12	**16,953**	**-**	**17,940**	**-**
Assets from rights of use	13	80,267	-	93,939	-
Equity-accounted investees		20,331	-	27,716	-
Other investments		270	-	434	-
Total investments	14	20,601	-	28,150	-
Non-current financial assets	21	677	500	12,569	500
Pre-paid tax assets	15	54,050	-	54,891	-
Other non-current assets	16	1,222	-	1,400	-
Total non-current assets		**361,492**	**500**	**429,238**	**500**
Tax receivables	17	8,387	1,475	10,002	1,466
Other current assets	18	76,446	(10)	82,964	38
Inventory	19	111,452	-	120,784	-
Trade receivables	20	192,129	30,833	222,687	40,576
Other current financial assets	21	15,902	-	24,541	25
Cash and cash equivalents	22	110,247	-	44,211	-
Total current assets		**514,563**	**32,298**	**505,189**	**42,105**
Discontinued operations		-	-	-	-
Total assets		**876,055**	**32,798**	**934,427**	**42,605**

Liabilities (Euro/thousands)	**Notes**	**31/12/2020**	**of which related parties (Note 41)**	**31/12/2019**	**of which related parties (Note 41)**
Share capital		67,979		67,979	
Treasury shares		(2,771)	-	(4,940)	-
Other reserves and results carried forward		102,698	-	78,793	-
Profit (loss) for the year		4,503	-	28,200	-
Group equity	23	172,409	-	170,032	-
Share capital and reserves attributable to non-controlling interests		7	-	9	-
Total equity	24	**172,416**	-	**170,041**	-
Provisions	25	46,435	-	55,110	-
Post-employment benefits	26	32,757	-	33,364	-
Non-current financial liabilities	27	66,732	-	93,541	-
Financial liabilities IFRS 16	27	71,050	-	82,777	-
Deferred tax liabilities	15	30,380	-	38,174	-
Other non-current liabilities		-	-	-	-
Total non-current liabilities		**247,354**	**-**	**302,966**	**-**
Income tax payables	17	6,213	4,404	8,208	7,616
Other current liabilities	28	125,266	575	123,608	239
Trade payables	29	238,198	14,264	273,341	13,645
Payables to banks and other financial liabilities	27	74,869	553	43,189	1,776
Financial liabilities IFRS 16	27	11,739	-	13,074	-
Total current liabilities		**456,285**	**19,796**	**461,420**	**23,276**
Discontinued liabilities		-	-	-	-
Total liabilities		**876,055**	**19,796**	**934,427**	**23,276**

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

(Euro/thousands)	Notes	2020	of which related parties (note 41)	of which non-recurring (income) expense (note 40)	2019	of which related parties (note 41)	of which non-recurring (income) expense (note 40)
Revenue from sales and services	30	**743,993**	**18,175**	**-**	**884,860**	**48,311**	**-**
Decrease (increase) in inventory	19	7,499	-	-	1,869	-	-
Cost of raw and ancillary materials, consumables and goods	31	120,879	1,665	-	160,537	3,352	-
Cost of services	32	405,796	9,378	-	468,915	5,964	-
Cost of personnel	33	130,941	(144)	-	147,154	(21)	-
Other (income) expense	34	(5,748)	581	-	3,494	354	-
EBITDA		**84,626**	**6,695**	**-**	**102,891**	**38,662**	**-**
Depreciation and impairment loss on property, plant and equipment	11	5,481	-	-	4,527	-	-
Amortization and impairment loss on intangible assets	12	49,946	-	-	21,411	-	-
Amortization/depreciation and impairment loss of assets from rights of use	13	14,399	-	-	14,634	-	-
EBIT		**14,800**	**6,695**	**-**	**62,319**	**38,662**	**-**
Financial expense (income)	35	5,988	(23)	-	5,092	(30)	-
Expense (income) from other investments	36	7,262	-	-	8,131	-	-
Result before tax		**1,550**	**6,718**	**-**	**49,096**	**38,692**	**-**
Income tax	37	(2,954)	-	(5,516)	18,625	-	-
Result from continuing operations		**4,504**	**6,718**	**5,516**	**30,471**	**38,692**	**-**
Result from discontinued operations		-	-	-	(1,069)		-
Net result		**4,504**	**6,718**	**5,516**	**29,402**	**38,692**	**-**
Attributable to:							
- **Non-controlling interests**	24	**1**	**-**	**-**	**1,202**	**-**	**-**
- **Parent Company shareholders**		**4,503**	**6,718**	**5,516**	**28,200**	**38,692**	**-**

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 2020 was authorized by the Board of Directors’ resolution of 18 March 2021.

2. FORM AND CONTENT

The Group's consolidated financial statements at 31 December 2020 were drawn up on a going concern basis; the Directors assessed 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 operations in the foreseeable 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 measured at fair value, and in compliance with the accounting standards adopted for the drafting of the financial statements at 31 December 2019, considering the amendments and the new standards effective as from 1 January 2020, as per Note 6.24.

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 year 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 the Parent Company’s, adjustments are made 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 at equity;
- 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 led to the following adjustments:
- the book value of investments in companies included in the consolidation scope is written off against the related equity at the date control is acquired;

- the difference between the cost incurred for the acquisition of the investment and the relevant share of 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 minorities 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 2020, the changes in the consolidation scope are attributable to the acquisition of 80% of Abscondita S.r.l. and 5% of MDM Milano Distribuzione Media S.r.l., the sale of 25% of Stile Italia Edizioni S.r.l. and the conclusion of the liquidation of Campania Arte S.c.ar.l., Venezia Musei Società per i servizi museali S.c.ar.l. and Venezia Accademia Società per i servizi museali S.c.ar.l.

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 % 31/12/2020	Group interest held % 31/12/2019
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
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 Media S.p.A.	Milan	Publishing	Euro	1,000,000.00	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 Distribuzione Stampa e Multimedia 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
Abscondita S.r.l.	Milan	Publishing	Euro	12,750.00	80.00	-
Foreign subsidiaries						
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	(*)		22.00
DI2 S.r.l.	Milan	Services	Euro	100,000.00	50.00	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	Trade	Euro	646,250.00	44.91	44.91
GD Media Service S.r.l.	Peschiera	Trade	Euro	789,474.00	29.00	29.00
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	18.45	36.89
Stile Italia Edizioni S.r.l.	Milan	Publishing	Euro			25.00
Venezia Musei Società per i servizi museali S.c.ar.l. in liquidation	Venice	Services	Euro	(*)		34.00
Venezia Accademia Società per i servizi museali S.c.ar.l. in liquidation	Venice	Services	Euro	(*)		25.00
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	22.00	17.00
Società Editrice Il Mulino S.p.A.	Bologna	Publishing	Euro	2,350,000.00	7.61	7.61

(*) Company liquidated in 2020.

4. TRANSLATION 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 translated into the entity's presentation currency as follows:
- assets and liabilities are translated at the exchange rate ruling at closing;
- income statement items are translated at the average exchange rate for the year.

Currency exchange rate differences that arise from these translations 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, Media, Retail, Corporate & Shared Services.

This structure gives a clear picture of the Group's diversity 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.

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 concluded after the first-time adoption of IAS/IFRS are initially recognized at fair value.

On the other hand, any costs for the production and launch of trademarks and titles are charged to the income statement for the year.

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	Term of licence/10-20 years
Goods under concession or license	Term of the concession and license
Software and development costs for textbook publishing	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
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 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.

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 recognized 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 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

IFRS 16 sets out the principles for recognizing, measuring, presenting and disclosing lease contracts and requires lessees to account for all lease contracts in the financial statements.

Application of this standard results in the initial recognition in the statement of financial position of (i) an asset, equal to the present value of the future minimum compulsory rentals to be paid by the lessee from 1 January 2019 or from the contract commencement date if later than the date of first-time application, which will be amortized/depreciated over the shorter of the technical economic life and the remaining term of the contract, and (ii) a financial liability, equal to the present value of the future minimum compulsory rentals to be paid by the lessee from 1 January 2019 or from the contract commencement date if later than the date of first-time application, unpaid at the transition date. The payable will then be reduced as lease payments are made. The lease payment is no longer recorded in EBITDA, recording instead (i) the amortization/depreciation of the right of use and (ii) the financial expense on the payable entered.

Lessees must also remeasure the lease liability on occurrence of certain events (for example: a change in the terms of the lease or a change in future lease payments resulting from a change in an index or rate used to determine such payments). The lessee generally recognizes the amount of the re-measurement of the liability as an adjustment to the asset's right of use.

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 from 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.

6.4 Financial expense

Under IAS 23, the Group capitalizes financial expense resulting from asset purchase, development or production. In case of assets that do not justify capitalization, the expense is recognized in the income statement in the year in which it is incurred.

6.5 Impairment

The value of intangible assets, and property, plant and equipment and rights of use is subject to an impairment test whenever it is believed there are indications of an impairment.

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 book value with whichever is higher between the fair value less costs to sell 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 it has all three of the following:
- 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 at equity.

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, subject to impairment testing at least once a year.

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 measured 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 account of 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 of the trading date, which corresponds to the date on which the Group agrees to purchase the assets in question. After initial recognition, financial assets are posted according to the relevant classification, as outlined below.

Financial assets 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 loss deriving from the fair value measurement of assets held for trading is recognized in the income statement.

In an active market, the fair value of financial instruments is calculated by referring to the market value at closing, while financial evaluation techniques are used in case of no active market. Profit and loss deriving from the fair value measurement of assets held for trading is recognized in income statement.

Held-to-maturity investments
Assets that envisage fixed or determinable payments with a fixed maturity date, which the Group intends to hold in its portfolio, are classified as held-to-maturity financial assets.

Long-term financial investments held to their maturity, such as bonds, are measured, 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 is 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 include 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 recognized 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 variations in fair value is 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*.

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 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 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 year, 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 written back to the amount the asset would have had, taking amortization into account, at the date of the write-back.

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 associated with 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 book 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 book value is amortized in the income statement throughout the period before maturity.

Any adjustments to the book value of any hedged financial instrument for which the interest rate method is applied are amortized in the income statement.

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 is 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 is 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 measurement of the derivative financial instrument is 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 account of 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 is 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

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

In the case of share-based payment 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 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.

Any 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.

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 a 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 will 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 measured 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 additionally 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, when their sale is highly likely, are classified as "held-for-sale assets" and are measured 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, is 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 2020 and applied by the Mondadori Group

The Group has applied for the first time certain standards or amendments that are effective as of 1 January 2020, and has not adopted in advance any new standards, interpretations or amendments issued but not yet in force.

Amendments to IFRS 3: Definition of a business
The amendments to IFRS 3 clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, one underlying input (output factor) and process that together contribute significantly to the ability to create an output (value/business). Additionally, it has clarified that a business can exist without including all of the inputs and processes needed to create an output. These changes had no impact on the consolidated financial statements.

Amendments to IFRS 7, IFRS 9 and IAS 39: Interest rate benchmark reform

The amendments to IFRS 9 and IAS 39 provide a number of practical expedients that apply to hedging relationships that are directly impacted by the benchmark interest rate reform. A hedging relationship that is impacted by the reform is subject to uncertainties about the timing and amount of IBOR-based cash flows of the hedged instrument. These changes have no impact on the consolidated financial statements.

Amendments to IAS 1 and IAS 8 - Definition of Material

The amendments provide a new definition of materiality that states that an information is material if it is reasonable to assume that its omission, misrepresentation or obscuring could influence the decisions that the primary users of financial statements prepared for general purposes make on the basis of those financial statements, which provide financial information about the specific entity preparing the financial statements.

Materiality depends on the nature or magnitude of the information, or both. An entity assesses whether the information, individually or in combination with other information, is material in the context of the financial statements as a whole.

The information is obscured if it is disclosed in such a way as to have, for the primary users of financial statements, a similar effect to the omission or misstatement of the same information. These changes had no impact on the consolidated financial statements.

Amendment to IFRS 16 Covid-19 Related Rent Concessions

On 28 May 2020, the IASB published an amendment to IFRS 16. The amendment allows a lessee not to apply the requirements of IFRS 16 on the accounting effects of contractual modifications for rent reductions granted by lessors that are a direct result of the Covid-19 pandemic.

The amendment introduces a practical expedient whereby a lessee may choose not to assess whether rent reductions represent contractual modifications. A lessee that chooses to use this expedient accounts for these reductions as if the reductions were not contractual modifications within the scope of IFRS 16.

These modifications entailed recognition of an effect on the income statement of approximately Euro 1 million in 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 reviewed periodically, and the effects are 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, marked by the effects of Covid-19. Therefore, one cannot rule out the possibility in the future of seeing results that differ from estimates, requiring adjustments to the book value of items which cannot be foreseen or measured at this time.

The most significant estimates refer to:

Goodwill, intangible assets with indefinite useful life and other non-current assets

The value of goodwill of intangible assets with indefinite useful life and other non-current assets with finite useful life (for the latter, in the presence of indications of impairment) is assessed by comparing the book value of the individual assets or the smallest Cash Generating Unit that generates its own cash flows 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/depreciation

The useful life of tangible and intangible assets is determined by the Directors when the asset is purchased. The Group 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/depreciation.

Write-down of 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 account of the risk of non-payment, ageing and losses on receivables expected to arise on the receivables.

Returns to receive

In the publishing sector, it is an accepted practice for unsold books and magazines to be 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 account also of the level of circulation and any other elements that may affect the quantities of books and magazines returned.

Provision for risks

Provisions made for costs for legal, tax and arbitration disputes are based on complex estimates that take account of the likelihood 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 measured 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 account of 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.

Acquisition of an interest in Abscondita S.r.l.

As of 1 January 2020, the acquisition of control of Abscondita S.r.l. became effective, under the share purchase agreement signed in December 2019, which envisages the transfer of an 80% interest in the share capital as of that date and sale and purchase options for the parties on the remaining 20%.

The acquisition, completed with payment of a consideration of Euro 276 thousand, plus the estimated amount to be paid on exercise of the call option of Euro 54 thousand, was accounted for in accordance with IFRS 3; the resulting difference was allocated to goodwill.

Acquisition of Abscondita
(Euro/thousands)

Intangible assets and property, plant and equipment	4
Trade receivables	129
Inventory	105
Financial assets and cash and cash equivalents	61
Provision for post-employment benefits and other provisions	(13)
Trade payables and other liabilities	(210)
Equity acquired	**76**
Price paid	(276)
Estimate of the amount to be paid on exercise of the call option	(54)
Goodwill	**254**

Disposal of the interest in Stile Italia Edizioni S.r.l.

On 20 October 2020, the 25% stake held in Stile Italia Edizioni S.r.l. was disposed of; the sale of the investment had no significant effects on the income statement.

9. NON-RECURRING INCOME AND EXPENSE

As required by CONSOB resolution no. 15519 of 27 July 2006, any 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 were outlined in a separate table in these “Explanatory notes to the financial statements”.

10. IMPAIRMENT PROCESS

In preparing the consolidated financial statements at 31 December 2020, particular attention was paid to the identification of any impairment indicators, given also the changed macroeconomic context marked by the effects of Covid-19, which had a significant impact on the Group's relevant markets.

In the Books area, Group revenue was down by approximately 12%, while the Retail area saw an approximately 18% drop, due primarily to the suspension of activities by bookstores throughout the Country during the first lockdown period and the restrictive measures imposed on weekends in the fourth quarter of the year.

In the second half of the year, the Trade unit of the Books area was able to recover a large part of revenue lost during lockdown, thanks also to the contribution from the growth in online sales.

In 2020, the Media segment reported a 28% decline in advertising revenue, a 26% reduction in revenue from add-on products, and a 24% fall in circulation revenue. These reductions, versus the prior year, include not only the impact of Covid-19, but also the effects from the sale of five titles at the end of 2019.

Against this backdrop, the Mondadori share price at 30 December 2020 stood at Euro 1.51 (Euro 2.06 at 31 December 2019). As a result of this trend, market capitalization versus 31 December 2019 fell sharply, but remains still far higher than booked equity (market capitalization at 30 December 2020 stood at Euro 395 million versus a consolidated equity at the same date of Euro 172 million).

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 indications 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.

In view of the above, at 31 December 2020, the CGUs relating to magazines (including digital sites), books, the retail segment, in addition to the investments in the Attica Group and Società Europea di Edizioni S.p.A. and the properties owned by the Group, were subject to impairment testing.

The impairment testing process includes, among others:
- the identification of individual assets or the smallest Cash Generating Unit that generates independent cash flows;
- assessment of the carrying amount of the CGUs by determining their recoverable value, as the higher of fair value, less costs to sell, and value in use determined on the basis of the cash flow projections deriving from the most recent financial plans approved by the Board of Directors.

Identification of Cash Generating Units

CGUs have been identified as assets that generate independent cash flows from their ongoing use, consistent with the Group's organizational and business structure.

The following table provides details of the assets subject to impairment testing and the related values recorded at 31 December 2020 in the balance sheet assets, shown net of amortization/depreciation and impairment losses recorded in the year, as well as their relating CGU.

Cash Generating Unit (Euro/thousands)	**Titles**	**Trademarks and series**	**Other**	**Goodwill**	**Total**
CGU titles former SBE	53,773	-	-	-	53,773
CGU title former Elemond	978	-	-	-	978
CGU former Gruner+Jahr Mondadori	-	2,621	-	91	2,712
Digital CGU	-	7,352	422	23,865	31,639
Rizzoli Trade 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	-	29,487	-	12,042	41,529
Retail Stores CGU	-	-	23,813	-	23,813
Other CGUs	-	526	217	3,218	3,961
Investments and property	-	-	8,365	-	8,365
Total assets subject to impairment test					**191,610**

Cash Generating Unit titles former Silvio Berlusconi Editore (SBE)

The value of the titles, each of which represents a CGU, refers to the acquisition of Silvio Berlusconi Editore, completed in 1994.

The titles included in the financial statements are *TV Sorrisi e Canzoni*, *Chi* and *Telepiù*, all of which qualify as having finite useful life at 31 December 2020.

Cash Generating Unit title former Elemond

The value recorded in the financial statements is represented by *Interni*, a title with finite useful life, resulting from the acquisition of the Elemond Group, which took place in several tranches between 1989 and 1994.

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%.

On conclusion of the purchase price allocation process, the higher price paid against the book values acquired was allocated to the *Focus* trademark, the related subscriber list, fully amortized at 31 December 2020, and, for the remaining portion, to goodwill.

Assets identified in the purchase price allocation, except for goodwill, qualify as having finite useful life.

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 women, food, health & wellness segments.

On conclusion of the purchase price allocation process, the higher price paid was allocated to trademarks, proprietary software and, residually, to goodwill.

Assets identified in the purchase price allocation, except for goodwill, qualify as having finite useful life.

Rizzoli Trade Cash Generating Unit

The CGU includes the BUR trademark and goodwill determined on conclusion of the purchase price allocation process carried out with regard to the acquisition of Rizzoli Libri S.p.A. in 2016. Assets identified in the purchase price allocation qualify as having indefinite useful life.

Einaudi Cash Generating Unit

This CGU includes the publishing series of Casa Editrice Einaudi, acquired in several tranches between 1989 and 1994; these assets qualify as having indefinite useful life.

The entire legal entity was considered as cash generating unit for the purposes of the impairment test, attributing also goodwill arising at the time of acquisition.

Sperling & Kupfer Cash Generating Unit

This CGU includes the amounts attributed to the Sperling & Kupfer publishing series, and, residually, to goodwill, as a result of the purchase price allocation process carried out in 1995, at the time of acquisition. These assets qualify as having indefinite useful life.

Piemme Cash Generating Unit

This CGU includes Casa Editrice Edizioni Piemme publishing trademarks, acquired in more than one tranche between 2003 and 2012. These assets qualify as having indefinite useful life.

For the purposes of the impairment test, the cash generating unit coincides with the Publisher, to which goodwill transferred upon acquisition is also allocated.

Education Cash Generating Unit

These CGUs include series and publishing lines referring to the production of textbooks for the different levels and grades of the Italian school system.

These include the amounts deriving from various acquisitions completed over time: the acquisition of a number of publishing trademarks from the Elemond group between 1989 and 1994, the acquisition of the Le Monnier group between 1999 and 2001, and the acquisition of Texto, a textbook publisher under the Piemme Scuola trademark, in 2004.
Goodwill deriving from the abovementioned transactions and from other acquisitions completed in 1992 (Juvenilia), between 1999 and 2002 (Poseidonia), in 1999 (Mursia) and in 2008 (Edizioni Electa Bruno Mondadori) add up to the above amounts.

The Education CGU group includes the amounts attributed to the Rizzoli Education trademarks, as a result of the acquisition in 2016.

These assets qualify as indefinite useful life; for the purposes of the impairment test, all the legal entities, Mondadori Education S.p.A. and Rizzoli Education S.p.A., were considered as cash generating units.

Other Cash Generating Units

This group of CGUs includes:
• the value of the bookclub member database of former Mondolibri S.p.A., amounting to Euro 2,500 thousand;
• the Grazia Cina trademark, regarding the local publication of the weekly, amounting to Euro 469 thousand;
• goodwill of Skira Rizzoli, amounting to Euro 386 thousand;
• the value attributed to the assets of the Direct Channel business unit, amounting to Euro 295 thousand;
• goodwill from the acquisition of Abscondita S.r.l., amounting to Euro 254 thousand;
• residual assets of Euro 56 thousand.

Retail Stores CGU

These CGUs include the assets related to the stores directly managed by Mondadori Retail S.p.A.

Investments and property

These CGUs include the goodwill identified on acquisition of the investments in the Attica Publications S.A. Group and Società Europea di Edizioni S.p.A., as well as two properties located in Milan.

Assessment of the recoverable value

The carrying amount of the CGUs is assessed by determining their recoverable value, which is the higher of value in use and fair value.

With regard to the CGUs measured through value in use, the impairment test was based on the projection of cash flows deriving from the Medium-Term Plan, drawn up for the years 2021-2023, and the 2021 Budget, in relation to which the Board of Directors reviewed the guidelines and approved the contents on 10 November 2020 and 11 February 2021, respectively. The above cash flows reflect the uncertainties of the current market and expectations regarding the performance of the Group's areas of operation.

The table shows the criteria used in the valuation of the various CGUs, as well as the main elements for assessing their recoverable value.

Cash Generating Unit	Criterion used	Economics	Growth rate on terminal value	Discounting rate
CGU titles former SBE	Value in use / Fair value	EBITDA 2021-2023 Revenue 2021-2023	g = -3%; g = -5%	6.41%
CGU titles former Elemond	Fair value	Revenue 2021-2023	g = -5%	6.41%
CGU former Gruner+Jahr Mondadori	Fair value	Revenue 2021-2023	g = -5%	6.41%
Digital CGU	Fair value Value in use	EBITDA 2021-2023	g = 0%; g = 2%	6.41%
Rizzoli Trade CGU	Value in use	EBITDA 2021-2023	g = 0%	6.40%
Einaudi CGU	Value in use	Cash flow 2021-2023	g = 0%	6.40%
Sperling & Kupfer CGU	Value in use	EBITDA 2021-2023	g = 0%	6.40%
Piemme CGU	Value in use	EBITDA 2021-2023	g = 0%	6.40%
Education CGU	Value in use	Cash flow 2021-2023	g = 0%	6.40%
Retail Stores CGU	Value in use	EBITDA 2021-2023	g = 0%	6.40%
Other CGUs	Value in use	EBITDA 2021-2023	g = 0%	6.40%
Investments and property	Value in use / Fair value	EBITDA 2021-2025 Third-Party valuations	g = 0%	7.40%

Specifically, when performing the impairment test:

- with regard to the titles former SBE, former Elemond and former Gruner+Jahr Mondadori CGUs, respectively for the magazine titles *Chi*, *Interni* and Focus, fair value was determined by applying the royalty method, based on estimated revenue in the medium-term forecast scenarios. Royalty rates between 3% and 5%, drawn from a panel of international licensing agreements, were used; the estimated growth rate (g) for the period following the explicit years of the Medium-Term Plan is -5%;
- the value in use of *TV Sorrisi e Canzoni* and *Telepiù* was determined on the basis of the income statements of each newspaper, including structural and maintenance costs, which are deemed to be representative of the related cash flows. The growth rates (g), estimated for the period following the explicit years of the Medium-Term Plan, are -3% and -5%, respectively;
- with regard to the Digital CGU, which includes digital brands, proprietary software and the goodwill thereto, the value in use was determined on the basis of the income statements of the various digital brands, which are deemed to be representative of the related cash flows. The growth rate (g), estimated for the period following the explicit years of the Medium-Term Plan, ranges between 0% and 2%;
- with regard to the Einaudi and Education CGUs (Mondadori Education and Rizzoli Education), for the purposes of the impairment test, all the legal entities were considered as cash generating units, also attributing goodwill arising from the acquisitions. The value in use was determined on the basis of the cash flows of the respective companies. The growth rate (g), estimated for the period following the explicit years of the Medium-Term Plan, is 0%;
- with regard to the Rizzoli Trade, Sperling & Kupfer and Piemme CGUs, the assets of which fall under Mondadori Libri S.p.A., the value in use was determined on the basis of the income statements, including the structural and maintenance costs of the series in question. The growth rate (g), estimated for the period following the explicit years of the Medium-Term Plan, is 0%;
- with regard to the other CGUs, the recoverable value was determined mainly on the basis of value in use, taking account of the income statements, including structural and maintenance costs of the assets subject to impairment. The growth rate (g), estimated for the period following the explicit years of the Medium-Term Plan, is 0%;
- with regard to the Retail Stores CGUs, the value in use was determined on the basis of cash flow projections drawn from the forecast long-term income statements of the various stores. The growth rate (g), estimated for the period following the explicit years of the Medium-Term Plan, is 0%;

- with regard to the Attica Publications S.A. group, the value in use was determined on the basis of cash flow projections drawn from the long-term plans approved by the Board of Directors of the same group;
- with regard to Società Europea di Edizioni S.p.A., in which the Group holds an 18.445% stake, the fair value was determined on the basis of the transaction carried out in 2020, involving the sale by Mondadori of 18.445% of Società Europea di Edizioni S.p.A.;
- with regard to the properties owned in Milan, the fair value was determined through an independent third-party valuation.

In addition to assessing the recoverability of the above CGUs, an analysis was also made of the Group's assets as a whole.
The results of the analysis showed no impairment.

Determination of the discount 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 on the basis of 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:
- the cost of equity (ke) was determined on the basis of the CAPM model (Capital Asset Pricing Model), as referred to in IAS 36, as the sum of: (i) the risk-free investment return, (ii) a risk premium, determined against the systematic risk on the investment under review and (iii) an additional premium linked to the size risk. Specifically:
  - 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, taking account of the annual average;
  - the risk premium was determined through the product resulting from the beta coefficient and the difference between the market performance (mp) and risk-free rate (equity risk premium), determined taking account of a sufficiently large time horizon. Specifically, the beta coefficient was calculated by considering the normalized average of market unlevered betas of a panel of comparable companies, distinguishing the book publishing business from the magazine publishing business, in order to intercept the different systematic risk. With regard to the equity risk premium, reference was made to the equity risk component for AAA countries (4.72%) and the country risk premium component (2.13% for Italy and 3.49% for Greece); both figures were drawn from the estimates published by Damodaran in January 2021;
  - the cost of debt (kd) was determined 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 Group;
  - the weight attributed to equity and non-controlling interests' equity was calculated based on the normalized average of a panel of comparable companies.

Results of the impairment test

The results of the impairment test required the write down of:
- the titles *TV Sorrisi e Canzoni*, *Chi* and *Telepiù*, amounting to a total of Euro 21.8 million, as well as the goodwill allocated to these CGUs amounting to Euro 0.7 million;
- the title *Interni* for Euro 0.6 million;
- the *Focus* trademark for Euro 2.2 million;
- certain Digital area sites for a total of Euro 1.3 million;
- the investment in the Attica Publications S.A. group for Euro 1.6 million.

Sensitivity to changes in the assumptions

For the amounts relating to the CGUs indicating no impairment loss, sensitivity analyses were carried out to corroborate the results of the test, increasing the discount rate by 0.5% and reducing the cash flows by 5%, while maintaining the other assumptions unchanged.

The results of the 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.

11. INTANGIBLE ASSETS

“Intangible assets", amounting to Euro 187,722 thousand, decreased by Euro 32,627 thousand versus 31 December 2019, mainly as a result of write-downs following impairment testing and amortization for the year.

Intangible assets (Euro/thousands)	**31/12/2020**	**31/12/2019**
Intangible assets with finite useful life	94,158	50,288
Intangible assets with indefinite useful life	93,564	170,061
Total intangible assets	**187,722**	**220,349**

During the year, the Directors, given also the Covid-19 impact on Mondadori’s markets of operation and on the social and economic activities of consumers, assessed the relevance of the classification of intangible assets with indefinite useful life.

The results of the assessment required a reclassification of the useful life of the magazine *TV Sorrisi e Canzoni* from indefinite to finite; as from the year under review, amortization of one twentieth of the carrying amount was recorded.

Intangible assets with finite useful life therefore include the amounts of all the Group's magazine titles, as well as the trademarks of the Media area, including *Focus* and the digital sites formerly owned by Banzai Media, software, and the costs incurred for the creation of new publishing projects in the school textbooks area.

Intangible assets with finite useful life (Euro/thousands)	**Titles**	**Trade-marks**	**Customer lists**	**Expense on shop lease contract takeovers**	**Software, licenses, patents and rights**	**Cost of develop-ment**	**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 finite useful life (Euro/thousands)	**Titles**	**Trade-marks**	**Customer lists**	**Expense on shop lease contract takeovers**	**Software, licenses, patents and rights**	**Cost of develop-ment**	**Other assets, assets in progress and advances**	**Total**
Historical cost at 31/12/2019	17,289	19,842	1,684	-	25,742	37,641	9,072	111,270
Capital expenditure	-	-	-		1,810	9,893	5,218	16,921
Disposals	-	-	-		-	(1,154)	-	(1,154)
Change in the consolidation scope	-	-	-		6	-	-	6
Other changes	76,825	520	-		1,274	3,825	(5,254)	77,190
Historical cost at 31/12/2020	94,114	20,362	1,684	-	28,832	50,205	9,036	204,233
Accumulated amortization and impairment loss at 31/12/2019	9,066	7,531	1,684	-	13,597	26,836	2,268	60,982
Amortization	4,436	1,060	-		4,923	11,496	553	22,468
Write-downs/(write-backs)	22,112	1,291	-		-	768	185	24,356
Disposals	-	-	-		-	(1,154)	-	(1,154)
Change in the consolidation scope	-	-	-		5	-	-	5
Other changes	3,749	-	-		-	-	(331)	3,418
Accumulated amortization and impairment loss at 31/12/2020	39,363	9,882	1,684	-	18,525	37,946	2,675	110,075
Net book value at 31/12/2019	8,223	12,311	-	-	12,145	10,805	6,804	50,288
Net book value at 31/12/2020	**54,751**	**10,480**	**-**	**-**	**10,307**	**12,259**	**6,361**	**94,158**

The most significant changes in "Intangible assets with finite useful life" in 2020 were the following:

- the reclassification of the value of *TV Sorrisi e Canzoni* from "Intangible assets with indefinite useful life";
- capital expenditure amounting to Euro 16,921 thousand, the largest portion of which for software and applications (Euro 1,810 thousand) and for the development of new publishing projects in the Educational Books area (Euro 14,575 thousand), some of which were still in progress at 31 December 2020;
- amortization for the year, amounting to Euro 22,468 thousand, up from Euro 18,154 thousand in 2019, due mainly to the portion attributable to *TV Sorrisi e Canzoni*;
- write-downs recorded, as a result of the impairment process, regarding Media area titles and trademarks, amounting to Euro 22,112 thousand and Euro 1,291 thousand, respectively, as well as development costs for school textbooks, excluded from future publishing plans, totaling Euro 953 thousand.

