

ARNOLDO MONDADORI EDITORE S.p.A.

Share Capital Euro 67,979,168.40

Legal Offices in Milan

Administrative Offices in Segrate (Milan)

**Interim Report on Operations
at 30 September 2014**

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Board of Directors's Report on Operations

Directors' Report on Operations as at 30 September 2014

The international macro-economic scenario continues to be characterized by a progressive slowing down of the emerging economies, while the more mature economies are relatively steady.

In Italy, the economy is still weak; the Italian Ministry of the Economy revised GDP projections at -0.3% for 2014 with expectations for a plus sign postponed to 2015 (+0.6%; source: Update to the Document of Economy and Finance, September 2014).

Macro-economic indicators for France do not show any significant improvement against the previous year. GDP for 2014 was revised at +0.4% (-0.4% against the beginning of the year - source: IMF, data at September), while unemployment remained steady at around 10.3% (source: Eurostat, data at July).

In the period of reference the markets in which the Mondadori Group operates posted the following performance:

- In Italy:
 - though showing less of a drop compared to the result of the first half of 2014, in the third quarter the book market nevertheless fell by 0.9% in value against the same period in the previous year. In the first nine months the market posted a 4.3% reduction in value (source: Nielsen, data at September). Though not compensating the reduction in the "physical" book market, the digital book market has increased;
 - the magazines market continued the downturn that characterized the first half of 2014, though at a slower rate, with an 8.7% drop in circulation (internal source, data at August) and an 8.7% reduction in sales from advertising (source: Nielsen, data at September);
- In France:
 - the magazines market showed a bearish trend both in terms of sales from advertising, down 8.6% (internal data processed from Kantar data at August) and circulation which fell by 8.0% at newsstands (internal source, data at August).

In the scenario described above, the Group posted **consolidated revenues for euro 859.6 million** in the period, down 7.7% against euro 931.2 million of the first nine months of 2013. On a like-for-like basis, considering the transfer completed in January 2014 of the advertising sales business unit to Mediamond (a subsidiary company consolidated at equity), **the reduction in consolidated revenues would be equal to 4.8%**.

Group results at 30 September 2014 confirm improved margins, consolidating the positive acceleration highlighted in the first half of 2014. In particular, with revenues essentially in line with the results of the previous year, on a like-for-like basis the third quarter posted a positive net result after a prolonged negative trend (seven consecutive quarters).

The decrease in revenues was compensated by a greater reduction in operating costs, down euro 86 million, which contributed to **a significant improvement in EBITDA, up from euro 8.9 million in 2013 to euro 36.0 million** in the period of reference.

This performance is attributable to Magazines (Italy and France) for over 50% as a result of the combined effect of greater efficiency, achieved through product promotions, reduced operating costs and lower outlays relative to restructuring.

Consolidated EBIT equaled euro 18.8 million against euro -9.6 million in 2013, with amortization and depreciation of intangible and tangible assets for euro 17.2 million (euro 18.5 million in the first nine months of 2013).

Consolidated profit before taxes is positive for euro 1.0 million against a negative result of euro 26.2 million in the previous year; in the quarter financial costs equaled euro 17.8 million (euro 16.6 million in the same period of 2013).

Consolidated net profit, after minority shareholders' result, amounts to euro -7.5 million against a loss of euro 32.3 million in the same period of the past year.

Cash flow in the past twelve months was positive for euro 49.5 million, composed of positive ordinary cash flow for euro 9.8 million and extraordinary cash flow for euro 39.7 million. The latter is mainly attributable to the capital increase resolved upon in June and the effects of the transfer of Mediamond.

In the first nine months of 2014, which reflected the seasonal trend, ordinary cash flow from operations amounted to euro 8.6 million (euro -82.5 million in the same period of 2013), while cash flow from investments generated euro 44.4 million (including the effects resulting from the capital increase transaction and the transfer of Mediamond).

The **net financial position** at 30 September 2014 was consequently **sharply up at euro -327.4 million** against euro -363.2 million of end of 2013 (euro -376.9 million at 30 September 2013).

The main elements characterizing the sectors in which the Mondadori Group operates are described here below:

- As to Books, in a market which posted a slight fall in the third quarter (-0.9% in value), the group increased its share to 26% against the first half of 2014, consolidating its leadership in Italy despite the different publishing scheduling compared to the past year. In September *I giorni dell'eternità* the latest novel by Ken Follett was released and immediately climbed to the top of the best-seller list, the first title from the most prominent authors expected to be published by year end.

In the educational segment positive results were obtained from period sales of primary school books and museum activities. EBITDA is significantly up.

- Magazines Italy continued on the same positive trend of the first half of 2014, posting an even better performance in the segment of reference in terms of circulation and advertising sales. Mondadori is market leader with a bullish market share currently equal to 32.2% (30.5% at 30 September 2013). This positive result is attributable to:
 - product focus in the segments in which the Group is market leader, like fashion, health and wellness and cuisine, with a view to integrating multimedia through the contribution of the digital activities;
 - launch of the new magazine *Il mio Papa* and the transformation of Starbene from monthly to weekly magazine;
 - actions aimed at rationalizing 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 6% against the same period in 2013, mainly as a result of the performance of the 23 editions of *Grazia* and *Icon* in Spain, launched in November 2013.

Particularly significant from the standpoint of the development of the digital activities was the acquisition of the marketplace LondonBoutiques.com, targeted to the launch, completed on 11 November, of the globally integrated e-commerce fashion platform of the Grazia brand (www.graziashop.com).

- **Magazines France** confirmed the success of *Top Santé* (+19%), *Pleine Vie* (+10%) and *Closer* (+6%). Digital activities posted a significant growth (+37% on a like-for-like basis) against the previous year; both revenues from on-line advertising sales, which recorded a 36% increase and represent 10% of total revenues from advertising sales, and web and mobile traffic data have increased against the previous year;
- In the **Retail Area**, the Group continued to implement strategic actions to counter the negative market trend, targeting cost reduction and format revision in order to develop a new concept of book store for the future. The Book category performed positively against the same period of last year, outperforming the market and increasing its share from 13.4% to 14.7%;
- In the **Radio Area** the market reflected the negative performance of advertising sales, in particular in the time span from June to August, which impacted R101 performance after a positive start in the first quarter;
- As to **Digital Activities**, actions continued to enhance the team dedicated to business development. Total revenues from purely digital activities, aimed at increasing the value of the Group's editorial content, grew by 8.7% against the first nine months of 2013.

