# ARNOLDO MONDADORI EDITORE S.p.A.

Share Capital Euro 67,979,168.40
Head Offices in Milan
Administrative Offices in Segrate (Milan)

## Half-Year Report at 30 June 2014

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# *Corporate Offices and Boards*

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**Substitute Statutory Auditors**
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## *Mondadori Group operations*

The international economic scenario is still characterised by the slowing down of the emerging economies while the more mature economies are relatively steady.

In Italy, the situation remains difficult, even if a some sectors sent off positive signs in the first half of the year and confidence levels rose among consumers and businesses. The average GDP variation for 2014 is expected to be slightly positive, while unemployment seems to be rising alarmingly, having reached a peak of 12.6% in May, above the European average of 11.6%, with a record high for the 15-24 year age bracket.

Contrary to the optimistic projections, in France too, the main indicators fail to show significant improvement against the previous year; GDP is flat and unemployment remains above 10%.

The main sectors of activity of Mondadori Group show the following trends are noted:

- In Italy:
  - the book market dropped by 9.0% in terms of copies and by 6.6% in terms of value against the first half of 2013 (source Nielsen, data at 14 June);
  - the magazines market fell in terms of circulation by 9.6% (internal source, data at May), add-on sales by 14.3% (internal source, data at May) and advertising sales by 11.6% (source Nielsen, data at May);
- In France:
  - magazines sales at newsstands decreased by 8.1%, while advertising sales were down by 9.4% against the same period in 2013 (data at May; internal estimates for circulation and Kantar Media for advertising data).

In the current market scenario, for the period the Group registered **consolidated sales** down 10.3%, amounting to euro 549.2 million. On a like-for-like basis, considering the transfer completed in January 2014 of the advertising sales business unit to Mediamond, which was consolidated at equity, the reduction would be equal to 7.0%.

The downturn in revenues was offset by a higher reduction in operating costs, decreasing by approximately euro 70 million (-13.1%).

The remarkable increase in **EBITDA**, going from euro -5.3 million in the first half of the previous year to euro +14.9 million, particularly reflected the performance of the Magazines

Area (characterised by significant reductions in the past years), which reached euro 26.3 million (Italy and France), up 50.3%. This particularly positive result, which exceeded expectations, derives from the activities carried out on products and the implementation of cost reduction policies.
Also, the project regarding the aggregation of Italian advertising sales activities in the joint venture with Publitalia '80 S.p.A., Mediamond S.p.A., which enables the Group to provide the market with an offering integrating print, radio and web media, yielded its first positive effects.

The net financial position is equal to euro -368.9 million, essentially in line with 30 June 2013 and 31 December 2013. In addition to the typical seasonal nature of specific business activities, the semester was also influenced by outlays regarding restructuring and new investments, benefiting from the collection deriving from the transaction, successfully completed in June, for the placement of the newly issued shares and treasury shares held in portfolio.

- As to **Books**, in a market which further dropped in the second quarter (-8.0% in value) against -5.3% of the first quarter, the Group, though maintaining its leadership, continued to reflect the negative performance of the large retail channel, and, above all, the different publishing scheduling: the publication of important Italian and foreign authors is expected in the second part of the year. These include Follett, Grisham, Cornwell, Corona, Littizzetto and Camilleri.

- **Magazines Italy** continued on the same trend as the first quarter, outperforming the market in terms of circulation and advertising sales; in particular, the market share of Mondadori magazines increased from 32.6% to 33.2% in value against the same period of last year, confirming the Group's market leadership. This result is attributable to:
  - product focus in the segments in which the Group is market leader, like fashion, health and wellbeing and cuisine, with a view to also integrating multimedia through the contribution of the digital activities;
  - launch of the new magazine *Il mio Papa*, the restyling of *Panorama*, the re-launch of *Casafacile* and the transformantion of *Starbene* from monthly to weekly magazine;
  - the combined effect of the actions aimed at rationalising the magazines portfolio (cancellation of 11 magazines since June 2013);
  - ongoing actions targeting the reduction of operating costs.

  **International activities**, carried out through Mondadori International Business, generated increased revenues by approximately 10% against the same period in 2013, mainly as a result of the performance of the 23 editions of *Grazia* and the recent launch of *Icon* in Spain. Particularly significant in the view of the development of the digital activities was the acquisition, completed in the month of May, of *marketplace LondonBoutiques.com*. This acquisition is integrated in the broader project for the launch of the global *Grazia* e-commerce platform.

- **Magazines France** confirmed the success of *Closer*, the increased circulation of *Pleine Vie* and *Top Santé*; while the restyling activity of some magazines is still in progress, including *Grazia*, *Closer*, *Modes & Travaux*, *Science & Vie*, with great attention paid to publishing quality. Digital activities grew significantly (+50.6%) against the previous year; online advertising reached 10% of total revenues from advertising sales. The advertising agency ranks second among the leading market players with a 10.5% market share in volume (source Kantar Media).

- In the **Retail Area**, the Group continued to implement strategic actions to counter the negative market trend, targeting network and format revision in order to develop a new concept of book store for the future and network rebranding.

- In the **Radio Area** the market reflected the turbolence of the second quarter, which impacted *R101* performance after a positive start in the first quarter.

- As to **Digital Activities**, actions continued to increase the team dedicated to business development; the audience rate increased along with the revenues of the properties both in Italy and in France.

Below there is a summary of the key financial highlights at 30 June 2014:

- **Consolidated net revenues** totalled euro 549.2 million, down 10.3% against euro 612.3 million in the first half of 2013 (-7% on a like-for-like basis);
- **Consolidated EBITDA** was up by euro 20.2 million, going from euro -5.3 million in the first half of 2013 to euro 14.9 million at 30 June 2014 as a result of the actions implemented on products, the cost containment policy and the reduction of non-recurring costs;
- **Consolidated EBITDA, net of non-recurring items,** totalled euro 15.4 million, up 8.5%, against euro 14.2 million in 2013;
- **Consolidated EBIT** equalled euro 3.6 million, sharply up against euro -17.7 million of the first half of 2013, with amortization and depreciation of intangible and tangible assets for euro 11.3 million (euro 12.4 million in 2013);
- **Consolidated profit before taxes** and **consolidated net profit**, equal to euro -8.7

million (euro -28.2 million in the first half of 2013) and euro -11.0 million (euro -27.1 million in the first half of 2013) respectively, include higher financial costs partially resulting from the higher cost of money following renegotiation of the credit lines completed in November of the past year, as well as higher average indebtedness;

- **Net financial position** at 30 June 2014 was euro -368.9 million, improving against the first quarter of 2014 (euro -396.5 million), in line with the value of the same period of the previous year (euro -367.3 million) and with the value recorded at 31 December 2013. In addition to the seasonal nature of some business segments in which the Group operates, net financial position was also affected by the outlays relative to restructuring and new investments, while it also benefited from the collection of over euro 31 million deriving from the placement transaction, completed in June, for a total of 29,953,500 ordinary shares.

Financial highlights for the first half of 2014 and 2013:

| **Consolidated income statement** (euro/million) | **1st Half of 2014** | **% on revenues** | **1st Half of 2013** | **% on revenues** | **Var. %** |
|---|---|---|---|---|---|
| Revenues from sales and services (*) | 549.2 | 100.0% | 612.3 | 100.0% | (10.3%) |
| Cost of Personnel (**) | 117.4 | 21.4% | 148.0 | 24.2% | (20.7%) |
| Cost of raw, ancillary, consumption materials and goods (***) | 96.5 | 17.6% | 80.3 | 13.1% | 20.2% |
| Cost of services | 316.7 | 57.7% | 371.8 | 60.7% | (14.8%) |
| Leasehold improvements (****) | 17.7 | 3.2% | 21.4 | 3.5% | (17.3%) |
| Other (income) cost | (16.2) | (3.0%) | (3.7) | (0.6%) | n.s. |
| Income (cost) from investments valued at equity | (2.2) | - | 0.2 | - | n.s. |
| Adjustments for non-recurring items: (positive)/negative | (0.5) | | 19.5 | | |
| **EBITDA net of non-recurring items** | **15.4** | | **14.2** | | **8.5%** |
| **EBITDA** | **14.9** | **2.7%** | **(5.3)** | **(0.9%)** | **n.s.** |
| Depreciation of properties, plant and machinery | 4.8 | | 5.7 | | (15.8%) |
| Total amortisation of intangible assets | 6.5 | | 6.7 | | (3.0%) |
| **EBIT** | **3.6** | **0.7%** | **(17.7)** | **(2.9%)** | **n.s.** |
| Net financial revenues (costs) | (12.3) | | (10.5) | | 17.1% |
| Revenues (costs) from other investments | - | - | - | - | - |
| **Profit before taxes for the period** | **(8.7)** | **(1.6%)** | **(28.2)** | **(4.6%)** | **(69.1%)** |
| Income tax | 1.1 | | (2.1) | | n.s. |
| Third party profit | (1.2) | | (1.0) | | 20.0% |
| **Net result** | **(11.0)** | **(2.0%)** | **(27.1)** | **(4.4%)** | **(59.4%)** |

(*) Considering the transfer of the business unit from Mondadori Pubblicità S.p.A. to Mediamond S.p.A. revenues dropped by 7%.
(**) Considering the transfer of the business unit from Mondadori Pubblicità S.p.A. to Mediamond S.p.A. and net of restructuring costs, cost of personnel decreased by 10.9%.

(***) Including item "Decrease (increase) of inventory".
(****) Including item "Other costs (revenues)".

**Consolidated revenues**, down by 10.3% (-7% on a like for like basis), were equal to euro 549.2 million and are detailed by sector of activity as shown below:

| **Sales by sector of activity** (euro/million) | **1st half of 2014** | **1st half of 2013** | **Var.%** |
|---|---|---|---|
| Books | 128.5 | 134.0 | (4.1%) |
| Magazines Italy | 160.3 | 177.9 | (9.9%) |
| Magazines France | 169.9 | 176.9 | (4.0%) |
| Advertising services | 5.8 | 76.8 | n.s. |
| Retail | 92.6 | 101.7 | (8.9%) |
| Radio | 5.9 | 6.8 | (13.2%) |
| Other business and corporate. | 14.9 | 18.9 | (21.2%) |
| **Total aggregate revenues** | **577.9** | **693.0** | **(16.6%)** |
| Intercompany revenues | (28.7) | (80.7) | n.s. |
| **Total consolidated revenues** | **549.2** | **612.3** | **(10.3%)** |

Consolidated revenues by geographic area are broken down in the table below:

| **Sales by geographic area** (euro/million) | **1st half of 2014** | **1st half of 2013** | **Var.%** |
|---|---|---|---|
| Italy | 369.7 | 422.9 | (12.6%) |
| France | 160.0 | 166.8 | (4.1%) |
| Other EU countries | 15.6 | 16.4 | (4.9%) |
| USA | 0.4 | 0.3 | 33.3% |
| Extra EU countries | 3.5 | 5.9 | (40.7%) |
| **Total consolidated revenues** | **549.2** | **612.3** | **(10.3%)** |

## *Books*

Mondadori Group confirmed its leadership in the book market: the editorial products that traditionally make up its core business are fiction, essays, paperbacks and books for young readers.

In the Trade Book market the Group mainly operates through four publishing houses: Edizioni Mondadori, Giulio Einaudi Editore, Edizioni Piemme and Sperling & Kupfer; the Group is also present in the school textbook market, in the sector of art and illustrated books and in the provision of services for the management of museum concessions and the organisation and management of exhibitions and cultural events.

Through Mondadori Education S.p.A. the Group plays an important role in the Italian school textbook market, while Mondadori Electa S.p.A. is Italy's most important publisher in the sector of art and illustrated books.

Amounts in euro thousands

## *Market performance*

In the second quarter the Trade Book market reflected the negative economic context that is persistently slowing down consumer spending and purchases of books.

This trend further depressed the market, which registered an additional drop of 9.0% in copies and 6.6% in value (source Nielsen, data at 14 June); in the second quarter the plunge was equal to 8% in value (-5.3% in the first quarter). The reduction was particularly heavy in the large retail channel and in the independent bookstore channel, by 15% and 7.5%, respectively (source Nielsen, data at 14 June).

Essentially confirming the market leadership, the market share for Mondadori Group publishers corresponds to 25.5% (excluding large retailers), slightly down against the same period of 2013, but reflecting the positive performance recorded by the bestsellers *E l'eco rispose* by Khaled Hosseini and *Inferno* by Dan Brown.

| Publisher | Market share 1st half of 2014 | Market share 1st half of 2013 |
|---|---|---|
| Edizioni Mondadori | 11.7% | 12.8% |
| Giulio Einaudi editore | 5.6% | 5.7% |
| Sperling & Kupfer | 3.0% | 2.3% |
| Edizioni Piemme | 4.0% | 3.9% |
| Other Mondadori Group companies | 1.2% | 1.3% |
| **Total Mondadori Group** | **25.5%** | **26.0%** |
| RCS Group | 12.3% | 11.0% |
| Gems Group | 9.8% | 9.6% |
| Giunti Group | 5.9% | 6.3% |
| Feltrinelli | 4.7% | 5.0% |

Source: Nielsen Bookscan, value data

## *Market trend*

Revenues in the period amounted to euro 128.5 million, down 4.1% against the previous year.

The reduction in revenues and margins reflected the already mentioned market trend as well as the different publishing scheduling which, compared to 2013, includes a very interesting plan for Christmas and the publication of works from the most prominent authors, including Follett, Grisham, Corona, Littizzetto and Camilleri, in the second half of 2014.

| (euro/000) | **1st half of 2014** | **1st half of 2013** |
|---|---|---|
| Revenues from books | 123.1 | 131.0 |
| Other revenues | 5.4 | 3.0 |
| | **128.5** | **134.0** |
| Operating costs | (123.1) | (124.2) |
| **EBITDA** | **5.4** | **9.8** |
| Amortisation and impairment | (1.1) | (0.6) |
| **EBIT** | **4.3** | **9.2** |

***Revenues***

Revenues by publisher:

| **Books**<br>(euro/million) | **1st half of 2014** | **1st half of 2013** | **Var.%** |
|---|---|---|---|
| Edizioni Mondadori | 34.6 | 47.8 | (27.6%) |
| Giulio Einaudi editore | 20.4 | 20.8 | (1.9%) |
| Edizioni Piemme | 14.7 | 19.7 | (25.4%) |
| Sperling & Kupfer | 12.9 | 10.8 | 19.4% |
| **Trade Books** | **82.6** | **99.1** | **(16.6%)** |
| Mondadori Electa | 15.5 | 16.5 | (6.1%) |
| Mondadori Education | 9.7 | 11.2 | (13.4%) |
| **Educational Books** | **25.2** | **27.7** | **(9.0%)** |
| Book distribution | 15.7 | 4.6 | n.s. |
| Other revenues | 5.0 | 2.6 | 92.3% |
| **Total consolidated revenues** | **128.5** | **134.0** | **(4.1%)** |

- **Trade Books:** revenues in the first half of 2014 reflected the weak performance in some channels and in paperbacks, as well as the different publishing scheduling compared to 2013.

  Edizioni Mondadori is in the ranking of the 15 bestselling books in 2014 with *La strada verso casa* by Fabio Volo and *Splendore* by Margaret Mazzantini (source GFK).

  As to Fiction the following new books recorded a positive performance:
  - *Il nuovo dizionario delle cose perdute* by Francesco Guccini (over 65,000 copies sold), and
  - *Polvere* by Patricia Cornwell (over 50,000 copies).

  As to Non Fiction:
  - *English da zero* by John Peter Sloan (over 75,000 copies sold) was the overall bestseller in the first half of the year,
  - *Non vale una lira* by Mario Giordano, among the first 100 bestselling books

with 25,000 copies sold.

As to Children's Books, *Il marchio di Atena* by Rick Riordan proved the absolute bestseller in the seventeenth week of the year (source Nielsen).

As to Paperbacks, in a market falling by 4.5% in value (source Nielsen, data at 14 June), Oscar Mondadori books gained a market share equal to 30.2%, up against the previous year as a result of the ongoing renewal of the paperback offering. The list of the bestselling titles includes:

- *Hunger Games* by Suzanne Collins (over 120,000 copies sold),
- *Inferno* by Dan Brown and five books by Gabriel Garcia Marquez.

**Einaudi** recorded a reduction in revenues equal to 1.9% against the first half of 2013 as a result of the opposing performances in the different market segments.

Italian fiction performed well with

- the novel *Il nero e l'argento* by Paolo Giordano, a new entry for the publisher (120,000 copies sold),
- *Il serpente di Dio* by Nicolai Lilin (over 32,000 copies sold).

Foreign fiction recorded growing revenues thanks to the success of

- *L'incolore Tazaki Tsukuru e i suoi anni di pellegrinaggio* by Haruki Murakami (over 40,000 copies sold),
- *Il figlio* by Philipp Meyer and *Uscirne vivi*, the latest novel by the Nobel Prize for Literature Alice Munro.

Among the bestselling books of the Stile Libero brand, up 6.6% against 2013, were:

- *Il pipistrello* by Jo Nesbø (over70,000 copies sold),
- *L'armata dei sonnambuli* by the Wu Ming group of writers, *Una mutevole verità* by Gianrico Carofiglio and the collection of short stories, *Giochi Criminali* by De Cataldo, De Giovanni, De Silva and Lucarelli.

Revenues of Non Fiction and Paperbacks were instead down (-4.2%).

**Piemme** revenues plunged by 25.4%; the bestselling books were:

- *Il quinto testimone*, the latest novel by Michael Connelly (76,000 copies sold),
- *La fragile costellazione della vita* by Anthony Marra (22,000 copies),
- *La ragazza di pietra* by Brian Freeman (21,200 copies),
- *Raggi di luce* by Paolo Brosio (48,000 copies).

In the Junior sector the Stilton brand continues to perform positively with

- *Viaggio nel tempo 7* (68,000 copies sold) and
- *Il segreto del coraggio* (33,500 copies).

**Sperling & Kupfer** generated revenues up 19.4% thanks also to the success of

- o *La moglie magica*, the new book by Sveva Casati Modignani (190,000 copies sold),
- o *Storia di una ladra di libri* by Markus Zusak (170,000 copies),
- o *Doctor Sleep* by Stephen King (150,000 copies),
- o *La dieta del Supermetabolismo* by Haylie Pomroy (53,000 copies).

- **Educational Books**: the first half of 2014 was characterised by the seasonality of the school textbook segment, with significant revenues in the second quarter.

**Mondadori Electa** recorded revenues equal to euro 15.5 million, down 6.1% against 2013; considering the downturn in the book segment, reflecting the negative performance of the market as described above, which is even heavier due to the niche type of product offered, and the publishing scheduling which includes a more intense activity in the second part of the year, activities associated with Cultural Heritage proved the best performing in terms of revenues.
The most important publications in the period include the photographic volume Portraits, by Steve McCurry, while the great sales scored obtained by the volume Mappe, now in its fifth reprint, continued.
The activities relating to the organisation of temporary exhibitions and the management of a number of Italy's most important archaeological sites, which saw an increasing number of visitors compared to the first half of 2013, enabled the Group to target the above reported revenue increase in the Cultural Heritage area; the museum bookshops confirmed the performance recorded in 2013.

For **Mondadori Education** the period was characterised by the cancellation of the ban on the adoption of new textbooks in all school grades which resulted in publisher changes equal to nearly 100% in the primary school and approximately 40% in secondary schools.
In primary schools, Mondadori Education performed well both in terms of new adoptions and volumes: the primary textbook for the 4th and 5th grade will be used by nearly 110,000 students.
In the middle schools, despite a heavier reduction of catalogue books than expected, the new textbooks performed positively; the grammar book by Sensini reached 45,000 copies adopted.
In the high schools, characterised by a high level of changes in the lower two-year grades and the curricular reforms affecting the senior class, the Italian grammar text

for the first two years, the geography textbook for the technical vocational schools, the geo/history package for the academic high schools and some other textbooks for the vocational schools posted significant results.

- **E-book**: revenues from the sale of ebooks were up by nearly 13% against the same period of 2013 as a result of a catalogue that is constantly growing and that now includes more than 7,000 titles. The performance is certainly noteworthy considering the high number of downloads recorded in May and June of 2013 for the two bestsellers, *E l'eco rispose* and *Inferno*

- **Distribution and logistics:** increased revenues from third publisher distribution are mainly due to the distribution and logistics services provided to De Agostini publisher as of 1 January 2014.

***EBITDA***

**EBITDA** reflected the downturn in revenues against the first half of 2013; deterioration was mitigated as a result of the implementation of targeted cost containment actions in different areas and, in particular, in production and logistics.

***Business activitites***

In the period the following launches were completed:

- 22 Flipback® titles, books that are read vertically and browsed with one hand. They represent one of the most important new publishing items for the year. The Flipback®, which includes the works of the Group's most prominent authors, is accompanied by a relevant advertising investment plan for bookstores;
- the Oscar Scuola series, published in the Oscar Mondadori catalogue, offers the most important and bestselling classic titles, long-standing suggested reading in the schools, with new graphics and product restyling.

Einaudi proceeded, after nine years, to restyle the *Tascabili* series with marketing activities supporting the promotional campaigns, leading to an increased number of copies sold compared to the previous year;

On 3 July, Francesco Piccolo, with *Il desiderio di essere come tutti*, published in the Einaudi Supercoralli series, was awarded the Strega Prize.