Write-downs of titles refer primarily to *TV Sorrisi e Canzoni*, *Chi*, *Tele+* and *Interni*, while write-downs of trademarks refer to certain digital brands formerly owned by Banzai Media.

"Other changes" includes write-offs, reclassifications and changes due to exchange rate fluctuations.

The amounts referring to trademarks and publishing series in the Books area and goodwill remain in "Intangible assets with indefinite useful life".

Intangible assets with indefinite useful life (Euro/thousands)	**Titles**	**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**

In 2020, in addition to the reclassification of the amounts relating to *TV Sorrisi e Canzoni* under "Intangible assets with finite useful life", a recording was made of the value of goodwill from the acquisition of control of Abscondita S.r.l., amounting to Euro 254 thousand and, following an impairment test, write-downs of Euro 3,120 thousand were recorded, regarding mainly goodwill on the *Focus* trademark.

Intangible assets with indefinite useful life (Euro/thousands)	**Titles**	**Trademarks and series**	**Goodwill**	**Total**
Historical cost at 31/12/2019	76,825	48,151	53,518	178,494
Capital expenditure	-	-	254	254
Disposals	-	-	-	-
Change in the consolidation scope	-	-	-	-
Other changes	(76,825)	(520)	(35)	(77,380)
Historical cost at 31/12/2020	-	47,631	53,737	101,368
Impairment loss at 31/12/2019	3,749	994	3,690	8,433
Write-downs/(write-backs)	-	-	3,120	3,120
Other changes/disposals	(3,749)	-	-	(3,749)
Impairment loss at 31/12/2020	-	994	6,810	7,804
Net book value at 31/12/2019	73,076	47,157	49,828	170,061
Net book value at 31/12/2020	**-**	**46,637**	**46,927**	**93,564**

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

Amortization and write-downs for the year totaled Euro 49,944 thousand, increasing by Euro 28,533 thousand versus the 2019 figures, due to the above comments.

Amortization and impairment loss on intangible assets (Euro/thousands)	**2020**	**2019**
Titles	4,436	1,215
Trademarks	1,060	1,046
Customer lists	-	421
Software, licenses, patents and rights	4,923	4,891
Cost of development	11,496	9,831
Other intangible assets	553	750
Total amortization of intangible assets	**22,468**	**18,154**
Write-downs of intangible assets	27,476	3,257
Write-backs of intangible assets	-	-
Total write-downs (write-backs) of intangible assets	**27,476**	**3,257**
Total amortization and impairment loss on intangible assets	**49,944**	**21,411**

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

12. PROPERTY, PLANT AND EQUIPMENT

"Property, plant and equipment", amounting to Euro 16,953 thousand, decreased by a net Euro 987 thousand, as a result mainly of:

- capital expenditure of Euro 4,675 thousand, the largest portion of which referring to the Retail area (Euro 1,947 thousand), for the opening of two new stores, and in the Parent Company (Euro 2,285 thousand), for maintenance work on offices and capital expenditure in office equipment, in order to enable staff to work in smart working mode;
- depreciation for the year, amounting to Euro 4,319 thousand, up versus Euro 4,202 thousand in 2019, and higher write-downs made due to closure of certain stores in the Retail area.

The net value of disposals, due largely to closure of Mondadori Retail S.p.A. stores, resulted in an impairment of "Property, plant and equipment" of Euro 18 thousand.

The table below shows a breakdown of "Property, plant and equipment" in 2019 and 2020:

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**

Property, plant and equipment (Euro/thousands)	**Land**	**Instrumental buildings**	**Plant and equipment**	**Other tangible assets**	**Total**
Historical cost at 31/12/2019	903	5,605	21,939	57,719	86,166
Capital expenditure	-	-	851	3,824	4,675
Disposals	-	-	(163)	(1,158)	(1,321)
Change in the consolidation scope	-	-	-	17	17
Other changes	-	-	119	(547)	(428)
Historical cost at 31/12/2020	903	5,605	22,746	59,855	89,109
Accumulated depreciation and impairment loss at 31/12/2019	-	4,071	18,968	45,187	68,226
Depreciation	-	133	808	3,378	4,319
Write-downs/(write-backs)	-	-	455	706	1,161
Disposals	-	-	(153)	(1,150)	(1,303)
Change in the consolidation scope	-	-	-	(16)	(16)
Other changes	-	-	(4)	(227)	(231)
Depreciation and impairment loss at 31/12/2020	-	4,204	20,074	47,878	72,156
Net book value at 31/12/2019	903	1,534	2,971	12,532	17,940
Net book value at 31/12/2020	**903**	**1,401**	**2,672**	**11,977**	**16,953**

"Other tangible assets" is broken down as follows:

Other tangible assets (Euro/thousands)	31/12/2020	31/12/2019
Industrial and commercial equipment	163	182
Electronic office equipment	2,183	2,100
Office furniture, facilities and fittings	3,413	4,100
Motor and transport vehicles	25	34
Leasehold improvements	5,801	5,718
Other tangible assets	-	-
Assets under construction and advances	392	398
Total other tangible assets	**11,977**	**12,532**

Depreciation of property, plant and equipment

Depreciation for the year amounted to Euro 5,480 thousand, up versus Euro 4,527 thousand in 2019, due to closure of certain stores in the network of Mondadori Retail S.p.A.

Depreciation and impairment loss on property, plant and equipment (Euro/thousands)	2020	2019
Buildings	133	156
Plant and equipment	808	818
Equipment	80	91
Electronic office equipment	1,187	1,121
Furniture and fittings	886	943
Motor and transport vehicles	9	9
Leasehold improvements	1,216	1,064
Other tangible assets	-	-
Total depreciation of property, plant and equipment	**4,319**	**4,202**
Write-downs of tangible assets	1,161	325
Write-backs of tangible assets	-	-
Total write-downs (write-backs) of property, plant and equipment	**1,161**	**325**
Total depreciation and impairment loss on tangible assets	**5,480**	**4,527**

13. ASSETS FROM RIGHTS OF USE

Assets from right of use, recorded in accordance with IFRS 16, applied as from 1 January 2019, amounted to Euro 80,267 thousand, decreasing by Euro 13,672 thousand versus 31 December 2019.

The main changes during the year are represented, in addition to amortization/ depreciation, to:
- lease contracts entered into for the opening of new stores under the Retail area;
- the amendment of existing contracts;
- terminated or expired lease contracts, the most significant impact of which was due to the closure of the Via Marghera store in Milan.

The benefit deriving from the revision, for a few months only, of a number of lease instalments relating to owned stores was recorded in the income statement for the year, amounting to approximately Euro 1 million.

"Other changes" includes adjustments to amounts in currencies other than the Euro.

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**

Assets from rights of use (Euro/thousands)	**Rights of use buildings**	**Rights of use motor vehicles**	**Rights of use hardware**	**Total**
Historical cost at 31/12/2019	105,987	645	1,306	107,938
Capital expenditure	7,864	458	-	8,322
Disposals	(10,238)	-	-	(10,238)
Other changes	(473)	-	-	(473)
Historical cost at 31/12/2020	103,140	1,103	1,306	105,549
Accumulated depreciation at 31/12/2019	13,790	188	21	13,999
Depreciation	13,831	311	257	14,399
Disposals	(2,816)	-	-	(2,816)
Other changes	(300)	-	-	(300)
Accumulated depreciation at 31/12/2020	24,505	499	278	25,282
Net book value at 31/12/2019	92,197	457	1,285	93,939
Net book value at 31/12/2020	**78,635**	**604**	**1,028**	**80,267**

14. INVESTMENTS

“Equity-accounted investees" and "Investments in other companies" amounting to Euro 20,601 thousand, decreased by Euro 7,549 thousand.

Investments (Euro/thousands)	**31/12/2020**	**31/12/2019**
Equity-accounted investees	20,331	27,716
Investments in other companies	270	434
Total investments	**20,601**	**28,150**

The transactions and events that marked 2020 are represented mainly by:

- the sale of 50% of the interest in the share capital of Società Europea di Edizioni S.p.A., held at 31 December 2019. The transaction had no impact on the income statement for the year, and the interest held at the date of these financial statements is 18.445%;
- the sale of the entire 25% interest held in the share capital of Stile Italia Edizioni S.r.l., which resulted in a write-down of Euro 55 thousand;
- the losses of Mediamond S.p.A., Monradio S.r.l., Mondadori SEEC, Società Europea di Edizioni S.p.A. and Attica Publications S.A.; as a result of the impairment test, the value of the Greek publishing house Attica Publications S.A. was further written down by Euro 1,600 thousand.

The item “Acquisitions” in the table below includes capital contributions, to cover realized losses, made to Società Europea di Edizione S.p.A. (Euro 1,516 thousand), DI 2 S.r.l. (Euro 300 thousand) and GD Media Service S.r.l. (Euro 203 thousand).

Disposals include the Euro 1,000 thousand relating to the sale of shares in Società Europea di Edizione S.p.A. and Euro 169 thousand, corresponding to the carrying amount of Milano Distribuzione Media S.r.l., reclassified from "Investments in other companies".

“Write-backs” includes the positive results for the year of companies measured at equity.

Dividends received by the Group in 2020 (Euro 899 thousand) were paid out by Edizioni EL S.r.l.

Investments - Equity-accounted investees (Euro/thousands)	**Net value**
Balance at 31/12/2018	31,820
Changes in 2019:	
- acquisitions, capital contributions and changes in consolidation scope	11,416
- 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**
Changes in 2020:	
- acquisitions, capital contributions and changes in consolidation scope	2,019
- disposals and other changes	(1,221)
- write-backs	1,031
- write-downs	(6,715)
- impairment	(1,600)
- dividends	(899)
Balance at 31/12/2020	**20,331**

Details of equity-accounted investees.

Equity-accounted investees - Details (Euro/thousands)	**31/12/2020**	**31/12/2019**
Investments in joint ventures:		
- Edizioni EL S.r.l.	3,590	3,649
- Attica Publications Group	7,383	9,571
- Mediamond S.p.A.	697	1,981
- Mondadori Seec Advertising Co. Ltd	4,065	5,317
- DI 2 S.r.l.	105	84
Total investments in joint ventures	**15,840**	**20,602**
Investments in associates:		
- Monradio S.r.l.	3,205	4,834
- GD Media Service S.r.l.	245	162
- Milano Distribuzione Media S.r.l.	169	-
- Società Europea di Edizioni S.p.A.	872	2,000
- Venezia Accademia Società per i servizi museali S.c.a r.l.	-	58
- Campania Arte S.c.ar.l. in liquidation	-	5
- Stile Italia Edizioni S.r.l.	-	55
Total investments in associates	**4,491**	**7,114**
Total equity-accounted investees	**20,331**	**27,716**

"Investments in other companies" decreased by Euro 164 thousand, due to the acquisition for Euro 5 thousand of a 5% interest in Milano Distribuzione Media S.r.l., which brought the stake held to 22%, resulting in its reclassification under “Equity-accounted investees”.

Investments - Investments in other companies (Euro/thousands)	**Net value**
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**
Changes in 2020:	
- purchases and changes in consolidation scope	5
- disposals and other changes	(169)
Balance at 31/12/2020	**270**

Investments in other companies - Details (Euro/thousands)	**31/12/2020**	**31/12/2019**
Investments in other companies:		
- Milano Distribuzione Media S.r.l.	-	164
- Società Editrice Il Mulino S.p.A.	197	197
- Consuledit S.r.l.	1	1
- Consorzio Sistemi Informativi Editoriali Distributivi	10	10
- Immobiliare Editori Giornali S.r.l.	52	52
- Consorzio Edicola Italiana	10	10
- Confidimpresa	-	-
Total investments in other companies	**270**	**434**

15. PRE-PAID TAX ASSETS AND DEFERRED TAX LIABILITIES

“Pre-paid tax assets", amounting to Euro 54,050 thousand, and "Deferred tax liabilities", amounting to Euro 30,380 thousand, dropped by Euro 841 thousand and Euro 7,794 thousand, respectively.

(Euro/thousands)	**31/12/2020**	**31/12/2019**
IRES on tax losses	5,555	7,796
Pre-paid IRES	44,193	43,373
Pre-paid IRAP	4,302	3,722
Total pre-paid tax assets	**54,050**	**54,891**
Deferred IRES	26,292	33,065
Deferred IRAP	4,088	5,109
Total deferred tax liabilities	**30,380**	**38,174**

Deferred tax assets decreased as a result of the deduction of prior-years’ tax losses from the taxable income for 2020 of the companies participating in the tax consolidation scheme of Fininvest S.p.A. (Euro 31 thousand) and of Rizzoli Education S.p.A. (Euro 2,210 thousand).

The temporary differences between the balance sheet amounts and the amounts recognized for tax purposes, instead, increased due to the increase in the write-down of advances paid to authors.

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 2021 Budget and 2021-2023 Medium Term Plan approved by the Board of Directors.

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

(Euro/thousands)	31/12/2020			31/12/2019		
	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 intangible assets	3,079	(*)	739	2,576	(*)	618
Difference between book value and tax value of investment property and investments in property, plant and equipment	789	(*)	189	711	(*)	171
Provision for bad debts	16,315	(*)	3,938	23,010	(*)	5,236
Write-down of inventory	29,354	(*)	7,076	27,936	(*)	6,745
Provision for advances to authors	35,974	(*)	8,645	20,205	(*)	4,864
Provisions	45,686	(*)	10,965	49,155	(*)	12,112
Post-employment benefits	3,161	(*)	758	2,454	(*)	589
Elimination of intercompany income	9,492	(*)	2,278	11,446	(*)	2,747
Returns to receive	33,457	(*)	8,030	35,896	(*)	8,615
Other temporary differences	6,455	(*)	1,575	6,837	(*)	1,676
Total for IRES purposes	**183,762**		**44,193**	**180,226**		**43,373**
Difference between book value and tax value of intangible assets	2,655	(*)	104	2,157	(*)	84
Difference between book value and tax value of investment property and investments in property, plant and equipment	335	(*)	13	417	(*)	16
Write-down of inventory	26,420	(*)	1,030	24,573	(*)	958
Provision for advances to authors	34,747	(*)	1,355	18,269	(*)	713
Provisions	1,334	(*)	52	1,222	(*)	48
Post-employment benefits	1,409	(*)	55	1,257	(*)	49
Elimination of intercompany income	9,492	(*)	369	11,446	(*)	445
Returns to receive	33,457	(*)	1,305	35,896	(*)	1,400
Other temporary differences	465	(*)	19	225	(*)	9
Total for IRAP purposes	**110,314**		**4,302**	**95,462**		**3,722**

(*) 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 account of the distribution of the tax base by region.

The decrease in "Deferred tax liabilities", amounting to Euro 7,794 thousand, is due primarily to the reduction in temporary differences relating to intangible assets, as a result of impairment testing.

Temporary differences that led to the recognition of deferred tax

(Euro/thousands)	31/12/2020			31/12/2019		
	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 value and tax value of intangible assets	104,254	(*)	25,021	128,085	(*)	30,740
Difference between book value and tax value of investment property and investments in property, plant and equipment	785	(*)	188	903	(*)	217
Post-employment benefits	100	(*)	24	205	(*)	49
Other temporary differences	4,410	(*)	1,059	8,582	(*)	2,059
Total for IRES purposes	**109,549**		**26,292**	**137,775**		**33,065**
Capital gains in instalments	-	(*)	-	-	(*)	-
Difference between book value and tax value of intangible assets	103,987	(*)	4,056	130,161	(*)	5,076
Difference between book value and tax value of investment property and investments in property, plant and equipment	810	(*)	32	821	(*)	33
Total for IRAP purposes	**104,797**		**4,088**	**130,982**		**5,109**

(*) 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 account of the distribution of the tax base by region

16. OTHER NON-CURRENT ASSETS

"Other non-current assets", amounting to Euro 1,222 thousand, decreased by Euro 178 thousand, due to a reduction in guarantees issued for lease contracts; the balance includes the receivable from the disposal of Stile Italia Edizioni S.r.l. to La Verità S.r.l.

Other non-current assets (Euro/thousands)	31/12/2020	31/12/2019
Guarantee deposits	138	153
Other	1,084	1,247
Total other non-current assets	**1,222**	**1,400**

17. TAX RECEIVABLES AND PAYABLES

Tax receivables (Euro/thousands)	**31/12/2020**	**31/12/2019**
Receivables from the Inland Revenue for IRAP	452	1,415
Receivables from the Inland Revenue for IRES	24	18
Receivables from Fininvest for IRES	1,475	1,466
Receivables from the Inland Revenue for VAT	5,268	5,714
Receivables from the Inland Revenue for direct tax to recover and advances on disputes	1,168	1,389
Total tax receivables	**8,387**	**10,002**

"Tax receivables" at 31 December 2020 stood at Euro 8,387 thousand, down by Euro 1,615 thousand versus the prior year, due primarily to the lower IRAP receivable and the lower VAT receivable accrued in the third and fourth quarters of 2020.

Receivables from the tax authorities consist of:
- the portion of advances paid exceeding the amount of IRAP accrued on the taxable base for the year (Euro 452 thousand), for certain Group companies;
- Euro 24 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., amounting to Euro 1,475 thousand, are represented by withholding tax paid by companies that are part of the tax consolidation of Fininvest S.p.A.

“Receivables from the Inland Revenue for direct tax to recover and advances on disputes”, amounting to Euro 1,168 thousand, includes mainly:
- receivables recognized as a result of the deductibility of IRAP from the IRES taxable base for Euro 784 thousand;
- receivables for tax disputes for a total of Euro 8,903 thousand, fully written down;
- the tax receivable of Euro 140 thousand, provided for by Article 55 of Legislative Decree no. 18/2020, following transfer of past due and non-performing receivables to a third party.

Following tax audits by the Revenue Commissioners, a few points were raised on a number of companies.

Specifically:
- as for Arnoldo Mondadori Editore S.p.A., for the years 2004-2005, the Central Division of the Lombardy Region, through tax assessments, submitted findings relating to the application of a 12.50% withholding tax on the interest paid on a loan stock in favour of a subsidiary for a total of Euro 4 million, plus applicable ancillary expense; an appeal against these findings is pending 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 were 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 Revenue Agency 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 Revenue Agency before the Court of Cassation against the second instance rulings that confirmed the annulment of the payment notices of the stamp duty of the years 2005, 2006, and 2007, the Supreme Court referred the case to the Regional Tax Commission of Piedmont. The Company 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 2012-2018. All years were settled by agreement with the Revenue Agency.

Income tax payables (Euro/thousands)	**31/12/2020**	**31/12/2019**
Payables to the Inland Revenue for IRAP	916	63
Payables to the Inland Revenue for IRES	893	685
Payables to Fininvest for IRES	4,404	7,460
Total income tax payables	**6,213**	**8,208**

“Income tax payables", amounting to Euro 6,213 thousand, decreased by Euro 1,995 thousand, due mainly to the benefit from the agreement on the so-called Patent Box.

18. OTHER CURRENT ASSETS

“Other current assets", amounting to Euro 76,446 thousand, decreased by Euro 6,518 thousand, due mainly to the increased write-down of advances paid to authors, which led to an increase in the specifically allocated provision, and to lower accruals and deferrals relating to exhibitions and events underway at 31 December 2020.

Other current assets (Euro/thousands)	**31/12/2020**	**31/12/2019**
Receivables from agents	251	338
Receivables from authors	122,785	122,200
Provision for advances to authors	(63,010)	(57,604)
Receivables from suppliers and associates	6,331	6,699
Accrued income and prepaid expenses	7,080	7,829
Other receivables from associates	(10)	38
Other receivables	3,019	3,464
Total other current assets	**76,446**	**82,964**

19. INVENTORY

“Inventory", equal to Euro 111,452 thousand, decreased by Euro 9,332 thousand versus the prior year.

Inventory (Euro/thousands)	**31/12/2020**	**31/12/2019**
Raw and ancillary materials and consumables	7,270	8,822
Write-down of raw and ancillary materials and consumables	(698)	(571)
Total raw and ancillary materials and consumables	**6,572**	**8,251**
Work in progress and semi-finished goods	11,562	11,631
Write-down of work in progress and semi-finished goods	(1,101)	(1,046)
Total work in progress and semi-finished goods	**10,461**	**10,585**
Finished products and goods	168,350	183,025
Write-down of finished products and goods	(73,931)	(81,077)
Total finished products and goods	**94,419**	**101,948**
Advances	-	-
Total inventory	**111,452**	**120,784**

“Raw and ancillary materials and consumables", amounting to Euro 6,572 thousand, decreased by Euro 1,679 thousand, as a result of a stock reduction policy that involved all areas of business.

“Work in progress and semi-finished goods", amounting to Euro 10,461 thousand, was basically in line with the figures of the prior year; Educational Books saw a decrease of Euro 633 thousand, the Retail area of Euro 73 thousand, the Media area of Euro 198 thousand, while Trade Books increased by Euro 835 thousand.

"Finished products and goods", amounting to Euro 94,419 thousand, decreased by Euro 7,529 thousand versus 31 December 2019.
The gross value of finished goods inventory, amounting to Euro 168,350 thousand, fell by Euro 14,675 thousand, partly as a result of a number of pulping operations carried out during the year by companies in the Books area, which led to a sharp reduction in the related provision for write-downs.
In addition to pulping, all areas of business saw a drop as a result of a careful policy aimed at containing stocks, achieved through targeted purchases and returns of editorial and other products by Mondadori Retail S.p.A.

The value of the inventory of finished products 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 account of 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 year:			
- provisions	144	-	-
- utilizations	(75)	(139)	(2,863)
- other changes	-	11	73
Balance at 31/12/2019	**571**	**1,046**	**81,077**
Changes in the year:			
- provisions	167	96	1,211
- utilizations	(40)	(16)	(8,123)
- other changes	-	(25)	(234)
Balance at 31/12/2020	**698**	**1,101**	**73,931**

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)	**2020**	**2019**
Changes in finished products and goods	13,330	5,273
Allocation to the provision for write-downs of finished products and goods	1,211	-
Utilization of the provision for write-downs of finished products and goods	(8,123)	(2,863)
Total changes in finished products and goods	**6,418**	**2,410**
Changes in work in progress and semi-finished goods	(678)	1,101
Allocation to the provision for write-downs of work in progress and semi-finished goods	96	-
Utilization of the provision for work in progress and semi-finished goods	(16)	(139)
Total changes in work in progress and semi-finished goods	**(598)**	**962**
Changes in raw and ancillary materials and consumables	1,552	(1,572)
Allocation to the provision for write-downs of raw and ancillary materials and consumables	167	144
Utilization of the provision for write-downs of raw and ancillary materials and consumables	(40)	(75)
Total changes in raw and ancillary materials and consumables	**1,679**	**(1,503)**
Total decrease (increase) in inventory	**7,499**	**1,869**

20. TRADE RECEIVABLES

"Trade receivables", amounting to Euro 192,129 thousand, decreased significantly versus Euro 222,687 thousand at 31 December 2019, due to the trend in revenue and the positive performance in receivables management.

Trade receivables (Euro/thousands)	**31/12/2020**	**31/12/2019**
Receivables from customers	161,295	182,110
Receivables from associates	30,400	39,749
Receivables from parent companies	36	19
Receivables from affiliates	398	809
Total trade receivables	**192,129**	**222,687**

Specifically, “Receivables from customers", amounting to Euro 301,836 thousand, fell by Euro 44,343 thousand, due mainly to:

- the drop in the Books area, amounting to Euro 7,280 thousand, affecting the educational segment to a greater extent;
- the sharp drop in the Media area, amounting to Euro 28,007 thousand, due to the reduction in revenue;
- the reduction in the Retail area of Euro 7,137 thousand, due to lower supplies made to the network of franchised stores.

The above decreases include the amounts of receivables, past due, non-performing and written off, transferred to third parties for approximately Euro 6.2 million.

The amount of credit notes to issue for products expected to be returned by customers amounted to Euro 125,451 thousand at 31 December 2020, down by Euro 17,585 thousand, the result of a strong decline in the Media area of Euro 22,931 thousand, in line with the trend in revenue, partly offset by an increase in the Books area of Euro 5,503 thousand. In the Retail area, the amount is in line with the prior year.

Trade receivables - Receivables from customers (Euro/thousands)	**31/12/2020**	**31/12/2019**
Receivables from customers	301,836	346,179
Customers - returns to receive	(125,451)	(143,036)
Provision for bad debts	(15,090)	(21,033)
Total receivables from customers	**161,295**	**182,110**

The provision for bad debts, amounting to Euro 15,090 thousand, decreased by Euro 5,943 thousand, due to the abovementioned transfer of written off receivables.

The amount of the provision for bad debts at the balance sheet date 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 calculated taking account of the back data of losses, in order to determine the expected loss on receivables.

Trade receivables **Receivables from customers - Provision for bad debts** (Euro/thousands)	**31/12/2020**	**31/12/2019**
Balance at beginning of year	21,033	20,627
Changes in the year:		
- provisions	5,014	4,966
- utilizations	(11,029)	(4,553)
- changes in consolidation scope and other changes	72	(7)
Total provision for bad debts	**15,090**	**21,033**

“Receivables from associates", amounting to Euro 30,400 thousand, decreased by Euro 9,349 thousand, due primarily to lower revenue from the sale of magazine advertising space to the advertising agency, Mediamond S.p.A., and to the collection of a significant portion of the receivable from Mach 2 Libri S.r.l. (in liquidation).

There were no trade receivables due over five years.

21. FINANCIAL ASSETS

"Non-current financial assets", amounting to Euro 677 thousand, decreased by Euro 11,892 thousand as a result of the reclassification to "Other current financial assets" of the deferred payment component relating to the sale of Mondadori France.

The amount of the loan to Attica Publications of Euro 500 thousand remained unchanged.

Non-current financial assets (Euro/thousands)	**31/12/2020**	**31/12/2019**
Financial receivables from associates	500	500
Financial receivables	177	12,069
Total non-current financial assets	**677**	**12,569**

“Other current financial assets", amounting to Euro 15,902 thousand, decreased by Euro 8,639 thousand, the result of two opposing trends: an increase of Euro 10,406 thousand due to the reclassification from "Non-current financial assets" of the deferred payment component relating to the sale of Mondadori France, and a decrease in the value of held-for-sale securities.

Other current financial assets (Euro/thousands)	**31/12/2020**	**31/12/2019**
Financial receivables from customers	-	-
Financial receivables from associates	-	25
Financial receivables from parent companies	-	-
Financial receivables from affiliates	-	-
Financial receivables from others	10,521	918
Total financial receivables	**10,521**	**943**
Financial assets at fair value with adjustments recognized in the income statement	5,372	23,591
Available-for-sale financial assets	9	7
Assets from derivative instruments	-	-
Total other current financial assets	**15,902**	**24,541**

The balance at 31 December 2020 includes:
- the deferred portion of the consideration for the sale of Mondadori France, expiring in July 2021;
- the value of Reworld Media shares, listed on the Bourse de Paris for Euro 5,372 thousand (a total of 1,639,534 shares at the price of Euro 3.17 per share on 31/12/2020). These assets are classified as financial assets "held for trading" in accordance with points a) and b) of Annex A of IFRS 9; during the year, no. 6,884,104 shares were sold at an average price of Euro 2.73.

Assets and liabilities resulting from derivative instruments

Assets and liabilities resulting from derivative instruments - Details (Euro/thousands)	**Type of derivative instrument**	**Fair value at 31/12/2020**	**Fair value at 31/12/2019**
Non-current financial assets (liabilities)			
- Rate derivatives	Cash flow hedge	(820)	(994)
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 prospective tests and, where necessary, retroactive tests on a quarterly basis.

At 31 December 2020, 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 Euro 63.3 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)	**31/12/2020**	**31/12/2019**
Initial balance gross of the tax impact	(1,286)	(1,371)
Amount recognized in the year	951	621
Amount endorsed from reserve and recognized in the income statement:		
- adjustments to expense	(158)	(107)
- adjustments to income	(326)	(429)
Final balance gross of the tax impact	**(819)**	**(1,286)**
Inefficient part of hedge	-	-

22. CASH AND CASH EQUIVALENTS

The item amounted to Euro 110,247 thousand, an increase of Euro 66,036 thousand versus 2019; the increase was due for Euro 36,036 thousand to the generation of cash for the period and for Euro 30,000 thousand to liquidity from the use of short-term credit lines.
The fair value of cash and cash equivalents at 31 December 2020 is equal to the relevant book value.

Cash and cash equivalents (Euro/thousands)	**31/12/2020**	**31/12/2019**
Cash and cash on hand	728	1,981
Bank deposits	109,030	41,783
Postal deposits	489	447
Total cash and cash equivalents	**110,247**	**44,211**

Further details on the changes in cash and cash equivalents are found in the consolidated statement of cash flows.

Net financial position (Euro/thousands))	**31/12/2020**	**31/12/2019**
Non-current financial assets	677	12,569
Current financial assets	15,902	24,541
Cash and cash equivalents	110,247	44,211
Non-current financial liabilities	(66,732)	(93,541)
Current financial liabilities	(74,869)	(43,189)
Net financial position before IFRS 16	**(14,775)**	**(55,409)**
Financial liabilities IFRS 16	(82,789)	(95,851)
Net financial position including IFRS 16 effect	**(97,564)**	**(151,260)**

The table below shows the Group net financial position in accordance with CONSOB recommendations.

Net financial position (Euro/thousands)	**31/12/2020**	**31/12/2019**
A. Cash	728	1,981
- Bank deposits	109,030	41,783
- Postal deposits	489	447
B. Other cash and cash equivalents	109,519	42,230
C. Securities held for trading	5,372	23,591
D. Cash and cash equivalents and other financial assets (A+B)	**115,619**	**67,802**
- Financial receivables from associates	-	25
- Financial assets measured at fair value	-	-
- Available-for-sale financial assets	9	7
- Derivatives and other financial assets	10,521	918
E. Receivables and other current financial assets	10,530	950
F. Current financial assets (E)	**10,530**	**950**
G. Current payables to banks	535	2,609
- Bonds	-	-
- Mortgages	-	-
- Loans	72,273	37,200
H. Current portion of non-current debt	72,273	37,200
- Financial payables to associates	553	1,776
- Financial liabilities IFRS 16	11,739	13,074
- Derivatives and other financial liabilities	1,508	1,604
I. Other current financial payables	13,800	16,454
L. Payables to banks and other current financial liabilities (G+H+I)	**86,608**	**56,263**
M. Current net financial position (D+F-L)	**39,541**	**12,489**
- Bonds	-	-
- Mortgages	-	-
- Loans	65,681	92,264
N. Debt non-current portion	65,681	92,264
- Financial liabilities IFRS 16	71,050	82,777
- Derivatives and other financial liabilities	1,051	1,277
O. Other non-current financial payables	72,101	84,054
P. Non-current financial debt (N+O)	**137,782**	**176,318**
Q. Net financial position (M-P)	**(98,241)**	**(163,829)**

Should the balance of “Non-current financial assets”, amounting to Euro 677 thousand, be added to the above data, the net financial position would come to Euro -97,564 thousand, including the effects from the application of IFRS 16.

