MONDADORI

Press Release

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

Board approves proposed consolidated annual report and results for 2013

- **CONSOLIDATED NET REVENUES OF €1,275.8 MILLION: -9.9% COMPARED WITH €1,416.1 MILLION IN 2012;**

- **CONSOLIDATED GROSS OPERATING PROFIT, NET OF NON-RECURRING ITEMS, OF €49.1 MILLION: -32.2% COMPARED WITH €72.4 MILLION IN 2012**

- **2013 FACED NON-RECURRING CHARGES OF €61.9 MILLION (€4.3 MILLION IN 2012) AND IMPAIRMENT COSTS OF €145.4 MILLION COMPARED WITH €194.3 MILLION IN 2012**

- **CONSOLIDATED NET LOSS OF -€185.4 MILLION COMPARED WITH -€166.1 MILLION IN 2012**

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THE PERFORMANCE OF THE GROUP'S BUSINESSES WERE AHEAD OF EXPECTATIONS IN THE FIRST THREE MONTHS OF 2014 AND THE FORECAST FOR THE FULL YEAR IS FOR MARKED GROWTH IN CONSOLIDATED OPERATING PROFIT AND HIGHER THAN IN 2012

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GUIDELINE PLAN 2014-2016: CONSOLIDATED OPERATING PROFIT AT THE END OF THE PERIOD OF MORE THAN €100 MILLION

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PROPOSAL TO RENEW THE AUTHORISATION TO EFFECT SHARE BUY-BACKS

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PROPOSAL TO RENEW AND ALLOCATE POWERS OF THE BOARD OF DIRECTORS IN LINE WITH ARTICLES 2443 AND 2420 *TER* OF THE CIVIL CODE

Segrate, 27 March 2013 - The Board of Directors of Arnoldo Mondadori S.p.A. met today, under the Chairmanship of Marina Berlusconi, to examine and approve the consolidated balance sheet and management report for the year to 31st December 2013 as presented by the chief executive, Ernesto Mauri.

MARKET SCENARIO

The macroeconomic situation in Italy in 2013 was once again characterised by a marked downturn in the main economic indicators that were even worse than the already dramatic decline recorded in 2012.
Only in the final quarter of the year were there some signs of a modest recovery in economic activity, albeit in an unfavourable climate due also to the lack of dynamism in some emerging countries' economies.

This recessionary situation, combined with significant technological and structural changes in the sectors in which the Group operates had a significant impact, in particular in Italy where:

- the book market saw a fall in terms of value of -6.2% (-13.8% in the last two-years);
- the magazine market was severely affected by the ongoing slump in advertising expenditure, down by 23.9% (-38% in the period 2012-2013) while also circulation was down in value terms by 11.2% (-23.3% in the last two-years); while the decline in add-on sales was even more marked: -23.4% (-35.2% in the last two-years).

Also in France the economic picture was affected by the general crisis in the Eurozone: specifically:

- the magazine market in which Mondadori France operates recorded a marked fall compared with the previous year, especially in advertising -9.2% (-13.7% in the last two-years); while also circulation was down in terms of value by 6,7% (-11.7% in the period 2012-2013).

2013 AT MONDADORI

2013 was a year of change for the Mondadori Group as, in response to the market scenario outlined above, the Group embarked on a series of fundamental operations, both in terms of organisation and operating processes, aimed at bring the cost structure into line with the revenues trends of the traditional businesses and to ensure adequate resources to the excellence of the products and for businesses in development.

Organisational changes have affected almost the whole of the Group, with the redefinition of the responsibilities of both central and business functions and the renewal of most of the first line management.

As part of efforts to reduce operating costs, the “change of pace” plan, which foresees overall savings of €100 million by the end of 2015, touched on all cost items: among the most significant among the many measures introduced have been reductions in industrial costs (paper and printing), editorial costs and logistics (office space, retail outlets and distribution).

During the year total headcount (3,436 at year end), both permanent and temporary contracts, was down by 267 (-7.2% of the total on 31 December 2012) both through the ongoing review of organisational structures and extraordinary restructuring initiatives in all of the companies of the Group: excluding non-recurring costs related to restructuring, total personnel costs in 2013 were 10.1% lower than the previous year.

GROUP PERFORMANCE FOR THE YEAR ENDED 31 DECEMBER 2013

The consolidated financial statements for 2013 also feature:

- restructuring costs and other non-recurring charges of €61.9 million, mostly attributable to reorganisation activities;
- write-downs of €145.4 million, following the impairment process that has aligned assets and holdings to values that conform to the current market situation.

Below, are the consolidated results for the year 2013, compared with the figures for the previous year, that have been adjusted as a result of the application of the new IAS 19: the income statement to 31.12.2012 shows an improvement in gross operating profit of €1.6 million and in net profit of €1.2 million compared with the previous year.