## *Magazines*

Mondadori is Italy's leading publisher in the sector by market share and number of

magazines and one of the most important in Europe. It has consolidated its presence in the sector over time, covering different segments of activity.
In addition to the publication of weekly and monthly magazines sold at newsstands and by subscription, the Group also focuses on the sector of add-in sales and designated websites and portals that enable it to reach a larger number of Mondadori readers by exploiting the relevant brands.

Through subsidiary Press-Di Distribuzione Stampa and Multimedia, the Group distributes its own magazines and third party magazines at the national level. The Group is also present in some foreign markets through the Mondadori France subsidiary (one of the the top publishers in France with a portfolio of 27 magazines), the interest held in Attica Publications, a leading company for the distribution of magazines in Southern-Eastern Europe and the joint ventures with local partners in China and Russia, as well as through licensing agreements with international publishers for the publication of Italian magazines in the corresponding countries or markets of reference.

## *Magazines Italy*

### *Market performance*

Despite the general uncertain economic climate, reductions in the sectors in which the Group operates were less accentuated than last year. The advertising sales market was down by 3.9% (source Nielsen, data at May) with print media plunging double digit: Magazines by 11.6% (-24.4% in 2013) and Dailies by 12.8% (-16.2% in 2013). Radio (-0.3%) and TV (-0.7%) were basically steady, while sales on the web dropped by 2.1%.

The market of magazines sales in newsstands decreased by 9.6% (PressDi internal source, data at May 2014) and add-on sales were down by 14.3% (PressDi internal source, data at May 2014).

Amounts in euro thousands

## *Market trend*

Despite a general drop in revenues equal to 9.9% (-8.3% on a like-for-like basis, considering the magazines closed and transferred), EBITDA increased from euro 3.6 milion to euro 11 million.

| (euro/000) | 1st half of 2014 | 1st half of 2013 |
|---|---|---|
| Revenues from magazines | 142.2 | 160.0 |
| Other revenues | 18.1 | 17.9 |
| | **160.3** | **177.9** |
| Operating costs | (149.3) | (174.3) |
| **EBITDA** | **11.0** | **3.6** |
| Amortisation and impairment | (0.2) | (0.3) |
| **EBIT** | **10.8** | **3.3** |

***Revenues***

Magazines Italy posted comprehensively falling revenues.

- The revenues relative to the Mondadori magazines specifically reflected the negative performance of the markets of reference; however, the Mondadori Group increased its market share (in value) from 32.6% of the same period of last year to the current 33.2%. Revenues deriving from circulation dropped by 8.4% (-5.9% on a like-for-like basis), while the market trend recorded a 9.6% plunge; revenues from gross advertising sales were down 11.2% (-8.5% on a like-for-like basis), while the market was down 11.6%; considering also the performance of the web sites (+12.8% on a like for like basis), revenues from advertising sales of the Mondadori brands posted a 6.7% drop on a like-for-like basis.
- **Add-on sales**: the market of add-on sales posted a 14.3% reduction in value in the first five months (PressDi internal source).

  Mondadori revenues dropped by 19.8% following the decision to select and rationalize initiatives; the performance was reflected also in the excellent performances in 2013 of the Beatles project, the Cake Decor collectible and, above all, the Pink Floyd collection, which were particularly successful in the second quarter of the past year. Excluding music CDs, which is the segment presenting the most significant change compared to last year, the remaining products limited the plunge to 6.5%. Home video, gadgets and books performed well.
- **International** In the first half of 2014 Mondadori International Business recorded revenues up 10% against the past year. The increase is mainly attributable to:
  - the Grazia network with its 23 editions globally;
  - the launch, in November 2013, of the first international license for *Icon*, the

magazine dedicated to fashion and contemporary men's lifestyle, and
- advertising sales on the Italian market on behalf of *El Pais,* the leading daily in Spain, starting from October 2013.

**Investments**: Attica Publications, leading publisher in Greece for magazines and radio stations, recorded a reduction in revenues from advertising sales after the positive performance of the first quarter.
In the first half of 2014 two portals were launched, one dedicated to women and the other dedicated to men, along with the first streaming video on demand web site, www.ilovetv.gr, with encouraging audience rate results.
Mondadori Seec Advertising Co. Ltd, exclusive advertising agency for the Chinese edition of Grazia, recorded a 14% hike in revenues against the first half of 2013; the magazine has been transformed from monthly to weekly since last April.
Mondadori Independent Media LLC, publisher of *Grazia* in Russia, closed the first half of 2014 with advertising sales down by 4%.

- **Properties**: the period closed with sales from advertising on the web sites associated with the main Mondadori magazines up 11.5% against the same period of last year (+12.8% on a like-for-like basis for properties) as a result of the positive performance of www.donnamoderna.com (+8.4%) and www.grazia.it (+55.9%), against the 2.1% reduction recorded by the market in general (source Nielsen, data at May). Traffic also increased, especially thanks to the contribution of the *Donna Moderna* network (16 million single visitors and + 36%), *Panorama* (4 million single visitors and + 50%) and *Grazia* (1.1 million single visitors and + 33%). After the launches of the web sites associated with the magazines *Il mio Papa* and *Casafacile* in the first quarter of 2014, April was characterised by the launch of the portals www.salepepe.it and www.graziacasa.it.

***EBITDA***

EBITDA increased substantially despite dropping revenues, increasing from euro 3.6 million to euro 11 million as a result of the attention focused on the leading segments (fashion, wellbeing, cuisine), the launch of new magazines (*Il mio Papa*), the restyling of *Panorama* and the actions targeting the structural reduction of industrial, publishing and photo-shoot expenses and labour costs.

***Business activitites***

In the first half of 2014 the activity for the rationalisation of the magazines portfolio continued with the transfer of the magazines *PC Professionale* and *Ciak* and with the termination of the specialised magazines in the automotive segment, published by the Aci-Mondadori joint venture.

Further thrust was given to the activities of the Grazia International Network through the acquisition, completed in May, of the London-based www.london-boutiques.com marketplace, that offers the possibility to choose from among a broad array of apparel items and accessories from London's top boutiques.
In the second quarter the fashion e-commerce integrated platform will be www.graziashop.com, providing the *Grazia* global community, composed of 17 million readers and 14 million single users per month, and all fashionistas with the opportunity to purchase selected items from the world's trendiest stores.

Between the end of March and the beginning of April the restyling of *Panorama* was completed, resulting in an entirely new product in terms of publishing mix and graphics and also with the addition of "*Panorama d'Italia*", a tour spanning ten Italian cities with an agenda of 150 initiatives integrated in the territory. In May the periodicity for the publication of *Starbene* was changed from monthly to weekly with excellent results in terms of appreciation both by advertising investors (in the month in which the publication was re-launched sales from advertising grew by 175% against the previous year) and readers (+33% copies).

## *Magazines France*

### *Market performance*

In the first half of 2014 the markets of reference of Mondadori France showed additional signs of deterioration both with regard to sales in newsstands (-8.1%; internal source, data at May) and sales from advertising (-9.4%; internal source on Kantar Media data, data at May). Mondadori France outperformed the market, limiting the reduction in sales in newsstands to 2% against -8.1% recorded by the market and targeting a 50.6% increase in internet activities.

Amounts in euro thousands

## *Market trend*

Mondadori France consolidated revenues in the period of reference equalled euro 169.9 million, down 4%; on a like-for-like basis, considering the sales of *Le Film Français* completed at the end of 2013 and the different number of issues for some magazines, the reduction would be equal to 3.7%.

| (euro/000) | 1st half of 2014 | 1st half of 2013 |
|---|---|---|
| Revenues from magazines | 163.3 | 171.4 |
| Other revenues | 6.6 | 5.5 |
| | **169.9** | **176.9** |
| Operating costs | (154.6) | (163.0) |
| **EBITDA** | **15.3** | **13.9** |
| Amortisation and impairment | (5.6) | (6.0) |
| **EBIT** | **9.7** | **7.9** |

### *Revenues*

Revenues from advertising posted different performances for hardcopy products and soft products: the first recorded a 13.5% drop (-11% on a like-for-like basis), while the second grew by 49.3% (51.1% on a like-for-like basis), exceeding 10% of the total as a result of this performance.

Revenues from circulation, representing over 70% of the total, dropped by 1.5% (-1.1% on a like-for-like basis):

- sales at newsstands were down 2%; some of the main magazines, including *Closer*, *Pleine Vie* and *Top Santé* recorded increases exceeding 10%;
- subscriptions remained steady as a result of the good performance of *Télé-Star*, *Pleine Vie* and *Top Santé*.

Overall revenues from the digital activities posted a 50.6% growth as a result of the development of NaturaBuy activities, revenues from advertising sales and revenues from the sales of copies.

### *EBITDA*

The numerous initiatives implemented in the previous quarters and still underway enabled the Group to launch new magazines and obtain significant reductions in publishing, industrial and overhead costs, which more than offset the downturn in revenues.
EBITDA grew by 10.1%, reaching euro 15.3 million.

***Business activitites***

The advertising agency is one of the leading players with a 10.5% market share in volume (source Kantar Media), ranking second in the market.

In the first half of 2014 Mondadori France launched new magazines, including *Le Journal de Lucky Luke*, *Slam*, *Histoire & Jeux* and *Fort Boyard*, and completed the restyling of *L'Auto-journal Évasion*, *Diapason*, *Modes & Travaux*, *Science & Vie*, *Top Santé*, *Grazia* and *Closer*, focusing on the publishing quality.

With reference to the digital activities, starting from January 2014, sales of advertising spaces have been managed internally; structures serving all magazines were established and some of the main properties were renewed and further developed with new functionalities for tablets and smartphones.
These actions influenced audience rates, which in April (latest Nielsen data) reached 6.5 million single visitors (+26% against 2013) with a record high of 7.8 million visitors in January; on mobiles, single visitors grew by 67% against 2013 (source Nielsen, data at April).

The activity targeting the development of new efficiencies continued: in particular, a restructuring plan and a rationalisation plan were started for the structures and offices.

## *Advertising services*

As of 1 January 2014 the transfer of advertising services from Mondadori Pubblicità S.p.A., a subsidiary of Arnoldo Mondadori Editore S.p.A., to Mediamond S.p.A., a joint venture established in 2009 and controlled by Mondadori Pubblicità S.p.A. and Publitalia '80 S.p.A. was completed. Therefore, data is not comparable on a like-for-like basis.

This transaction is part of a broader plan targeting business model innovation, contributing to further consolidating the Group's leadership thanks to a new approach that is supported by significant synergies and offerings more suitable to the market.

## *Market performance*

Advertising sales, down -3.9% (source Nielsen, data at May), performed negatively as in the same period of 2013, confirming the difficulties of the past years.

| **Advertising market** (euro/million) | **2014** | **2013** | **Var.%** |
|---|---|---|---|
| Television | 1,599 | 1,611 | (0.7%) |
| Magazines | 211 | 239 | (11.6%) |
| Dailies | 337 | 387 | (12.8%) |
| Radio | 146 | 147 | (0.3%) |
| Internet | 192 | 196 | (2.1%) |
| Other | 227 | 243 | (6.6%) |
| **Total advertising market** | **2,712** | **2,823** | **(3.9%)** |

Source: Nielsen Media Research

## *Market trend*

| (euro/000) | **1st half of 2014** | **1st half of 2013** |
|---|---|---|
| Revenues from advertising sales: | 5.2 | 75.3 |
| Other revenues | 0.6 | 1.5 |
| | **5.8** | **76.8** |
| Operating costs | (7.7) | (80.3) |
| **EBITDA** | **(1.9)** | **(3.5)** |
| Amortisation and impairment | - | (0.1) |
| **EBIT** | **(1.9)** | **(3.6)** |

### *Revenues*

Revenues from the activities carried out by Mondadori Pubblicità totalled euro 5.8 million, down from the value generated by similar activities in the first half of 2013 for the abovementioned reasons.

### *EBITDA*

**EBITDA**, including also the partial result obtained by Mediamond, a subsidiary company valued at equity, grew from euro -3.5 million to euro -1.9 million, reflecting the positive effects of the transaction completed.

In particular, Mediamond S.p.A. revenues comprehensively grew by 1.8%.
The Print Media and Radio segment (a business unit transferred by Mondadori Pubblicità) posted a 2.6% reduction, broken down in its components as follows: Print Media down 16% and Radio up over 42%; advertising sales on the web were up by 16%.
The Radio performance also reflected the different scenario compared to the previous year, as a result of the acquisition of new radio stations, including Radio Italia since April 2013,

Radio Norba and Subasio since the end of 2013 and Radio Sportiva since the beginning of 2014.

**Arnoldo Mondadori Editore** brands (magazines and web), excluding data relative to the terminated magazines (*Casaviva*, *Panorama Travel*, *Men's Health* and *Ville&Giardini* ) and the magazines transferred to third parties (*Ciak* and *PC Professionale*), posted revenues down 6.7% against 2013.
In particular:

- advertising sales dropped by 8.5% on a like-for-like basis against a market average reduction of -11.6% (source Nielsen, data at May);
- web advertising sales were up 12.8% against an overall market drop of 2.1% (source: Nielsen at May). Good performances were turned in by www.donnamoderna.com (+8.4%) and www.grazia.it (+55.9%).

## *Retail*

Mondadori Group carries out retailing activities through a network present throughout Italy, composed of directly managed book stores, franchised book stores, newsstands, multicenters and book clubs, for a total of 595 stores. e-commerce activities are carried out through the InMondadori web site.

### *Market performance*

In general, the retail market continued to be weak in consumer spending also in the first half of 2014; as to the products marketed by the Group's network, the market of reference remains that of books, whose sales dropped by 6.6% in value, particularly falling in the second quarter of the year due also to the absence of blockbusters.

The channel that best managed to limit the general reduction in revenues is that of book store chains, to the detriment of independent book stores and large retailers.
As to the non-book market of reference, only Giftboxes, Telephony and E-readers posted a growing trend, while consumer electronics, digital cameras, notebooks, tablets and headphones slowed down significantly.

### *Market trend*

2013 data was re-processed to take into account the configuration of the Retail Area since September 2013, when Cemit Interactive Media S.p.A. merged into the Other business and

Amounts in euro thousands

Corporate segment.

| (euro/000) | 1st half of 2014 | 1st half of 2013 |
|---|---|---|
| Revenues | 91.1 | 98.3 |
| Other revenues | 1.5 | 3.4 |
| | **92.6** | **101.7** |
| Operating costs | (98.1) | (107.8) |
| **EBITDA** | **(5.5)** | **(6.1)** |
| Amortisation and impairment | (2.4) | (2.7) |
| **EBIT** | **(7.9)** | **(8.8)** |

***Revenues***

In the first quarter of 2014 the Retail Area posted revenues for euro 92.6 million, down 8.9% against the same period of 2013.

In the analysis of revenues broken down by category, books represent the most important product, covering 74% of the total with a better performance (+3.5%) against the market of reference, while consumer electronics is still recording heavier reductions compared to the market average.

The negative trend of book clubs, which has continued over the past few years, was extended with revenues dropping by nearly 20%. Lastly, sales through the *InMondadori* website were also down 4%.

***EBITDA***

The negative impact on **EBITDA**, deriving from the reduction in the revenues of book clubs and consumer electronics, was more than offset by the positive performance of books and the effects of the cost containment policy.

***Business activitites***

In response to the general dire economic scenario, the Group continues to implement the actions already started in the first quarter, targeting the recovery of margins.

In particular:

- progressive revision of the network with rationalisation actions to be implemented in the stores (new openings of directly managed book stores in the new Nave de Vero mall outside Marghera and shutting down of a few units in the franchising channel) and format in order to develop a new concept of future book store;
- rebranding of the entire network, new consumer electronics offering, comarketing activities with prominent partners in the banking and telephony sectors;
- continuation of promotional, communication and advertising campaigns supporting sales to **gain market shares for the book segment**;

Amounts in euro thousands

- continuation of the restructuring process with implementation of the redundancy schemes (20% against 10% of 2013) in the Milan and Rimini offices;
- store profitability improvement plans through a process of benchmarking designed to seize opportunities to increase revenues, margins and costs also vis-à-vis suppliers and franchisees.

## *Radio*

The Mondadori Group operates in the national radio market through *R 101*, targeting adult listeners, with a view to completing the already developed array of publishing products and services.

### *Market performance*

In the initial months of 2014, advertising sales in Italy recorded a further drop against the data of the corresponding period in 2013. Overall, the reduction in value amounted to 3.9% (source Nielsen, data at May 2014), while the Radio channel held its ground at -0.3% (source Nielsen, data at May 2014).

### *Market trend*

| (euro/000) | 1st half of 2014 | 1st half of 2013 |
|---|---|---|
| Revenues | 5.9 | 6.8 |
| Other revenues | - | - |
| | **5.9** | **6.8** |
| Operating costs | (8.6) | (8.4) |
| **EBITDA** | **(2.7)** | **(1.6)** |
| Amortisation and impairment | (0.7) | (0.8) |
| **EBIT** | **(3.4)** | **(2.4)** |

In the **Radio Area** the market reflected the turbolence of the second quarter, which impacted *R101* performance after a positive start in the first quarter.

***Revenues***

R101 revenues in the first half of 2014 dropped by 13.2%.

***EBITDA***

In addition to the negative performance of revenues, EBITDA also reflected higher investments made in the second quarter in promotions and communication campaigns to support the re-launch of the radio station.

***Business activitites***

The first half of 2014 was characterised by a number of significant events:

- in January Mario Volanti, founder and chairman, and Marco Pontini, Radio Italia marketing and sales general director, were appointed members of the Board of Directors, holding the office of deputy chairman and publishing and marketing director, respectively;
- at the end of March the new R101 was re-launched, confirming its proximity to sports events and partnership in music events supporting national and international artists during their summer tours. In particular, in addition to the "Stramilano" city marathon and "Giro d'Italia" bike race, R101 was selected as official radio partner for the Rolling Stones "14 on fire" concert of 22 June 2014 in Rome, Gary Clark Jr.'s concert and Zucchero's tour in the US;
- the web site www.r101.it was restyled graphically and in terms of content with positive results in terms of visitors. On Facebook, the radio posted a growing performance (450,000 fans against 300,000 fans at end of 2013);
- in June 2014 R101 also penetrated the TV market on channel 66 of the Digital Terrestrial Television. Scheduling includes the broadcasting of a targeted selection of music videos of the songs broadcast on the radio.

The launch of the television platform, which adheres to a policy that combines the radio with other digital supports, will provide for a broad-based entertainment system.

## Other business and corporate

### Other business

Other business includes the results from the Digital area and the equity investment in Società Europea di Edizione S.p.A., publisher of the *Il Giornale* daily newspaper.

**Digital Innovation**: during 2013 the Digital Innovation Area was set up with the objective of increasing presence in the digital market, organising innovation processes and identifying new opportunities for the development of the business. The new structure deals with Marketing Service and e-commerce activities and provides support activities to Cemit Interactive Media S.p.A., a service provider for off-line and on-line relational marketing.

In the first half of 2014 the first step was completed, envisaging the enhancement of the centralised management of the Digital Innovation Area with the introduction of new specialised resources.
This made it possible to implement an intense expansion plan of the Group's CRM services and give impetus to a number of digital projects functional to the different business units.

**Cemit** carried out its activities in a market characterised by a downturn in the first half of 2014 (-3.9%, source Nielsen, data at May); in particular, the direct mail sector, which is the market of reference for many activities carried out by Cemit, posted a 9% reduction against the previous year.

In this context, the Company posted overall revenues in the period of reference of euro 6.1 million from both traditional activities, including production, printing of promotional materials, custom materials and fulfilments, and marketing services and the digital solutions developed more recently.

Revenues fell by 32% also as a result of some non-recurring factors reported in the tables provided for comparison.
EBITDA (euro -0.4 million) reflected these differences.

In the last months new digital initiatives were developed, extending the commercial offering, the first effects of which are expected to be seen by year end.

**Società Europea di Edizioni**: in the first half of 2014 the publisher of the *Il Giornale* daily recorded a negative performance amounting to euro 1 million for the part relative to Mondadori, slightly above the value of the same period of 2013.

## *Corporate*

The Corporate segment includes parent company functions providing services to Group companies and the different business areas.

These services are mainly associated with activities regarding IT, administration, management control and planning, treasury and finance, human resources, legal and corporate affairs and external and institutional relations.
Revenues mainly refer to amounts billed to subsidiaries and associated companies as well as other entities using the services described above.

## *Financial position*

Mondadori Group's financial position at 30 June 2014 showed a deficit of euro 368.9 million.

| **Net financial position** (euro/million) | **30/06/2014** | **31/12/2013** | **30/06/2013** |
|---|---|---|---|
| Cash and cash equivalents | 18.3 | 65.7 | 81.8 |
| Financial assets at fair value | - | - | - |
| Held-for-sale financial assets | - | - | - |
| Assets and liabilities resulting from derivative instruments | (1.4) | 0.2 | (10.8) |
| Other financial liabilities: | (40.4) | 0.5 | 17.2 |
| Loans (short and medium/long term) | (345.4) | (429.6) | (455.5) |
| **Net financial position** | **(368.9)** | **(363.2)** | **(367.3)** |

The net financial position, calculated according to the method recommended by Consob, as mentioned in Note 19 of Explanatory Notes, would show a deficit of euro 369.2 million as it would not include the balance of "Non-current financial assets".

