Press Release

Mandatory public notification (as per CONSOB Regulation N° 11971 of May 14, 1999 and subsequent modifications).

Board of Directors approves interim report for the first half of 2014

- **CONSOLIDATED REVENUES OF €268.3 MILLION: -8.3% ON THE €292.7 MILLION AT 31 MARCH 2013 (-6.5% ON A LIKE-FOR-LIKE BASIS)**

- **STRONG GROWTH IN GROSS OPERATING PROFIT THANKS TO ACTION ON THE PRODUCTS AND COST STRUCTURE: €5.6 MILLION COMPARED WITH THE -€4.6 MILLION AT 31 MARCH 2013**

- **CONSOLIDATED NET LOSS OF -€6.4 MILLION COMPARED WITH -€15.3 MILLION AT 31 MARCH 2013**

- **CONFIRMATION OF THE FORECAST FOR A MARKED IMPROVEMENT IN PROFITABILITY FOR THE FULL YEAR 2014**

Segrate, 13 May 2014 - The Board of Directors of Arnoldo Mondadori S.p.A. met today, under the chairmanship of Marina Berlusconi, to examine and approve the interim report for the first quarter of the year to 31 March 2014, as presented by the Chief Executive, Ernesto Mauri.

THE MARKET SCENARIO

At the macroeconomic level, there were still no signs of an improvement in Italy or France, the countries of reference for the Mondadori Group, in the first months of the year.
In particular, there was a continued downturn in both the book and consumer magazine markets compared with the same period of the previous year.
In Italy:

- the trade books market was down both in terms of copies sold and value (-6.8% and -5.3% respectively);
- in the two-month period January-February the magazine market was affected by a further decline in advertising spending (-14.7%): and both circulation and add-on sales were also down, by -12.8% and -19.3% respectively.

In France:

- circulation, only in the newsstand channel, was down by 8.1%;
- advertising was down by 10% (internal data).

MONDADORI IN THE FIRST QUARTER 2014

The consolidated revenues of the Mondadori Group were down by 8.3% to €268.3 million: on a like-for-like basis, taking account of the attribution from 1 January 2014 of the advertising sales to Mediamond, consolidated on a net equity basis, the reduction was of -6.5%.

Despite the difficult context, all of the Mondadori businesses - in particular Magazines Italy - performed better than in the corresponding period of the previous year, with the single exception of books that will have a much stronger editorial programme in the second half of the year.
The activities carried out in the period on the products and the results of actions taken to cut operating costs have resulted in an **improved consolidated EBITDA that was up €10.2 million** on the same period of 2013 (+€ 5.6 million in 2014 compared with -€4.6 million in 2013).

Moreover, net of non-recurring items, there was also an improvement in gross operating profit, which rose from €0.1 million to €5 million.

The results achieved to date with the marked reductions in operating costs, which have focused on industrial, logistical and editorial costs, make it possible to forecast an improvement in the savings objectives indicated in the plan (€100 million by the end of 2015). In terms of personnel, in the first quarter there was a further reduction of 166 people (-4.8%) and the total headcount is currently 356 down on the figure at 31 March 2013 (-9.8%).

Arnoldo Mondadori Editore S.p.A.
Sede legale: Milano
C.F. e Reg. Imprese 07012130584
R.E.A. 1192794 P.I. 08386600152
Capitale sociale € 64.079.168,40

GROUP PERFORMANCE IN THE PERIOD TO 31 MARCH 2014

The following table presents an overview of the figures for the first quarter of 2014. It should be remembered that the figures are not comparable due to the contribution of the advertising sales business activity of Mondadori Pubblicità S.p.A. to Mediamond S.p.A., which became effective from 1 January 2014.