Consolidated income statement (in €m)	**2013**	**2012 (*)**	**% change**
Income from sales of goods and services	1,275.8	1,416.1	(9.9%)
Personnel costs (**)	290.5	288.9	0.6%
Cost of sales and management (***)	996.3	1,067.2	(6.6%)
Income (charges) from investments calculated on a net equity basis	(1.8)	8.1	n.s.
Adjustments for non-recurring items: (positive)/negative	61.9	4.3	
Gross operating profit net of non-recurring items	**49.1**	**72.4**	**32.2%)**
Gross operating profit (loss)	**(12.8)**	**68.1**	
- as a proportion of revenues	*(1.0%)*	*4.8%*	
Depreciation of property, plant and machinery	12.1	11.8	2.5%
Depreciation of intangible assets	130.3	206.2	(36.8%)
Impairment	27.9	-	n.s.
Operating profit (loss)	**(183.1)**	**(149.9)**	**22.1%**
- as a proportion of revenues	*(14.4%)*	*(10.6%)*	
Net financial income (charges)	(24.2)	(22.2)	9.0%
Other financial income (charges)	-	-	-
Profit (loss) for the period before taxation	**(207.3)**	**(172.1)**	**20.5%**
Tax charges (income)	(23.8)	(8.2)	190.2%
Minority interest	(1.9)	(2.2)	(13.6%)
Net profit (loss)	**(185.4)**	**(166.1)**	**11.6%**

(*) Following the application of the new IAS 19, from 1 January 2013, the figures for 2012 have been adjusted for comparative purposes.
(**) Net of restructuring costs, the percentage change was -10.1%.
(***) Includes the following items: decrease (increase) in inventories; cost of raw, ancillary and consumable materials and goods; cost of services; various charges (income).

Consolidated net revenues came to €1,275.8 million, a fall of 9.9% on the €1,416.1 million in 2012.

Consolidated gross operating profit, net of non-recurring items came to €49.1 million, a 32.2% reduction on the €72.4 million of the previous year: non-recurring items not included refer to restructuring costs of €50.4 million (€18.8 million in 2012) and other charges of €11.5 million (income of €14.5 million in 2012).

Consolidated gross operating profit showed a loss of €12.8 million, compared with a profit in the previous year of €68.1 million.

The **consolidated operating loss** for the year came to -€183.1 million (-€149.9 million in 2012) following impairments of €145.4 million (€194.3 million in 2012).
The impairments refer to Mondadori France for €99.3 million (€140 million in 2012), R101 for €31.1 million (€46.3 million in 2012) and related investments and other assets for €15 million (€8 million in 2012). Amortizations in the year amounted to €24.9 million (€25 million in 2012).

Consolidated pre-tax losses for the year amounted to -€207.3 million (-€172.1 million in 2012) with financial charges of €24.2 million (€22.2 million in 2012).

The **consolidated net loss** came to -€185.4 million, compared with -€166.1 million in 2012.

The Group's **net financial position** showed a deficit of -€363.2 million, compared with a deficit of -€267.6 on 31 December 2012, a result of the impact of financial outlays related to the restructuring process carried out during the year.
It should be pointed out that in November 2013 all of the Group's credit lines were renegotiated.

THE BUSINESS AREAS

- ***<u>BOOKS</u>***

The 2013 revenues of the Book Area amounted to **€334.3 million**, a 9.8% fall on the €370.6 million of 2012.

Trade books confirmed their leadership with a market share of 27%, with an editorial programme that enabled the Group's brands (imprints) to have an average of 10 titles among the top 20 bestselling books of the year and to be in the top position for 23 weeks out of 52.
In terms of profitability, comparison with 2012 was particularly tough due to the "Fifty shades" phenomenon, which significantly stimulated margins; there was a very positive trend in the development of e-books (+70%) with 2 million downloads and the number of titles available in a digital format has now risen to almost 6,000 with a market share of over 40%.

It was a successful year for the **educational** and **art books** sector: with the educational area increasing its market share, after years of decline, to 13%, thanks to an extensive and appealing offer at all school levels while in the art publishing segment, thanks to the management and organisation of exhibitions, there was an increase in revenues in the year of 12.7%.
The importance of the Group's activities in these sectors is underlined by the increase in profitability, despite a difficult market environment.

- ***<u>MAGAZINES ITALY</u>***

The **Magazines Italy** area saw the biggest concentration of reorganisation and cost reduction activities during the year. These were focused on industrial costs and all the items that come under editorial costs, as well as personnel reductions.

In terms of the products, with the closure of 4 titles the Group's portfolio was strengthened while the reorganisation of the editorial departments for TV guides and the wellness segments made it possible to confirm the Group's leadership market (38%) through the re-launch of the main titles.

2013 revenues for the area amounted to **€326.1 million**, a 15.1% reduction on the €383.9 million of 2012 (-13.7% on a like-for-like basis). In particular:

- circulation revenues (-7% on a like-for-like basis) were penalised by a fall in newsstand sales and subscriptions;
- revenues from add-on sales (-13.7%) – while down, for a strategic decision to focus on the rationalisation of the initiatives – maintained their market leadership, with a more than 40% share and a high level of profitability;
- advertising revenues for Mondadori titles (-24.5% on a like-for-like basis) were affected by a decline in both weeklies and monthlies.

The performance of the Group's leading web sites was very positive with revenues rising by 7.3% in a market that was down by 1.8%. In particular, *Donnamoderna.com* confirmed its position as the second most popular web site for women in terms of unique users (an annual average of 4.5 million, an increase of 20%), *Grazia.it* also saw its audience grow by 28% while the percentage growth of other sites were even higher.

