

ARNOLDO MONDADORI EDITORE S.p.A.

Share Capital Euro 64,079,168.40

Head Offices in Milan

Administrative Offices in Segrate (Milan)

**Interim Report on Operations
at September 30, 2012**

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Report on Operations

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Board of Directors' Report on Operations

Board of Directors' Report on Operations at September 30, 2012

In the third quarter of the year the key economic indicators showed a further worsening of the already dire financial scenario.

Since the beginning of the year, growth forecasts made by key institutions have been repeatedly revised downward. World economic projections are exposed to high risks correlated with the evolution of sovereign debt in the euro area and the intensity of the slowdown of activities in non-EU economies and, in particular, in emerging countries.

The stifling recession in Italy does not show any signs of abating in the short term; in the third quarter GDP continued its downtrend (year-end projections are currently at -2.4%). This trend reflects the increasingly weak domestic demand, further hindered by reduced investments and consumer spending.

Unemployment, which reached 10.8% at the end of September (youth unemployment stands at 35.1%), plummeting purchasing power, also as a result of the increased tax burden, and the bottoming out of confidence levels this summer, are the key factors driving the general drop in spending (-3.2%).

In relation to the markets of reference for the Mondadori Group:

- Books in Italy continued on the downtrend (-7.8%) in general, on all distribution channels, with a particularly negative result for paperbacks;
- Magazines (data at end of August) dropped both in terms of circulation (-11.5%) and sales from advertising (-16.2%) with add-ons plunging further along the trend registered in the past years (-20.7%);
- in France, magazines sales at newsstands dropped -5.3% in the first nine months of the year (data at end of September relative to subscriptions – still holding – are not yet available). Due to significantly decreased investments in the past months, the advertising market showed a 4.2% reduction (-0.5% in May).

As to the Mondadori Group results for the first nine months of 2012, consolidated sales dropped by 7.5% (against -8.5% posted in June) with a value of -5.7% referred to just the third quarter; EBITDA dropped 39.7% (-39% at June); net profit was equal to euro 16.1 million (euro 8.6 million for the quarter) and net financial position at euro -346.0 million (showing a euro 24.0 million improvement in the quarter).

The significant events after closing include the transfer transaction, dated November 5, from Mondadori Group to Bertelsmann of the 50% interest in Random House Mondadori, a book publisher with head offices in Barcelona that operates in the Spanish and Latin American markets. The euro 54.5 million worth transaction is subject to the approval of the Spanish antitrust authorities and is expected to be completed by year end.

Here below are the financial highlights at September 30, 2012:

Consolidated sales amounted to euro 1,028.4 million, down 7.5% against euro 1,112.0 million registered in 2011. Net of the consolidation of Editions Mondadori Axel Springer S.n.c. in Mondadori France, the reduction would have equaled 10.3%.

Consolidated EBITDA equaled euro 63.1 million, down 39.7% against euro 104.6 million of the previous year. The reduction is partly due to lower positive non-recurring items and higher restructuring costs borne in 2012 against the same period of the previous year.

Consolidated EBIT totaled euro 44.6 million against euro 87.8 million in 2011, with amortization and depreciation of intangible and tangible assets for euro 18.5 million (euro 16.8 million in 2011).

Consolidated profit before taxes amounted to euro 32.0 million against euro 71.3 million of the previous year; in the period financial charges equaled euro 12.6 million, a euro 3.9 million improvement against 2011.

Consolidated net profit totaled euro 16.1 million (after the allocation of euro 1.3 million to third shareholders) against euro 44.1 million registered in the same period of 2011.

Gross cash flow in the first nine months of 2012 equaled euro 34.6 million against euro 60.9 million of 2011.

Net financial position decreased from euro -335.4 million as at end of 2011 to euro -346.0 million at September 30, 2012 (euro -380.6 million at September 30, 2011).

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

Financial and non-financial indicators

| Consolidated income statement Euro/million | Third quarter | | | At September 30 | | |
|---|---------------|--------------|----------------|-----------------|--------------|----------------|
| | 2012 | 2011 | Var. | 2012 | 2011 | Var. |
| Revenues from sales and services | 352.2 | 373.3 | (5.7%) | 1,028.4 | 1,112.0 | (7.5%) |
| Personnel | 63.2 | 62.8 | 0.6% | 205.2 | 200.5 | 2.3% |
| Cost of sales and management costs (*) | 263.1 | 266.1 | (1.1%) | 766.4 | 820.4 | (6.6%) |
| Income (charges) from investments recognized at equity | 1.2 | 1.2 | - | 6.3 | 13.5 | (53.3%) |
| EBITDA | 27.1 | 45.6 | (40.6%) | 63.1 | 104.6 | (39.7%) |
| <i>EBITDA incidence on revenues</i> | <i>7.7%</i> | <i>12.2%</i> | | <i>6.1%</i> | <i>9.4%</i> | |
| Depreciation of properties, plants and machinery | 2.9 | 2.9 | - | 8.5 | 8.5 | - |
| Amortization of intangible assets | 3.4 | 2.8 | 21.4% | 10.0 | 8.3 | 20.5% |
| EBIT | 20.8 | 39.9 | (47.9%) | 44.6 | 87.8 | (49.2%) |
| <i>EBIT incidence on revenues</i> | <i>5.9%</i> | <i>10.7%</i> | | <i>4.3%</i> | <i>7.9%</i> | |
| Net financial revenues (costs) | (4.4) | (6.1) | (27.9%) | (12.6) | (16.5) | (23.6%) |
| Revenues (costs) from other investments | - | - | - | - | - | - |
| Profit before taxes | 16.4 | 33.8 | (51.5%) | 32.0 | 71.3 | (55.1%) |
| <i>Profit before taxes incidence on revenues</i> | <i>4.7%</i> | <i>9.1%</i> | | <i>3.1%</i> | <i>6.4%</i> | |
| Income tax | 8.1 | 12.3 | (34.1%) | 14.6 | 27.1 | (46.1%) |
| Third party profits | 0.3 | (0.1) | n.s. | (1.3) | (0.1) | n.s. |
| Net profit | 8.6 | 21.4 | (59.8%) | 16.1 | 44.1 | (63.5%) |

(*)This item includes the following sub-items: decrease (increase) in inventory; costs for raw, ancillary, consumption materials and goods; costs for services; other costs (revenues).

Consolidated revenues amounted to euro 1,028.4 million, down 7.5%; here below is a breakdown of revenues by business area.

| Sales by business area | Euro/million September 30, 2012 | Euro/million September 30, 2011 | Var. % |
|------------------------------------|------------------------------------|---------------------------------------|---------------|
| Books | 261.6 | 280.5 | (6.7%) |
| Magazines Italy | 298.6 | 351.1 | (15.0%) |
| Magazines France | 284.5 | 259.6 | 9.6% |
| Advertising | 129.1 | 165.0 | (21.8%) |
| Direct & Retail | 169.5 | 190.4 | (11.0%) |
| Radio | 10.3 | 11.7 | (12.0%) |
| Corporate and other activities | 16.0 | 18.6 | (14.0%) |
| Total aggregate revenues | 1,169.6 | 1,276.9 | (8.4%) |
| Intercompany revenues | (141.2) | (164.9) | (14.4%) |
| Total consolidated revenues | 1,028.4 | 1,112.0 | (7.5%) |

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

| Sales by geographical area | Euro/million September 30, 2012 | Euro/million September 30, 2011 | Var. % |
|------------------------------------|--|--|-------------------|
| Italian domestic market | 726.4 | 834.0 | (12.9%) |
| France | 267.9 | 246.9 | 8.5% |
| Other EU countries | 25.0 | 23.0 | 8.7% |
| US market | 0.3 | 0.3 | - |
| Other countries | 8.8 | 7.8 | 12.8% |
| Total consolidated revenues | 1,028.4 | 1,112.0 | (7.5%) |

Books

In the first nine months of 2012 the Trade segment confirmed its downtrend, both in terms of copies sold (-7.1%, source: Nielsen) and value (-8.1%, source: Nielsen) in the book store distribution channel, against the same period of 2011, showing a slight improvement against the first six months of 2012.