Here below are the financial highlights for the first nine months of 2014 and 2013:

Consolidated income statement					
(euro/million)	- 9M 2014	% on revenue	- 9M 2013	% on revenue	Var. %
Revenues from sales and services (*)	859.6	100.0%	931.2	100.0%	(7.7%)
Cost of Personnel (**)	169.9	19.8%	206.1	22.1%	(17.6%)
Cost of raw, ancillary, consumption materials and goods (***)	151.4	17.6%	128.7	13.8%	17.6%
Cost of services	480.9	55.9%	553.4	59.4%	(13.1%)
Leasehold improvements (****)	26.5	3.1%	31.6	3.4%	(16.1%)
Other (income) cost	(7.9)	(0.9%)	1.5	0.2%	n.s.
Income (cost) from investments valued at equity	(2.8)	(0.3%)	(1.0)	(0.1%)	n.s.
Adjustments for non-recurring items: (positive)/negative	3.4		27.3		
EBITDA net of non-recurring items	39.4		36.2		8.8%
EBITDA	36.0	4.2%	8.9	1.0%	n.s.
Depreciation of properties, plant and machinery	7.2	0.8%	8.6	0.9%	(16.3%)
Total amortization of intangible assets	10.0	1.2%	9.9	1.1%	1.0%
EBIT	18.8	2.2%	(9.6)	(1.0%)	n.s.
Net financial revenues (costs)	(17.8)	(2.1%)	(16.6)	(1.8%)	7.2%
Revenues (costs) from other investments	-	-	-	-	-
Profit before taxes for the period	1.0	0.1%	(26.2)	(2.8%)	n.s.
Income tax	6.5	0.8%	4.4	0.5%	47.7%
Third party profit	(2.0)	(0.2%)	(1.7)	(0.2%)	17.6%
Net result	(7.5)	(0.9%)	(32.3)	(3.5%)	n.s.

(*) Considering the transfer of the business unit from Mondadori Pubblicità S.p.A. to Mediamond S.p.A. revenues dropped by 4.8%.

(**) 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 8.1%.

(***) Including item "Decrease (increase) of inventory".

(****) Including item "Other costs (revenues)".

Here below are the financial highlights for the third quarter of 2014 and 2013:

Consolidated income statement (euro/million)	Q3 2014	% on revenue es	Q3 2013	% on revenue es	Var. %
Revenues from sales and services (*)	310.4	100.0%	318.9	100.0%	(2.7%)
Cost of Personnel (**)	52.5	16.9%	58.1	18.2%	(9.6%)
Cost of raw, ancillary, consumption materials and goods (***)	54.9	17.7%	48.4	15.2%	13.4%
Cost of services	164.2	52.9%	181.6	56.9%	(9.6%)
Leasehold improvements (****)	8.8	2.8%	10.2	3.2%	(13.7%)
Other (income) cost	8.3	2.7%	5.2	1.6%	59.6%
Revenues (costs) from investments valued at equity	(0.6)	(0.2%)	(1.2)	(0.4%)	(50.0%)
Adjustments for non-recurring items: (positive)/negative	2.9		7.8		
EBITDA net of non-recurring items	24.0		22.0		9.1%
EBITDA	21.1	6.8%	14.2	4.5%	48.6%
Depreciation of properties, plant and machinery	2.4	0.8%	2.9	0.9%	(17.2%)
Total amortization of intangible assets	3.5	1.1%	3.2	1.0%	9.4%
EBIT	15.2	4.9%	8.1	2.5%	87.7%
Net financial revenues (costs)	(5.5)	(1.8%)	(6.1)	(1.9%)	(9.8%)
Revenues (costs) from other investments	-		-	-	
Profit before taxes for the period	9.7	3.1%	2.0	0.6%	n.s.
Income tax	5.4	1.7%	6.5	2.0%	(16.9%)
Third party profit	(0.8)	(0.3%)	(0.7)	(0.2%)	14.3%
Net result	3.5	1.1%	(5.2)	(1.6%)	n.s.

(*) Considering the transfer of the business unit from Mondadori Pubblicità S.p.A. to Mediamond S.p.A. revenues dropped by 0.7%.

(**) 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 1.1%.

(***) Including item "Decrease (increase) of inventory".

(****) Including item "Other costs (revenues)".

Consolidated revenues, down 7.7% (-4.8% on a like-for-like basis), amounted to euro 859.6 million.

Revenues by sector of activity	(Euro/million) 9M 2014	(Euro/million) 9M 2013	Var. %
Books	238.9	234.2	2.0%
Magazines Italy	227.5	253.1	(10.1%)
Advertising Italy	7.6	105.1	n.s.
Magazines France	254.2	262.9	(3.3%)
Retail	144.9	153.4	(5.5%)
Radio	7.8	8.9	(12.4%)
Other business and corporate	21.3	26.2	(18.7%)
Total aggregate revenues	902.2	1,043.8	(13.6%)
Intercompany revenues	(42.6)	(112.6)	n.s.
Total consolidated revenues	859.6	931.2	(7.7%)

Revenues by geographic area:	(Euro/million) 9M 2014	(Euro/million) 9M 2013	Var. %
Italy	590.3	650.8	(9.3%)
France	240.3	247.5	(2.9%)
Other EU countries	23.9	25.5	(6.3%)
USA	0.6	0.5	20.0%
Other countries	4.5	6.9	(34.8%)
Total consolidated revenues	859.6	931.2	(7.7%)

Consolidated EBITDA is significantly up at euro 36.0 million against 2013; net of non-recurring items EBITDA increased by 8.8% reaching euro 39.4 million.

EBITDA by sector of activity	(Euro/million) 9M 2014	(Euro/million) 9M 2013	(Euro/million) Var.
Books	35.8	39.0	(3.2)
Magazines Italy	4.2	(9.7)	13.9
Advertising Italy	(3.8)	(9.1)	5.3
Magazines France	22.3	21.8	0.5
Retail	(6.0)	(6.8)	0.8
Radio	(4.2)	(3.1)	(1.1)
Other business and corporate	(12.3)	(23.2)	10.9
Total consolidated EBITDA	36.0	8.9	27.1

Books

Mondadori Group confirmed its leadership in the book market: the editorial products that traditionally make up its core business are fiction, non-fiction, 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 Education segment with Mondadori Education S.p.A., playing an important role in the Italian school textbook market and in the sector of art and illustrated books and provision of services for the management of museum concessions and the organization and management of exhibitions and cultural events with Mondadori Electa S.p.A., Italy's most prominent publisher in the sector of art and illustrated books.

Market performance

The Trade Book market, though continuing the negative trend of the first half of the year in the bookstore and large retail channels, posted a slight reduction against the same period of 2013, equal to 0.9% in value (source: Nielsen, data at September).

In the first nine months the market posted a 4.3% reduction in value, with the steepest drop recorded in the large retail channel (13.5%) (source: Nielsen, data at September).

The market share of the Group's publishers, market leaders, corresponds to 26% (excluding large retail), up against 25.5% recorded by Nielsen in the first six months of the year, but down from 26.8% recorded in the same period of 2013 due to the different publishing schedule.

For the period, the Group had 11 titles in the top 25 bestselling books.

In the school textbook market Mondadori Education consolidated its third place with a market share equal to 13%, in line with the previous year.

Market trend

In this context, in the first nine months of 2014 Mondadori posted revenues equal to euro 238.9 million, down 2% against the same period of last year. The third quarter closed with a positive performance, up 10.2% against the same period of the previous year.