With regard to the Group's <u>international activities</u>, which continue to grow significantly, Mondadori International Business recorded revenues of €10.2 million, an increase of around 10% on 2012.
The number of editions of *Grazia* rose to 23 following the launch of the magazine during the year in Spain, Korea and Mexico. The year also saw the launch of *Icon* in Spain, distributed with *El Pais*.

Despite the difficult market conditions, the aggregate revenues generated by the international network came to €154.8 million, a fall of 4.2% compared with 2012.
In this context, advertising revenues came to €10.6 million, a rise of 14%, thanks also to an expansion of the international client portfolio.
Regarding the investments, there was an excellent revenue performance by the joint venture in China (+18%) while the Russian JV was essentially stable. Meanwhile, despite a negative performance during the year (-11%), Attica Publications recorded a reversal in the trend in the final quarter.

- ***ADVERTISING***

The most important organisational change for the Group, implemented in 2013 and effective from the beginning of 2014, was the contribution of the advertising sales for magazines and radio (R101 and other radio stations under licence) to **Mediamond**, the joint venture with Publitalia ’80, that already managed the sale of advertising for the Mondadori web sites, as well as those of R.T.I. and a number of third parties
As a result of this operation, Mediamond is now Italy’s most complete advertising sales company, able to offer an integrated commercial package for print, web and radio, with the creation of a radio network that is the leader in the market with an daily average of 9.7 million listeners.
Thanks to this operation the Group will have a greater capacity to face a market that is expected to continue to decline, also in 2013, and in which all segments have shown negative trends.

2013 revenues generated by Mondadori Pubblicità amounted to **€141.6 million**, a fall of 18.1% on the €172.9 million of 2012. In Particular:

- advertising sales for magazines of the Mondadori Group were down by 29.7% on 2012; the figure was -23.6% on a like-for-like basis, essentially in line with the market;
- advertising sales for radio in 2013 were up by 41.8% thanks mainly to the acquisition of the sales contract for Radio Italia, to which were added Radio Subasio and Radio Norba;
- with regard to the Internet, the joint venture Mediamond generated revenues of €45.4 million (+21.6% on 2012) with results that were substantially better than the market.

- ***MAGAZINES FRANCE***

Despite a market that has been in decline for two years, the **Magazines France** area continued and intensified efforts in brand extensions and to reduce costs that resulted in the maintenance of a still good level of profitability, with total revenues in 2013 amounted to **€353.9 million**, a fall of 7.3% on the €381.6 million of 2012.

In an advertising scenario strongly conditioned by the economic crisis (-6.2% in terms of volume, Source: Kantar Media), the sales company of Mondadori France performed better than the market (-4.5% in terms of volume) and saw its market share rise to 11% (+0.2%), confirming its position as France’s second magazine advertising sales company. The women’s *haut de gamme* titles (*Grazia* and *Biba*) remained the most important advertising segment for the Group, with revenues that were 32.9% of the total.

Circulation sales from newsstands and subscriptions, which account for around 70% of total revenues, were down by 6.1%. In particular, newsstand revenues fell by 6.8%, in line with the market of reference.

In the digital sector, there was a significant increase in the average audience of the Group’s sites (+25%), with unique users in December totalling 6.3 million, while at the same time revenues grew by 23.8%.

For the future, the company is pursuing further reductions in costs and during 2013 a project was launched to the digitisation of the editorial teams which will enable the editorial staffs to work with a single production flow and to make use of content produced across all platforms, print and digital.

- ***RETAIL***

The **retail** area in 2013 generated revenues of €**225 million**, a fall of 8.2% on the €245.2 million of 2012. The year was characterised by a number of important changes:

- in terms of management, with the arrival of significant professional figures with established experience in the sector, followed by an extensive review of the structure;
- the closure of outlets and the development of higher potential locations;
- the expansion of the “non-book” assortment (stationery, toys, own label) and IT products also related to reading (e-readers), along with an ever-more complete offer of books (160,000 titles);
- the loyalty project, with the development of the Mondadori Card, of which 1,150,000 had been issued by the end of the year.

Particular attention has also been given to cost reductions through a simplification of the corporate and organisational structures, the renegotiation of rental agreements and a review of the logistical chain (offices and warehouses).

- ***RADIO***

Also at **R101** 2013 was a year of change with a market in continuous decline (-9.3%) during which the reduction in budgets in important sectors (auto, large-scale retail, telecoms) had a significant impact.

In this context R101 recorded revenues of **€11.3 million**, a fall of 18.7% on the €13.9 million of 2012.

Confirming the strategic role *R101* has for the Mondadori Group, the alliance with radio Italia has been consolidated and reinforced. Following the launch of the advertising concessions, in 2014 the relationship was extended to cover also programming and marketing, which has been entrusted to professionals from the sector in order to further enhance the identity of *R101* in the Italian radio market.
On 25 March the creation of the new R101 was announced, with the presentation to the market of a completely revised editorial line, new commercial policies and partnerships with television programmes and important sporting events.