The reduction involves all distribution channels taken into account in the Nielsen survey: book stores, large-scale retailers and on-line.

In this context the Mondadori Group confirmed its leadership in the trade segment with a 27.7% share (source: Nielsen).

| | Euro/million September 30, 2012 | Euro/million September 30, 2011 |
|-------------------------------|--|--|
| Revenues from books | 257.6 | 276.1 |
| Other revenues | 4.0 | 4.4 |
| | 261.6 | 280.5 |
| Operating costs | (214.3) | (228.4) |
| EBITDA | 47.3 | 52.1 |
| Amortization and depreciation | (1.0) | (1.2) |
| EBIT | 46.3 | 50.9 |

Sales in the Books segment totaled euro 261.6 million, down 6.7% against the same period of 2011. Here below is a breakdown by single Group publishing house:

| Books | Euro/million September 30, 2012 | Euro/million September 30, 2011 | Var. % |
|------------------------------------|--|--|-------------------|
| Edizioni Mondadori | 81.6 | 78.5 | 3.9% |
| Einaudi | 29.8 | 35.0 | (14.9%) |
| Sperling & Kupfer | 17.2 | 17.9 | (3.9%) |
| Edizioni Piemme | 24.2 | 30.5 | (20.7%) |
| Mondadori Electa | 22.2 | 25.0 | (11.2%) |
| Mondadori Education | 65.6 | 66.5 | (1.4%) |
| Distribuzione Libri | 17.0 | 22.7 | (25.1%) |
| Other revenues | 4.0 | 4.4 | (9.1%) |
| Total consolidated revenues | 261.6 | 280.5 | (6.7%) |

Edizioni Mondadori

In the third quarter Edizioni Mondadori showed a growing trend in the trade segment, reaching a 14.1% share in value, up 1.3% against the same period of 2011 (12.8%).

In the first nine months of 2012 sales equaled euro 81.6 million, up 3.9% against the same period of 2011, also thanks to the trilogy *Cinquanta sfumature* by E.L. James, which sold slightly more than 2,400,000 copies in three months in Italy, holding the first, second and third position for several weeks in the general bestsellers ranking and reaching a record of more than 90,000 downloaded copies in the e-book format.

As to Fiction, on September 11, in a world preview, Mondadori published *L'inverno del mondo*, the second, much awaited book of *The Century Trilogy* by Ken Follett, with a launch of 450,000 copies. In just a few days the book climbed to the first position together with *Cinquanta sfumature di grigio* in the bestsellers ranking with twice the number of copies as the first book of the trilogy - *La caduta dei giganti* - published two years ago.

Great satisfaction also for the victory of the two most prestigious Italian awards: the Strega Prize 2012, won by Alessandro Piperno with *Inseparabili* (80,000 copies sold) and the Campiello Prize 2012, awarded to Carmine Abate with *La collina del vento* (40,000 copies sold only in the month of September). Both books were published in the historical series of *Scrittori Italiani e Stranieri*, subject to restyling this year and very much appreciated by readers.

As to Non Fiction, Mondadori published *Alzando da terra il sole*, forty-nine stories by renowned writers, music artists and journalists written on the occasion of the Campovolo concert of September 22 - "Italia loves Emilia" - the revenues of which were destined to the reconstruction of the Municipal Library of Mirandola, a village destroyed by the earthquake of May 20, 2012.

On September 12, *Colti da stupore*, an amazing collection of the last sermons of Cardinal Carlo Maria Martini, was published, which goes hand in hand with Andrea Galli's *Intervista su Dio*, centered on Cardinal Ruini's thoughts.

The restyling of the "Le Scie" series before summer features the publication this fall of *Dante. Il romanzo della sua vita* by Marco Santagata, the launch of which was accompanied by a successful digital communication project, unusual for the limited target of this essay series.

As for Non Fiction, Sonia Peronaci is again on the book shelves with *Divertiti cucinando. GialloZafferano*, on the wake of the successful *Le mie migliori ricette. GialloZafferano* of last year, which sold 55,000 copies.

The *Guinness Book of World Records 2013* doubled its performance in the first weeks after its launch as compared to the 2012, edition thanks also to the concurrent broadcasting of the TV program “*Lo Show dei Records*”.

Also worthy of mention is the publication of Francesco Totti’s *E mo’ te spiego Roma* in correlation with the release of the movie “*Gladiatori di Roma*” on October 18.

For Christmas 2012 the books in the Fiction segment by Valerio Massimo Manfredi, Daria Bignardi, Mauro Corona, David Grossman and Sylvia Day will be launched. The last author is already extensively renowned abroad for the erotic trilogy of *Cinquanta sfumature*. As for Non Fiction, the books by Bruno Vespa, Aldo Cazzullo, Antonella Clerici and Luciana Littizzetto all performed well.

In the Children’s category the initiatives in support of the catalogue were continued, with promotions organized in book stores as well as in the schools, reaching a value-based market share of 9.4% excluding the Young Adults segment.

As for Young Adults, the reference target of the “Chrysalide” series, Mondadori has a 35.1% market share, a sharp rise against 2011, thanks to the world publishing phenomenon of *Hunger Games*, a bestselling product about to reach 300,000 copies sold in the Italian market.

In autumn, the first installment of the new saga by Rick Riordan, *The Kane Chronicles. La piramide rossa*, anticipates the release of the second installment of the saga *I Regni di Nashira* by Licia Troisi, the author who, for the second consecutive year, was celebrated as queen of the comics festival “*Il Lucca Comics and Games*”, held at the beginning of November.

In Classics worth noting is the good result of *La passione dell’etica* by Eugenio Scalfari, published by the I Meridiani series.

The enforcement of the law on the price of books (Levi law), reducing the impact of promotional campaigns, led to lower sales, in terms of value, in the Paperback segment, on the order of 11.9% (source: Nielsen). In this context, Mondadori retained its leadership with 29.4% of the market, against 29.6% of the previous year.

Under the NumeriPrimi^o brand, Mondadori offers diversified products like the standard edition of all the novels by Nesbø or the journey-and-experience-centered novels of the tie-in edition of *Sulla strada* by Jack Kerouac.

Giulio Einaudi Editore

Einaudi closed the first nine months of 2012 with sales equaling euro 29.8 million, down 14.9% against euro 35.0 million of the previous year.

The market share in the book store segment is still rising against the previous year, at 5.4% in value.

Among the driving factors, the good performance of the Stile Libero trademark, up 8.7% against the previous year, also thanks to the summer promotional campaign characterized by a 25% discount across the board on the entire series.

Il momento è delicato by Niccolò Ammaniti performed well (185,000 copies sold) along with *Lo spettro* by Jo Nesbø (96,000 copies sold) and *Io sono il libanese* by Giancarlo De Cataldo (90,000 copies sold), to mention a few new titles.

The excellent performance of *Open* by Andre Agassi continued also in 2012, after the launch in 2011, and it still ranks in the first positions today with 65,000 copies sold.

As for Paperbacks and as already mentioned, the series suffers the effect of the new Levi law, which imposed a shorter beginning-of-the-year promotional campaign and lower discounts as compared to 2011. Conversely, a similar initiative proposed in the month of October on the Super ET series is currently registering greater success.

Foreign Fiction registered a downtrend due to the lack of new titles which could duplicate last year's success of *Libertà* by Jonathan Franzen.

Among the best sellers in 2012, first place was taken by *Il senso di una fine* by Julian Barnes (23,000 copies sold), winner of the Man Booker Prize 2011, followed by *Goodbye, Columbus* by Philip Roth with 16,300 copies sold. Also *Rosa candida* by Audur Ava Ólafsdóttir, a new entry for the Feltrinelli catalogue, posted a good performance.

As for Italian Fiction, sales are in line with the previous year. Among the best sellers, the following are also worth mentioning: *Il rumore dei baci a vuoto* by Luciano Ligabue (about 149,000 copies sold); *Limbo* by Melania Mazzucco, a new entry for the Publisher (41,400 copies sold); *L'incontro* by Michela Murgia (64,000 copies sold) and *Nel tempo di mezzo* by Marcello Fois, a novel that was included in the group of five finalists at the 2012 Strega Prize and also shortlisted for the Campiello Prize.