Consolidated income statement (€m)	**Period to 31 March 2014**	**Period to 31 March 2013**	**% change**
Income from sales of goods and services (*)	268.3	292.7	(8.3%)
Labour costs (**)	59.3	71.2	(16.7%)
Cost of sales and management (***)	201.7	225.2	(10.4%)
Income (charges) from investments calculated on a net equity basis	(1.7)	(0.9)	88.9%
Adjustments for non-recurring items: (positive)/negative	(0.6)	4.7	
Gross operating profit net of non-recurring items	**5.0**	**0.1**	**n.s.**
Gross operating profit	**5.6**	**(4.6)**	**n.s.**
- as a proportion of revenues	*2.1%*	*(1.6%)*	
Depreciation of property, plant and machinery	2.3	2.8	(17.9%)
Depreciation of intangible assets	3.2	3.2	-
Operating profit	**0.1**	**(10.6)**	**n.s.**
- as a proportion of revenues	-	*(3.6%)*	
Net financial income (charges)	(5.9)	(5.0)	18.0%
Other financial income (charges)	-	-	-
Profit for the period before taxation	**(5.8)**	**(15.6)**	**(62.8%)**
Tax charges (income)	0.2	(0.6)	n.s.
Minority interest	(0.4)	(0.3)	33.3%
Net profit	**(6.4)**	**(15.3)**	**(58.2%)**

(*) Due to the contribution of the advertising sales business activity of Mondadori Pubblicità S.p.A. to Mediamond S.p.A., revenues were down by 6.5%.
(**) Due to the contribution of the advertising sales business activity of Mondadori Pubblicità S.p.A. to Mediamond S.p.A., and net of restructuring costs, labour costs were down by 11% .
(***) Includes the following items: decrease (increase) in inventories; cost of raw, ancillary and consumable materials and goods; cost of services; various charges (income).

Consolidated net revenues came to **€268.3 million**, a fall of 8.3% on the €292.7 million of Q1 2013; net of the effects of the contribution of the advertising sales business the fall was of 6.5%.

Consolidated gross operating profit net of non-recurring items showed an improvement of **€5 million**, compared with the €0.1 million of the previous year.

Consolidated gross operating profit rose to **€5.6 million**, compared with a loss in the same period of the previous year of €4.6 million.

Consolidated profit before taxation showed a loss of **-€5.8 million** (-€15.6 million in 2013) with amortisations of €5.5 million (€6 million in 2013) and financial charges of €5.9 million (€5 million in 2013).

There was a **consolidated net loss** for the period of **€6.4 million**, compared with -€15.3 million in 2013.

The Group's **net financial position** shows a deficit of **€396.5 million**, compared with -€363,2 million at 31 December 2013, but in any case lower than the same period of last year. The period was significantly affected by the restructuring costs of the previous year and investments in the educational area.

Information regarding personnel

At 31 March 2014 permanent and temporary staff in the companies of the Group, totalled 3,270 and total labour costs for the period amounted to €59.3 million (-16.7% million compared with €71.2 million on the same period of 2013).
Total like-for-like headcount, taking account of the integration of advertising sales in Mediamond (that involved the transfer of 45 employees), was down by 8.7% (or 311 units); labour costs, also net of the impact of restructuring, was down by 11% (or €7.7 million).
These reductions are the result of a range of reorganisation and restructuring operations, begun between 2012 and 2013, the effects of which are being felt month by month.

Two other operations, finalised in March, should also be noted: the sales of the magazine titles *Ciak* and *PC Professionale* and the closure of the Mondadori Direct logistics centre in Brescia with the consequent concentration of operations at the Mondadori book depot in Verona.

- ***BOOKS***

In the first quarter of 2014, there was a downturn in the trade books market, both in terms of copies sold and revenues (-6.8% and -5.3% respectively; Source: Nielsen), compared with the same period of 2013.

The Mondadori's market share remained stable, confirming the Group's market leadership.
First quarter revenues for the area came to **€56.8 million**, a 10.1% fall on the €63.2 million in Q1 2013.

In **trade books**, the Group's first quarter performance, with revenues down by 9.6% on 2013, was affected by evident difficulties in certain channels, in particular large-scale retail, and in the paperback segment, as well as an editorial programme that was not especially strong.

In any case, the list of the top selling 2,500 titles in the quarter, which accounts for 42% of the market in terms of copies, saw the Mondadori Group accounting for over a third, thanks to positive results in both bookstores and large-scale retail. In the top 10 bestsellers list for the quarter, the Mondadori Group was responsible for the publication of 4 titles.