- ***DIGITAL***

Similarly important in structural terms, a business model was defined in 2013 that envisages **Digital** as the cross-company driver for all of the Group’s activities, and consequently led to the hiring of specific new competencies aimed at enhancing the Group’s technological know-how, editorial content and the development of new activities.

Digital-based revenues at the end of 2013 amounted to €60.2 million (-4.3% compared with the €63 million in 2012), and included activities in the various areas of the Group, including the e-books published by the Trade Books area (+70%), the Group’s main sites in Italy (+7.3%), and in France (+23.8%) and the e-commerce site inMondadori.it (which saw a slowdown in sales).

RESULTS OF THE PARENT COMPANY ARNOLDO MONDADORI EDITORE S.P.A.

The Annual Report of the parent company Arnoldo Mondadori Editore S.p.A. on 31 December 2013 shows a loss of €315 million, higher than that of the previous year, which came to €39.6 million, essentially due to:

- the results of the Group’s businesses, in the difficult market environment of reference;
- organisational changes, involving the top management, editorial structures - in particular for magazines - and central functions, that resulted in significant non-recurring costs;

- the non receipt of dividends from the companies of the Group due to the poor results of the previous year;
- as well as the process of evaluation of the recoverable value of subsidiary and associated assets which, for the second consecutive year, resulted in significant impairment losses for a total of around €275 million.

FORECAST FOR THE FULL YEAR

In a market that is still not showing clear signs of a reversal in the trend, the performance of the Group's businesses in the first months of 2014 is ahead of expectations: in addition to the positive results of the businesses and editorial products, there is also evidence of the effects of the reorganisation efforts and cuts in operating costs made in 2013.

This, and the substantial reduction of non-recurring charges in the current year, make it possible to estimate for the end of the year substantial growth in gross operating margins and higher than in 2012.

Among the most important new initiatives in the first three months of 2014 were:

- the launch of *Il mio Papa*, the world's first weekly entirely dedicated to the Holy Father which, after the great success of the first issue, sold over 300,000 copies of the second;
- the acquisition of the brand and assets of the social reading service of Anobii Ltd, a platform with over a million users around the world, of which more than 300,000 in Italy;
- the scoop by the French weekly *Closer* about President François Hollande that sold a record number of more than 600,000 copies. The magazine has confirmed its position as the main point of reference among people titles in the country;
- the launch of the new *R101*, with a completely new editorial line and the presentation of new commercial partnerships;
- the launch of a revamped *Panorama* the first issue of which had 110 advertising pages, 40 of which for the fashion sector.

GUIDELINES OF THE 2014-2016 PLAN: CONSOLIDATED GROSS OPERATING PROFIT AT THE END OF THE PERIOD OF MORE THAN €100 MILLION

The macroeconomic scenario for the current year doesn't appear to offer much that is different from last year, if not an inversion of the trend in GDP. Meanwhile, an improvement, in a situation that remains volatile, is expected in 2015-2016.
With regard to the trends in the main markets in which the Mondadori group operates, it is possible to foresee a further downturn, albeit at a slower pace than in the last three years.

In this context Mondadori – thanks to the action taken in 2013 – **aims to achieve a level of profitability at the end of 2016, in terms of consolidated gross operating profit (EBITDA), of more than €100 million**, with all businesses showing an improving trend and in profit.
Further efficiency measures, the revision of processes and cost reductions affecting all areas of the Group's business will be of fundamental importance.

For the core businesses, the focus will concern:

- **Books**:
  - Trade: confirmation of undisputed leadership in printed books;
  - *Education*: a continuation of the upward trend in market share.

  There will also be a big development in digital thanks to the strength of the catalogue of the Group's publishing houses: in terms of revenues, there will be a rise from the current 5% to 16% of the total of the area and with higher margins on e-books than those on the physical product.

- **Magazines & Advertising**:
  - continued efforts to renew the product portfolio aimed at consolidating leadership in all segments;
  - rationalisation of editorial structures and integration with digital*;*
  - Properties: profitable in both Italy and France from 2016;
  - full effect of the integration of advertising sales in *Mediamond,* with a consequent recovery of market share.

- **International Network:**
  - increase in the number of editions of *Grazia* and other titles in emerging markets;
  - possibility of developing e-commerce activities for all 23 editions around the world of *Grazia*;
  - activities in China: in April 2014 *Grazia* goes weekly, with significant effects on circulation growth and, particularly, advertising sales;
  - brand extension activities built around the *Grazia* brand.

- **Retail:**
  - big development of the franchising network and a process of rationalisation of sales outlets;
  - optimisation of logistics (office space and distribution);
  - diversification of the offer with an expansion of the assortment to include stationery, toys and food.

- **Radio:**
  - full effects of the change of management at R101 and the capitalising, in terms of a further increase in advertising revenues, of the radio network of Mediamond that today has a daily average of over 9.7 million listeners.

With regards to digital:
the **Digital Innovation** area will be a cross-company driver for all of the Group's businesses with the aim of **tripling the proportion of digital revenues** to **13% at the end of 2016**.

In addition to completing the organisation with the most suitable professional skills and the transformation of the Group through the inclusion and integration of new businesses and technologies, the focus will be on:

- growth and the reinforcement of digital activities in existing businesses: e-books*,* properties and e-commerce;
- diversification and development of new revenue streams in non-traditional activities (marketing services*);*
- searching for partnership with third parties and acquisitions that are strategic and synergic with the core business.