In addition to the seasonal nature of some business segments in which the Group operates, net financial position was also affected by outlays relative to restructuring and new investments, while it benefited from the collection of over euro 31 million deriving from the placement transaction, completed in June, for a total of 29,953,500 ordinary shares.

### *Interest and exchange rate trends*

The world economy continues to recover, especially in the United States and in China. However, the risks associated with a possible increase in the prices of oil also increased as a result of the tensions in the Middle East.

In the euro zone, growth remains limited and with considerable differences from country to country, while inflation is below projections.

The recent cut in the rates announced by the ECB is expected to stimulate the circulation of money and prevent an excessive increase in the value of the euro.

Consistently, 3-month Euribor at end of June was equal to 0.207%, lower by approximately 10 basis points than the average of the first half of 2014 equal to 0.297%; the average cost of debt of the Mondadori Group in the same period amounted to 4.15%.

The average euro/dollar exchange rate for the first half of 2014 was 1.371, with a high of

1.349 at the end of January and showing a progressive weakening in the quarter which resulted in the US dollar plunging to a record low of 1.393 around mid-March.

The overall credit lines available to the Group at 30 June 2014 amounted to euro 778.4 million, of which euro 570.0 committed.

The Group's short-term loans, totalling euro 208.4 million, used for euro 52.3 million at 30 June 2014, included overdraft credit lines on current accounts, advances subject to collection and "hot money" flows.

The main medium-long term loans at 30 June 2014 are:

- euro 270.0 million for a float rate bank loan, granted by a pool of leading banks with international standing; the loan specifically includes a term loan amortizing for euro 180.0 million with equal repayment instalments coming due in December 2016 and December 2017, and a Revolving Facility for euro 90.0 million with expiry in December 2018, used for euro 10.0 million; some Interest Rate Swap contracts have been attached to the first instalment of the term loan for the purpose of transforming the float rate into fixed;
- a float rate bullet loan for euro 200.0 million, granted by Intesa Sanpaolo, with expiry in December 2016, broken down into a term loan for euro 50.0 million and a revolving facility for euro 150.0 million, used for a total of euro 45.0 million;
- a float rate bullet loan for euro 100.0 million, granted by Mediobanca, with expiry in December 2017, including a term loan for euro 50.0 million and a revolving facility of equal amount, used for euro 15.0 million; an Interest Rate Swap contract was attached to the term loan for the purpose of transforming the float rate into fixed.

## *Personnel*

### *Human resources*

Employees with a fixed-term or permanent labour contract employed by the Group companies at 30 June 2014 totalled 3,213 people, showing a reduction in employee count by 361 units (-10.1%) against the end of 2012 and 223 units (-6.5%) against December 2013.
Labor costs (equal to euro 117.4 million in the first half of 2014), gross of extraordinary costs, shows a sharp downturn (-20.7%) against the value recorded in the same period of 2013.

The significant reduction in the headcount is attributable to the important restructuring actions implemented starting from the end of 2012 and last year and was also affected by some changes in the perimeter, including the transfer, completed in January 2014, of the business of Mondadori Pubblicità S.p.A. to Mediamond S.p.A., a company consolidated at equity, the filing of the liquidation procedure for Glaming S.r.l. and the recent acquisition of the British company London-Boutiques (May 2014). Net of the effects of these extraordinary transactions, the Group's employee number fell by 324 units (-9.2%) against June 2013.

The cost of personnel decreased by 10.9% on a like-for-like basis and net of restructuring costs.

With reference to the restructuring actions implemented in the last twelve months, the early retirement scheme for the graphic-publishing workers, started in March 2012, was completed in April, with 148 people operating in Arnoldo Mondadori Editore S.p.A., Mondadori Pubblicità S.p.A., Press-Di Distribuzione Stampa and Multimedia S.r.l. leaving the company during the two-year span.

As to the Magazines Area, in June 2013 the restructuring plan for the magazines offices was completed; the relevant agreement was signed with the trade unions and ratified by the Italian Ministry of Labor and it is expected to continue until June 2015, ensuring additional efficiencies in terms of cost of labor. In the first half of 2014 the transfer of the magazines *Ciak* and *PC Professionale* to Visibilia was completed.

With reference to logistics, activities were concentrated in the Verona warehouse, including the distribution of the Trade Books, with 20 employees leaving and the remaining 21 being transferred to the parent company's warehouse.

In the Retail Area, the rationalisation plan continues for Mondadori Direct S.p.A. The plan resulted in a reduction of the headcount by a total of 45 people in the last twelve months.

Mondadori France also reduced its headcount by approximately 85 units against 30 June 2013 (-8.5%).

Amounts in euro thousands

The following table provides a detailed breakdown of Group personnel at 30 June 2014:

| **Personnel** | **30/06/2014** | **31/12/2013** | **30/06/2013** |
|---|---|---|---|
| Arnoldo Mondadori Editore S.p.A. | | | |
| - Managers, journalists, office staff | 965 | 1,051 | 1,077 |
| - Blue collar workers | 93 | 82 | 85 |
| | **1,058** | **1,133** | **1,162** |
| Italian subsidiaries: | | | |
| - Managers, journalists, office staff | 1,204 | 1,308 | 1,361 |
| - Blue collar workers | 28 | 52 | 56 |
| | **1,232** | **1,360** | **1,417** |
| Foreign subsidiaries: | | | |
| - Managers, journalists, office staff | 923 | 943 | 995 |
| - Blue collar workers | - | - | - |
| | **923** | **943** | **995** |
| **Total** | **3,213** | **3,436** | **3,574** |

## *Capital expenditures*

In the first half of 2014 the Group recorded capital expenditures for approximately euro 1.9 million, mainly concentrated in the replacement of office electronic machines, the purchase of radio broadcasting equipment and costs for plants and improvements on leasehold assets.

Goods were disposed of with a residual value of euro 0.4 million.

## *Main risks and uncertainties to which the Mondadori Group is exposed*

Since 2008 Mondadori Group has been defining and implementing a process aimed at identifying and managing the main risks and uncertainties it is exposed to in accordance with the guidelines of its Internal Control and Risk Management System, pursuant to the provisions of the Corporate Governance Code of listed companies and to Italian Legislative Decree 195/2007 on transparency. Concurrently, the Group's risk appetite was calculated, i.e. the risk the company is ready to undertake in pursuing its objectives, thus delineating the Group's risk profile.

The internal model developed for the identification, assessment and management of risks is based on the principles of "*COSO* – Enterprise Risk Management" (COSO ERM), one of the most authoritative and widely adopted approaches at the Italian and international level.
Risks are identified and assessed through a self-assessment process by the heads of the business unit or function, who concurrently devise any necessary mitigating actions aimed at reducing the impact of risk factors. The assessment parameters are the likelihood that the event will occur and its impact.The latter is measured also against the potential impact on

financial performance, market share, competitive advantage and reputation. The Internal Audit function is responsible for verifying the reliability and efficiency of the identified mitigating actions.

The effects of every risk factor are connected to strategic goals both at the Group level, identified by the CEO, and at the function level, according to the procedures defined by the first line management.

The results of the process are submitted to the specific evaluation of the Risk and Control Committee, the Board of Auditors and the Board of Directors and additional in-depth analyses by competent structures and bodies may be requested.

The risk situation is reviewed and updated on a yearly basis, according to the criteria described above.

Based on the results of the analyses carried out, the following is a brief summary of the main risks and uncertainties the Group is exposed to.

## *Risks related to the economic scenario*

In the first half of 2014 the expansion of the world economy continued, though with signs of weakness in some emerging countries and with new risk factors deriving from the crisis in Ukraine which could have an impact on the euro zone in terms of energy pricing and supply as well as on trade with Russia.

In the financial markets of the euro zone bond prices increased while risk premiums decreased. In this context of modest and differentiated growth inflation is well below projections.

In Italy, the performance of the manufacturing sector provided indications of a moderate recovery in the first months of the year; investments gradually increased even if consumer spending is still under the levels of 2007, reflecting the negative projections for employment. The economic framework in Italy is therefore still uncertain.
The conditions of the market of reference generate critical effects in the sectors of activity in which the Group operates. The latest Risk Assessment identified the reduction in consumer spending as the main risk factor. In fact, this is a systemic risk factor that is not only associated with the publishing industry.

## *Business risk: competitive scenario and strategic risk*

The publishing and media industries are still facing considerable uncertainties. The persistent negative economic scenario, on one hand, and the essential transition towards new business models, on the other, including the digital development represent elements of discontinuity that may have reverberations on the traditional market balance.

All sector operators are in fact focusing on proactively reacting to the changes by re-thinking their role and activities and improving their traditional assets (content, authors, brands, reader communities) in the light of the new scenarios.

Therefore, in this context the risk generated by the increased level of competition of the digital market remains a priority, becoming harsher as a result of the pressure exercised by traditional competitors and the innovations brought about by extra-industry new entries.

## *Financial and credit risks*

The critical issues linked to the current economic-financial situation are persisting over expectations, with significant impacts on business trends and the Group's results, above all in a moment of remarkable technological/structural evolution towards the digital for the publishing industry.

In particular, due to the current market scenario, the Group is exposed to a risk associated with the possibility of maintaining profitability levels with impacts on the ability to generate cash flows, the definition of a mix of loans and holding values of the assets.

The risk associated with trade receivables is confirmed emerging from the extension of average collection time (also when doing business with the Public Administration) and includes the risk of contract and counterparty default.

Based on the contingent situation and future trend, Mondadori has prioritized policies and resolutions targeting the re-organisation of the structures and processes with a view to reducing operating costs.

The “general financial risk management policy” approved by the Board of Directors regulates financial risks arising from the Group’s activities and provides guidelines for the various risk categories on goals, hedging and operating limitations.

## *Regulatory risk*

The Mondadori Group operates in a complex regulatory context given the variety of the business areas in which it operates. The introduction of new regulations as well as changes to existing regulations may have an impact in terms of affecting competitiveness and market conditions in specific business areas in addition to generating higher charges in the internal compliance processes with regard to specific issues at the governance level, including, among others, Italian Legislative Decree 231/2001, Italian Legislative Decree 196/2003 on Privacy and Italian Law 262/2005 in the matter of protection of savings and fiscal fulfilments.

In this respect, Mondadori Group, in line with the requirements set out in the Governance Code of listed companies, defined an adequate internal control and risk management system which, through the identification and management of the main company risks, contributes to ensuring the protection of the company assets, the efficiency and effectiveness of company processes, the reliability of financial disclosures, the compliance with laws and regulations, the company by-laws and internal procedures.

## *Risk associated with brand protection*

The value and the prestige of the brands, contents, authors and reader communities represent a relevant asset for the Group to develop and grow also in the new business areas of the publishing industry. Consequently, the Group’s policies and activities are geared to maintaining and improving the value of such intangible assets.

## *Risk Assessment and Risk Response pilot project*

In the first half of 2014 the Mondadori Group implemented a risk assessment and risk response pilot project in specific corporate areas and on specific types of risks that require detailed analysis and targeted control.

The decision to carry out selected analyses, shared with the Committee for Control and Risks, was made following the results obtained from the risk assessment and internal audit processes.

## *Relevant events occurred in the period*

### *Transfer of business relative to sale of advertising space on magazines and radio stations from subsidiary Mondadori Pubblicità S.p.A. to Mediamond S.p.A.*

The merger transaction into Mediamond S.p.A., the joint venture equally controlled by Mondadori Pubblicità S.p.A. and Publitalia '80 S.p.A. and operating in the sales of advertising spaces on the web sites published by Mondadori Group, RTI S.p.A. and third publishers and in the sales of advertising spaces in the magazines and radio stations belonging to the subsidiary Mondadori Pubblicità S.p.A. was completed on 1 January 2014.

For details regarding the transaction reference should be made to the Annual Report at 31 December 2013 and to the information document and corresponding supplements published pursuant to article 5, par.1 of Consob Regulation on 21 November and 23 December 2013, respectively, available on the www.mondadori.it website under Governance Section.

### *Acquisition of London Boutiques*

In the second half of May 2014 Mondadori Group completed the acquisition of London-Boutiques.com, a London-based marketplace offering the possibility of choosing and purchasing apparel items and accessories from London's top boutiques.
The transaction enabled the Group to penetrate the e-commerce fashion market and provide the *Grazia* community in the world, made up of 17 million readers and 14 million single users per month, and all women with a passion for fashion to access it to purchase the *Grazia*-styled selected items.
In the second half of 2014 the integrated platform www.graziashop.com will become online and the trendiest stores in the main cities in Italy and France will add to the London boutiques, extending the product array.

The price for this transaction was approximately sterling 1.2 million plus a variable amount correlated to the attainment of a specific revenue target.

### *Private placement, reserved for institutional investors according to the "Accelerated Book Building" procedures, for a total of no. 29,953,500 shares*

On 17 June 2014 Arnoldo Mondadori Editore S.p.A. approved an offering transaction for a total of n. 29,953,500 ordinary shares, corresponding to 12.15% of the company's capital, to be completed by means of a private placement exclusively reserved for "Qualified Investors" in Italy and institutional investors abroad pursuant to Regulation S of the United States

Securities Act of 1933 and subsequent amendments, and in the United States limitedly to "Qualified Institutional Buyers" pursuant to Rule 144A of the United States Securities Act of 1933 and subsequent amendments with the exclusion of any other country in which the placement would be forbidden by the applicable law ("Beneficiaries").

In particular, the offering was broken down as follows:

- no. 15,000,000 newly issued ordinary shares, equal to 6.09% of the company's capital, with regular enjoyment, deriving from a capital increase for a maximum nominal amount of euro 3,900,000.00 with the exclusion of pre-emptive rights pursuant to article 2441, section 4, par. 2 of the Italian Civil Code, resolved upon by the Board of Directors on 17 June 2014 in partial execution of the power conferred upon it by the Shareholders' Meeting of last 30 April pursuant to article 2443 of the Italian Civil Code;
- no. 14,953,500 shares owned by the Company as Treasury Shares, corresponding to 6.07% of the company's capital.

The newly issued shares and the Treasury Shares were offered as private placement, exclusively reserved for the Beneficiaries, according to the Accelerated Book Building procedures.
To this end, the Company gave mandate for the transaction to Banca IMI and UniCredit Corporate & Investment Banking.

The transaction was entirely completed on 18 June 2014 at a price per share equal to euro 1.06 for a total countervalue of euro 31,750,710.00.

The final subscription price for the newly issued shares, equal to that for the transfer of the Treasury Shares, was determined following the Book Building activity in compliance with the criteria defined by the Board of Directors pursuant to the provisions set out in article 2441, section 4, par. 2 of the Italian Civil Code in the matter of exclusion of the option rights to the limited extent of 10% of the company's capital.

Following the capital increase, Arnoldo Mondadori S.p.A.'s share capital amounts to euro 67,979,168.40, divided into 261,458,340 ordinary shares with a nominal value of euro 0.26 each.
In the context of the transaction, Mondadori took on lock-up commitments for a duration of 120 days in line with the market procedures implemented in similar transactions.

The approved transaction was functional for the identification of new resources in the financial markets in order to enhance the financial structure supporting the Group's development objectives and also enabled the Company to increase the number of shareholders while concurrently limiting the dilution effects for the existing shareholders.

With regard to the financial aspects of the transaction reference should be made to the Explanatory Notes attached to this Half Year Report.

### *Appointment of a new CFO, Director of Purchasing and IT*

On 16 June 2014 Oddone Pozzi, born in Varese in 1963, graduated in Business Administration at the Bocconi University in Milan, was appointed CFO, Director of Purchasing and IT for the Mondadori Group, directly reporting to the CEO Ernesto Mauri; Oddone Pozzi was also co-opted as director, replacing Carlo Maria Vismara, who submitted his resignation.

Oddone Pozzi accrued his professional experience in national and international companies: in NCR Italia from 1989 to 1998 he held the office of Head of Administration Italy and from 1998 to 2000 he was Group Head of Administration at Sisal Group.
From 2000 to 2002 he was appointed Group Head of Administration, Planning & Control and IT for Camuzzi Group and from 2002 to 2004 he worked for Enel Gas, where he held the office of Head of Administration, Planning & Control, Real Estate and IT.

From 2004 to 2006 he joined the Ventaglio Group as Group Chief Financial Officer and in 2006 he was appointed Co-Managing Director at Giochi Preziosi Group.

## *Relevant events after closure*

No significant events occurred after closure.

## *Other information*

It is underscored that in the financial period of reference Arnoldo Mondadori Editore S.p.A. did not carry out any research & development activities. At closure or during the period, it did not hold any shares in parent companies, not even through trusts or trustees.

### *Renewal of the authorisation to purchase and sell Treasury Shares*

Pursuant to article 2357 of the Italian Civil Code, the Shareholders' Meeting of 30 April 2014 resolved upon the renewal of the authorisation to purchase and sell Treasury Shares, following the expiry of the preceding authorisation resolved upon on 23 April 2013.

The Shareholders' meeting also resolved upon the authorisation, pursuant to article 2357 ter of the Italian Civil Code, to sell Treasury Shares acquired or already in the Company's portfolio.

Here below are the main elements of the repurchase plan authorised by the Meeting.

<u>Motivations</u>
The renewal of the authorisation to sell and purchase Treasury Shares is aimed at retaining the possibility of picking up any investment and operational opportunities involving Treasury Shares, specifically vesting the Board of Directors with the following powers:

- To possibly rely on investment opportunities, if considered strategic by the Company, also in relation to available liquidity.
- To use the Treasury Shares purchased or already in the Company portfolio against the exercise of option rights, including conversion rights, deriving from financial instruments issued by the company, its subsidiaries or third parties;
- To use the Treasury Shares purchased or already in the Company portfolio as compensation for the acquisition of interests within the framework of the Company's investments;
- To sell Treasury Shares against the exercise of option rights for the relevant purchase granted to the beneficiaries of the stock option plans established by the Shareholders' Meeting.

<u>Duration</u>
Until the approval of the 2014 financial statements and in any case for a period not exceeding 18 months from the effective date of the resolution.

Maximum number of purchasable Treasury Shares

The new authorisation refers to the purchase of a maximum number of ordinary shares up to 10% of the company's capital at the same date, represented by no. 24,645,834 ordinary shares, taking the Treasury Shares already in the Company's portfolio as at the date of the Shareholders' Meeting into account.

Considering a total of no. 14,953,500 Treasury Shares already in the Company's portfolio at the date of the Shareholders' Meeting, the authorisation refers to the purchase of maximum no. 9,692,334 Treasury Shares.

Criteria for purchasing Treasury Shares and indication of the minimum and maximum purchasing cap

Purchases shall be made on the regulated markets pursuant to article article 132 of Italian Legislative Decree no. 58 of 24 February 1998 and article 144 bis, paragraph 1, letter B of Consob Regulation no. 11971/99 according to the operating criteria established in the organization and management regulations of the same markets, which do not allow the direct combination of the purchase negotiation proposals with pre-determined sale negotiation proposals.

The minimum and maximum purchase price is determined under the same conditions established by the preceding Shareholders’ Meeting authorisations and, therefore, at a unit price not lower than the official Stock Exchange price of the day preceding the purchase transaction, reduced by 20%, and not higher than the official Stock Exchange price of the day preceding the purchase transaction, increased by 10%.

In terms of daily prices and volumes the purchase transactions would be completed in compliance with the conditions established in EC Regulation no. 2273/2003, and, specifically:

- the Company shall not purchase Treasury Shares at a price higher than the higher between the price of the latest single transaction and that of the highest single bid traded in the regulated market in which such purchase takes place;
- in terms of daily purchase volumes, the Company shall not purchase a quantity of shares higher than 25% of the daily average volume of Mondadori shares traded in the regulated market and calculated based on the daily average traded volume of Mondadori shares in the 20 trading days preceding the dates of purchase.

## *Purchase of Treasury Shares in the first half of 2014*

In the first half of 2014 neither Arnoldo Mondadori Editore S.p.A. nor any subsidiary company purchased any Treasury Shares.

With regard to the disposals of Treasury Shares held in portfolio reference should be made to the private placement transaction reserved for Italian and foreign institutional investors and completed according to the "Accelerated Book Building" procedures on 18 June 2014. The transaction, detailed in the paragraph "Significant events occurred in the period", included, among others, the placement of all the no. 14,953,500 Treasury Shares held by the Company.

As of 30 June 2014 Arnoldo Mondadori Editore S.p.A. does not own Treasury Shares, either directly or indirectly through its subsidiary companies.

## *Transactions with related parties*

In compliance with article 2391 of the Italian Civil Code and the general principles set out in the "Regulation in the matter of transactions with related parties" issued by Consob through Resolution 17221 of 12 March 2010 and subsequent amendments (the "Consob Regulation"), the Board of Directors approved the "Procedures for Related Party Transactions" (the "Mondadori Procedures") on 25 November 2010 subject to the prior opinion in favour of the directors qualified as independent according to Borsa Italiana S.p.A. Governance Code.

The Mondadori Procedures which, starting from 1 January 2011, replaced the previous internal regulation adopted by the Board of Directors in the matter, include the rules, roles, responsibilities and activities implemented in order to ensure transparency and the substantial and procedural correctness of the transactions with related parties completed by the Company directly or through its subsidiaries.

The Mondadori Procedures are available under governance, regulations and procedures in the Governance section of Mondadori website at www.mondadori.it.

