ARNOLDO MONDADORI EDITORE S.p.A.

Share Capital Euro 64,079,168.40
Head Offices in Milan
Administrative Offices in Segrate (Milan)

MONDADORI

Annual Report

Company Financial Statements at 31 December 2013
Group Consolidated Financial Statements at 31 December 2013
Directors’ Report on Operations

Call Notice for Shareholders' Meeting

The persons eligible to intervene and exercise the right to vote are invited to participate in the ordinary Shareholders' Meeting in first call on 30 April 2014 at 10:30 a.m., in Segrate (Milan), via Mondadori 1 and, if needed, in second call 2 May 2014, same time and place, to resolve upon the following:

Agenda

Ordinary section

1. Company financial statements at 31 December 2013, Directors' report on operations and the reports from the Board of Statutory Auditors and from the Independent Auditing Firm. Presentation of the Group consolidated financial statements at 31 December 2013. Resolutions relative to the approval of the financial statements at 31 December 2013.
2. Resolutions relative to the allocation of 2013 net income.
3. Report on Remuneration; resolutions relative to the first Section pursuant to article 123-*ter*, par. 6, of the Italian Legislative Decree no. 58 of 24 February 1998.
4. Authorization for the purchase and sale of Treasury Shares pursuant to the combined provisions set out in articles 2357 and 2357-*ter* of the Italian Civil Code.

Extraordinary section

1. Proposal for the granting of powers to the Board of Directors pursuant to the provisions set out in articles 2443 and 2420-*ter* of the Italian Civil Code:
   - 1.1 Renewal of the power granted to the Board of Directors pursuant to article 2443 of the Italian Civil Code, to increase, in one or more instalments, the share capital under rights issue to the persons eligible within a period of five years after the date of the relevant resolution for a maximum nominal amount of euro 78,000,000; consequent amendment to article 6.6 of the Company's By-Laws and relevant resolutions;
   - 1.2 Renewal of the power granted to the Board of Directors pursuant to article 2420-*ter* of the Italian Civil Code, to issue, in one or more instalments, bonds convertible into shares within a period of five years after the date of the relevant resolution for a maximum nominal amount of euro 260,000,000; consequent amendment to article 6.6 of the Company's By-Laws and relevant resolutions;
   - 1.3 Granting to the Board of Directors pursuant to article 2443 of the Italian Civil Code, of the power to increase, in one or more instalments, the share capital within a period of five years after the date of the relevant resolution, with exclusion of the rights issue pursuant to article 2441, par. 4, second item, of the Italian Civil Code, through the issue of ordinary shares not exceeding 10% of the total number of shares making up Arnoldo Mondadori Editore share capital at the date of the possible exercise of the power and, in any case, for a nominal amount not exceeding euro 20,000,000; consequent amendment to article 6.6 of the Company's By-Laws and relevant resolutions.

Integration to the agenda or submission of new proposals for resolution

Pursuant to art. 126-*bis* of Italian Legislative Decree no. 58 of 24 February 1998, the Shareholders who, also jointly, represent at least 2.5% of the share capital with voting rights, may request, within ten days after the publication of this call for notice, integrations to the agenda to discuss, and specify the additional items to discuss in the relevant request, or submit proposals for resolutions on items already included in the agenda. The request shall be made in writing within the afore mentioned term and sent by registered mail to the Company's legal offices in Milan, via Bianca di Savoia no. 12 - Att. Direzione Affari Legali e Societari -, or by certified electronic mail to the following address: societario@pec.mondadori.it, together with a copy of the communication confirming the ownership of the shares held by the intermediaries responsible for the management of the accounts containing the applicant's shares. Within the afore mentioned term and with the same criteria, any eventual applying shareholders are invited to present a report on the topics to be discussed or the motivations underlying the additional proposals for resolutions submitted on the items already included in the agenda. The integrations to the agenda that the Shareholders' Meeting will discuss or the submission of the additional proposals for resolution on items already included in the agenda shall be advertised according to the same criteria used for the publication of the call of notice, at least fifteen days before the date of the Shareholders' Meeting in first call. Concurrently with the advertisement of the integrations to the agenda or of the submission of the additional proposals for resolution on items already included in the agenda the report submitted by the applying shareholders shall be made available to the public according to the same criteria envisaged for the presentation of the documentation to the Shareholders' Meeting, along with any valuations from the Board of Directors. It should be noted that integrations are not admitted for issues upon which the Shareholders' Meeting resolves, pursuant to law, on proposals advanced by members of the Board of Directors or based on a project or report drafted by them, other than those provided for in article 125-*ter*, par. 1, of Italian Legislative Decree no. 58 of 24 February 1998.

Intervention in the Shareholders' Meeting

Holders of voting rights are eligible to intervene in the Shareholders' Meeting in compliance with the provisions set out in the currently applicable law. In this respect, pursuant to art. 83-*sexies* of Italian Legislative Decree no. 58 of 24 February 1998, the eligibility to intervene and to exercise the voting rights in the Shareholders' Meeting is confirmed by a communication served by the Company, prepared by the intermediary based on the accounting entries, in favour of the entity entitled to the voting rights, based on the evidence relative to the end of the seventh trading day prior to the date scheduled for the Shareholders' Meeting in first call (coinciding with 17 April 2014). Those who are confirmed to be holding Company shares only after such date, shall not be deemed eligible to intervene and exercise the right to vote in the Shareholders' Meeting. The communication of the intermediary as per this point shall be served to the Company by the end of the third market trading day prior to the date scheduled for the Shareholders' Meeting in first call (i.e. by 25 April 2014) without prejudice to the eligibility to intervene and exercise the right to vote in the case in which the communications are served to the Company after such term, provided that this is made before the beginning of the Shareholders' Meeting in single call..

Any person eligible to intervene in the Shareholders' Meeting may be represented by giving proxy in writing pursuant to the currently applicable law provisions. To this end, the specifically authorized form shall be used, which is made available at the Company's head offices, on the Company's website (www.mondadori.it; Governance section) and at the authorised intermediaries. The proxy may be notified to the Company by means of registered mail sent to the Company's legal offices or by certified electronic mail to the following address: societario@pec.mondadori.it. Any preventive notice does not relieve the proxy holder from the obligation to confirm compliance with the original copy notified and the identity of the delegating person upon accreditation to access the Shareholders' Meeting.

The proxy may be conferred, without expenses to the charge of the delegating person, with voting instructions on all or only some of the items on the agenda, to Istifid S.p.A. Società Fiduciaria e di Revisione, Servizio Fiduciario - viale Jenner 51, 20159 Milan, as representative appointed by the Company pursuant to art. 135-*undecies*, of Italian Legislative Decree no. 58/98, provided that it is served in original copy within the second trading day before the date scheduled for the Shareholders' Meeting also in second call (i.e. by 28 April 2014 or 29 April 2014, respectively). It remains that the original copy of the proxy may also be sent by certified electronic mail to the following address: 2014assemblea.bb80@istifidpec.it.
The proxy possibly given to Istifid S.p.A., Società Fiduciaria e di Revisione, does not have any effect on the proposals for which no voting instructions are given. The proxy and the voting instructions are revocable until the aforementioned term. The proxy form and the relevant instructions, including the instructions for the compilation and forwarding of the form, are available at the Company's head offices and on the Company's website www.mondadori.it (Governance section).

Share capital and voting rights

The share capital of euro 64,079,168.40 is divided in no. 246,458,340 ordinary shares with a nominal value of euro 0.26 each.
Considering the overall number of no. 14,953,500 Treasury shares with suspended voting right pursuant to law, held by the Company, the shares with voting right amount to comprehensively no. 231,504,840.
Any change in Treasury shares will be communicated at the beginning of the Shareholders' Meeting.

Questions on the items on the agenda

The shareholders may submit questions on the items on the agenda also before the Meeting and, in any case, in relation to the provisions referred to in article 127-*ter*, par. 1-*bis*, of Italian Legislative Decree no.58/1998, by and not later than 27 April 2014, by registered mail sent to the Company's legal offices in Milan, via Bianca di Savoia 12, - Att. Direzione Affari Legali e Societari, or by certified electronic mail to the following address: societario@pec.mondadori.it.
The eligibility to exercise the voting right is confirmed by the forwarding to the Company at the afore specified addresses, of the copy of the communication issued by the intermediaries in charge of updating the accounts in which the ordinary shares owned by each shareholder are registered.
The questions received prior to the Shareholders' Meeting shall be answered during the Meeting at the latest. The Company may provide a single answer to multiple questions regarding the same issue. It should be noted that the answers supplied in hardware copy at the Shareholders' Meeting are considered given when they are made available at the beginning of the Shareholders' Meeting to each shareholder holding right to vote.

Documentation

The Directors' reports, the relevant proposals and any additional documentation relative to the Shareholders' Meeting requested by law, are made available to the public, within the terms provided by law, at the Company's premises and Borsa Italiana S.p.A. (www.borsaitaliana.it), and on the Company's website (www.mondadori.it; Governance section).
The shareholders may review and ask a copy of such documentation.

This call for notice is advertised in the Company website www.mondadori.it (Governance section) on 28 March 2014 pursuant to article 125-*bis*, par. 2, of Italian Legislative Decree no. 58 of 24 February 1998, and in "Il Giornale" daily newspaper on the same date.

The legal offices are open to the public for consultation and/or delivery of the afore mentioned documentation in work days, from Monday to Friday, 9:00 a.m.- 06:00 p.m.

Segrate, 28 March 2014

For the Board of Directors
The Chairman
Marina Berlusconi

Corporate Offices and Boards

Board of Directors

The Chairman
Marina Berlusconi

Chief Executive Officer
Ernesto Mauri

Directors
Pier Silvio Berlusconi
Pasquale Cannatelli
Bruno Ermolli
Martina Forneron Mondadori
Danilo Pellegrino
Roberto Poli
Angelo Renoldi
Mario Resca
Cristina Rossello
Carlo Sangalli
Marco Spadacini
Carlo Maria Vismara (*)

Board of Statutory Auditors

Chief Statutory Auditor
Ferdinando Superti Furga

Standing Statutory Auditors
Francesco Antonio Giampaolo
Franco Carlo Papa

Substitute Statutory Auditors
Ezio Maria Simonelli
Francesco Vittadini

Independent Auditing Firm
Deloitte & Touche S.p.A.

(*) Secretary

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Directors' Report on Operations

Dear Shareholders,

in 2013 the macroeconomic context in Italy was characterized, again, by a significant reduction in the main economic-financial indicators, which slid further against the already disappointing results of 2012: GDP was down -1.9%, consumer spending dipped -2.6%, a record low since 1990 and the average unemployment rate reached 12.2%.
Only in the last quarter of the year did moderate signs of recovery become visible despite the still not very favourable context, given the slackening performance of some emerging markets.

The aforementioned recessionary context and the considerable technological and structural discontinuity in the sector in which Mondadori operates, had significant reverberations on the Group main activities; in particular:

- magazines reflected the persistent slowdown in advertising investments, down 23.9% (-38% in the 2012-2013 two-year period) and circulation also registered a 11.2% reduction (-23.3% in the same two-year period); even stronger was the decrease in add-ons: -23.4% (-35.2% in the two-year span);
- books decreased by -6.2% in value in 2013 (-13.8% in the two-year period).