EBITDA dropped against 2013 as a result of a different revenue mix, mainly referring to significantly increased distribution activities performed on behalf of third publishers and characterized by lower margins.

(euro/000)	9M 2014	9M 2013
Revenues	238.9	234.2
EBITDA	35.8	39.0
EBIT	33.7	38.0

Revenues

Books (euro/million)	9M 2014	9M 2013	Var. %
Edizioni Mondadori	55.9	63.6	(12.1%)
Giulio Einaudi editore	28.2	27.9	1.1%
Edizioni Piemme	19.7	26.9	(26.8%)
Sperling & Kupfer	17.7	15.2	16.4%
Trade Books	121.5	133.6	(9.1%)
Mondadori Electa	26.3	26.2	0.4%
Mondadori Education	61.4	60.6	1.3%
Educational Books	87.7	86.8	1.0%
Book distribution	21.7	9.7	n.s.
Other revenues	8.0	4.1	95.1%
Total consolidated revenues	238.9	234.2	2.0%

- **Trade Books:** revenues in the first nine months of 2014 reflected the market performance described above and were affected by a publishing schedule that envisages that the work of the most prominent authors be published towards year end.

At 30 September 2014 **Edizioni Mondadori**, after a third quarter characterized by the publication of books by the most popular authors, reined in the falling trend against 2013 from 27.6% in the first half of 2014 to 12.1%.

As to Fiction

- the latest novel by Ken Follett, *I giorni dell'eternità*, completing the “The Century” trilogy, climbed to the top of the sales charts with 120,000 copies sold in just fifteen days;
- after four years Sophie Kinsella published a new novel, *I love shopping a Hollywood*;
- Massimo Bisotti's book, *Il quadro mai dipinto*, exceeded expectations, consolidating its presence in the bestseller rankings.

As to Non Fiction:

- great success for John Peter Sloan with *English Express* and Sonia Peronaci with *Guarda che buono!*;
- Dino Zoff's autobiography, *Dura solo un attimo, la gloria*, sold out after just 10 days and was re-printed;
- at the end of the third quarter *La guerra dei nostri nonni* by Aldo Cazzullo, was published on the occasion of the 100th anniversary of the First World War, along with *Non è Francesco* by Antonio Succi, describing the cohabitation of the two Popes in the Vatican.

As to Children's Books

- The special edition of *Hunger Games* by Suzanne Collins, a "Limited Edition" was published and immediately sold out;
- Forman Gayle's tie-in book *Resta anche domani* performed well and was re-published on the occasion of the teen movie released on 18 September.

As to Paperback

- Sales of *Cinquanta Sfumature* by E.L. James increased after the broadcast of the trailer of the long awaited movie “*Cinquanta Sfumature di grigio*”, expected to be released February 12, 2015.

In the first nine months of 2014 **Einaudi** posted revenues up by 1.1% against the same period of the previous year, increasing its market share from 5.7% to 6.1% and maintaining its second position in the publishers' rankings in Italy.

Italian fiction performed well with

- Paolo Giordano, a new entry for the publisher, whose novel, *Il nero e l'argento*, sold more than 120,000 copies;
- Corrado Augias, whose novel, *Il lato oscuro del cuore*, was published at the end of September;
- Francesco Piccolo, whose novel, *Il desiderio di essere come tutti*, was awarded the Strega Prize in July.

Foreign fiction posted revenues in line with 2013. The bestselling books are:

- *L'incolore Tazaki Tsukuru* by Haruki Murakami;
- *Il figlio* by Philip Meyer, a new entry for the publisher;
- *Uscirne vivi*, the latest novel by the Nobel Prize for Literature Alice Munro.

Stile Libero, which during the summer period was characterized by targeted promotions for specific categories of customers and by the great success registered by *Una mutevole verità* by Gianrico Carofiglio (more than 180,000 copies sold) and *In fondo al tuo cuore* by Maurizio De Giovanni (74,000 copies sold) increased revenues by 2.4% against the same period of the previous year.

In 2014 **Piemme** did not have any book in its portfolio that could match the success obtained in 2013 by Khaled Hosseini's *E l'eco rispose*. This resulted in a reduction of revenues by 26.8% and a dip in the market share, from 4.6% to 4%. The bestselling books are:

In Foreign Fiction:

- *Il quinto testimone* by Michael Connelly, immediately climbing up the bestsellers' rankings;
- *La fragile costellazione della vita* by Anthony Marra;
- *La ragazza di pietra* by Brian Freeman, anticipated by an innovative marketing campaign with a prequel at euro 1.90 (*Polvere alla polvere*);

In Non Fiction, books with religious themes:

- *Raggi di luce* by Paolo Brosio;
- *E gioia sia* by Chiara Amirante; *Maria mi parla* by Vicka;
- *Sopra ogni cosa* by Don Gallo;

In the Junior sector, the Stilton brand continued to perform positively with *Nono viaggio nel regno della fantasia* and *Viaggio nel tempo 7*, as did the Il Battello a Vapore brand with *Calcio d'inizio*, by Luigi Garlando and *Supergol 7*.

The 14-euro edition of Khaled Hosseini's *E l'eco rispose* sold more than 90,000 copies.

In the first nine months of 2014 **Sperling & Kupfer** generated a 16.4% hike in revenues, increasing its market share from 2.5% to 3.1%.

The bestselling books were: *Storia di una ladra di libri* by Markus Zusak, and *La moglie magica* by Sveva Casati Modignani, which have remained in the top ten of the bestsellers' list for twenty-five and twelve weeks respectively.

Doctor Sleep by Stephen King, *Aspettando domani* by Guillaume Musso, *I peccati di una madre* by Danielle Steel, *Il commissario Soneri* and *La strategia della lucertola* by Valerio Varesi, *La notte ritorna* by Mary Higgins Clark and *La dieta del Supermetabolismo* by Haylie Pomroy all posted positive performances. Nina George

debuted successfully with *Una piccola libreria a Parigi*, which topped the foreign fiction ranking.

Educational books: in the first nine months of 2014 the Group recorded growing revenues and margins in this market segment compared to the same period of last year.

Mondadori Education posted revenues for euro 61.4 million (euro 60.6 million in 2013) considering the trend of primary school text adoptions, a segment which does not reflect lower sales as a result of second-hand books, and the consolidation of the adoption trend in the middle and high schools.

The high percentage of new adoptions, with a consequent improved ratio between adopted and sold textbooks, resulted in reduced circulation of second-hand books already included in the catalogue.

The growing revenue trend is even more remarkable if one considers the significant drop recorded in the publication of magazines for the Italian Ministry of Education, University and Research.

Mondadori Electa posted revenues equal to euro 26.3 million (euro 26.2 million in 2013) as a result of the excellent performance obtained in the management of museum concessions, the organization of exhibitions and related publications, museum shops, including an increased number of visitors to the archaeological site in Rome and the success of the Veronese exhibit at the *Palazzo della Gran Guardia* in Verona.