Further information regarding the net financial position is found in Notes 21, 22 and 27 and in the Directors' Report on Operations.

23. EQUITY

Equity at 31 December 2020, amounting to Euro 172,416 thousand (Euro 170,041 thousand at 31 December 2019), the changes of which are detailed in the relevant table, increased by Euro 2,375 thousand, due mainly to profit for the year of Euro 4,503 thousand, and the change in the reserve for the translation of financial statements in currencies other than the Euro.

Share capital

Arnoldo Mondadori Editore S.p.A.'s share capital amounts to Euro 67,979,168.40, divided into no. 261,458,340 ordinary shares with a par value of Euro 0.26 each.

The legal entity controlling the Mondadori Group is Fininvest S.p.A.

Treasury shares

In 2020, Arnoldo Mondadori Editore S.p.A. purchased no. 550,000 treasury shares on the MTA, equal to 0.210% of the share capital and assigned no. 1,649,967 shares to the beneficiaries of the 2017-2019 Performance Share Plan, bringing the total number of treasury shares held to no. 1,838,326, equal to 0.703% of the share capital.

The value of treasury shares servicing the incentive plans named "Performance Share Plan 2018-2020", "Performance Share Plan 2019-2021" and "Performance Share Plan 2020-2022", at 31 December 2020, amounted to Euro 2,771 thousand, down versus Euro 4,940 thousand at 31 December 2019.

Other reserves and profit/loss carried forward

"Other reserves and profit/loss carried forward" at 31 December 2020 amounted to Euro 102,698 thousand (Euro 78,793 thousand at 31 December 2019) and included:

- a legal reserve of Euro 13,596 thousand;
- a revaluation reserve used over the years of Euro 16,711 thousand;
- a cash flow hedge reserve, amounting to a negative Euro 623 thousand (Euro -977 thousand at 31 December 2019), 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 Euro 2,144 thousand (Euro 4,311 thousand at 31 December 2019);
- a reserve for post-employment discounting, net of the relevant tax impact, for a positive Euro 312 thousand (Euro +719 thousand at 31 December 2019);
- the translation reserve, amounting to a negative Euro 1,981 thousand (a positive Euro 172 thousand at 31 December 2019), resulting from the translation 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 translation of financial statements denominated in foreign currencies are summarized in the table below:

Currency	Actual 31/12/2020	Actual 31/12/2019	Average 2020	Average 2019
US dollar	1.23	1.12	1.14	1.12
Chinese yuan	7.87	7.82	7.87	7.73
New Romanian leu	4.87	4.78	4.84	4.75
Bulgarian leva	1.96	1.96	1.96	1.96
Serbian dinars	117.41	117.83	117.62	117.82

- the residual balance represents reserves for retained earnings from past years.

Capital management

The Mondadori Group capital is managed in relation mainly 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)	**31/12/2020**	**31/12/2019**
Net debt	97.6	151.3
Capital (equity)	172.4	170.0
Total capital and net debt	**270.0**	**321.3**
Ratio of net debt/capital to net debt	36.1%	47.1%
Treasury shares held	2.8	4.9

24. CAPITAL, RESERVES AND RESULTS ATTRIBUTABLE TO MINORITIES

Below is a breakdown of non-controlling interests' equity:

Capital, reserves and results attributable to minorities (Euro/thousands)	**EMAS S.n.c.**	**Rizzoli Education**
Equity at 31/12/2019	-	8
Result for 2019	1,201	1
Equity at 31/12/2020	-	7
Result for 2020	-	1

25. PROVISIONS

"Provisions", amounting to Euro 46,435 thousand, decreased by a net Euro 8,675 thousand.
Provisions refer mainly to personnel restructuring costs, contractual commitments and other risks.
Utilizations relate mainly to:

- the "Provision for agents' contractual risks", amounting to Euro 2,593 thousand, specifically regarding the Educational Books area, following an updated estimate of the risks associated with the termination of contracts;
- the "Provision for legal risks", amounting to Euro 3,786 thousand, regarding in particular the Books area and Corporate area, following settlement of certain disputes, with lower-than-expected outlays and the updated risk for other disputes;
- the "Provision for risks on investments", amounting to Euro 1,760 thousand:
- for cash payments to Mach 2 Libri S.r.l. in liquidation requested by the liquidator, for Euro 1,461 thousand;
- for closure of the liquidation procedure of Venezia Musei Società per i Servizi Museali and Venezia Accademia Società per i Servizi Museali;
- the "Provision for contractual commitments" reflecting 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, due to lower visitor income resulting from the extended closure of archaeological sites in Rome.

Provisions (Euro/thousands)	**31/12/2020**	**Allocations**	**Utilizations**	**31/12/2019**
Provision for agents' contractual risks	2,012	311	(2,904)	4,605
Provision for personnel downsizing risks	6,433	5,571	(3,077)	3,939
Provision for legal risks	14,211	305	(4,091)	17,997
Provision for investment risks	1,802	-	(1,760)	3,562
Provision for tax disputes	-	-	(800)	800
Provision for contractual commitments	8,367	1,755	(3,740)	10,352
Provision for contractual commitments ad agency	2,817	30	(1,971)	4,758
Other provisions for risks	10,793	5,535	(3,839)	9,097
Total provisions	**46,435**	**13,507**	**(22,182)**	**55,110**

26. POST-EMPLOYMENT BENEFITS

The item, amounting to Euro 32,757 thousand, dropped by Euro 607 thousand versus 31 December 2019, as a result of:

- the decrease in the provision for post-employment benefits, due to employee turnover, the early retirement scheme accepted by 61 employees and the outsourcing of part of the Information Technology operations;
- the increase in indemnities payable to the sales network.

Post-employment benefits (Euro/thousands)	**31/12/2020**	**31/12/2019**
Provision for post-employment benefits (TFR)	18,761	19,634
Provision for supplementary agents' indemnity (FISC)	13,974	13,708
Provision for retirement and kindred obligations	22	22
Total post-employment benefits	**32,757**	**33,364**

Post-employment benefits and the supplementary agents' indemnity were 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	31/12/2020	31/12/2019
Economic assumptions:		
- increase in cost of living	0.50%	1.0%
- discounting rate	0.34%	0.79%
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 3.72% to 18.24%	From 2.17% to 17.03%
- retirement age	Regulations in force	Regulations in force

Actuarial assumptions to measure FISC	31/12/2020	31/12/2019
Economic assumptions:		
- discounting rate	0.34%	0.79%
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 Euro 500 thousand.

Post-employment benefits cost items, booked under income statement, include the service cost of companies with less than 50 employees for Euro 58 thousand, financial expense of Euro 152 thousand, and the portion paid into the supplementary pension scheme for Euro 6,571 thousand.

The allocation and utilization of the "Provision for supplementary agents' indemnity" reflects the turnover in the sales force of the Group in 2020.

"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 31/12/2019	19,634	13,707	21
Changes in 2020:			
- provisions	58	1,651	
- utilizations	(1,140)	(1,383)	
- reversals	-	-	
- discounting	(152)	-	
- changes in consolidation scope and other changes	361	-	
Balance at 31/12/2020	**18,761**	**13,975**	**21**

27. FINANCIAL LIABILITIES

Total current and non-current financial liabilities, amounting to Euro 224,390 thousand, dropped by Euro 8,191 thousand versus 2019, due mainly to:

- repayments of Term Loan A, amounting to Euro 22,500 thousand;
- the raising of additional short-term loans for Euro 30,000 thousand;
- the reduction in other financial payables of Euro 2,629 thousand;
- the reduction in debt resulting from application of IFRS 16.

Financial liabilities (Euro/thousands)	**31/12/2020**	**31/12/2019**
Non-current financial liabilities	66,732	93,541
Current financial liabilities	74,869	43,189
Financial liabilities IFRS 16	82,789	95,851
Total financial liabilities	**224,390**	**232,581**

"Non-current financial liabilities" includes:

- Euro 65,681 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;
- Euro 820 thousand from the fair value of the outstanding derivative contracts;
- Euro 231 thousand from other financial payables.

Non-current financial liabilities (Euro/thousands)	**Actual interest rate**	**Maturity 1-5 years**	**Maturity over 5 years**	**31/12/2020**	**31/12/2019**
Borrowings	1.08%	65,681	-	65,681	92,264
Liabilities from derivatives		820	-	820	994
Other financial payables		231	-	231	283
Total non-current financial liabilities		**66,732**	**-**	**66,732**	**93,541**

"Payables to banks and other current financial liabilities" came to Euro 74,869 thousand and included:

- Euro 27,500 thousand for the portion of the A Term Loan of the pool loan, coming to maturity in December 2021;
- Euro 44,700 thousand for hot money loans maturing from January to April 2021;
- Euro 553 thousand in financial payables to Società Europea di Edizioni S.p.A.;
- Euro 1,508 thousand for other financial liabilities.

Payables to banks and other current financial liabilities (Euro/thousands)	**Actual interest rate**	**31/12/2020**	**31/12/2019**
Bank deposits	0.09%	535	2,609
Loans	0.61%	72,273	37,200
Financial payables to associates		553	1,776
Other financial payables		1,508	1,604
Total payables to banks and other current financial liabilities		**74,869**	**43,189**

At 31 December 2020, the Leverage Ratio Financial Covenant (debt/EBITDA) resulting from the consolidated annual report was equal to 0.23, far below the cap of 3.25 under the pool loan agreement.
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)	31/12/2019	Utilizations	Repayments	Other changes	31/12/2020
Pool loan December 2017					
Line A	114,764	-	(22,500)	917	93,181
Line B	-	-			
Total	**114,764**	**-**	**(22,500)**	**917**	**93,181**

"Financial liabilities IFRS 16", amounting to Euro 82,789 thousand, decreased by Euro 13,062 thousand versus 31 December 2019.

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	31/12/2020	31/12/2019
Non-current financial liabilities IFRS 16	45,023	26,027	71,050	82,777
Current financial liabilities IFRS 16			11,739	13,074
Total financial liabilities IFRS 16	**45,023**	**26,027**	**82,789**	**95,851**

Information on financial instruments is found in Note 21 “Financial assets” in these Notes.

28. OTHER CURRENT LIABILITIES

“Other current liabilities", amounting to Euro 125,266 thousand, increased by Euro 1,658 thousand; the main changes in their composition were as follows:
- “Customer advances", which increased by Euro 445 thousand, regarding in particular Rizzoli International Publications Inc;
- “Tax payables", which increased by Euro 1,764 thousand, due to the IMU payable arising in 2020, when the Municipality of Milan served Mondadori Retail S.p.A. with assessment notices relating to the years from 2013 to 2019, for a total of Euro 1,633 thousand, including interest and penalties;
- “Payables to welfare and social security entities” decreased by Euro 1,677 thousand, as a result of the reduction in headcount;
- “Payroll and other payables to personnel", amounting to Euro 15,628 thousand, decreased by Euro 2,953 thousand, due to the reduction in headcount and the reduction in the variable portion of management remuneration;
- “Payables to authors and associates", amounting to Euro 60,418 thousand, were up versus the prior year.

Other current liabilities (Euro/thousands)	**31/12/2020**	**31/12/2019**
Customer advances	1,659	1,214
Tax payables	6,934	5,170
Payables to welfare and social security entities	11,597	13,274
Payables to associates and affiliates	575	239
Other payables	104,501	103,711
Total other current liabilities	**125,266**	**123,608**

Details of "Other payables".

Other current liabilities – Other payables (Euro/thousands)	**31/12/2020**	**31/12/2019**
Payroll and other payables to personnel	15,628	18,581
Payables to authors and associates	60,418	55,737
Payables to subscription and instalment customers	19,060	18,176
Other payables, accrued liabilities and deferred income	9,395	11,217
Total other payables	**104,501**	**103,711**

29. TRADE PAYABLES

"Trade payables", amounting to Euro 238,198 thousand, dropped by Euro 35,143 thousand, due to lower purchases of goods and services, in line with the trend in revenue in all areas of business.

Trade payables (Euro/thousands)	**31/12/2020**	**31/12/2019**
Payables to suppliers	223,934	259,696
Payables to associates	11,029	10,920
Payables to parent companies	38	14
Payables to affiliates	3,197	2,711
Total trade payables	**238,198**	**273,341**

“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., recorded a slight increase of Euro 109 thousand versus 31 December 2019.

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.

30. REVENUE FROM SALES AND SERVICES

In 2020, net consolidated revenue amounted to Euro 743,993 thousand, down by 15.9% versus Euro 884,860 thousand in 2019.

Revenue from sales and services (Euro/thousands)	**2020**	**2019**	**% Difference**
Books	422,942	478,390	(11.6%)
Retail	153,705	186,862	(17.7%)
Media	197,632	256,644	(23.0%)
Other Business and Corporate	45,103	38,524	17.1%
Aggregate revenue	**819,382**	**960,420**	**(14.7%)**
Intercompany revenue	(75,389)	(75,560)	(0.2%)
Total revenue from sales and services	**743,993**	**884,860**	**(15.9%)**

Revenue from the Books area, amounting to Euro 422,942 thousand, fell by 11.6%, due to a 5.6% decrease in the Trade segment, a 16.7% decrease in the Educational segment, particularly in the context of museum activities, suspended or limited for extended periods of the year, and a reduction in the distribution of books by third-party publishers.

Revenue from the Retail area, amounting to Euro 153,705 thousand, dropped by 17.7% versus the prior year, due to the closure of stores, as a result of government measures introduced to counter the spread of Covid-19. Directly-managed stores, affected by greater restrictions, lost 36.9%, while franchised stores curbed the decline to 14.3%; revenue from the online channel was on the rise (+47.7%).

Revenue from the Media area, amounting to Euro 197,632 thousand, dropped by 23%, due to the decline in the sale of copies (-23.8%), add-on products (-25.9%), advertising sales (-28.1%) and distribution services of third publishers' products (-10.2%).

Revenue from the Group's advertising services totaled Euro 55.1 million and refers mainly to the Group's share, as publisher of magazines and websites, of the advertising space sold by the advertising agency, as well as to revenue from digital marketing activities carried out by AdKaora.

The "Directors' Report on Operations" provides further details on revenue trends and the Group's various lines of business.

31. COST OF RAW AND ANCILLARY MATERIALS, CONSUMABLES AND GOODS

Cost of raw and ancillary materials, consumables and goods (Euro/thousands)	**2020**	**2019**
Cost of raw materials	31,640	42,904
Goods for re-sale	86,649	115,070
Consumables, maintenance and other materials	2,590	2,563
Total cost of raw and ancillary materials, consumables and goods	**120,879**	**160,537**

“Cost of raw and ancillary materials, consumables and goods", amounting to Euro 120,879 thousand, decreased by Euro 39,658 thousand, due to smaller purchases of raw materials, as a result of the lower production of books and magazines, and purchase of products for resale, mainly by Mondadori Retail S.p.A.

32. COST OF SERVICES

Cost of services (Euro/thousands)	**2020**	**2019**
Rights and royalties	94,280	87,674
Commissions and costs for agents	36,175	41,110
Processing	105,795	121,170
Logistics	46,441	48,448
Consultancy services and third-party collaborations	29,486	39,151
Newsstand channel fee and subscription management	22,792	29,956
Purchase of advertising space and promotion expenses	17,671	22,289
Publisher's share	3,700	3,722
Travel, gifts and entertainment expenses	1,626	5,944
Directors’ and statutory auditors’ fees	3,999	4,621
Insurance	2,047	2,198
Telephone and postal expenses	3,615	6,239
Catering, security and cleaning services	3,211	4,337
Maintenance expenses	2,107	3,951
Market surveys, news agencies	2,772	3,351
Bank services and commissions	1,437	1,401
IT services and administrative area	12,465	11,783
Rents and service expenses	9,311	12,123
Temporary work fees	3,602	5,466
Other services	3,264	13,981
Total cost of services	**405,796**	**468,915**

Restrictions on social life, as well as on retail and leisure activities, also led to a sharp drop in "Costs of services", which fell from Euro 468,915 thousand in 2019 to Euro 405,796 thousand.
With the exception of "Rights and royalties", which rose due to an increase in the write-down of advances to authors, all variable costs recorded strong decreases across all business areas, in line with the trend in revenue.

Specifically, the main items were:
- costs for “Commissions and costs for agents”, amounting to Euro 36,175 thousand, down by 12%;
- industrial processing costs, amounting to Euro 105,795 thousand, down by 13%;
- costs for “Newsstand channel fees", amounting to Euro 22,792 thousand, down by 24%;
- costs for "Logistics", amounting to Euro 46,441 thousand, down by 4%, due to the tariff increase for services received introduced as from August 2019, which partly offset lower costs for the quantities of product moved.

The reduced operations during the lockdown period in particular, and a number of cost-containment actions implemented by Group companies, enabled further significant savings versus the prior year:
- travel expenses (Euro 1,626 thousand), utilities (Euro 3,615 thousand) and head office services (Euro 3,211 thousand), fell by a total of Euro 8,068 thousand;
- advertising costs, amounting to Euro 17,671 thousand, fell by 21%;
- costs relating to the organization of exhibitions and the management of museum services, under "Other services", decreased by Euro 10,817 thousand.

“Directors’ and statutory auditors’ fees” comprised fees paid to Directors and Statutory Auditors for Euro 3,517 thousand and Euro 482 thousand, respectively.

33. COST OF PERSONNEL

Group companies employed 1,845 people with a fixed-term or permanent labour contract, down by approximately 8.6% versus 2,018 units at 31 December 2019, as a result of efficiency gains in the individual business areas, the outsourcing of the IT Factory unit and the early retirement scheme accepted by 61 employees.

Headcount	**Actual 31/12/2020**	**Actual 31/12/2019**	**Average 2020**	**Average 2019**
Executives	98	101	98	101
White collars, middle managers and journalists	1,737	1,905	1,814	1,988
Blue collars	10	12	12	12
Total	**1,845**	**2,018**	**1,924**	**2,101**

Cost of personnel decreased by Euro 16,213 thousand, as a result of:
- the abovementioned reduction in headcount;
- the request to employees to use their untaken holiday entitlement;
- the resort to social shock absorbers provided for by government measures to support businesses in a year marked by the health emergency;
- the reduction of the variable remuneration of Management;
- the suspension of planned remuneration and hiring policies.

Cost of personnel (Euro/thousands)	**2020**	**2019**
Salaries and wages	89,733	104,328
Social security expense	25,905	29,481
Post-employment benefits TFR	59	38
Supplementary pension scheme plans	6,571	7,438
Other costs	8,673	5,869
Total cost of personnel	**130,941**	**147,154**

Information on the Performance Share Plan

At 31 December 2020, 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 plan);
- 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 plan), 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 EBIT/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 granting 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 in 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.

In first half 2020, the Performance Share Plan for the three-year period 2017-2019 came to maturity. A total of 1,649,967 shares were assigned, measured at a weighted average price of Euro 1.6813. The plan envisaged a total cost of Euro 3,052 thousand and the related reserves set aside during the three-year period were reclassified as available.

Mention should be made that, as a result of the effects of the Covid-19 pandemic, which voided all previous forecasts, on the proposal of the Remuneration Committee and on the approval of the Board of Directors, the targets of the 2019-2021 and 2018-2020 plans were reviewed with regard to 2020 and 2021 only, reducing the corresponding number of rights initially assigned by 25% for 2020 and by 15% for 2021; a maximum limit of 100% on the overall results of the plans concerned was also introduced in order to avoid overperformance.

The table below shows for each plan the costs recognized in the income statement and the assumptions underlying the fair value measurement.

2020-2022 long-term incentive plan

At 31 December 2020, the cost of the 2020-2022 Performance Share Plan (intended for the CFO - Executive Director and eight 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 Euro 219 thousand.
The total number of shares granted is 512 thousand.

The fair value of shares was determined based on the following assumptions:

Granting date	**9 December 2020**
Residual life at granting date (in months)	25
Expected volatility of the share price	40.23%
Risk-free interest rate	(0.3%)
% on expected dividends	0%
Fair value of share at granting date (Euro)	1.28

2019-2021 long-term incentive plan

At 31 December 2020, the cost of the 2019-2021 Performance Share Plan (intended for the Chief Executive Officer and eight 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 Euro 424 thousand.
The total number of shares granted is 1,099 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 2020, the cost of the 2018-2020 Performance Share Plan (intended for the Chief Executive Officer and eight 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 Euro 210 thousand.

The total number of shares granted is 878 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

34. OTHER (INCOME) EXPENSE

“Other (income) expense" ended with a positive Euro 5,478 thousand versus a negative Euro 3,494 thousand in the prior year.

Other (income) expense (Euro/thousands)	**2020**	**2019**
Other revenue and income	(19,630)	(5,235)
Other operating expense	13,882	8,729
Total other (income) expense	**(5,748)**	**3,494**

"Other revenue and income” increased, due to higher contingent assets and relief, introduced by government measures to support businesses in the year of the Covid-19 health emergency, received by the Group.

Other (income) expense – Other revenue and income (Euro/thousands)	**2020**	**2019**
Capital gains from the disposal of fixed assets and business units	3	907
Contingent assets	7,859	3,002
Other	11,768	1,326
Total other revenue and income	**19,630**	**5,235**

“Other operating expense" increased mainly as a result of the disputed IMU tax involving Mondadori Retail S.p.A. by the Municipality of Milan and the smaller component of releases from risk provisions.

Other (income) expense – Other operating expense (Euro/thousands)	**2020**	**2019**
Receivables management	5,299	4,788
Reimbursements and settlements, net of the use of provisions	(1,660)	(670)
Contributions and grants	1,584	1,964
Contingent liabilities	1,274	617
Capital loss from the disposal of fixed assets and business units	15	86
Other tax and duties	3,423	2,351
Other expense	3,947	(407)
Total other operating expense	**13,882**	**8,729**

35. FINANCIAL EXPENSE (INCOME)

Net financial expense in 2020 increased by Euro 896 thousand versus the prior year, as a result mainly of:
- lower interest expense on loans, amounting to Euro 1,328 thousand and down by Euro 634 thousand, due to a reduction in the Group's average bank exposure and a reduction in the average borrowing rate;
- an increase in ancillary expense on loans, amounting to Euro 1,802 thousand and up by Euro 826 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 (Euro 920 thousand) in 2019;
- lower proceeds from the sale and valuation of Reworld Media shares, amounting to Euro 564 thousand versus Euro 991 thousand in the prior year;
- higher expense, amounting to Euro 123 thousand, from the application of IFRS 16.

Financial expense (income) (Euro/thousands)	**2020**	**2019**
Interest from banks and post offices	1	38
Financial income from derivatives	-	-
Financial income	308	629
Other interest	24	32
Total interest and other financial income	**(333)**	**(699)**
Interest expense to banks	5	1
Interest expense on loans	1,328	1,962
Ancillary expense on loans	1,802	976
Other financial expense for discounting assets/liabilities	152	333
Other interest	1,101	1,093
Total interest expense and other financial expense	**4,388**	**4,365**
Realized positive currency differences	128	86
Unrealized positive currency differences	55	88
Realized negative currency differences	(189)	(93)
Unrealized negative currency differences	-	(130)
Total loss (income) on currency transactions	**6**	**49**
Expense (income) from financial assets	(564)	(991)
Financial expense IFRS 16	2,491	2,368
Total financial expense (income)	**5,988**	**5,092**

36. RESULT FROM INVESTMENTS MEASURED AT EQUITY

The income statement effect of companies consolidated at equity came to a negative Euro 7,262 thousand, improving versus Euro 8,131 thousand in the prior year, due mainly to the effect of:

- lower impairment loss recorded (in 2020 Attica Publications Group Euro 1,600 thousand; in 2019 Attica Publications group Euro 399 thousand and Società Europea di Edizioni S.p.A. Euro 2,947 thousand);
- the lower losses incurred by Società Europea di Edizioni S.p.A., due partly to the reduction in the stake held;
- the greater losses incurred by Mediamond S.p.A., Monradio S.r.l., Mondadori Seec and Attica Publications S.A.

Expense (income) from equity-accounted investees (Euro/thousands)	**2020**	**2019**
Monradio S.r.l.	1,633	1,195
Attica Publications group	2,100	-
Società Europea di Edizioni S.p.A.	1,644	8,604
Mach 2 Libri S.p.A. in liquidation	-	(1,378)
GD Media Service S.r.l.	123	-
Edizioni EL S.r.l.	(840)	(911)
Stile Italia Edizioni S.r.l.	55	(45)
Mediamond S.p.A.	1,152	(23)
Mondadori Seec Advertising Co. Ltd	1,138	654
Venezia Accademia Società per i servizi museali S.c.ar.l.	54	-
Venezia Musei Società per i servizi museali S.c.ar.l.	(57)	-
Campania Arte S.c.ar.l.	(19)	14
DI 2 S.r.l.	279	16
Confidimpresa	-	5
Total expense (income) from equity-accounted investees	**7,262**	**8,131**

37. INCOME TAX

"Income tax" in 2020 came to a positive Euro 2,954 thousand, an improvement of Euro 21,579 thousand versus the prior year, due primarily to the following factors:

- the results of Group companies, which led to a reduction in IRES (approximately Euro 13.5 million) and IRAP (approximately Euro 2.1 million);
- lower IRES due on less dividends distributed among Group companies, amounting to Euro 1.2 million;
- the stipulation of an agreement with the Revenue Agency relating to the so-called Patent Box, pursuant to Article 1, paragraph 39, of Law no. 190 of 23 December 2014, envisaging a reduced rate of taxation, for the years 2015-2019, of income from the *TV Sorrisi e Canzoni*, *Chi*, *Telepiù*, *Interni*, *Guida TV*, and *Donna Moderna* trademarks, which resulted in the recognition of a benefit of Euro 5.5 million;
- lower non-deductible expense.

Income tax (Euro/thousands)	**2020**	**2019**
IRES on income for the year	9,408	11,416
IRAP for the year	3,284	2,755
Total current tax	**12,692**	**14,171**
Deferred/pre-paid tax for IRES	(5,604)	4,406
Deferred/pre-paid tax for IRAP	(1,601)	147
Total deferred/pre-paid tax	**(7,205)**	**4,553**
Other tax items	(8,441)	(99)
Total income tax	**(2,954)**	**18,625**

Reconciliation between the theoretical tax charge and the current tax charge

(Euro/thousands)	2020			2019		
	Pre-tax result	Tax amount	Current tax rate	Pre-tax result	Tax amount	Current tax rate
Theoretical IRES tax amount	1,550	372	24.00%	49,096	11,783	24.00%
Theoretical IRAP tax amount	1,550	60	3.90%	49,096	1,915	3.90%
Total theoretical tax amount/rate		**432**	**27.90%**		**13,698**	**27.90%**
Actual IRES tax amount		(3,715)	(239.67%)		15,834	32.25%
Actual IRAP tax amount		761	49.10%		2,791	5.69%
Total actual tax amount/rate		**(2,954)**	**(190.57%)**		**18,625**	**37.94%**
Theoretical tax amount/rate		**432**	**27.90%**		**13,698**	**27.90%**
Effect relating to the recognition of prior years' tax		(2,297)	(148.20%)		(218)	(0.44%)
Effects on companies booked at equity		1,359	87.68%		1,478	3.01%
Effect of differences in tax rates on taxable income of foreign subsidiaries		14	0.90%		20	0.05%
“Patent box" effect		(5,516)	(355.88%)		-	-
Net effect of other permanent differences		2,353	151.80%		2,771	5.64%
Effect of different IRAP tax base		701	45.23%		876	1.78%
Current tax amount/rate		**(2,954)**	**(190.57%)**		**18,625**	**37.94%**

38. 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. 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.

	2020	2019
Net result for the period (Euro/000)	4,504	30,471
Weighted average number of outstanding ordinary shares (no./000)	259,116	259,643
Basic earnings per share from continuing operations (Euro)	**0.017**	**0.117**

	2020	2019
Net result for the period (Euro/000)	4,503	28,200
Weighted average number of outstanding ordinary shares (no./000)	259,116	259,643
Basic earnings per share (Euro)	**0.017**	**0.109**

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.

	2020	2019
Net result for the period (Euro/000)	4,504	30,471
Weighted average number of outstanding ordinary shares (no./000)	259,116	259,643
Number of options with diluted effect (no./000)	1,546	2,324
Diluted earnings per share from continuing operations (Euro)	**0.017**	**0.116**

	2020	2019
Net result for the period (Euro/000)	4,503	28,200
Weighted average number of outstanding ordinary shares (no./000)	259,116	259,643
Number of options with diluted effect (no./000)	1,546	2,324
Diluted earnings per share (Euro)	**0.017**	**0.108**

39. COMMITMENTS AND CONTINGENT LIABILITIES

At 31 December 2020, the Mondadori Group had commitments underwritten for a total of Euro 64,021 thousand (Euro 72,164 thousand at 31 December 2019), consisting of guarantees issued on VAT receivables subject to reimbursement and prize contest transactions, of leases contracts and letters of patronage.

40. NON-RECURRING (INCOME) EXPENSE

Pursuant to CONSOB Resolution no. 15519 of 27 July 2006, it should be noted that in 2020 the Mondadori Group generated income from non-recurring transactions of Euro 5,516 thousand, relating to the tax benefit for the years 2015-2019 from the so-called "Patent Box" facility, pursuant to Article 1, paragraph 39, of Law no. 190 of 23 December 2014, regarding the reduced rate of income taxation.

41. 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 2020, the executives holding responsibilities for Mondadori Group planning, direction and control activities are listed below:

Directors	
Ernesto Mauri	CEO
Alessandro Franzosi	Central Director of Finance and Control

Executives	
Enrico Selva	General Manager Trade Books area
Carmine Perna	General Manager, Retail Business Unit
Carlo Luigi Mandelli	General Manager Media Business Unit
Antonio Porro	General Manager Books Business Unit and Educational Books area
Daniele Sacco	Head of Human Resources and Organization

There were no differences in the number of key management personnel at 31 December versus the same date of the prior year.

Total fees paid to Key Management Personnel in 2020 amounted to Euro 5.3 million, down by 24% versus the prior year.
In addition to the presence in the prior year, until August, of the key management personnel at the head of the France BU, the reduction is due mainly to the measures put in place to counter the Covid-19 crisis, namely the 50% reduction in short-term variable compensation to target, approved by the Board of Directors on 30 July 2020, and the freeze on compensation reviews.
Additionally, on approval of the 2020 financial statements, the first Performance Share Plan 2017-2019 closes with a lower overall assignment of 8.2% of the shares, also a result of the measures taken by the Board of Directors to counter the pandemic and consisting, against an adjustment of the 2020 targets, of a decrease in bonuses and a 100% cap of the smaller number of rights (for details, reference is made to section II of the Remuneration Report).