In the Non Fiction segment, for the Vele series, *Crede e Conoscere* by Ignazio Marino and Carlo Maria Martini performed well among the already published titles, exceeding 24,000 copies sold.

Sperling & Kupfer

Sperling & Kupfer is the Group Publishing House that controls the Sperling & Kupfer, Frassinelli and Mondadori Informatica trademarks. Net revenues at September 2012 were equal to euro 17.2 million, down 3.9% against the same period of the previous year, thus reflecting both general lower sales in the market but, also and more significantly, the impact of the Levi law in the large-scale retailers channel.

The market share registered by Nielsen at end of September 2012 stands at 2.8%, up against 2.4% of the previous year.

In Fiction, worth noting is the great success of *Léonie*, the new novel by Sveva Casati Modignani, which remained in the top ten of the best-seller list and represented the record high for the author with 215,000 copies sold.

In addition, there was the performance of *L'imprevedibile viaggio di Harold Fry* by Rachel Joyce, a first novel launched in September, which immediately climbed to the top positions of the best-seller list in foreign fiction.

Also worth noting is the good performance of other already known authors, including Nicholas Sparks, Guillaume Musso and Danielle Steel.

As for Non Fiction, the excellent result of *Cinquanta sbavature di Gigio* by Rossella Calabrò is noteworthy, which, launched in the month of August, has already exceeded 65,000 copies after just a few weeks. The excellent performance of Pierre Dukan's books is noteworthy: 570,000 copies sold at September 2012. The success of the volumes *La dieta Dukan* and *Le ricette della dieta Dukan* was accompanied in 2012 by *La dieta Dukan Illustrata* and *La dieta Dukan: i 100 alimenti a volontà*, which topped the rankings in the segment.

Also for Non Fiction, a good performance was posted by *Ciliegie o ciliege?* by Valeria Della Valle and Giuseppe Patota, which reached four editions in six months.

Edizioni Piemme

Piemme is the Publishing House that stands out in the Italian market for its undisputed leadership in the Junior segment through its trademarks - Stilton and Battello a Vapore - along with a consolidated and recognizable offering of mainstream books in all the main Trade segments.

At the end of September, Piemme posted net revenues equal to euro 24.2 million, down 20.7% against the same period of 2011, reflecting both lower sales for the market in general and, in particular, the impact of the Levi law on the large-scale retailers channel. The market share in book stores has remained steady at 4.2% in value.

As for Fiction, Michael Connelly confirmed his success with *Il respiro del drago*, 70,000 copies sold, ranking in the first positions in the Foreign Fiction best-seller list, followed by *La cattedrale ai confini del mondo* by the new entry Paloma Sánchez-Garnica with 43,200 copies sold.

As for Non Fiction, the top position is held by Padre Amorth with *L'ultimo esorcista* (46,600 copies sold), followed by *La magnifica stronza* by Sherry Argov, another portfolio author (45,700 copies sold). The excellent performance of *Io ci credo* by Al Bano Carrisi (42,000 copies sold) is also noteworthy, along with the launch of *Mangia che dimagrisci*, the second successful title by Filippo Ongaro (33,000 copies sold).

As for Paperbacks, *L'uomo di neve*, by Jo Nesbo (37,000 copies sold) and *Profumo di Lavanda* by Paolo Brosio (31,000 copies sold), published under the Numeri Primi^o trademark, proved the best-selling books.

In the Junior segment, the Stilton brand posted excellent results both in the high-price series (the best-selling books include *Ottavo viaggio nel regno della fantasia* with 112,000 copies sold, *Viaggio nel tempo 5* with 77,300 copies sold and *Le avventure di Marco Polo* with 55,000 copies sold) and in the Paperback series with *I Preistotopi (Sei nella lava fino al collo Stiltonùt* with 33,000 copies sold) and *Le storie da ridere* (with two titles exceeding 33,000 copies sold). *Il Battello a Vapore* confirmed the success of the GOL! Series by Luigi Garlando with five new books, each one topping 16,000 copies sold.

Art books and exhibitions

In the first nine months of 2012 Mondadori Electa posted sales for euro 22.2 million, down against euro 25 million registered in 2011.

The main reasons behind this reduction are attributable to shrinking sales in museum bookshops and, to a lower extent, to the postponed promotions correlated to specific sponsorships.

The year-on-year difference in museum bookshop sales reflect the impact of the *Biennale d'Arte di Venezia* starting from June 2011 (this year the Architecture edition was shorter and was inaugurated at the end of August) as well as the general drop in the number of visitors to the museums of contemporary art.

The reduction in the publishing of catalogues is a result of the current unfavorable economic trend.

Books rose against the past year, particularly as a result of the excellent sale performance of *Il diavolo e la rossumata*, the last title by Sveva Casata Modignani (over 130,000 copies shipped, steadily in the top ten of the best seller list).

Worth noting is also the good performance posted by other titles: *Piccola pasticceria salata* by Luca Montersino with over 11,300 copies sold in the cookbook segment and *Pronto e indossato* by Lavinia Biagiotti with over 8,000 copies sold in the fashion segment. Also the excellent sales trend of Flavio Caroli's trilogy is worth mentioning in the arts segment, with 15,000 copies supplied all together over the year.

It should also be noted that the annual promotional campaign on cookbooks was held in April last year, while it started on October 1st this year. The campaign on travel guides was held in the summer period last year, while it is expected to start on November 1st this year.

Excluding publishing activities that reflect the general downtrend in the bookshops, the Cultural Heritage assets confirm the performance posted in 2011, thanks to the increased activities performed in favor of the archeological sites in Rome, with a constantly growing tourist flow and the success of the exhibition dedicated to Antinoo at Villa Adriana, in Tivoli, which offset the activities carried out in the past year commissioned by the Campania Region and GNAM of Rome.

Mondadori Education

In the first nine months of 2012, Mondadori Education posted net revenues of euro 65.6 million, down 1.4% against the same period of the previous year.

Mondadori Education confirms its market share in the textbooks segment. Here below are the shares of the main players:

| School segment | 2012 |
|----------------------------|-------------|
| Zanichelli-Loescher-D'Anna | 17.4% |
| PPBM Pearson-Paravia-Esbmo | 14.2% |
| Mondadori Education | 12.8% |
| RCS Scuola | 12.3% |
| Gruppo De Agostini | 9.7% |

Source: AIE

In the primary school segment Mondadori Education confirms last year's trend given the extension of the ban on the adoption of new textbooks.

The junior high school segment posted a slight drop as a result of lower production in this market segment, which is not covered by the new rules, and the fluctuating result of new textbooks launched last year.

The secondary high school segment performed slightly better as a result of the reform involving the last three years of school, which resulted in an enhanced production of textbooks. The most successful textbooks were the physics text for the last three years, a text on the history of Italian literature for vocational schools and an English literature text.

Though to a limited extent (below 1%) Mondadori Education textbooks were also adopted in digital format.

The gap between adopted and sold is currently getting increasingly larger due to the difficult economic scenario.

As for Dictionaries, the significant success of *Devoto Junior*, the dictionary designed for primary school students, is worth noting, which is about to exceed 50,000 copies sold, as well as the usual update of *Devoto-Oli* (2013 edition).

As to the technological evolution of the publishing offering, the publisher designed solutions which allow greater use flexibility, regardless of user operating systems and devices. The software technological development goes hand in hand with a greater integration of digital products in the Mondadori Learning Environment ecosystem (virtual classes, theme-based websites, theme-based channels).

As for university textbooks, good performance was turned in by the series of manuals, including eight titles, many of which refer to the successful Science texts line and the launch of a cognitive Sciences series headed by Michele Di Francesco, including two titles.

As for dictionaries, a partnership agreement was entered into with Oxford University Press for the licensing of the right to use the Devoto Oli digital database. In addition to the usual annual updates for Apple, the Android version of the 2013 Devoto-Oli application was published.

For the purpose of proactively reacting to the rising demand for textbooks in digital format, Mondadori Education is available on the Scuolabook.it multi-publisher platform starting from September 2012. The presence is intended to supplement and extend the e-commerce offering. To date over 6,000 downloads have been completed.