Combined revenues from art books, books of architecture made to order and illustrated books dropped by approximately 20%; the volume of photographs by Mc Curry, the children's book *Mappe*, now in its fifth reprint, and the latest novel by Sveva Casati Modignani, *Il bacio di Giuda*, rank among the most successful publications.

Growth in the Cultural Heritage area and the cost containment policy implemented following the rationalization process completed for some functions also contributed to the bullish economic result.

- **Distribution and logistics:** revenues from third publishers' distribution activities amounted to euro 21.7 million, up against the previous year, above all as a result of the services provided to De Agostini publisher as of 1 January 2014.

EBITDA

EBITDA dropped against the first nine months of the previous year as a result of the different revenue mix and publishing schedule.

Business activities

In the period, the Group implemented, among others, the following actions to counter the negative market trend:

- launch of the new Flipback® series, books that are read vertically and browsed with one hand. They represent one of the most important new publishing items for the year;
- launch of the Oscar Scuola series, published in the Oscar Mondadori catalogue, offering the most important and bestselling classic titles, long-standing suggested reading in the schools, with new graphics and product restyling;
- restyling of the Tascabili ET line by Einaudi, with new graphics and supporting marketing initiatives;
- restyling of the Battello a Vapore publications with new cover graphics supported by the summer promotion campaign;
- promotion campaign targeting the Junior book catalogue for the entire month of September;
- development of the Mondadori Education sales and distribution network, which increased its product distribution activity from two to five drop points;
- re-organization of Piemme and Sperling & Kupfer top management and development of a business unit dedicated to the Junior target.

In 2014 the French writer Patrick Modiano was awarded the Nobel Prize for literature. He published the following books under the Einaudi brand: *Bijou* (2005), *Un Pedigree* (2006), *Nel caffè della gioventù perduta* (2010) and *L'orizzonte* (2012) and in November Einaudi will publish *L'erba delle notti*.

Magazines

Mondadori is Italy's leading publisher in the sector by market share (32.2%; internal source, data at August) and number of magazines (23) 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-on 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 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

In the third quarter of 2014 the markets of reference continued on a bearish trend, though to a lesser extent compared to the first two quarters and the same period of 2013.

The advertising market dropped by 3.2% (source: Nielsen, data at September) with Magazines down by 8.7% (-24.3% in 2013). Dailies decreased by 10.3% and Radio by 3.1% (-12.1% in 2013). Television and the web remained steady.

Circulation and add-on sales fell by 8.7% and 10.9% respectively (internal source, data at August).

Market trend

Magazines Italy generated revenues equal to euro 227.5 million, down by 10.1% (-8.7% on a like-for-like basis considering the terminated and transferred magazines); EBITDA increased from euro -9.7 million to euro 4.2 million.

(euro/000)	9M 2014	9M 2013
Revenues	227.5	253.1
EBITDA	4.2	(9.7)
EBIT	3.9	(10.1)

Revenues

The revenues relative to the Mondadori magazines reflected the negative trend of the markets of reference, though their performance was better than market averages.

In particular:

- revenues from circulation decreased by 8.4% (-6.2% on a like-for-like basis), while the market trend recorded a 8.7% plunge;
- revenues from gross advertising sales were down 10.5% (-8.2% on a like-for-like basis), while the market dropped by 8.7%. Considering also the performance of the web sites (+4.1% on a like-for-like basis) revenues from advertising sales of the Mondadori brands posted a 6.4% drop on a like-for-like basis.

Revenues from **add-on sales** (DVDs, CDs, books and gadgets) sold in attachment to Mondadori magazines dropped 21.3% against 2013, while the market recorded a 10.9% fall (internal source, data at August). This is attributable to:

- the decision to select and rationalize initiatives in order to maintain profitability levels;
- the success obtained in the second quarter of the past year by the music CDs featuring the Beatles and Pink Floyd and the Cake Decor collectible, which was not duplicated in 2014.

Other product categories, aside from CDs, recorded trends in line with the market.

International activities include:

- Mondadori International Business S.r.l., managing the licensing contracts and sales from advertising generated by Italian investors on Mondadori magazines published worldwide;
- foreign investments, in addition to Mondadori France, operating in the Magazines segment.

In the first nine months of 2014 Mondadori International Business S.r.l. posted revenues up 6% against the same period of the previous year as a result of:

- consolidation of the Grazia editions launched in the last two years;
- launch completed in November 2013, of the first international license for *Icon*, the magazine dedicated to fashion and contemporary men's lifestyle;
- advertising sales on the Italian market on behalf of the Spanish daily El Pais, starting in October 2013.

Investments:

- In the first nine months of 2014 Attica Publications, the leading publisher in Greece for magazines and radio stations, recorded sales from advertising in line with 2013. Two portals were launched in the period, one dedicated to women and the other dedicated to men, along with the first streaming video on demand web site, with encouraging audience rate results. Attica is also present in Serbia and Bulgaria, where it launched new magazines: *Esquire* in Bulgaria and *Harper's Bazaar* in Serbia;
- Mondadori Seec Advertising Co. Ltd, exclusive advertising agency for the Chinese edition of Grazia, posted a 13% hike in revenues against 2013; this was also attributable to the fact that the magazine has been transformed from bi-weekly to weekly since last April.
- Mondadori Independent Media LLC, publisher of Grazia in Russia, posted revenues from advertising down by 7% in the first nine months of 2014, also as a result of the difficult macro-economic scenario.

In the first nine months of 2014 **Mondadori Properties** recorded revenues up 4.1% against the same period of 2013 as a result of the performance of www.grazia.it (+34.9%) and www.donnamoderna.com (+1.1%), against the web market trend which grew 0.1% (source: Nielsen, data at September).

Traffic is also positive: *Grazia* +49%; *Donna Moderna* +34% and *Panorama* +9.5% were all up against 2013.

EBITDA

Despite dropping revenues, **EBITDA increased from euro -9.7 million to euro 4.2 million as a result of:**

- actions targeted to products and market strategies: rationalization of the magazines portfolio, restyling of Panorama and attention focused on the leading segments (fashion, wellness, cuisine);
- actions targeting the structural reduction of industrial, publishing and photo-shoot expenses and labour costs.

In the first nine months of 2013 the Group covered significant restructuring costs aimed at implementing the above described activities.

Business activities

At the end of the first quarter the first restyling of *Panorama* was completed with new graphics and editorial content; subsequently, *Starbene* was transformed from monthly to weekly with positive results in terms of sales from advertising and readership.

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

An additional boost 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 of choosing from among a broad array of apparel items and accessories from London's top boutiques.

Recently the fashion e-commerce integrated platform *www.graziashop.com* was launched, providing the *Grazia* global community, composed of 17 million readers and 16 million single users per month, and all fashionistas with the opportunity to purchase selected items from the world's trendiest stores.