Also of significance in the trade area was the launch, at the beginning of May, of the first ten titles in the Flipback format, a new book product that is one of the most important new editorial initiatives of the year thanks to the particularly innovative characteristics: the size, the paper and the way in which it is read.

In **e-books**, the growing trend in download revenues continued (+57% on the previous).

As regards **educational books,** the first quarter was characterised by the seasonality of the business and consequently revenues in the period were not significant.

The trend in the market of reference and the consequent trend in revenues of the Book Area resulted in a fall in **gross operating margins** compared with the first quarter of 2013. However, the effect of the downturn was mitigated thanks to specific efforts to reduce costs in a number of areas, in particular production and logistics. The figures for the first quarter were significantly affected also by the investments to reconfigure the Mondadori Education catalogue, that markedly increased the number of new titles produced during the period.

- ***MAGAZINES ITALY***

The first three months of 2014 saw the evident effects of the rationalisation policy for the magazine portfolio (the closure of the titles published by the joint-venture ACI-Mondadori and the sale of *PC Professionale* and *Ciak*), continuing improvements to product quality (the relaunch of *CasaFacile* and redesign of *Panorama*) and the launch of a new weekly *Il mio Papa*.
All of this, along with the cost reductions made in recent years and, in particular, in 2013, **resulted in a marked improvement in gross operating profit, which rose from €2.6 to €7.5 million compared with the first quarter of 2013, despite the fall in revenues.**

The **Magazines Italy** Area generated Q1 2014 revenues of **€81.3 million**, an 8.4% fall on the €88.8 million of Q1 2013.
In particular:
- circulation revenues for Mondadori titles were affected by the negative scenario and, despite out-performing the market (-12.8%: internal data: Press-Di), were down by 5.6%, net of titles closed or sold;
- advertising revenues were down by 7.4%, in a market that lost 14.7% (Source: Nielsen, February);
- there was substantial growth in advertising sales for the web sites of the magazine brands (+24%), despite a market that was down by 6.3% (Source: Nielsen, February);
- add-on sales contained the decline in revenues to 14.4%, in a market that lost 19.3% (internal data: Press-Di).

International activities

Mondadori International Business ended the first quarter of 2014 with revenues that were in line with those of the previous year. The slight fall in revenues from royalties related to licensing was compensated by bigger commissions on advertising sales made on behalf of foreign partners in the Italian market (total sales in the quarter were up by 9% on the same period of 2013).
Among the editions launched in the last year, of particular note is the performance of the first edition of *Icon*, distributed in Spain in partnership with Gruppo Prisa since last November. In terms of advertising sales, Mondadori International Business has expanded the number of foreign publishers for which it operates as an agent.

In terms of investments, Mondadori Seec Advertising Co. Ltd, the advertising sales company for *Grazia* China, recorded a 12% growth in advertising revenues in the first three months of 2014 compared with the same period of 2013 and from April the frequency has been increased to weekly; Mondadori Independent Media, the joint-venture that publishes *Grazia* in Russia, recorded first quarter revenues in line with the previous year, despite the difficult political situation in the country that in part had an impact on advertising spending; Attica Publications, Greece's leading magazine publisher and a major radio broadcaster, benefitted in the first quarter in advertising sales that were up compared with 2013 (+5% in print and +4% on radio).

- ***MAGAZINES FRANCE***

The **Magazines France** Area generated Q1 revenues of **€81.7 million**, a slight reduction (-1.6%) on the €83 million of Q1 2013; given the change of scope, due to the sale of *Le Film Français* in December 2103 and an additional issue in 2014, compared with the previous year, of *Télé-Star*, *Télé-Poche* and *Auto-Plus*, the fall in revenues is steady at 2.2%.