In France, the economic scenario also reflected the general crisis that characterized the euro area. GDP was up only slightly, showing a 0.2% increase, far below expectations, while the unemployment rate stood at 10.6% and consumer spending remained essentially flat.

- Mondadori France magazines recorded plummeting sales against the previous year. In particular, advertising was down -9.2% (-13.7% in the two-year period) and circulation decreased by -6.7% (-11.7% in the two-year period) in value.

2013 represented a turnaround for the Mondadori Group. In order to react to the market scenario described above, the Group implemented key organizational and operating actions for the purpose of aligning the cost structure with the decreasing trend of traditional business sales, while identifying the necessary resources to ensure product excellence and business development.

The organizational changes involved almost all the Group activities, including a re-definition of central and business functions and the replacement of a large part of top management.

In line with the implemented cost reduction policy, the "pace change" plan, envisaging savings for a total of euro 100 million by the end of 2015, affected all cost items. Among the actions undertaken, particularly relevant were the results obtained following the reduction of industrial costs (paper, printing) and costs deriving from publishing and logistics (offices, stores and distribution).

In 2013, the employee count fell by 267 resources (7.2% of the total) as a result of both the ongoing organizational restructuring programme and the extraordinary restructuring processes implemented in all Group companies. Excluding non-recurring costs regarding restructuring, cost of personnel decreased by 10.1% in 2013 against the previous year.

Below is a summary of the key financial highlights. More details are reported in the notes to the financial statements.

- Trade books confirmed their leadership with a 27% market share and a publishing offering that enabled the Group brands to hold an average of 10 books in the top 20 best-seller list for the year with the first position covered in 23 weeks out of 52.
  In terms of revenues the comparison with 2012 proved difficult as a result of the "Fifty shades" phenomenon, which generated very high margins. Also very positive was the development of e-books (+70%) with 2 million downloads. Currently, e-books amount to approximately 6,000.

- School textbooks and art books proved successful in 2013. After years of dropping sales, textbooks increased their market share to 13% thanks to the extensive offering for all school levels. Sales of art books were up 12.7% as a result of the excellent performance of the sector dedicated to the management and organization of exhibitions.
  The importance of the Group's activities in these sectors was confirmed by the increase in revenues generated despite the current difficult market scenario.

- The restructuring and cost reduction actions implemented in the year of reference, mainly concentrated in the Magazines Italy segment, impacted on industrial costs, cost items for publishing and cost of personnel, through redundancy and early retirement programmes.
  As to the products, with the shutting down of 4 magazines, a healthy portfolio was defined, the editorial offices of the television and wellness pools were re-organized, the chief editors of *Grazia* and *Donna Moderna* were replaced and the leadership in the main market segments was confirmed thanks to the success of the re-launch of the most important magazines.
  The performance of the main Group websites was very positive: *Donna Moderna* confirmed its second position for single users (yearly average of 4.5 million, up 20%); *Grazia* posted a 28% increase in the audience rate and the other websites recorded even higher growth rates.
  As to international activities, which showed a sharply growing trend, 3 new *Grazia* editions were launched in the year of reference (in Spain, Korea and Mexico), making for a total of 23 editions in all, and *Icon* was launched in Spain.

- In the Magazines France segment, despite the negative performance of the market in the last two years, the brand extension activities and cost reduction actions were continued with good profitability results.
  Thanks to the performance of top end women's magazines (*Grazia* and *Biba*) in 2013, the market share of Mondadori France revenues from advertising grew to 11% (second ranking advertising agency). Above market average results were also obtained in terms of circulation, since subscriptions still represent a solid base.
  As to the digital segment, the growing average audience rate reached by the Group websites proved significant (+25%) with single users topping 6.3 million in December 2013.

As to future, additional reductions in operating costs, in 2013 a digitalization process was launched targeting the editorial staff, enabling journalists to work on a single production flow and use the content produced on all supports, including printed and digital media.

- The Retail segment was subject to significant changes in 2013:
  - at the management level, the introduction of important, sector-specialist professional profiles (Chairman and CEO), followed by a radical organizational restructuring;
  - in the network, actions were undertaken driven by profitability criteria, which led to the shutting down of stores and, concurrently, the development of higher potential locations;
  - for products, with the development of

the "no-book" assortment (stationery products, toys, private label) and IT products also associated with reading (e-readers) as well as an increasingly comprehensive book offering (160,000 books);
- the loyalty programme with the development of loyalty cards: 1,150,000 units were distributed at year end.

Particular attention was paid to cost reduction in streamlining the corporate structure and organization, re-negotiation of the lease contracts and a radical revision of logistics (offices and warehouses).

- Also for **Radio *R101*** 2013 was a year of changes, implemented after a difficult year, with a still shrinking market (-9.3%), which suffered from the reduction in the advertising budgets of important sectors like automotive, hypermarkets and telecommunications.
  In order to enhance *R101* visibility in the Italian radio market and recover a sufficient level of profitability, the decision was made at year end to entrust the publishing and marketing management to a team of professionals, who had already contributed to the relaunch of Radio Italia, with which the commercial relationship has been further consolidated.

The most important organizational change for the Group, which was commenced in 2013 and became operational at the beginning of 2014, was the assignment of advertising sales for the Group magazines and radio frequencies (*R101* and other licensed radio frequencies) to **Mediamond**, a joint venture with Publitalia '80, which was already in charge of the advertising sales on Mondadori websites, in addition to RTI and third publishers.

This transaction enabled Mediamond to become Italy's most comprehensive agency for advertising sales, with an integrated commercial offering including printed media, web and radio (with the development of a market leading radio network with 9.7 million listeners on an average day).
The same transaction will enable the Group to gain more strength to operate in a market which is expected to shrink further compared to 2013, a period in which all sectors of reference posted negative performances: -23.9% for magazines; -9.3% for radio and -1.8% for the web.

In 2013 the definition of a business model for the **Digital** area played an extremely important role in structural terms, making it a cross-sectional driver for all Group activities and, subsequently, also the introduction of new specific competencies proved key to upgrade the technological level of the publishing content and develop new activities.
Revenues from digital activities amounted to approximately euro 60 million in 2013 and included activities revolving around the diverse sectors in which the Mondadori Group operates: the Retail "In Mondadori" website, the magazine websites, Trade Book e-books and activities directly managed by the Digital Innovation platform, which is responsible for the development of both existing business and new opportunities, also through acquisitions.

2013 consolidated financial highlights include the following:
- restructuring costs and other non-recurring costs for euro 61.9 million, mainly attributable to re-organization activities;
- impairment losses for euro 145.4 million resulting from the impairment test which aligned assets and equity investments to values consistent with the current difficult market scenario.

Below is a summary of the 2013 consolidated financial highlights, compared with the data of the previous year, which was re-calculated as a result of the application of revised IAS 19. The Group's income statement at 31 December 2012 shows improved EBITDA by euro 1.6 million and an increase in net profit by euro 1.2 million against 2012.

Consolidated net revenues totalled euro 1,275.8 million, down 9.9% against euro 1,416.1 million in 2012.

Consolidated EBITDA net of non-recurring items totalled euro 49.1 million, down 32.2% against euro 72.4 million of the previous year. Non-recurring items are attributable to restructuring costs for euro 50.4 million (18.8 million in 2012) and other costs for euro 11.5 million (revenues for euro 14.5 million in 2012).

Consolidated EBITDA was negative for euro 12.8 million against a positive value recorded in the previous year equal to euro 68.1 million.

Consolidated EBIT equalled euro -183.1 million against euro -149.9 million in 2012 after impairment losses for euro 145.4 million (euro 194.3 million in 2012).
Impairment losses refer to Mondadori France magazines and goodwill for euro 99.3 million (euro 140 million in 2012), *R101* for euro 31.1 million (euro 46.3 million in 2012) and equity investments associated with other assets for euro 15.0 million (euro 8.0 million in 2012).
Amortisation and depreciation in the period amounted to euro 24.9 million (euro 25 million in 2012).

Consolidated profit before taxes totalled euro -207.3 million (euro -172.1 million in 2012) with financial costs at euro 24.2 million (euro 22.2 million in 2012).

Consolidated net profit equalled euro -185.4 million against euro -166.1 million in 2012.

The **Group net financial position** was negative for euro -363.2 million against euro -267.6 million at 31 December 2012 with a significant impact relating to payments associated with the restructuring process continued in the year 2013.
In November 2013 all the Group's bank overdraft were re-negotiated.

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

Consolidated income statement

(euro/million)	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 operating costs (***)	996.3	1,067.2	(6.6%)
Revenues (costs) from investments valued at equity	(1.8)	8.1	n.s.
Adjustments for non-recurring items: (positive)/negative	61.9	4.3	-
EBITDA net of non-recurring items	**49.1**	**72.4**	**(32.2%)**
EBITDA	**(12.8)**	**68.1**	-
EBITDA incidence on revenues	*(1.0%)*	*4.8%*	-
Depreciation and impairment loss on property, plant and equipment	12.1	11.8	2.5%
Amortisation and impairment loss on intangible assets	130.3	206.2	(36.8%)
Impairment loss in investments valued at equity and other enterprises	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	-	-	-
Profit before taxes for the period	**(207.3)**	**(172.1)**	**20.5%**
Income tax	(23.8)	(8.2)	190.2%
Third party profit	(1.9)	(2.2)	(13.6%)
Net result	**(185.4)**	**(166.1)**	**11.6%**

(*) Following the application of revised IAS 19 as of 1 January 2013, 2012 data was re-calculated for comparison purposes.
(*) Net of restructuring costs, the difference in the cost of personnel is -10.1%.
(***) This item includes the following sub-items: Decrease (increase) in inventory; Costs for raw, ancillary, consumption materials and goods; Costs for services; Other costs (revenues).

Change in the graphical description following IFRS 8 - Operating segments

The disclosure required by IFRS 8 - Operating segments - is provided by taking into account the Group's organizational structure, based on which the periodic reporting is made, used by the Top Management to define actions and strategies, evaluate investment opportunities and allocate resources.

In the third quarter 2013 the Group's organizational structure was subject to revision. Such revision re-defined a few business areas and led to changes in the responsibilities of a group of executive managers.
The new configuration of the business areas, including Books, Magazines and the additional separation between Magazines Italy, Advertising and Magazines France, Retail, Radio and Corporate and Other business envisages the classification of the direct marketing activity previously included in the Retail segment together with the others already under Corporate and Other business.

Therefore, based on the aforementioned changes, it was necessary to re-process 2012 data as displayed and commented here below.