E-Book

In the third quarter 2012, the e-book segment posted increased sales, especially in August, with over 5,000 downloads per day.

Only E.L. James's trilogy, *Cinquanta sfumature*, registered more than 90,000 downloads in the quarter. Worth noting are also *Cinquanta sbavature di Gigio* by Rossella Calabrò, published by Sperling & Kupfer, which registered 4,200 downloads in the quarter and *IQ84*

by Haruki Murakami, published by Einaudi, which exceeded 6,000 downloads thanks also to the daily deal promotion.

Romantic Fiction also performed very well, including the digital version of the “Category” titles (published in hard copy only for the newsstand channel) and the titles of the Emozioni series of Oscar Mondadori. Excellent results were registered by Ken Follett’s *L’inverno del mondo*, launched on September 11, which topped 6,000 downloads at the end of October. Lastly, the inauguration of the new “digital only” Mondadori XS “Extra d’autore” series is also noteworthy.

Distribution and logistics

Distribuzione Libri operates for the Group *Direzione Distribuzione e Logistica* and provides management services for the publishing production and distribution warehouse both for the Mondadori Group publishers and third publishers.

Editori Distribuiti net revenues dropped 9.1% as a result of market trends, which mainly hit the large-scale retail channel. The reduction was mitigated by the addition of new client Publishers, including RTI FiveStore and Harlequin Mondadori, which offset shrinking shipment volumes.

The volume of copies shipped in the period reached 40 million pieces, with a reduction limited to 1.4% against the previous year. Corrective actions are being implemented to improve warehouse organization and shipment processes. Contracts with new third publishers have been stipulated and come into effect in the last part of 2012.

Magazines Italy

The worsened scenario of the financial crisis and the pervasive uncertainty on the short-medium term had a strong impact on the markets in which Mondadori operates. In particular, in the last quarter, revenues shrank both in relation to magazines sales and in terms of sales from advertising. This reduction was only partially offset by steady sales of add-ons in the summer months.

In the third quarter of the year the following critical factors had a strong impact on the performance of the segment:

- the economic crisis (GDP is expected to drop by 2.4%) with manifest repercussions on spending (-3.2% in 2012);
- new regulations about circulation certification on a monthly basis, with consequent modification of the marketing investment planning policy;

- implementation of the FIEG/Poste Italiane agreement, stipulated in 2010, which involves the almost complete cancellation of government subsidies on the postal tariffs applied to subscriptions;
- launch of low price magazines by competitors;
- lower number of days during which magazines are offered on sale at newsstands as a result of a forced interpretation, promoted by the trade unions of newsstand owners and managers, of Article 39 of the liberalization law, which allows newsstand owners and managers to return unsold magazines and papers at their discretion, regardless of the relevant periodicity. In addition to a negative effect on sales, this phenomenon is currently generating significant problems in the supply chain in relation to logistics and management of the financial aspects.

In this context, Mondadori registered a 15% overall reduction of revenues in its segment in the first nine months of 2012, going from euro 351.1 million to euro 298.6 million.

| | Euro/million | Euro/million |
|-------------------------------|---------------------------|---------------------------|
| | September 30, 2012 | September 30, 2011 |
| Sales from magazines | 272.8 | 324.3 |
| Other revenues | 25.8 | 26.8 |
| | 298.6 | 351.1 |
| Operating costs | (286.9) | (298.8) |
| EBITDA | 11.7 | 52.3 |
| Amortization and depreciation | (0.6) | (0.5) |
| EBIT | 11.1 | 51.8 |

The activities included in this group showed different trends:

- revenues from circulation, penalized by dropping subscriptions and copies sold at newsstands and reduced average prices, were down 10.8%;
- revenues from add-on sales (-18.3%) register a more limited downtrend compared to the first six months;
- revenues from advertising were down 20.7%; the market is currently exposed to reductions and deformations, including the temporary suspension of the publication of *Flair* and the discontinued publication of *Economy*;
- revenues from the International Activities (licensing +6.7%, sales from advertising in the network +27.1%) and net revenues from the Mondadori websites (approximately +40%, net publisher) posted, instead, an excellent performance and are currently registering a sharp increase.

In the period, Mondadori circulation, down 10.8%, is in line with market data, excluding additional copies of the new weeklies and monthlies launched by some low-cost competitors with a mass target (source: internal estimate). Considering these new initiatives, the market would register a reduction of over 6%.

In particular, an analysis of the data regarding circulation shows that this year the usual positive seasonal sales of magazines in the summer were not as high.

Despite the unfavorable market scenario, the restyling and re-launching program started in 2010 by Mondadori is progressing. After the completion of the restyling of *Chi* in the first quarter, efforts were concentrated on the re-launch of *Panorama*, which was subject to a comprehensive re-positioning operation supported by a massive promotional investment.

In June, *Starbene* was re-launched and at the beginning of September the new version of *TV Sorrisi e Canzoni* was launched. On October 19, *Grazia* was launched with a complete makeover.

Add-on sales

The market of add-on sales in the first eight months of the year registered a particularly significant drop as a result of the heavy economic crisis: -20.7% in value, with volumes slightly up and sharply lower prices (source: internal estimate). Mondadori slightly outperformed the market, though still posting a considerable decrease (-18.3%).

The music area is slightly up against the previous year and for the last quarter an additional increase is expected, following the launch of the popular Beatles series, an initiative launched in October in co-publication with La Repubblica, while books and collectibles are decidedly down.

In addition to the effects of the financial crisis, the home video channel seems to also suffer from the negative impact of increased piracy, shifting habits in the use of digital products and pay per view and the competition from new e-commerce players (particularly significant as a result of reduced prices also on normal trade).

Press-Di Distribuzione Stampa e Multimedia

Press-Di Distribuzione Stampa e Multimedia S.r.l. is a Mondadori Group distribution company, whose scope is the circulation and sale of magazines, newspapers and multimedia products in the Newsstand, Large-Scale Retailer and Subscription channels.

In the first nine months of 2012 the market of reference posted a negative performance in terms of copies (-7%) and value (-10%) against the same period of the previous year (internal source).

In reaction to this negative trend, the company acquired the distribution rights of new publishers, which are expected to bring in approximately euro 27 million in sales on a yearly basis (euro 10 million in 2012), and renewed existing contracts with Società Europea di Edizioni S.p.A., publisher of the *Il Giornale* daily; Gruner+Jahr/Mondadori S.p.A., Disney on the newsstand and subscription channels and Condè Nast in the subscription channel.

Sales in the period were equal to euro 417 million (euro 480 million at September 30, 2011), down 13% against the previous year as a result of reduced sales of other portfolio publishers, yet higher than market average, and not compensated by the attained growth.

Net revenues at September 30, 2012 were equal to euro 48.4 million, down 5.8% against the previous year. In particular, revenues from cellophane wrapping services for promotional inserts were down (-17% in correlation with the advertising market trend), while services attached to Subscriptions were in line with past years.

International

Licensing: the *Grazia* network, which in the first months of 2012 totaled nineteen editions in the world, added *Grazia Slovenia* (March 2012) and *Grazia South Africa* (May 2012) and, by year end, *Grazia Poland* and in 2013 *Grazia Spain* and *Grazia Corea* are expected to be launched.

In addition, in the month of August the German edition of *Flair* was launched, a magazine with a new and special concept, combining fashion and interior design.

Advertising: in the first nine months of 2012, Mondadori posted sales from advertising in the fashion and interior design segments in Italy totaling euro 4.8 million, up 27.1% against the same period in 2011.

In addition to the excellent performance of *Grazia France*, *Grazia UK* and *Grazia Germany*, the extraordinary performance of *Grazia Russia* is also noteworthy (+54% against 2011).

In 2013 Mondadori is expected to extend its advertising agency activities by also providing services to its international partners also in France and Switzerland.

Investments: Mondadori is present in Greece, Bulgaria and Serbia through the interest held in Attica Publications, and in China and Russia through joint ventures with local partners.