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THE RESIGNATION OF THE CFO CARLO MARIA VISMARA EFFECTIVE FROM 31 MAY 2014

The Board of Directors has accepted the resignation submitted by Carlo Maria Vismara from his position as chief financial officer, and director of procurement and information systems, as well as the manager in charge of preparing the corporate accounts, and his position as a member of the board.
The decision by Vismara is related needs of a personal and family nature no longer compatible with the continuation of the full professional commitment required by a management role of such primary importance.

In order to ensure proper coordination and completion of activities related to the approval of the 2013 Annual Report and the interim report for the first quarter of 2014, the resignation will be effective from the Board of Directors already scheduled for the coming 13 May to approve the management report for the period to 31 March 2014 and, in any case, by the 31 May of this year.
The Directors expressed deep regret for the decision of Carlo Maria Vismara and expressed their gratitude and appreciation for the highly professional contribution made by him in more than eight years with the Mondadori Group.

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PROPOSAL TO COVER OF THE LOSS OF THE YEAR FROM AVAILABLE RESERVES

The Board of Directors will propose to the Shareholders' Meeting convened for 30 April 2014 on first calling (2 May, on second calling), to settle in full the loss for the year to 31 December 2013 of €314,970,500.44 through the use of reserves as follows:

- for €170,624,621.21 entirely through the use of the share premium reserve, following the allocation from the share premium reserve to the extraordinary reserve of the restriction on the availability of the amount corresponding to the book value of the treasury shares, defined in line with the provisions of art. 2357 I, final para. of the Civil Code;
- for €5,334,814.39 entirely through the use of the reserve for capital grants, included under "Other reserves and retained earnings";
- for a total of €51,132,983.35 entirely through the use of the following retained earnings, included under "Other reserves and retained earnings":
  Legal Reserve 675 of 12/08/1977 equal to €351,348.61;
  Legal Reserve 904 of 16/12/1977 equal to €750,738.83;
  Legal Reserve 124/1993, art. 13 equal to €159,607.90;
  Merger reserve equal to €43,998,556.21;
  Reserve for waived dividends equal to €5,872,731.80;
- for a total of €10,802,729.52 through the partial use of the available resources of the IAS/IFRS Reserve, included under "Other reserves and retained earnings";
- for €77,075,351.97 through the partial use of the available resources of the Extraordinary Reserve, included under "Other reserves and retained earnings".

PROPOSAL FOR THE RENEWAL OF AUTHORISATION FOR THE BUY-BACK AND UTILISATION OF COMPANY SHARES

Following the expiry on 31 December 2013 of the term fixed by the authorisation issued at the Annual General Meeting of 23 April 2013, the board of directors resolved to ask the forthcoming Annual General Meeting of the shareholders to renew authorisation to effect share buy-backs, giving the board the possibility of seizing eventual investment opportunities or operations based on the company's shares.

It should be noted that, taking account of the shares previously in the portfolio, at the AGM of 23 April 2013, the shareholders authorised the acquisition of up to 10% of the share capital, which amounts to 24,645,834 ordinary shares.
Given the total of 14,953,5000 shares already directly or indirectly held at the date of the AGM – of which 10,436,014 are held directly in the portfolio of Arnoldo Mondadori Editore SpA and 4,517,486 by the subsidiary Mondadori International SpA – the authorisation consequently provided an option to buy an additional maximum of 9,692,334 shares.

Subsequent to the authorisation issued on 23 April 2013, Arnoldo Mondadori Editore SpA made no acquisitions or use of said shares, either directly or indirectly.
Consequently the number of shares held remains unchanged at 14,953,5000, or 6.067% of the share capital. It should also be noted that, as a result of the merger, by incorporation of Mondadori International SpA, completed during 2013, the total number of shares held are

now in the portfolio of Arnoldo Mondadori Editore SpA.

The Shareholders will also be asked to authorise, pursuant to Art. 2357 *ter* of the Civil Code, the use of shares acquired or already in the company's portfolio.

What follows is an outline of the proposal to be put to the Shareholders:

- **Underlying motivation**

The motivation for the request for authorisation to buy and use company shares is to provide the board of directors with the possibility:

to use company shares, either bought or in the portfolio, for the exercise of rights, including conversion rights, deriving from financial instruments issued by the company, its subsidiaries or third parties;

- to use company shares, either bought or in the portfolio, as part or whole payment in any eventual acquisitions or equity investments that fall within the company's stated investment policy;
- to take advantage, where and when considered strategic for the company, of investment opportunities, also in relation to available liquidity;
- to use company shares for the exercise of options for the purchase of shares assigned to participants in the stock option plans put in place by the shareholders.

- **Duration**

Until the approval of the Annual Report for the year 2014.

- **Cap on the number of shares that may be bought**

The authorisation refers to a limit of 10% of the share capital, in line with the previous authorisation that is about to expire. Given, as indicated above, that the company currently holds, directly or indirectly, a total of 14,953,500 shares, the new authorisation consequently foresees the possible acquisition of an additional 9,692,334 ordinary shares, or 3.933% of the share capital.