In the third quarter the Group continued actions targeted to increasing the value of Mondadori brands:

- "Panorama d'Italia", a tour spanning ten Italian cities with an agenda of 150 initiatives integrated in the territory;
- "ExpoExpress", in collaboration with Expo and the Italian Railway Group *Trenitalia*. A train departing from Venice at the end of August made stops in thirteen Italian cities, offering free meetings, events, laboratories, castings and cooking shows to attract, inform and raise people's awareness on the Expo theme: "Nourish the Planet, Energy for Life". Three wagons: Live Expo, Food Expo and Casa Expo, each of which is dedicated to specific activities promoted by *DonnaModerna*, *Grazia*, *TuStyle*, *Starbene* and *Sale&Pepe*.

In the first half of 2014 the websites linked to *Il mio Papa* and *Casafacile* were launched along with the portals *www.salepepe.it* and *www.graziacasa.it*.

Advertising Italy

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.

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

The performance of the advertising sales market was negative at -3.2% compared to the same period in 2013 (source Nielsen, data at September), confirming the trend of the past years.

Advertising market (euro/million)	2014	2013	Var. %
Television	2.478	2.478	-
Magazines	352	386	(8.7%)
Dailies	576	642	(10.3%)
Radio	247	255	(3.1%)
Internet	327	327	0.1%
Other	380	414	(8.2%)
Total advertising market	4.360	4.502	(3.2%)

Source: Nielsen Media Research

Market trend

The data reported is not comparable due to the above mentioned transfer transaction.

(euro/000)	9M 2014	9M 2013
Revenues	7.6	105.1
EBITDA	(3.8)	(9.1)
EBIT	(3.8)	(9.2)

Revenues

Revenues relative to the activities carried out by Mondadori Pubblicità S.p.A. amounted to euro 7.6 million and are not comparable with 2013 data for the same reason indicated above.

EBITDA

EBITDA, including also the partial result obtained by Mediamond, a subsidiary company valued at equity, **improved from euro -9.1 million to euro -3.8 million, reflecting the positive effects of the transaction completed.**

Revenues generated by Mediamond S.p.A. were essentially in line with the previous year (-0.5%); revenues generated by Print Media and the Radio (the business transferred by Mondadori Pubblicità) dropped by a combined 3.8%, with -15.5% for Print Media and +31.9% for Radio, respectively, while revenues from web activities grew by 9.9%.

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 7% against 2013.

In particular:

- in the first nine months of 2014 advertising sales dropped by 8.2% on a like-for-like basis against a market average of -8.7% (source Nielsen, data at September);
- web advertising sales were up 4.1% on a like-for-like basis against an overall market increase of 0.1% (source: Nielsen at September).

The efficiencies generated by activities carried out on products and the implementation of cost reduction policies in the Magazines Italy area combined with the positive effects of the re-organization of advertising sales in Italy enabled the Group to post, in the first nine months of 2014, **improved aggregate EBITDA by euro 19.2 million against the same period of last year and, consequently, profit up euro 0.4 million.**

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 at newsstands (-8.0%; internal source, data at August) and sales from advertising (-8.6%; internal source on Kantar Media data, data at August).

Market trend

(euro/000)	9M 2014	9M 2013
Revenues	254.2	262.9
EBITDA	22.3	21.8
EBIT	13.9	12.9

Revenues

Mondadori France consolidated revenues in the period of reference equal euro 254.2 million, down 3.3%; on a like-for-like basis, considering the transfer 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 2.3%.

Revenues from **advertising** posted different performances for hardcopy products and soft products: the first recorded a 12.5% drop (-10.3% on a like-for-like basis), increasing compared to the data of the first half of the year (-13.5 and 11%, respectively), while the second grew by 44.2 (45.7% on a like-for-like basis).

Aggregate data of revenues from advertising shows a 6.5% reduction against the same period of the previous year.

Revenues from **circulation**, representing over 70% of the total, dropped by 1.4% (-1.0% on a like-for-like basis):

- sales at newsstands were down 5.5%, (-5.4% on a like-for-like basis) against the market of reference which dropped 8.0%, also as a result of the growing performance of *Top Santé* +19%, *Pleine Vie* +10% and *Closer* +6%;
- subscriptions decreased by 1.5% (-0.7% on a like-for-like basis).

In the first nine months of 2014 revenues from digital activities posted a 37% growth on a like-for-like basis as a result of the development of NaturaBuy activities, revenues from advertising sales and revenues from the sales of copies (+79%).

EBITDA

Despite dropping revenues EBITDA grew by 2.3% as a result of the rationalization process implemented and the cost reduction policies targeted to obtaining significant reductions in publishing, industrial and overhead costs. This process, started in the previous quarters, was continued with a view to further adjusting the Group's operations to the changing market scenario.

Business activities

In the first nine months 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.

It explored new business opportunities based on a brand extension policy which led to the publication of three volumes (*Automotive*, *Science* and *Modes & Travaux*) and the partnership in the TV sewing program “Cousu Main”.

Starting from January 2014 sales of advertising spaces have been managed internally by means of internal dedicated structures.

Some of the main properties were renewed and further developed with new functionalities for tablets and smartphones; these actions generated positive effects on audience rates, which reached 6.6 million single visitors, +26% against 2013 (source Nielsen, data at August) with a record high of 7.8 million in January; on mobiles, single visitors grew by 77% against 2013 (source Nielsen, data at July).

Activities targeting the development of new efficiencies continued through a voluntary restructuring plan and a rationalization plan to concentrate staff in a single office location within the first months of 2015.

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 586 stores. E-commerce activities are carried out through the *MondadoriStore* web site.

Market performance

The retail market continued to be weak in consumer spending; as to the products marketed by the Group's network, the channel that best managed to limit the general reduction in revenues is that of bookstore chains, to the detriment of independent book stores and large retailers.

For the Group's retail area the market of reference remains that of books, whose sales dropped by 4.3% in value against September 2013, but showing a growing trend compared to the first half of 2014. 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 all slowed down (-4.4%).

Market trend

(euro/000)	9M 2014	9M 2013
Revenues	144.9	153.4
EBITDA	(6.0)	(6.8)
EBIT	(9.6)	(10.9)

Revenues

In the first nine months of 2014 the Retail Area posted revenues down 5.5% against the same period in 2013, showing signs of recovery against the first half of 2014, which closed with a 8.9% reduction against the previous year.

Revenues by type of product are broken down as follows:

- books represent the most important product, covering 75% of the total and outperforming the market of reference (9%), increasing the market share from 13.4% to 14.7%;
- consumer electronics is still recording heavier reductions compared to the market average;
- the negative trend of book clubs continued also in the period of reference with revenues dropping by approximately 20%;
- on-line sales through the *MondadoriStore* website were up by nearly 4%.

EBITDA

The negative impact on **EBITDA**, deriving from the reduction in the revenues of book clubs and consumer electronics, was mitigated by the positive performance of books.

The reduction in fixed costs, partially already obtained through the implementation of cost reduction policies on sales structures and at the corporate level and the renegotiation of some store lease contracts contributed to limiting the negative effects on EBITDA.

Compared to the first nine months of 2013, EBITDA referred to type of store increased on directly owned book stores, remained steady on franchised book stores and decreased on multicenters.