Consolidated revenues, down 9.9%, amounted to euro 1,275.8 million and are detailed below broken down by business area:

Sales by sector of activity

(euro/million)	FY 2013	FY 2012	Var.%
Books	334.3	370.6	(9.8%)
Magazines Italy	326.1	383.9	(15.1%)
Magazines France	353.9	381.6	(7.3%)
Advertising services	141.6	172.9	(18.1%)
Retail	225.0	245.2	(8.2%)
Radio	11.3	13.9	(18.7%)
Corporate and other business	35.0	38.3	(8.6%)
Total aggregate revenues	**1,427.2**	**1,606.4**	**(11.2%)**
Intercompany revenues	(151.4)	(190.3)	(20.4%)
Total consolidated revenues	**1,275.8**	**1,416.1**	**(9.9%)**

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

Sales by geographic area

(euro/million)	FY 2013	FY 2012	Var.%
Italy	895.8	1,007.4	(11.1%)
France	333.6	359.7	(7.3%)
Other EU countries	35.9	36.7	(2.2%)
USA	0.7	0.5	40.0%
Other countries	9.8	11.8	(16.9%)
Total consolidated revenues	**1,275.8**	**1,416.1**	**(9.9%)**

Books

Mondadori Group confirmed its leadership in the hard copy book and digital book market in Italy: the editorial products that traditionally make up its core business are fiction, non-fiction, paperbacks and books for young readers.
The Group mainly operates through four publishing houses: Edizioni Mondadori, Giulio Einaudi editore S.p.A., Edizioni Piemme S.p.A. and Sperling & Kupfer S.p.A. Through Mondadori Education S.p.A. the Group plays an important role in the Italian school textbook market, while Mondadori Electa S.p.A. is Italy's most prominent publisher in the sector of art and illustrated books and also operates in the provision of services for the management of museum concessions and in the organisation and management of exhibitions and cultural events.

The Book Area also includes Distribution and Logistics, managed by the relevant divisions.

Market performance

In relation to the Trade book market, Nielsen confirmed dropping sales both in terms of copies (-2.3%) and value (-6.2%) against 2012. The Mondadori Group confirms its leadership with a 27% market share.

Publisher	Market share FY 2013	Market share FY 2012
Mondadori Group	27.0	27.7
RCS Group	11.7	11.0
Gems Group	9.5	10.0
Giunti Group	6.3	6.2
Feltrinelli	5.0	4.4
De Agostini Group	2.0	2.0

Source: Nielsen, data in value, book stores and on line sales, excluding hypermarkets and e-books sales.

In a market where sales fell by 13.8% in two years, Mondadori and its publishers - Einaudi, Piemme and Sperling - managed to limit the losses against the previous year, which was characterized by the great success of the *Cinquanta sfumature* trilogy.

In 2013 greater impulse was given to the development of digital products as a result of the partnership agreement entered into with the manufacturer of the Kobo e-reader including exclusive distribution rights in Italy throughout the year. The e-books sold in the last year exceeded two million pieces and during the Christmas period the first bundle package (hard copy+digital) was introduced.

The economic performance of the Book Area

Revenues amounted to euro 334.3 million, down 9.8% against the previous year. Excluding distribution, the decrease would total 7.3%.

The production of new titles in 2013 included 2,634 titles, of which 2,187 Trade (2,173 in 2012), 184 of Mondadori Electa S.p.A. (188 in 2012) and 263 of Mondadori Education S.p.A. (353 in 2012); the copies produced totalled 52 million.

Here below are the key financial highlights with regard to the Book Area, showing the reduction in sales and the corresponding impact on EBITDA and EBIT.
The difference in EBITDA and EBIT also reflects the effect of non-recurring items, including higher restructuring costs in 2013 and the capital gain collected in 2012 relative to the transfer of the equity investment held in Random House Mondadori.
Net of non-recurring items, the downturn in EBITDA would amount to 14% instead of 23.3%, as results from the financial statements.

Books

(euro/million)	FY 2013	FY 2012	Var. %
Edizioni Mondadori	104.8	129.6	(19.1%)
Einaudi	41.9	42.4	(1.2%)
Sperling & Kupfer	19.5	22.3	(12.6%)
Edizioni Piemme	35.9	34.0	5.6%
Mondadori Electa	35.4	31.4	12.7%
Mondadori Education	72.2	76.4	(5.5%)
Distribuzione Libri	18.6	29.7	(37.4%)
Other revenues	6.0	4.8	25.0%
Total consolidated revenues	334.3	370.6	(9.8%)

Below is a detailed analysis of revenues by publisher.

Edizioni Mondadori

(euro/million)	FY 2013	FY 2012
Revenues from books	328.3	365.7
Other revenues	6.0	4.9
	334.3	**370.6**
Operating costs	(288.1)	(310.4)
EBITDA	**46.2**	**60.2**
Amortisation and impairment	(2.7)	(1.6)
EBIT	**43.5**	**58.6**

In 2013 Edizioni Mondadori recorded revenues equal to euro 104.8 million, down 19.1% against the previous year, and confirmed its leadership in the market with a 12.9% market share, though it dropped by 1.2% against 2012, the year characterized by the extraordinary success of the *Cinquanta sfumature* trilogy. In 2013 Mondadori counted ten titles in the top twenty best-seller list.

Inferno, by Dan Brown, was the most important launch in 2013, taking second in the list with over 600,000 copies sold in both hard copy and e-book format.
La strada verso casa is the new novel by Fabio Volo, ranking fifth in the best-seller list with 350,000 copies sold in the first two months.
The erotic trilogy by E.L. James, *Cinquanta sfumature*, has remained a blockbuster for the last two years exceeding 4 million copies sold in Italy, of which 1 million in mass-market edition at a price of euro 5, issued in June 2013; in digital format the trilogy represents the top selling item of the year, with over 75,000 downloads (230,000 downloads overall).
In the ninth position on the best-seller list is Bianca *come il latte, rossa come il sangue* by Alessandro D'Avenia, which, on the wake of the release of the correspoding movie, topped 200,000 copies sold in the Numeri Primi° tie-in format, totalling half a million copies sold.

Io che amo solo te, the new entertaining novel by Luca Bianchini, a widely appreciated eclectic author, climbed up the rankings with 130,000 copies sold. A positive performance was also recorded by *La cena di Natale*, a sequel to the story, which reached more than 100,000 copies sold.

Worth mentioning among recently published authors is the late Ugo Riccarelli, Campiello Prize, with *L'amore graffia il mondo*.

As to popular fiction, *Io prima di te*, Jojo Moyes's first novel, sold 70,000 copies and *The Crossfire Series*, by Sylvia Day, reached 180,000 copies in trade paperback format.

L'ombra del sicomoro, by John Grisham, recalling the settings of his great success of 25 years ago, *Il momento di uccidere*, did not let down readers' expectations (135,000 copies distributed).

As to mainstream fiction, the new, daring and unconventional novel by Margaret Mazzantini, *Splendore*, topped the Christmas rankings; released on 29 November, it sold 170,000 copies, third in the best-seller list. Always popular, Mauro Corona published his new novel, *La voce degli uomini freddi*, a poetic contemporary fairy tale (45,000 copies sold).

As to Non Fiction, under the Strade Blu brand, Gianni Riotta published an autobiography of the football player Javier Zanetti entitled *Giocare da uomo*, which sold over 55,000 copies. The Strade Blu brand also included the following books among their best-selling titles: *Banchieri*, by Federico Rampini, in which the author explains why the Western world has plunged into the deepest crisis of the last seventy years. The book, published in November, sold 40,000 copies. *Rosso Istanbul*, by Ferzan Ozpetek, and *Corro perché mia mamma mi picchia*, by Giovanni Storti and Franz Rossi, both with 20,000 copies sold in just two months.

In a lively tale of an Italy that doesn't complain, Aldo Cazzullo reprises almost forty years of national history in his *Basta piangere*, which sold 60,000 copies in the year.
Bruno Vespa, the publisher's longtime author, reached almost 100,000 copies sold with his *Sale, zucchero e caffé*.

As to Non Fiction in various segments, there was a comeback of two successful authors: the anchorwoman, leader in the midday television audience bracket, Antonella Clerici, with *Tutti a tavola! Le nuove ricette della prova del cuoco* (launch with over 120,000 copies) and Raffaele Morelli with his essay, *Il segreto dell'amore felice* (launch with over 50,000 copies), focusing on mind and love. A good performance was recorded by Luciano De Crescenzo's *Gesù è nato a Napoli* and by Alessandro Siani's *L'Italia abusiva*.

On a completely different front, noteworthy titles included Alexander Eben's *Milioni di farfalle*, which sold over 70,000 copies, and the extraordinary story by Federica Lisi, *Non ci lasceremo mai* (4 editions in a month) dedicated to the memory of her husband, the volleyball champion Vigor Bovolenta, who passed away while playing on 24 March 2012.

The childern's category boasts one of the greatest successes in the year: the *Hunger Games* trilogy, thanks to the planned collateral activities and the synergy with the release of the corresponding movie in November, *La ragazza di fuoco*, exceeded 300,000 copies sold in hard copy and over 20,000 downloads in 2013.

The *Shadowhunters* series by Cassandra Clare, a world phenomenon with 25 million copies sold, confirmed its success, climbing up the rankings also in Italy with five titles totalling more than 300,000 copies sold.
Licia Troisi, a successful Italian writer, with over 2 million copies sold, published the third volume of the *I regni di Nashira*. Il Sacrificio saga in November.
In the 10-14 year target, the success of Rick Riordan with the July publication of the second episode of *The Kane Chronicles. Il trono di fuoco*, is also worth mentioning, with more than 40,000 copies sold and the November release of the second volume of the *Gli Eroi dell'Olimpo* saga, *Il figlio di Nettuno*, with 60,000 copies sold.
In the Contemporanea series, *Magarìa*, the children's story written by Andrea Camilleri and illustrated by Giulia Orecchia sold over 40,000 copies. Under the same brand a positive performance was also recorded by Viviana Mazza's *Storia di Malala*, which with an edition of 10,000 copies, doubled its sales in a few months.

In Paperbacks, Mondadori rowed against the current in the market, -5.7% in value in book stores, through an intense supervision of the publishing content offered under the "Oscar" brand.
A uniform graphic skin designed for Fabio Volo, one of the Publisher's best-selling authors, was introduced in synergy with the October launch of the author's new novel with the 6 backlist titles reaching a total of 250,000 copies sold.

In the Classics category, under the Meridiani brand, worth mentioning is *Romanzi e Racconti* by Anna Banti, the third volume of *La Commedia Umana* by Honoré de Balzac and the boxed set *Scrittori Italiani di Viaggio*, by Luca Clerici. Under the Le Rose series, *Cento Racconti* by Ray Bradbury, published on the first

anniversary of the author's death, and *Poesie d'amore e di lotta* by Nazim Hikmet, posted good performances.
A collection of stories by Alice Munro, "master of the contemporary short story", was published by Meridiani in June.

Giulio Einaudi editore

Einaudi closed 2013 with overall revenues at euro 41.9 million, down 1.2% against euro 42.4 million the previous year.

The Paperback line registered an excellent performance in 2013, increasing sales by 16.3% agaisnt the previous year.

In a market shrinking 5.7% in value in book stores, Einaudi increased its share from 11.4% in 2012 to 13.3% in 2013, coming in second among market publishers.
This performance can be attributed to the excellent results obtained after the implementation of the promotions at the beginning of the year, which involved all the titles included in the series, as well as the summer promotions and the success of *Educazione Siberiana* by Nicolai Lilin (more than 120,000 copies sold), driven by the corresponding movie directed by Gabriele Salvatores, the availability of numerous titles by the Nobel Prize winner Alice Munro and the excellent results obtained by Haruki Murakami's uniform edition including 12 books by the author.