With reference to the provisions of article 5, par. 8 of Consob Regulation, for the period of reference the following should be noted:

- no transaction of greater importance were completed, as identified in the Mondadori Procedures in compliance with the provisions of the Consob Regulation;
- no transactions were completed with related parties defined pursuant to article 2427, par. 2, of the Italian Civil Code, which have had an impact on the Company's equity or performance;
- no changes or developments relating to the transactions with related parties illustrated in the last Annual Report are reported which had a significant impact on the Company's equity or performance in the period of reference.

It should be noted that as of 1 January 2014 the effects of the transaction of greater importance completed during 2013 were recognised, consisting in the transfer of business relative to the sale of advertising space on magazines and radio stations from subsidiary Mondadori Pubblicità S.p.A. to Mediamond S.p.A.

Details about the transaction mentioned above are reported in the "Significant events occurred in the period" section in this Directors' Report on Operations attached to the Annual Report 2013 and in the information document and relevant supplement published pursuant to article 5, par. 1 of Consob Regulation on 21 November and 23 December 2013, respectively, and available on the company website at www.mondadori.it – Governance section.

Also in relation to Italian Legislative Decree no. 173 of 3 November 2008 which amended, among others, article 2427 of the Italian Civil Code, and introduced number 22 bis and ter, no atypical or unusual transactions are reported outside the Company's ordinary management of operations.

The transactions completed with related parties in the period of reference were regulated under standard market conditions; trade transactions were completed with subsidiary or associated companies, while financial transactions were stipulated with regard to intercompany current accounts managed by Arnoldo Mondadori Editore. The various subsidiary and associated companies participate in the latter's debit and credit positions.

For more details reference should be made to the Explanatory Notes attached to the abbreviated consolidated Half Year Report at 30 June 2014.

### *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 no. 11971/99 and subsequent amendments.*

On and with effect from 13 November 2012, the Board of Directors of Arnoldo Mondadori Editore S.p.A., pursuant to 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 of waiving the obligation of disclosure envisaged by the aforementioned Consob Regulation on the occasion of significant transactions relative to mergers, spin-offs and capital increases through contribution of assets in nature, acquisitions and transfers.

Amounts in euro thousands

## *Relationship between Parent Company's Shareholders' equity and results and Group consolidated Shareholders' equity and results*

The following table shows a comparison between Arnoldo Mondadori Editore S.p.A.'s Shareholders' equity and results in the first half of 2014 and the Group's consolidated Shareholders' equity and results.

| (euro/000) | **Shareholders' equity** | **Net result for the period** |
|---|---|---|
| **Balance - Parent Company's financial statements** | **190,318** | **(14,297)** |
| Dividends received by the Parent Company from subsidiary and associated companies | | (450) |
| Elimination of intercompany income | (6,716) | 483 |
| Equity and financial contribution from directly associated companies | 7,603 | 2,115 |
| Equity and financial contribution from subsidiary and indirectly associated companies, net of the aforementioned items | 55,003 | 1,115 |
| **Balance - Group's consolidated financial statements** | **246,208** | **(11,034)** |

## *Foreseeable evolution*

In a market scenario that still does not provide clear signs of recovery, the positive performance of the first half of the year 2014, exceeding expectations and harvesting results from the actions implemented on the products, the company re-organization and the cost containment policy, as well as the excellent performance of Magazines both in Italy and in France, make it possible to project a full-year EBITDA above that of 2012, confirming the indications already provided in the Annual Report at 31 December 2013 and the Interim Report at 31 March 2014.

Also, in the second half of the year the Group will continue to implement actions aimed at improving the Group's overall ability to generate financial resources and actions targeting the disposal of assets considered no longer strategic with a view to enhancing the company's structure and equipping it with the necessary resources to make investments.
The Net Financial Position is expected to significantly improve compared to 2013 values.

For the Board of Directors
The Chairman
Marina Berlusconi

***Abbreviated Consolidated Half Year Financial Statements at 30 June 2014***

Amounts in euro thousands

## *Consolidated balance sheet*

| **Assets** (euro/000) | Notes | **30/06/2014** | **31/12/2013** |
|---|---|---|---|
| **Intangible assets** | 9 | **619,083** | **617,464** |
| **Property investments** | 10 | **3,129** | **3,181** |
| Land and buildings | | 8,222 | 8,542 |
| Plant and machinery | | 10,430 | 11,729 |
| Other tangible assets | | 18,631 | 20,489 |
| **Property, plant and machinery** | 11 | **37,283** | **40,760** |
| Investments booked at equity | | 37,003 | 38,187 |
| Other investments | | 442 | 442 |
| **Total investments** | 12 | **37,445** | **38,629** |
| **Non-current financial assets** | 19 | **343** | **2,717** |
| **Advanced tax assets** | 13 | **49,514** | **58,444** |
| **Other non-current assets** | 14 | **34,855** | **22,250** |
| **Total non-current assets** | | **781,652** | **783,445** |
| **Tax receivables** | 15 | **67,015** | **68,478** |
| **Other current assets** | 16 | **101,605** | **89,289** |
| **Inventory** | 17 | **118,294** | **124,009** |
| **Trade receivables** | 18 | **282,934** | **312,366** |
| **Other current financial assets** | 19 | **17,290** | **13,858** |
| **Cash and cash equivalents** | 19 | **18,270** | **65,683** |
| **Total current assets** | | **605,408** | **673,683** |
| **Assets held for sale or transferred** | | **-** | **-** |
| **Total assets** | | **1,387,060** | **1,457,128** |

Amounts in euro thousands

## *Consolidated balance sheet*

| **Liabilities**<br>(euro/000) | Notes | **30/06/2014** | **31/12/2013** |
|---|---|---|---|
| **Share capital** | | **67,979** | **64,079** |
| **Share premium reserve** | | **12,000** | **170,625** |
| **Treasury shares** | | **-** | **(73,497)** |
| **Other reserves and results carried forward** | | **177,263** | **250,943** |
| **Profit (loss) for the period** | | **(11,034)** | **(185,415)** |
| **Group's Shareholders' equity** | 20 | **246,208** | **226,735** |
| | | | |
| **Minority shareholders' equity and reserves** | 20 | **29,935** | **31,954** |
| **Total Shareholders' equity** | | **276,143** | **258,689** |
| | | | |
| **Provisions** | 21 | **61,699** | **83,928** |
| **Post-employment benefits** | 22 | **45,616** | **50,409** |
| **Non-current financial liabilities** | 19 | **341,357** | **398,836** |
| **Deferred tax liabilities** | 13 | **77,604** | **76,950** |
| **Other non-current liabilities** | | **-** | **-** |
| **Total non-current liabilities** | | **526,276** | **610,123** |
| | | | |
| **Income tax payables** | 23 | **5,182** | **293** |
| **Other current liabilities** | 24 | **210,364** | **220,093** |
| **Trade payables** | 25 | **305,647** | **321,307** |
| **Payables due to banks and other financial liabilities** | 19 | **63,448** | **46,623** |
| **Total current liabilities** | | **584,641** | **588,316** |
| | | | |
| **Liabilities held for sale or transferred** | | **-** | **-** |
| | | | |
| **Total liabilities** | | **1,387,060** | **1,457,128** |

Amounts in euro thousands

## *Consolidated income statement*

| (euro/000) | Notes | 30/06/2014 | 30/06/2013 |
|---|---|---|---|
| **Revenues from sales and services** | 26 | **549,194** | **612,292** |
| Decrease (increase) of inventory | 17 | 3,824 | 356 |
| Cost of raw, ancillary, consumption materials and goods | 27 | 92,665 | 79,937 |
| Cost of services | 28 | 316,672 | 371,756 |
| Cost of personnel | 29 | 117,424 | 147,998 |
| Other (income) cost | 30 | 1,537 | 17,705 |
| Revenues (costs) from investments valued at equity | 31 | (2,213) | 174 |
| **EBITDA** | | **14,859** | **(5,286)** |
| Depreciation and impairment loss on property, plant and equipment | 10/-11 | 4,808 | 5,683 |
| Amortisation and impairment loss on intangible assets | 9 | 6,447 | 6,700 |
| **EBIT** | | **3,604** | **(17,669)** |
| Financial revenues (costs) | 32 | (12,309) | (10,554) |
| Revenues (costs) from other investments | | - | - |
| **Profit before taxes for the period** | | **(8,705)** | **(28,223)** |
| Income tax | 33 | 1,133 | (2,080) |
| **Profit from operations** | | **(9,838)** | **(26,143)** |
| Income (cost) from assets/liabilities held for sale or transferred | | - | - |
| **Net result** | | **(9,838)** | **(26,143)** |
| Attributable to: | | | |
| **- Minority shareholders** | | **1,196** | **1,006** |
| **- Parent Company's shareholders** | | **(11,034)** | **(27,149)** |
| Net earnings per share (in euro units) | 34 | (0.05) | (0.12) |
| Diluted net earnings per share (in euro units) | 34 | (0.05) | (0.12) |

Amounts in euro thousands

## *Consolidated comprehensive income statement*

| (euro/000) | Notes | 30/06/2014 | 30/06/2013 |
|---|---|---|---|
| **Net result** | | **(9,838)** | **(26,143)** |
| *Items reclassifiable to income statement* | | | |
| Income (loss) deriving from the conversion of currency denominated financial statements of foreign companies | | (7) | |
| Other profit (loss) from companies valued at equity | 20 | (58) | (26) |
| Effective part of profit (loss) on cash flow hedge instruments (*cash flow hedge*) | 19 | (1,599) | 3,952 |
| Income (loss) deriving from held-for-sale assets (*fair value)* | 19 | - | 2,221 |
| Tax impact on other income (loss) reclassifiable to income statement | | 103 | (433) |
| *Items reclassifiable to income statement* | | | |
| Profit (loss) on cash flow hedge instruments (*cash flow hedge*) | | 21 | - |
| Income (loss) deriving from held-for-sale assets (*fair value*) | | - | - |
| Tax impact on other income (loss) reclassifiable to income statement | | - | - |
| *Items not reclassifiable to income statement* | | | |
| Actuarial income/ (losses) | | (291) | 2 |
| Tax impact on other income (loss) reclassifiable to income statement | | 78 | - |
| Total other profit (loss) net of tax effect | | (1,753) | 5,716 |
| **Comprehensive income for the period** | | **(11,591)** | **(20,427)** |
| Attributable to: | | | |
| **- Parent Company's shareholders** | | **(12,786)** | **(21,433)** |
| **- Minority shareholders** | | **1,195** | **1,006** |

For the Board of Directors
The Chairman
Marina Berlusconi

Amounts in euro thousands

## *Table of changes in the Group's consolidated Shareholders' equity at 30 June 2013*

| (euro/000) | Notes | Share capital | Share premium reserve | Treasury shares | Stock option reserve | Cash flow hedge reserve | Reserve Fair value | Currency reserve | Post-employment reserve | Other reserves | Income (loss) for the period | Total Group's equity | Minority shareholders' | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Balance at 1 January 2013** | | **64,079** | **210,200** | **(73,497)** | **3,756** | **(12,846)** | **(2,221)** | **93** | **2,036** | **375,016** | **(166,117)** | **400,499** | **33,313** | **433,812** |
| - Allocation of net income | | | (39,575) | | | | | | | (126,542) | 166,117 | - | | - |
| - Dividend payout | | | | | | | | | | | | - | (3,270) | (3,270) |
| - Changes in consolidation area | | | | | | | | | | | | - | | - |
| - Disposal of Treasury shares | 20 | | | | | | | | | | | - | | - |
| - Transactions on treasury shares | 20 | | | | | | | | | | | - | | - |
| - Stock options | | | | | (2,372) | | | | | 2,372 | | - | | - |
| - Other changes | 20 | | | | | | | | | 3 | | 3 | | 3 |
| - Comprehensive income (loss) | | | | | | 3,519 | 2,221 | (21) | 2 | (5) | (27,149) | (21,433) | 1,006 | (20,427) |
| **Balance at 30 June 2013** | | **64,079** | **170,625** | **(73,497)** | **1,384** | **(9,327)** | **0** | **72** | **2,038** | **250,844** | **(27,149)** | **379,069** | **31,049** | **410,118** |

## *Table of changes in the Group's consolidated Shareholders' equity at 30 June 2014*

| (euro/000) | Notes | Share capital | Share premium reserve | Treasury shares | Stock option reserve | Cash flow hedge reserve | Reserve Fair value | Currency reserve | Post-employment discounting reserve | Other reserves | Income (loss) for the period | Total Group's equity | Minority shareholders' | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Balance at 1 January 2014** | | **64,079** | **170,625** | **(73,497)** | **1,101** | **(2,455)** | **-** | **10** | **1,424** | **250,863** | **(185,415)** | **226,735** | **31,954** | **258,689** |
| - Allocation of net income | | | (170,625) | | | | | | | (14,790) | 185,415 | - | | - |
| - Dividend payout | | | | | | | | | | | | - | (3,212) | (3,212) |
| - Changes in consolidation area | | | | | | | | | | | | - | | - |
| - Capital increase | 20 | 3,900 | 12,000 | | | | | | | | | 15,900 | | 15,900 |
| - Transactions on treasury shares | 20 | | | 73,497 | | | | | | (58,224) | | 15,273 | | 15,273 |
| - Stock options | | | | | | | | | | | | - | | - |
| - Other changes | 20 | | | | | | | | (70) | 1,156 | | 1,086 | (2) | 1,084 |
| - Comprehensive income (loss) | | | | | | (1,475) | | (27) | (213) | (37) | (11,034) | (12,786) | 1,195 | (11,591) |
| **Balance at 30 June 2014** | | **67,979** | **12,000** | **0** | **1,101** | **(3,930)** | **0** | **(17)** | **1,141** | **178,968** | **(11,034)** | **246,208** | **29,935** | **276,143** |

For the Board of Directors
The Chairman
Marina Berlusconi

Amounts in euro thousands

# Group's consolidated income statement

| (euro/000) | Notes | 30/06/2014 | 30/06/2013 |
|---|---|---|---|
| Net result for the period | | (11,034) | (27,149) |
| *Adjustments* | | | |
| Amortisation, depreciation and impairment | 9/-10/-11 | 11,255 | 12,383 |
| Income tax for the period | 33 | 1,133 | (2,080) |
| Stock options | | - | - |
| Fund provisions (utilisation) and post-employment benefits | | (19,236) | (8,459) |
| Capital loss (gain) from the transfer of intangible assets, properties, plant and equipment, investments | | 806 | 148 |
| Capital loss (gain) from financial assets valuation | 32 | - | (501) |
| (Revenues) costs of companies valued at equity | 31 | 2,213 | (174) |
| Net financial costs on loans and transactions with derivatives | 32 | 9,659 | 7,202 |
| **Cash flow generation from operations** | | **(5,204)** | **(18,630)** |
| Trade receivable (increase) decrease | | (6,008) | 20,961 |
| Inventory (increase) decrease | | 5,843 | 1,683 |
| Trade payable increase (decrease) | | 9,867 | (25,583) |
| Income tax payments | | (2,260) | (6,915) |
| Advances and post-employment benefits | | (3,841) | (4,795) |
| Net difference for other assets/liabilities | | (22,617) | (57,510) |
| **Cash flow generated from (absorbed by) operations** | | **(24,220)** | **(90,789)** |
| Price collected (paid) net of cash transferred / acquired | | (1,167) | - |
| (Purchase) disposal of intangible assets | | (4,577) | (1,272) |
| (Purchase) disposal of properties, plant and equipment | | (2,239) | (7,133) |
| (Purchase) disposal of investments | | (656) | 497 |
| (Purchase) disposal of financial assets | | 5,950 | 16,632 |
| **Cash flow generated from (absorbed by) financing activities** | | **(2,689)** | **8,724** |
| Net difference in financial liabilities | | (40,702) | 4,390 |
| Payment of net financial costs on loans and transactions with derivatives | | (10,975) | (7,349) |
| Capital increase | 20 | 15,900 | - |
| (Purchase) disposal of treasury shares | 20 | 15,273 | - |
| Dividends paid out | 20 | - | - |
| **Cash flow generated from (absorbed by) financing activities** | | **(20,504)** | **(2,959)** |
| **Increase (decrease) in cash and cash equivalents** | | **(47,413)** | **(85,024)** |
| **Cash and cash equivalents at the beginning of the period** | 19 | **65,683** | **166,838** |
| **Cash and cash equivalents at the end of the period** | 19 | **18,270** | **81,814** |

| Cash and cash equivalents composition | | | |
|---|---|---|---|
| Cash, cheques and securities | | 811 | 1,648 |
| Bank and postal deposits | | 17,459 | 80,166 |
| | 19 | **18,270** | **81,814** |

For the Board of Directors
The Chairman
Marina Berlusconi

Amounts in euro thousands

## *Group's Consolidated Balance Sheet Pursuant to Consob Regulation no. 15519 of 27 July 2006*

| **Assets** (euro/000) | Notes | **30/06/2014** | of which related parties (note 37) | **31/12/2013** | of which related parties (note 37) |
|---|---|---|---|---|---|
| **Intangible assets** | 9 | **619,083** | **-** | **617,464** | **-** |
| **Property investments** | 10 | **3,129** | **-** | **3,181** | **-** |
| Land and buildings | | 8,222 | - | 8,542 | - |
| Plant and equipment | | 10,430 | - | 11,729 | - |
| Other tangible assets | | 18,631 | - | 20,489 | - |
| **Property, plant and equipment** | 11 | **37,283** | **0** | **40,760** | **0** |
| Investments booked at equity | | 37,003 | - | 38,187 | - |
| Other investments | | 442 | - | 442 | - |
| **Total investments** | 12 | **37,445** | **0** | **38,629** | **0** |
| **Non-current financial assets** | 19 | **343** | **-** | **2,717** | **2,292** |
| **Advanced tax assets** | 13 | **49,514** | **-** | **58,444** | **-** |
| **Other non-current assets** | 14 | **34,855** | **32,651** | **22,250** | **19,703** |
| **Total non-current assets** | | **781,652** | **32,651** | **783,445** | **21,995** |
| **Tax receivables** | 15 | **67,015** | **11,888** | **68,478** | **13,060** |
| **Other current assets** | 16 | **101,605** | **78** | **89,289** | **276** |
| **Inventory** | 17 | **118,294** | **-** | **124,009** | **-** |
| **Trade receivables** | 18 | **282,934** | **75,287** | **312,366** | **34,704** |
| **Other current financial assets** | 19 | **17,290** | **8,793** | **13,858** | **4,933** |
| **Cash and cash equivalents** | 19 | **18,270** | **-** | **65,683** | **-** |
| **Total current assets** | | **605,408** | **96,046** | **673,683** | **52,973** |
| **Assets held for sale or transferred** | | **-** | **-** | **-** | **-** |
| **Total assets** | | **1,387,060** | **128,697** | **1,457,128** | **74,968** |

Amounts in euro thousands

## *Group's Consolidated Balance Sheet Pursuant to Consob Regulation no. 15519 of 27 July 2006*

| **Liabilities** (euro/000) | Notes | **30/06/2014** | of which related parties (note 37) | **31/12/2013** | of which related parties (note 37) |
|---|---|---|---|---|---|
| **Share capital** | | **67,979** | **-** | **64,079** | **-** |
| **Share premium reserve** | | **12,000** | **-** | **170,625** | **-** |
| **Treasury shares** | | **-** | **-** | **(73,497)** | **-** |
| **Other reserves and results carried forward** | | **177,263** | **-** | **250,943** | **-** |
| **Profit (loss) for the period** | | **(11,034)** | **-** | **(185,415)** | **-** |
| **Group's Shareholders' equity** | 20 | **246,208** | **0** | **226,735** | **0** |
| **Minority shareholders' equity and reserves** | 20 | **29,935** | **-** | **31,954** | **-** |
| **Total Shareholders' equity** | | **276,143** | **0** | **258,689** | **0** |
| **Provisions** | 21 | **61,699** | **-** | **83,928** | **-** |
| **Post-employment benefits** | 22 | **45,616** | **-** | **50,409** | **-** |
| **Non-current financial liabilities** | 19 | **341,357** | **65,709** | **398,836** | **70,069** |
| **Deferred tax liabilities** | 13 | **77,604** | **-** | **76,950** | **-** |
| **Other non-current liabilities** | | **-** | **-** | **-** | **-** |
| **Total non-current liabilities** | | **526,276** | **65,709** | **610,123** | **70,069** |
| **Income tax payables** | 23 | **5,182** | **-** | **293** | **-** |
| **Other current liabilities** | 24 | **210,364** | **353** | **220,093** | **757** |
| **Trade payables** | 25 | **305,647** | **17,936** | **321,307** | **20,134** |
| **Payables due to banks and other financial liabilities** | 19 | **63,448** | **3,898** | **46,623** | **2,811** |
| **Total current liabilities** | | **584,641** | **22,187** | **588,316** | **23,702** |
| **Liabilities held for sale or transferred** | | **-** | **-** | **-** | **-** |
| **Total liabilities** | | **1,387,060** | **87,896** | **1,457,128** | **93,771** |

Amounts in euro thousands

## *Income statement pursuant to Consob Resolution no. 15519 of 27 July 2006*

| (euro/000) | Notes | 30/06/2014 | - of which related parties (note 37) | of which non-recurring (income) cost (note 36) | 30/06/2013 | - of which related parties (note 37) | of which non-recurring (income) cost (note 36) |
|---|---|---|---|---|---|---|---|
| **Revenues from sales and services** | 26 | **549,194** | **61,288** | **-** | **612,292** | **23,237** | **-** |
| | | | | | | | - |
| Decrease (increase) of inventory | 17 | 3,824 | - | - | 356 | - | - |
| Cost of raw, ancillary, consumption materials and goods | 27 | 92,665 | 4,821 | - | 79,937 | 5,818 | - |
| Cost of services | 28 | 316,672 | 8,157 | - | 371,756 | 9,225 | - |
| Cost of personnel | 29 | 117,424 | - | 2,990 | 147,998 | - | 16,725 |
| Other (income) cost | 30 | 1,537 | (803) | - | 17,705 | (627) | - |
| Revenues (costs) from investments valued at equity | 31 | (2,213) | - | - | 174 | - | - |
| **EBITDA** | | **14,859** | **49,113** | **(2,990)** | **(5,286)** | **8.821** | **(16,725)** |
| Depreciation and impairment loss on property, plant and equipment | 10/-11 | 4,808 | - | - | 5,683 | - | - |
| Amortisation and impairment loss on intangible assets | 9 | 6,447 | - | - | 6,700 | - | - |
| **EBIT** | | **3,604** | **49,113** | **(2,990)** | **(17,669)** | **8.821** | **(16,725)** |
| Financial revenues (costs) | 32 | (12,309) | (1,729) | - | (10,554) | (1,272) | - |
| Revenues (costs) from other investments | | - | - | - | - | - | - |
| **Profit before taxes for the period** | | **(8,705)** | **47,384** | **(2,990)** | **(28,223)** | **7.549** | **(16,725)** |
| Income tax | 33 | 1,133 | - | (906) | (2,080) | | (4,129) |
| **Profit from operations** | | **(9,838)** | **47,384** | **(2,084)** | **(26,143)** | **7.549** | **(12,596)** |
| Revenues (costs) from assets/liabilities held for sale or transferred | | - | - | - | - | - | - |
| **Net result** | | **(9,838)** | **47,384** | **(2,084)** | **(26,143)** | **7.549** | **(12,596)** |
| Attributable to: | | | | | | | |
| **- Minority shareholders** | | **1,196** | | **-** | **1,006** | | **-** |
| **- Parent Company's shareholders** | | **(11,034)** | | **(2,084)** | **(27,149)** | | **(12,596)** |

# Accounting principles and explanatory notes to the financial statements

## Accounting principles and other information

### *1. General information*

The core business of Arnoldo Mondadori Editore S.p.A. and of its directly or indirectly owned companies (hereinafter jointly referred to as the "Mondadori Group" or the "Group") is the performance of activities in the publishing sector of books, magazines, radio broadcasting and the sale of advertising space.