Business activities

In response to the general dire economic scenario, the Group continues to implement the actions already started in the first half of 2014, targeting the recovery of margins.

In particular:

- progressive revision of the network with rationalization actions to be implemented in the stores (new openings of directly managed bookstores in the new Nave de Vero mall

outside Marghera and shutting down of a few units in the franchising channel, which no longer complied with the qualitative level of the network) and format in order to develop a new concept of future bookstore;

- continuation of promotional, communication and advertising campaigns supporting sales to **gain market shares for the book segment**;
- 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;
- introduction of a new credit policy of programmed stock reduction, with particular reference to consumer electronics.

MondadoriStore recently obtained the "Insegna dell'anno Italia 2014-2015" award as the bookstore chain offering the best purchasing experience in terms of price, assortment and service.

Radio

The Mondadori Group operates in the national radio market through R101, recently characterized by the new "the Music" pay-off to underline the closer bond with Italian and international music.

Market performance

Advertising sales in Italy recorded a 3.2% drop (source Nielsen, data at September); after a positive start the radio channel reversed the trend and fell to -3.1% (source: Nielsen, data at September).

Market trend

<u>(euro/000)</u>	9M 2014	9M 2013
Revenues	7.8	8.9
EBITDA	(4.2)	(3.1)
EBIT	(5.2)	(4.3)

Revenues

In the context described above, R101 revenues from advertising sales in the first months of 2014 were below the market trend, confirming the performance of the first half of 2014.

Overall revenues, including those relative to the website and other initiatives (including the television channel starting from last June), posted a 12.4% reduction.

EBITDA

EBITDA reflected the negative trend of advertising sales and higher investments made at the beginning of the year in promotions and communication campaigns to support the re-launch of the radio station.

Business activities

The main initiatives implemented in 2014 to mitigate the negative effects of the market trend included:

- *R101* repositioning process through the partnership established with the Rolling Stones for the concerts held at the end of June, with Simple Minds for their Italian tour, James Blunt, Damon Albarn and Francesco Sarcina;
- the institutional television campaign launched in September aimed at reinforcing the radio station's brand awareness;
- the www.r101.it website was graphically restyled and enriched with new content through the release of the new radio app;
- content integration with music videos broadcast by *R101TV* on channel 66 of the Digital cable TV.

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: Established in 2013, the Digital Innovation Area is designed to support the other Group Areas in identifying new opportunities for the development of the business and increasing presence in the digital market. 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 offline and online relational marketing.

In the last months actions were continued to further consolidate the centralized management, adjust user management platforms and CRM contacts and implement technology actions targeted to the enhancement of the Group's publishing content.

Cemit: advertising sales recorded a 3.2% reduction (source Nielsen, data at September) and, in particular, the direct mail segment, which is the market of reference for many activities carried out by Cemit, posted a 9.1% reduction against the previous year.

In this context, the Company posted overall revenues of euro 8.5 million from a well-organized mix of products including traditional, digital and multimedia activities.

EBITDA (negative for euro 0.9 million) reflected these differences.

In the last months the extension of the commercial offering was further fine-tuned to include direct marketing services, with a particular focus on the non-profit sector.

Società Europea di Edizioni: in the first nine months of 2014 the publisher of the *Il Giornale* daily recorded a negative performance amounting to euro 1.4 million for the part relative to Mondadori, essentially in line with 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

The latest decisions made by the ECB (refi rate at 0.05% and negative interbank deposit rates) resulted in additional significant interest rate reductions.

Euribor at 3 months end of September was equal to 0.083%, down approximately 17 basis points against the average of the first three quarters of 2014 (0.251%); the average cost of Mondadori Group debt in the first nine months of 2014 was equal to 4.08% against 3.31% of the

corresponding period in 2013 as a result of credit line re-negotiation completed in the month of November of the past year.

Mondadori Group's financial position at 30 September 2014 showed a deficit of euro 327.4 million, showing a significant improvement against euro -363.2 million at December 2013 and euro -376.9 million at September 2013.

Net financial position	(Euro/million)	(Euro/million)	(Euro/million)
	30 September 2014	31 December 2013	30 September 2013
Cash and cash equivalents	31.1	65.7	35.3
Held-for-sale financial assets	-	-	-
Assets (liabilities) from derivative instruments	(1.8)	0.2	(9.8)
Other financial assets (liabilities):	(41.1)	0.5	(2.8)
Loans (short and medium/long term)	(315.6)	(429.6)	(399.6)
Net financial position	(327.4)	(363.2)	(376.9)

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

The Group's short-term loans, totaling euro 208.4 million, used for euro 44.1 million at 30 September 2014, included overdraft credit lines on current accounts, advances subject to collection and "hot money" flows.

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

Medium/long-term loans

(euro/000)	Bank pool		Intesa Sanpaolo		Mediobanca		Total	of which:	
								unutilized	interest rate hedge
Term Loan	180.0	(1)	50.0	(3)	50.0	(2)	280.0	-	140.0
Revolving Facility	90.0	(2)	150.0	(3)	50.0	(2)	290.0	250.0	-
Total loans	270.0		200.0		100.0		570.0	250.0	140.0

(1) instalments of equal amount coming to maturity in December 2016 and December 2017

(2) maturity in December 2017

(3) maturity in December 2016

Cash flow is detailed below:

Cash flow	(Euro/million) 30 September 2014	(Euro/million) 30 September 2013	(Euro/million) LTM
Initial net financial position	(363.2)	(267.6)	(376.9)
Ebitda before non-recurring items	39.4	36.2	52.3
Investment management	(4.7)	(4.1)	(10.1)
Net working capital and fund provisions	(15.3)	(85.1)	7.7
Purchases	(7.4)	(3.0)	(7.2)
Cash flow from operations	12.0	(56.0)	42.7
Financial costs	(17.8)	(16.7)	(25.4)
Taxes	(2.8)	(9.8)	(7.5)
Ordinary cash flow from operations	(8.6)	(82.5)	9.8
Reimbursement of VAT receivables	15.2	0.7	23.0
Restructuring costs	(16.3)	(26.5)	(27.6)
Acquisitions/disposals	14.4	(1.0)	13.2
Share placement	31.1	-	31.1
Non-operating cash flow	44.4	(26.8)	39.7
Total cash flow	35.8	(109.3)	49.5
Final net financial position	(327.4)	(376.9)	(327.4)

Net financial position at 30 September 2014 rose by euro 35.8 million against 31 December 2013 and by euro 49.5 million against the same period of the previous year.

Cash flow from operations, which in the last twelve months generated euro 42.7 million mainly as a result of income management net of investments (euro 42.2 million) exceeded financial costs and taxes of the same period.

The positive management of working capital offset the outlays for capital expenditures.

Non-operating cash flow was positive for euro 39.7 million despite outlays attributable to restructuring costs (euro 27.6 million) as a result of the share capital increase (euro 31.1 million), the partial collection of the VAT receivables accrued from the previous financial years (euro 23.0 million) and the net balance generated by asset acquisitions and disposals including the impact of the transfer of the business unit from Mondadori Pubblicità and an advance payment, equal to euro 12 million, relative to the disposal of an asset, whose completion is expected by year end.