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 2020

(Euro/thousands)	Trade receivables	Financial receivables	Tax receivables	Other current assets	Trade payables
Parent companies:					
Fininvest S.p.A.	36		1,475		38
Associates					
Mach 2 Libri S.p.A.	1,458				
Venezia Musei Società per i servizi museali S.c.ar.l.					
Attica Publications group	72	500			8
Edizioni EL S.r.l.	1,147			19	5,259
Società Europea di Edizioni S.p.A.	432			(83)	854
Venezia Accademia Società per i servizi museali S.c.ar.l.					
Mediamond S.p.A.	26,875			46	3,163
Mondadori Seec Advertising Co. Ltd	409				90
GD Media Service S.r.l.	3				276
Monradio S.r.l.	4				2
Stile Italia Edizioni S.r.l. (sold to third parties on 20/10/2020)					
DI2 S.r.l.					1,377
Total associates	**30,400**	**500**	**-**	**(18)**	**11,029**

(*) Revenue from distribution services is booked as a fee in compliance with IFRS 15.

	Financial payables	Tax payables	Other current liabilities	Revenue (*)	Purchases of raw materials	Purchases of services	Cost of personnel	Other expense (income)	Financial expense (income)
		4,404		6		59	(43)		
								13	
				4					(23)
				(4,607)	77	4		10	
	553		52	(13,387)	67	273		7	
			502	42,577	837	275		222	
				1,339				89	
				3	603	667			
						2		(3)	
				(5,667)		(1,469)	(73)	244	
						6,266			
	553	**-**	**554**	**20,262**	**1,584**	**6,018**	**(73)**	**581**	**(23)**

TRANSACTIONS WITH RELATED PARTIES: FIGURES AT 31 DECEMBER 2020

(Euro/thousands)	Trade receivables	Financial receivables	Tax receivables	Other current assets	Trade payables
Affiliates:					
RTI - Reti Televisive Italiane S.p.A.	377			8	1,380
Publitalia ’80 S.p.A.					1,808
Digitalia ’08 S.r.l.					
Banca Mediolanum S.p.A.					
TaoDue S.r.l.					
Il Teatro Manzoni S.p.A.					
Mediaset S.p.A.	10				
Alba Servizi Autotrasporti S.p.A.					
Mediolanum Comunicazione S.p.A.					
Fininvest Real Estate & Services S.p.A.					
RMC Italia S.p.A.					
Medusa Film S.p.A.	7				
Radio Mediaset S.p.A.					5
Radio Subasio S.r.l.	4				4
Total affiliates	**398**	**-**	**-**	**8**	**3,197**
Total related parties	**30,833**	**500**	**1,475**	**(10)**	**14,264**
of which related parties from discontinued operations					
Percentage on item	**16.0%**	**3.0%**	**17.6%**	**n.s.**	**6.0%**

(*) Revenue from distribution services is booked as a fee in compliance with IFRS 15.

Financial payables	Tax payables	Other current liabilities	Revenue (*)	Purchases of raw materials	Purchases of services	Cost of personnel	Other expense (income)	Financial expense (income)
		11	(2,579)	81	112			
			19		2,730			
		10			2			
			36					
			15		15	(28)		
				10				
					10			
					1			
			6					
			382		415			
			18		16			
-	**-**	**21**	**(2,093)**	**81**	**(3,301)**	**(28)**	**-**	**-**
553	**4,404**	**575**	**18,175**	**1,665**	**9,378**	**(144)**	**581**	**(23)**
0.7%	**70.9%**	**0.5%**	**2.4%**	**1.4%**	**2.3%**	**n.s.**	**n.s.**	**n.s.**

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**

(*) Revenue from distribution services is booked as a fee in compliance with IFRS 15.

Financial payables	Tax payables	Other current liabilities	Revenue (*)	Purchases of raw materials	Purchases of services	Cost of personnel	Other expense (income)	Financial expense (income)
	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%**

(*) Revenue from distribution services is booked as a fee in compliance with IFRS 15.

Financial payables	Tax payables	Other current liabilities	Revenue (*)	Purchases of raw materials	Purchases of services	Cost of personnel	Other expense (income)	Financial expense (income)
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.**

42. FINANCIAL RISK MANAGEMENT AND OTHER INFORMATION REQUIRED UNDER 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 establishment of a Risk Committee, whose task is to define 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 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 Euro 17.4 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 Euro 17.4 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 Euro 28.5 million, coming to maturity in December 2022.

For further information on debt, reference should be made to Note 21 “Financial assets”, and Note 27 “Financial liabilities”.

The following table shows the results 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)**
2020	(67.2)	1%	(0.3)	0.9
2019	(103.3)	1%	(0.4)	1.8
2020	(67.2)	(0.2%)	0.1	(0.2)
2019	(103.3)	(0.2%)	0.1	(0.4)

While identifying the 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 2020, there are no exchange derivatives in place.

Liquidity risk

Liquidity risk refers to the possibility that the Group 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 excessively high costs for the purpose of meeting obligations.

The Group's exposure to liquidity risk refers mainly to existing loans and borrowings. The Group currently has a medium/long-term loan (pool loan) in place 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 27 "Financial liabilities".

At 31 December 2020, liquidity risk was managed by Mondadori Group through the following tools:
• bank and postal deposits totaling Euro 109.5 million;
• committed credit lines totaling Euro 195.0 million (Euro 100.0 million of which unused) and uncommitted credit lines of Euro 261.0 million, unused for Euro 216.3 million at 31 December 2020.

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

Liquidity risk (Euro/millions)	**Analysis of maturity dates at 31/12/2020** **<6 months**	**6-12 months**	**1-2 years**	**2-5 years**	**5-10 years**	**>10 years**	**Total**
Trade payables	226.7	-	-	-	-	-	226.7
Medium/long-term loans	0.5	28.0	68.4	-	-	-	96.9
Other financial liabilities:							
- committed lines	-	-	-	-	-	-	-
- uncommitted lines	46.8	-	-	-	-	-	46.8
Other liabilities	72.2	-	-	-	-	-	72.2
Payables to associates	12.1	-	-	-	-	-	12.1
Total	**358.3**	**28.0**	**68.4**	**-**	**-**	**-**	**454.7**
Derivatives on rate risk	(0.2)	(0.3)	(0.3)	-			(0.8)
Derivatives on currency risk	-	-	-	-	-	-	-
Total exposure	**358.5**	**28.3**	**68.7**	**-**	**-**	**-**	**455.5**

Liquidity risk (Euro/millions)	**Analysis of maturity dates 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**

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 meet 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, business 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)	**31/12/2020**	**31/12/2019**
Deposits	109.5	42.2
Financial assets measured at fair value through profit and loss	5.4	23.6
Receivables and loans:		
- trade receivables and other current financial assets	216.8	235.4
- trade receivables and other non-current financial assets	3.9	20.1
Available-for-sale assets	0.3	0.4
Receivables from hedge derivatives	-	-
Guarantees	-	-
Total maximum exposure to credit risk	**335.9**	**321.7**

The table below shows the Group’s exposure to credit risk by geographical area

Trade credit risk concentration

	Euro/millions **31/12/2020**	Euro/millions **31/12/2019**	% **2020**	% **2019**
By geographical area:				
Italy	186.2	215.6	96.9%	96.8%
Other countries	5.9	7.1	3.1%	3.2%
Total	**192.1**	**222.7**	**100%**	**100%**

Below is a description of the 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 business information to gauge customer reliability before granting any credit line. Customer reliability is monitored on an ongoing basis.

Media - circulation

The Group’s exposure relates to local distributors represented mainly 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 policy; given the soundness and solvency of its counterparties, the Group does not consider credit risk relevant.

Media - 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 business information before the provision of services.

Each company performs autonomous individual assessments of the most significant positions and makes the appropriate adjustments, taking account of 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.

Retail

The Group's exposure is mainly towards franchisees; in order to contain credit risk, Mondadori has obtained bank and unsecured guarantees from franchisees.

The table below shows the Group's exposure to credit risk by business area

Trade credit risk concentration (Euro/millions)		**Analysis of maturity dates at 31/12/2020** Net overdraft				
	Net to maturity	**0-30 days**	**30-60 days**	**60-90 days**	**Over**	**Provision for bad debts**
Books	91.7	1.4	0.5	0.6	8.3	5.9
Media	49.5	7.3	1.3	0.6	7.9	2.9
Retail	12.1	1.1	0.5	0.5	7.5	6.3
Other business	0.9	0.3	-	-	0.1	-
Total	**154.2**	**10.1**	**2.3**	**1.7**	**23.8**	**15.1**

Trade credit risk concentration (Euro/millions)		**Analysis of maturity dates 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
Media	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**

Other information required under 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**			
	31/12/20	**31/12/19**	**31/12/20**	**31/12/19**	**31/12/20**	**31/12/19**	**31/12/20**	**31/12/19**
Financial assets held to collect, measured at fair value with adjustments recognized in the income statement	5.4	23.6	5.4	23.6	-	-	5.4	23.6
Receivables and loans:								
- cash and cash equivalents	110.2	44.2	110.2	44.2	-	-	110.2	44.2
- trade receivables	161.7	183	159.2	180	2.5	3	161.7	183
- other financial assets	28.6	32.8	27.2	20.4	1.4	12.4	28.6	32.8
- receivables from affiliates and joint ventures	30.9	40.2	30.4	39.7	0.5	0.5	30.9	40.2
Available-for-sale financial assets	0.3	0.4	0.3	0.4	-	-	0.3	0.4
Derivatives	-	-	-	-	-	-	-	-
Total financial assets	**337.1**	**324.2**	**332.7**	**308.3**	**4.4**	**15.9**	**337.1**	**324.2**
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	226.7	262.4	226.7	262.4	-	-	226.7	262.4
- payables to banks and other financial liabilities	212.4	202.5	146.5	109.9	65.9	92.5	215.8	207.8
- payables to associates and joint ventures	12.1	12.7	12.1	12.7			12.1	12.7
Derivatives	0.8	1	-	-	0.8	1	0.8	1
Total financial liabilities	**452.0**	**478.6**	**385.3**	**385.0**	**66.7**	**93.5**	**455.4**	**483.9**

At 31 December 2020, the Group held current financial assets in the form of Reworld Media shares listed on the Bourse de Paris (explained in Note 21 "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 27 "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)	**2020**	**2019**
Interest earned on financial assets not measured at fair value	0.3	0.7
Total income	**0.3**	**0.7**
Net loss on derivative instruments	0.8	0.8
Interest due on financial liabilities not measured at fair value:		
- trade payables	0.2	0.2
- loans	0.8	1.4
- other	0.6	0.1
Losses from financial instrument impairment:		
- trade receivables	11.6	5.0
Expense and commissions not included in effective interest rates	1.8	1.0
Total expense	**15.8**	**8.5**
Net gains (losses) on instruments measured at fair value with changes booked to the income statement	0.6	1.0
Total	**(14.9)**	**(6.8)**

43. FAIR VALUE MEASUREMENTS

Some of the Group's financial assets and liabilities were measured at fair value.

Financial assets (liabilities) (Euro/thousands)	**Fair value 31/12/2020**	**Fair value hierarchy**	**Measurement method and main inputs**
Securities measured at fair value "held for trading"	5,372	Level 1	Stock market price at 31 December 2020, as these shares are listed on the Bourse de Paris.
Interest rate swap contracts	(820)	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.

44. OPERATING SEGMENTS

The disclosure required by IFRS 8 - Operating segments - is provided by taking account of 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 2019 remained unchanged.

SEGMENT REPORTING: FIGURES AT 31 DECEMBER 2020

(Euro/thousands)	Books	Retail
Revenue from sales and services from external customers	**390,765**	**152,871**
Revenue from sales and services from other sectors	**32,178**	**834**
EBITDA	**84,759**	**(2,746)**
EBIT	**69,424**	**(12,963)**
Financial income (expense)	837	1,203
Income (expense) from equity-accounted investees	(863)	-
Result before tax and non-controlling interests	**69,450**	**(14,166)**
Income tax	-	-
Result attributable to non-controlling interests	1	-
Result from discontinued operations	-	-
Net result	**69,449**	**(14,166)**
Amortization, depreciation and write-downs	15,334	10,218
Non-monetary costs	30,798	5,052
Non-recurring income (expense)	295	10
Capital expenditure	15,597	2,645
Equity-accounted investees	3,591	-
Total assets	531,958	107,813
Total liabilities	229,863	110,116

Italy
Other EU countries
USA
Other extra EU countries
Consolidated result

	Media	Corporate & Shared Services	Unallocated items and consolidation adjustments	Consolidated result
	199,327	**1,030**	**-**	**743,993**
	(1,695)	**44,072**	**(75,389)**	**-**
	3,736	**(3,076)**	**1,953**	**84,626**
	(30,604)	**(13,010)**	**1,953**	**14,800**
	832	3,116	-	5,988
	4,847	3,278	-	7,262
	(36,284)	**(19,403)**	**1,953**	**1,550**
	-	(2,954)	-	(2,954)
	-	-	-	1
	-	-	-	-
	(36,284)	**(16,449)**	**1,953**	**4,503**
	34,340	9,934	-	69,826
	6,094	10,105	-	52,049
	10	5,201	-	5,516
	717	2,896	-	21,855
	12,663	4,077	-	20,331
	195,561	304,984	(265,261)	875,055
	157,278	465,313	(258,931)	703,639

	Revenue from sales and services	Fixed assets
	676,511	202,820
	23,731	-
	36,890	1,856
	6,861	-
	743,993	**204,676**

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

	Media	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**

45. EVENTS OCCURRING AFTER YEAR END

No significant events occurred after year end.

46. 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 2020 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.		370,700
	EY S.p.A.	Subsidiaries		501,100
Certification	EY S.p.A.	Arnoldo Mondadori Editore S.p.A.	(1)	33,400
Other services	EY S.p.A.	Arnoldo Mondadori Editore S.p.A. and subsidiaries	(2)	50,000
Total				**955,200**

(1) Audit of the Non-Financial Statement
(2) Accertamento Diffusione e Stampa

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 Alessandro Franzosi, 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*, paragraphs 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 2020 consolidated financial statements.

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 2020 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 2020:

   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.

18 March 2021

The CEO (Ernesto Mauri)	The Financial Reporting Manager (Alessandro Franzosi)

Mondadori seen through Olimpia Zagnoli's mural rendition
The Milanese artist Olimpia Zagnoli has embellished the new cafeteria at the Segrate headquarters with her large mural painting. It is an artwork conceived and enclosed in the unique context of the building designed by Oscar Niemeyer, distinguished by the arcades, which represents the idea of a community of people who put all their passion and dedication in their work every day, meeting and breathing life into the spaces of the headquarters.

Financial Statements at 31 December 2020 of Arnoldo Mondadori Editore S.p.A.

BALANCE SHEET

Assets (Euro)	Notes	31/12/2020	31/12/2019
Intangible assets	1	7,444,908	122,699,054
Land and buildings		2,304,269	2,437,269
Plant and equipment		1,027,911	827,663
Other tangible fixed assets		2,570,077	2,100,232
Property, plant and equipment	2	**5,902,258**	**5,365,164**
Assets from rights of use	3	47,447,085	54,321,329
Subsidiaries		351,757,174	417,583,719
Investments in joint ventures and associates		11,460,000	16,458,560
Other investments		63,117	63,117
Total investments	4	363,280,291	434,105,396
Non-current financial assets	5	500,000	12,285,963
Pre-paid tax assets	6	1,998,301	6,245,964
Other non-current assets	7	762,747	981,056
Total non-current assets		**427,335,590**	**636,003,927**
Tax receivables	8	10,801,519	8,301,172
Other current assets	9	2,239,552	3,879,281
Inventory	10	-	5,088,932
Trade receivables	11	13,726,017	46,858,214
Other current financial assets	12	47,722,162	52,630,837
Cash and cash equivalents	13	101,676,210	35,608,940
Total current assets		**176,165,461**	**152,367,376**
Discontinued operations		-	-
Total assets		**603,501,052**	**788,371,303**

Liabilities (Euro)	**Notes**	**31/12/2020**	**31/12/2019**
Share capital		67,979,168	67,979,168
Treasury shares		(2,770,775)	(4,940,064)
Other reserves and results carried forward		102,698,261	78,793,104
Profit (loss) for the period		4,502,600	28,199,749
Equity	14	**172,409,254**	**170,031,958**
Provisions	15	5,611,819	26,056,248
Post-employment benefits	16	2,881,930	8,772,289
Non-current financial liabilities	17	66,501,291	93,258,151
Financial liabilities IFRS 16	17	43,490,264	50,226,575
Deferred tax liabilities	6	1,263,704	28,267,929
Other non-current liabilities		-	-
Total non-current liabilities		**119,749,009**	**206,581,193**
Income tax payables		-	-
Other current liabilities	18	7,901,936	26,069,436
Trade payables	19	20,802,263	71,742,767
Payables to banks and other financial liabilities	17	277,511,725	308,685,708
Financial liabilities IFRS 16	17	5,126,864	5,260,243
Total current liabilities		**311,342,788**	**411,758,153**
Discontinued liabilities		-	-
Total liabilities		**603,501,052**	**788,371,303**

INCOME STATEMENT

(Euro)	Notes	2020	2019
Revenue from sales and services	20	**45,115,879**	**227,989,374**
Decrease (increase) in inventory		-	(158,084)
Cost of raw and ancillary materials, consumables and goods	21	476,442	18,627,777
Cost of services	22	25,789,261	137,950,574
Cost of personnel	23	21,904,515	70,486,445
Other (income) expense	24	1,166,738	(605,768)
EBITDA		**(4,221,076)**	**1,688,430**
Depreciation and impairment loss on property, plant and equipment	2	1,403,648	1,060,947
Amortization and impairment loss on intangible assets	1	2,668,595	9,616,802
Amortization/depreciation and impairment loss of assets from rights of use	2	5,861,186	5,823,144
EBIT		**(14,154,506)**	**(14,812,462)**
Financial expense (income)	25	3,139,107	3,204,748
Expense (income) from investments	26	(13,187,085)	(45,335,615)
Result before tax		**(4,106,529)**	**27,318,404**
Income tax	27	(8,609,129)	(3,151,479)
Result from continuing operations		**4,502,600**	**30,469,883**
Result from discontinued operations	28	-	(2,270,133)
Net result		**4,502,600**	**28,199,749**

COMPREHENSIVE INCOME STATEMENT

(Euro)	2020	2019
Net result	**4,502,600**	**28,199,749**
Items reclassifiable to income statement		
Effective portion of profit (loss) on cash flow hedge instruments	173,951	(254,073)
Tax effect on other profit (loss) reclassifiable to income statement	(41,748)	60,978
Items of the comprehensive income statement of investments measured at equity	(2,359,887)	355,930
Items reclassified to income statement		
Profit (loss) on cash flow hedge instruments	291,952	339,696
Tax effect on other profit (loss) reclassified to income statement	(70,068)	(81,527)
Items not reclassifiable to income statement		
Actuarial income/ (losses)	(65,779)	153,159
Tax effect on other profit (loss) not reclassifiable to income statement	15,787	(36,758)
Actuarial gains/(losses) from equity-accounted investees	(357,808)	79,600
Total other profit (loss) net of tax effect	(2,413,600)	617,005
Comprehensive result for the period	**2,089,000**	**28,816,753**

For the Board of Directors
The Chairman
Marina Berlusconi

STATEMENT OF CHANGES IN EQUITY AT 31 DECEMBER 2019 AND 2020

(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)**	**251,590**	**(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**

(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 31/12/2019	**67,979**	**(4,940)**	**4,311**	**563**	**(977)**	**74,896**	**28,200**	**170,032**
Changes in:								
- Allocation of result						28,200	(28,200)	-
- Purchase of treasury shares		(605)						(605)
- Provision Performance shares			885					885
- Granting Performance shares		2,774	(3,052)			278		-
- Other changes						8		8
- Comprehensive profit/(loss)				(50)	354	(2,718)	4,503	2,089
Balance at 31/12/2020	**67,979**	**(2,771)**	**2,144**	**513**	**(623)**	**100,664**	**4,503**	**172,409**

For the Board of Directors
The Chairman
Marina Berlusconi

STATEMENT OF CASH FLOWS

(Euro/thousands)	2020	2019
Result for the period	**4,503**	**28,200**
Adjustments		
Amortization, depreciation and write-downs	9,933	16,501
Income tax for the period	(8,209)	(3,151)
Performance Shares	555	1,373
Provisions (utilization) and post-employment benefits	(1,023)	(3,006)
Capital loss (gain) from the transfer of intangible assets, property,	-	4
plant and machinery, investments	(564)	(991)
(Income) expense from securities valuation	(13,187)	(48,601)
(Income) expense of equity-accounted investees	3,041	4,121
Net financial expense on loans, leases and derivative transactions	-	2,270
Cash flow generated from operations	**(4,950)**	**(3,280)**
(Increase) decrease in trade receivables	(3,216)	(1,627)
(Increase) decrease in inventory	-	(153)
Increase (decrease) in trade payables	26	7,727
(Payment) cash in from income tax	3,382	8,757
Increase (decrease) in provisions and post-employment benefits	(5,426)	(733)
Net change in other assets/liabilities	(5,100)	(9,338)
Cash flow generated from (absorbed by) assets held for sale	-	(3,744)
Net change in contribution	(66,240)	-
Cash flow generated from (absorbed by) operations	**(81,525)**	**(2,391)**
Price collected (paid) net of cash transferred/acquired	-	(600)
(Purchase) disposal of intangible assets	(900)	(9,657)
(Purchase) disposal of property, plant and equipment	(2,730)	(707)
(Purchase) disposal of investments	(39,239)	(5,142)
Cash flow generated from (absorbed by) assets held for sale	-	45,876
Income from investments - dividends	120,200	29,975
(Purchase) disposal of securities	18,783	(12,600)
Net change in contribution	138,292	-
Cash flow generated from (absorbed by) investing activities	**234,407**	**47,145**
Increase (decrease) in payables to banks for loans	7,500	(102,800)
Change in other financial assets - Intercompany	(12,995)	33,618
Change in other financial liabilities - Intercompany	(23,212)	(455)
(Purchase) disposal of treasury shares	2,169	(2,658)
Net change in other financial assets/liabilities	13,905	(4,603)
Changes in equity from contribution	(29,411)	-
Cash in of net financial income (payment of net financial expense) on loans and transactions in derivatives	(2,130)	(4,334)
Cash flow generated from (absorbed by) assets held for sale	-	(4,749)
Net change in contribution	(42,657)	-
Cash flow generated from (absorbed by) financing activities	**(86,832)**	**(85,982)**
Increase (decrease) in cash and cash equivalents	**66,051**	**(41,228)**
Increase (decrease) in cash from contribution	**16**	**-**
Cash and cash equivalents beginning of period	**35,609**	**76,837**
Cash and cash equivalents end of period	**101,676**	**35,609**

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**	**31/12/2020**	**of which related parties (Note 30)**	**31/12/2019**	**of which related parties (Note 30)**
Intangible assets	1	7,445		122,699	
Land and buildings		2,304		2,437	
Plant and equipment		1,028		828	
Other tangible fixed assets		2,570		2,100	
Property, plant and equipment	2	**5,902**		**5,365**	
Assets from rights of use	3	47,447		54,321	
Investments	4	363,280		434,105	
Non-current financial assets	5	500	500	12,286	500
Pre-paid tax assets	6	1,998		6,246	
Other non-current assets	7	763		981	140
Total non-current assets		**427,336**	**500**	**636,004**	**640**
Tax receivables	8	10,802	6,117	8,301	2,651
Other current assets	9	2,240		3,879	23
Inventory	10	-		5,089	
Trade receivables	11	13,726	12,224	46,858	41,917
Other current financial assets	12	47,722	31,944	52,631	28,970
Cash and cash equivalents	13	101,676		35,609	
Total current assets		**176,165**	**50,285**	**152,367**	**73,561**
Discontinued operations		-	-	-	-
Total assets		**603,501**	**50,785**	**788,371**	**74,201**

Liabilities (Euro/thousands)	**Notes**	**31/12/2020**	**of which related parties (Note 30)**	**31/12/2019**	**of which related parties (Note 30)**
Share capital		67,979		67,979	
Treasury shares		(2,771)		(4,940)	
Other reserves and results carried forward		102,698		78,793	
Profit (loss) for the period		4,503		28,200	
Total equity	15	**172,409**		**170,032**	
Provisions	16	5,612		26,056	4,168
Post-employment benefits	17	2,882		8,772	
Non-current financial liabilities	18	66,501		93,258	
Financial liabilities IFRS 16	18	43,490		50,227	
Deferred tax liabilities	6	1,264		28,268	
Other non-current liabilities		-		-	
Total non-current liabilities		**119,749**		**206,581**	**4,168**
Income tax payables		-		-	
Other current liabilities	19	7,902	123	26,069	2,799
Trade payables	20	20,802	1,309	71,743	7,418
Payables to banks and other financial liabilities	17	277,512	203,991	308,686	270,732
Financial liabilities IFRS 16	17	5,127		5,260	
Total current liabilities		**311,343**	**205,423**	**411,758**	**280,949**
Discontinued liabilities		-		-	
Total liabilities		**603,501**	**205,423**	**788,371**	**285,117**

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

(Euro/thousands)	Notes	2020	of which related parties (Note 30)	of which non-recurring (income) expense (Note 29)	2019	of which related parties (Note 30)	of which non-recurring (income) expense (Note 29)
Revenue from sales and services	20	**45,116**	**44,816**		**227,989**	**223,949**	
Decrease (increase) in inventory		-			(158)		
Cost of raw and ancillary materials, consumables and goods	21	476	31		18,628	576	
Cost of services	22	25,789	(82)		137,951	43,256	
Cost of personnel	23	21,905	(2,448)		70,486	(3,007)	
Other (income) expense	24	1,167	239		(606)	351	
EBITDA		**(4,221)**	**47,076**		**1,688**	**182,773**	
Depreciation and impairment loss on property, plant and equipment	2	1,404			1,061		
Amortization and impairment loss on intangible assets	1	2,669			9,617		
Amortization/depreciation and impairment loss of assets from rights of use	2	5,861			5,823		
EBIT		**(14,155)**	**47,076**		**(14,812)**	**182,773**	
Financial expense (income)	25	3,139	1,493		(3,205)	734	
Expense (income) from investments	26	(13,187)	13,187	(315)	45,336	45,336	
Result before tax		**(4,107)**	**61,756**	**315**	**27,318**	**228,843**	
Income tax	27	(8,609)		(5,201)	(3,151)		
Result from continuing operations		**4,503**	**61,756**	**5,516**	**30,470**	**228,843**	
Result from discontinued operations	28		-	-	(2,270)	(2,270)	
Net result		**4,503**	**61,756**	**5,516**	**28,200**	**226,572**	

ACCOUNTING STANDARDS AND EXPLANATORY NOTES

1. GENERAL INFORMATION

The core business of Arnoldo Mondadori Editore S.p.A. is publishing in the areas of Trade Books, Educational and Magazines, with the relating advertising sales, as well as Retailing through its directly-managed and franchised stores. 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 2020 were approved by the Board of Directors on 18 March 2021 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 Auditors' Reports, within the time limits established by current laws, at the registered office, at Borsa Italiana S.p.A. and on the Company's website.
The Company's financial statements will be filed with the Company Registry within 30 days after the Annual General Meeting called on 27 April 2021 to approve the 2020 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 2020 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 2020 were drawn up in accordance with the accounting standards used for the preparation of the IAS/IFRS consolidated financial statements at 31 December 2020, considering the amendments and the new standards effective as from 1 January 2020, as per Note 3.26.

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 2020.

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 journalistic titles 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 were initially recognized at cost, while those purchased as part of business combination transactions concluded after the first-time 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	Term 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	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, 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.

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 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 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.

3.3 Assets for rights of use

IFRS 16 sets out the principles for recognizing, measuring, presenting and disclosing lease contracts and requires lessees to account for all lease contracts in the financial statements.
Application of this standard results in the initial recognition in the statement of financial position of (i) an asset, equal to the present value of the future minimum compulsory rentals to be paid by the lessee from 1 January 2019 or from the contract commencement date if later than the date of first-time application, which will be amortized/depreciated over the shorter of the technical economic life and the remaining term of the contract, and (ii) a financial liability, equal to the present value of the future minimum compulsory rentals to be paid by the lessee from 1 January 2019 or from the contract commencement date if later than the date of first-time application, unpaid at the transition date. The payable will then be reduced as lease payments are made. The lease payment is no longer recorded in EBITDA, recording instead (i) the amortization/depreciation of the right of use and (ii) the financial expense on the payable entered.
Lessees must also remeasure the lease liability on occurrence of certain events (for example: a change in the terms of the lease or a change in future lease payments resulting from a change in an index or rate used to determine such payments). The lessee generally recognizes the amount of the re-measurement of the liability as an adjustment to the asset's right of use.
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 implied the recognition of the financial liability of the lease and the relating right of use, but lease payments are recognized in the income statement on a straight-line basis for the duration of the respective contracts.

3.4 Financial expense

Under IAS 23, the Company capitalizes financial expense resulting from asset purchase, development or production. In case of assets that do not justify capitalization, the expense is recognized in the income statement in the year in which it is incurred.

3.5 Impairment

The value of intangible assets, 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 book value with whichever is higher between the fair value less costs to sell 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.

3.6 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.

3.7 Inventory

Inventory is measured 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 account of 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.

3.8 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 loss deriving from the fair value measurement of assets held for trading is 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 is recognized in the income statement when loans and receivables are written off or in case of impairment loss, as well as through amortization. The Company 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”.

3.9 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.

3.10 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.

3.11 Cash and cash equivalents

Cash and cash equivalents include 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.

3.12 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*.

3.13 Derecognition of financial assets and liabilities

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

- the right to receive cash flows from the asset has been extinguished;
- the 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.

3.14 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 year, 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 written back to the amount the asset would have had, taking amortization into account, at the date of the write-back.

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.

3.15 Derivative financial instruments

Derivative financial instruments are initially recognized at fair value at the date they are stipulated. When a hedge operation is entered into, the 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 associated with 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 book 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 book value is amortized in the income statement throughout the period before maturity.
Any adjustments to the book value of any hedged financial instrument for which the interest rate method is applied are amortized in the income statement.
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 is 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 is 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 measurement of the derivative financial instrument is recognized in the income statement.

3.16 Provisions

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

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

3.17 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)".

3.18 Equity compensation plans

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

3.19 Recognition of revenue and costs

Revenue from services is recognized based on the relevant state of completion.

Revenue from interest is recognized on an accrual basis by applying the effective interest method; dividends are recognized when the shareholder is acknowledged the right to payment.

Any 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.

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

3.20 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 is reduced if it is no longer probable that sufficient taxable income will be available in the future to cover all or part of these assets.
Deferred tax assets and liabilities are calculated on the basis of the tax rates that are expected to apply in the year in which assets are realized and liabilities are settled, considering the then applicable tax rates or the tax rates essentially used at the balance sheet date.

Tax relating to items directly recognized under equity (cash flow hedge reserve) is recognized directly under equity and not under income statement.

3.21 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 measured 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.

3.22 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 also made to the information contained and published in the National State Aid Register.

3.23 Dividends

Dividends are recognized as a reduction in the value of the investment when shareholders are given right to them. This usually corresponds to the date of the AGM resolving upon dividend payout.