The Group also carries out retailing activities through directly owned stores and franchised stores present throughout Italy and a direct marketing and mail order sales activity for publishing products.

In 2011, all of Mondadori's business areas developed products and services available through the most advanced technology, thus increasing the sales offering.

Arnoldo Mondadori Editore S.p.A. has its legal offices in Milan, at n. 12 via Bianca di Savoia.
The headquarters are located in Segrate, Milan, Strada privata Mondadori.

The Parent Company, Arnoldo Mondadori Editore S.p.A., is listed on the Mercato Telematico Azionario (MTA) (Italian electronic share market) of Borsa Italiana S.p.A.

The publication of Mondadori Group's consolidated financial statements at 30 June 2014 was authorised by the Board of Directors' resolution of 31 July 2014.

### *2. Form and content*

The Group's consolidated half year report includes the Group's abbreviated consolidated half year financial statements and was drafted in compliance with IAS 34 and Article 154 ter of the Finance Consolidation Act and therefore does not include all the supplementary information requested in the annual report and should be construed jointly with the Group's consolidated financial statements ended at 31 December 2013.

The financial statements were prepared in the following way:

- current and non-current assets and current and non-current liabilities are shown separately in the consolidated balance sheet;
- in the consolidated income statement, the analysis of costs is carried out based on the nature of the costs, since the Group decided that this method is more representative than an analysis by function;

- the consolidated comprehensive income statement contains revenue and cost items that are not recognised under income (loss) for the period as required or allowed by the other IAS/IFRS accounting standards;
- the cash flow statement has been prepared using the indirect method.

With reference to the requirements of Consob Resolution 15519 of 27 July 2006 concerning the tables to the financial statements, specific supplementary tables were included to highlight significant transactions with “Related parties” and “Non-recurring transactions”.

The amounts shown in the tables and in these notes are expressed in euro thousands unless otherwise specified.

## 3. Consolidation area

In the first semester 2014 Mondadori Group did not carry out any transactions for the transfer of investments. It acquired a majority investment in the British company London-Boutiques, now Mondadori UK Ltd, and participated in the incorporation of Consorzio Scuola Digitale, holding 25% of its capital.

## 4. Drafting criteria

The Mondadori Group’s Abbreviated Half Year Report was drafted on the understanding of business continuity, adopting the same accounting principles used for the preparation of the consolidated financial statements for the year ended as at 31 December 2013, except for those which went into effect as of 1 January 2014, as specified here below

*IFRS 10 – Consolidated Financial Statements*

The main variations established in these new principles are the following:

- based on IFRS 10, there is one single basic principle to consolidate entities, and it is control. This variation eliminates the inconsistency perceived between the previous IAS 27 (based on control) and SIC 12 (based on risks and benefits);
- a more robust definition of control is provided compared to the past, based on three elements: (a) control of the acquired entity; (b) exposure, or right, to variable performances deriving from the involvement with the same; (c) ability to use power to influence performance;
- IFRS 10 requires that for the purpose of evaluating control over an acquired entity, an investor must focus on the activities that significantly impact the performance of the same entity;
- IFRS 10 requires that, in evaluating control, only essential rights be taken into account, i.e. those rights that can be exercised when important decisions need to be made regarding the acquired entity;

- IFRS 10 envisages practical support guidelines for evaluation in case of control in complex situations, such as, concretely, potential voting rights and the situations in which it is necessary to determine whether the person having the power to resolve is acting as an agent or principal, etc.

The implementation of these new principles does not have significant impact on the consolidation perimeter.

*IFRS 11 - Joint arrangements*
Without prejudice to the criteria for the identification of joint control, this new principle provides rules for the accounting of joint arrangements based on rights and obligations deriving from agreements rather than from the relevant legal form of the same and, consequently, requires that interests in joint ventures be evaluated at equity in the consolidated financial statements. According to IFRS 11, the existence of a separate special purpose entity is not a sufficient condition to qualify a joint arrangement as a joint venture. Following validation of the aforementioned principle, IAS 28 - Investments in associates and joint ventures - was modified to also include joint control entities in its sphere of application as of the effective date of the standard.
The implementation of these new principles does not have an impact on the Group's consolidated financial statements.

*IFRS 12 - Disclosure of interests in other entities*
The new principle requires disclosures to be made in the consolidated financial statements for any type of interest held, including those in subsidiaries, joint arrangements, associated companies and special purpose entities and other non-consolidated special purpose vehicles.

*IFRS 32 – Financial instruments*
On 16 December 2011 IASB issued a few amendments to **IAS 32** - *Financial Instruments: financial reporting,* clarifying its requirements for offsetting financial assets and financial liabilities as envisaged in IAS 32.

*IAS 36 - Impairment of assets Additional disclosures on the recoverable amount of non-financial assets*
These amendments aim at clarifying that any additional disclosures made on the recoverable amount of assets (goodwill included) or financial flow generating units, in the case in which their recoverable value is based on the fair value net of any transfer costs, refer only to those assets for which an impairment loss was identified or cancelled out during the year of reference.

## *5. Use of estimates*

The drafting of the Group's abbreviated half year report and the relevant notes required the use of estimates and assumptions based on subjective judgements, statistics and available information; the final figures may also significantly differ from such estimates according to eventual changes in the criteria used in the determination of such estimates.

For more information about the main accounting estimates, reference should be made to the "Annual Report" drafted as at 31 December 2013.

## *6. Seasonal nature of business activities*

Due to the seasonal nature of the school textbook publishing sector, revenues and profits for the second half of the year are expected to be higher than those for the first six months.

## *7. Segment information*

The information required by IFRS 8 reflects the Group organisational structure, which includes the following Divisions: Books, Italian Magazines and French Magazines, Advertising, Retail, Radio, Other Business and Corporate.

This structure gives a clear representation of the Group's differentiation in terms of products sold and services rendered and is used by Top Management as the basis for corporate reporting and in the definition of corporate strategies and plans, as well as in the valuation of investment opportunities and allocation of resources.

Information related to segment reporting is included in the notes here below.

## *8. Business combinations, acquisitions and disposals*

In the first half of 2014 the following extraordinary transactions were completed:

- in May the Company acquired 92.13% of the capital of London-Boutiques Trading Limited, a London-based company, which offers the possibility of purchasing apparel and accessories from London's best boutiques through its proprietary web site. The transaction also includes the option for Mondadori to acquire and for the other shareholders to sell the remaining shares at a pre-defined price within twelve months after contract stipulation. The overall cost of this transaction was £ 1.2 million;
- at the end of the first quarter the company branch responsible for *Ciak* and *PC Professionale* magazines was transferred to Visibilia. This transaction generated a capital gain of euro 450,000;

- on 1 January 2014 the transfer of the Mondadori Pubblicità S.p.A. business to Mediamond S.p.A. was completed, as better detailed in the Annual Report 2013, which should be referred to for additional information;
- with effective date as of 1 January 2014 a spinoff of the business relative to the management activities of the IT service infrastructures to the benefit of IBM Italia S.p.A. was completed.

## *9 Intangible assets*

With reference to the London-Boutiques transaction, goodwill was recognised temporarily pursuant to IFRIC 3.45 and 3.46 pending a more detailed valuation of the assets acquired; following the transfer of the *Ciak* and *PC Professionale* magazines, the relevant book values recognised under Assets with an indefinite life under Magazines and Brands were cancelled, as they were completely depreciated in the past years after completion of the impairment test.

As of 1 January 2014 the pre-printing costs relative to the development of school textbook content, including publishing, translation and copyright costs and text reviewing and editing based on a different accounting method compared to those applied until 2013, were capitalized under "R&D costs" pursuant to the requirements and conditions set in IAS 38.

The corresponding depreciation is recognised under income statement according to the assumed useful life for such costs, estimated in three years.

Intangible assets with a finite useful life include the magazines published by Mondadori France Group: *Télé Star*, *Closer*, *Pleine Vie*, *Le Chasseur Français*.

The table below shows data for full year 2013 and the first half of 2014:

Amounts in euro thousands

| **Intangible assets with finite useful life** (euro/000) | Magazines | Customer lists | Charges on shop lease contract taking over | Software | Licenses, patents and rights | R&D costs | Other intangible assets - intangible assets in progress and advances | Total |
|---|---|---|---|---|---|---|---|---|
| Cost at 31/12/2012 | 248,000 | 8,000 | 31,487 | 22,716 | 1,912 | 241 | 4,159 | 316,515 |
| Purchases | - | - | - | 1,235 | - | 7 | 2,239 | 3,481 |
| Disposals | (800) | - | (45) | (184) | - | - | (221) | (1250) |
| Changes in the consolidation area | - | - | - | - | - | - | - | 0 |
| Other changes | - | - | - | 32 | - | - | (982) | (950) |
| Cost at 31/12/2013 | 247,200 | 8,000 | 31,442 | 23,799 | 1,912 | 248 | 5,195 | 317,796 |
| Depreciation and impairment loss provision at 31/12/2012 | 46,351 | 1,333 | 15,448 | 19,616 | 1,465 | 46 | 4,106 | 88,365 |
| Depreciation | 8,144 | 1,333 | 1,367 | 1,933 | 402 | 202 | 7 | 13,388 |
| Impairment/ (reinstatement of value) | 16,971 | - | - | - | - | - | - | 16,971 |
| Disposals | (147) | - | (45) | (140) | - | - | - | (332) |
| Changes in the consolidation area | - | - | - | - | - | - | - | 0 |
| Other changes | - | - | - | (2) | 2 | - | (950) | (950) |
| Depreciation and impairment loss provision at 31/12/2013 | 71,319 | 2,666 | 16,770 | 21,407 | 1,869 | 248 | 3,163 | 117,442 |
| Net book value at 31/12/2012 | 201,649 | 6,667 | 16,039 | 3,100 | 447 | 195 | 53 | 228,150 |
| **Net book value at 31/12/2013** | **175,881** | **5,334** | **14,672** | **2,392** | **43** | **0** | **2,032** | **200,354** |

| **Intangible assets with finite useful life** (euro/000) | Magazines | Customer lists | Charges on shop lease contract taking over | Software | Licenses, patents and rights | R&D costs | Other intangible assets - intangible assets in progress and advances | Total |
|---|---|---|---|---|---|---|---|---|
| Cost at 31/12/2013 | 247,200 | 8,000 | 31,442 | 23,799 | 1,912 | 248 | 5,195 | 317,796 |
| Purchases | - | - | - | 334 | 10 | 3,768 | 1,209 | 5,321 |
| Disposals | - | - | - | (553) | - | - | - | (553) |
| Changes in the consolidation area | - | - | - | (1) | - | - | - | (1) |
| Other changes | - | - | - | 33 | - | - | (36) | (3) |
| Cost at 30/06/2014 | 247,200 | 8,000 | 31,442 | 23,612 | 1,922 | 4,016 | 6,368 | 322,560 |
| Depreciation and impairment loss provision at 31/12/2013 | 71,319 | 2,666 | 16,770 | 21,407 | 1,869 | 248 | 3,163 | 117,442 |
| Depreciation | 3,687 | 667 | 675 | 772 | 18 | 628 | - | 6,447 |
| Impairment/ (reinstatement of value) | - | - | - | - | - | - | - | 0 |
| Disposals | - | - | - | (466) | - | - | - | (466) |
| Changes in the consolidation area | - | - | - | (12) | - | - | - | (12) |
| Other changes | - | - | - | (3) | - | - | - | (3) |
| Depreciation and impairment loss provision at 30/06/2014 | 75,006 | 3,333 | 17,445 | 21,698 | 1,887 | 876 | 3,163 | 123,408 |
| Net book value at 31/12/2013 | 175,881 | 5,334 | 14,672 | 2,392 | 43 | 0 | 2,032 | 200,354 |
| **Net book value at 30/06/2014** | **172,194** | **4,667** | **13,997** | **1,914** | **35** | **3,140** | **3,205** | **199,152** |

Amounts in euro thousands

Intangible assets with an indefinite useful life include the magazines acquired by Silvio Berlusconi Editore S.p.A., (*TV Sorrisi e Canzoni, Chi, Telepiù*) and by Elemond S.p.A. (*Interni* and *Casabella*); the imprints and book series published by Einaudi, Sperling & Kupfer, Piemme, the educational publishing houses; the radio frequencies of R101 and goodwill regarding the relevant Cash Generating Units.

The table below shows data for full year 2013 and the first half of 2014:

| **Intangible assets with an indefinite useful life** (euro/000) | Magazines | Series | Brands | Radio stations | Goodwill | Total |
|---|---|---|---|---|---|---|
| Cost at 31/12/2012 | 98,158 | 31,509 | 6,665 | 127,604 | 461,572 | 725,508 |
| Purchases | - | - | 30 | 178 | - | 208 |
| Disposals | - | - | - | (741) | (975) | (1,716) |
| Changes in the consolidation area | - | - | - | - | - | 0 |
| Other changes | - | - | - | - | - | 0 |
| Cost at 31/12/2013 | 98,158 | 31,509 | 6,695 | 127,041 | 460,597 | 724,000 |
| Impairment loss 31/12/2012 | 10,825 | - | 5,114 | 49,235 | 142,485 | 207,659 |
| Impairment/ (reinstatement of value) | - | - | 7 | 31,058 | 68,824 | 99,889 |
| Other changes/disposals | - | - | - | (658) | - | (658) |
| Impairment loss 31/12/2013 | 10,825 | 0 | 5,121 | 79,635 | 211,309 | 306,890 |
| Net book value at 31/12/2012 | 87,333 | 31,509 | 1,551 | 78,369 | 319,087 | 517,849 |
| **Net book value at 31/12/2013** | **87,333** | **31,509** | **1,574** | **47,406** | **249,288** | **417,110** |

| **Intangible assets with an indefinite useful life** (euro/000) | Magazines | Series | Brands | Radio stations | Goodwill | Total |
|---|---|---|---|---|---|---|
| Cost at 31/12/2013 | 98,158 | 31,509 | 6,695 | 127,041 | 460,597 | 724,000 |
| Purchases | - | - | - | - | - | 0 |
| Disposals | (1,935) | - | (3,932) | - | - | (5,867) |
| Changes in the consolidation area | - | - | - | - | 2,821 | 2,821 |
| Other changes | - | - | - | - | - | 0 |
| Cost at 30/06/2014 | 96,223 | 31,509 | 2,763 | 127,041 | 463,418 | 720,954 |
| Impairment loss 31/12/2013 | 10,825 | - | 5,121 | 79,635 | 211,309 | 306,890 |
| Impairment/ (reinstatement of value) | - | - | - | - | - | 0 |
| Other changes | (1,935) | - | (3,932) | - | - | (5,867) |
| Impairment loss 30/06/2014 | 8,890 | 0 | 1,189 | 79,635 | 211,309 | 301,023 |
| Net book value at 31/12/2013 | 87,333 | 31,509 | 1,574 | 47,406 | 249,288 | 417,110 |
| **Net book value at 30/06/2014** | **87,333** | **31,509** | **1,574** | **47,406** | **252,109** | **419,931** |

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

Amounts in euro thousands

*Amortisation, impairment loss and value reinstatement of intangible assets*

Amortisation of intangible assets with a finite useful life and impairment of intangible assets with an indefinite useful life recognized under income statement in the first semester 2014 and in the first semester 2013:

| **Amortization and impairment loss of intangible assets** (euro/000) | **First half of 2014** | **First half of 2013** |
|---|---|---|
| Magazines | 3,687 | 4,072 |
| Customer lists | 667 | 667 |
| Charges on shop lease contract takeovers | 675 | 692 |
| Software | 772 | 889 |
| Licenses, patents and rights | 18 | 68 |
| R&D costs | 628 | 25 |
| Other intangible assets | - | - |
| **Total amortisation of intangible assets** | **6,447** | **6,413** |
| Amortisation of intangible assets | - | 287 |
| Value reinstatement of intangible assets | - | - |
| **Total amortisation (value reinstatement) of intangible assets** | **0** | **287** |
| **Total amortization and impairment loss of intangible assets** | **6,447** | **6,700** |

*Impairment test*

Upon drafting this half-year report, Top Management verified the up-to-dateness of the forecasts included in the three/five-year budget plans used to estimate the fair value and the value in use as at 31 December 2013 in order to determine possible reversal of impairment on magazines, series, imprints and goodwill relative to the corresponding Cash Generating Units.

The analysis conducted, which took into account the difficult market scenario, did not reveal any significant impairment indicators and therefore confirmed the assumptions adopted in the preparation of the plans. For more information and for the description of the impairment test process used by the Group reference should be made to the “Annual Report at 31 January 2013".

Value of the assets broken down by Cash Generating Unit at 30 June 2014:

Amounts in euro thousands

| ***Cash Generating Unit*** (euro/000) | Magazines | Customer lists | Series | Brands | Radio stations | Goodwill | Location | Total |
|---|---|---|---|---|---|---|---|---|
| Group of CGU magazines former Silvio Berlusconi Editore | 83,579 | | | | | 731 | | 84,310 |
| Group of CGU magazines former Elemond | 1,647 | | | 12 | | 228 | | 1,887 |
| CGU Einaudi | | | 2,991 | | | 286 | | 3,277 |
| CGU Sperling & Kupfer | | | 1,817 | 30 | | 731 | | 2,578 |
| CGU Mondadori Education | | | 18,933 | | | 12,042 | | 30,975 |
| CGU Piemme | | | 7,768 | 519 | | 5,059 | | 13,346 |
| Group of CGU R101 | | | | 372 | 47,406 | | | 47,778 |
| Group of CGU Mondadori France | 172,194 | 4,667 | | | | 227,711 | | 404,572 |
| Group of CGU location retail | | | | | | | 13,997 | 13,997 |
| Other CGU | 2,107 | | | 641 | | 5,321 | | 8,069 |
| | **259,527** | **4,667** | **31,509** | **1,574** | **47,406** | **252,109** | **13,997** | **610,789** |

## *10. Property investments*

"Property investments" amount to euro 3,129 thousand, down from 31 December 2013 due to period amortisation equal to euro 52 thousand.

There are no restrictions on the use of assets classified as property investments.

## *11. Property, plant and machinery*

The transaction regarding the transfer of business relative to the sale of advertising space had a significant impact on this item.

In addition to these effects, investments also included:

- equipment, furniture and fittings totalling euro 543 thousand relative to the stores of the Retail Area and museum bookshops;
- improvements on leased assets and equipment, euro 295 thousand and euro 476 thousand, respectively, in the same contexts;
- office automation for euro 579 thousand involving almost all Group companies.

Disposals referred to obsolete assets, almost entirely depreciated.