- Attica Publications: the leading publisher in the Greek market with sixteen magazines and three radio stations. Despite the ongoing economic crisis in the country, Attica's results are in line with expectations, in part thanks to the great success of add-on sales through *Tiletheatis* and *Tilerama*, the two market-leader TV guides. In addition, also the restructuring process of activities in the Balkan countries also contributed positively, including the completion of a transfer transaction regarding the interest held in a Hungarian company.
- China: the local edition of *Grazia*, in which the Mondadori Seec Advertising Co. Ltd joint-venture holds exclusive rights on advertising sales, closed the first nine months of 2012 with revenues at euro 7.8 million, up 57% against the same period of the previous year.
- Russia: *Grazia Russia* outperformed the market in the first nine months of 2012 with revenues up by 17%.

Properties

In a market characterized by shrinking sales from advertising in all communications channels, sales from advertising on the Group's core websites in the period rose 11% against the same period of the previous year.

In the same period, the Properties associated with the main Mondadori magazines posted definitely better results in terms of traffic and sales from advertising, with revenues up by 39.3%.

These results were corroborated by the following Properties:

- the www.donnamoderna.com website confirmed its status as one of the leading women's websites thanks to growing traffic, exceeding the market average with a significant increase of Visited Pages (+72%) and Single Users (+67%) compared to 2011; the website is also leader among Italy's women's magazines in the main social networks, Facebook and Twitter. In the first nine months of 2012 the website, showing a 16% growth in revenues, further strengthened its network through new partnerships (Eurosalus, 2Spaghi and Mysia), making the target even more attractive for advertisers;

- in the first nine months of 2012, the www.grazia.it website posted a significant advertising sales growth (+60% against the same period in 2011) and a positive performance in traffic, repaying the actions implemented in 2012 to make navigation quicker, more efficient and attractive. The link to the blog universe, developed thanks to “IT BLOGS”, the network including some of Italy’s most popular fashion, beauty and lifestyle bloggers, increased considerably;
- the completely restyled version of the www.panorama.it website was launched last June, after an in-depth reworking of content (real time news, opinions, etc.), user-experience, interaction with users and multimedia. The website increased revenues by 37% against 2011;
- www.panoramauto.it, after one year of activity, is one of the most visited automotive information websites with revenues above expectations. The website, present in the main social networks with over 90,000 fans on Facebook, is characterized by multi-target content. The recent partnership with www.patentati.it reaches young people and new drivers, while the “car-woman” section reached 38% of the female audience. Last September a new business section was launched, developed in collaboration with *Panoramauto*.

Magazines France

Mondadori France closed the first nine months of 2012 with revenues of euro 284.5 million, up 9.6% against the same period in 2011; on a like-for-like basis (i.e. excluding the effects of the change in the consolidation method of the Editions Mondadori Axel Springer S.n.c. joint-venture), revenues would have registered a 2.3% drop in the same period.

The ongoing attention to quality and costs enabled Mondadori France to obtain a 5.9% higher EBITDA against the same period of the previous year, reaching euro 27 million.

| | Euro/million | Euro/million |
|-------------------------------|---------------------------|---------------------------|
| | September 30, 2012 | September 30, 2011 |
| Sales from magazines | 277.3 | 250.1 |
| Other revenues | 7.2 | 9.5 |
| | 284.5 | 259.6 |
| Operating costs | (257.5) | (234.1) |
| EBITDA | 27.0 | 25.5 |
| Amortization and depreciation | (9.0) | (7.3) |
| EBIT | 18.0 | 18.2 |

Sales from advertising: substantially stable in the first half, the market showed a sudden reduction in the third quarter, leading to an overall drop for the first nine months of 2012 equal to 4.2%. On a like-for-like basis, Mondadori France magazines sales were down 1.9% against the same period of the previous year.

The excellent result is mainly attributable to the performance of “top of the line” women’s magazines: the weekly *Grazia* (+6.6%) and the monthly *Biba* (+8.4%) as well as publications like *L’Auto Journal* (+7.1%), *Sport Auto* (+7.2%) and *Modes & Travaux* (+7.1%).

Revenues from circulation: These include both sales at newsstands and subscriptions, accounting for 70% of total revenues and showing a slight downtrend at the consolidated level (-2.3% on a like-for-like basis).

Sales at newsstands (-5.0%) followed the market trend with a 5.3% reduction in the first nine months of 2012 compared to the same period of last year; subscriptions are up (+0.7% against the same period in 2011) accounting for 33.8% of Mondadori France revenues with a portfolio of more than three million subscriptions.

In the first nine months of 2012, five new versions of *Biba*, *Modes & Travaux*, *L’Auto Journal*, *Revue Nationale de la chasse* and *Réponses Photo* were launched and the brand extension policy implemented progressed with the launch of the quarterly *AutoPlus Classiques* and two publications attached to the weekly *Closer: Closer C’est leur histoire* and *Closer Plage*.

Various magazines registered an increase in the number of copies circulated: *Biba* 351,000 copies (+6.7%), *L’Ami des Jardins*, 159,000 copies (+7.9%), *Modes & Travaux* 437,000 copies (+1.4%); *Grazia*, launched in 2009, confirming its success with a 3.4% growth, topping 193,000 copies.

Digital: in the first nine months of 2012, Mondadori continued investing in the digital market, both for the purpose of increasing the audience of the existing websites and their presence in the new devices, and, also through new acquisitions with a view to diversifying the offering and exploring new opportunities.

In the light of diversification, in addition to the acquisition of the small car ads website www.autoreflex.com, completed at the end of 2011 in partnership with Axel Springer, Mondadori France completed another acquisition at the end of August, involving 60% of the capital in Naturabuy S.à.r.l.

Established in 2007, Naturabuy, with the www.naturabuy.fr website, is a leader in small ads, auction sales and boutique of products correlated with leisure time and, more specifically, with hunting and fishing. The website represents a true marketplace that on the one hand allows fans of outdoor activities to exchange any product necessary for their hobbies and, on the other, permits businesses to find a new distribution channel for their products. The website groups a community of fans including 160,000 users and 1,500 businesses and more than 140,000 products, with transactions topping euro 24 million annually.

In France, the hunting and fishing market is one of the largest for leisure time activities, worth approximately euro 2.8 billion in 2011.

Advertising

The market

The performance of the advertising market at August 2012 showed an overall reduction equal to 10.5% against the same period of the previous year, down also in relation to the first half of 2012 (-9.5%).

The negative trend involved all media: Television -10.9%, despite the significant growth in the last period registered by pay TV channels; Radio -7.4%; Outdoor -12.5%; Cinema -22.4% and Direct Mail -15.7%.

As for printed media, Dailies and Magazines posted sharp reductions of -13.9% and -16.2%, respectively.

The only exception is represented by the Internet, which, however, is no longer posting the same growth rates as in previous years.

The Company

| | Euro/million | Euro/million |
|-------------------------------|---------------------------|---------------------------|
| | September 30, 2012 | September 30, 2011 |
| Sales from advertising | 125.8 | 161.8 |
| Other revenues | 3.3 | 3.2 |
| | 129.1 | 165.0 |
| Operating costs | (135.4) | (169.6) |
| EBITDA | (6.3) | (4.6) |
| Amortization and depreciation | - | (0.1) |
| EBIT | (6.3) | (4.7) |

In the first nine months of 2012, Mondadori Pubblicità posted revenues equal to euro 129.1 million, down 21.8% against 2011.

Mondadori Magazines registered a 22.3% drop in revenues, due largely to the negative performance of almost all product categories included in the sales portfolio; in addition, the advertising agency suffered from the temporary suspension of *Flair*.

Aggregated data, including also the revenues from third party publishers and joint ventures, showed a 26.7% overall reduction.

The afore described sales performance is equally distributed between weeklies and monthlies.

Revenues from the Radio segment, aggregating the two radio stations represented by the advertising agency, showed a 11.3% drop.

In the first nine months of 2012, Mondadori Pubblicità tried to react to the market through the development, organization and management of events involving the most important brands owned by Mondadori.

In September the usual appointment with Milan Fashion Design was organized, with the participation of a multitude of fashion industry clients and, also, extra-sector clients, involved brands like *Grazia*, *Donna Moderna*, *Tu Style*, *R101*, and the Municipality of Milan.