Stile Libero confirmed its status as the Publisher's second trademark, though losing ground against last year (-15.3%).
With a different publishing scheduling compared to 2012, 2013 was characterized by the ongoing success of *Open*, by Andre Agassi, a book first published in 2011 which proved the Publisher's bestseller in 2013, with over 130,000 copies sold. New titles in the year included: *Polizia* and *Il cacciatore di teste*, two successful books by Jo Nesbø, with 78,000 and 58,000 copies sold, respectively; *Il sogno di volare* by Carlo Lucarelli, with 78,000 copies sold, *Suburra* by Giancarlo De Cataldo and Carlo Bonini, *Cocaina* by Massimo Carlotto, Giancarlo De Cataldo and Gianrico Carofiglio, *I bastardi di Pizzofalcone* and *Buio* by Maurizio De Giovanni, an author whose popularity is on the rise.

Foreign Fiction recorded a slight increase in sales, equal to the 3.4%. The awarding of the 2013 Nobel Prize for Literature to Alice Munro lifted her book, *Danza delle ombre felici,* to the number one ranking in the series with 41,000 copies sold.
Good performances were also posted by titles from well-established foreign authors, including Haruki Murakami with the new novel, *A sud del confine, a ovest del sole* (31,800 copies) and *Ritratti in jazz* (20,300 copies), Mo Yan, Nobel Prize in 2012, with the new novel *Le rane* (15,800 copies), Julian Barnes with *Livelli di vita* (19,600 copies), along with *La bellezza delle cose fragili* by Taiye Selasi, a new author for Einaudi.
With the objective of making them more accessible, in a more modern lexicon, Einaudi is promoting the re-translation of a number of classics (*Il rosso e il nero* by Stendhal, *Delitto e castigo* by Dostoyevsky, *Ulisse* by James Joyce reviewed by Gianni Celati).

As for Italian Fiction an excellent performance was posted by *Non so niente di te* by Paola Mastrocola, one of the new entries in 2013 for Einaudi, with almost 68,000 copies sold, and also noteworthy were the good performance of *L'amore, la sfida, il destino* by Eugenio Scalfari (65,000 copies sold) and *Il desiderio di essere come tutti* by Francesco Piccolo (59,000 copies).
Compared to the performance posted in 2012, the publisher was hurt by the lack of a strong new title like *Il rumore dei baci a vuoto* by Luciano Ligabue (approximately 146,000 copies sold) and thus closed the year with revenues down against the previous year.

The Non Fiction segment was boosted by the release of the new title by the scientist Jared Diamond, *Il mondo fino a ieri,* but good performances were also recorded by two titles dealing with the current economic crisis: *Il colpo di stato di banche e governi* by Luciano Gallino (15,200 copies sold) and *Il prezzo della disuguaglianza* by Joseph E. Stiglitz, Nobel Prize for Economy (9,000 copies sold).

Sperling & Kupfer

Sperling & Kupfer is the Group publishing house that controls the Sperling & Kupfer, Frassinelli and Mondadori Informatica trademarks, focusing on the Fiction book offering for the female public, Non Fiction books and books mainly for professional use.

Net revenues dropped by 12.6% against the previous year (euro 19.5 million against euro 22.3 million), while the market share, down 0.2%, stands at 2.5% in value.

As for Fiction, worth mentioning is the great success of *Palazzo Sogliano*, the new novel by Sveva Casati Modignani, which after its release on 15 September, remained at the top of the best-seller list for two weeks (a first for this author) and was still in the top 100 three months after its release with more than 215,000 copies distributed.
Excellent sales results were also achieved by *La risposta è nelle stelle* by Nicholas Sparks, which totalled approximately 50% more copies sold than any of the author's previous titles, proving the author's greatest success thus far with 200,000 copies sold.
Joyland, by Stephen King, published in June, with a total of over 85,000 copies distributed, was also a great success, as was *Noi siamo infinito*, by Stephen Chbosky, released in January, with over 85,000 copies distributed.
Other established authors in the publisher's stable also sold well, like Guillaume Musso with *Sette anni senza di te* and Danielle Steel with several books published during the year.

In Non Fiction, Pierre Dukan posted an excellent performance, for a total of 120,000 copies sold, thanks to the repositioning of the title with the release at the end of March of the new edition of *La dieta Dukan*, and the new book published in May, *Il grande libro illustrato delle ricette Dukan* and *60 giorni con me. Obiettivo: -10 kg*, published in October.
The afore described performances were however not sufficient to repeat the extraordinary results obtained in 2012.

Still positive is the performance of the Music division, with all the titles of the One Direction boy band in the portfolio.
Good results were also recorded by two emerging writers: Robert Peroni, with *Dove il vento grida più forte*, and Costantino D'Orazio, with *Caravaggio segreto*.

In Paperbacks, the new Pickwick paperback series, combining the two paperback catalogues of Sperling and Piemme, was launched on 9 July 2013 with the objective of becoming one of the three leading brands in the market segment.
This line posted good sales for the books of Nicholas Sparks, Stephen King and Sveva Casati Modignani.

Edizioni Piemme

Piemme is the publisher characterised by an undisputed leadership in children's books, holder of the Stilton and Il Battello a Vapore trademarks in Italy, along with a consolidated and recognisable offering of mainstream books in all the main Trade segments.

Piemme net revenues totalled euro 35.9 million in 2013, up 5.6% against euro 34 million in 2012. The market share in book stores in value stands at 4.5% against 4.2% of the previous year.

In Fiction, the most important new aspect refers to the publicaton on 21 June of *E l'eco rispose*, the new novel by Khaled Hosseini (more than 720,000 copies distributed), which remained at the top of

the Nielsen ranking for thirteen consecutive weeks and in the top 10 best-seller list until year end.
The Fiction catalogue also included: *La vendetta veste Prada* by Lauren Weisberger (48,000 copies) and *Le colpe dei padri* by Alessandro Perissinotto, which took second place at the Strega Prize 2013 (39,000 copies).

In Non Fiction, *Illuminati* by Adam Kadmon climbed to the top of the best-selling book list with over 60,000 copies. Religious books, a segment in which the Publisher enjoys recognised leadership, posted good performances. These included: *Il vangelo del sorriso di Papa Francesco* (40,000 copies), *Francesco*, *Insieme* by Andrea Tornielli, published on the occasion of the proclamation of the new Pope, with 32,000 copies, and *Io nascerò* by Loretta Goggi (35,000 copies). *Philomena*, by Martin Sixsmith (on which the movie of the same name is based) was published at the end of the year and is still in the rankings.

The Junior category posted great results with Stilton's *Grande ritorno nel regno della fantasia*, which with 122,000 copies topped the junior books rankings. Excellent results were also reached in the I Cosmotopi and Le storie da ridere series. The following titles were published under the Il Battello a Vapore brand: *La Porta del tempo* by Ulysses Moore, which sold 15,000 copies, and Luigi Garlando's GOL! and Ciponews series, whose success was confirmed.

As for Paperback, in addition to the launch of the Pickwick Paperback series mentioned above, two books by Khaled Hosseini were published in May under the NumeriPrimi° series for a total of 140,000 copies distributed.

Art books and exhibitions

Mondadori Electa publishes Art & Architecture books under the Electa trademark, including exhibition catalogues, museum guides and sponsor guides and, under the Mondadori brand, in the Tourist Guides area and in the Non Fiction Illustrated area.

In 2013, the Publisher had to face the difficulties that the Italian general publishing market is currently experiencing. The context in which the Publisher operates has become increasingly complex and characterized by the difficulties of the bookshop channel and the downturn in other channels traditionally considered important, such as Instalments and Coeditions. These difficulties particularly hit divisions like Art, Illustrated Books and Tourist Guides, where Electa has historically played an important role.
In this context, Electa managed to maintain its market share thanks to a repositioning strategy started in 2011 and consolidated in the last year, and increased its profitability thanks to improved efficiency and process rationalization.

Here below is the performance by area:

- Art & Architecture: in a sharply falling market segment, Electa increased its market share thanks also to the extraordinary success of the photographic volume *Portraits* by Steve McCurry;
- Kids: in 2013 the new Electa Kids, dedicated to children, became fully operational with over 30 titles. Great sale success was obtained by the volume *Mappe*, which also was awarded the coveted Andersen Prize;
- Sponsor (publishing by order): the process for the revision of the processes and rationalization of the activities was completed, resulting in a sharp reduction both in terms of number of titles and copies;
- Illustrated and Miscellaneous: the most important share of this segment is covered by Cook Books, a segment that was sharply down in 2013 with a double-digit fall. In this context and despite the excellent results achieved in 2012, Electa managed to keep its market share thanks to the performance of *Le tre minestre* and *Come fu che Babbo Natale sposò la Befana* by Andrea Vitali and the essay *Storie di coraggio* by Oscar Farinetti;
- Tourist Guides: the general difficulties in the sector led to dropping revenues. However, Electa managed to keep its market share almost unaltered.

Given the difficulties of the Coeditions channel, a strategy was implemented to explore new markets through agreements with new partners for the sale of the rights to Electa publications.

As to the management and organisation of exhibitions, revenues rose considerably against 2012, thanks to the increased number of visitors at the archaeological sites in which the company operates and the great success of some exhibitions, like *Antonello da Messina* in Rovereto and *Costantino 313 d.C.* in Milan.

Bookshop revenues were also up, largely as a result of the Venice Biennial Exhibition schedule, which in 2013 was longer than in 2012, and the increased revenues from the sale of the catalogues of the most important exhibitions (*Augusto*, *Antonello*, *Rodin*, *Ghirri*). The excellent results posted by the new merchandising line dedicated to bookshops and exhibitions were also encouraging.

As to government concessions, which will remain under extension until new tenders are launched, the situation of uncertainty is destined to continue due to the political instability and the appeals pending with the Regional Administrative Tribunal for several tenders.

Mondadori Education

Mondadori Education is the company of the Mondadori Group operating in the Educational market through two areas of editorial activities: school textbooks and miscellaneous.
As for school textbooks, the key sector, Mondadori Education offers textbooks, courses, teaching tools and multimedia content for all school levels, from primary school to primary and secondary high school, through thirteen proprietary brands and two distributed in English.
As for miscellaneous, Mondadori Education offer textbooks for universities under the Mondadori Università and Le Monnier Università brands, language books for teaching Italian and dictionaries under the Le Monnier trademark.

Thanks to its broad and varied offering, Mondadori Education maintained a good level of performance also in 2013 in the school textbooks market, improving its market share of books adopted from 12.8% to 13.0%, and closed out the year with net revenues of euro 72.2 million against euro 76.4 million of the previous year.

The reduction in revenues is mainly attributable to the sharp decrease in the percentage of changes in books adopted, and in the consequent worsened adopted/sold ratio, reflecting the increasing weight of second-hand textbook market and failure to purchase due to the persisting economic crisis.

In primary school, apart from the slight increase in market share and the continuing ban on the adoption of new textbooks, the good results in the sale of supplementary products and the production of a series of notebooks at a very competitive price are worth mentioning, as they were particularly appreciated by the market.