Amounts in euro thousands

| **Property, plant and machinery** (euro/000) | Land | Instrumental buildings | Plant and machinery | Other assets | Total |
|---|---|---|---|---|---|
| Cost at 31/12/2012 | 1,434 | 19,729 | 48,847 | 125,771 | 195,781 |
| Purchases | - | 17 | 529 | 3,176 | 3,722 |
| Disposals | - | - | (721) | (5,376) | (6,097) |
| Changes in the consolidation area | - | - | - | - | 0 |
| Other changes | - | (461) | 716 | (1,143) | (888) |
| Cost at 31/12/2013 | 1,434 | 19,285 | 49,371 | 122,428 | 192,518 |
| Depreciation and impairment loss provision at 31/12/2012 | - | 11,905 | 34,669 | 99,453 | 146,027 |
| Depreciation | - | 684 | 3,511 | 7,569 | 11,764 |
| Impairment/ (reinstatement of value) | - | - | 2 | 218 | 220 |
| Disposals | - | - | (512) | (4,936) | (5,448) |
| Changes in the consolidation area | - | - | - | - | 0 |
| Other changes | - | (412) | (28) | (365) | (805) |
| Depreciation and impairment loss provision at 31/12/2013 | 0 | 12,177 | 37,642 | 101,939 | 151,758 |
| Net book value at 31/12/2012 | 1,434 | 7,824 | 14,178 | 26,318 | 49,754 |
| **Net book value at 31/12/2013** | **1,434** | **7,108** | **11,729** | **20,489** | **40,760** |

| **Property, plant and equipment** (euro/000) | Land | Instrumental buildings | Plant and machinery | Other assets | Total |
|---|---|---|---|---|---|
| Cost at 31/12/2013 | 1,434 | 19,285 | 49,371 | 122,428 | 192,518 |
| Purchases | - | - | 476 | 1,473 | 1,949 |
| Disposals | - | - | (3,409) | (3,741) | (7,150) |
| Changes in the consolidation area | - | - | 48 | (2,357) | (2,309) |
| Other changes | - | 5 | 216 | (602) | (381) |
| Cost at 30/06/2014 | 1,434 | 19,290 | 46,702 | 117,201 | 184,627 |
| Depreciation and impairment loss provision at 31/12/2013 | - | 12,177 | 37,642 | 101,939 | 151,758 |
| Depreciation | - | 326 | 1,473 | 2,957 | 4,756 |
| Impairment/ (reinstatement of value) | - | - | - | - | 0 |
| Disposals | - | - | (3,219) | (3,580) | (6,799) |
| Changes in the consolidation area | - | - | 42 | (2,036) | (1,994) |
| Other changes | - | (1) | 334 | (710) | (377) |
| Depreciation and impairment loss provision at 30/06/2014 | 0 | 12,502 | 36,272 | 98,570 | 147,344 |
| Net book value at 31/12/2013 | 1,434 | 7,108 | 11,729 | 20,489 | 40,760 |
| **Net book value at 30/06/2014** | **1,434** | **6,788** | **10,430** | **18,631** | **37,283** |

### *Depreciation of properties, plant and machinery*

Depreciation reduced as a result of the extraordinary transactions mentioned above; no impairments were recognised in the period for "Properties, plant and machinery".

Amounts in euro thousands

| **Depreciation of properties, plant and machinery** (euro/000) | **First half of 2014** | **First half of 2013** |
|---|---|---|
| Instrumental buildings | 326 | 342 |
| Plant and machinery | 1,473 | 1,741 |
| Equipment | 714 | 829 |
| Electronic office equipment | 730 | 1,185 |
| Office furniture and machines | 772 | 818 |
| Motor vehicles and transport vehicles | 3 | 6 |
| Leasehold improvements | 700 | 667 |
| Other assets | 38 | 40 |
| **Depreciation of properties, plant and machinery** | **4,756** | **5,628** |
| Depreciation of tangible assets | - | - |
| Value reinstatement of tangible assets | - | - |
| **Total depreciation (reinstatement of value) of tangible assets** | **0** | **0** |
| **Total depreciation and impairment loss of tangible assets** | **4,756** | **5,628** |

*Leased assets*

The Group's leased assets value is lower than euro 0.5 million.

No new contracts were stipulated nor did contracts come to expiry after 31 December 2013. The existing contracts do not include any restrictions or liens on dividend payout or underwriting of other leasing contracts or loan contracts.

## *12. Investments*

At 30 June 2014 "Investments" totalled euro 37,445 thousand, in line with the value registered at 31 December 2013. Except for the incorporation of Consorzio Scuola Digitale, whose outlay was equal to euro 10 thousand, no acquisitions or transfers were completed in the period. The change reflects the valuations carried out according to the equity method.

| **Investments:** (euro/000) | **30/06/2014** | **31/12/2013** |
|---|---|---|
| Investments booked at equity | 37,003 | 38,187 |
| Investments in other companies | 442 | 442 |
| **Total investments** | **37,445** | **38,629** |

*Impairment test*

Upon drafting this half-year report, Top Management verified the up-to-dateness of the forecasts included in the three/five-year budget plans used to estimate the fair value and the value in use as at 31 December 2013 in order to determine the possible reversal of impairment on investments, each of which correspond to a separate Cash Generating Unit. The analysis did not highlight any significant impairment.

Amounts in euro thousands

| **Investments valued at equity – Details**<br>(euro/000) | **30/06/2014** | **31/12/2013** |
|---|---|---|
| Investments in joint ventures: | | |
| - Gruner + Jahr/Mondadori S.p.A. | 1,010 | 1,116 |
| - Harlequin Mondadori S.p.A. | 575 | 799 |
| - Edizioni EL S.r.l. | 2,839 | 3,065 |
| - Attica Publications Group | 19,175 | 19,040 |
| - ACI-Mondadori S.p.A. | 100 | 60 |
| - Mediamond S.p.A. | 1,351 | 2,004 |
| - Mondadori Independent Media LLC | 900 | 870 |
| - Mondadori Seec Advertising Co. Ltd | 1,157 | 713 |
| **Total investments in joint ventures** | **27,107** | **27,667** |
| Investments in affiliated companies: | | |
| - Mach 2 Libri S.p.A. | 2,869 | 3,228 |
| - Mach 2 Press S.r.l. | 385 | 84 |
| - Società Europea di Edizioni S.p.A. | 6,555 | 7,124 |
| - Venezia Accademia Società per i servizi museali S.c.ar.l. | 52 | 59 |
| - Campania Arte S.c.ar.l. | 22 | 22 |
| - Consorzio Covar (in liquidation) | 2 | 2 |
| - Consortium Forma | 1 | 1 |
| - Consorzio Scuola Digitale | 10 | - |
| **Total investments in affiliated companies:** | **9,896** | **10,520** |
| **Total investments booked at equity** | **37,003** | **38,187** |

## List of companies valued at fair value

| **Investments in other companies - Details**<br>(euro/000) | **30/06/2014** | **31/12/2013** |
|---|---|---|
| Investments in other companies: | | |
| - Milano Distribuzione Media S.r.l. | 164 | 164 |
| - Società Editrice Il Mulino S.p.A. | 101 | 101 |
| - Consuledit S.r.l. | 1 | 1 |
| - Consorzio Sistemi Informativi Editoriali Distributivi | 10 | 10 |
| - Immobiliare Editori Giornali S.r.l. | 52 | 52 |
| - Audiradio | 23 | 23 |
| - Consorzio Forte Montagnolo | 1 | 1 |
| - Consorzio riqualificazione Monte Gennaro | 1 | 1 |
| - Consorzio Camaldoli 1 | 2 | 2 |
| - Consorzio Antenna Colbuccaro | 8 | 8 |
| - Aranova Freedom S.c.ar.l. | 30 | 30 |
| - Club Dab Italia | 30 | 30 |
| - Consorzio Edicola Italiana | 10 | 10 |
| - CTAV | 6 | 6 |
| - Sem Issy Media | 3 | 3 |
| **Total investments in other companies** | **442** | **442** |

Amounts in euro thousands

## 13. Pre-paid tax assets and deferred tax liabilities

In the first half of 2014 "Pre-paid tax assets" decreased as a result of the use of some risk provisions or adjustments on assets items which were not deducted upon recognition; "Deferred tax liabilities" increased due to a fiscally deductible amortisation amount.

| (euro/000) | 30/06/2014 | 31/12/2013 |
|---|---|---|
| Pre-paid IRES | 46,710 | 55,293 |
| Pre-paid IRAP | 2,804 | 3,151 |
| **Pre-paid tax assets** | **49,514** | **58,444** |
| Deferred IRES | 74,207 | 73,540 |
| Deferred IRAP | 3,397 | 3,410 |
| **Deferred tax liabilities** | **77,604** | **76,950** |

## 14. Other non-current assets

The significant increase in "Other non-current assets" (euro 34,855 thousand against euro 22,250 thousand at 31 December 2013) is attributable to the recognition of receivables due to Fininvest S.p.A. as a result of tax losses transferred by Group companies to the Parent Company following the implementation of the tax consolidation regime pursuant to Italian Legislative Decree 344/2003 and not yet used by the latter.

## 15. Tax receivables

The "Tax receivables" item does not significantly differ from the values at 31 December 2013 (euro 67,015 thousand against euro 68,478 thousand); despite a VAT cashed-in amount totalling approximately euro 6.1 million, which reduced the relevant receivable due to the Inland Revenue Office, the receivable due to the French tax authorities for tax advances paid by Mondadori France increased, leading to the recognition of the VAT receivable due to Fininvest S.p.A., which as of January 2014 has also been consolidating the Italian Group companies for the same purpose.

## 16. Other current assets

Due to the seasonal nature of specific business segments, in particular Books and specifically school textbooks, there is still a credit position towards agents and authors at the end of the first semester, as a result of the advances paid for provisions and rights and not yet covered by sales.

## 17. Inventory

"Inventory", down from euro 124,009 thousand at 31 December 2013 to euro 118,294 thousand at 30 June 2014, included over 80% of finished products and goods for sale.

Amounts in euro thousands

The change is attributable to:

- the increased value of raw materials consequent to the decision of directly sourcing from the market. Up until the previous year, paper, for almost the majority of the Group companies, was purchased from the printing company and billed together with printing and packaging;
- the seasonal nature of some activities carried out by the Group, which led to lower values in June, but also to greater attention posed on the definition of circulation figures and the reduction of product stocks to make available in retail stores.

Inventory is evaluated by measuring obsolescence and, therefore, product marketability; no significant change was registered in the relevant fund provision.

No inventory is subject to restriction to cover liabilities.

## *18. Trade receivables*

The main phenomena responsible for the significant reduction in "Trade Receivables" against the value registered at 31 December 2013 refer to the revenue trend and the transaction carried out for the transfer of the business relative to the sale of advertising space to Mediamond S.p.A.

As a result of the aforementioned transaction, since Mediamond S.p.A. is consolidated at equity, the revenues from the sale of advertising spaces due from customers to Mondadori Pubblicità S.p.A. are no longer consolidated on a line-by-line basis; in fact, they are recognised as receivables that the Mondadori Group accrued vis-à-vis Mediamond S.p.A. for the sale of advertising space in its magazines and on R101 radio station.

| **Trade receivables** (euro/000) | **30/06/2014** | **31/12/2013** |
|---|---|---|
| Receivables from customers | 207,647 | 277,662 |
| Receivables from associated companies | 74,932 | 33,398 |
| Receivables from parent companies | 74 | 31 |
| Receivables from affiliated companies | 281 | 1,275 |
| **Total trade receivables** | **282,934** | **312,366** |

"Trade receivables" net of an impairment provision are equal to euro 43,125 thousand, defined by Group companies after completion of the receivable due date valuation process.

Trade transactions with associated companies, parent companies and affiliated companies are carried out at arm's length; details regarding the companies and the amounts are provided in Note 37.

Amounts in euro thousands

There are no trade receivables due over five years.

## *19. Financial position*

Financial assets include bank deposits for euro 18,270 thousand, other receivables due from associated and/or third party companies and financial accruals and deferrals.

At 30 June 2014 the actual interest rate on the existing loans was equal to 4.333%.

| **Indebtedness** (euro/000) | **31/12/2013** | **Increases** | **Decreases** | **30/06/2014** |
|---|---|---|---|---|
| Pool loan | 211,439 | - | (24,503) | 186,936 |
| 2016 Bilateral loan | 148,373 | - | (55,240) | 93,133 |
| Mediobanca loan | 70,000 | - | (5,000) | 65,000 |
| **Total** | **429,812** | **0** | **(84,263)** | **345,069** |

According to the Consob scheme, which excludes "Non-current financial assets", the Group's net financial position is equal to euro -369,245 thousand.

| **Net financial position** (euro/000) | | **30/06/2014** | **31/12/2013** |
|---|---|---|---|
| A | Cash | 811 | 2,810 |
| | - Bank deposits | 13,778 | 61,731 |
| | - Postal deposits | 3,681 | 1,142 |
| B | Other cash and cash equivalents | 17,459 | 62,873 |
| **C** | **Cash and cash equivalents and other financial assets (A+B)** | **18,270** | **65,683** |
| D | Securities held for trading | | |
| | - Financial receivables due from associated companies | 8,793 | 4,933 |
| | - Financial assets receivables at fair value | - | - |
| | - Held-for-sale financial assets | - | - |
| | - Derivatives and other financial assets | 8,497 | 8,925 |
| E | Receivables and other current financial assets | 17,290 | 13,858 |
| **F** | **Current financial assets (D+E)** | **17,290** | **13,858** |
| G | Current payables due to banks | 46,792 | 6,740 |
| | - Bonds | - | - |
| | - Loans | - | - |
| | - Borrowings | 10,479 | 35,809 |
| H | Current portion of non-current debt | 10,479 | 35,809 |
| | - Financial payables due to associated companies | 3,898 | 2,811 |
| | - Derivatives and other financial liabilities | 2,279 | 1,263 |
| I. | Other current financial liabilities | 6,177 | 4,074 |
| **L** | **Payables due to banks and other current financial liabilities (G+H+I)** | **63,448** | **46,623** |
| **M** | **Current net financial position (C+F-L)** | **(27,888)** | **32,918** |
| | - Bonds | - | - |
| | - Loans | - | - |
| | - Borrowings | 334,883 | 394,601 |
| N | Debt non-current portion | 334,883 | 394,601 |
| O | Other non-current financial liabilities | 6,474 | 4,235 |
| **P** | **Non-current net debt (N+O)** | **341,357** | **398,836** |
| **Q** | **Net debt (M-P)** | **(369,245)** | **(365,918)** |

## *20. Shareholders' equity*

In the first half of 2014 a private placement exclusively reserved for "qualified investors" in Italy and foreign institutional investors was issued on a total of 29,953,500 ordinary shares equal to 12.15% of the Company's share capital.

In particular, the offering included the issue of 15,000,000 new ordinary shares, deriving from a capital increase transaction, with option rights excluded pursuant to Article 2441, par. 4, of the Italian Civil Code and the transfer of 14,953,500 ordinary shares held by Arnoldo Mondadori Editore S.p.A. as treasury shares.

Following the positive completion of the transaction:

- the "Share capital" made up of 261,458,340 ordinary shares with a nominal value of euro 0.26 each, is increased by euro 3,900,000.00, from euro 64,079,168.40 to euro 67,979,168.40. Fininvest S.p.A. is the entity controlling the Mondadori Group, with a shareholding equal to 50.02% ;
- the "Share premium reserve", zeroed as a result of the resolution made by the Shareholders' Meeting of 30 April 2014 to cover the loss for the 2013 period, is increased by euro 12,000,000.00;
- "Treasury shares" are zeroed, as there are no additional treasury shares in the portfolio;
- "Other reserves" increased by euro 15,273 thousand as a result of treasury shares placement.

Third shareholders' reserves refer to Editions Mondadori Axel Springer S.n.c., NaturaBuy S.a.s. and Mondadori UK Ltd.

Other changes, involving limited amounts, mainly referred to "Reserve for cash flow hedge" and "Reserve for post-employment discounting".

A detailed analysis is provided under "Table of changes in the consolidated Shareholders' equity".

## *21. Provisions*

"Provisions" decreased by over euro 22 million against 31 December 2013 as a result of utilizations consequent to restructuring charges and valuations of probable liabilities, whose amounts and date of occurrence are not yet known.

## *22. Post-employment benefits*

This item includes post-employment benefits, the indemnities due to agents and other indemnities.

Amounts in euro thousands

| **Post-employment benefits**<br>(euro/000) | **30/06/2014** | **31/12/2013** |
|---|---|---|
| Provision for post-employment benefits (TFR) | 38,651 | 42,572 |
| Provision for supplementary agents' indemnity (FISC) | 6,643 | 7,519 |
| Provision for retirement and similar obligations | 322 | 318 |
| **Total post-employment benefits** | **45,616** | **50,409** |

Post-employment benefits and supplementary agents' indemnity amounts decreased significantly against 31 December 2013 due to:

- the implementation of the early retirement plan involving employees operating in the graphical-publishing segment and other efficiency measures;
- the transfer of the business regarding the sale of advertising space to Mediamond S.p.A., which involved the transfer of 45 employees and the majority of the agents. Other deconsolidated liabilities amount to approximately euro 600 thousand and euro 500 thousand, respectively; the revocation of the mandate of some agents, within the framework of the same transaction, led to the utilization of the fund provision for an additional euro 430 thousand;
- regular employee turnover, in consideration of the destination of the accrued post-employment amounts allocated to supplementary pension schemes and agents.

Liabilities on post-employment benefits and supplementary agents' indemnities are valued pursuant to IAS 19 and IAS 37 with actuarial methods that take into account demographic, economic and financial parameters.

| **Assumptions for actuarial calculations** | **Post-employment benefits** | **Supplementary agent indemnity** |
|---|---|---|
| Economic assumptions: | | |
| - increase in cost of living | 1.5% | |
| - discounting rate (*) | 2.29% | 2.29% |
| - salary increase | 3.0%-4.0% | |
| Demographic assumptions: | | |
| - probability of death | IPS 55 tables | 1% |
| - probability of disability | INPS 2000 tables | 1% |
| - probability of leaving for other reasons | from 5.19% to 18.98% | from 1% to 2% |
| - retirement age | Applicable regulations | Applicable regulations |

(*) In both calculations the discounting rate was determined based on the observation of the iBoxx benchmark index, the euro area, AA rating and with a 10+ duration.

With reference to post-employment benefits, pursuant to the provisions set out in IAS 19:

- for companies with more than 50 employees, the amount of services accrued until 31 December 2006 must be projected in the future in order to calculate the estimated benefit that will be paid to each employee upon termination of the labour contract. The calculation takes into account both the post-employment benefit for the services rendered to the company and the re-valuations envisaged until retirement; these performances are then discounted. The post-employment amounts accrued from 1 January 2007 allocated to supplementary retirement schemes are not subject to valuation;

- for companies with less than 50 employees the valuation is carried out through the use of an actuarial method called the Projected Unit Credit Method.

By increasing or decreasing the discounting rate by 0.5%, the effect on the "Post-employment benefits provision" item would be equal to approximately euro 850 thousand.

## *23. Income tax payables*

"Income tax payables", equal to euro 5,182 thousand (euro 293 thousand at 31 December 2013) includes the income tax balance for the Group companies which do not adhere to the consolidation tax regime with Fininvest S.p.A..

## *24. Other current liabilities*

The item decreased from euro 220,093 thousand at 31 December 2013 to euro 210,364 thousand at 30 June 2014 as a result of the transfer of business regarding the sale of advertising space to Mediamond S.p.A. as of 1 January 2014 and reduced liabilities associated with personnel for holidays, contributions and withholdings, which were lower in June as compared to year end.

## *25. Trade payables*

"Trade payables" were down from euro 321,307 thousand at 31 December 2013 to euro 305,647 thousand at 30 June 2014, mainly as a result of the already mentioned transfer transaction and a reduction in operations, which resulted in lower variable costs and consequently reduced trade payables.

Trade transactions with associated companies, parent companies and affiliated companies are carried out at arm's length; details regarding the companies and the amounts are provided in Note 37.

There are no trade payables due over five years.

## *26. Revenues from sales and services*

Revenues in the first half of 2014 were down 10.3% on a like-for-like basis. Considering the transfer of the business regarding the sale of advertising space to Mediamond S.p.A. with effective date as of 1 January 2014, the reduction would be equal to 7%.

Compared to the first half of 2013, revenues from advertising services do not include revenues generated by the company for third publishers and the relevant provisions accrued from the Group publishers; the publisher share is recognised.

Amounts in euro thousands

Details regarding revenues, including transfer of goods and service performance, confirm the negative trend; conversely, revenues from the organization of exhibitions grew as a result of an increased number of visitors.

| **Revenues from sales and services** (euro/000) | **First half of 2014** | **First half of 2013** | **Var. %** |
|---|---|---|---|
| Revenues from the sale of products: | | | |
| - books | 93,113 | 99,132 | (6.1%) |
| - magazines | 230,449 | 250,438 | (8.0%) |
| - direct | 8,926 | 10,774 | (17.2%) |
| - retail | 79,738 | 84,768 | (5.9%) |
| - other products | 6,132 | 6,129 | - |
| Revenues from the sale of services | | | |
| - transfer of publication rights | 1,943 | 2,485 | (21.8%) |
| - advertising services | 91,460 | 118,038 | (22.5%) |
| - direct marketing | 5,983 | 8,658 | (30.9%) |
| - ticket sale and organisation of exhibitions | 7,260 | 7,000 | 3.7% |
| - other services | 24,190 | 24,870 | (2.7%) |
| **Total revenues from sales and services** | **549,194** | **612,292** | **(10.3%)** |

Additional information on the revenue trend is provided in the "Half year report" with details broken down by the business segments in which the Group operates.