The event was followed by Food Experience, the first gourmet festival organized in collaboration with *Sale&Pepe*, with an offering including cooking courses, workshops with famous chefs and sector experts, tastings and laboratories for children. The event proved very successful.

Revenues from events rose 85% against the first nine months of 2011.

For the Internet channel, the joint venture Mediamond S.p.A. continues to score sharply rising results (+63.7% against 2011); specifically for Mondadori, the positive performance of *Donna Moderna* (+16%), *Grazia* (+60%) and *Panorama* (+36%) is worth noting and for the RTI Group the good performances of TG.com (+15%) and Sport Mediaset (+53%) were also encouraging.

Also particularly positive was also the performance of the www.video.mediaset.it website, included in the advertising agency's portfolio in January 2012, which allowed the Company to exploit the growing market potential of the video formats.

Digital

In line with the Group's new organizational structure and the internal reporting policy, 2012 data included in these financial statements regarding digital activities refer to the following:

- for publishing activities, e-book, properties, subscriptions and online advertising in the segments of reference, Books, Magazines Italy and Magazines France;
- for e-commerce, activities carried out through the www.bol.it website and online book club in Direct;
- for diversification and investment activities to support the business, gaming, application and CRM in the Other Business segment.

Together, the activities described above generated sales equal to euro 25 million in the first nine months of 2012, with a negative EBITDA of euro 16.8 million.

Direct

At September 30, 2012 the Direct Area, comprising retail business and direct marketing, operates through a network of 595 points of sale, including proprietary bookshops and bookshops in franchising, multicenters, newsstands and book clubs, and through Cemit Interactive Media, a market leader in the offering of diversified strategies for the design and development of one-to-one communication tools and CRM (*Customer Relationship Management*) tools, thanks to a massive databank of over 30 million private users and companies, which is constantly updated.

Several activities were engaged for the purpose of contrasting the current recession in the market in the first half of the year, along with a rationalization process of the bookshop network, which led to the shutting down of the Milano Berchet unit and of some other minor points of sale, as well as a development project designed to identify new revenue sources.

In particular, the Emporio Mondadori branded product range was extended (in addition to paper products and stationery gadgets, small leather accessories and gifts) together with the BoxForYou range, by offering them also in bookshops outside the Mondadori network and in hypermarkets, and, lastly, corner shops were set up inside larger stores in collaboration with external partners.

Further thrust was given to the launch of a *Card*, a loyalty tool that permits the sending of customized promotions to customers, who collect loyalty points that earn them discounts on future purchases.

The following table shows the main economic indicators for the first nine months of the last two financial years. It should be noted that 2011 indicators have been adjusted to include data referring to the activity performed through the www.bol.it website, attributed to the Direct Area business starting from the beginning of 2012.

| | Euro/million | Euro/million |
|--|---------------------------|---------------------------|
| | September 30, 2012 | September 30, 2011 |
| Revenues | 165.8 | 185.6 |
| Other revenues | 3.7 | 4.8 |
| | 169.5 | 190.4 |
| Operating costs | (175.1) | (194.0) |
| EBITDA | (5.6) | (3.6) |
| Amortization, depreciation and impairment loss | (4.3) | (4.5) |
| EBIT | (9.9) | (8.1) |

Sales, down 11%, can be broken down as follows:

- sales from retail activities and other revenues, equal to euro 128.1 million, were down 11% as a result of the general market downturn and the shutting down of some points of sale in the second half of 2011 and in the first half of 2012 (on a like-for-like basis -3%) and also the new commercial organization, which is based on a different model of management of the divisions, whereby some product categories are now treated as fees on sold items;
- sales from direct marketing, equal to euro 33 million, were down 6.8% overall, as a result of the cost reduction policy adopted by businesses, the significant reduction in household spending and the shifting process of purchases in favor of retailers;
- sales from e-commerce activities, managed through the www.bol.it website, equal to euro 8.4 million, were down approximately 24.3% as a result of the current market context, the overall competitive scenario, which led to the consolidation of some competitors' market positions in 2012, and the new discounting mechanisms.

As of October 2, thanks to the partnership with Kobo Inc., Mondadori sells the new Kobo Touch e-reader, in different versions and formats, under exclusive rights in Italy through the points of sale network scattered throughout the territory.

Through this important initiative, Mondadori has accepted the challenge posed by new technologies, which are rapidly changing the approach to reading and the use of cultural content with a view to providing readers with a top-notch solution, represented by an effective and user-friendly tool and exploring new business opportunities linked to the on-line sales channel, which is not secondary to the traditional one.

Radio

At September 30, 2012 sales from the radio segment registered an overall reduction equal to 8.1% (source: Nielsen) against the previous year, showing a 5.5% drop in the first half and a sharper decrease in the last quarter (-14.6%; source: FCP Assoradio); sales from advertising relative to R101 generated, in the same time period, net revenues down 12% against the same period of 2011.

| | Euro/million | Euro/million |
|--|---------------------------|---------------------------|
| | September 30, 2012 | September 30, 2011 |
| Revenues | 10.3 | 11.7 |
| Other revenues | - | - |
| | 10.3 | 11.7 |
| Operating costs | (11.9) | (12.8) |
| EBITDA | (1.6) | (1.1) |
| Amortization, depreciation and impairment loss | (1.3) | (1.2) |
| EBIT | (2.9) | (2.3) |

In 2012, *R101* continued its ongoing process of renovation of the radio stations by launching new programs, new announcers and numerous marketing activities integrated in an improved program schedule, which proved particularly successful in providing greater visibility.

The activities included the organization and sponsorship of the winter tour of “Quota 101” in the main ski resorts in Italy; the “Stramilano” city Marathon and the media partner role for the “Giro d’Italia” bicycle race.

In summer, in addition to the traditional “Spiaggia 101” Tour, various other important events were organized with live broadcasting from various locations.

The radio was also the official radio for the 2012 Venice Cinema Festival.

R101 is also present on the main social networks - Facebook, Twitter, FriendFeed and YouTube - with official fan pages and proprietary channels, which are essential media for daily communication with its vast audience. The website confirmed significant web traffic figures (approximately 200,000 single visitors, 2 million page views per month and over 1.2 million views since the inauguration of WebTV, the channel broadcasting the radio's entire video production). The Radio's official Facebook page has already reached approximately 190,000 fans.

Corporate and other business

The Corporate segment includes the Parent Company functions, concentrated on service activities in favor of the Group companies, and the business units, in addition to the structures in charge of managing the Group's financial assets.

These services mainly consist of activities regarding ITC, administration, management control and planning, treasury and finance, human resources, legal and corporate affairs and public relations.

Revenues mainly referred to amounts billed to subsidiaries and affiliates, as well as other entities using the services described above.

Mondadori International

The financial assets managed by the company as at September 30, 2012 amounted to euro 32.5 million (euro 30.9 at December 31, 2011). In the period the Company posted income equal to euro 0.4 million.

Assets at September 30, 2012 are broken down here below:

- current accounts, cash and cash equivalents and time deposits with leading Italian banks with maturity lower than three months for a total of euro 20.4 million;
- float-rate bonds available for sale for a total of euro 12.1 million.

Financial position

Mondadori Group's financial position at September 30, 2012 showed a deficit equal to euro 346 million, as shown in the table below.

| Net financial position | Euro/million September 30, 2012 | Euro/million December 31, 2011 | Euro/million September 30, 2011 |
|--------------------------------------|--|---|--|
| Cash and cash equivalents | 99.2 | 82.9 | 38.7 |
| Financial assets at fair value | - | - | - |
| Financial assets available for sale | 12.0 | 15.7 | 15.6 |
| Assets (liabilities) in derivatives | (15.3) | (11.6) | (10.0) |
| Other financial assets (liabilities) | 18.1 | 3.7 | 0.3 |
| Loans (short and medium-long term) | (460.0) | (426.1) | (425.2) |
| Net financial position | (346.0) | (335.4) | (380.6) |

In the third quarter of 2012 the growth of the global economy continued to slow down, in line with the previous quarter. The macroeconomic indicators suggest weak growth in the most industrialized countries, negative growth in various countries of the euro area (Italy included) and a considerable slowdown in the emerging countries.