In primary and secondary high schools, pending a reduction in the number of new books adopted, sharply dropping investments were posted; during the sales campaign the reduction became increasingly evident and resulted in a lower number of sample texts given to teachers.

Due to these dynamics, new textbooks performed below expectations, while

catalogue titles exceeded expectations.
A good performance was recorded by supplementary textbooks, which were not subject to compulsory adoption: in the primary high school, an anthology of selected readings on the current world situation by Vittoria Calvani, a key author for history courses, performed well, as did the holiday homework book by Marcello Sensini, author of various successful Italian grammar texts; in the secondary high school, sales in this segment were topped by the English and Spanish grammar texts, a new proposal for the *Divina Commedia* and the new edition of *I Promessi Sposi,* annotated by Romano Luperini.

No significant changes in the sale of books in digital format were registered, and these accounted for less than 0.5% of total revenues.

Dictionaries reflected the sharp decrease in the market, above all the top-priced editions. The extraordinary success of Devoto Junior for primary school continued, with approximately 50,000 copies sold.

E-Books

Downloads increased by almost 70%, up from 1.2 million to 2 million.
The title most downloaded was *Inferno* by Dan Brown (65,000 downloads), followed by Khaled Hosseini's books with approximately 30,000 downloads and the still excellent performance posted by the *Cinquanta sfumature* trilogy.
Also *La strada verso casa* by Fabio Volo (12,500 downloads) and *L'ex avvocato* by John Grisham (16,000 downloads) are among the best selling e-books, along with Luca Bianchini's title and the entire *Hunger Games* trilogy.
For Christmas the "I magnifici 101" promotion was launched, including the possibility of downloading free of charge the 101 bestsellers of the Group's four Publishers for all those who bought a hard copy in Mondadori book stores, on www.inmondadori.it website or on www.amazon.it.
The number of digitalized books increased to nearly 6,000 and the objective is to continue increasing the trade publishers' e-book portfolio.

Distribution and logistics

Book Distribution is handled by the Group's Distribution and Logistics unit and offers services for the management of inventory and distribution both for the Mondadori Group publishers and third party publishers.

In 2013 the project envisaging the integration of Mondadori Education logistics was completed in the framework of the trade channel flows, concentrating all warehousing activities at the Logistics Centre of Verona and integrating all shipment activities. In two macro-areas (Rome and Turin) the drop-point project was implemented, concentrating the preparation and packaging of high school textbooks in the central warehouse while shipment to the final customer was managed through a local partner.

Also, e-commerce fulfilment logistic activities were centralized at the Logistics Centre of Verona, with a positive impact on customer service thanks to the integration of the Mondadori Group available product stocks.
At the end of 2013 a multi-year agreement for the distribution of books to bookshops was entered into with the publisher De Agostini Libri. This agreement targets an increase in the volumes managed by the Book Distribution division from the beginning of 2014.

Revenues from product distribution on behalf of third publishers accounted for euro 18.6 million in 2013, sharply down against euro 29.7 million in 2012.

Magazines

Mondadori is Italy's leading publisher in the sector by market share and number of magazines and one of the most important in Europe. It has consolidated its presence in the sector over time, covering different segments of activity.
In addition to the publication of weekly and monthly magazines sold at newsstands and by subscription, the Group also focuses on the sector of combined sales and designed websites and portals that enabled it to reach a larger number of Mondadori readers by exploiting the relevant brands.
Through subsidiary Press-Di Distribuzione Stampa e Multimedia, the Group distributes its own magazines and third party magazines at the national level.

Mondadori is also active abroad through its subsidiary Mondadori France, one of the leading publishers of magazines in France, the affiliated company Attica Publications, a leader in the magazines sector in the South-Eastern European markets, and two 50% joint ventures for the publication of magazines in the Russian and Chinese markets.
Lastly, the Group has stipulated licensing agreements with international publishers for the publication of Italian magazines in foreign markets.

Also in the fourth quarter of 2013, the macro-economic scenario was characterized by uncertainty and generally shrinking markets. Particularly heavy was the crisis in the sale of advertising space, which, based on Nielsen data, posted an overall 12.3% decrease (-14% in 2012), with magazines down -23.9% (-18% in 2012). Also Internet, for the first time, closed with a -1.8% downturn against the previous year (source: FCP-Assointernet).

The magazine circulation market dropped considerably (-11.2% in value, -8.7% in number of copies; internal source) as did add-ons (-23.4% in value; internal source).

The performance of Magazines Italy

Mondadori recorded an overall downturn in revenues equal to 15.1%; in particular:
- revenues from circulation (-9.4%) were penalised by reduced sales both in the newsstand channel and subscriptions;
- revenues from add-ons (-13.7%) reflected the effects of the rationalization policies implemented by Mondadori for the trade offering and the market trend;
- revenues from advertising in Mondadori magazines (-29.7%) suffered a reduction both in weeklies and monthlies. Particularly penalized were interior design magazines and news magazines;
- revenues from international activities (licensing +7.7%, advertising for the network +17.1%) and revenues from advertising on Mondadori websites (+7.3%) were sharply up and continue to grow also thanks to new projects and activities.

(euro/million)	FY 2013	FY 2012
Revenues from magazines	291.9	349.3
Other revenues	34.2	34.6
	326.1	383.9
Operating costs	(346.7)	(380.8)
EBITDA	(20.6)	3.1
Amortisation and impairment	(11.4)	(2.9)
EBIT	(32.0)	0.2

The foregoing conditions have had a heavy impact on EBITDA and EBIT, which also reflect restructuring costs for euro 14.2 million and impairment losses on equity investments for euro 10.9 million, following to the completion of the impairment test, respectively.

Mondadori titles

In 2013 a product portfolio rationalization and aggregation policy was implemented resulting in the termination of a few monthly magazines (*Casaviva*, *VilleGiardini*, *Travel* and *Men's Health*) and the re-organization of the television and health pools. In addition, the Group officially declared a crisis situation and resorted to mitigation measures such as redundancy programmes and early retirement schemes for journalists.

A series of necessary cost reduction actions was also launched to recover profitability in the magazines area on the medium term as a result of the fact that the crisis does not depend solely on the current grim market scenario, but is structural and mainly linked to the evolution of the digital sector and the different use of information and content, especially on the side of young consumers.

Mondadori magazines reflected the negative trend of the market of reference and posted an overall downturn in revenues equal to 17%; net of terminations, including *Economy* and the transformation of *Flair* into an add-on to *Panorama* in 2012 and the negative impact deriving from the terminations of the aforementioned magazines in June 2013, the reduction would be equal to 14%.

In addition to the market scenario described above, also revenues from advertising sales dropped (-29.7%; on a like-for-like basis -24.5%), as well as add-on sales and revenues from the sale of copies (-9.4%; on a like-for-like basis -7%).

As to the main magazines, the following aspects should be noted:
- thanks to the captivating, fresh, positive and modern restyling, *Donna Moderna*, re-launched in May 2013, confirmed its leadership as the most read women's magazine (2,006,700 readers; source: Audipress 2013/III) and in terms of circulation in its segment (261,463 copies, circulation including digital copies; source: ads December 2013). The magazine further developed its service offering, including concepts of discovery, useful, practical and unusual information. After its restyling, *Donna Moderna* posted growing sales by 13.6%;
- after the re-launch in May 2012, with the new glam&news formula, combining news and Italian style with the international reach of the network, *Grazia* continues to show good sales performance at newsstands (+7%; source: ads December 2013);
- thanks to the winning formula focusing on the concept of a weekly magazine dedicated to affordable shopping and after its restyling in May, *TuStyle* recorded steady average circulation figures mainly concentrated in newsstands, despite the generally shrinking market;
- in the segment of family/people premium price weekly magazines, *Chi* consolidated its leadership thanks to the fine-tuning of its publishing content and the numerous scoops published in the year of reference;
- *Panorama* maintains its leadership both in circulation and revenues from advertising in the news magazines segment, despite the significant downturn in the Western world;
- considerable attention was also devoted to the magazines correlated to it. *Panorama Icon*, dedicated to fashion and the male public, increased its presence along with *Flair*, dedicated to fashion and women's topics, added in 2012;
- Mondadori maintained its leadership in the television segment with a market share close to 50% in terms of copies distributed. *TV Sorrisi e Canzoni* is Italy's undisputed best-selling weekly magazine among the top-end television magazines with a readership of 3.4 million (source: Audipress). In addition, Mondadori, thanks to the pocket guides, covers all the TV weekly magazine brackets in a balanced way: *Telepiù* controls the euro 1 price range and *Guida TV* represents the entry price product at euro 0.60 per copy;
- the Mondadori offering in the Gourmet category saw a growing number of brands in 2013 through the development of new activities that enabled the Group to consolidate and increase its presence in the food segment and also play a first class role. *Sale&Pepe* launched two new spins-off (*Sale&Pepe Wedding* and *Sale&Pepe Living*) and the number of locations for the "Mondadori Food Experience" was increased, including it also within the framework of the Salone del Mobile and the Milan Fashion Week;
- the portfolio of Interior Design magazines was subject to a rationalization process resulting in the termination of *Casaviva* and *VilleGiardini* and the re-launch of *Grazia Casa* in April 2013 featuring a new formula, logo and content. The magazines still in operation enable Mondadori Group to confirm its leadership in the market with a share of 38% in terms of copies distributed.

Add-on sales

Revenues from add-on sales (DVDs, CDs, Books and gadgets attached to the magazines) posted a considerable reduction, down -23.4% in 2013 against the previous year (in value; internal source). Though with falling revenues (-13.7%), Mondadori definitely outperformed the market, confirming its leadership and increasing its market share to over 40%.

The reduction in revenue derives also from the Group's decision to rationalize activities, so as to minimize the economic risks and maximize margins. This translated into a lower number of issues and decreased revenues, but increased profitability.

The following were among the most successful initiatives: the Pink Floyd (in co-edition with *la Repubblica*), the animation DVDs attached to *TV Sorrisi e Canzoni* and Cake Décor, supported by different Mondadori magazines.

Press-Di Distribuzione Stampa e Multimedia

Press-Di is the Mondadori Group distribution company dedicated to the circulation and sale of magazines, newspapers and multimedia products in the Newsstand, Large-Scale Retailer and Subscription channels.
Press-Di is one of Italy's most important distributors by market share in the Newsstand channel and is leader in the Large-Scale Retailer and Subscription channels.
The customer portfolio includes both publishers belonging to the Mondadori Group and independent publishers, currently accounting for over 50% of total revenues.
Among the most important customers worthy of mention are Disney, Bonelli, RBA and Sprea for magazines and *Libero*, *Il Giornale* and *Avvenire* for newspapers in the Newsstand and Large-Scale Retail channels; and Disney, Condé Nast, Hearst and Quadratum in the Subscription channel.