## *27. Cost of raw, ancillary, consumption materials and goods*

Paper procurement costs increased as a result of the decision made by the Company to directly purchase paper from the market; up until last year, with the exception of Mondadori France and Mondadori Education S.p.A., paper was purchased by the printing company and billed together with printing and packaging.

In the first half of 2014, "Goods for re-sale" included the purchases of De Agostini books with distribution started as of 1 January 2014; this effect was mitigated by lower purchases in retail.

| **Cost of Cost of raw, ancillary, consumption materials and goods** (euro/000) | **First half of 2014** | **First half of 2013** |
|---|---|---|
| Paper | 32,442 | 23,183 |
| Other production materials | - | 18 |
| **Total cost of raw and ancillary materials** | **32,442** | **23,01** |
| Goods for re-sale | 54,988 | 52,299 |
| Consumption and maintenance materials | 793 | 982 |
| Other | 4,442 | 3,455 |
| **Total cost of consumption materials and goods** | **60,223** | **56,736** |
| **Total cost of raw, ancillary, consumption materials and goods** | **92,665** | **79,937** |

Amounts in euro thousands

## 28. Cost of services

The "Cost of services" dynamic also reflected the effect of the transfer of the business regarding the sale of advertising space of Mondadori Pubblicità S.p.A. to Mediamond S.p.A.: the effect is manifest in item "Publisher's share".

The significant reduction against the first half of 2013 is attributable to the decision made by the Company to directly purchase raw materials and to reduced operations: the main variable costs ("Rights and royalties", "Commissions", "Third party graphical processing and "Transport and shipping") reflect the trend.

| **Cost of services**<br>(euro/000) | **First half of 2014** | **First half of 2013** |
|---|---|---|
| Rights and royalties | 42,690 | 51,407 |
| Consultancy services and third party collaborations | 33,101 | 37,304 |
| Commissions | 21,264 | 25,572 |
| Third party graphical processing | 90,155 | 113,314 |
| Transport and shipping | 29,794 | 31,535 |
| Purchase of advertising space and promotion expenses | 27,680 | 29,639 |
| Travel and other expense reimbursements | 3,131 | 4,716 |
| Maintenance expenses | 2,622 | 3,510 |
| Warehouse and porterage expenses | 6,323 | 6,944 |
| Telephone and postal expenses | 3,791 | 4,733 |
| Catering and cleaning services | 3,977 | 4,232 |
| Market research | 3,240 | 3,490 |
| Insurance | 1,592 | 1,755 |
| Subscriptions management | 16,255 | 15,932 |
| Publisher's share | 1,876 | 13,194 |
| Bank services and commissions | 1,209 | 1,394 |
| Directors' and statutory auditors' fees | 2,240 | 1,732 |
| Other services | 25,732 | 21,353 |
| **Total cost of services** | **316,672** | **371,756** |

Item "Directors' and statutory auditors' fees" comprises fees paid to Directors and Statutory Auditors for euro 1,963 thousand and euro 277 thousand, respectively.

## 29. Cost of personnel

"Cost of personnel" at the end of the first half of 2014 totalled euro 117,424 thousand against euro 147,998 thousand as at 30 June 2013, including significant restructuring costs. Net of these effects the reduction in the cost of personnel would be equal to 10.9%.

The actual data and the average headcount decreased against the first half of 2013 due to the implementation of the early retirement schemes for employees operating in the graphical-publishing sectors, efficiency measures involving different Group structures, including the French companies, and business transfer transactions to third parties.

Amounts in euro thousands

| **Employees** | **As at 30/06/2014** | **As at 30/06/2013** | **Average First half of 2014** | **Average First half of 2013** |
|---|---|---|---|---|
| Executives | 112 | 139 | 115 | 144 |
| White collars, middle managers and journalists | 2,980 | 3,294 | 3,010 | 3,340 |
| Blue collars | 121 | 141 | 126 | 139 |
| **Total** | **3,213** | **3,574** | **3,251** | **3,623** |

## *30. Other (income) cost*

"Other expenses (income)" include revenues and proceeds not deriving from the Group's core activities, as well as charges and general expenses, other taxes, provisions and utilizations.

This item registered significant changes: net charges were down from euro 17,705 thousand in the first half of 2013 to euro 1,537 thousand in the first half of 2014.

Specifically, the following items contributed:

- higher capital gains, for over euro 1.5 million, deriving from the transfer of the *Ciak* and *PC Professionale* magazines and the transfer of the business regarding Mondadori Pubblicità S.p.A.;
- significant savings on leases, for approximately euro 4 million;
- proceeds consequent to the utilization of the fund provisions against the updating of the estimates made in consideration of the events that occurred in the semester.

## *31. Result from investments valued at equity*

Companies valued at equity generated lower results than in the same period of the previous year.

Amounts in euro thousands

| **Revenues (costs) from investments valued at equity** (euro/000) | **First half of 2014** | **First half of 2013** |
|---|---|---|
| - Gruner + Jahr/Mondadori S.p.A. | (106) | (94) |
| - Harlequin Mondadori S.p.A. | 238 | 290 |
| - Milano Distribuzione Media S.r.l. | - | (83) |
| - ACI-Mondadori S.p.A. | (582) | (104) |
| - Attica Publications Group | 127 | 399 |
| - Società Europea di Edizioni S.p.A. | (1,012) | (798) |
| - Mach 2 Libri S.p.A. | (359) | (270) |
| - Mach 2 Press S.r.l. | (99) | (134) |
| - Edizioni EL S.r.l. | 146 | 227 |
| - Mondadori Independent Media LLC | 48 | (20) |
| - Mediamond S.p.A. | (631) | 102 |
| - Venezia Accademia società per i servizi museali S.c. a r.l. | (7) | (5) |
| - Mondadori Seec Advertising Co. Ltd | 455 | 894 |
| - EMAS Digital S.a.s. | (431) | (153) |
| - Roccella S.c.ar.l. | - | (21) |
| - Novamusa Val di Noto S.c.ar.l. | - | (18) |
| - Novamusa Valdemone S.c.ar.l. | - | (21) |
| - Novamusa Val di Mazara S.c.ar.l. | - | (17) |
| **Total income (cost) from investments valued at equity** | **(2,213)** | **174** |

## *32. Financial revenues (costs)*

This income statement item decreased against the same period of 2013 as a result of the increased cost of money resulting from the re-negotiation of the credit lines and lower proceeds on financial income.

| **Financial revenues (costs)** (euro/000) | **First half of 2014** | **First half of 2013** |
|---|---|---|
| Interest and other financial income | 783 | 1,642 |
| Interest expense and other financial costs | (13,316) | (12,548) |
| Income (loss) on currency transactions | 224 | (149) |
| Income (cost) from financial assets | - | 501 |
| **Total financial income (costs)** | **(12,309)** | **(10,554)** |

## *33. Income tax*

Overall, income tax for the first half of 2014 is higher than the value registered in the same period of the previous year as a result of the improved economic performance reached by the Group in the various business segments in which it operates.

Amounts in euro thousands

| **Income tax**<br>(euro/000) | **First half of 2014** | **First half of 2013** |
|---|---|---|
| IRES tax on income for the period | (8,634) | (9,602) |
| IRAP for the period | 1,767 | 3,080 |
| **Total current taxes** | **(6,867)** | **(6,522)** |
| Deferred / (pre-paid) taxes for IRES | 8,682 | 3,918 |
| Deferred / (pre-paid) taxes for IRAP | 347 | 367 |
| **Total deferred / (pre-paid) taxes** | **9,029** | **4,285** |
| Other tax items | (1,029) | 157 |
| **Total income taxes** | **1,133** | **(2,080)** |

IRES on income for the period is mainly attributable to the effects deriving from the negative taxable amounts of the Group companies adhering to the consolidated tax regime applied to the parent company Fininvest S.p.A.; this effect is juxtaposed by the tax burden resulting from the cancellation of some temporary differences between tax values and book values.

## *34. Earnings per share*

Basic earnings per share are calculated by dividing net profit for the year attributable to the Group by the weighted average number of outstanding ordinary shares in the period of reference.

| | **First half of 2014** | **First half of 2013** |
|---|---|---|
| Net income for the period (Euro/000) | (11,034) | (27,149) |
| Average number of outstanding ordinary shares (no./000) | 234,001 | 231,505 |
| **Basic earnings per share (Euro)** | **(0.05)** | **(0.12)** |

Diluted earnings per share are calculated by dividing net profit for the year attributable to the Group by the weighted average number of outstanding ordinary shares in the period of reference.

| | **First half of 2014** | **First half of 2013** |
|---|---|---|
| Net income for the period (Euro/000) | (11,034) | (27,149) |
| Average number of outstanding ordinary shares (no./000) | 234,001 | 231,505 |
| Number of options with diluted effect (euro/000) | 0 | 0 |
| **Diluted earnings per share (Euro)** | **(0.05)** | **(0.12)** |

## *35. Commitments and contingent liabilities*

As at 30 June 2014 the Mondadori Group had made commitments amounting to euro 124,019 thousand and these were almost entirely represented by sureties issued for VAT reimbursement claims and competitions and prizes.

With reference to pending tax litigations, no new events have occurred in the period after the disclosures made in the Annual Report at 31 December 2013.

## *36. Non-recurring (income) cost*

In accordance with Consob Resolution No. 15519 of 27 July 2006, the Mondadori Group reported non-recurring revenues (costs) in the period of reference, relating to restructuring charges and proceeds for deferred IRAP adjustments following the changes in the rate introduced by Italian Legislative Decree 66/14 of 24 April 2014, converted into Law 89/14 of 23 June 2014.
The net effect on income statement in the first half of 2014 is equal to euro 2.1 million in charges.

## *37. Related parties*

Transactions carried out with related parties, including intercompany transactions, do not qualify as either atypical or unusual, since they refer to standard business activities performed by Group companies. When performed out of the scope of standard conditions or when they are imposed by specific regulatory conditions, transactions with related parties are in any case carried out under market conditions.

*Transactions with parent companies, affiliated and associated companies*

Here below are the details regarding the economic and financial effects of transactions with parent, associated and affiliated companies, comparing the figures of 2014 with both the first half of 2013 and the full year 2013.

Amounts in euro thousands

## *Transactions with related parties: figures at 30 June 2014*

| (euro/000) | Trade receivables | Financial receivables | Tax receivables | Other current assets | Trade payables | Financial payables | Tax payables | Other current payables | Revenues | Purchase of raw materials | Purchase of services | Other costs (rev.) | Financial revenues (costs) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Parent companies:** | | | | | | | | | | | | | |
| - Fininvest S.p.A. | 74 | - | 44,539 | - | 92 | - | - | - | - | - | 27 | (35) | - |
| **Associated companies:** | | | | | | | | | | | | | |
| - Gruner + Jahr/Mondadori S.p.A. | 4,266 | - | - | - | 2,115 | 5 | - | 180 | 957 | 20 | 275 | (62) | (1) |
| - Mach 2 Libri S.p.A. | 18,525 | - | - | - | 16 | 13 | - | - | 8,519 | - | 27 | - | - |
| - Venezia Musei Società per i servizi museali S.c. a r.l. | 260 | - | - | - | - | - | - | - | - | - | - | - | - |
| - Harlequin Mondadori S.p.A. | 2,393 | - | - | - | - | 2,620 | - | 47 | 162 | 1,731 | - | (37) | (6) |
| - Attica Publications Group | 143 | 500 | - | - | 8 | - | - | - | 12 | - | 8 | - | 13 |
| - Edizioni EL S.r.l. | 645 | - | - | 12 | 3,773 | - | - | 3 | 422 | 2,700 | 3 | (278) | - |
| - Società Europea di Edizioni S.p.A. | 561 | - | - | - | 2,554 | 443 | - | 123 | 1,415 | 105 | - | (9) | - |
| - ACI-Mondadori S.p.A. | 291 | 1,143 | - | - | 56 | 625 | - | - | 149 | - | 3 | (45) | 26 |
| - Consorzio Covar (in liquidation) | - | - | - | 4 | - | - | - | - | - | - | - | - | - |
| - EMAS Digital S.A.S. | - | 2,642 | - | - | - | - | - | - | - | - | - | - | 15 |
| - Campania Arte S.c. a r.l. | 24 | 134 | - | - | 13 | - | - | - | - | - | - | - | - |
| - Mondadori Independent Media LLC | 60 | - | - | - | - | - | - | - | 56 | - | - | - | - |
| - Venezia Accademia Soc. per i serv. museali S.c.a r.l. | 6 | 25 | - | - | 26 | - | - | - | - | - | 23 | (5) | - |
| - Mediamond S.p.A. | 46,672 | 1,654 | - | 62 | 4,736 | 192 | - | - | 48,975 | 99 | 2,734 | (349) | 130 |
| - Mondadori Seec Advertising Co. Ltd | 1,086 | 2,695 | - | - | 278 | - | - | - | 167 | - | 33 | - | - |
| - Mach 2 Press S.r.l. | - | - | - | - | 240 | - | - | - | - | - | 583 | - | - |
| **Total associated companies** | **74,932** | **8,793** | **0** | **78** | **13,815** | **3,898** | **0** | **353** | **60,834** | **4,655** | **3,689** | **(785)** | **177** |

Amounts in euro thousands

## *Transactions with related parties: figures at 30 June 2014*

| (euro/000) | Trade receivables | Financial receivables | Tax receivables | Other current assets | Trade payables | Financial payables | Tax payables | Other current payables | Revenues | Purchase of raw materials | Purchase of services | Other costs (rev.) | Financial revenues (costs) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Affiliated companies:** | | | | | | | | | | | | | |
| - RTI - Reti Televisive Italiane S.p.A. | 214 | - | - | - | 1,128 | - | - | - | 315 | 24 | 81 | 3 | - |
| - Publitalia ’80 S.p.A. | - | - | - | - | 2,710 | - | - | - | - | 142 | 4,315 | - | - |
| - Digitalia ’08 S.r.l. (former Promoservice Italia S.r.l.) | - | - | - | - | 21 | - | - | - | - | - | 39 | 1 | - |
| - Banca Mediolanum S.p.A. | 4 | - | - | - | - | - | - | - | 57 | - | - | - | - |
| - Medusa Film S.p.A. | - | - | - | - | 153 | - | - | - | - | - | - | - | - |
| - The Space Cinema 1 S.p.A. | - | - | - | - | 7 | - | - | - | - | - | 6 | - | - |
| - Isim S.p.A. | - | - | - | - | 2 | - | - | - | - | - | - | - | - |
| - Mediaset S.p.A. | - | - | - | - | - | - | - | - | 3 | - | - | - | - |
| - Media Shopping S.p.A. | 12 | - | - | - | 8 | - | - | - | 9 | - | - | 3 | - |
| - Publieurope Ltd | - | - | - | - | - | - | - | - | - | - | - | - | - |
| - Mediolanum Comunicazione S.p.A. | 28 | - | - | - | - | - | - | - | 70 | - | - | - | - |
| - Fininvest Gestione Servizi S.p.A. | - | - | - | - | - | - | - | - | - | - | - | 10 | - |
| - A.C. Milan S.p.A. | 22 | - | - | - | - | - | - | - | - | - | - | - | - |
| - Milan Entertainment S.r.l. | 1 | - | - | - | - | - | - | - | - | - | - | - | - |
| - Mediobanca S.p.A. | - | - | - | - | - | 65,709 | - | - | - | - | - | - | (1,906) |
| **Total affiliated companies** | **281** | **148** | **0** | **0** | **4,029** | **65,709** | **0** | **0** | **454** | **166** | **4,441** | **17** | **(1,906)** |
| | | | | | | | | | | | | | |
| **Total related parties** | **75,287** | **8,793** | **44,539** | **78** | **17,936** | **69,607** | **0** | **353** | **61,288** | **4,821** | **8,157** | **(803)** | **(1,729)** |
| **% of incidence** | **26.6%** | **49.9%** | **43.7%** | **0.1%** | **5.9%** | **17.2%** | **n.s.** | **0.2%** | **11.2%** | **5.2%** | **2.6%** | **n.s.** | **14.0%** |

## *Transactions with related parties: financial data at 31 December 2013 and economic data at 30 June 2013*

| (euro/000) | Trade receivables | Financial receivables | Tax receivables | Other current assets | Trade payables | Financial payables | Tax payables | Other current payables | Revenues | Purchase of raw materials | Purchase of services | Other costs (rev.) | Financial revenues (costs) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Parent companies:** | | | | | | | | | | | | | |
| - Fininvest S.p.A. | 31 | - | 32,763 | - | 49 | - | - | - | - | - | 5 | 4 | - |
| **Associated companies:** | | | | | | | | | | | | | |
| - Gruner + Jahr/Mondadori S.p.A. | 4,361 | - | - | - | 3,918 | 6 | - | 180 | 1,056 | - | 1,613 | (71) | - |
| - Mach 2 Libri S.p.A. | 19,781 | - | - | - | 124 | - | - | - | 13,529 | - | 31 | - | - |
| - MDM Milano Distribuz. Media S.r.l. (until 27/05/2013) | - | - | - | - | - | - | - | - | - | - | 36 | - | - |
| - Venezia Musei Società per i servizi museali S.c. a r.l. | 260 | - | - | - | - | - | - | - | - | - | - | - | - |
| - Harlequin Mondadori S.p.A. | 173 | - | - | 150 | 114 | 2,563 | - | - | 169 | 2,406 | - | (50) | - |
| - Attica Publications Group | 126 | 500 | - | - | 17 | - | - | - | 28 | - | 20 | - | 13 |
| - Edizioni EL S.r.l. | 750 | - | - | 12 | 4,452 | - | - | 3 | 438 | 2,879 | 6 | (300) | - |
| - Società Europea di Edizioni S.p.A. | 584 | - | - | - | 1,962 | - | - | 123 | 1,402 | 46 | - | (9) | - |
| - ACI-Mondadori S.p.A. | 198 | 1,096 | - | - | 505 | - | - | - | 466 | 4 | 564 | (51) | (1) |
| - Consorzio Covar (in liquidation) | - | - | - | 4 | - | - | - | - | - | - | - | - | - |
| - EMAS Digital S.A.S. | - | 2,627 | - | - | - | - | - | - | - | - | - | - | 26 |
| - Roccella S.c.a r.l. (in liquidation) | - | - | - | - | - | - | - | - | - | - | - | - | - |
| - Campania Arte S.c. a r.l. | 32 | 134 | - | - | 25 | - | - | - | - | - | - | - | - |
| - Mondadori Independent Media LLC | 83 | - | - | - | - | - | - | - | 70 | - | - | - | - |
| - Venezia Accademia Soc. per i serv. museali S.c.a r.l. | - | 25 | - | - | 71 | - | - | - | - | - | 22 | - | - |
| - Mediamond S.p.A. | 6,131 | - | - | 110 | 1,206 | 242 | - | 450 | 4,864 | - | 988 | (289) | 1 |
| - Mondadori Seec Advertising Co. Ltd | 919 | 2,695 | - | - | 218 | - | - | - | 3 | - | 73 | - | - |
| - Mach 2 Press S.r.l. | - | - | - | - | 299 | - | - | 1 | - | - | 477 | - | - |
| **Total associated companies** | **33,398** | **7,077** | **0** | **276** | **12,911** | **2,811** | **0** | **757** | **22,025** | **5,335** | **3,830** | **(770)** | **39** |

Amounts in euro thousands

## *Transactions with related parties: financial data at 31 December 2013 and economic data at 30 June 2013*

| (euro/000) | Trade receivables | Financial receivables | Tax receivables | Other current assets | Trade payables | Financial payables | Tax payables | Other current payables | Revenues | Purchase of raw materials | Purchase of services | Other costs (rev.) | Financial revenues (costs) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Affiliated companies:** | | | | | | | | | | | | | |
| - RTI - Reti Televisive Italiane S.p.A. | 442 | - | - | - | 2,351 | - | - | - | 250 | 467 | 116 | (5) | - |
| - Publitalia ’80 S.p.A. | - | - | - | - | 4,364 | - | - | - | - | - | 5,042 | - | - |
| - Digitalia ’08 S.r.l. (former Promoservice Italia S.r.l.) | 224 | - | - | - | 4 | - | - | - | - | - | 30 | - | - |
| - Banca Mediolanum S.p.A. | 54 | - | - | - | - | - | - | - | 97 | - | - | - | - |
| - Medusa Film S.p.A. | - | - | - | - | 153 | - | - | - | - | 16 | 22 | - | - |
| - Radio e Reti S.r.l. | 9 | - | - | - | - | - | - | - | - | - | - | - | - |
| - Isim S.p.A. | - | - | - | - | 2 | - | - | - | - | - | - | - | - |
| - Mediaset S.p.A. | 14 | - | - | - | - | - | - | - | - | - | - | - | - |
| - Media Shopping S.p.A. | - | - | - | - | 9 | - | - | - | 18 | - | 12 | - | - |
| - Publieurope Ltd | 504 | - | - | - | 267 | - | - | - | 847 | - | 168 | (1) | - |
| - Towertel S.p.A. | - | - | - | - | 2 | - | - | - | - | - | - | 145 | - |
| - Fininvest Gestione Servizi S.p.A. | 5 | - | - | - | - | - | - | - | - | - | - | - | - |
| - A.C. Milan S.p.A. | 22 | - | - | - | - | - | - | - | - | - | - | - | - |
| - Milan Entertainment S.r.l. | 1 | - | - | - | 22 | - | - | - | - | - | - | - | - |
| - Mediobanca S.p.A. | - | 148 | - | - | - | 70,069 | - | - | - | - | - | - | (1,311) |
| **Total affiliated companies** | **1,275** | **148** | **0** | **0** | **7,174** | **70,069** | **0** | **0** | **1,212** | **483** | **5,390** | **139** | **(1,311)** |
| | | | | | | | | | | | | | |
| **Total related parties** | **34,704** | **7,225** | **32,736** | **276** | **20,134** | **72,880** | **0** | **757** | **23,237** | **5,818** | **9,225** | **(627)** | **(1,272)** |
| **% of incidence** | **11.1%** | **43.6%** | **36.1%** | **0.3%** | **6.3%** | **16.4%** | **n.s.** | **0.3%** | **3.8%** | **7.3%** | **2.5%** | **n.s.** | **12.1%** |

## *38. Evaluations at fair value*

Some of the Group's financial assets and liabilities were valued at fair value at closing. The table below provides information about the calculation of the aforementioned fair value (values in euro thousand).

| **Financial assets/liabilities** | **Fair value at 30 June 2014 (euro thousand)** | **Fair value hierarchy** | **Valuation method and main inputs** |
|---|---|---|---|
| Interest rate swap contracts | (1,369) | Level 2 | *Discounted cash flow*. Projected flows are discounted based on the forward rate curve expected at year end and on the contractual fixing rates, also taking the counterparty default risk into account. |
| Currency derivatives | 3 | Level 2 | *Discounted cash flow.* Projected flows are discounted based on the forward currency rate curve expected at year end and strikes fixed with banks, also taking the counterparty default risk into account. |
| Investments in other companies | 442 | Level 3 | Based on the nature of the shareholdings in other enterprises, the cost may be considered representative of the fair value. |

## *39. Operating segments*

### *General information*

The information required by IFRS 8 reflects the Group organisational structure, which includes the following segments:

- Books;
- Magazines, with the further distinction between Magazines Italy, Advertising and Magazines France;
- Retail;
- Radio;
- Other business and corporate.