In Europe, reduced investments and household spending, high unemployment and falling purchasing power reflected negatively on growth expectations. In addition to the persistent effects of the sovereign debt crisis, the uncertainties on the growth rate in the emerging countries and on the maintenance of expansion-oriented economic policies in the USA weighed particularly heavily.

In particular, the European Central Bank (ECB) kept the principal refinancing rate at 0.75%; in the first days of September, the ECB announced the criteria for the performance of the new transactions on securities, designed to tackle the crisis that heavily hit bond issues in some European countries. These announcements have so far contributed to a relative stability in the financial markets, even if concerns still remain, due to the global slowdown and evolution of the financial crisis in the euro area.

Since the beginning of the year and in the third quarter, the 3-month Euribor rate perfectly reflected the situation described above; the downturn continued and reached a record low at 0.22%. The average value in the nine month period was equal to 0.70%; the average cost of Mondadori Group's debt in the same period was equal to 3.00%.

After various fluctuations around the value of 1.32, the Euro/Dollar exchange rate worsened and plummeted concurrently with the worsening of the European sovereign debt crisis, hitting the low for the year in July, at 1.206. Since then, thanks above all to the ECB announcements, the Euro recovered, reaching 1.2860 in September. The average exchange rate in the first nine months was equal to 1.2821.

Similarly, the Euro/Sterling exchange rate, after three months of fluctuations around 0.830, with the Euro hitting its low point of 0.778 towards the end of July and then bounced back, reaching about 0.80 at the end of September. The average exchange rate in the nine months was equal to 0.812.

The overall credit lines available to the Group at September 30, 2012 amounted to 1,076.4 million, of which euro 755.6 committed.

The Group's short-term loans, equal to Euro 320.8 million, unused at September 30, 2012, include overdraft credit lines on current accounts and advances subject to collection.

The main medium to long-term loans are:

- Euro 320.0 million for a float rate bank loan with expiry in December 2014, granted by a pool of leading banks with international standing; the loan specifically includes a term loan for Euro 150.0 million, entirely utilized at September 30, and a Revolving Facility loan for Euro 170.0 million, used for euro 30.0 million; some Interest Rate Swaps contracts have been attached to the term loan for the purpose of transforming the float rate into fixed rate;
- a float rate term loan for Euro 50.0 million, expiring in May 2013, granted by Intesa Sanpaolo, entirely used at September 30;
- a float rate loan for Euro 200.0 million, expiring in December 2016, granted by Intesa Sanpaolo, broken down into a term loan for Euro 50 million and a Revolving Facility loan for Euro 150 million, used for euro 30.0 million at September 30; an Interest Rate Swap contract was attached to part of the Term Loan, with expiry in January 2014;
- a float rate amortizing loan for euro 78.0 million, specifically a Term Loan with expiry in June 2015, granted by a pool of leading Italian banks; an Interest Rate Swap Amortizing contract is attached to part of the loan;
- a float rate bullet loan for Euro 50 million, specifically a Term Loan, granted by Mediobanca, expiring in March 2017; an Interest Rate Swap contract was attached to the term loan for the purpose of transforming the float rate into fixed rate;
- a float rate bullet loan for Euro 50 million, specifically a Revolving Credit Facility, granted by Mediobanca in July 2011 with expiry in December 2017, utilized for Euro 15 million at September 30.

Personnel

Employees with a fixed-term or permanent work contract employed by the Group companies at September 30, 2012 totaled 3,743 units, with an overall cost of euro 205.2 million.

The differences take into account the changes in the consolidation perimeter, net of which personnel would have decreased by 66 units (-1.7) and the cost of the reduction would have equaled approximately euro 6.2 million (-3%), considering also the costs relative to the start-up of Glaming S.r.l. and restructuring costs.

With reference to the consolidation perimeter, it should be noted that 2012 data include personnel count and the corresponding cost of Editions Mondadori Axel Springer S.n.c., which in 2011 had been consolidated according to the equity method. Similarly, the total number of employees in the Italian companies dropped by 32 units, while the Parent Company increased the count as a result of the incorporation of Mondadori Editoriale Wellness S.r.l. and some intercompany transfers.

It should be noted that on October 5, 2012, the corporate crisis status was recognized and approved by Ministerial Decree with the consequent restructuring plan for Arnoldo Mondadori Editore S.p.A., Mondadori Pubblicità S.p.A. and Press-Di Distribuzione Stampa e Multimedia S.r.l.

The implementation of the aforementioned plan, whose deadline is in April 2014, involves 152 employees with a graphics-publishing employment contract and is expected to result in further labor cost reductions starting from November 2012.

The following table provides a detailed overview of the Group personnel at September 30, 2012:

| Personnel | 09-30-2012 | 12-31-2011 | 09-30-2011 (*) |
|---------------------------------------|-------------------|-------------------|-----------------------|
| Arnoldo Mondadori Editore SpA: | | | |
| - Managers, journalists, office staff | 1,169 | 1,153 | 1,131 |
| - Workers | 84 | 90 | 91 |
| | 1,253 | 1,243 | 1,222 |
| Italian subsidiaries: | | | |
| - Managers, journalists, office staff | 1,430 | 1,452 | 1,489 |
| - Workers | 72 | 57 | 76 |
| | 1,502 | 1,509 | 1,565 |
| Foreign subsidiaries: | | | |
| - Managers, journalists, office staff | 988 | 912 | 933 |
| - Workers | - | - | - |
| | 988 | 912 | 933 |
| Total | 3,743 | 3,664 | 3,720 |

(*) On a like-for-like basis, Group personnel count would be equal to 3,809 units at September 2011.

Capital expenditures

In the first nine months of 2012, the Group made investments totaling euro 6 million, mainly consisting of office equipment, furniture and radio station equipment.

Relevant events after closing

Preliminary deed for the transfer of 50% of the Random House Mondadori joint venture to the Bertelsmann Group

On November 5, 2012 a preliminary deed was underwritten relative to the transfer to Media Finance Holding (Bertelsmann Group) of the entire stake, equal to 50%, owned in Random House Mondadori S.A., a company incorporated under Spanish law.

Established in 2001, Random House Mondadori, in equal joint venture with the Bertelsmann Group, operates in the Trade book segment in Spain and through its subsidiaries in the main Latin American countries, in particular Mexico, Argentina, Colombia, Uruguay and Chile.

In the financial year ended as at December 31, 2011, the Random House Mondadori Group posted consolidated sales totaling euro 110.3 million (euro 55.9 million at June 30, 2012).

The transaction value is equal to euro 54.5 million, including cash assets with a positive impact on the consolidated income statement in the order of euro 2.8 million.

The agreement would enable Mondadori to pursue consolidation and concentration of investments and resources according to the priority objectives already indicated upon approval of the half-year financial statements.

As to the Book Area, this transaction is part of the already defined strategy, focused on growth acceleration in both the Trade and Education segments through an integrated model that combines printed and digital media, including the recent introduction of the Kobo e-reader in the Italian market and the upcoming launch of the self-publishing platform.

In this context, Mondadori is now developing a standardized distribution model under one single brand – *in Mondadori* - which combines off-line, on-line, e-commerce and physical retail bookshops in a multiplatform system to control the various sales channels.

The completion of the transaction and of the preliminary transfer deed are subject to the release of the relevant authorizations by the Spanish antitrust authority, expected by year end.

Other information

The interim report at September 30, 2012 was drafted pursuant to the IAS/IFRS accounting principles and the valuation criteria adopted are in line with those used at December 31, 2011.

The document provides the information and disclosures required by Article 154 ter, par. 5, of the Italian Legislative Decree 58/1998, introduced by Italian Legislative Decree 195/2007.

For the purpose of comparing the accounting data contained in this document with those supplied in previous reports and providing consistent disclosures to the market, this interim report regarding the third quarter of 2012 also keeps the same layout defined for the previous quarterly reports.

Therefore, the International accounting principle No. 34 was not applied in the matter of interim financial reporting.