In 2013 the markets in which Press-Di operates reflected the impact of the negative economic scenario and the general fall in consumer spending, confirming the negative performance in terms of copies and value already registered in the previous year. The Newsstand/Large-Scale Retailers channel confirmed the trend, going from -10% in 2012 to -11% in 2013 in value.
Similarly, the Subscriptions channel dropped by 8%, in line with 2012 (in terms of copies, since value figures are not available).
The fallout from this important reduction in volumes affected the entire distribution supply chain (National Distributors, Local Distributors, Newsstands), resulting in the shutting down of the activities of some Local Distributors, many newsstands and of Parrini, a national distributor ranking fourth in the market.
In this extremely challenging scenario, the Company firmly implemented actions to strengthen its competitive position
- in the Newsstand channel through the acquisition of the distribution of small publishers (mainly formerly distributed by Parrini), bringing in a turnover exceeding euro 15 million on an annual basis;
- in the Subscriptions channel through the development of new, value-added promotional and marketing services for existing customers.

In 2013, sales amounted to euro 418.3 million (euro 454.4 million at 31 December 2012), down 7.9% against the previous year. Net revenues at 31 December 2013 equalled euro 60.9 million, down 2.6% against the previous year.

International

International activities are managed by Mondadori International Business S.r.l. and three joint ventures consolidated at equity: Attica Publications S.A. (Greece and Balkans), Mondadori Seec Advertising Co. Ltd (China) and Mondadori Independent Media LLC (Russia).

Mondadori International Business S.r.l. registered revenues for euro 10.2 million, up approximately 10% against 2012.

Licensing: the licensing activity consists in the publication of Mondadori magazines abroad through licensing agreements with local publishers.

In 2013 Grazia International Network added three new editions (Spain, Korea and Mexico), making for a total of 23 editions worldwide, of which 9 weeklies (in addition to Italy, France, UK, Germany, The Netherlands, Middle East, South Africa, Russia and Spain) and four bi-monthlies (China, Poland, Korea, Mexico), and the remaining 10 monthlies (Balkans and Asia).
Despite the difficult economic scenario in the market of reference, aggregate revenues generated amounted to euro 110 million, essentially in line with 2012.
In November 2013, in partnership with the Prisa Group, the first international license of *Icon*, the magazine dedicated to contemporary men's fashion and lifestyle, was launched in Spain.

Syndication and Photo rights: this activity consists in the sale of iconographic content and images produced by Mondadori and/ or third parties, for which Mondadori International Business S.r.l. acts as agent in more than forty countries.
The Syndication and Photo rights division generated euro 750,000 in revenues and provides high quality content and services in Italy's sectors of excellence: fashion, design/interior decor and food.

Advertising: Mondadori International Business S.r.l. operates as agent under an exclusive agreement for the sale of advertising space in the Italian market on behalf of international partners.
Despite the gloomy market scenario, in 2013, revenues from advertising were equal to euro 10.6 million (up 14% against 2012). These results were made possible also through the expansion of the magazines portfolio to include third publishers, including the US luxury monthly magazine *Robb Report* and *El Pais*, the Spanish leading daily.

Investments: Mondadori is present in Greece, Bulgaria and Serbia through its stake in Attica Publications and in China and Russia through its investments in joint ventures with local partners.
- After 19 consecutive negative quarters, in the last quarter of 2013 Attica Publications registered increasing revenues from advertising. Despite the extremely difficult economic scenario, thanks to targeted management and its dominant position in the Greek magazines and radio markets (18 magazines and 3 radio frequencies), Attica Publications closed 2013 with a positive pre-tax result above the value registered in the previous year. The Serbian and Bulgarian affiliates also closed the financial year at breakeven;
- Mondadori Seec Advertising Co. Ltd, exclusive agency for sales of advertising space for the Chinese edition of *Grazia*, launched in 2009, posted a 18% revenue increase in 2013 against the previous year, exceeding euro 13 million. The massive success of *Grazia* China enabled Mondadori Seec Advertising Co. Ltd to close the financial year with a definitely positive pre-tax result;
- Mondadori Independent Media LLC, publisher of *Grazia* Russia, after six years of activity, closed 2013 with revenues from advertising sales essentially in line with the previous year and with a positive pre-tax result.

Properties

In 2013, Group Properties associated with the main magazines published by

Mondadori reached a number of single users equal to 17.4 millions, confirming their leadership despite the ongoing crisis, with a significant growth in terms of traffic (more than 157 million page hits) and increased revenues from advertising sales, which enabled them to outperform the market.

Revenues were up 7.3% against 2012, broken down as follows: *Donna Moderna* (+5.5%), *Grazia* (+16.2%) and *Panorama Auto* (+9%). These results are even more important if compared to the general trend of the advertising market on the web, which posted a -1.8% downturn (source: Nielsen Media Research).

Here below the details of the main websites:

- www.donnamoderna.com confirmed its second position for single users with an annual average of 4.5 millions (source: Audiweb View, average monthly data 2013), with a double-digit growth compared to 2012 (+20%), the best growth performance in the women's magazines segment. The website retained its leadership in terms of page hits with a 6% growth, bucking the market trend (-16%). The performance of the Gourmet channel, confirmed as the best channel, with an average of 10 million page hits on a monthly basis, is worth noting (source: Shinystat, average 2013) as well as the performance of the Fashion, Health and Fitness and Video channels;
- www.grazia.it posted +28% on the single user monthly average and +14% on the page hit average in 2013 against the previous year. The audience rate improved qualitatively with a very positive impact on revenues, up +15.7%. The contribution of the fashion shows proved essential and, in particular, of the innovative focus on trend descriptions. The website was awarded the "Best Digital Native Advertising Campaign 2013" prize for Tommy Hilfiger at the Digital Awards;
- www.tustyle.it, launched at the end of June 2013, the website traffic picked up towards the end of the year. At year end the Shopping List section was added, a tool designed for shopaholic consumers, who are inspired by the products presented in the website. The products may be saved in one's private area, organized in lists and purchased directly on-line;
- www.panorama.it, in 2013 the website launched *Icon*, a channel dedicated to contemporary men's lifestyles. The average traffic generated totalled 2.3 million page hits per month. On a like-for-like basis, the website grew both in terms of average monthly single users (+46%) and average monthly page hits (+19%). In total, the two (*Panorama* + *Icon*) grew by 66% and 62%, respectively;
- www.panorama-auto.it, with double-digit growth rates against the previous year, +53% of single users and +39% of page hits (against a market performance of +5% and -5%, respectively), the website climbed the Audiweb rankings, reaching the top ten for single users and becoming one of the top five players in the market of reference for page hits. Also, revenues from advertising rose by +9% against the previous year.

Mondadori Group has been present in France since 2006 through Mondadori France, one of the main publishing houses in the country, with a portfolio that includes some of the most popular magazines, among which *Closer, Pleine Vie, Science & Vie, Télé Star and Auto Plus*.

In August 2009 Mondadori launched *Grazia France*, the first upscale women's fashion and news magazine in France.
The penetration of one of the most important European markets for magazines in terms of circulation and advertising sales was an important operation for Mondadori, aimed at increasing its international presence.

The market

Also during the last quarter of 2013, the French magazines market confirmed the difficulties already registered in the first three quarters of the year of reference.

The economic performance of Magazines France

Mondadori France 2013 overall revenues totalled euro 353.9 million, down 7.3%; EBITDA before non-recurring items equalled euro 35.7 million (euro -5.3 million against the previous year), while EBITDA was equal to euro 26.7 million (euro -12.9 million against 2012, including restructuring costs for euro 8.2 million; negative non-recurring items and higher costs for the development of digital activities).
EBIT reflected the impairment losses identified in the single magazines and goodwill for a total of euro 99.3 million (euro 140 million in 2012).

(euro/million)	FY 2013	FY 2012
Revenues from magazines	342.5	371.3
Other revenues	11.4	10.3
	353.9	**381.6**
Operating costs	(327.2)	(342.0)
EBITDA	**26.7**	**39.6**
Amortisation and impairment	(111.2)	(151.9)
EBIT	**(84.5)**	**(112.3)**

Revenues from advertising: in an advertising market sharply hit by the economic crisis (-6.2% in volume; source: Kantar Media), Mondadori France advertising agency outperformed the market (-4.5% in volume), increasing its market share to 11% (+0.2%) and coming in second in France for revenues from advertising sales in magazines.
Upscale women's magazines (*Grazia* and *Biba*) confirmed their status as the Group's most important advertising segment, with revenues equal to 32.9% of the total; *Télé Star, Auto Plus, Le Chasseur Français* kept their leadership in their sectors and another 18 magazines increased their market share (in addition to women's magazines the performance of *Modes & Travaux* and *Science* magazines is worth considering).

Revenues from circulation: revenues from circulation (newsstands and subscriptions) represented approximately 70% of total revenues, down 6.1%.
In particular, revenues from newsstands dropped by 6.8%, in line with the market of reference (-6.7%, internal source), while revenues from subscriptions decreased by 4.1% (on a like-for-like basis, excluding the impact associated with the discontinued collection from AG2R subscribers to *Pleine Vie*, the reduction would be limited to -2.1%).

Many of the Group magazines maintained a leading position in the segment of reference; among these, there are *Closer* (first news magazine/ 321,000 copies), *Science & Vie* (first scientific magazine/ 273,000 copies), *Top Santé* (first women's health-fitness magazine/ 343,000 copies).
An excellent performance was also turned in by the monthly magazine *Pleine Vie* (703,000 copies distributed), which posted

record sales highs in the newsstand channel.

Brand extensions

In a generally bearish scenario for circulation, the product development strategy implemented for the main magazines brought in excellent results: several new products were launched successfully, including, for instance, *Closer Teen* (a magazine dedicated to teenagers) and *Vital by Top Santé* (a magazine specialized in health and wellness).

In 2013 the magazine *750g le mag* was launched, linked to the gourmet website 750g.com (4 million single users; source: Nielsen), the Group's first web-to-print initiative.

Several new game-based magazines were launched (including *Slam Magazine* and *Fort Boyard* in partnership with *France Télévision*), along with a gourmet magazine (*MasterChef*, in partnership with TF1), associated with successful television programmes.

Lastly, the excellent performance at the beginning of the year of the weekly magazine *Closer* is also worth mentioning: in the 2014 January-February period it registered repeated record sales after the publication of an international scoop. *Closer*'s scoop concerned the love affair between the President of the French Republic, François Hollande, and the actress Julie Gayet, selling more than 600,000 copies of the issue (of which 20,000 in digital format). The positive performance continued with the first four issues dedicated to the Hollande-Gayet affair, targeting a 58% growth in sales against the previous year: *Closer* confirmed its role as weekly magazine of reference for the People press in France.

Costs and efficiencies: in 2013, the steady attention to cost reduction and the identification of efficiencies generated excellent results, in particular with reference to overhead costs, industrial costs and subscription management costs. The effect of the actions resulted in significant savings, which enabled the Group to absorb 80% of the reduction in revenues, while, at the same time, maintaining investments in the development of digital activities and diversification (in particular in mail orders, e-commerce and sale of travel packages and cruises).

Digital: investments in the digital segment continued in 2013.
On the web, the Group websites registered significant growth in average audience rates, topping 5.7 million single users (+25.0% against 2012) and a total of 6.3 million single users in December; at the same time, revenues were up 23.8%.