3.24 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, when their sale is highly likely, are classified as "held-for-sale or discontinued" and are measured 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, is recognized in a separate item in the income statement.

3.25 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 measured 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 12 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 Company recognizes provisional values that will be later subject to adjustments in the financial year of reference within 12 months thereafter, so as to take account of 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.

3.26 Accounting standards, amendments and interpretations adopted by the EU, with effect from 1 January 2020 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 2020:

Amendments to IFRS 7, IFRS 9 and IAS 39: Interest rate benchmark reform

The amendments to IFRS 9 and IAS 39 provide a number of practical expedients that apply to hedging relationships that are directly impacted by the benchmark interest rate reform. A hedging relationship that is impacted by the reform is subject to uncertainties about the timing and amount of IBOR-based cash flows of the hedged instrument. These changes had no significant impact on the Company's financial statements.

Amendments to IAS 1 and IAS 8 - Definition of Material

The amendments provide a new definition of materiality that states that an information is material if it is reasonable to assume that its omission, misrepresentation or obscuring could influence the decisions that the primary users of financial statements prepared for general purposes make on the basis of those financial statements, which provide financial information about the specific entity preparing the financial statements. Materiality depends on the nature or magnitude of the information, or both. An entity assesses whether the information, individually or in combination with other information, is material in the context of the financial statements as a whole. The information is obscured if it is disclosed in such a way as to have, for the primary users of financial statements, a similar effect to the omission or misstatement of the same information. These changes had no significant impact on the Company's financial statements.

Amendments to IFRS 3: Definition of a business
The amendments to IFRS 3 clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, one underlying input (output factor) and process that together contribute significantly to the ability to create an output (business). Additionally, it has clarified that a business can exist without including all of the inputs and processes needed to create an output. These changes had no impact on the financial statements.

Amendment to IFRS 16 Covid-19 Related Rent Concessions
On 28 May 2020, the IASB published an amendment to IFRS 16. The amendment allows a lessee not to apply the requirements of IFRS 16 on the accounting effects of contractual modifications for rent reductions granted by lessors that are a direct result of the Covid-19 pandemic. The amendment introduces a practical expedient whereby a lessee may choose not to assess whether rent reductions represent contractual modifications. A lessee that chooses to use this expedient accounts for these reductions as if the reductions were not contractual modifications within the scope of IFRS 16.
The amendments are applicable to financial statements for financial periods beginning on or after 1 January 2020. Early adoption is allowed.

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 book value of each item, 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:

Measurement of investments
The Company exercises 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. The Company therefore adjusts their amounts also taking account of the net assets presented in the Group's consolidated financial statements, which include the amounts of goodwill and other net assets identified on acquisition. The impairment test on investments follows the same procedures as the test at consolidated level. In this sense, the impairment of goodwill and intangible assets is tested by comparing the book value of the relating Cash Generating Units with their recoverable value, represented by the higher of fair value and the value in use.

Provision for bad debts

The recoverability of receivables is measured by taking account of the risk of non-payment, ageing and losses on receivables expected to arise on the receivables.

Amortization/depreciation

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 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, any 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 were outlined in a separate table in these “Explanatory notes to the financial statements”.

7. OTHER INFORMATION

Significant transactions at 01/01/2020: transfer of Media activities and sale of business unit to Stile Italia Edizioni S.r.l.

On 1 January 2020, the Company transferred to the subsidiary Mondadori Media S.p.A. (formerly Mondadori International Business S.r.l.) all of the print+digital activities under the Magazines Italy business, as well as the related shared services and investments.
The transfer resulted in an increase of Euro 29.4 million in the value of the investment in Mondadori Media S.p.A. The transfer also included all of the stakes in Mondadori Scienza S.p.A., Press Di S.r.l., Direct Channel S.p.A. and AdKaora S.r.l.

Additionally, in December 2019 the Company sold to Stile Italia Edizioni S.r.l the Business Unit organized for the edition of the titles *Confidenze*, *Tu Style*, *Sale&Pepe*, *Cucina Moderna* and *Starbene*.

For further details and for a thorough comparability of financial statement figures, the following is a pro-forma summary of the balance sheet, which isolates the amounts of the transfer to Mondadori Media S.p.A. The following income statement table is presented as if the transfer to Mondadori Media S.p.A. and the sale of the Unit to Stile Italia Edizioni S.r.l. had taken place at the beginning of the prior year.

Assets (Euro)	**31/12/2020**	**Like-for-like 01/01/2020**	**Transfer 01/01/2020**	**31/12/2019**
Intangible assets	7,444,908	9,503,341	113,195,713	122,699,054
Property, plant and equipment	5,902,258	5,021,206	343,958	5,365,164
Assets from rights of use	47,447,085	54,260,709	60,620	54,321,329
Investments (*)	363,280,291	438,825,024	(4,719,628)	434,105,396
Non-current financial assets	500,000	12,285,963	-	12,285,963
Pre-paid tax assets	1,998,301	2,438,490	3,807,474	6,245,964
Other non-current assets	762,747	930,535	50,521	981,056
Total non-current assets	**427,335,590**	**523,265,269**	**112,738,658**	**636,003,927**
Tax receivables	10,801,519	8,274,668	26,504	8,301,172
Other current assets	2,239,552	1,823,108	2,056,173	3,879,281
Inventory	-	-	5,088,932	5,088,932
Trade receivables	13,726,017	10,958,026	35,900,188	46,858,214
Other current financial assets	47,722,162	52,630,837	-	52,630,837
Cash and cash equivalents	101,676,210	35,592,804	16,136	35,608,940
Total current assets	**176,165,461**	**109,279,443**	**43,087,934**	**152,367,376**
Assets held for sale or transferred	-	-	-	-
Total assets	**603,501,052**	**632,544,712**	**155,826,592**	**788,371,303**

(*) The negative amount in “Investments” is due to the increase in the value of the investment in Mondadori Media S.p.A. as a result of the transfer (Euro 29,411 thousand), net of the value of the subsidiaries transferred (Euro 24,692 thousand).

Liabilities (Euro)	31/12/2020	Like-for-like 01/01/2020	Transfer 01/01/2020	Published 31/12/2019
Share capital	67,979,168	67,979,168	-	67,979,168
Treasury shares	(2,770,775)	(4,940,064)	-	(4,940,064)
Other reserves and profit/(loss) carried forward	102,698,261	78,793,104	-	78,793,104
Profit (loss) for the year	4,502,600	28,199,749	-	28,199,749
Total equity	**172,409,254**	**170,031,958**	**-**	**170,031,958**
Provisions	5,611,819	11,980,885	14,075,363	26,056,248
Post-employment benefits	2,881,930	3,410,473	5,361,816	8,772,289
Non-current financial liabilities	66,501,291	93,258,151	-	93,258,151
Financial liabilities IFRS 16	43,490,264	50,188,008	38,567	50,226,575
Deferred tax liabilities	1,263,704	2,292,356	25,975,573	28,267,929
Other non-current liabilities	-	-	-	-
Total non-current liabilities	**119,749,009**	**161,129,874**	**45,451,320**	**206,581,193**
Income tax payables	-	-	-	-
Other current liabilities	7,901,936	11,256,764	14,812,672	26,069,436
Trade payables	20,802,263	18,798,351	52,944,416	71,742,767
Payables to banks and other financial liabilities	277,511,725	266,090,077	42,595,631	308,685,708
Financial liabilities IFRS 16	5,126,864	5,237,690	22,553	5,260,243
Total current liabilities	**311,342,788**	**301,382,881**	**110,375,272**	**411,758,153**
Liabilities held for sale or transferred	-	-		
Total liabilities	**603,501,052**	**632,544,712**	**155,826,592**	**788,371,303**

Income statement (Euro)	2020	Like-for-like 2019	2019 transfer of business unit	2019 sale of SIE titles	2019
Revenue from sales and services	**45,115,879**	**38,523,102**	**172,277,272**	**17,189,000**	**227,989,374**
Decrease (increase) in inventory	-	-	(158,084)	-	(158,084)
Cost of raw and ancillary materials,	476,442	353,539	15,767,921	2,506,317	18,627,777
consumables and goods	25,789,261	27,497,780	100,152,210	10,300,584	137,950,574
Cost of services	21,904,515	25,712,861	39,680,301	5,093,283	70,486,445
Cost of personnel	1,166,739	(11,610,517)	10,976,912	27,837	(605,768)
EBITDA	**(4,221,077)**	**(3,430,562)**	**5,858,012**	**(739,021)**	**1,688,429**
Depreciation of property, plant and equipment	1,403,648	852,921	208,026	-	1,060,947
Amortization and write-downs of intangible assets	2,668,595	2,501,863	7,114,939	-	9,616,802
Amortization/depreciation of assets from rights of use	5,861,186	5,800,398	22,746	-	5,823,144
EBIT	**(14,154,507)**	**(12,585,744)**	**(1,487,698)**	**(739,021)**	**(14,812,463)**
Financial income (expense)	(3,139,107)	(2,538,111)	(666,637)	-	(3,204,748)
Income (expense) from investments	13,187,085	43,121,457	(633,184)	-	45,335,615
Result before tax	**(4,106,529)**	**27,997,602**	**(2,787,519)**	**(739,021)**	**27,318,404**
Income tax	(8,609,129)	(2,472,281)	(679,198)	-	(3,151,479)
Result from continuing operations	**4,502,600**	**30,469,883**	**(2,108,321)**	**(739,021)**	**30,469,883**
Income (expense) from discontinued operations	-	(2,270,133)	-	-	(2,270,133)
Net result	**4,502,600**	**28,199,749**	**(2,108,321)**	**(739,021)**	**28,199,749**

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 2019 figures.

BALANCE SHEET

ASSETS

1. Intangible assets

Intangible assets (Euro/thousands)	**31/12/2020**	**31/12/2019**
Intangible assets with finite useful life	7,445	30,194
Intangible assets with indefinite useful life	-	92,505
Total intangible assets	**7,445**	**122,699**

The availability and use of intangible assets recognized in these financial statements are not subject to any lien or restriction.
The following tables show changes in the last two years.

Intangible assets with finite useful life (Euro/thousands)	**Titles**	**Licences, rights and content**	**Trademarks**	**Software**	**Cost of development**	**Other and under construction**	**Total**
Historical cost at 31/12/2018	-	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 31/12/2018	-	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 31/12/2018	-	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**

Intangible assets with finite useful life (Euro/thousands)	**Titles**	**Licences, rights and content**	**Trademarks**	**Software**	**Cost of development**	**Other and under construction**	**Total**
Historical cost at 31/12/2019	17,372	3,551	15,795	15,543	4,594	1,791	58,646
Historical cost transferred	(17,372)	(3,551)	(15,795)	(2,589)	(4,586)	(1,176)	(45,069)
Capital expenditure	-	-	-	465	-	145	610
Disposals	-	-	-	-	-	-	-
Reclassifications	-	-	-	615	-	(615)	-
Historical cost at 31/12/2020	-	-	-	14,034	8	145	14,187
Accumulated amortization and impairment loss at 31/12/2019	8,943	2,560	6,301	5,967	4,068	614	28,453
Accumulated amortization and impairment loss transferred	(8,943)	(2,560)	(6,301)	(1,893)	(4,068)	(614)	(24,379)
Amortization	-	-	-	2,666	3	-	2,669
Write-downs	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
Reclassifications	-	-	-	-	-	-	-
Accumulated amortization and impairment loss at 31/12/2020	-	-	-	6,740	3	-	6,743
Net book value at 31/12/2019	8,429	991	9,494	9,576	526	1,177	30,193
Net book value at 31/12/2020	**-**	**-**	**-**	**7,294**	**6**	**145**	**7,445**

The most significant changes in “Intangible assets with finite useful life” in 2020 were the following:
- the transfer of assets on 1 January 2020, in which all of the fixed assets relating to the print and digital magazine business area were transferred to Mondadori Media S.p.A.
- the reclassification from “Other and under construction” refers to the classification under assets of the amounts of assets under construction in 2019 of capital expenditure in software related to the management of the GDPR and the migration and processing of the interfaces of the Magazines area software following transfer;
- capital expenditure, amounting to Euro 610 thousand, refers mainly to the relocation of the data centre, the installation of time and attendance systems, and various software and licences, including those relating to technology porting or to the migration of media business systems to the subsidiary Mondadori Media S.p.A.

Intangible assets with indefinite useful life (Euro/thousands)	**Titles**	**Trademarks**	**Goodwill**	**Total**
Historical cost at 31/12/2018	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 31/12/2018	-	-	-	-
Write-downs	-	-	-	-
Reclassifications	-	-	-	-
Impairment loss at 31/12/2019	-	-	-	-
Net book value at 31/12/2018	83,577	1,910	19,429	104,916
Net book value at 31/12/2019	**73,076**	**-**	**19,429**	**92,505**

Intangible assets with indefinite useful life (Euro/thousands)	**Titles**	**Trademarks**	**Goodwill**	**Total**
Historical cost at 31/12/2019	73,076	-	19,429	92,505
Transfer	(73,076)	-	(19,429)	(92,505)
Historical cost at 31/12/2020	-	-	-	-
Impairment loss at 31/12/2019	-	-	-	-
Transfer	-	-	-	-
Write-downs	-	-	-	-
Reclassifications	-	-	-	-
Impairment loss at 31/12/2020	-	-	-	-
Net book value at 31/12/2019	73,076	-	19,429	92,505
Net book value at 31/12/2020	**-**	**-**	**-**	**-**

Assets with indefinite useful life were transferred entirely to Mondadori Media S.p.A. on 1 January 2020 and referred to the title *TV Sorrisi e Canzoni* and the goodwill from the acquisition and subsequent merger of Banzai Media S.r.l.

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

Amortization and impairment loss on intangible assets (Euro/thousands)	**2020**	**2019**
Titles	-	1,238
Licences, rights and content	-	699
Trademarks	-	868
Software	2,666	3,084
Cost of development	3	444
Other	-	221
Total amortization of intangible assets	**2,669**	**6,554**
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	**2,669**	**9,617**

2. Property, plant and equipment

The following tables show changes in the last two years.

Property, plant and equipment (Euro/thousands)	**Land**	**Instrumental buildings**	**Plant and equipment**	**Other tangible assets**	**Total**
Historical cost at 31/12/2018	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 31/12/2018	-	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 31/12/2018	903	1,690	848	1,961	5,402
Net book value at 31/12/2019	**903**	**1,534**	**828**	**2,100**	**5,365**

Property, plant and equipment (Euro/thousands)	**Land**	**Instrumental buildings**	**Plant and equipment**	**Other tangible assets**	**Total**
Historical cost at 31/12/2019	903	5,488	10,428	14,483	31,302
Transfer	-	-	-	(3,686)	(3,686)
Capital expenditure	-	-	415	1,861	2,276
Disposals	-	-	-	(36)	(36)
Reclassifications	-	-	16	(16)	-
Historical cost at 31/12/2020	903	5,488	10,858	12,606	29,855
Accumulated depreciation and impairment loss at 31/12/2019	-	3,954	9,600	12,383	25,937
Transfer	-	-	-	(3,354)	(3,354)
Depreciation	-	133	222	744	1,099
Disposals	-	-	-	(33)	(33)
Write-downs	-	-	8	296	305
Reclassifications	-	-	-	-	-
Accumulated depreciation and impairment loss at 31/12/2020	-	4,087	9,831	10,036	23,953
Net book value at 31/12/2019	903	1,534	828	2,100	5,365
Net book value at 31/12/2020	**903**	**1,401**	**1,028**	**2,570**	**5,902**

Other tangible assets (Euro/thousands)	**31/12/2020**	**31/12/2019**
Industrial and commercial equipment	100	98
Electronic office equipment	876	799
Office furniture, facilities and fittings	315	314
Leasehold improvements	1,236	816
Motor vehicles	-	34
Assets under construction and advances	43	39
Total other tangible assets	**2,570**	**2,100**

Capital expenditure in the year regarded:

- plant and equipment, mostly for making the premises safe and equipping them with emergency health management tools, amounting to Euro 483 thousand;
- data processing tools (personal computers and local networks) to equip the workforce with the means required for the greater use of smart working, as well as the related network security, amounting to Euro 738 thousand;
- the Segrate offices (improvements, office automation, furniture and equipment, plant) for Euro 955 thousand.

Depreciation of property, plant and equipment

Depreciation and impairment loss of property, plant and equipment (Euro/thousands)	**2020**	**2019**
Instrumental buildings	133	156
Plant and equipment	234	217
Equipment	49	74
Electronic office equipment	377	409
Furniture and fittings	75	85
Motor and transport vehicles	-	9
Leasehold improvements	535	111
Total depreciation of property, plant and equipment	**1,404**	**1,061**

In 2020, write-downs of Euro 305 thousand were made, referring mainly to leasehold improvements over the years at the Segrate via Rivoltana offices, released in December 2020.
The availability and use of property, plant and equipment recognized in these financial statements are not subject to any lien or restriction.

With regard to the properties owned in Milan, the fair value was determined through an independent third-party valuation.

3. Assets from rights of use

The following tables show changes in the last two years:

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
Accumulated depreciation at 31/12/2019	5,478	81	264	5,823
Net book value at 31/12/2019	**52,848**	**189**	**1,284**	**54,321**

Assets from rights of use (Euro/thousands)	**Buildings**	**Motor vehicles**	**Office equipment**	**Total**
Historical cost at 31/12/2019	58,325	270	1,548	60,143
Transfer	-	(83)	-	(83)
Capital expenditure	-	161	-	161
Disposals	(1,749)	-	-	(1,749)
Historical cost at 31/12/2020	56,576	347	1,548	58,471
Accumulated depreciation at 31/12/2019	5,478	81	264	5,823
Transfer	-	(23)	-	(23)
Depreciation	5,506	98	257	5,861
Disposals	(636)	-	-	(636)
Accumulated depreciation at 31/12/2020	10,348	157	520	11,024
Net book value at 31/12/2019	52,848	189	1,284	54,321
Net book value at 31/12/2020	**46,228**	**191**	**1,028**	**47,447**

In 2020, net disposals for Euro 1,113 thousand were recorded in particular for the Segrate via Rivoltana offices, while increases of Euro 161 thousand were recorded, relating primarily to motor vehicles.

The normal depreciation process involved costs of Euro 5,861 thousand.

4. Investments

The Company exercises 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. The Company therefore adjusts their amounts also taking account of the net assets presented in the Group's consolidated financial statements, which include the amounts of goodwill and other net assets identified on acquisition. The impairment test on investments follows the same procedures as the test at consolidated level.

"Investments", amounting to Euro 363,280 thousand (Euro 434,105 thousand), consists of the cost of investments for Euro 381,106 thousand, their adjustment to equity for a total net negative of Euro 19,401 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 Euro 1,575 thousand. The detail for each subsidiary and associate is shown in Annexes A and B.

The decrease versus 2019 is due mainly to the lower write-back of the investment in Mondadori Libri S.p.A. for the result for the period, net of the reduction from dividends received from it, as well as the write-down of the investment in Mondadori Media S.p.A.

Investments are broken down as follows:

Investments (Euro/thousands)	**31/12/2020**	**31/12/2019**
Subsidiaries	351,757	417,584
Associates	11,460	16,458
Other companies	63	68
Total investments	**363,280**	**434,105**

Changes in investments in subsidiaries over the past two years are shown below:

Subsidiaries (Euro/thousands)	**31/12/2020**	**31/12/2019**
Opening amount	**417,584**	**384,636**
Increases:		
- purchases, establishments and capital contributions	37,500	1,000
- transfer of Media business unit	29,411	-
- granting of performance share	330	452
- pro-rata share of the result	46,081	63,191
- other changes	-	471
Total increases	***113,322***	***65,114***
Decreases:		
- reversal of dividends	(120,200)	(29,975)
- pro-rata share of the result	(27,461)	(2,150)
- reclassification from provisions for risks	(4,168)	-
- sale of investments through transfer	(24,692)	-
- other changes	(2,628)	(41)
Total decreases	***(179,149)***	***(32,166)***
Closing amount	**351,757**	**417,584**

"Purchases, establishments and capital contributions" refers to capital contributions for:
• Mondadori Media S.p.A. for Euro 25,000 thousand;
• Mondadori Retail S.p.A. for Euro 12,500 thousand.

Increases in investments as a result of the performance share plan are the following:
• Mondadori Libri S.p.A. for Euro 153 thousand;
• Mondadori Media S.p.A. for Euro 115 thousand;
• Mondadori Retail S.p.A. for Euro 62 thousand.

The "Pro-rata share of the result" included in the increases reflects the positive results of Mondadori Libri S.p.A. for Euro 46,081 thousand.

"Reversal of dividends" included in decreases refers to dividends received during the year from Mondadori Libri S.p.A. for Euro 120,200 thousand.

The "Pro-rata share of the result" included in the decreases reflects the negative results of the following companies:
• Mondadori Retail S.p.A. for Euro 2,681 thousand;
• Mondadori Media S.p.A. for Euro 24,780 thousand.

"Reclassification from provisions for risks" relates entirely to Mondadori Retail S.p.A., the impairment of which in 2019 exceeded the cost.

“Sale of investments through transfer” refers to the following companies:
• Mondadori Scienza for Euro 8,709 thousand;
• Direct Channel S.p.A. for Euro 7,631 thousand;
• Press-Di Distribuzione Stampa e Multimedia S.r.l. for Euro 928 thousand;
• AdKaora S.r.l. for Euro 7,424 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 and joint ventures over the past two years:

Associates and joint ventures (Euro/thousands)	**31/12/2020**	**31/12/2019**
Opening amount	**16,459**	**20,034**
Increases:		
- purchases, establishments and capital contributions	1,516	6,190
- pro-rata share of the result	-	53
- other changes	4	-
Total increases	***1,520***	***6,243***
Decreases:		
- pro-rata share of the result	(3,777)	(6,899)
- value adjustments	(1,600)	(2,900)
- sale of investments	(1,055)	(8)
- other changes	(87)	(12)
Total decreases	***(6,519)***	***(9,819)***
Closing amount	**11,460**	**16,459**

“Purchases, establishments and capital contributions” refers to the capital contributions to Società Europea di Edizioni S.p.A.

The “Pro-rata share of the result” included in the decreases reflects the negative results of the following companies:
• Monradio S.r.l. for Euro 1,633 thousand;
• Attica Publications S.A. for Euro 500 thousand;
• Società Europea di Edizioni S.p.A. for Euro 1,644 thousand;

“Value adjustments” included in decreases reflects:
• the effect of the impairment of the investment in Attica Publications S.A., amounting to Euro 1,600 thousand.

“Sale of investments” refers to:
• the sale of 18.45% of the shares in Società Europea di Edizioni S.p.A., equal to half of the stake held in 2019;
• the sale of the remaining 25% of the shares in Stile Italia Edizioni S.r.l. for Euro 55 thousand.

Other changes reflect all the changes in the equity of the associates that have no effect on the income statement.

Impairment test

In preparing the financial statements at 31 December 2020, particular attention was paid to the identification of any impairment indicators, given also the changed macroeconomic context marked by the effects of Covid-19, which had a significant impact on the relevant markets of the subsidiaries.

In the Books area, Group revenue was down by approximately 12%, while the Retail area saw an approximately 18% drop, due primarily to the suspension of activities by bookstores throughout the country during the first lockdown period and the restrictive measures imposed on weekends in the fourth quarter of the year.

In the second half of the year, the Trade unit of the Books area was able to recover a large part of revenue lost during lockdown, thanks also to the contribution from the growth in online sales.

In 2020, the Media segment reported a 28% decline in advertising revenue, a 26% reduction in revenue from add-on products, and a 24% fall in circulation revenue. These reductions, versus the prior year, include not only the impact of Covid-19, but also the effects from the sale of five titles at the end of 2019.

Against this backdrop, the Mondadori share price at 30 December 2020 stood at Euro 1.51 (Euro 2.06 at 31 December 2019). As a result of this trend, market capitalization versus 31 December 2019 fell sharply, but remains still far higher than booked equity (market capitalization at 30 December 2020 stood at Euro 395 million versus a consolidated equity at the same date of Euro 172 million).

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 indications 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.

The impairment testing process includes, among others:
- the identification of individual assets or the smallest Cash Generating Unit that generates independent cash flows;
- assessment of the carrying amount of the CGUs by determining their recoverable value, as the higher of fair value, less costs to sell, and value in use determined on the basis of the cash flow projections deriving from the most recent financial plans approved by the Board of Directors.

Identification of Cash Generating Units

The following table provides details of the assets identified on acquisition of the subsidiaries subject to impairment testing, shown net of amortization/depreciation and impairment losses recorded during the year, as well as their CGUs.

Cash Generating Unit (Euro/thousands)	Trademarks and series	Other	Goodwill	Total
CGU former Gruner+Jahr Mondadori	2,619		91	2,710
Digital CGU			5,168	5,168
Einaudi CGU	2,991		286	3,277
Education CGU	217		7,145	7,362
Other CGUs			2,754	2,754
Investments		6,061		6,061
Total assets subject to impairment test				**27,332**

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%.

On conclusion of the purchase price allocation process, the higher price paid against the book values acquired was allocated to the *Focus* trademark, the related subscriber list, fully amortized at 31 December 2020, and, for the remaining portion, to goodwill.

Assets identified in the purchase price allocation, except for goodwill, qualify as having finite useful life.

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 women, food, health & wellness segments.

On conclusion of the purchase price allocation process, the higher price paid was allocated to AdKaora's goodwill.

Einaudi Cash Generating Unit

This CGU includes the publishing series of Casa Editrice Einaudi, acquired in several tranches between 1989 and 1994; these assets qualify as having indefinite useful life.

Education Cash Generating Unit

These CGUs include series and publishing lines referring to the production of textbooks for the different levels and grades of the Italian school system.

These assets qualify as indefinite useful life; for the purposes of the impairment test, all the legal entities, Mondadori Education S.p.A. and Rizzoli Education S.p.A., were considered as cash generating units.

Other Cash Generating Units

This group of CGUs, each of which independent, comprises:

- the value of the bookclub member database of former Mondolibri S.p.A., amounting to Euro 2,500 thousand;
- goodwill from the acquisition of Abscondita S.r.l., amounting to Euro 254 thousand.

Investments

These CGUs are represented by the implicit goodwill related to investments in the Attica Publications S.A. group and Società Europea di Edizioni S.p.A.

Assessment of the recoverable value

The carrying amount of the CGUs is assessed by determining their recoverable value, which is the higher of value in use and fair value.

With regard to the CGUs measured through value in use, the impairment test was based on the projection of cash flows deriving from the Medium-Term Plan, drawn up for the years 2021-2023, and the 2021 Budget, in relation to which the Board of Directors reviewed the guidelines and approved the contents on 10 November 2020 and 11 February 2021, respectively. The above cash flows reflect the uncertainties of the current market and expectations regarding the performance of the Group's areas of operation.

The table shows the criteria used in the valuation of the various CGUs, as well as the main elements for assessing their recoverable value.

Cash Generating Unit	Criterion used	Economics	Growth rate on terminal value	Discounting rate
CGU former Gruner+Jahr Mondadori	Fair value	Revenue 2021-2023	g = -5%	6.41%
Digital CGU	Value in use	EBITDA 2021-2023	g = 0%;	6.41%
Einaudi CGU	Value in use	Cash Flow 2021-2023	g = 0%	6.40%
Education CGU	Value in use	Cash Flow 2021-2023	g = 0%	6.40%
Other CGUs	Value in use	EBITDA 2021-2023	g = 0%	6.40%
Investments	Value in use / Fair value	EBITDA 2021-2025	g = 0%	7.40%

Specifically, when performing the impairment test:

- with regard to the values of the Gruner+Jahr Mondadori CGU, in relation to the *Focus* brand, 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. A royalty rate of 4%, based on a panel of international licensing agreements, was used; the estimated growth rate (g) for the period following the explicit years of the Medium-Term Plan is -5%.
- with regard to the values of the Digital CGU, to which goodwill has been allocated, the value in use was determined on the basis of income statement figures, which are deemed to be representative of the related cash flows. The growth rate (g), estimated for the period following the explicit years of the Medium-Term Plan, is 0%;
- with regard to the Einaudi and Education CGUs (Mondadori Education and Rizzoli Education), the value in use was determined on the basis of the cash flows of the respective companies. The growth rate (g), estimated for the period following the explicit years of the Medium-Term Plan, is 0%;
- with regard to the other CGUs, the value in use of the bookclub was determined on the basis of the income statement figures, including structural and maintenance costs. The growth rate (g), estimated for the period following the explicit years of the Medium-Term Plan, is 0%. With regard to the goodwill arising from the acquisition of Abscondita S.r.l., effective as from 1 January 2020, the amount paid was deemed to be representative of the fair value;
- with regard to the Attica Publications S.A. group, the value in use was determined on the basis of cash flow projections drawn from the long-term plans approved by the Board of Directors of the same group;
- with regard to Società Europea di Edizioni S.p.A., in which the Group holds an 18.445% stake, the fair value was determined on the basis of the transaction carried out in 2020, involving the sale by Mondadori of 18.445% of Società Europea di Edizioni S.p.A.

Determination of the discount 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 on the basis of 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:

- the cost of equity (ke) was determined on the basis of the CAPM model (Capital Asset Pricing Model), as referred to in IAS 36, as the sum of (i) the risk-free investment return, (ii) a risk premium, determined against the systematic risk on the investment under review and (iii) an additional premium linked to the size risk. Specifically:
  - 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, taking the annual average as a reference;
  - the risk premium was determined through the product resulting from the beta coefficient and the difference between the market performance (mp) and risk-free rate (equity risk premium), determined taking account of a sufficiently large time horizon. Specifically, the beta coefficient was calculated by considering the normalized average of market unlevered betas of a panel of comparable companies, distinguishing the book publishing business from the magazine publishing business, in order to intercept the different systematic risk. With regard to the equity risk premium, reference was made to the equity risk component for AAA countries (4.72%) and the country risk premium component (2.13% for Italy and 3.49% for Greece); both figures were drawn from the estimates published by Damodaran in January 2021.
- the cost of debt (kd) was determined 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 Group;
- the weight attributed to equity and non-controlling interests' equity was calculated based on the normalized average of a panel of comparable companies.

Results of the impairment test

The results of the impairment test required the write down of:

- the investment in Mondadori Scienza S.p.A. (with regard to the impairment test carried out on the Gruner Jahr Mondadori CGU) for Euro 2.2 million;
- the investment in the Attica Publications S.A. group for Euro 1.6 million.

Sensitivity to changes in the assumptions

For the amounts relating to the CGUs indicating no impairment loss, sensitivity analyses were carried out to corroborate the results of the test, increasing the discount rate by 0.5% and reducing the cash flows by 5%, while maintaining the other assumptions unchanged.

The results of the 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.

5. Non-current financial assets

“Non-current financial assets”, amounting to Euro 500 thousand (Euro 12,286 thousand at 31 December 2019), is broken down as follows:

Non-current financial assets (Euro/thousands)	**2020**	**2019**
Medium-long term financial receivables from associates	500	500
Medium-long term financial receivables from third parties	2,961	14,761
Provision for bad debts on financial receivables from third parties	(2,961)	(2,975)
Total non-current financial assets	**500**	**12,286**

Financial receivables from associates refer to the intercompany loan granted to Attica Publications S.A.
Financial receivables from third parties consisted of the financial receivable from Reworld Media for the deferred payment from the sale of the subsidiary Mondadori France which, maturing on 31 July 2021, was reclassified under current financial assets.