Periodic corporate reporting is based on this structure and used by management to define actions and strategies, to evaluate investment opportunities and the allocation of resources.
The structure is also related to the different types of products and/or services from which the Group generates revenues and margins:

- the Books segment generates revenues from the sale of books (both electronic and hardcopy), including non-fiction, fiction, educational, art and other books; revenues from the sale of publishing rights to third parties and revenues from the management of museums;
- the Magazines segment, divided between revenues generated in Italy and in France, generates revenues from the sale of magazines (newsstands, subscription and other minor sale channels), royalties from third party publishers for the publication under licence of proprietary magazines, revenues from so-called add-on sales and revenues from advertising; revenues from advertising sales; the residual activity carried out by Mondadori Pubblicità is represented separately following the transfer of the business to Mediamond S.p.A.;
- the Retail segment includes revenues generated by the proprietary and franchised stores and the revenues generated by mail order sales;
- the Radio segment generates revenues from the broadcast of commercials on the Group's radio station R101;
- lastly, the Other business and Corporate segment generate revenues from direct marketing activities, digital activities and service activities carried out by the Parent Company in favour of associated companies or companies that do not belong to the Group.

Economic and financial information concerning fiscal and financial management is attributed to the latter segment, in line with the reporting structure and also because any different allocation would not be justifiable.

For the Board of Directors
The Chairman
Marina Berlusconi

Amounts in euro thousands

## *Segment information: figures at 30 June 2014*

| (euro/000) | Books | Magazines Italy | Magazines France | Advertising services | Retail | Radio | Other business and Corporate | Adjustments for consolidation | Consolidated result |
|---|---|---|---|---|---|---|---|---|---|
| **Revenues from sales and services from external customers** | **111,383** | **156,375** | **169,940** | **5,831** | **91,546** | **5,832** | **8,287** | | **549,194** |
| **Revenues from sales and services from other sectors** | **17,142** | **3,941** | **6** | **-** | **1,027** | **59** | **6,576** | **(28,751)** | **0** |
| Revenues (costs) from investments valued at equity | 18 | (157) | (431) | (631) | - | - | (1,012) | - | (2,213) |
| **EBITDA** | **5,436** | **11,039** | **15,315** | **(1,927)** | **(5,514)** | **(2,705)** | **(6,784)** | **-** | **14,860** |
| **EBIT** | **4,299** | **10,873** | **9,677** | **(1,964)** | **(7,934)** | **(3,393)** | **(7,953)** | **-** | **3,605** |
| Financial revenues (costs) | - | - | - | - | - | - | (12,309) | - | (12,309) |
| **Result before taxes and minority shareholders** | **4,299** | **10,873** | **9,677** | **(1,964)** | **(7,934)** | **(3,393)** | **(20,263)** | **-** | **(8,705)** |
| Income tax | - | - | - | - | - | - | 1,133 | - | 1,133 |
| Minority profit | - | (7) | 1,203 | - | - | - | - | - | 1,196 |
| **Net result** | **4,299** | **10,880** | **8,474** | **(1,964)** | **(7,934)** | **(3,393)** | **(21,396)** | **-** | **(11,034)** |
| Amortisation, depreciation and impairment | 1,137 | 166 | 5,638 | 37 | 2,420 | 688 | 1,169 | - | 11,255 |
| Non-monetary costs | 3,531 | 1,633 | 1,942 | 526 | 2,154 | 34 | 1,097 | - | 10,917 |
| Non-recurring revenues (costs) | (462) | - | (756) | - | (412) | - | (454) | - | (2,084) |
| Purchases | 4,811 | 2,631 | 1,111 | - | 513 | 344 | 698 | - | 10,108 |
| Investments valued at equity | 6,370 | 22,727 | - | 1,351 | - | - | 6,555 | - | 37,003 |
| Total assets | 298,296 | 213,991 | 493,526 | 13,193 | 117,173 | 58,362 | 221,045 | (28,525) | 1,387,061 |
| Total liabilities | 145,696 | 190,723 | 179,185 | (19,509) | 83,008 | 7,081 | 543,526 | (18,792) | 1,110,918 |

| | Revenues from sales and services | Fixed assets |
|---|---|---|
| Italy | 369,693 | 244,145 |
| France | 159,950 | 412,780 |
| Other EU countries | 15,609 | 2,570 |
| USA | 421 | - |
| Other countries | 3,521 | - |
| **Consolidated result** | **549,194** | **659,495** |

Amounts in euro thousands

## *Segment data: economic figures at 30 June 2013 and financial figures at 31 December 2013*

| (euro/000) | Books | Magazines Italy | Magazines France | Advertising services | Retail | Radio | Other business and Corporate | Adjustments for consolidation | Consolidated result |
|---|---|---|---|---|---|---|---|---|---|
| **Revenues from sales and services from external customers** | **118,214** | **132,940** | **176,919** | **74,540** | **99,179** | **188** | **10,312** | **-** | **612,292** |
| **Revenues from sales and services from other sectors** | **15,777** | **45,010** | **14** | **2,265** | **2,517** | **6,602** | **8,510** | **(80,695)** | **0** |
| Revenues (costs) from investments valued at equity | 165 | 858 | (153) | 102 | - | - | (798) | - | 174 |
| **EBITDA** | **9,815** | **3,597** | **13,874** | **(3,510)** | **(6,076)** | **(1,652)** | **(21,334)** | **-** | **(5,286)** |
| **EBIT** | **9,185** | **3,305** | **7,899** | **(3,565)** | **(8,796)** | **(2,441)** | **(23,256)** | **-** | **(17,669)** |
| Financial revenues (costs) | - | - | - | - | - | - | (10,554) | - | (10,554) |
| **Result before taxes and minority shareholders** | **9,185** | **3,305** | **7,899** | **(3,565)** | **(8,796)** | **(2,441)** | **(33,810)** | **-** | **(28,223)** |
| Income tax | - | - | - | - | - | - | (2,080) | - | (2,080) |
| Minority profit | - | - | 1,006 | - | - | - | - | - | 1,006 |
| **Net result** | **9,185** | **3,305** | **6,893** | **(3,565)** | **(8,796)** | **(2,441)** | **(31,730)** | **-** | **(27,149)** |
| Amortisation, depreciation and impairment | 630 | 292 | 5,975 | 55 | 2,720 | 789 | 1,922 | - | 12,383 |
| Non-monetary costs | 2,920 | 1,880 | 1,789 | 1,339 | 1,749 | 28 | 8,638 | - | 18,343 |
| Non-recurring revenues (costs) | (539) | (3,937) | (480) | - | (622) | - | (7,018) | - | (12,596) |
| Purchases | 3,027 | 133 | 1,104 | 8 | 1,245 | 907 | 987 | - | 7,411 |
| Investments valued at equity | 7,176 | 21,883 | - | 2,004 | - | - | 7,124 | - | 38,187 |
| Total assets | 283,555 | 208,041 | 489,666 | 90,459 | 134,085 | 58,225 | 265,829 | (72,732) | 1,457,128 |
| Total liabilities | 136,284 | 210,960 | 150,239 | 80,166 | 103,063 | 4,853 | 575,112 | (62,238) | 1,198,439 |

| | Revenues from sales and services | Fixed assets |
|---|---|---|
| Italy | 422,903 | 244,099 |
| France | 166,819 | 417,306 |
| Other EU countries | 16,389 | - |
| USA | 337 | - |
| Other countries | 5,844 | - |
| **Consolidated result** | **612,292** | **661,405** |

## *Table of investments*

Table of investments

ARNOLDO MONDADORI EDITORE
S.p.A.

Here below is the table of investments (shareholding above 10%) owned by Arnoldo Mondadori Editore SpA directly or indirectly through subsidiaries pursuant to article 2359 of the Italian Civil Code.
At 30 June 2014

| Company name | | Share capital | % owned | Ownership mode | Holder | % owned | Legal offices | Tax code | Date of incorporation |
|---|---|---|---|---|---|---|---|---|---|
| ACI-Mondadori SpA in liquidazione (Italy) | EUR | 590,290 | 50% | direct | Arnoldo Mondadori Editore SpA | 50% | Milan - via Bianca di Savoia 12 | 13277400159 | 17/11/2000 |
| Aranova Freedom Soc. Cons. a r.l. (Italy) | EUR | 19,200 | 16.67% | indirect | Monradio Srl | 16.67% | Bologna, Via Guinizzelli 3 | 02532501208 | 24/01/2005 |
| Campania Arte S.c. a r.l. (Italy) | EUR | 100,000 | 22% | indirect | Mondadori Electa SpA | 22% | Rome - via Tunisi 4 | 09086401008 | 18/07/2006 |
| Cemit Interactive Media SpA (Italy) | EUR | 3,835,000 | 100% | direct | Arnoldo Mondadori Editore SpA | 100% | Turin - corso Giulio Cesare 268 | 04742700018 | 13/12/1984 |
| Club Dab Italia Società consortile per azioni (Italy) | EUR | 240,000 | 12.5% | indirect | Monradio Srl | 12.5% | Milan - Foro Bonaparte 71 | 97174850152 | 01/02/1996 |
| Editrice Portoria SpA in bankrupcy (Italy) | EUR | 364,000 | 16.786% | direct | Arnoldo Mondadori Editore SpA | 16.786% | Milan - via Chiossetto 1 | 02305160158 | 26/03/1975 |
| Edizioni EL Srl (Italy) | EUR | 620,000 | 50% | indirect | Giulio Einaudi Editore SpA | 50% | Triest - San Dorligo della Valle - via J. Ressel 5 | 00627340326 | 07/05/1984 |
| Edizioni Piemme SpA (Italy) | EUR | 566,661 | 100% | direct | Arnoldo Mondadori Editore SpA | 100% | Milan - via Bianca di Savoia 12 | 00798930053 | 29/09/1982 |
| Electa Srl (Italy) | EUR | 20,000 | 100% | indirect | Mondadori Electa SpA | 100% | Milan - via Bianca di Savoia 12 | 07136630964 | 08/09/2010 |
| Giulio Einaudi Editore SpA (Italy) | EUR | 23,920,000 | 100% | direct | Arnoldo Mondadori Editore SpA | 100% | Turin - via U. Biancamano 2 | 08367150151 | 03/06/1986 |
| Glaming Srl in liquidation (Italy) | EUR | 20,000 | 100% | direct | Arnoldo Mondadori Editore SpA | 100% | Milan - via Bianca di Savoia 12 | 07428570969 | 21/04/2011 |
| Gruner + Jahr/Mondadori SpA (Italy) | EUR | 2,600,000 | 50% | direct | Arnoldo Mondadori Editore SpA | 50% | Milan - via Luisa Battistotti Sassi 11/a | 09440000157 | 19/09/1988 |
| Harlequin Mondadori SpA (Italy) | EUR | 258,250 | 50% | direct | Arnoldo Mondadori Editore SpA | 50% | Milan - via Marco D'Aviano 2 | 05946780151 | 15/10/1980 |
| Mach 2 Libri SpA (Italy) | EUR | 646,250 | 34.91% | direct | Arnoldo Mondadori Editore SpA | 30.91% | Peschiera Borromeo (MI) - via Galileo Galilei 1 | 03782990158 | 06/05/1983 |
| | | | | indirect | Sperling & Kupfer Ed. SpA | 4% | | | |
| Mach 2 Press Srl (Italy) | EUR | 200,000 | 40% | indirect | press-di Distribuzione Stampa e Multimedia Srl | 40% | Peschiera Borromeo (MI) - via Galileo Galilei 1 | 07014150960 | 27/04/2010 |
| MDM Milan Distribuzione Media Srl (Italy) | EUR | 611,765 | 17% | indirect | press-di Distribuzione Stampa e Multimedia Srl | 17% | Milan - via Carlo Cazzaniga 19 | 10463540152 | 02/10/1991 |
| Mediamond SpA (Italy) | EUR | 1,500,000 | 50% | indirect | Mondadori Pubblicità SpA | 50% | Milan - via Bianca di Savoia 12 | 06703540960 | 30/07/2009 |
| Mondadori Direct SpA (Italy) | EUR | 2,700,000 | 100% | direct | Arnoldo Mondadori Editore SpA | 100% | Milan - via Bianca di Savoia 12 | 00212560239 | 19/11/1946 |
| Mondadori Education SpA (Italy) | EUR | 10,608,000 | 100% | direct | Arnoldo Mondadori Editore SpA | 100% | Milan - via Bianca di Savoia 12 | 03261490969 | 01/10/2001 |
| Mondadori Electa SpA (Italy) | EUR | 1,593,735 | 100% | direct | Arnoldo Mondadori Editore SpA | 100% | Milan - via Bianca di Savoia 12 | 01829090123 | 23/02/1989 |
| Mondadori International Business Srl (Italy) | EUR | 2,800,000 | 100% | direct | Arnoldo Mondadori Editore SpA | 100% | Milan - via Bianca di Savoia 12 | 08009080964 | 29/10/2012 |
| Mondadori Pubblicità SpA (Italy) | EUR | 3,120,000 | 100% | direct | Arnoldo Mondadori Editore SpA | 100% | Milan - via Bianca di Savoia 12 | 08696660151 | 12/02/1987 |
| Monradio Srl (Italy) | EUR | 3,030,000 | 100% | direct | Arnoldo Mondadori Editore SpA | 100% | Milan - via Bianca di Savoia 12 | 04571350968 | 15/10/2004 |
| press-di Distribuzione Stampa e Multimedia Srl (Italy) | EUR | 1,095,000 | 100% | direct | Arnoldo Mondadori Editore SpA | 100% | Milan - via Bianca di Savoia 12 | 03864370964 | 19/02/2003 |
| Società Europea di Edizioni SpA (Italy) | EUR | 2,528,875 | 36.89838% | direct | Arnoldo Mondadori Editore SpA | 36.89838% | Milan - via G. Negri 4 | 01790590150 | 27/02/1974 |
| Sperling & Kupfer Editori SpA (Italy) | EUR | 1,555,800 | 100% | direct | Arnoldo Mondadori Editore SpA | 100% | Milan - via Bianca di Savoia 12 | 00802780155 | 03/11/1927 |
| Sporting Club Verona Srl - Società Sportiva Dilettantistica (Italy) | EUR | 100,000 | 100% | direct | Arnoldo Mondadori Editore SpA | 100% | Milan - via Bianca di Savoia 12 | 07231600961 | 3/12/2010 |
| Venezia Accademia Società per i servizi museali Scarl (Italy) | EUR | 10,000 | 25% | indirect | Mondadori Electa SpA | 25% | Venice - via L. Einaudi 74 | 03808820272 | 11/01/2008 |
| Venezia Musei Società per i servizi museali Scrl in liquidazione (Italy) | EUR | 10,000 | 34% | indirect | Mondadori Electa SpA | 34% | Venice - via L. Einaudi 74 | 03534350271 | 22/04/2004 |
| Attica Publications SA (Greece) | EUR | 4,590,000 | 41.987% | direct | Arnoldo Mondadori Editore SpA | 41.987% | Greece - Atene - Maroussi, 40 Kifissias Avenue | | 01/08/1994 |
| Editions Mondadori Axel Springer SNC (France) | EUR | 152,500 | 50% | indirect | Mondadori France SAS | 50% | France - Montrouge Cedex - 8, rue Francois Ory | | 09/12/1999 |
| EMAS Digital SAS | EUR | 15,275,400 | 50.000% | indirect | Mondadori France SAS | 50.000% | France - Montrouge Cedex - 8, rue Francois Ory | | 13/09/2011 |
| Mondadori France SAS (France) (former AME France Sarl) | EUR | 50,000,000 | 100% | direct | Arnoldo Mondadori Editore SpA | 100% | France - Montrouge Cedex - 8, rue Francois Ory | | 23/06/2004 |
| Mondadori Indipendent Media LLC (Russia) | ROUBLE | 92,232,160 | 50% | direct | Arnoldo Mondadori Editore SpA | 50% | Russia - Moscow - 3, Bldg. 1, Polkovaya Str. | | 26/12/2007 |
| Mondadori Magazines France SAS (France) | EUR | 60,557,458 | 100% | indirect | Mondadori France SAS | 100% | France - Montrouge Cedex - 8, rue Francois Ory | | 30/03/2004 |
| Mondadori Seec (Beijing) Advertising Co. Ltd (China) | CNY | 40,000,000 | 50% | indirect | Mondadori Pubblicità SpA | 50% | China - Beijing - Chaoyang District - Fan Li Plaza, 22, Chaowai Avenue, Level 10, Room B2 | | 26/09/2008 |
| Mondadori UK Limited (United Kingdom) | GBP | 2,895,19 | 92.135% | indirect | Mondadori International Business Srl | 92.135% | England - Essex - Colchester - 82C East Hill | | 18/03/2010 |
| Naturabuy SAS (France) | EUR | 9,150 | 60% | indirect | Mondadori France SAS | 60% | France - Montrouge Cedex - 8, rue Francois Ory | | 25/04/2007 |

## *Statement to the Consolidated Financial Statements pursuant to Article 81-ter of Consob Regulation no. 11971 of 14 May 1999 and subsequent changes and supplements*

## *Statement of the Group's abbreviated consolidated financial statements pursuant to Art. 81-ter of Consob Regulation no. 11971 of May 14, 1999 and subsequent changes and supplements*

1. The undersigned Ernesto Mauri, in his capacity as CEO and Oddone Pozzi, in his capacity as Executive Manager responsible for the drafting of the corporate accounting documentation of Arnoldo Mondadori Editore S.p.A., also in compliance with the provisions set out in art. 154-bis, par. 3 and 4, of Italian Legislative Decree no. 58 of February 24, 1998, hereby declare:
   - the adequacy in relation to the Group's characteristics and
   - the application of the administrative and accounting procedures for the drafting of the Group's abbreviated consolidated financial statements at 31 June 2014.

2. The valuation of the adequacy of the administrative and accounting procedures for the drafting of the Group's abbreviated consolidated financial statements at 30 June 2014 was carried out based on a specific process defined by Arnoldo Mondadori Editore consistently with the Internal Control – Integrated Framework model issued by the Committee of Sponsoring Organizations of the Treadway Commission, which groups together a set of general principles of reference generally accepted at the international level.

3. We also hereby declare that:

   3.1 the Group's abbreviated consolidated financial statements at 30 June 2014:
   a) was drafted in compliance with the applicable international accounting standards acknowledged at the EU level pursuant to EC regulation no. 1606/2002 of the EU Parliament and Council of July 19, 2002 and, in particular, IAS 34 - Interim Financial Reporting, as well as the provisions set out for the implementation of art. 9 of Italian Legislative Decree no. 38/2005;
   b) reflects the accounting books and entries;
   c) provides a true and fair description of the financial position and results of operations of the Company and the group of companies included in the consolidation area.

   3.2 this half year report on operations includes a reliable analysis of the significant events that have occurred in the first six months of the year and their incidence on the Group's abbreviated consolidated half year report, together with a description of the main risks and uncertainties for the second half of 2014. The half year report also includes an analysis of the information provided on the transactions with related parties.

31 July 2014

| | |
|---|---|
| The CEO | The Executive Manager responsible for the drafting of the drafting of corporate accounting documents |
| (Ernesto Mauri) | (Oddone Pozzi) |