The main websites (www.autoplus.fr, www.closermag.fr, www.grazia.fr and www.topsante.com) are steadily growing in both web and mobile traffic, reaching increasingly sound and qualified advertising targets.

Two websites confirmed average audience rates significantly above the threshold of one million single users (www.autoplus.fr with 1.4 million and www.closermag.fr with 1.3 million); www.topsante.com and www.grazia.fr also repeatedly exceeded the one million threshold, which they are expected to exceed on average in 2014.

Thanks to the work of the journalists involved and the dedicated specialist teams, the majority of the websites were subject to a restyling in terms of graphics, innovative content and technically more evolved versions which enabled their use on all existing devices.

Since October 2013 Mondadori France distributes the digital copies of its magazines through Apple Newsstand, the digital newsstand that was added up to the other already in use (Relay, Lekiosk, Zinio). The digital copies sold in 2013 amounted approximately 900,000, showing a significant potential growth for 2014.

New websites were launched, including www.diapason.fr (first plurimedia editorial initiative for Mondadori France) and, more recently, www.bibamagazine.fr.

In January 2014 the agency in charge of advertising sales set up a dedicated team for the digital activities, evolving into a cross-media agency. This resulted in the international expansion of the sales activities regarding advertising spaces on the websites and special initiatives, which were previously managed by external companies.

In 2013 a digitalization project for the editorial staff was launched. After the completion of a preliminary phase, a new technology (based on the Publishing Now software) was developed, which will enable journalists to work in a single production flow and use content produced on all supports, including both print and digital.

After a pilot project completed with *Diapason*, the monthly magazine *Top Santé* adopted the same system and has been operating in multimedia mode for a few months now. In January 2014 the digitalization process for the magazines *Closer*, *Télé Star* and *Télé Poche* was started and the same process will be applied to other weekly and monthly magazines belonging to the Group during 2014.

At the same time, the Group digital newsstand (www.kiosquemag.com) was subject to a complete restyling. This is a platform offering print and digital subscriptions, along with exclusively digital promotions, with the ambitious objective of doubling the revenues generated through it in the next two years.

Lastly, worth considering is the excellent performance of www.naturabuy.fr, a website for classifieds for products associated with hunting and fishing, with an increasing volume of transactions, up 20.0% against the same period in 2012.

Advertising services

The market

At year end, despite a slight increase registered in the last quarter (3.5%) against the previous quarter, thanks to better performances of the television, radio and daily press segments, the overall reduction compared to the previous year was 12.3%, confirming the difficulties of the last years.

The following table, with market data in value broken down by the main advertising channels, clearly shows that the most significant reduction referred to the media for which Mondadori Pubblicità S.p.A. carries out activities regarding the sale of advertising space on behalf of Group Publishers and third publishers: print media, dailies (-19.5%) and magazines (-23.9%) and the radio (-9.3%).

For the first time the Internet did not show any growth against the previous year.

The performance of the advertising agency

Mondadori Pubblicità closed 2013 with revenues down 18.1%; in particular, sales of advertising space dropped by 18.9%, while revenues deriving from other initiatives grew by 12%.

All segments showed a downturn in advertising investments. The hardest hit segments were design, fashion, automotive and consumer products.

Advertising market

(euro/million)	FY 2013	FY 2012	Var. %
Television	3,527	3,918	(10.0%)
Magazines	529	695	(23.9%)
Dailies	898	1,116	(19.5%)
Radio	353	389	(9.3%)
Internet	502	511	(1.8%)
Other	600	676	(11.2%)
Total advertising market	**6,409**	**7,305**	**(12.3%)**

Source: Nielsen Media Research (Mercato Pubblicitario AdEx - Estimates of net investments)

Sales of advertising space in Mondadori Group magazines decreased by 29.7% against 2012; however, net of the shutting down of a few magazines, the reduction against the previous year would be equal to -23.6%, essentially in line with market data.
This result was obtained thanks to the co-promotion on the occasion of the re-launch of *Grazia*, *Donna Moderna* and *Tu Style*, all in May 2013, and the good performance of the gourmet magazines.
Moreover, the re-positioning, strengthening and rationalization of the living area with the restyling of *Grazia Casa* (+12.6% against 2012 data) and the progress of the new format of *Icon* (+0.8% against 2012 data) are both worth noting.

As for advertising sales in the Radio channel, 2013 closed with a 41.8% growth, mainly thanks to the acquisition under concession of the Radio Italia frequency, starting from 15 April, followed by the Radio Subasio and Radio Norba frequencies in September and October.
Though smaller and certainly not nationwide broadcasters like Radio Italia, both Radio Subasio and Radio Norba are complementary to the other frequencies included in the portfolio managed and enable Mondadori Pubblicità to extend its range to include less covered geographic areas: central Italy through Radio Subasio and the south of Italy, specifically the Apulia region, through Radio Norba.

As to the Internet, the Mediamond joint venture generated revenues for euro 45.4 million (+21.6% against 2012) with results well above the average of the market of reference. Specifically, the best performances referred to the following Mondadori websites: www.grazia.it (+15.7%), www.videomediaset.it (+43.1%) and Tgcom (+19%).

In 2014, thanks to the aggregation policy implemented by Mediamond in relation to the management of advertising sales in the print media, radio and web channels, projections are for a performance above the market average, which is currently showing a further downturn.

(euro/million)	FY 2013	FY 2012
Revenues from advertising	136.4	168.2
Other revenues	5.2	4.7
	141.6	**172.9**
Operating costs	(161.5)	(181.0)
EBITDA	**(19.9)**	**(8.1)**
Amortisation and impairment	(0.1)	(0.1)
EBIT	**(20.0)**	**(8.2)**

Retail

The activity of the Retail area in 2013 was broken down as follows:
- in the framework of the revision of the store network, targeted actions were continued, aiming at optimizing store profitability through the implementation of cost reduction, revenue management and margin policies. Critical points of sale with no possibility of recovery were shut down; the search for prime locations continued to open new directly managed points of sale and new franchised stores were opened along with new book clubs within traditional book stores. At year end the network included 562 points of sale against 597 of end 2012 broken down as follows: 19 directly owned book stores, 322 franchised stores, 190 newsstands, 8 multicentres and 23 book clubs;
- in a shrinking market (-6.2% in value; source: Nielsen), efforts were made to provide an increasingly comprehensive product offering with more than 160,000 books;
- the no-book product offering was further expanded, including, specifically, stationery products, toys and private label products;
- further impulse was given to the Mondadori Card, extended to on-line sales, subscriptions, book clubs and Mondadori on-line magazines. At year end, the number of Mondadori Cards distributed exceeded 1,150,000 units;
- sales of IT products, also in relation to the consolidation phase of the Kobo project, the e-reader distributed in Italy on an exclusive right agreement until the end of October 2013, registered a reduction;
- the brand change from Bol to InMondadori, and, consequently, of the website domain, completed at the end of 2012, generated a reduction in the traffic in 2013 as a result of "natural" search engine effects. This had an impact on revenue generation in the year of reference. The incorporation of the company in which the e-commerce activity of the Group was aggregated into Mondadori Direct S.p.A. as of 1 January 2014 will enable the Group to explore the integration and the synergies with the retail area from a multi-channel perspective, with the ultimate objective of reducing lead time from product order to product delivery.

The market

In 2013 the markets of the main products offered by Mondadori Direct S.p.A. network registered considerable revenue reductions: books were down -6.2% as a result of the reduced average price and increase in the e-book channel; films dropped by -11.3%; gift boxes -3%, stationery products -1% and consumer electronics -0.1% (source: GFK).
In particular, the notebook and photo divisions recorded a slump (-20%), unlike telephones, tablets and e-readers.

The economic performance of the Retail Area

The overall revenue volume in 2013 amounted to euro 225 million, down 8.2% against the previous year.
Revenue composition by type of product is still massively concentrated in hard copy books, accounting for 73% of the total, despite the development of alternative products, consistent and synergistic with the hard copy book, showing even greater growth margins in the franchising channel. In fact, the no-book category in directly owned stores accounts for approximately 30% of sales, while it amounts to 10% in franchised stores.

However, data may not be directly comparable, because in 2013, in addition to the transformation of aggregated newsstands in book stores, 42 both directly owned and franchised stores were shut down, including the directly owned stores of Piazza Marconi in Rome and the stores in the commercial malls of Mantua and Assago, and 20 new stores were opened.

On a like-for-like basis the directly owned stores showed an increase in revenues equal to 4.6%, instead of a 5% reduction; multicentres recorded reduced revenues by 5.2%, instead of 8%; franchised stores -6.6%, instead of a 4% growth; and newsstands a 1% increase instead of a 7% decrease.

The sales channels losing the most ground in terms of revenues were: book clubs (-29.1%) and InMondadori (-19.1%).

The revenue trend described above also reflected on the economic indicators, all showing a downturn against 2012.

In order to limit the negative trend of 2013, a number of lease contracts were re-negotiated, whose positive effects are expected to be booked in 2014; investments for promotions and recruitment costs for book club members were reduced.

The actions undertaken to optimize the structures should be taken into account for the future, both in terms of headcount reduction and under the profile of the operating re-organization and integration of the processes of the different businesses in which Mondadori Direct S.p.A. activities concentrate.

Also, the aforementioned company streamlining policy will enable the Group to optimize book procurement costs as well as the costs of other products sold both in the off-line and on-line channels.

Insofar as revenue growth, in addition to increased attention to the fine-tuning of traditional activities, the new project for the on-line sale of wine (Avinado.it) is worthy of note.

(euro/million)	FY 2013	FY 2012
Revenues	220.3	238.0
Other revenues	4.7	7.2
	225.0	**245.2**
Operating costs	(233.5)	(245.6)
EBITDA	**(8.5)**	**(0.4)**
Amortisation and impairment	(8.2)	(10.2)
EBIT	**(16.7)**	**(10.6)**

Radio

Mondadori is present in the Italian radio market through *R101* which, thanks to a publishing format based on current news and entertainment, mainly targets an adult audience with a view to completing the publishing offering of other Group products and services by developing synergies.

The extensive and high quality distribution of its frequency enabled *R101* to record audience rates that make it one of the most popular private radio stations with Italian listeners.

The economic performance of the Radio Area

In 2013 revenues from advertising in Italy reflected the effects of the general heavy crisis with an overall reduction equal to 12.3% against 2012 (source: Nielsen, December); in particular, the radio channel, despite a slow recovery in the second quarter, closed the year at -9.3% against the previous year.

In this context, *R101* reflected the significant cuts in investments made by the main customers in the Automotive, Consumer Products and Telecommunications sectors and closed 2013 with a drop in revenue equal to 18.7% against 2012.

Consequently, EBITDA also fell; EBIT reflected the effects of the impairment loss on the reduced value of frequencies

(euro/million)	FY 2013	FY 2012
Revenues	11.3	13.9
Other revenues	-	-
	11.3	**13.9**
Operating costs	(15.6)	(15.9)
EBITDA	**(4.3)**	**(2.0)**
Amortisation and impairment	(32.6)	(48.0)
EBIT	**(36.9)**	**(50.0)**

assigned upon completion of the impairment test and as a result of the analysis carried out by an external specialist, for a total of euro 31.1 million.