6. Pre-paid tax assets and deferred tax liabilities

Tax assets of Euro 1,998 thousand (Euro 6,246 thousand at 31 December 2019) and tax liabilities of Euro 1,264 thousand (Euro 28,268 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. The change versus the prior year is due primarily to the amounts transferred to the subsidiary Mondadori Media S.p.A., as described in paragraph 7.

(Euro/thousands)	**31/12/2020**	**Transfer 01/01/2020**	**31/12/2019**
Pre-paid IRES	1,991	3,781	6,209
Pre-paid IRAP	7	27	37
Total pre-paid tax assets	**1,998**	**3,807**	**6,246**
Deferred IRES	1,227	22,350	24,605
Deferred IRAP	37	3,626	3,663
Total deferred tax liabilities	**1,264**	**25,976**	**28,268**

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

(Euro/thousands)	31/12/2020			31/12/2019		
	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	337	24.0%	81	958	24.0%	230
Provision for bad debts	-	24.0%	-	362	24.0%	87
Write-down of inventory	-	24.0%	-	128	24.0%	31
Provisions	6,231	24.0%	1,495	21,963	24.0%	5,271
Other temporary differences	1,729	24.0%	415	2,461	24.0%	591
Total for IRES purposes	**8,297**		**1,991**	**25,872**		**6,209**
Difference between book value and tax value of fixed assets	180	3.9%	7	815	3.9%	32
Write-down of inventory	-	3.9%	-	128	3.9%	5
Total for IRAP purposes	**180**		**7**	**943**		**37**

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

(Euro/thousands)	31/12/2020			31/12/2019		
	Amount of temporary differences	Current tax rate	Deferred tax	Amount of temporary differences	Current tax rate	Deferred tax
Difference between book value and tax value of fixed assets	785	24.0%	188	93,979	24.0%	22,555
Write-back of investments measured at equity	4,326	24.0%	1,038	8,542	24.0%	2,050
Total for IRES purposes	**5,111**		**1,227**	**102,521**		**24,605**
Difference between book value and tax value of fixed assets	949	3.9%	37	93,922	3.9%	3,663
Total for IRAP purposes	**949**		**37**	**93,922**		**3,663**

Changes in pre-paid and deferred tax amounts resulted in income of Euro 686 thousand as shown in Note 28. The reduction in deferred tax assets and liabilities is due primarily to the transfer to Mondadori Media S.p.A. of the Media division's share of provisions for risks, provisions for bad debts and inventory, fixed assets such as titles and trademarks, and investments in companies in the magazine and media areas. Additionally, a reduction in the value of deferred tax liabilities was attributable to the lower write-back of investments measured at equity.

7. Other non-current assets

“Other non-current assets”, amounting to Euro 763 thousand (Euro 981 thousand at 31 December 2019), is broken down and commented on below:

Other non-current assets (Euro/thousands)	**31/12/2020**	**Transfer 01/01/2020**	**31/12/2019**
Security deposits	33	51	88
Medium-long term tax receivables from Fininvest	-	-	140
Medium-long term receivable disposal Stile Italia Edizioni	730	-	752
Total other non-current assets	**763**	**51**	**981**

The medium-long term receivable from the disposal of Stile Italia Edizioni from La Verità S.r.l. consists of the last two tranches equal to 50% of the final sale price.

8. Tax receivables

“Tax receivables”, amounting to Euro 10,801 thousand (Euro 8,301 thousand at 31 December 2019), is broken down as follows:

Tax receivables (Euro/thousands)	**31/12/2020**	**Transfer 01/01/2020**	**31/12/2019**
Advances to the Inland Revenue for disputes	8,903	-	9,208
Receivables from the Inland Revenue for VAT	4,673	-	5,599
Receivables from the Inland Revenue for direct and indirect tax to recover	393	27	286
Receivables from Fininvest for IRES	6,118	-	2,665
Provision for bad debts on tax receivables	(9,286)	-	(9,457)
Total tax receivables	**10,801**	**27**	**8,301**

Advances, amounting to Euro 8,903 thousand (Euro 9,208 thousand at 31 December 2019), 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 Euro 4,673 thousand (Euro 5,599 thousand at 31 December 2019), include Euro 4,642 thousand from the Group’s VAT receivable accrued in the last three years, still pending a reimbursement claim. The reduction versus 2019 is due mainly to the lower VAT receivable accrued in 2020 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 Euro 393 thousand (Euro 286 thousand at 31 December 2019), refer to the receivable for withholdings paid abroad of Euro 382 thousand, written off, and to VAT receivables remaining from the liquidation of Glaming S.r.l. of Euro 11 thousand.

The receivable from Fininvest S.p.A. relating to IRES of Euro 6,118 thousand (Euro 2,665 thousand at 31 December 2019) includes the amount due from the parent company for the tax receivable in the year of Euro 2,153 thousand and, for the residual amount still to be paid of the “Patent Box” facility for Euro 3,964 thousand. On 29 September 2020, the Company signed an agreement with the Revenue Agency on the so-called “Patent Box”, pursuant to Article 1, paragraph 39, of Law no. 190 of 23 December 2014, envisaging a reduced rate of income taxation (also known as contribution) deriving from trademarks attributable to the following titles: *TV Sorrisi e Canzoni*, *Telepiù*, *Guida TV*, *Chi*, *Donna Moderna*, and *Interni*. The “residual profit split” method was used to determine the contribution. This approach requires isolating the income attributable to the ordinary functions from the income result of the company, allowing, by difference, the determination of the residual profit or loss deriving from the use of intangible assets. The agreement determined, for the years 2015-2019, a reduction in taxable income in the amount of 30% in 2015, 40% in 2016 and 50% in the following three years. The cumulative saving for the five years in terms of lower IRES amounts to Euro 5,203 thousand. The receivable relating to the lower IRES in 2019 of Euro 731 thousand and part of the 2015-2018 portion, amounting to Euro 508 thousand, has been collected in full to date. 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 tax purposes until 2015, except for the indications provided in Note 28 Commitments and potential liabilities. With regard to 2015, a tax audit was carried out by the Revenue Agency, with no findings to report. For income tax purposes, the last tax period defined with regard to cases of tax cheating is the period relating to the year ended 31 December 2015, although the related tax acts may be served from 1 February 2021 to 31 January 2022. As a result, the possibility of an audit for tax periods from 2016 still remains.

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 Euro 2,240 thousand (Euro 3,879 thousand at 31 December 2019), includes:

Other current assets (Euro/thousands)	**31/12/2020**	**Transfer 01/01/2020**	**31/12/2019**
Prepayments	1,657	1,549	2,553
Short-term receivable disposal 75% Stile Italia Edizioni	376	-	752
Receivables from personnel	62	69	131
Receivables from suppliers	16	72	74
Receivables from social security institutions	37	44	42
Other receivables from Group companies	-	24	23
Other receivables	91	298	305
Total other current assets	**2,240**	**2,056**	**3,879**

The short-term receivable from the disposal of Stile Italia Edizioni from La Verità S.r.l. consists of 25% of the final sale price for the portion due by 2021.

“Prepayments”, amounting to Euro 1,657 thousand (Euro 2,553 thousand at 31 December 2019), refers to:

(Euro/thousands)	31/12/2020	31/12/2019
Other prepayments (rents, subscriptions, membership fees)	1,174	984
Rentals	479	492
Freelance prepayments	4	380
Promotional campaigns	-	696
Accrued income	-	1
Total prepayments	**1,657**	**2,553**

Other prepayments refer to rents, subscriptions, leases, licenses and membership fees, accounted for but relating to future years.
Prepayments for freelance costs and promotional campaigns run in 2019 related to costs previously incurred for the purchase of content, journalistic reports or photographic or promotional material that were suspended as they pertained to future publications. In 2020, this will no longer be the case following transfer of the media business to the subsidiary Mondadori Media S.p.A.

10. Inventory

“Inventory” was written off following transfer of the Media unit to Mondadori Media S.p.A.:

Inventory (Euro/thousands)	31/12/2020	Transfer 01/01/2020	31/12/2019
Raw and ancillary materials and consumables	-	2,662	2,662
Write-down of raw and ancillary materials and consumables	-	(128)	(128)
Total raw and ancillary materials and consumables	**-**	**2,534**	**2,534**
Work in progress and semi-finished goods	-	2,555	2,555
Write-down of work in progress and semi-finished goods	-	-	-
Total work in progress and semi-finished goods	**-**	**2,555**	**2,555**
Finished products and goods	-	-	-
Write-down of finished products and goods	-	-	-
Total finished products and goods	**-**	**-**	**-**
Total inventory	**-**	**5,089**	**5,089**

Decrease (increase) in inventory to the income statement

Decrease (increase) in inventory (Euro/thousands)	**2020**	**2019**
Transfer of semi-finished products	-	(117)
Allocation to the provision for write-downs of semi-finished goods	-	-
Utilization of the provision for semi-finished goods	-	-
Total changes in inventory of semi-finished goods	**-**	**(117)**
Transfer of semi-finished raw and ancillary materials and consumables	-	282
Transfer of provisions for the write-down of raw and ancillary materials and consumables	-	(7)
Provision for raw and ancillary materials and consumables		
Utilization of the provision for write-downs of raw and ancillary materials and consumables	-	-
Total changes in raw and ancillary materials and consumables	**-**	**275**
Total decrease (increase) in inventory	**-**	**158**

No inventory is subject to restriction to cover liabilities.

11. Trade receivables

“Trade receivables”, amounting to Euro 13,726 thousand (Euro 46,858 thousand at 31 December 2019), is broken down as follows:

Trade receivables (Euro/thousands)	**31/12/2020**	**Transfer 01/01/2020**	**31/12/2019**
Receivables from customers	1,502	4,210	4,991
Receivables from associates	140	30,981	31,396
Receivables from subsidiaries	12,061	709	10,458
Receivables from parent companies	23	-	13
Total trade receivables	**13,726**	**35,900**	**46,858**

Trade receivables do not include balances due over five years; the average collection period, calculated using the count back method, in 2020 was 104.1 days, down versus 141.6 days in 2019.

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

As shown in the table above, receivables have undergone a drastic reduction as a result of the transfer of the Media business to the subsidiary Mondadori Media S.p.A.; trade receivables from subsidiaries of Euro 12,061 thousand (Euro 10,458 thousand at 31 December 2019) and trade receivables from associates of Euro 140 thousand (Euro 31,396 thousand at 31 December 2019) refer to trade transactions performed at standard market conditions. The breakdown by company and the changes versus 2019 are shown in Annex C1.

Receivables from customers amount to Euro 1,502 thousand (Euro 4,991 thousand at 31 December 2019):

Trade receivables - Receivables from customers (Euro/thousands)	**31/12/2020**	**Transfer 01/01/2020**	**31/12/2019**
Receivables from customers	1,513	4,748	5,538
Provision for bad debts	(11)	(538)	(547)
Total receivables from customers	**1,502**	**4,210**	**4,991**

The changes in the provision for bad debts of Euro 11 thousand (Euro 547 thousand at 31 December 2019) are detailed below

Trade receivables - Receivables from customers - Provision for bad debts (Euro/thousands)	**31/12/2020**	**31/12/2019**
Balance at beginning of year	547	486
Changes in the year:		
- transfer	(538)	
- provisions	8	185
- utilizations	(6)	(124)
Total provision for bad debts	**11**	**547**

The provision, considered appropriate to cover possible risks of insolvency, 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 determined taking account of the back data of losses.

12. Other current financial assets

"Other current financial assets", amounting to Euro 47,722 thousand (Euro 52,630 thousand at 31 December 2019), includes:

Other current financial assets (Euro/thousands)	**31/12/2020**	**31/12/2019**
Securities measured at fair value "held for trading"	5,372	23,591
Financial receivables:		
- financial receivables from subsidiaries	31,945	28,970
- other financial receivables	10,406	69
Total financial receivables	**42,350**	**29,039**
Total other current financial assets	**47,722**	**52,630**

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 1,694,534, with a Euro 3.17 price per share on 31/12/2020, 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), and net of the sales of 6,884,104 shares at the average sale price of Euro 2.73/share.
The fair value measurement of the shares and the capital gains from the sales resulted in the recognition of a positive component of Euro 564 thousand under financial income in the income statement.

Financial receivables from subsidiaries of Euro 31,945 thousand (Euro 28,970 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 2020 by the subsidiary Mondadori Libri S.p.A.
The breakdown by company and the changes versus 2019 are shown in Annex C1.

Other financial receivables refer to the deferred payment due from Reworld Media, for the sale of the subsidiary Mondadori France maturing on 31 July 2021.

13. Cash and cash equivalents

"Cash and cash equivalents", amounting to Euro 101,676 thousand (Euro 35,609 thousand at 31 December 2019), includes receivables from banks of Euro 101,675 thousand, and Euro 1 thousand in cash and cash on hand.

Cash and cash equivalents (Euro/thousands)	**31/12/2020**	**Transfer 01/01/2020**	**31/12/2019**
Cash and cash on hand	1	-	1
Bank deposits	101,675	16	35,608
Total cash and cash equivalents	**101,676**	**16**	**35,609**

The fair value of cash and cash equivalents at 31 December 2020 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 17 Financial liabilities.

LIABILITIES

14. Equity

The share capital of Euro 67,979 thousand is fully subscribed and paid up and is divided into 261,458,340 ordinary shares with a par value of Euro 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 31/12/2018	**67,979**	**(2,282)**	**2,413**	**447**	**(1,042)**	**251,590**	**(177,131)**	**141,975**
Changes in:								
- allocation of result						(177,131)	177,131	-
- purchase of treasury shares		(2,658)						(2,658)
- provision performance shares			1,898					1,898
- 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**

(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 31/12/2019	**67,979**	**(4,940)**	**4,311**	**563**	**(977)**	**74,896**	**28,200**	**170,032**
Changes in:								
- allocation of result						28,200	(28,200)	-
- purchase of treasury shares		(605)						(605)
- provision performance shares			885					885
- granting performance shares		2,774	(3,052)			278		-
- other changes						8		8
- comprehensive profit/(loss)				(50)	354	(2,718)	4,503	2,089
Balance at 31/12/2020	**67,979**	**(2,771)**	**2,144**	**513**	**(623)**	**100,664**	**4,503**	**172,409**

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	87,257	A, B, C	87,257	87,257
IAS/IFRS:				
- reserves for investments measured at equity	(189)	B	(189)	(189)
- post-employment discounting reserve	513	B	513	
- performance share reserve	2,144	B	2,144	
- cash flow hedge reserve	(623)	B	(623)	(623)
Treasury shares held	(2,771)		(2,771)	(2,771)
Total	**167,906**		**99,927**	**83,674**
Undistributable portion [*]				4,812
Residual distributable portion				78,862

Key: A: for capital increases - B: to cover losses - C: for distribution to Shareholders
[*] 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

The Company holds no. 1,838,326 treasury shares in its portfolio at 31 December 2020, the result of purchases on the MTA for a total of no. 550,000 treasury shares (equal to 0.210% of the share capital) at an average unit price of Euro 1.098 and the allocation to beneficiaries of no. 1,649,967 shares related to the 2017-2019 performance share plan closed with the approval of the 2019 financial statements. The valuation of shares held in portfolio amounted to Euro 2,771 thousand at 31 December 2020.
The purchases were authorized by the Shareholders' Meeting of 22 April 2020, following expiry of the term relating to the previous authorization approved on 17 April 2019, and is instrumental in the implementation of future long-term incentive plans (performance share) approved at the same meeting for the 2020-2022 period. This is an additional plan to those approved by the Shareholders' Meeting on 17 April 2019 and 24 April 2018 for the three-year period 2019-2021 and the three-year period 2018-2020 respectively.

Other reserves

"Other reserves" includes:
- a legal reserve of Euro 13,596 thousand, unchanged versus the prior year;
- an extraordinary reserve of Euro 87,258 thousand (Euro 58,779 thousand);
- other reserves, including the reserve for changes in investments that are not recorded in the Income statement, and the translation reserve, amounting to a negative Euro 189 thousand (Euro 2,520 thousand).

15. Provisions

“Provisions”, amounting to Euro 5,612 thousand (Euro 26,057 thousand at 31 December 2019) in the year, is broken down as follows:

Provisions (Euro/thousands)	31/12/2019	Transfer	Allocations	Utilizations	31/12/2020
Provision for legal risks	11,092	(6,623)	-	(1,000)	3,469
Provision for INPGI contribution dispute	1,899	-	-	-	-
Provision for charges on advertising receivables	4,694	(4,694)	-	-	-
Provision for charges on subscription receivables	324	(324)	-	-	-
Provision for charges on tax disputes	400	-	-	(400)	-
Provision for investment risks	4,168	-	-	(4,168)	-
Provision for other charges	3,480	(636)	1,413	(2,113)	2,143
Total provisions	**26,057**	**(14,175)**	**1,413**	**(7,681)**	**5,612**

The provisions relating to the Media business were transferred to the business unit on 1 January 2020 in the amount of Euro 14,175 thousand. Residual provisions are intended to cover potential liabilities from legal disputes, contractual clauses and commitments, and tax and contribution disputes. A provision of Euro 1,530 thousand was set aside in other provisions for risks to cover guarantees provided to counterparties on the disposal 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 at 31 December 2019 referred to the subsidiary Mondadori Retail S.p.A., which had negative equity. The provision was entirely reclassified as a reduction in the value of the investment, as it includes a positive equity at 31 December 2020, due mainly to the capital contribution made during the year.

16. Post-employment benefits

Post-employment benefits, amounting to Euro 2,882 thousand (Euro 8,772 thousand at 31 December 2019), are composed as follows:

Post-employment benefits (Euro/thousands)	31/12/2020	31/12/2019
Provision for post-employment benefits (TFR)	2,882	8,750
Provision for journalists (IFGP)	-	22
Total post-employment benefits	**2,882**	**8,772**

Changes in the year are detailed below:

Post-employment benefits - Details (Euro/thousands)	**Post-employment benefits**	**IFGP**	**Total**
Balance at 31/12/2019	**8,750**	**22**	**8,772**
Changes in 2020:			
- utilizations	(208)		**(208)**
- transfer of Media business unit	(5,340)	(22)	**(5,362)**
- transfer of unit other companies	(379)	-	**(379)**
- transfers Group companies	(26)	-	**(26)**
- discounting	96		**96**
- other	(11)	-	**(11)**
Balance at 31/12/2020	**2,882**	**-**	**2,882**

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	**31/12/2020**	**31/12/2019**
Economic assumptions:		
- increase in cost of living	0.50%	0.80%
- discounting rate	0.34%	0.79%
Demographic assumptions:		
- probability of death	IPS55 tables	IPS55 tables
- probability of disability	INPS-2000 tables	INPS-2000 tables
- probability of leaving for other reasons	5.16%	7.63%
- 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 Euro 0.1 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 Euro 1,173 thousand and is broken down as follows:

Cost of post-employment benefits (Euro/thousands)	**2020**	**2019**
Cost of post-employment benefits allocated to supplementary pension plans	1,143	3,919
Financial expense	30	162
Total cost of post-employment benefits	**1,173**	**4,081**

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.

17. Financial liabilities

"Non-current financial liabilities", amounting to Euro 109,991 thousand (Euro 143,485 thousand at 31 December 2019), is broken down as follows:

Non-current financial liabilities (Euro/thousands)	**Actual interest rate**	**Maturity over 5 years**	**31/12/2020**	**31/12/2019**
Medium-long term loans and borrowings	1.08%	-	65,681	92,264
Medium-long term financial payables IFRS 16	-	18,054	43,490	50,227
Liabilities from derivatives	-	-	820	994
Total non-current financial liabilities		**18,054**	**109,991**	**143,485**

"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 IFRS 16 accounting standard, the changes in the current year of which were as follows:

(Euro/thousands)	**31/12/2019**	**Increase**	**Decrease**	**Reclassification**	**31/12/2020**
Medium-long term financial payables to third parties - IFRS 16	50,227	161	(1,730)	(5,166)	43,490
Short-term financial payables to third parties - IFRS 16	5,260		(5,299)	5,166	5,127
Total financial payables IFRS 16	**55,487**	**284**	**(6,908)**	**-**	**48,617**

Liabilities in derivative instruments, amounting to Euro 820 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 Euro 63.3 million and a weighted average rate of 0.199%.

The Company 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.

Additionally, the Company calculates the fair value of current hedge transactions on a monthly basis.

"Payables to banks and other financial liabilities" amounted to Euro 282,639 thousand (Euro 313,946 thousand at 31 December 2019):

Payables to banks and other financial liabilities (Euro/thousands)	**31/12/2020**	**31/12/2019**
Financial payables to subsidiaries	203,441	268,956
Short-term loans	72,200	37,200
Short-term financial payables IFRS 16	5,127	5,260
Other financial payables	1,835	2,512
Accrued liabilities and deferred income	36	18
Total payables to banks and other financial liabilities	**282,639**	**313,946**

Payables to subsidiaries of Euro 203,441 thousand (Euro 268,956 thousand at 31 December 2019) refer mainly to current account transactions negotiated at interest rates in line with market rates. The breakdown by company and the changes versus 2019 are shown in Annex D1.
Short-term loans amounting to Euro 72,200 thousand (Euro 37,200 thousand at 31 December 2019) include the portion of the Line A Amortizing Term Loan of the amortizing pool loan agreement of Euro 27,500 thousand and the use of short-term hot money lines for Euro 44,700 thousand (maturing in January 2021).
Other financial payables of Euro 1,835 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., regarding the price adjustment.
Accrued liabilities and deferred income of Euro 36 thousand (Euro 18 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 31/12/2019**	**Utilizations**	**Repayments**	**Other changes**	**Balance 31/12/2020**
Term Loan A maturity 2022	114,764		(22,500)	917	93,181
Total credit lines	**114,764**		**(22,500)**	**917**	**93,181**

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.

At 31 December 2020, the Leverage Ratio Financial Covenant (debt/EBITDA) resulting from the consolidated annual report was equal to 0.23, far below the cap of 3.25 under the pool loan agreement. The forecasts contained in the medium-term plan show no reasonably foreseeable sign of overshooting the cap in the future.

The Company's overall financial position at 31 December 2020, outlined as per CONSOB recommendations, indicates a net debt of Euro 243,232 thousand (Euro 363,930 thousand at 31 December 2019).

Net financial debt (Euro/thousands)	**31/12/2020**	**31/12/2019**
A. Cash	1	1
- Bank deposits	101,675	35,608
- Postal deposits	-	-
B. Other cash and cash equivalents	101,675	35,608
C. Securities held for trading	5,372	23,591
D. Cash and cash equivalents and other financial assets (A+B+C)	**107,048**	**59,200**
- Financial receivables from subsidiaries	31,945	28,970
- Financial receivables from affiliates	-	-
- Derivatives and other financial assets	10,406	69
Receivables and other current financial assets	42,350	29,040
E. Current financial assets	**42,350**	**29,040**
F. Current bank payables	-	-
- Loans	72,200	37,200
G. Current portion of non-current debt	72,200	37,200
- Financial payables to subsidiaries	203,441	268,956
- Financial liabilities IFRS 16	5,127	5,260
- Derivatives and other financial liabilities	1,871	2,529
H. Other current financial payables	210,439	271,485
I. Payables to banks and other current financial liabilities (F+G+H)	**282,639**	**308,685**
L. Current net financial position (D+E-I)	**(133,240)**	**(220,445)**
- Loans	65,681	92,264
M. Debt non-current portion	65,681	92,264
- Financial liabilities IFRS 16	43,490	50,227
- Other non-current financial payables	820	994
N. Other non-current financial payables	44,310	51,221
O. Non-current financial debt (M+N)	**109,992**	**143,485**
P. Net financial debt (L-O)	**(243,232)**	**(363,930)**

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.

18. Other current liabilities

“Other current liabilities”, amounting to Euro 7,902 thousand (Euro 26,069 thousand at 31 December 2019), is detailed and commented on below:

Other current liabilities (Euro/thousands)	**31/12/2020**	**Transfer**	**31/12/2019**
Payroll and other payables to personnel	3,667	(5,762)	10,717
Payables to welfare and social security entities	1,753	(3,276)	5,447
Tax payables	1,915	(1,661)	4,885
Cost of post-employment benefits allocated to supplementary pension plans	328	(1,086)	1,503
Other payables to Group companies	123	(2,548)	2,670
Accrued liabilities and deferred income	51	(473)	588
Other payables	65	(170)	259
Total other current liabilities	**7,902**	**(14,976)**	**26,069**

Payables to welfare and social security entities of Euro 1,753 thousand (Euro 5,447 thousand at 31 December 2019) include Euro 875 thousand (Euro 2,368 thousand at 31 December 2019) for contributions on salaries relating to December and paid in January 2021; Euro 878 thousand (Euro 3,079 thousand at 31 December 2019) for contributions allocated for deferred salary items.

Tax payables of Euro 1,915 thousand (Euro 4,855 thousand at 31 December 2019) regard IRPEF withholdings on employee salaries and professional fees paid in January 2021 for Euro 745 thousand (Euro 2,732 thousand at 31 December 2019), payables to subsidiaries for the VAT receivable balance from their settlement in December, following participation in the Group VAT settlement regime for Euro 1,095 thousand (Euro 2,078 thousand at 31 December 2019), and other tax for Euro 75 thousand.

Post-employment benefits allocated to supplementary pension plans of Euro 328 thousand (Euro 1,503 thousand at 31 December 2019) refer to pension funds in which post-employment benefits flow, also paid in January 2021.

Other payables to Group companies included the pre-paid subscription fee collection relating to the subsidiary Direct Channel S.p.A. transferred to the Media unit on 1 January 2020. The residual balance refers to payables to associates for tax transparency.

“Accrued liabilities and deferred income” of Euro 51 thousand (Euro 588 thousand at 31 December 2019) was determined on an accrual basis and refers to insurance and other accrued expense.

19. Trade payables

“Trade payables” amounted to Euro 20,802 thousand (Euro 71,743 thousand at 31 December 2019):

Trade payables (Euro/thousands)	**31/12/2020**	**31/12/2019**
Payables to suppliers	19,984	65,103
Payables to subsidiaries	422	3,268
Payables to associates	358	3,358
Payables to parent company	38	14
Total trade payables	**20,802**	**71,743**

Payables to suppliers amounted to Euro 19,984 thousand (Euro 65,103 thousand).

This item includes trade payables to Fininvest group companies amounting to Euro 491 thousand (Euro 775 thousand at 31 December 2019), the largest portion of which refers to Publitalia ‘80 S.p.A. for Euro 478 thousand (Euro 714 thousand at 31 December 2019) and RTI S.p.A. for Euro 13 thousand (Euro 48 thousand at 31 December 2019).

Trade payables to subsidiaries of Euro 422 thousand (Euro 3,268 thousand at 31 December 2019) and trade payables to
associates of Euro 358 thousand (Euro 3,358 thousand at 31 December 2019) refer to trade transactions performed at standard market conditions.

No trade payables are due over five years; in 2020, the average payment period, calculated with the count back method, was 161.4 days (173.5 days in 2019).

INCOME STATEMENT

(Intercompany trade transactions in 2020 with related parties are explained in Annexes C2 and D2)

20. Revenue from sales and services

Revenue amounted to Euro 45,116 thousand. The change versus the prior year is explained by the discontinuity from the transfer of the Media business to the subsidiary Mondadori Media S.p.A. and the sale of the titles *Confidenze, Starbene, Tu Style, Cucina Moderna and Sale & Pepe* to La Verità S.r.l., as mentioned in the pro-forma statement contained in Note 7 Other Information.

Revenue is detailed in the following tables:

Revenue from sales and services (Euro/thousands)	**2020**	**2019**
Revenue from the sale of products:		
- magazines/publications	13	115,084
- magazines/subscriptions and digital	-	7,465
Revenue from the sale of services:		
- print advertising services	-	39,276
- online advertising services	-	18,989
- revenue from administrative services	37,008	34,035
- reproduction rights	-	2,950
- other revenue	8,095	10,190
Total revenue	**45,116**	**227,989**

Revenue from administrative services refers to revenue from administrative and IT services provided to Group companies. “Other revenue” includes mainly revenue from subsidiaries for the lease of offices for Euro 8,088 thousand (Euro 5,095 thousand at 31 December 2019). The increase in these items is attributable to revenue recognized for services provided to the subsidiary Mondadori Media S.p.A., which in 2019 was recognized as a reduction in structural costs.

Affiliation and sponsorship revenue, included in other revenue in 2019, were contributed to the Mondadori Media subsidiary in 2020.

Revenue by geographical area:

Geographical area (Euro/thousands)	Magazines	Rights and other	2020	2019
Italy	13	45,072	45,085	223,750
EU countries	-	31	31	3,505
USA	-	-	-	180
Switzerland	-	-	-	13
Other countries	-	-	-	541
Total	**13**	**45,103**	**45,116**	**227,989**

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

Cost of raw and ancillary materials, consumables and goods amounted to Euro 476 thousand.

Cost of raw and ancillary materials, consumables and goods (Euro/thousands)	2020	2019
Paper	-	16,104
Recovery of paper purchasing costs	-	(1,683)
Total cost of raw and ancillary materials	**-**	**14,421**
Goods for re-sale	45	3,633
Consumables and maintenance materials	431	574
Total cost of consumables and goods	**476**	**4,207**
Total cost of raw and ancillary materials, consumables and goods	**476**	**18,628**

The change versus the prior year is explained mainly by the discontinuity from the transfer of the Media business to Mondadori Media and the sale of the titles *Confidenze, Starbene, Tu Style, Cucina Moderna* and *Sale & Pepe* to La Verità S.r.l., as mentioned in the pro-forma statement contained in Note 7 Other Information.

22. Cost of services

“Cost of services” amounted to Euro 25,789 thousand. Details are shown in the table below:

Cost of services (Euro/thousands)	2020	2019
Administrative and IT services	6,326	4,779
Consultancy and professional services	3,078	8,347
Third-party collaborations	904	12,761
Rights and royalties	584	16,228
Advertising services	583	10,404
Third party graphical processing	171	22,996
Transport and shipping	72	4,821
Newsstands channel fee	4	30,228
Use of third-party assets	4,894	6,333
Fees to Directors and Statutory Auditors	3,244	3,708
Maintenance	1,147	3,140
Catering and cleaning services	1,440	2,065
Subscription management	-	1,804
Staff work services	675	1,395
Utilities (electricity, gas, water)	1,113	1,289
Audit and certification expenses	423	575
Storage	389	1,015
Travel and other expense reimbursements	279	1,230
Other services	464	4,833
Total cost of services	**25,789**	**137,951**

The decrease in cost of services is due mainly to the discontinuity resulting from the transfer of the Media business. On a like-for-like basis (Euro 27,498 thousand in 2019), costs for consulting and professional services used in 2020 decreased.

23. Cost of personnel

"Cost of personnel" amounted to Euro 21,905 thousand versus Euro 70,486 thousand in 2019.