In the first quarter of the year circulation revenues, which account for around 73% of the total for the period, were stable (-0.1% on a like-for-like basis). Like-for-like newsstand sales were down by 1.4%, an excellent result given the current state of the market (-8.1% at the end of March; Source: Mondadori France Diffusion): of particular note were the sales of the weekly *Closer* (+25% in terms of volume) and the monthlies *Pleine Vie* (+24%) and *Top Santé* (+25%) and the positive reactions to the recent launch of new products, such as *750g*, *Slam* and *Histoire & Jeux*. Subscription revenues, meanwhile, were stable (-0.8% on a on a like-for-like basis).
In terms of advertising sales, in the context of a difficult market (-10%; internal source), Mondadori recorded a 10.5% drop in revenues, on a like-for-like basis.

In the first quarter of 2014, Mondadori France, significantly increased its digital revenues (+41.3% on 2013); the growth came from the activities of the properties (+40.6%) as well as from the pure player NaturaBuy (+46%). There was also a significant increase in traffic, with 7.8 million uniques, also as a result of the scoop by *Closer*.
Advertising sales for the sites, managed internally since January 2014, recorded 39% growth in the first quarter and now accounts for 9% of the total advertising revenues of Mondadori France.

A number of initiatives launched in recent years now make it possible to realise significant economies of scale, in particular with regard to overheads, industrial costs and the cost of managing subscriptions, making it possible to increase **gross operating profit**, despite a fall in revenues.

In terms of cost reductions, efforts continue to improve efficiency, in particular, in the first months of the year, a voluntary redundancy plan was introduced (with the aim of reducing the headcount by between 10% and 15% in 3 years) and well as a plan to bring the entire staff together under one roof (in December 2014).

- ***ADVERTISING***

The consolidated figures from the area are not comparable given that, as already mentioned, from 1 January 2014, the advertising sales business of Mondadori Pubblicità S.p.A., a subsidiary of Arnoldo Mondadori Editore SpA, were contributed to Mediamond SpA, the 50-50 joint-venture set up in 2009 by Mondadori Pubblicità SpA and Publitalia '80 SpA. For Mondadori this operation was part of a wider process of innovation of the business model that will contribute to the further affirmation of the Group's leadership thanks to a new approach, supported by significant synergies and models of offer more suited to the new conditions of the market.

The revenues from the activities of the current **Mondadori Pubblicità** amounted to **€3.9 million**; which, on a like-for-like basis and net of the business contributed to Mediamond, were slightly up.
Gross operating profit, that includes the pro-quota results of Mediamond, showed a marked improvement compared with the first quarter of 2013, highlighting the positive effects of the aforementioned operation.

In particular, the first quarter revenues of **Mediamond**, which is consolidated on an equity basis, taking account of the revenues generated by Mondadori Pubblicità in the same period of 2013, were up by 12.3%.
Specifically:
- the print and radio segments (the part contributed by Mondadori Pubblicità) recorded an increase in revenues of 8.5% (-7.4% for print, compared with a market average of -14.7% at the end of February, and revenues that more than doubled for radio, also as a result of the big changes compared with the previous year following the addition to the portfolio of new radio stations, including Radio Italia, from mid-April 2013, Radionorba and Radio Subasio, at the end of 2013, and Radio Sportiva, from the beginning of 2014);
- advertising sales for the web increased by 24% in a market that was down by 6.3% (Source: Nielsen, February).

- ***RETAIL***

The market of reference for the Retail Area was particularly affected by negative trends of the book market and of consumer electronics, which saw a general downturn in the period, with the single exception of e-readers, that saw double-digit growth, but always within strict limits.

In Q1 2014 Retail Area - which as 19 directly-owned bookstores, 315 franchised bookstores, 186 edicolè, 8 multicenters and 21 club bookstores, and the *e-commerce* activities of *InMondadori*.it - generated revenues of **€47.2 million**, a fall of 6.9% on the €50.7 million of the same period of 2013.

Of particular note during the period was the market share of Retail Area in the book sector which rose from 13.7% in 2013 to 14.3% in 2014, also as a result of renewed communication and promotional activities.
There was a continuation of the negative trend in the club channel that has seen a fall in revenues of around 20%. And, finally, also the sales generated through the *InMondadori.it* site were down by 4.7%.