- **Method of acquisition and price range**

Buy backs would be effected on regulated markets as per art. 132 of Legislative Decree n. 58 of 24 February 1998 and art. 144 *bis*, para. 1,B of Consob Regulation 11971/99 according to operating procedures established by the regulations for the organisation and management of the markets themselves, which, does not permit the direct combination of offers to buy with predetermined offers to sell.

The corresponding minimum and maximum price of sale will therefore be determined at the same conditions that applied to previous authorisations agreed by the Shareholders, i.e. at a unit price not less than the official market price on the day prior to any operation, less 20%, and not more than the official market price on the day prior to any operation, plus 10%.

In terms of price and daily volumes, acquisition operations will in any case be conducted in line with the norms foreseen by the EU regulation 2273/2003.

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PROPOSED RENEWAL AND ATTRIBUTION OF POWERS TO THE BOARD OF DIRECTORS PURSUANT TO 2443 AND 2420 *TER* OF THE CIVIL CODE

The board of directors will propose to the Shareholders' Meeting called for 30 April 2014, in extraordinary session, the adoption of the resolutions referred to in Articles 2443 and 2420 of the Civil Code, relating to powers of the board to increase the share capital and to issue convertible bonds.

Specifically, the board will ask the Shareholders to:

– renew the powers already granted to the board of directors by the Extraordinary Shareholders' Meeting of 29 April 2009, which is due to expire at the end of the five-year term, in accordance with Art . 2443 and 2420 of the Civil Code, of attribution for the board of directors to increase, without excluding option rights, the share capital by a maximum nominal amount of €78,000,000 and to issue convertible bonds for a maximum nominal amount of €260,000,000 . The renewal is proposed under the same

- attribute to the board of directors, for the same five-year period, additional power to increase the share capital within a limit of 10% of the existing share capital and excluding the right of option, as per Articles 2443 and 2441, paragraph 4, second sentence, of the Civil Code.

The proposals for the renewal and granting of such powers are motivated by the opportunity to maintain and attribute to the board of directors the authority to implement, with greater speed and flexibility with respect to the resolutions of an Extraordinary Shareholders' Meeting, any capital transactions aimed at strengthening the financial structure of the company in support of the development objectives of the Group, represented, as previously disclosed to the market, both in terms of the consolidation of the business lines with higher added value and improved profitability in the magazine sector, as well as growth in particular in the digital area.

With specific reference to the powers exercisable for any eventual capital increase with exclusion of option right to a limit of 10% of the existing share capital, it should be noted that any offer made to a third party may be a valuable tool to increase the free float and enable the company to maintain an adequate level of liquidity of the shares, or be functional for the entry into the capital of accredited investors, while limiting the dilutive effects for existing shareholders.

Today at 3pm, at the company's headquarters in Segrate, the management of the Mondadori Group will present the results for 2013 approved today by the board of directors, to the financial community.
All relative documentation is available on the web site www.mondadori.com (in the Investor Relations section) and from Borsa Italiana S.p.A. (www.borsaitaliana.it).

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

Enclosures:
1. *consolidated balance sheet*
2. *consolidated income statement*
3. *consolidated cash flow statement*
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Annex 1
Consolidated balance sheet

Assets	€m 31 December 2013	€m 31 dicembre 2012
Intangible assets	**617.5**	**746.0**
Fixed assets	**3.2**	**3.2**
Land and buildings	8.5	9.3
Plant and machinery	11.7	14.2
Other assets	20.5	26.3
Property, plant and machinery	**40.7**	**49.8**
Investments valued at equity	38.2	59.1
Other investments	0.4	1.4
Total investments	**38.6**	**60.5**
Non-current financial assets	**2.7**	**5.6**
Pre-paid tax assets	**58.4**	**50.6**
Other non-current assets	**22.3**	**2.0**
Total non-current assets	**783.4**	**917.7**
Tax receivables	**68.5**	**61.9**
Other current assets	**89.3**	**85.2**
Inventory	**124.0**	**129.6**
Trade receivables	**312.4**	**335.4**
Other current financial assets	**13.8**	**32.1**
Cash and cash equivalents	**65.7**	**166.8**
Total current assets	**673.7**	**811.0**
Assets held for sale or closed	**-**	**-**
Total assets	**1,457.1**	**1,728.7**

Liabilities	€m 31 December 2013	€m 31 December 2012
Share capital	**64.1**	**64.1**
Share premium reserve	**170.6**	**210.2**
Other reserves and results carried forward	**177.4**	**293.5**
Profit (loss) for the period	**(185.4)**	**(167.3)**
Total Group shareholders' equity	**226.7**	**400.5**
Minority capital and reserves	**32.0**	**33.3**
Total shareholders' equity	**258.7**	**433.8**
Provisions	**83.9**	**61.8**
Post employment benefits	**50.4**	**53.9**
Non-current financial liabilities	**398.8**	**387.3**
Deferred tax liabilities	**77.0**	**89.4**
Other non-current liabilities	**-**	**-**
Total non-current liabilities	**610.1**	**592.4**
Income tax payables	**0.3**	**2.7**
Other current liabilities	**220.1**	**248.2**
Trade payables	**321.3**	**366.8**
Payables due to banks and other financial liabilities	**46.6**	**84.8**
Total current liabilities	**588.3**	**702.5**
Liabilities deriving from sales or closures	**-**	**-**
Total liabilities	**1,457.1**	**1,728.7**