Adhesion to the legislative simplification process adopted by Consob resolution No. 18079 of January 20, 2012. Disclosure pursuant to Article 70, par. 8, and Article 71, par. 1-bis, of Consob Regulation Consob No. 11971/99 and subsequent amendments.

On and with effect from, November 13, 2012, the Board of Directors of Arnoldo Mondadori Editore S.p.A., pursuant to Article. 3 of Consob Resolution No. 18079 of January 20, 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 to waive the obligation of disclosure envisaged by the afore mentioned Consob Regulation on the occasion of significant transactions relative to merger, spin-off, capital increase through contribution of assets in nature, acquisitions and transfers.

Foreseeable evolution

In the third quarter of 2012, data relative to manufacturing, consumption and investments confirmed the persistent negative trend of the economic situation, nor, as of today's date, is

it possible to foresee the timing of future developments or criteria necessary to reverse the trend.

In the current situation in Mondadori's market of reference, it is only possible to reiterate what was already indicated in the half-year report:

- as to the Group priorities: ongoing improvement of product quality, development of digital activities and of the international magazines network, as well as renewed commitment to process and structural revision with the objective of cost containment;
- as to operating profitability forecasts: it is expected to be confirmed lower than the past year also in the last quarter of 2012.

For the Board of Directors
The Chairman
Marina Berlusconi

The Executive Manager responsible for the drafting of the corporate accounting documentation - Carlo Maria Vismara – hereby declares, pursuant to Art. 154 bis, par. 2, of the Finance Consolidation Act, that the accounting documentation contained in this Interim Report corresponds to the Company's accounting entries, books and results.

The Executive Manager responsible for the drafting of the corporate accounting documentation

Carlo Maria Vismara

Consolidated balance sheet and income statement

Consolidated balance sheet

| Assets | September 30, 2012 | December 31, 2011 |
|--|--------------------|-------------------|
| Intangible assets | 942,566 | 947,303 |
| Investments | 2,743 | 2,761 |
| Land and buildings | 9,685 | 10,215 |
| Plant and machinery | 11,335 | 12,405 |
| Other fixed assets | 29,360 | 30,651 |
| Property, plant and machinery | 50,380 | 53,271 |
| Investments booked at equity | 110,076 | 126,134 |
| Other investments | 1,025 | 995 |
| Total investments | 111,101 | 127,129 |
| Non-current financial assets | 7,425 | 6,925 |
| Advanced tax assets | 43,961 | 48,137 |
| Other non-current assets | 1,136 | 1,052 |
| Total non-current assets | 1,159,312 | 1,186,578 |
| Tax credits | 50,122 | 40,831 |
| Other current assets | 97,180 | 80,280 |
| Inventory | 132,303 | 137,066 |
| Trade receivables | 345,290 | 360,369 |
| Stocks and other current financial assets | 30,492 | 24,583 |
| Cash and cash equivalents | 99,242 | 82,942 |
| Total current assets | 754,629 | 726,071 |
| Assets held for sale or transferred | - | - |
| Total assets | 1,913,941 | 1,912,649 |

Consolidated balance sheet

| Liabilities | September 30, 2012 | December 31, 2011 |
|--|-------------------------------|--------------------------|
| Share capital | 64,079 | 64,079 |
| Share premium reserve | 210,200 | 210,200 |
| Treasury shares | (73,497) | (70,456) |
| Other reserves and results carried forward | 366,708 | 320,367 |
| Profit (loss) for the period | 16,124 | 49,621 |
| Group net equity | 583,614 | 573,811 |
| Minority share capital and reserves | 35,664 | 35,068 |
| Total equity | 619,278 | 608,879 |
| Reserves | 45,528 | 47,443 |
| Post-employment benefits | 53,253 | 53,508 |
| Non-current financial liabilities | 448,912 | 412,812 |
| Deferred tax liabilities | 105,350 | 103,259 |
| Other non-current liabilities | - | - |
| Total non-current liabilities | 653,043 | 617,022 |
| Income tax | 9,536 | 22,938 |
| Other current liabilities | 244,645 | 259,932 |
| Trade payables | 353,148 | 366,837 |
| Payables t/w banks and other financial liabilities | 34,291 | 37,041 |
| Total current liabilities | 641,620 | 686,748 |
| Liabilities held for sale or transferred | - | - |
| Total liabilities | 1,913,941 | 1,912,649 |

Consolidated income statement

| | September 30, 2012 | September 30, 2011 |
|---|-------------------------------|---------------------------|
| Revenues from sales and services | 1,028,400 | 1,112,024 |
| Decrease (increase) in inventory | 4,664 | (4,137) |
| Costs for raw materials, consumables and goods | 150,711 | 170,864 |
| Costs for services | 590,857 | 629,751 |
| Cost of personnel | 205,185 | 200,477 |
| Other costs (income) | 20,171 | 23,992 |
| Income (costs) from investments booked at equity | 6,257 | 13,500 |
| EBITDA | 63,069 | 104,577 |
| Depreciation and impairment of property, plant and machinery | 8,485 | 8,537 |
| Amortization and impairment of intangible assets | 10,014 | 8,229 |
| EBIT | 44,570 | 87,811 |
| Financial income (costs) | (12,540) | (16,502) |
| Income (costs) from other investments | - | - |
| Pre-tax profit | 32,030 | 71,309 |
| Income tax | 14,589 | 27,108 |
| Profit from continuing activities | 17,441 | 44,201 |
| Income (costs) from assets/liabilities held for sale or closed | - | - |
| Net profit | 17,441 | 44,201 |
| Attributable to: | | |
| - Minority shareholders | 1,317 | 78 |
| - Parent Company shareholders | 16,124 | 44,123 |
| Net earnings per share (in euros) | 0.07 | 0.19 |
| Net earnings per diluted share (in euros) | 0.07 | 0.19 |

Consolidated comprehensive income statement

| | September 30, 2012 | September 30, 2011 |
|---|-------------------------------|-------------------------------|
| Net profit before minority Shareholders' interest | 17,441 | 44,201 |
| Profit (loss) deriving from the conversion of the financial statements of foreign companies | - | (5) |
| Other profit (loss) from companies valued at equity | (145) | (1,667) |
| Effective part of profit (loss) on cash flow hedge instruments | (3,647) | (4,560) |
| Profit (loss) deriving from assets held for sale (<i>fair value</i>) | 860 | (1,903) |
| Tax effect on other profit (loss) | 651 | - |
| Total other profit (loss) net of tax effect | (2,281) | (8,135) |
| Comprehensive result for the period | 15,160 | 36,066 |
| Attributable to: | | |
| - Parent Company Shareholders | 13,843 | 35,988 |
| - Minority Shareholders | 1,317 | 78 |

For the Board of Directors
 The Chairman
 Marina Berlusconi

Consolidated income statement – third quarter

| | Third quarter 2012 | Third quarter 2011 |
|--|--------------------|--------------------|
| Revenues from sales and services | 352,193 | 373,305 |
| Decrease (increase) in inventory | 4,630 | (832) |
| Purchases of raw, ancillary, consumption materials and goods | 52,170 | 56,512 |
| Purchases of services | 190,174 | 203,823 |
| Cost of personnel | 63,224 | 62,766 |
| Other costs (revenues) | 16,082 | 6,601 |
| Revenues (costs) from investments booked at equity | 1,152 | 1,156 |
| EBITDA | 27,065 | 45,591 |
| Amortization and value impairment of property, plants and machinery | 2,906 | 2,978 |
| Amortization of intangible assets | 3,378 | 2,752 |
| EBIT | 20,781 | 39,861 |
| Financial revenues (costs) | (4,328) | (6,107) |
| Revenues (costs) from other investments | - | - |
| Pre-tax result | 16,453 | 33,754 |
| Income tax | 8,097 | 12,295 |
| Result from continuing activities | 8,356 | 21,459 |
| Revenues (costs) from assets/liabilities held for sale or transferred | - | - |
| Net result | 8,356 | 21,459 |
| Attributable to: | | |
| - Minority Shareholders | (232) | 53 |
| - Parent Company Shareholders | 8,588 | 21,406 |

For the Board of Directors
The Chairman
Marina Berlusconi