In terms of **gross operating profit**, compared with the same period of last year, the franchise channel remained profitable and the directly-owned outlets (bookstores and multicenters) saw a consistent recovery in margins thanks to the closure of a number of non-profitable bookstores.
In the club channel, the effects deriving from the rationalisation of the network of stores and recruitment efforts made it possible to maintain a level of profitability comparable to that of the previous year.
Also the e-commerce channel benefitted in the first quarter from the reductions in structural costs.

In the context of a generalised recession, a number of activities have already been put in place aimed at the recovery of market share and profitability. In particular:

- the progressive revision of the network and the format of the stores;
- communication activities and advertising aimed at sustaining sales and building market share, in particular for books;
- the ongoing rationalisation of Club recruitment activities (-13%);
- strict cost controls on the management of sales outlets and the renegotiation of rents;
- ongoing reorganisation efforts: the application of solidarity contracts (20% compared with 10% in 2013) at the central offices in Milan and Rimini and the exit from the activities of the business of the management of logistics for the club and on-line channels, now run by the parent company.

- ***RADIO***

After a significant downturn in 2013, the advertising market in Italy started the year weakly, recording a further slide, in February (Source: Nielsen) of 4.3% with all media in negative territory with the sole exception of radio, which grew by 7.5%.

In this context, advertising sales for ***R101*** generated revenues of **€2.6 million**, in line with the same period of the previous year.

Thanks to a series of actions to review and optimise the structures and the different timing of promotional support and communication, **gross operating margins** while remaining negative, nevertheless improved.

The end of March, confirming the importance attributed to the radio station within the Group, saw the presentation of the new R101 with a renewed editorial line, a new logo, a new pay off “the Music” and a series of new features for listeners. These changes were accompanied by intense promotional activities in support of the new format, with the launch of partnerships with TV programmes and the reinforcement of links with Italian and international music, thanks to the involvement with tours by a number of internationally renowned artists and groups

- ***DIGITAL***

During 2013 the Digital Innovation Area was set up with the aim of not only accelerating growth in the digital market, but also structuring the processes of innovation and identifying new business development opportunities. The new structure is engaged in the development of marketing services and e-commerce activities, as well as providing support for the activities of Cemit Interactive Media SpA.

In the first months of 2014, in line with already established programmes, efforts continued to strengthen the various teams with the hiring of new resources dedicated to CRM, the spread of the Mondadori loyalty card, marketing services and the technological development of new projects to provide direct support for existing digital activities inside the book, magazine and retail areas.
During the period, the activities of the recent acquisition Anobii was included in the scope of the area.

In the first quarter of the year turnover remained stable compared with the first months of 2013, as a result, on the one hand, of significant growth in e-books (+57%) and the web sites of the Italian magazine titles (+24%) -

including Donnamoderna.com (+23.8%), Grazia.it (+43.5%) and Panoramauto.it (+5.2%) – and in France (+39%); and, on the other hand, a reduction in the revenues of Cemit and inMondadori.it.

EXPECTATIONS FOR THE FULL YEAR

In a market context that is still not showing signs of improvement, the positive results of the first quarter, the result of actions taken on the products, the reorganisation and cost reductions, make it possible to forecast a higher level of profitability (EBITDA) for the full year than 2012, confirming what was already stated at the time of the presentation of the 2013 Annual Report.

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The Board of Directors of Mondadori also approved the 2013 Sustainability Report, prepared according to the guidelines of the GRI standard G3.1, with the application level B+.

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The executive responsible for the preparation of the company's accounts, Carlo Maria Vismara, declares that, as per art. 2, 154 bis of the Single Finance Text, the accounting information contained in this release corresponds to that contained in the company's formal accounts.

The documentation relating to the presentation of the results for the first quarter of 2014 is available at the company's registered office, on the web site www.borsaitaliana.it and on the web site www.mondadori.it (Investor relations section).