Annex 2

Consolidated income statement

(€m)	FY 2013	FY 2012 (*)	% var.
Revenues from sales and services	1,275.8	1,416.1	(9.9%)
Cost of personnel (**)	290.5	288.9	0.6%
Cost of sales and management (***)	996.3	1,067.2	(6.6%)
Revenues (costs) from investments valued at equity	(1.8)	8.1	n.s.
Adjustments for extraordinary (positive)/negative items	61.9	4.3	
EBITDA net of extraordinary items	**49.1**	**72.4**	**(32.2%)**
EBITDA	**(12.8)**	**68.1**	
EBITDA incidence on revenues	*(1.0%)*	*4.8%*	
Depreciation and impairment on property, plant and machinery	12.1	11.8	2.5%
Amortization and impairment of intangible assets	130.3	206.2	(36.8%)
Impairment of investments valued at equity and other investments	27.9	-	n.s.
EBIT	**(183.1)**	**(149.9)**	**22.1%**
EBIT incidence on revenues	*(14.4%)*	*(10.6%)*	
Net financial revenues (costs)	(24.2)	(22.2)	9.0%
Revenues (costs) from other investments	-	-	-
Pre-tax profit for the period	**(207.3)**	**(172.1)**	**20.5%**
Income tax	(23.8)	(8.2)	190.2%
Minority shareholders' profit	(1.9)	(2.2)	(13.6%)
Net profit	**(185.4)**	**(166.1)**	**11.6%**

(*) Following the application of revised IAS 19, as of 1 January 2013, 2012 data was subject to adjustment for the purpose of consistent comparison.
(**) Net of restructuring costs, the variation would be equal to -10.1%.
(***) This includes the following items: decrease (increase) in inventory; costs for raw, ancillary and consumption materials and goods; other costs (revenues).

Annex 3

Consolidated cash flow statement

	€m 31 December 2013	€m 31 December 2012
Net profit for the period	(185.4)	(166.1)
Adjustments		
Depreciations, amortization and impairment	170.2	218.1
Tax charges	(23.8)	(8.2)
Stock options	-	0.1
Charges to provisions and post-employment benefits	33.5	1.4
Capital losses (gains) on disposals of tangible assets, property, plant and equipment	0.5	(7.5)
Capital losses (gains) on valuations of financial assets	(0.5)	(0.2)
(Revenues) costs from companies valued at equity	1.5	(0.7)
Net financial charges on loans and derivatives	20.1	13.9
Adjusted net profit from operating activities	**16.1**	**50.8**
(Increase) decrease in trade receivables	16.7	25.7
(Increase) decrease in inventory	4.7	6.9
Increase (decrease) in trade payables	(40.8)	(3.6)
Income tax payments	(18.3)	(43.6)
Payment of advances and post-employment benefits	(8.3)	(5.2)
Net changes in other current assets/liabilities	(40.5)	(4.4)
Cash flow from (used in) operating activities	**(70.4)**	**26.6**
Payment of business combination net of cash acquired/transferred	-	(1.9)
(Investments in) disposals of intangible assets	(2.0)	(2.4)
(Investments in) disposals of property, plant and equipment	(7.8)	(5.1)
(Investments in) disposals of equity investments	(5.6)	71.5
(Investments in) disposals of financial assets	31.3	(6.1)
Cash flow from (used in) investment activities	**15.9**	**56.0**
Net changes in financial liabilities	(17.8)	19.1
Net financial charges on loans and derivatives	(28.9)	(14.8)
(Purchase) disposal of treasury stock	-	(3.0)
Dividends paid out	-	-
Cash flow from (used in) financial activities	**(46.7)**	**1.3**
Increase (decrease) in cash and cash equivalents	**(101.2)**	**83.9**
Cash and cash equivalents at beginning of period	**166.8**	**82.9**
Cash and cash equivalents at end of period	**65.6**	**166.8**
Composition of cash and cash equivalents		
Cash, cheques and cash in hand	2.8	2.0
Bank and post office deposits	62.8	164.8
	65.6	**166.8**

Annex 4

Balance sheet of Arnoldo Mondadori Editore S.p.A.