These items contributed to cash flow generation in the first nine months of 2014 equal to euro 35.8 million against expenditures equal to euro 109.3 million in the same period of reference. Working capital management in the period significantly improved (from euro -85.1 million to euro -15.3 million), reflecting seasonal fluctuations in September.

Consolidated balance sheet	(Euro/million) 30 September 2014	(Euro/million) 30 September 2013	Var. %	(Euro/million) 31 December 2013
Net trade receivables	285.0	310.6	(8.2%)	312.4
Inventory	112.4	123.7	(9.1%)	124.0
Trade payables	(310.3)	(309.6)	0.2%	(321.3)
Other assets/ (liabilities)	(62.5)	(72.7)	(14.0%)	(58.9)
Net working capital	24.6	52.0	(52.7%)	56.2
Intangible assets	616.1	737.0	(16.4%)	617.5
Purchase of properties, plant and equipment	38.6	46.6	(17.2%)	43.9
Investments	37.1	58.8	(36.9%)	38.6
Fixed invested capital	691.8	842.4	(17.9%)	700.0
Provisions	(63.1)	(60.7)	4.0%	(83.9)
Post-employment benefits	(45.6)	(50.5)	(9.7%)	(50.4)
Net invested capital	607.7	783.2	(22.4%)	621.9
Share capital	68.0	64.1	6.1%	64.1
Minority shareholders' reserves and net equity	219.8	374.5	(41.3%)	380.0
Net result	(7.5)	(32.3)	(76.8%)	(185.4)
Shareholders' equity	280.3	406.3	(31.0%)	258.7
Net financial position	327.4	376.9	(13.1%)	363.2
Minority shareholders' equity	327.4	376.9	(13.1%)	363.2
Total shareholders' equity	607.7	783.2	(22.4%)	621.9

At 30 September 2014 net trade receivables posted a 8.2% reduction; considering the effects of the transfer of the business unit from Mondadori Pubblicità, net trade receivables would be higher by 4.5% compared to the value recorded in the same period of 2013.

Inventory decreased by 9.1% as a result of the rationalization process implemented in the points of sale, stock reduction (euro 4.0 million) in the Retail Area and lower stocks of finished products thanks to the greater attention dedicated to circulation definition (euro 5.0 million) in the Book Area.

Trade payables are in line with 2013; considering the effects of the transfer of the business unit from Mondadori Pubblicità, trade payables rose by 9.2%.

The variation in other assets / (liabilities) was equal to euro 10.2 million mainly as a result of:

- lower receivables from authors for advance payments totaling euro 5.4 million;
- lower receivables from subscriptions totaling euro 9.1 million;
- lower payables for personnel and agents, contributions and withholding taxes for euro 8.5 million;
- higher payables for euro 12 million relating to an advance payment made for the disposal of an asset;
- higher receivables on taxable amounts for euro 16.8 million accrued in the last twelve months;
- partial collection of VAT receivables accrued in the past financial years for euro 23.0 million;
- reduction in deferred taxes for euro 13.2 million following the evolution of temporary differences due to impairment of intangible assets recorded in 2013.

Intangible assets decreased by euro 120.9 million mainly as a result of impairment recorded in 2013 (euro 116.9 million) and the remaining portion attributable to period amortization of assets with a finite useful life.

The reduction in item "Purchase of properties, plant and equipment" is essentially attributable to period amortizations and depreciations.

Due to impairment, investments in 2013 posted a reduction equal to euro 21.7 million.

Personnel

Employees with a fixed-term or permanent labour contract employed by the Group companies at 30 September 2014 totaled 3,194 people, showing a reduction in employee count by 242 units (-7%) against December 2013 and by 345 units (-9.7%) against September 2013.

Net of extraordinary actions that modified the Group's perimeter, the reduction in head count totaled 6.3% against the end of 2013 and 9% against the previous twelve months.

Cost of personnel in the first nine months of 2014 amounted to euro 169.9 million, sharply down against September 2013; net of extraordinary actions and lower restructuring costs, the reduction in the cost of personnel in the last twelve months was equal to euro 14.5 million (-8.1%).

While all Group companies are committed to the implementation of important restructuring actions, Arnoldo Mondadori Editore S.p.A. decreased its head count by over 100 people through the application of an early retirement scheme for the graphic-publishing workers started in 2012 and a significant restructuring plan targeting journalists, which is expected to be completed by 2015.

Also important are the restructuring actions implemented by Mondadori Direct S.p.A. and Mondadori France S.A., which resulted in a head count reduction of 9.5% and 7.9%, respectively.

Group personnel at 30 September 2014 is broken down below:

Personnel	30 September 2014	31 December 2013	30 September 2013
Arnoldo Mondadori Editore SpA			
- Managers, journalists, office staff	962	1,051	1,072
- Blue collar workers	91	82	85
	1,053	1,133	1,157
Italian subsidiaries:			
- Managers, journalists, office staff	1,195	1,308	1,345
- Blue collar workers	27	52	63
	1,222	1,360	1,408
Foreign subsidiaries:			
- Managers, journalists, office staff	919	943	974
- Blue collar workers	-	-	-
	919	943	974
Total	3,194	3,436	3,539

Personnel by sector of activity	30 September 2014	30 September 2013	Var.
Books	594	615	(21)
Magazines Italy	587	622	(35)
Advertising services	48	108	(60)
Magazines France	903	975	(72)
Retail	595	678	(83)
Radio	27	26	1
Other business and corporate.	440	515	(75)
Total consolidated EBITDA	3,194	3,539	(345)

Capital expenditures

(euro/000)	Net book value at 01/01/2014	Purchases	Net disposals	Amortization, depreciation	Other changes	Net book value at 30/09/2014
Magazines	263.2			(5.5)		257.7
Series	31.5					31.5
Goodwill	249.3	2.8				252.1
Brands	1.6					1.6
Radio frequencies	47.4					47.4
Customer lists	5.3			(1.0)		4.3
Location	14.7			(1.0)		13.7
Other intangible assets	4.5	6.0	(0.1)	(2.6)		7.8
Intangible assets	617.5	8.8	(0.1)	(10.1)	0	616.1
Property investments	3.2	-	-	-	(0.1)	3.1
Land and buildings	8.5			(0.4)		8.1
Plant and machinery	11.7	0.6	(0.2)	(2.2)	(0.1)	9.8
Other tangible assets	20.6	1.9	(0.2)	(4.5)	(0.2)	17.6
Property, plant and machinery	40.8	2.5	(0.4)	(7.1)	(0.3)	35.5
Total	661.5	11.3	(0.5)	(17.2)	(0.4)	654.7

Capital expenditures in the first nine months of 2014 amounted to euro 11.3 million, mainly concentrated in the goodwill deriving from the acquisition of London Boutique, costs relative to the Mondadori Education catalogue adjustment, purchase of store furniture in the Retail Area and the replacement of obsolete office electronic equipment.