Enclosures:

- *Consolidated balance sheet*
- *Consolidated income statement*

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Encl. 1

Consolidated balance sheet (in €m)

Assets	31 March 2014	31 December 2013
Intangible assets	**619.1**	**617.5**
Fixed assets	**3.1**	**3.2**
Land and buildings	8.4	8.5
Plant and machinery	10.8	11.7
Other assets	19.5	20.5
Property, plant and machinery	**38.7**	**40.7**
Investments booked using net equity method	37.5	38.2
Other investments	0.4	0.4
Total investments	**37.9**	**38.6**
Non-current financial assets	**2.5**	**2.7**
Advanced taxes	**52.7**	**58.4**
Other non-current assets	**29.1**	**22.3**
Total non-current assets	**783.1**	**783.4**
Tax credits	**67.2**	**68.5**
Other current assets	**99.4**	**89.3**
Inventories	**122.6**	**124.0**
Trade receivables	**266.0**	**312.4**
Stocks and other current financial assets	**20.5**	**13.8**
Cash and equivalents	**19.4**	**65.7**
Total current assets	**595.1**	**673.7**
Assets destined to be sold or closed	**-**	**-**
Total assets	**1,378.2**	**1,457.1**

Liabilities	31 March 2014	31 December 2013
Share capital	**64.1**	**64.1**
Share premium reserve	**170.6**	**170.6**
Other reserves and results carried forward	**(7.5)**	**177.4**
Profit (loss) for the period	**(6.4)**	**(185.4)**
Total Group shareholders’ equity	**220.8**	**226.7**
Minority capital and reserves	**32.4**	**32.0**
Total shareholders’ equity	**253.2**	**258.7**
Reserves	**73.3**	**83.9**
Severance payments	**46.8**	**50.4**
Non-current financial liabilities	**374.3**	**398.8**
Deferred tax liabilities	**77.4**	**77.0**
Other non-current liabilities	**-**	**-**
Total non-current liabilities	**571.8**	**610.1**
Income taxes payable	**1.6**	**0.3**
Other current liabilities	**214.6**	**220.1**
Trade liabilities	**272.4**	**321.3**
Bank debts and other financial liabilities	**64.6**	**46.6**
Total current liabilities	**553.2**	**588.3**
Liabilities deriving from sales or closures	**-**	**-**
Total liabilities	**1,378.2**	**1,457.1**

Encl. 2

Consolidated income statement (in €m)

	Period to 31 March 2014	Period to 31 March 2013	% change
Income from sales of goods and services (*)	268.3	292.7	(8.3%)
Labour costs (**)	59.3	71.2	(16.7%)
Cost of sales and management (***)	201.7	225.2	(10.4%)
Income (charges) from investments calculated on a net equity basis	(1.7)	(0.9)	88.9%
Adjustments for non-recurring items: (positive)/negative	(0.6)	4.7	
Gross operating profit net of non-recurring items	**5.0**	**0.1**	**n.s.**
Gross operating profit	**5.6**	**(4.6)**	**n.s.**
- as a proportion of revenues	*2.1%*	*(1.6%)*	
Depreciation of property, plant and machinery	2.3	2.8	(17.9%)
Depreciation of intangible assets	3.2	3.2	-
Operating profit	**0.1**	**(10.6)**	**n.s.**
- as a proportion of revenues	-	*(3.6%)*	
Net financial income (charges)	(5.9)	(5.0)	18.0%
Other financial income (charges)	-	-	-
Profit for the period before taxation	**(5.8)**	**(15.6)**	**(62.8%)**
Tax charges (income)	0.2	(0.6)	n.s.
Minority interest	(0.4)	(0.3)	33.3%
Net profit	**(6.4)**	**(15.3)**	**(58.2%)**

(*) Due to the contribution of the advertising sales business activity of Mondadori Pubblicità SpA to Mediamond SpA, revenues were down by 6.5%.

(**) Due to the contribution of the advertising sales business activity of Mondadori Pubblicità SpA to Mediamond SpA, and net of restructuring costs, labour costs were down by 11% .

(***) Includes the following items: decrease (increase) in inventories; cost of raw, ancillary and consumable materials and goods; cost of services; various charges (income).