Cost of personnel (Euro/thousands)	**2020**	**2019**
Salaries and wages and related costs	15,984	53,882
Capitalization of payroll costs	(15)	(1,048)
Performance Shares	98	704
Charging/(recovery) of costs for seconded staff	(2,448)	(3,295)
Social security expense	4,874	15,594
Post-employment benefits, retirement indemnity and supplementary pension scheme plans	3,042	3,946
Provision/utilization for risks from personnel reorganization	369	703
Total cost of personnel	**21,905**	**70,486**

Cost of personnel includes the net balance between the charging and recovery of costs for staff seconded from and to Group companies.
"Capitalization of payroll costs" refers to the costs for the resources working specifically on the development of SAP evolutions and the technology porting of legacy systems, and to the man-days of staff dedicated to the development of property websites.
The reduction in payroll costs is explained by the abovementioned disposal of the titles to La Verità S.r.l. and the transfer of the Media unit to the subsidiary Mondadori Media S.p.A., as well as lower bonuses and incentives set aside for 2020 and the rationalization actions implemented by the company during the year.

At 31 December 2020, the Company counted 249 units, down by 828 units versus 31 December 2019, the combined effect of early retirements and the transfer of staff of the Media unit, including the related shared services, from the Parent Company to Mondadori Media S.p.A. for a total transfer of 496 units.

Headcount	**Actual 31/12/2020**	**Actual 31/12/2019**	**Average 2020**	**Average 2019**
Executives	30	48	30	49
Journalists	-	125	-	174
White collars and managers	215	649	245	672
Blue collars	4	6	6	6
Total	**249**	**828**	**281**	**901**

In the reporting period, there were an average of 281 units (901 units in 2019).

Share-based management incentive plans (Performance Share plans)
At 31 December 2020, 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 plan);
- 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 plan), 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 EBIT/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 granting 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 in 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.

In first half 2020, the Performance Share plan for the three-year period 2017-2019 came to maturity. A total of 837,808 shares were assigned, measured at a weighted average price of Euro 1.6813. The plan envisaged a total cost of Euro 1,550 thousand and the related reserves set aside during the three-year period, including shares allocated to managers of Group companies, amounting to Euro 3,052 thousand, were reclassified as available.

Mention should be made that, as a result of the effects of the Covid-19 pandemic, which voided all previous forecasts, on the proposal of the Remuneration Committee and on the approval of the Board of Directors, the targets of the 2019-2021 and 2018-2020 plans were reviewed with regard to 2020 and 2021 only, reducing the corresponding number of rights initially assigned by 25% for 2020 and by 15% for 2021; a maximum limit of 100% on the overall results of the plans concerned was also introduced in order to avoid overperformance.

The table below shows for each plan the costs recognized in the income statement and the assumptions underlying the fair value measurement.

2020-2022 long-term incentive plan

At 31 December 2020, the cost of the 2020-2022 Performance Share plan (reserved for the CFO - Executive Director and eight 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 Euro 119 thousand.
The total number of shares granted is 277,624.

The fair value of shares was determined based on the following assumptions:

Granting date	**9 December 2020**
Residual life at granting date (in months)	25
Expected volatility of the share price	40.23%
Risk-free interest rate	(0.3%)
% on expected dividends	-
Fair value of share at granting date (Euro)	1.28

2019-2021 long-term incentive plan

At 31 December 2020, the cost of the 2019-2021 Performance Share plan (intended for the Chief Executive Officer and eight 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 Euro 317 thousand.
The total number of shares granted is 821,485.

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	-
Fair value of share at granting date (Euro)	1.37

2018-2020 long-term incentive plan

At 31 December 2020, the cost of the 2018-2020 Performance Share plan (intended for the Chief Executive Officer and eight 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 Euro 160 thousand.

The total number of shares granted is 688,899.

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	-
Fair value of share at granting date (Euro)	1.05

24. Other (income) expense

Other (income) expense (Euro/thousands)	**2020**	**2019**
Other revenue and income	(885)	(1,539)
Other operating expense	2,051	933
Total other (income) expense	**1,167**	**(606)**

“Other revenue and income”, amounting to Euro 885 thousand (Euro 1,539 thousand at 31 December 2019), refers to:

Other (income) expense - Other revenue and income (Euro/thousands)	**2020**	**2019**
Capital gains and contingent assets	(427)	(1,342)
Supplier rebates and miscellaneous contributions	(204)	(176)
Others (claims for damages)	(254)	(21)
Total other revenue and income	**(885)**	**(1,539)**

“Capital gains and contingent assets” refers mainly to contingencies realized from the closure of lapsed supplier items referring to prior years.

"Other operating expense", amounting to Euro 2,051 thousand (Euro 933 thousand at 31 December 2019), includes:

Other (income) expense - Other operating expense (Euro/thousands)	**2020**	**2019**
Compensation, settlements and allowances	2,123	997
Membership fees and disbursements	429	1,217
Contractual charges for advertising and subscriptions	-	314
Capital loss/contingent liabilities	22	145
Receivables management	8	185
Provision for legal risks	(1,000)	(1,918)
Provision for sundry risks	146	(375)
Other tax and duties	321	356
Other expense	2	12
Total other operating expense	**2,051**	**933**

"Compensation, settlements and allowances" consists mainly of contractual expense from the sale of Stile Italia S.r.l paid during the period, as well as expense from the early release of the offices in Segrate via Rivoltana, and other penalties related to settlement agreements concluded during the year, using a provision for legal risks of Euro 1,000 thousand. The provision for bad debts and the provision for other risks are allocated to cover potential losses that may arise in future years. "Sundry risks" refers entirely to the transaction for the sale of 25% of Stile Italia Edizioni following the settlement agreement signed with La Verità S.r.l. in October 2020. This item consists of an allocation to the provision for risks and charges of Euro 800 thousand and utilization of this provision of Euro 654 thousand relating to settled tranches of the agreement.

25. Financial expense (income)

The item, amounting to Euro 3,139 thousand in expense (Euro 3,205 thousand at 31 December 2019), consists of:

Financial expense (income) (Euro/thousands)	**2020**	**2019**
Interest from subsidiaries	(1,469)	(704)
Interest from associates	(24)	(31)
Interest from banks and post offices	(1)	(38)
Other interest and financial income	(299)	(544)
Total interest and other financial income	**(1,793)**	**(1,317)**
Interest on loans and borrowings	843	1,436
Financial expense from derivatives	777	828
Financial expense for discounting assets/liabilities	30	162
Interest to banks	1	1
Other interest and financial expense	2,404	1,693
Financial expense IFRS 16	1,421	1,398
Total interest and other financial expense	**5,476**	**5,518**
Capital losses/(gains) from securities management	(564)	(991)
Total expense (income) from securities management	**(564)**	**(991)**
Realized currency gains	21	(5)
Unrealized currency gains	(1)	-
Total (income) loss on currency transactions	**20**	**(5)**
Total financial expense (income)	**3,139**	**3,205**

“Interest income” from subsidiaries rose by Euro 765 thousand due to the greater volume of transactions carried out by the subsidiary Mondadori Media following transfer of the business unit. “Other interest and financial income” refers to the adjustment of the discounting of non-current receivables.

“Interest and other financial expense”, in line with the prior year, recorded:
- interest expense on loans of Euro 843 thousand, down by Euro 593 thousand versus 2019, due to the Group’s lower average bank exposure and a reduction in the average borrowing rate;
- ancillary expense on loans of Euro 2,404 thousand, down by Euro 711 thousand versus the prior year, 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 (Euro 920 thousand) in 2019;
- income from securities management of Reworld Media shares of Euro 564 thousand, down by Euro 427 thousand versus 2019.

Financial income from the management of securities refers to the valuation and sale 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.

26. Expense (income) from investments

This item is detailed and commented on below:

Income (expense) from investments (Euro/thousands)	**2020**	**2019**
Write-backs	(46,081)	(63,237)
Write-downs	32,839	18,804
Capital gain/(loss) on disposal of Stile Italia Edizioni S.r.l.	55	(903)
Total expense (income) from investments	**(13,187)**	**(45,336)**

Write-backs refer to:

(Euro/thousands)	**2020**	**2019**
Subsidiaries:		
- Mondadori Libri S.p.A.	46,081	60,091
- Mondadori Media S.p.A. (formerly Mondadori International Business S.r.l.)	-	1,583
- Direct Channel S.p.A. (1)	-	439
- AdKaora S.r.l. (1)	-	1,078
Total subsidiaries	**46,081**	**63,191**
Associates:		
- Stile Italia Edizioni S.r.l.	-	46
Total associates and joint ventures	**-**	**46**
Total write-backs	**46,081**	**63,237**

Write-downs, which include the negative performance of the companies and the value adjustments of the investments following impairment testing, refer to:

(Euro/thousands)	2020	2019
Subsidiaries:		
- Mondadori Media	24,780	-
- Mondadori Retail S.p.A.	2,682	6,850
- Press-Di Distribuzione e Stampa Multimedia S.r.l. (1)	-	1,861
- Mondadori Scienza S.p.A. (1)	-	289
Total subsidiaries	**27,462**	**9,000**
Associates and joint ventures:		
- Monradio S.r.l.	1,633	1,195
- Attica Publications S.A. – Result	500	-
- Attica Publications S.A. – Impairment	1,600	-
- Società Europea Edizioni S.p.A. – Result	1,644	5,704
- Società Europea Edizioni S.p.A. – Impairment	-	2,900
Total associates and joint ventures	**5,377**	**9,799**
Other companies:		
- Confidimpresa	-	5
Total other companies		**5**
Total write-downs	**32,839**	**18,804**

(1) Investments transferred to Mondadori Media S.p.A. on 01/01/2020

During the year, the company collected dividends from the subsidiary Mondadori Libri S.p.A. for a total of Euro 120,200 thousand (Euro 29,975 thousand in 2019).

The performance of the impairment test required the write-down for Euro 1.6 million of the investment in the Attica Group, and for Euro 2.2 million of the *Focus* trademark. For the impairment process and the underlying assumptions, reference should be made to Note 4 Investments.

27. Income tax

"Income tax" amounted to an income of Euro 8,609 thousand (Euro 3,151 thousand in 2019). The main components for the years ended 31 December 2019 and 2020 are shown in the table below:

Income tax (Euro/thousands)	**2020**	**2019**
Income from tax consolidation (IRES tax on income for the period)	(2,153)	(2,651)
IRAP for the period	-	-
Total current tax	**(2,153)**	**(2,651)**
Deferred (pre-paid) tax for IRES	(689)	398
Deferred (pre-paid) tax for IRAP	3	(233)
Total deferred (pre-paid) tax	**(686)**	**164**
"Patent Box" income for 2015-2019	(5,201)	-
Prior-years' tax	1	(65)
Utilization of provision for tax disputes	(400)	(600)
Utilization of the provision for write-down of tax receivables	(171)	-
Total income tax	**(8,609)**	**(3,151)**

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 Euro 2,153 thousand, which will be paid by the consolidating entity in 2021, and used to offset the current tax profit transferred from Mondadori companies to tax consolidation.

On 29 September 2020, Arnoldo Mondadori Editore S.p.A. signed an agreement with the Revenue Agency on the so-called Patent Box, pursuant to Article 1, paragraph 39, of Law no. 190 of 23 December 2014, envisaging a reduced rate of income taxation (also known as contribution) deriving from trademarks attributable to the titles *TV Sorrisi e Canzoni*, *Telepiù*, *Guida TV*, *Chi*, *Donna Moderna*, and *Interni*.
The "residual profit split" method was used to determine the contribution. This approach requires isolating the income attributable to the ordinary functions from the income result of the company, allowing, by difference, the determination of the residual profit or loss deriving from the use of intangible assets.
The agreement determined, for the years 2015-2019, a reduction in taxable income in the amount of 30% in 2015, 40% in 2016 and 50% in the following three years.
The cumulative saving for the five years in terms of lower IRES amounts to Euro 5,201 thousand, recorded as income in the income statement.

Reconciliation between the financial statement tax charge and the theoretical tax charge

(Euro/thousands)	2020 Profit (loss) before tax	2020 Tax amount	2020 Current tax rate	2019 Profit (loss) before tax	2019 Tax amount	2019 Current tax rate
Theoretical IRES tax amount	(4,107)	(986)	24.00%	27,318	6,556	24.0%
Theoretical IRAP tax amount		(160)	3.90%		1,065	3.90%
Total theoretical tax amount/rate	**(4,107)**	**(1,146)**	**27.90%**	**27,318**	**7,622**	**27.90%**
Actual IRES tax amount	(4,107)	(8,612)	209.72%	27,318	(2,918)	(10.68%)
Actual IRAP tax amount		3	(0.08%)		(233)	(0.85%)
Total actual tax amount/rate	**(4,107)**	**(8,609)**	**209.64%**	**27,318**	**(3,151)**	**(11.53%)**
Theoretical tax amount/rate	**(4,107)**	**(1,146)**	**27.90%**	**27,318**	**7,622**	**27.9%**
Effects of dividends	-	-	-	1,499	360	1.32%
Effects of investments	(11,393)	(2,734)	66.58%	(37,098)	(8,904)	(32.59%)
Effects of non-deductible interest expense	3,184	764	(18.61%)	703	169	0.62%
Effects of "Patent Box" income for 2015-2019	(21,669)	(5,201)	126.64%	-	-	-
Redemption of goodwill Banzai Media	-	-	-	(2,638)	(633)	(2.32%)
Effects of other permanent increases	650	156	(3.80%)	824	198	0.72%
Effects of different taxable amount for IRAP	681	163	(3.98%)	(5,410)	(1,298)	(4.75%)
Effects of other permanent decreases	(2,551)	(612)	14.91%	(2,765)	(664)	(2.43%)
Current tax amount/rate		**(8,609)**	**209.64%**		**(3,151)**	**(11.53%)**

28. Income (expense) from discontinued operations

“Income (expense) from discontinued operations” had no balance in 2020 versus an expense of Euro 2,270 thousand in 2019, comprised fully of the income statement impacts from the disposal of the investment in Mondadori France S.A.S., the main components of which were:

Income (expense) from discontinued operations (Euro/thousands)	2020	2019
Income from equity measurement of investments	-	1,323
(Expense) from fair value adjustment of the investment	-	(437)
Discounting of deferred payment maturity 31 July 2021	-	(292)
Write-down of financial receivables for fair value adjustment	-	(2,500)
Transaction costs	-	(1,915)
Interest income accrued on IC loan	-	1,551
Total income (expense) from discontinued operations	**-**	**(2,270)**

29. Commitments and contingent liabilities

The following table shows Company commitments at 31 December 2020:

(Euro/thousands)	31/12/2020	31/12/2019
Guarantees, sureties, endorsements:		
- in favour of subsidiaries	18,981	15,981
- in favour of other companies	18,403	29,625
Total	**37,384**	**45,606**

Guarantees, sureties, endorsements:

- ***in favour of subsidiaries***: Euro 18,981 thousand (Euro 15,891 thousand) refer mainly to letters of patronage issued in favour of subsidiaries. The increase versus the prior year refers to a letter of patronage issued in favour of the subsidiary Mondadori Retail S.p.A.
- ***in favour of other enterprises***: Euro 18,403 thousand (Euro 29,625 thousand) refer to counter-guarantees issued by the Company against sureties issued by credit institutes:
  - in the interest of the Lombardy Regional Revenue Agency Office and the Italian Ministry of Production Activities to support premium contests attached to the sale of magazines of Euro 2,550 thousand;
  - to the Lombardy Regional Revenue Agency Office for VAT reimbursements of Euro 15,039 thousand;
  - to other entities and companies for a total of Euro 815 thousand relating to guarantees on leases or contracts entered into by the Company (the decrease versus the prior year is due mainly to the issue of guarantees for the lease of the Mondadori France S.A. offices, no longer in force).

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 Euro 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 Euro 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.

30. Non-recurring (income) expense

Pursuant to CONSOB Resolution no. 15519 of 27 July 2006, the Company, net of the points set out in Note 7 of these notes relating to IFRS 5, generated in 2020 income from non-recurring transactions of Euro 5,516 thousand, relating to the tax benefit for the years 2015-2019 from the so-called “Patent Box” facility, pursuant to Article 1, paragraph 39, of Law no. 190 of 23 December 2014, regarding the reduced rate of income taxation. These amounts are shown in the Company’s financial statements as tax income of Euro 5,201 thousand and as income from investments of Euro 315 thousand, relating to amounts recognized as tax income in subsidiaries and associates.

31. Related parties

Transactions carried out with related parties, including intercompany transactions, do not qualify as either atypical or unusual, since they refer to standard business activities performed by Group companies. When performed out of the scope of standard conditions or when they are imposed by specific regulatory conditions, transactions with related parties are in any case carried out under market conditions.
Annexes C1, C2, D1, D2 detail the operating and financial impacts of transactions with parent companies, subsidiaries, associates and affiliates performed in 2020 and 2019.

32. Financial risk management and other information required under 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)**
2020	152.7	1%	(1.2)	0.9
2019	168.7	1%	(1.1)	1.8
2020	152.7	(0.20%)	0.2	(0.2)
2019	168.7	(0.20%)	0.2	(0.4)

While identifying potential impact correlated to positive and negative interest rate variations, floating-rate loans (short-term credit lines) were also 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 2019);
- 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 2020, 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 2019 and 2020.

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 2020, 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 dates 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 intercompany 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**

Liquidity risk (Euro/millions)	**Analysis of maturity dates at 31/12/2020**						
	<6 months	**6-12 months**	**1-2 years**	**2-5 years**	**5-10 years**	**> 10 years**	**Total**
Trade payables	20.0	-	-	-	-	-	20.0
Medium-long term intercompany loans	-	-	-	-	-	-	-
Medium-long term third-party loans	0.5	28.0	68.4	-	-	-	96.9
Other financial liabilities:							
- committed lines	-	-	-	-	-	-	-
- uncommitted lines	46.0	-	-	-	-	-	46.0
Other liabilities	0.1	-	-	-	-	-	0.1
Intercompany payables	204.9	-	-	-	-	-	204.9
Total	**271.6**	**28.0**	**68.4**	**-**	**-**	**-**	**368.0**
Derivatives on rate risk	(0.2)	(0.2)	(0.3)	-	-	-	(0.8)
Total exposure	**271.8**	**28.3**	**68.7**	**-**	**-**	**-**	**368.8**

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)	**31/12/2020**	**31/12/2019**
Deposits	101.7	35.6
Securities held for trading	5.4	23.6
Receivables and loans:		
- trade receivables and other current financial assets	58.2	79.6
- trade receivables and other non-current financial assets	1.3	13.3
- guarantees		
Total maximum exposure to credit risk	**166.6**	**152.2**

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

Credit risk concentration (Euro/millions)	**31/12/2020**	**31/12/2019**	% **31/12/2020**	% **31/12/2019**
By business area:				
Corporate & Shared Services	13.4	11.0	97.8%	23.4%
Magazines (Print)	0.3	35.9	2.2%	76.6%
Total	**13.7**	**46.9**	**100.0%**	**100.0%**
By geographical area:				
Italy	12.9	45.8	94.2%	97.6%
Other countries	0.8	1.1	5.8%	2.2%
Total	**13.7**	**46.9**	**100.0%**	**100.0%**

Below is a description of the management criteria used for the main business segments:

Corporate & Shared Services
Receivables related to Corporate & Shared Services refer to Administration, Planning and Control, Treasury and Finance, Procurement, IT, Human Resources, Logistics, Legal and Corporate Affairs, and External and Institutional Relations performed centrally for all subsidiaries and affiliates.

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.

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.

Other information required under 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			
	31/12/2020	31/12/2019	31/12/2020	31/12/2019	31/12/2020	31/12/2019	31/12/2020	31/12/2019
Financial assets classified as "held for trading" measured at fair value with changes booked to the income statement (securities)	5.4	23.6	5.4	23.6	-	-	5.4	23.6
Receivables and loans:								
- cash and cash equivalents	101.7	35.6	101.7	35.6	-	-	101.7	35.6
- trade receivables	1.5	4.7	1.5	4.7	-	-	1.5	4.7
- other financial assets	13.3	16.6	12.5	3.8	0.8	12.8	13.3	16.6
- receivables due from subsidiaries, associates, affiliates	44.7	71.6	44.2	71.1	0.5	0.5	44.7	71.6
Available-for-sale financial assets (investments)	-	0.1	-	0.1	-	-	-	0.1
Cash flow hedges								
Total financial assets	**166.6**	**152.2**	**165.3**	**138.9**	**1.3**	**13.3**	**166.6**	**152.2**
Financial liabilities classified as "held to collect", measured at amortized cost or fair value with adjustments recognized in the income statement:	-	-	-	-	-	-	-	-
- trade payables	20.0	65.1	20.0	65.1	-	-	20.0	65.1
- payables to banks and other financial liabilities	139.3	131.1	73.6	38.8	65.7	92.3	143.0	136.6
- payables to subsidiaries, associates, affiliates	204.9	280.2	204.9	280.2			204.9	280.2
Cash flow hedges	0.8	1.0			0.8	1.0	0.8	1.0
Total financial liabilities	**365.0**	**477.4**	**298.5**	**384.1**	**66.5**	**93.3**	**368.7**	**483.0**

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)	**2020**	**2019**
Interest income on financial assets:		
- intercompany receivables	1.5	0.7
- other financial assets	0.3	0.6
Income from financial assets:		
- income from securities "held for trading"	0.6	1.0
Total income	**2.4**	**2.3**
Net loss on derivative instruments	0.8	0.8
Interest due on financial liabilities:		
- loans	2.6	2.4
- other	0.2	0.7
Losses from financial instrument impairment:		
- trade receivables	0.5	0.4
Total expense	**4.1**	**4.3**
Total	**(1.7)**	**(2.0)**

33. 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 31/12/2020**	**Fair value hierarchy**	**Measurement method and main inputs**
Securities measured at fair value "held for trading"	5,372	Level 1	Stock market price at 31 December 2020, as these shares are listed on the *Bourse de Paris.*
Interest rate swap contracts	(820)	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

34. Events after year end

With regard to events that took place after year end, reference should be made to the Directors' Report on Operations.

35. Information pursuant to Article 149-*duodecies* of CONSOB Issuer Regulation

The table below, prepared pursuant to Article 149-*duodecies* of the CONSOB Issuer Regulation, shows the fees paid in 2020 (net of ancillary expenses) for auditing 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 2020**
Auditing	EY S.p.A.	370.7
Certification	EY S.p.A.(1)	33.4
Total		**404.1**

(1) Audit of the Non-Financial Statement.

36. Proposed resolutions of the Board of Directors

The financial statements at 31 December 2019 show a profit for the year of Euro 4,502,600.02.

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 2020, the Directors' Report on Operations, having regard to the certification referred to in Article 154-bis, fifth paragraph of Legislative Decree 58/1998, issued by the Financial Reporting Manager, and having taken note of the Statutory Auditors' Report and the Independent Auditors' Report,

resolves

to approve the financial statements at 31 December 2020, 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 regarded to the financial statements for the year ended 31 December 2020, approved by today's Shareholders' Meeting;*
- *having taken note of the proposed resolutions submitted;*

resolves:

to allocate the profit for 2020 of Arnoldo Mondadori Editore S.p.A., amounting to Euro 4,502,600.02, entirely to the extraordinary reserve, having the legal reserve already reached the statutory minimum amount, equal to one fifth of the share capital.

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:			
Mondadori Retail S.p.A.	Milan	2,000	14,078
Mondadori Media S.p.A.	Milan	1,000	58,357
Mondadori Libri S.p.A.	Milan	30,050	263,514
Total			
Associates:			
Monradio S.r.l. [a]	Milan	3,030	30,370
Società Europea di Edizioni S.p.A. [a]	Milan	2,529	16,529
Attica Publications S.A. [b]	Athens	4,590	13,523
Total			
Other companies:			
Consorzio Edicola Italiana	Milan	60	-
Consuledit Scarl (in liquidation)	Milan	20	-
Immobiliare Editori Giornali S.r.l.	Rome	830	-
Total			
Total direct equity investments			

[a] Figures at 31/12/2019
[b] Consolidated figures at 31/12/2019
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) 2020	Total equity	% of interest	Share of equity	Balance sheet values
(10,934)	3,144	100.00%	3,144	5,644
(25,553)	32,804	100.00%	32,804	33,304
41,851	305,365	100.00%	305,365	312,810
			341,313	**351,758**
(6,494)	23,876	20.00%	4,775	3,205
(15,263)	1,266	18.45%	234	872
(7,925)	5,598	41.98%	2,350	7,383
			7,359	**11,460**
	-	16.67%	-	11
	-	9.56%	-	1
	-	7.88%	-	51
			-	**63**
			348,672	**363,281**

ANNEX B1: MAIN INDIRECT SUBSIDIARIES AND ASSOCIATES AT 31 DECEMBER 2020

Description (amounts in currency/thousands)	Registered office	Value	Share capital	Equity
Subsidiaries:				
AdKaora S.r.l.	Milan	Euro	15	1,248
Direct Channel S.p.A.	Milan	Euro	3,120	3,507
Electa S.p.A.	Milan	Euro	1,594	10,365
Giulio Einaudi editore S.p.A.	Turin	Euro	23,920	36,024
Mondadori Education S.p.A.	Milan	Euro	10,608	48,408
Mondadori Scienza S.p.A.	Milan	Euro	2,600	5,306
Press-Di Distribuzione Stampa e Multimedia S.r.l.	Milan	Euro	200	1,930
Rizzoli Education S.p.A.	Milan	Euro	42,405	83,473
Rizzoli Bookstore Inc.	New York	US$	3,499	2,531
Rizzoli International Publications Inc.	New York	US$	26,900	46,176
Total				
Associates:				
Attica group companies: (b)				
Airlink S.A.	Athens	Euro	521	974
Attica Publications S.A.	Athens	Euro	4,590	15,217
Attica Media Bulgaria Ltd	Sofia	Lev	155	(1,005)
Attica Media Serbia Ltd	Belgrade	Euro	2,358	221
Attica-Imako Media Ltd	Bucharest	Ron	700	60
Civico Ltd	Cyprus	US$	2	(103)
E-One S.A. (in liquidation)	Athens	Euro	339	
Ennalaktikes Publications S.A. (in liquidation)	Athens	Euro	487	
HRS Ltd	Athens	Euro	81	(17)
International Radio Networks S.A.	Athens	Euro	380	1,236
Ionikes Publishing S.A.	Athens	Euro	1,374	(3,196)
Lampsi Publishing Radio & Radio Enterprises S.A.	Athens	Euro	3,251	1,574
Attica Media Romania Ltd (former PBR Publication Ltd)	Bucharest	Ron	2,013	1
TheTocMedia S.A.	Athens	Euro	183	89
Tilerama S.A.	Athens	Euro	1,467	1,587
Edizioni EL S.r.l. (b)	Trieste	Euro	620	7,398
GD Media Service S.r.l. (b)	Milan	Euro	789	895
Mediamond S.p.A.	Milan	Euro	2,400	10,461
Mondadori Seec (Beijing) Advertising Co. Ltd	Beijing	Cny	40,000	83,990
Total				

(a) Exchange rates December: USD Euro 1.23; Cny Euro 8.02
(b) Figures at 31/12/2019

Profit (loss) 2020	Total equity	Group interest	Share of equity denominated in currency	Share of equity in Euro [(a)]
831	2,079	100.0%	2,079	2,079
(318)	3,189	100.0%	3,189	3,189
7,494	17,859	100.0%	17,859	17,859
12,409	48,433	100.0%	48,433	48,433
17,050	65,458	100.0%	65,458	65,458
(2,125)	3,181	100.0%	3,181	3,181
(2,275)	(345)	100.0%	(345)	(345)
8,683	92,156	99.99%	92,147	92,147
(510)	2,021	99.99%	2,021	1,647
1,627	47,803	99.99%	47,798	38,952
				208,874
		41.98%		
		41.98%		
		28.9%		
		38.18%		
		20.99%		
		41.98%		
		10.5%		
		20.57%		
		20.99%		
		41.85%		
		27.92%		
		41.98%		
		41.98%		
		41.98%		
		20.99%		
1,810	9,208	50.0%	4,604	4,604
269	1,164	29.0%	338	338
(2,304)	8,157	50.0%	4,079	4,079
(18,756)	65,234	50.0%	32,617	4,066
				13,086

RELATED PARTIES
ANNEX C1: RECEIVABLES FROM SUBSIDIARIES AND ASSOCIATES AT 31 DECEMBER 2020

Current account transactions and financial receivables (Euro/thousands)	**31/12/2020**	**31/12/2019**
Subsidiaries:		
Abscondita S.r.l.	93	-
Mondadori Media S.p.A.	13,947	-
Mondadori Retail S.p.A.	17,216	28,970
Mondadori Libri S.p.A.	688	-
Associates:		
Attica Publications S.A.	500	500
Total	**32,444**	**29,470**
Percentage on item	**67.3%**	**45.4%**

Trade transactions (Euro/thousands)	**31/12/2020**	**31/12/2019**
Subsidiaries:		
AdKaora S.r.l.	30	34
Electa S.p.A.	307	622
Giulio Einaudi editore S.p.A.	227	233
Mondadori Education S.p.A.	1,063	1,060
Mondadori Media S.p.A.	2,489	180
Mondadori Libri S.p.A.	3,355	3,290
Mondadori Retail S.p.A.	2,409	2,174
Mondadori Scienza S.p.A.	187	601
Press-Di Distribuzione Stampa e Multimedia S.r.l.	450	906
Direct Channel S.p.A.	670	580
Rizzoli Education S.p.A.	874	767
Associates:		
Attica Publications S.A.	23	24
Mediamond S.p.A.	101	31,354
Monradio S.r.l.	1	19
Società Europea di Edizioni S.p.A.	15	10
Parent company:		
Fininvest S.p.A.	23	13
Affiliates:		
RTI S.p.A.	-	47
Other companies for amounts lower than Euro 52 thousand	-	3
Total	**12,224**	**41,917**
Percentage on item	**89.1%**	**89.5%**

Receivables for income tax and other tax receivables (Euro/thousands)	**31/12/2020**	**31/12/2019**
Parent company:		
Fininvest S.p.A.	6,117	2,791
Total	**6,117**	**2,791**

Sundry receivables (Euro/thousands)	**31/12/2020**	**31/12/2019**
Subsidiaries		
Direct Channel S.p.A.	-	23
Total	**-**	**23**

RELATED PARTIES
ANNEX C2 - INTERCOMPANY TRANSACTIONS IN 2020

Related parties (Euro/thousands)	**Revenue from sales and services**	**Other income**	**Financial income**	**Income from investments ***	**Total**
Subsidiaries:					
AdKaora S.r.l.	134	-	-	-	134
Direct Channel S.p.A.	1,542	-	-	-	1,542
Electa S.p.A.	1,310	-	-	-	1,310
Giulio Einaudi editore S.p.A.	922	-	-	-	922
Mondadori Education S.p.A.	3,553	-	-	-	3,553
Mondadori Media S.p.A.	11,029	-	676	-	11,705
Mondadori Libri S.p.A.	13,057	1	210	46,081	59,349
Mondadori Retail S.p.A.	6,908	1	565	-	7,474
Mondadori Scienza S.p.A.	911	7	-	-	918
Press-Di Distribuzione Stampa e Multimedia S.r.l.	1,665	-	18	-	1,683
Rizzoli Education S.p.A.	3,054	-	-	-	3,054
Total	**44,085**	**9**	**1,469**	**46,081**	**91,644**

* Income from investments in indirect subsidiaries is shown in direct subsidiaries

Related parties (Euro/thousands)	**Revenue from sales and services**	**Other income**	**Financial income**	**Income from investments ***	**Total**
Associates:					
Attica Publications S.A.	-	-	24	-	24
Mediamond S.p.A.	731	-	-	-	731
Total	**731**	**-**	**24**	**-**	**755**
Total	**44,816**	**9**	**1,493**	**46,081**	**92,399**
Percentage on item	**99.34%**	**1.02%**	**83.27%**	**100.0%**	**31.58%**

* Income from investments in indirect subsidiaries is shown in direct subsidiaries.