Relevant events after closure

No relevant events have occurred after closure.

Other information

The interim report at 30 September 2014 was drafted pursuant to the IAS/IFRS accounting principles and the valuation criteria adopted are in line with those used at 31 December 2013.

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

For the purpose of comparing the accounting data contained in this document with those supplied in previous reports and providing consistent disclosures to the market, this interim report regarding the third quarter of 2014 also keeps the same layout defined for the previous quarterly reports.

Therefore, International accounting principle No. 34, regarding interim financial reporting, was not applied.

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.

Foreseeable evolution

In a market scenario characterized by persisting uncertainty, though slightly mitigated, the actions implemented by the Group - including the strategic rationalization of the product portfolio combined with the cost containment policy targeting a reduction of operating and overhead costs as well as the excellent performance recorded in Italy and in France by the Magazines Area - made it possible to target an improvement in the Group's ability to generate financial resources.

In the light of the current market scenario and the actions described above, which are expected to be continued also in the last quarter of the year, it is reasonable to expect for 2014 the already announced projection of a Group **EBITDA** exceeding the value recorded in 2012 and a consolidated net result essentially at break even.

In line with the evolution recorded in the first nine months of the year, the Group's Net Financial Position is significantly up against 2013.

For the Board of Directors
The Chairman
Marina Berlusconi

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

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

Oddone Pozzi

***Consolidated Balance Sheet and
Income Statement***

Consolidated balance sheet

Assets	30 September 2014	31 December 2013
Intangible assets	616,131	617,464
Property investments	3,102	3,181
Land and buildings	8,059	8,542
Plant and machinery	9,841	11,729
Other tangible assets	17,565	20,489
Property, plant and machinery	35,465	40,760
Investments booked at equity	36,665	38,187
Other investments	442	442
Total investments	37,107	38,629
Non-current financial assets	343	2,717
Advanced tax assets	48,666	58,444
Other non-current assets	32,617	22,250
Total non-current assets	773,431	783,445
Tax receivables	52,291	68,478
Other current assets	102,165	89,289
Inventory	112,391	124,009
Trade receivables	285,039	312,366
Stocks and other current financial assets	14,579	13,858
Cash and cash equivalents	31,123	65,683
Total current assets	597,588	673,683
Assets held for sale or transferred	-	-
Total assets	1,371,019	1,457,128

Consolidated balance sheet

Liabilities	30 September 2014	31 December 2013
Shareholders' equity	67,979	64,079
Share premium reserve	12,000	170,625
Treasury shares	-	(73,497)
Other reserves and results carried forward	177,062	250,943
Profit (loss) for the period	(7,545)	(185,415)
Group's Shareholders' equity	249,496	226,735
Minority shareholders' equity and reserves	30,770	31,954
Total Shareholders' equity	280,266	258,689
Provisions	63,085	83,928
Post-employment benefits	45,584	50,409
Non-current financial liabilities	322,016	398,836
Deferred tax liabilities	78,452	76,950
Other non-current liabilities	-	-
Total non-current liabilities	509,137	610,123
Income tax payables	505	293
Other current liabilities	219,355	220,093
Trade payables	310,338	321,307
Payables due to banks and other financial liabilities	51,418	46,623
Total current liabilities	581,616	588,316
Liabilities held for sale or transferred	-	-
Total liabilities	1,371,019	1,457,128

Consolidated income statement

	9M 2014	9M 2013
	-	-
Revenues from sales and services	859,643	931,244
Decrease (increase) of inventory	9,727	5,970
Cost of raw, ancillary, consumption materials and goods	141,639	122,781
Cost of services	480,949	553,402
Cost of personnel	169,901	206,089
Other (income) cost	18,609	33,160
Revenues (costs) from investments valued at equity	(2,770)	(961)
EBITDA	36,048	8,881
Depreciation and impairment loss on property, plant and equipment	7,194	8,544
Amortization and impairment loss on intangible assets	10,050	9,912
EBIT	18,804	(9,575)
Financial revenues (costs)	(17,809)	(16,659)
Revenues (costs) from other investments	-	-
Profit before taxes for the period	995	(26,234)
Income tax	6,508	4,392
Profit from operations	(5,513)	(30,626)
Income (cost) from assets/liabilities held for sale or transferred	-	-
Net result	(5,513)	(30,626)
Attributable to:		
- Minority shareholders	2,032	1,700
- Parent Company's shareholders	(7,545)	(32,326)
Net earnings per share (in euro units)	(0.03)	(0.14)
Diluted net earnings per share (in euro units)	(0.03)	(0.14)

Consolidated comprehensive income statement

(euro/000)	9M 2014	9M 2013
Net result	(5,513)	(30,626)
<i>Items reclassifiable to income statement</i>		
Income (loss) deriving from the conversion of currency denominated financial statements of foreign companies	(34)	-
Other profit (loss) from companies valued at equity	29	(66)
Effective part of profit (loss) on cash flow hedge instruments (cash flow hedge)	(2,033)	4,961
Income (loss) deriving from assets held for sale (fair value)	-	2,221
Tax impact on other income (loss) reclassifiable to income statement	223	(480)
<i>Items reclassifiable to income statement</i>		
Profit (loss) on cash flow hedge instruments	21	-
Income (loss) deriving from assets held for sale (fair value)	-	-
Tax impact on other income (loss) reclassifiable to income statement	-	-
<i>Items not reclassifiable to income statement</i>		
Actuarial income/ (losses)	(216)	(355)
Tax impact on other income (loss) reclassifiable to income statement	57	98
Total other profit (loss) net of tax effect	(1,953)	6,379
Comprehensive income for the period	(7,466)	(24,247)
Attributable to:		
- Parent Company's shareholders	(9,495)	(25,947)
- Minority shareholders	2,029	1,700

For the Board of Directors
The Chairman
Marina Berlusconi

Consolidated income statement - third quarter

	3Q 2014	3Q 2013
Revenues from sales and services	310,449	318,952
Decrease (increase) of inventory	5,903	5,614
Cost of raw, ancillary, consumption materials and goods	48,974	42,844
Cost of services	164,277	181,646
Cost of personnel	52,477	58,091
Other (income) cost	17,072	15,455
Revenues (costs) from investments valued at equity	(557)	(1,135)
EBITDA	21,189	14,167
Depreciation and impairment loss on property, plant and equipment	2,386	2,861
Total amortization of intangible assets	3,603	3,212
EBIT	15,200	8,094
Financial revenues (costs)	(5,500)	(6,105)
Revenues (costs) from other investments	-	-
Profit before taxes for the period	9,700	1,989
Income tax	5,375	6,472
Profit from operations	4,325	(4,483)
Income (cost) from assets/liabilities held for sale or transferred	-	-
Net result	4,325	(4,483)
Attributable to:		
- Minority shareholders	836	694
- Parent Company's shareholders	3,489	(5,177)

For the Board of Directors
The Chairman
Marina Berlusconi