ASSETS	€m 31 December 2013	€m 31 December 2012
INTANGIBLE ASSETS	90.4	88.6
FIXED ASSETS	3.2	3.2
Land and buildings	6.8	7.4
Plant and machinery	3.0	4.0
Other assets	2.4	3.5
PROPERTY. PLANT AND MACHINERY	**12.2**	**14.9**
INVESTMENTS	248.5	563.7
NON-CURRENT FINANCIAL ASSETS	200.2	50.0
PRE-PAID TAX ASSETS	22.2	19.7
OTHER NON-CURRENT ASSETS	15.5	0.5
Total non-current assets	**592.2**	**740.6**
TAX RECEIVABLES	51.1	43.9
OTHER CURRENT ASSETS	45.2	42.6
INVENTORY	28.3	30.7
TRADE RECEIVABLES	144.7	174.9
OTHER CURRENT FINANCIAL ASSETS	139.9	108.7
CASH AND CASH EQUIVALENTS	53.0	161.5
Total current assets	**462.2**	**562.3**
ASSETS HELD FOR SALE OR CLOSED	-	-
Total assets	**1,054.4**	**1,302.9**

LIABILITIES	€m 31 December 2013	€m 31 December 2012
Share capital	64.1	64.1
Share premium reserve	170.6	210.2
Treasury stock	(73.5)	(38.7)
Other reserves and results carried forward	329.2	283.8
Profit (loss) for the period	(315.0)	(39.3)
Totale Shareholders' equity	**175.4**	**480.1**
PROVISIONS	52.6	39.7
POST-EMPLOYMENT BENEFITS	20.8	24.0
NON-CURRENT FINANCIAL LIABILITIES	394.8	225.5
DEFERRED TAX LIABILITIES	25.1	23.2
OTHER NON-CURRENT LIABILITIES	-	-
Total non-current liabilities	**493.3**	**312.4**
INCOME TAX PAYABLES	-	1.2
OTHER CURRENT LIABILITIES	57.5	69.9
TRADE PAYABLES	143.4	178.0
PAYABLES DUE TO BANKS AND OTHER FINANCIAL LIABILITIES	184.8	261.3
Total current liabilities	**385.7**	**510.4**
LIABILITIES DERIVING FROM SALES OR CLOSURES	-	-
Total liabilities	**1.054.4**	**1,302.9**

Annex 5
Income statement of Arnoldo Mondadori Editore S.p.A

	€m 31 December 2013	€m 31 December 2012
Revenues from sales and services	**525.3**	**626.2**
DECREASE (INCREASE) IN INVENTORY	2.4	-
COSTS OF RAW, ANCILLARY, CONSUMPTION MATERIALS AND GOODS	119.9	141.9
COST OF SERVICES	314.1	357.3
COST OF PERSONNEL	120.1	122.4
OTHER COSTS (REVENUES)	15.1	0.3
EBITDA	**(46.3)**	**4.3**
DEPRECIATION OF PROPERTY, PLANT AND MACHINERY	3.4	3.5
AMORTIZATION AND IMPAIRMENT OF INTANGIBLE ASSETS	0.6	2.0
EBIT	**(50.3)**	**(1.2)**
FINANCIAL REVENUES (COSTS)	(8.8)	(11.6)
REVENUES (COSTS) FROM INVESTMENTS	(267.7)	(30.8)
Pre-tax profit	**(326.8)**	**(43.6)**
INCOME TAX	(11.8)	(4.3)
Net profit	**(315.0)**	**(39.3)**

Annex 6

Cash flow statement of Arnoldo Mondadori Editore S.p.A.

Cash flow statement	€m 31 December 2013	€m 31 December 2012
Net profit for the period	(315.0)	(39.3)
Adjustments		
Amortization, depreciation and impairments	272.2	63.7
Income tax	(11.8)	(4.3)
Stock options	-	0.1
Charges to provisions and post-employment benefits	17.2	6.1
Capital loss (gain) on disposals of intangible assets, property, plant and equipment	(0.3)	0.9
Revenues from investments – dividends	(0.5)	(28.3)
Financial costs (revenues) on loans and derivatives	9.1	7.5
Adjusted net profit from operating activities	**(29.1)**	**6.4**
(Increase) decrease in trade receivables	26.0	17.6
(Increase) decrease in inventory	2.4	3.2
Increase (decrease) trade payables	(33.7)	(3.2)
Income tax payments	2.1	(14.0)
Increase (decrease) in provisions and post-employment benefits	(5.3)	(5.9)
Net changes in other assets/liabilities	(27.2)	(4.9)
Cash flow from (used in) operating activities	**(64.8)**	**(0.8)**
Payment of business combination for extraordinary transactions net of cash acquired/(transferred)	0.2	(1.0)
(Investments in) disposals of intangible assets	(2.2)	(0.9)
(Investments in) disposals of property, plant and equipment	(1.6)	(1.5)
(Investments in) disposals of equity investments	(15.6)	18.9
Revenues from investments – dividends	0.5	28.3
(Investments in) disposals of securities and other financial assets	(31.2)	(8.5)
Cash flow from (used in) investment activities	**(49.9)**	**35.3**
(Increase) decrease in payables due to banks	(36.8)	(74.5)
(Purchase) sale of treasury shares	-	(3.0)
Net changes in other financial assets/liabilities	71.9	150.2
Financial revenues (costs) on loans and derivatives	(28.9)	(6.9)
Dividends paid out	-	(0.8)
Cash flow from (used in) financial activities	**6.2**	**65.0**
Increase (decrease) in cash and cash equivalents	**(108.5)**	**99.5**
Cash and cash equivalents at beginning of period	**161.5**	**62.0**
Cash and cash equivalents at end of period	**53.0**	**161.5**

Composition of cash and cash equivalents		
Cash, cheques and cash in hand	-	-
Bank and post office deposits	53.0	161.5
	53.0	**161.5**