RELATED PARTIES
ANNEX D1: PAYABLES TO PARENT COMPANY, SUBSIDIARIES, ASSOCIATES AND AFFILIATES AT 31 DECEMBER 2020

Current account transactions and financial payables (Euro/thousands)	**31/12/2020**	**31/12/2019**
Subsidiaries:		
AdKaora S.r.l.	1,889	1,885
Direct Channel S.p.A.	11,137	8,733
Electa S.p.A.	26,934	28,633
Giulio Einaudi editore S.p.A.	29,432	26,028
Mondadori Education S.p.A.	61,315	62,235
Mondadori Media S.p.A.	-	1,460
Mondadori Libri S.p.A.	-	64,538
Mondadori Scienza S.p.A.	9,784	10,078
Press-Di Distribuzione Stampa e Multimedia S.r.l.	288	4,050
Rizzoli Education S.p.A.	62,659	61,316
Associates:		
Società Europea di Edizioni S.p.A.	553	1,776
Total	**203,991**	**270,732**
Percentage on item	**52.0%**	**59.2%**

Trade transactions (Euro/thousands)	**31/12/2020**	**31/12/2019**
Subsidiaries:		
AdKaora S.r.l.	25	-
Giulio Einaudi editore S.p.A.	2	70
Mondadori Education S.p.A.	-	17
Mondadori Electa S.p.A.	-	203
Mondadori Media S.p.A.	278	-
Mondadori Libri S.p.A.	34	105
Direct Channel S.p.A. former Press-di Abbonamenti S.p.A.	1	812
Mondadori Retail S.p.A.	80	21
Mondadori Scienza S.p.A.	-	58
Press-Di Distribuzione Stampa e Multimedia S.r.l.	1	1,981
Rizzoli Education	1	
Associates:		
Edizioni EL S.r.l.		27
Mediamond S.p.A.	64	3,318
Società Europea di Edizioni S.p.A.	294	12
Monradio S.r.l.	-	5
Parent company:		
Fininvest S.p.A.	38	38
Affiliates:		
RTI S.p.A.	13	48
Publitalia '80 S.p.A.	478	714
Other companies for amounts lower than Euro 52 thousand	-	13
Total	**1,309**	**7,418**
Percentage on item	**6.3%**	**10.3%**

Other payables	**31/12/2020**	**31/12/2019**
Subsidiaries		
Direct Channel S.p.A.	-	2,548
Associates		
Mediamond	-	128
Società Europea di Edizioni S.p.A.	123	123
Total	**123**	**2,799**
Percentage on item	**1.6%**	**10.7%**

RELATED PARTIES
ANNEX D2 - INTERCOMPANY TRANSACTIONS IN 2020

Related parties (Euro/thousands)	**Raw and ancillary materials, consumables and goods**	**Services**	**Cost of personnel**	**Sundry expense**	**Financial expense**	**Expense from investments** [a]	**Total**
Parent company:							
Fininvest S.p.A.	-	59	(43)	-	-	-	16
Subsidiaries:							
AdKaora S.r.l.	-	22	-	-	-	-	
Direct Channel S.p.A.	-	(6)	-	-	-	-	(6)
Electa S.p.A.	-	(2)	(142)	-	-	-	(144)
Giulio Einaudi editore S.p.A.	-	(9)	(156)	-	-	-	(165)
Mondadori Education S.p.A.	-	(41)	(420)	139	-	-	(322)
Mondadori Media S.p.A.	29	25	120		-	(24,780)	(24,606)
Mondadori Libri S.p.A.	-	(49)	(976)	-	-	-	(1,025)
Mondadori Retail S.p.A.	-	(22)	(730)	-	-	(2,681)	(3,433)
Mondadori Scienza S.p.A.	-	(2)	-	-	-	-	(2)
Press-Di Distribuzione Stampa e Multimedia S.r.l.	-	1	-	-	-	-	1
Rizzoli Education S.p.A.	-	(33)	-	109	-	-	76
Rizzoli International Publications	2						
Total	**31**	**(116)**	**(2,304)**	**248**	**-**	**(27,461)**	**(29,626)**

(a) Expense from investments in indirect subsidiaries is shown in direct subsidiaries

Related parties (Euro/thousands)	**Raw and ancillary materials, consumables and goods**	**Services**	**Cost of personnel**	**Sundry expense**	**Financial expense**	**Expense from investments** [a]	**Total**
Associates:							
Attica Media Serbia Ltd	-	-	-	-	-	-	-
Attica Publications S.A.	-	-	-	-	-	(2,100)	(2,100)
Mediamond S.p.A.	-	57	-	-	-	-	57
Monradio S.r.l.	-	-	-	-	-	(1,633)	(1,633)
Società Europea di Edizioni S.p.A.	-	247	-	-	-	(1,645)	(1,398)
Stile Italia Edizioni S.r.l. [b]	-	(830)	(73)	-	-	(55)	-
Total	**-**	**(526)**	**(73)**	**-**	**-**	**(5,433)**	**(5,074)**
Fininvest Group companies							
Il Teatro Manzoni S.p.A.	-	-	(28)	-	-	-	(28)
Fininvest Gestione Servizi S.p.A.	-	10	-	-	-	-	-
Publitalia '80 S.p.A.	-	491	-	-	-	-	491
Sub-total	**-**	**501**	**(28)**	**-**	**-**	**-**	**463**
Total	**31**	**(82)**	**(2,448)**	**248**	**-**	**(32,894)**	**(34,221)**
Percentage on item	**6.51%**	**(0.32%)**	**(11.18%)**	**12.09%**	**-**	**100.00%**	**(16.94%)**

(a) Expense from investments in indirect subsidiaries is shown in direct subsidiaries
(b) Company sold on 20 October 2020

ANNEX E: FINANCIAL HIGHLIGHTS OF SUBSIDIARIES PREPARED ACCORDING TO IAS INTERNATIONAL ACCOUNTING STANDARDS

(Euro/thousands)	Mondadori Retail	Mondadori Media	Mondadori Libri
At 31/12	**2020**	**2020**	**2020**
Balance sheet			
Assets			
Intangible assets	845	82,735	21,603
Investment property	-	-	-
Property, plant and equipment	8,555	316	221
Assets from rights of use	24,261	77	164
Investments	-	17,163	221,211
Non-current financial assets	177	-	-
Pre-paid tax assets	4,786	3,270	19,954
Other non-current assets	27	75	10
Total non-current assets	**38,651**	**103,636**	**263,163**
Tax receivables	3,174	1,674	1,206
Other current assets	1,375	1,780	48,027
Inventory	47,049	4,054	33,361
Trade receivables	22,114	31,297	85,787
Securities and other current financial assets	148	-	3
Cash and cash equivalents	761	69	3
Total current assets	**74,621**	**38,874**	**168,387**
Assets held for sale or transferred	-	-	-
Total assets	**113,272**	**142,510**	**431,550**
Liabilities			
Share capital	2,000	1,000	30,050
Reserves	12,078	28,611	69,410
Other reserves and profit/(loss) carried forward		28,745	164,054
Profit (loss) for the period	(10,934)	(25,552)	41,851
Total equity	**3,144**	**32,804**	**305,365**
Provisions	1,974	12,659	3,501
Post-employment benefits	3,100	5,327	6,451
Non-current financial liabilities	19,697		-
Non-recurring financial liabilities IFRS 16	-	44	108
Deferred tax liabilities	12	17,536	610
Other non-current liabilities	-	-	-
Total non-current liabilities	**24,783**	**35,566**	**10,670**
Income tax payables	-	186	6,125
Other current liabilities	8,493	14,483	44,418
Trade payables	54,076	45,488	63,925
Payables to banks and other financial liabilities	17,216	13,949	988
Current financial liabilities IFRS 16	5,560	34	59
Total current liabilities	**85,345**	**74,140**	**115,515**
Assets held for sale or transferred	-	-	-
Total liabilities	**113,272**	**142,510**	**431,550**

(Euro/thousands)	Mondadori Retail	Mondadori Media	Mondadori Libri
at 31/12	**2020**	**2020**	**2020**
Income statement			
Revenue from sales and services	153,705	141,085	182,777
Decrease (increase) in inventory	5,454	1,035	1,009
Purchase of raw and ancillary materials, consumables and goods	95,269	9,845	13,102
Purchase of services	36,562	86,601	140,455
Cost of personnel	14,797	37,533	20,752
Other (income) expense	4,369	414	(3,263)
Result from investments valued at equity	-	-	-
EBITDA	**(2,746)**	**5,657**	**10,722**
Depreciation of property, plant and equipment	10,217	172	140
Amortization of intangible assets		31,366	26
Amortization and impairment loss on intangible assets		36	85
EBIT	**(12,963)**	**(25,916)**	**10,471**
Financial income (expense)	(1,203)	(752)	(244)
Income (expense) from investments	-	(6,913)	33,893
Result before tax for the period	**(14,166)**	**(33,581)**	**44,120**
Income tax	(3,232)	(8,029)	2,269
Net result	**(10,934)**	**(25,552)**	**41,851**

ANNEX F: FINANCIAL HIGHLIGHTS OF THE MAIN INDIRECT SUBSIDIARIES

(Euro/thousands)	Electa	Mondadori Education	Giulio Einaudi editore
At	**31/12/2020**	**31/12/2020**	**31/12/2020**
Balance sheet			
Assets			
Intangible assets	3	33,601	3
Investment property	-	-	-
Property, plant and equipment	222	33	81
Other tangible fixed assets	-	-	-
Assets from rights of use	5	35	769
Investments	330	-	1,332
Non-current financial assets	-	-	-
Pre-paid tax assets	2,959	2,132	4,760
Other non-current assets	-	9	-
Total non-current assets	**3,519**	**35,810**	**6,946**
Tax receivables	2,037	328	393
Other current assets	3,301	422	9,529
Inventory	1,117	7,465	4,649
Trade receivables	2,958	7,487	20,653
Securities and other current financial assets	26,983	61,315	29,432
Cash and cash equivalents	18	5	90
Total current assets	**36,414**	**77,022**	**64,746**
Assets held for sale or transferred	-	-	-
Total assets	**39,933**	**112,832**	**71,692**

Rizzoli Education	AdKaora	Mondadori Scienza	Press-di Distrib. Stampa e Multimedia	Direct Channel
31/12/2020	31/12/2020	31/12/2020	31/12/2020	31/12/2020
19,091	39	21	262	474
-		-	-	-
49	56	7	12	-
-	-	-	-	23
47	459		63	130
22,836	-	-	426	2,797
-	-	-	-	-
7,740	122	679	562	174
-	19	-	-	-
49,763	**694**	**707**	**1,325**	**3,598**
1,084	4	28	690	27
267	56	130	1,298	14,115
9,510	-	150	-	-
7,675	5,363	4,034	25,265	5,582
62,660	1,898	9,784	288	11,137
78	-	-	24	255
81,273	**7,321**	**14,126**	**27,565**	**31,116**
-				
131,036	**8,015**	**14,833**	**28,890**	**34,714**

ANNEX F: FINANCIAL HIGHLIGHTS OF THE MAIN INDIRECT SUBSIDIARIES

(Euro/thousands)	Electa	Mondadori Education	Giulio Einaudi editore
At	**31/12/2020**	**31/12/2020**	**31/12/2020**
Liabilities			
Share capital	1,594	10,608	23,920
Reserves	8,771	37,800	12,105
Profit (loss) for the period	7,494	17,050	12,409
Total equity	**17,859**	**65,458**	**48,434**
Provisions	10,744	4,574	506
Post-employment benefits	120	5,363	1,289
Non-current financial liabilities	54	-	-
Financial liabilities IFRS 16	3	17	510
Deferred tax liabilities	-	6,390	10
Other non-current liabilities	-	-	-
Total non-current liabilities	**10,921**	**16,344**	**2,316**
Income tax payables	-	5,629	3,221
Other current liabilities	4,055	7,970	7,667
Trade payables	7,022	17,377	9,762
Payables to banks and other financial liabilities	73	36	2
Financial liabilities IFRS 16	3	18	291
Total current liabilities	**11,153**	**31,030**	**20,943**
Assets held for sale or transferred	-	-	-
Total liabilities	**39,933**	**112,832**	**71,692**

	Rizzoli Education	AdKaora	Mondadori Scienza	Press-di Distrib. Stampa e Multimedia	Direct Channel
	31/12/2020	**31/12/2020**	**31/12/2020**	**31/12/2020**	**31/12/2020**
	42,405	15	2,600	200	3,120
	41,068	1,233	2,706	1,731	387
	8,683	831	(2,125)	(2,276)	(318)
	92,156	**2,079**	**3,181**	**(345)**	**3,189**
	4,067		2,721	732	47
	5,444	209	662	771	806
	22	422	-	36	106
	-	-	-	-	-
	2,944	-	-	-	4
	-	-	-	-	-
	12,478	**631**	**3,383**	**1,539**	**963**
	600	350	-79		246
	7,846	1,033	5,041	1,078	19,350
	17,726	3,874	3,306	26,588	10,938
	206	48	-	30	27
	25	-	-	-	-
	26,402	**5,305**	**8,269**	**27,696**	**30,561**
	-	-	-		-
	131,036	**8,015**	**14,833**	**28,890**	**34,714**

ANNEX F: FINANCIAL HIGHLIGHTS OF THE MAIN INDIRECT SUBSIDIARIES

(Euro/thousands)	Electa	Mondadori Education	Giulio Einaudi editore
At	**2020**	**2020**	**2020**
Income statement			
Revenue from sales and services	9,938	79,925	46,023
Decrease (increase) in inventory	630	(491)	(120)
Purchase of raw and ancillary materials, consumables and goods	466	6,798	2,873
Purchase of services	10,099	36,143	22,166
Cost of personnel	2,074	6,791	5,215
Other (income) expense	(10,170)	563	288
EBITDA	**6,839**	**30,122**	**15,600**
Depreciation of property, plant and equipment	122	48	28
Amortization of intangible assets	9	6,851	8
Amortization/depreciation of assets from rights of use			411
EBIT	**6,708**	**23,222**	**15,153**
Financial income (expense)	(67)	(17)	(35)
Income (expense) from investments	26		899
Result before tax for the period	**6,667**	**23,205**	**16,017**
Income tax	(827)	6,155	3,608
Net result	**7,494**	**17,050**	**12,409**

Rizzoli Education 2020	AdKaora 2020	Mondadori Scienza 2020	Press-di Distrib. Stampa e Multimedia 2020	Direct Channel 2020
76,879	9,126	14,471	35,508	10,758
2,476		(99)		
17,649	11	1,127	702	63
33,944	6,014	8,776	32,107	7,811
4,951	1,479	7,069	3,310	1,952
(99)	382	160	1,407	(633)
17,958	**1,240**	**(2,760)**	**(2,017)**	**1,566**
69	20	6	6	14
5,898	18	23	88,81	125
	52		28	26
11,991	**1,150**	**(2,789)**	**(2,140)**	**1,400**
(10)	(15)	(6)	(29)	(8)
			(525)	(1,343)
11,981	**1,136**	**(2,795)**	**(2,694)**	**49**
3,298	305	670	(419)	366
8,683	**831**	**(2,125)**	**(2,275)**	**(318)**

ANNEX G: FINANCIAL HIGHLIGHTS OF ASSOCIATES

(Euro/thousands)	Mediamond	Monradio	Società Europea di Edizioni *	Attica Publications
At	**31/12/2020**	**31/12/2019**	**31/12/2019**	**31/12/2019**
Balance sheet				
Assets				
Share capital proceeds to be received	-	-	4,000	-
Intangible assets	-	-	-	-
Other intangible fixed assets	2,170	36,607	3,227	10,428
Property, plant and equipment	86	2,939	184	511
Assets from rights of use	120	-		
Investments	2,900	-	647	4
Non-current financial assets	-	101	-	9
Pre-paid tax assets	1,506	55	92	2,855
Other non-current assets	1	-	-	112
Total non-current assets	**6,783**	**39,702**	**8,150**	**13,918**
Tax receivables	5,512	-	259	-
Other current assets	4,848	2,789	890	2,915
Inventory	-	-	472	764
Trade receivables	95,919	6,981	9,847	9,415
Securities and other current financial assets	9,206	-	-	-
Cash and cash equivalents	-	1	25	4,506
Total current assets	**115,485**	**9,771**	**11,493**	**17,600**
Assets held for sale or transferred	-	-	-	-
Total assets	**122,269**	**49,473**	**19,643**	**31,519**
Liabilities				
Share capital	2,400	3,030	2,529	4,590
Reserves	1,299	27,341	14,000	(14)
Profit (loss) for the period	(2,304)	(6,494)	(15,263)	821
Total equity	**1,395**	**23,877**	**1,266**	**5,397**
Provisions	3,074	84	1,500	-
Post-employment benefits	4,915	241	2,239	
Non-current financial liabilities	122	-	-	5,163
Deferred tax liabilities	47	7,259	-	-
Other non-current liabilities	-	-	-	218
Total non-current liabilities	**8,158**	**7,584**	**3,739**	**5,382**
Income tax payables	91	-	1,414	-
Other current liabilities	5,397	271	280	4,007
Trade payables	106,654	3,809	3,614	5,869
Payables to banks and other financial liabilities	574	13,932	9,330	10,865
Total current liabilities	**112,717**	**18,012**	**14,638**	**20,740**
Assets held for sale or transferred	-	-	-	-
Total liabilities	**122,269**	**49,473**	**19,643**	**31,519**

* Financial statements prepared according to Italian accounting standards

(Euro/thousands)	**Mediamond**	**Monradio**	**Società Europea di Edizioni ***	**Attica Publications**
Period	**2020**	**2020**	**2019**	**2019**
Income statement				
Revenue from sales and services	181,825	11,163	22,571	28,348
Decrease (increase) in inventory	-	-	(96)	-
Purchase of raw and ancillary materials, consumables and goods		81	2,815	13,620
Purchase of services	169,535	14,020	14,122	12,467
Cost of personnel	13,849	1,056	17,149	-
Other (income) expense	1,182	1,985	1,843	(145)
EBITDA	**(2,741)**	**(5,979)**	**(13,262)**	**2,406**
Depreciation of property, plant and equipment	103	2,387	162	-
Amortization of intangible assets	-	-	1,368	-
EBIT	**(2,844)**	**(8,366)**	**(14,792)**	**2,406**
Financial income (expense)	(44)	(191)	(470)	(969)
Income (expense) from investments	-		-	(3)
Result before tax for the period	**(2,888)**	**(8,557)**	**(15,263)**	**1,435**
Income tax	(108)	(2,063)	-	614
Deferred tax	692			
Net result	**(2,304)**	**(6,494)**	**(15,263)**	**821**

* 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 Alessandro Franzosi, 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, paragraphs 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 2020.

2. The assessment of the adequacy of the administrative and accounting procedures for the preparation of the Company's financial statements at 31 December 2020 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 2020:

   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.

18 March 2021

The CEO (Ernesto Mauri)	The Financial Reporting Manager (Alessandro Franzosi)

MONDADORI GROUP SOCIAL CHANNELS

100+
PROFILES ON
7 PLATFORMS

1 BILLION
VIEWS/MONTH

1,700
LIVE STREAM
EVENTS IN 2020

OUR CONTENT REACHES **83.5** OUT OF **100** USERS ON SOCIAL CHANNELS

OUR FOLLOWERS

27,000,000

6,200,000

2,800,000

2,350,000

1,500,000

1,400,000

200,000

A vast community
The Mondadori Group, through its brands, engages every day with a wide range of people keen on its contents: from reading to education, from current affairs to entertainment. In 2020, the 100+ profiles of the Mondadori Group reached over 40 million followers, coming into contact with 83.5% of Italians active on the different platforms.

Statutory Auditors' Report

STATUTORY AUDITORS' REPORT TO THE SHAREHOLDERS' MEETING CALLED TO APPROVE THE FINANCIAL STATEMENTS AT 31 DECEMBER 2020 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 (TUF), 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 ended 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.
On 20 March 2020, the Mondadori Group announced the resignation of Oddone Pozzi from the position of Group Director of Finance, Procurement, Legal Affairs, IT and Logistics, of Financial Reporting Manager, and from all of the directorships held both in the parent company Arnoldo Mondadori Editore S.p.A. (as Executive Director) and in the other companies of the Group. In order to ensure the activities regarding the Shareholders' Meeting called for the approval of the financial statements at 31 December 2019 and the approval of the Interim Management Statement at 31 March 2020, the resignation from the position of Group Director and Financial Reporting Manager took effect from 3 June 2020, while the resignation from the various directorships took effect from 22 April 2020, after the Shareholders' Meeting. On 23 March 2020, the Mondadori Group announced that Alessandro Franzosi would take on the position of Chief Financial Officer from 4 June; on 14 May 2020, he was co-opted director by resolution of the Board of Directors.

In the year ended 31 December 2020, marked to a great extent by the impacts of the Covid-19 health emergency, 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.
Amid the ongoing effects of the pandemic, the Board of Auditors carried out a large part of its activities remotely, without identifying any impact on the effectiveness of its supervisory activities.

The Board of Statutory Auditors met regularly in 2020, 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, in line also with the provisions contained in the Code of Conduct for Boards of Statutory Auditors of listed companies issued by the Italian Association of Public Accountants and Accounting Professionals. 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. The findings, assessments and final recommendations of the Board of Statutory Auditors were discussed and summarized in a document whose contents are included in the Report on Corporate Governance and Ownership Structure.

On conclusion of the abovementioned self-assessment process, the Board of Statutory Auditors approved its guidelines to the Company's shareholders on the optimal composition of the new supervisory body, with the aim of providing shareholders with a valid support tool in the selection of the candidates to be included in the lists for the renewal of the Board of Statutory Auditors. In terms of an ideal qualitative and quantitative composition for the future Board of Statutory Auditors of Arnoldo Mondadori Editore, an analysis of the assessments on both the current and future setup confirmed the shared opinion within the Board of Statutory Auditors on maintaining the current mix of skills and professional qualities, with a view to continuing the assignment.
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 2020 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
In 2020, the Board of Statutory Auditors, with almost all its members, met 20 times and attended all the meetings of the Board of Directors.
In 2020, 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 Article 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 Corporate Governance 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;
- assessed that the Report on Corporate Governance and Ownership Structure contains all the information required by Article 123-*bis* of the 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 1 February 2021 and was approved by the Board of Directors on 11 February 2021; in this regard, the Board of Statutory Auditors supervised the substantial and formal legitimacy of the impairment process;
- assessed 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 Ordinary Shareholders' Meeting held on 22 April 2020, attended by Shareholders exclusively through their appointed representative, pursuant to Article 106 of Law Decree 18/2020, subsequently converted into Law 27/2020;
- 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 550,000 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. In 2020, only one significant transaction with related parties was completed by Arnoldo Mondadori Editore S.p.A. and the wholly-owned subsidiary Mondadori Media S.p.A. regarding a capital contribution;
- 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 2020, without reporting any facts or situations to be highlighted in this Report.

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 18 March 2021;
- 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 Article 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, par. 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 18 March 2021 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 2021 operations and results.

Despite the pandemic-related movement restrictions, the Board of Statutory Auditors kept an effective flow of information with the Board of Directors, the Board Committees and the Company structures.

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 par., of Legislative Decree no. 39/2010. The Independent Auditors consider the valuation of investments in subsidiaries and associates as key points of the audit of the financial statements.

More specifically, the Board of Statutory Auditors reviewed the Independent Auditors' Report on the Financial Statements for the year ended 31 December 2020 issued, pursuant to Article 14 of Legislative Decree 39/2010 and Article 10 of EU Regulation 537/2014, on 31 March 2021, by which the Independent Auditors certified that:

- the Company's financial statements and the Group's consolidated financial statements at 31 December 2020 provide a true and fair view of the financial position and results of operations at 31 December 2020 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*, par. 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 31 March 2021 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 Article 149-*duodecies* of the Issuer Regulation, in an annex to the 2020 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 2020, which closes with a profit of Euro 4,502,600.02, or of the proposed resolutions put forward by the Board of Directors.
We thank you for your trust and remind you that our term expires on approval of these financial statements, so we invite you to resolve accordingly.

Milan, 31 March 2021

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 2020 in accordance with article 4 of the Decree, presented in the specific section of the Director's Report and approved by the Board of Directors on 18th March 2021 (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), 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.

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Codice fiscale e numero di iscrizione 00434000584 - numero R.E.A. 250904
P.IVA 00891231003
Iscritta al Registro Revisori Legali al n. 70945 Pubblicato sulla G.U. Suppl. 13 - IV Serie Speciale del 17/2/1998
Iscritta all'Albo Speciale delle società di revisione
Consob al progressivo n. 2 delibera n.10831 del 16/7/1997

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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.

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. 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 with the personnel of Mondadori Retail 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 companies Arnoldo Mondadori Editore S.p.A. and Mondadori Retail S.p.A., that we have selected based on their activities, relevance to the consolidated performance indicators and location, we have carried out remote interviews 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 2020 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.

Other matters

The DNF for the year ended on 31st December 2018, whose data are presented for comparative purposes, has been subject to limited assurance procedures by another auditor, who expressed unqualified conclusions on 27th March 2019.

Milano, 31st March 2021

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.

Arnoldo Mondadori Editore S.p.A.

Consolidated financial statements as at December 31, 2020

Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated January 27, 2010, and article 10 of EU Regulation n. 537/2014

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Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated January 27, 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, 2020, the consolidated income statement, the consolidated comprehensive income statement, the consolidated statement of changes in equity and the consolidated statement of cash flows 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, 2020, 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.

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.

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We identified the following key audit matters:

Key Audit Matter	Audit Response
Valuation of goodwill, intangible assets and other non-current assets	
At December 31, 2020 goodwill, magazines, trademarks and book series, and other non-current assets for a total of Euro 192 million (of which Euro 94 million with an indefinite life) were recognized in the consolidated financial statements and respective Cash Generating Units (CGUs) were tested for impairment. Impairment tests are conducted by comparing CGUs carrying amounts with the related recoverable amounts, which are determined as the higher of fair value less costs of disposal and 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 2021-2023 plan (the Plan) and in the 2021 Budget (the Budget) approved by the Board of Directors, 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 any forecasting activity related to the estimate of revenues and cash flows expected over the period of the Plan and of the Budget, are particularly important in the current market context. 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 and 7 include the applicable accounting standards, the valuation criteria and the estimates adopted in connection with such assets. The explanatory note 10 to the balance sheet includes disclosures on 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 carrying values to each CGU; • analysis of the key assumptions used for the Impairment test, including: (i) forecasted future revenues and cash flows for the CGUs as included in the Plan and in the Budget, and (ii) the determination of an appropriate discount rate (WACC) and long-term growth rate (g-rate). During the course of our procedures, we were also supported by our experts in valuation techniques. Lastly, we assessed the adequacy of the disclosures provided in the explanatory notes to the financial statements.

Key Audit Matter	Audit Response
Revenue recognition for book sales – estimate of expected returns	
Revenues for 2020 of the Books unit amounted to Euro 423 million and are accounted for net of actual and 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 books returned. 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 inherent in the estimation process, and the complexity of the calculation involved and in consideration of the large number of publishers, editorial lines and distribution channels of the Group. Explanatory notes 6.18 and 7 include the applicable accounting standards, the valuation criteria and the estimates adopted the for the revenue recognition of book sales and the estimate of expected returns. Explanatory note 30 of the income statement includes disclosures related to revenues for the fiscal year.	Our audit procedures in response to this key audit matter included, among others: • understanding of sales returns process implemented by 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 revenues; • critical analysis 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 details 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.

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 February 24, 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, 2020, 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 February 24, 1998, with the consolidated financial statements of Mondadori Group as at December 31, 2020 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, 2020 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 January 27, 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 December 30, 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 December 30, 2016. We have verified that non-financial information has been approved by Directors.

Pursuant to article 3, paragraph 10, of Legislative Decree n. 254, dated December 30, 2016, such non-financial information is subject to a separate compliance report signed by us.

Milan, March 31, 2021

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.

Arnoldo Mondadori Editore S.p.A.

Financial statements as at December 31, 2020

Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated January 27, 2010, and article 10 of EU Regulation n. 537/2014

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Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated January 27, 2010 and article 10 of EU Regulation n. 537/2014
(Translation from the original Italian text)

To the Shareholders of
Arnoldo Mondadori 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, 2020, the income statement, the comprehensive income statement, the statement of changes in equity and the statement of cash flows 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, 2020, 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.

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.

EY S.p.A.
Sede Legale: Via Lombardia, 31 - 00187 Roma
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
Codice fiscale e numero di iscrizione 00434000584 - numero R.E.A. 250904
P.IVA 00891231003
Iscritta al Registro Revisori Legali al n. 70945 Pubblicato sulla G.U. Suppl. 13 - IV Serie Speciale del 17/2/1998
Iscritta all'Albo Speciale delle società di revisione
Consob al progressivo n. 2 delibera n.10831 del 16/7/1997

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We identified the following key audit matters:

Key Audit Matter	Audit Response
Investments valuation	
The financial statements as of December 31, 2020 include investments in subsidiaries, jointly controlled entities and associates accounted for under the equity method for Euro 363 million, inclusive of goodwill and other intangible assets identified at the acquisition date. The Company performed an impairment test for all Cash Generating Units (CGUs) related to the various investees to which the above-mentioned intangible assets are referred to, by comparing the carrying amounts with the related recoverable amounts, determined as the higher of fair value less costs of disposal and 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 2021-2023 plan (the Plan) and in the 2021 Budget (the Budget) approved by the Board of Directors, 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 and of the Budget, are particularly important in the current market context. 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 3.6 and 4 include the applicable accounting standards, the valuation criteria and the estimates adopted in connection with such assets. The explanatory note 4 to the balance sheet includes disclosures on investments, including the impairment process.	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; • analysis of the key assumptions used for the Impairment test, including: (i) forecasted future revenues and cash flows for the CGUs as included in the Plan, and (ii) discount rate (WACC) and long-term growth rate (g-rate). During the course of our procedures, we were 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.

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 January 27, 2010 and of article 123-bis, paragraph 4, of Legislative Decree n. 58, dated February 24, 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, 2020, 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 February 24, 1998, with the financial statements of Arnoldo Mondadori Editore S.p.A. as at December 31, 2020 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, 2020 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 January 24, 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 December 30, 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 December 30, 2016. We have verified that non-financial information has been approved by Directors.

Pursuant to article 3, paragraph 10, of Legislative Decree n. 254, dated December 30, 2016, such non-financial information is subject to a separate compliance report signed by.

Milan, March 31, 2021

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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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