After the busy promotion and marketing campaign completed in the first half of the year, including the organization and sponsorship of numerous events in Italy, like the "Stramilano" city marathon and the "Giro d'Italia" bike race as official media partner, including all the related events and animation and numerous communication activities on television channels, Group magazines and local dailies, in the second half of the year *R101* focused on the strengthening and improvement of the connection and link with important events, including the Venice Film Festival as official media partner through on field and on air activities and an intense social network supporting activity.

Important to note are also the activities developed on the www.r101.it website, which enabled the Group to reach more than 200,000 single users in an average month and increase the number of page hits to over 3.6 million against a total of 1.4 million in 2012 (source: Google Analytics).
The main social media channels continued registering an uptrend:
- Facebook: fans exceeding 300,000 units (200,000 at the end of 2012);
- Twitter: fans exceeding 36,000 units (12,000 at the end of 2012).

In the last months, increasing attention was paid to the process of restyling of the publishing and music formats in order to enable *R101* to best exploit the opportunities that the first months of the new year appear to offer.

It is from this standpoint, in confirmation of the strategic role that *R101* plays in the Mondadori Group, that the consolidation and strengthening of the alliance with Radio Italia should be interpreted: after the start of the relationship through shared advertising concessions, 2014 will see the development of shared activities involving publishing and marketing initiatives for the radio in order to further enhance *R101* identity within the Italian radio segment.

Other business

Other business includes the results deriving from the integrated service activities for relational off-line and on-line marketing carried out by Cemit Interactive Media S.p.A., the digital activity and the equity investment in Società Europea di Edizioni S.p.A., which publishes the *Il Giornale* daily.

Digital Innovation: in the year of reference, the Digital Innovation Area was set up with the objective of increasing presence in the digital market, organizing innovation processes and identifying new opportunities for the development of the business.

The new structure, which relies on a highly skilled team with consolidated expertise, combines already existing digital activities within the business of magazines, books and retail to develop a digital strategy that extends to the development of new initiatives and the transformation and improvement of Group products and assets.

In addition to taking advantage of the benefits provided by centralized CRM, which has been further increased over the years in its customer base, Digital Innovation, confirming the key role of the digital area within the Group, will also focus on Marketing Services, with a broader, cross-sectional and integrated system of product offering and on the opportunities linked to the e-commerce activities also through partnerships and acquisitions.

Cemit: as already mentioned, advertising investments dropped by 12.3% and the direct mail segment also fell by 13% against 2012.

In this context of strongly diminishing investments, the Company, following the commercial plan already defined at the end of 2012, in addition to more traditional actions including the production and printing of promotional materials, personalizations and fulfilments, as well as marketing and creativity services, also progressively proposed more innovative digital solutions and commercial initiatives specifically dedicated to the service sector.

Thanks to the new product/service lines of digital direct marketing and confirming once again its determination to become the single point of reference in a position to fulfil the different and diversified needs of Italian and international customers through a broad range of services, Cemit closed 2013 limiting revenue losses to 5.6%.

On the organizational side, the process for the integration of the Digital Innovation Area continued, with the objective of further promoting Cemit as the core asset for the development of a system of integrated marketing service products dedicated to national and international companies.

Società Europea di Edizioni: the publisher of the *Il Giornale* daily closed 2013 with a negative performance amounting to euro -1.4 million for the part relative to Mondadori against a loss of euro 1 million registered in 2012.

Corporate

The Corporate segment includes - besides organisations managing the Group's financial assets - Parent Company functions providing services to Group companies and the different business areas.

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

On 28 November 2013, Mondadori International S.p.A. was incorporated in the parent company Arnoldo Mondadori Editore S.p.A.

As of the merger by incorporation, the financial assets of Mondadori International S.p.A. included current accounts, cash and cash equivalents and receivables from the parent company for intercompany current accounts, since all the float rate bonds available for sale were transferred in the first semester of 2013, generating a positive amount equal to euro 0.5 million.

Financial position

Mondadori Group's financial position at 31 December 2013 showed a deficit of euro 363.2 million, reflecting the unfavourable trend of the segments of activity in which the Group operates and the financial impact of the restructuring process.

We should point out that the net financial position would show a deficit of euro 365.9 million if calculated according to the method recommended by Consob, as mentioned in note 13 of the Explanatory Notes, as it would not include the balance of "Non-current financial assets".

Net financial position

(euro/million)	31/12/2013	31/12/2012
Cash and cash equivalents	65.7	166.8
Financial assets at fair value	-	-
Held-for-sale financial assets	-	13.3
Assets and liabilities resulting from derivative instruments	0.2	(14.9)
Other financial liabilities	0.5	12.3
Loans (short and medium/long term)	(429.6)	(445.1)
Net financial position	(363.2)	(267.6)

Interest and exchange rate trends

The world economy continues to recover at a moderate pace: in the US the economy improved also as a result of lessening uncertainties in budget policies, while emerging markets continue their uptrend, even if bearish performance risks connected with the global financial situation persist.

The moderate recovery in the euro zone was accompanied by low consumer spending. In this perspective, the ECB reduced the official rate (0.25%), confirming that the current level will remain unaltered for an extended period.

In Italy, GDP halted its decline in the third quarter of 2013. However, the economic situation remains fragile due to high official unemployment rates, which are even higher in real terms.

In this context, the Euribor remained depressed, with an average value for 2013 equal to 0.22%; the average cost of Mondadori Group debt in the same period was equal to 3.44%.

The euro/dollar exchange rate at 31 December 2013 was equal to 1.329, with a trough of 1.38 at the end of October and a peak of 1.278 towards the end of March, showing a progressive downturn in the third and fourth quarters.

The pound sterling lost value in the first half of the year (0.875 towards mid March) and recovered in the third and fourth quarters. The average euro/sterling exchange rate in 2013 was equal to 0.849.

The overall bank overdraft available to the Group at 31 December 2013 amounted to euro 783.4 million, of which euro 570.0 committed.

The Group's short-term loans, totalling euro 213.4 million, used for euro 4.7 million at 31 December 2013, included overdraft bank overdraft on current accounts and advances subject to collection.

In the second half of 2013 concerted efforts were concentrated on the re-negotiation of the Group's bank overdraft. This activity was successfully completed in November as follows:

- stipulation of a new loan with a pool of banks for euro 270.0 million with equal amounts coming due in 2016, 2017 and 2018;
- the liquidity resulting from the aforementioned new loan contract was used to repay loans approaching expiry: Club Deal totalling euro 320.0 million with expiry in December 2014 (used for euro 150.0 million at repayment date) and an amortizing loan with a pool of Banche Popolari equal to euro 52.0 million with expiry in June 2015 (entirely used at repayment date);
- re-negotiation of the existing bank overdraft with Intesa Sanpaolo (euro 200.0 million with expiry in December 2016) and Mediobanca (euro 100.0 million with expiry in December 2017);
- all-in conditions on Euribor nominal rate for the period at +4.85%;
- net debt/EBITDA covenant, exempt in 2013, 4.50x in 2014 and 3.50x in 2015 and subsequent years.

In the context of the aforementioned debt rescheduling activity, consistently with the new loans, existing contracts to hedge against rate risks were subject to repayment or revision.

The main medium-long term loans at 31 December 2013 are:

- euro 270.0 million for a float rate bank loan, granted by a pool of leading banks with international standing; the loan specifically includes a term loan amortizing for euro 180.0 million with equal repayment instalments coming due in December 2016 and December 2017, and a Revolving Facility for euro 90.0 million with expiry in December 2018, used for euro 35.0 million at 31 December 2013; some Interest Rate Swap contracts have been attached to the first instalment of the term loan for the purpose of transforming the float rate into fixed;
- a float rate bullet loan for euro 200.0 million, granted by Intesa Sanpaolo, with expiry in December 2016, broken down into a term loan for euro 50.0 million and a revolving facility for euro 150.0 million, used for a total of euro 100.0 million at 31 December; an Interest Rate Swap contract was attached to part of the term loan, with expiry in January 2014;
- a float rate bullet loan for euro 100.0 million, granted by Mediobanca, with expiry in December 2017, including a term loan for euro 50.0 million and a revolving facility of equal amount, used for euro 20.0 million at 31 December; an Interest Rate Swap contract was attached to the term loan for the purpose of transforming the float rate into fixed.

Human resources

Employees with a fixed-term or permanent labour contract employed by the Group companies at 31 December 2013 totalled 3,436 people, and the cost of personnel amounted to euro 243.4 million, down against 2012 by 267 employees (-7.2%) and euro 27.3 million (-10.1%), respectively, net of higher provisions used as a result of the restructuring process.

The significant improvement is the result of the cost reduction policy implemented by the Group, including the extraordinary restructuring actions started in 2012 in all Group companies (early retirement schemes for graphic-publishing workers operating in Arnoldo Mondadori Editore S.p.A., Mondadori Pubblicità S.p.A., Press-Di Distribuzione e Multimedia S.r.l.) and the new actions introduced in 2013 for the downsizing of the number of journalists with the application of early retirement schemes and redundancy programmes in the Magazines division, redundancy arrangements in Mondadori Direct S.p.A. and Plan social in Mondadori France.

The restructuring process and the consequent cost reduction effects will continue in 2014 and are expected to result in an adjustment of the headcount in line with the changed market scenario.

Personnel	31/12/2013	31/12/2012
Arnoldo Mondadori Editore S.p.A.		
- Managers, journalists, office staff	1,051	1,126
- Blue collar workers	82	84
	1,133	1,210
Italian subsidiaries:		
- Managers, journalists, office staff	1,308	1,416
- Blue collar workers	52	55
	1,360	1,471
Foreign subsidiaries:		
- Managers, journalists, office staff	943	1,022
- Blue collar workers	-	-
	943	1,022
Total	3,436	3,703

In addition to the impressive restructuring process, progress also continued to be made in reviewing the organizational structures and operating processes, which contributed to the attainment of increasingly higher cost efficiency and flexibility levels in all Group business areas.

In this context, a noteworthy result was obtained by the Italian subsidiaries partially involved in the process of strategic restructuring, which targeted an overall reduction of 111 employees (-7.5%).

The table above provides a detailed breakdown of Group personnel at 31 December 2013:

Industrial relations

From an industrial relations perspective, 2013 was characterized by the continuation of the necessary re-definition of the organizational structures resolved upon and aimed at reaching adequate efficiency levels and costs to enable the Group to face the long period of crisis and, above all, the changed market scenario, heavily influenced by the digital transformation of magazines and books.

In addition to the aforementioned restructuring plan involving the graphic-publishing workers operating in the central divisions and in the Magazines division of Arnoldo Mondadori Editore S.p.A., Mondadori Pubblicità S.p.A., Press-Di Distribuzione e Multimedia S.r.l., approved by the competent Italian Ministry in October 2012, which is expected to result in the reduction of 152 employees through the application of early retirement schemes by 29 April 2014, the Group also signed an important restructuring agreement with the trade unions in March 2013 covering the journalists operating in the Mondadori Magazines division.
According to the agreements reached and underwritten with the Italian Ministry of Labour, a reduction of 87 journalists will be completed, partly due to the shutdown of five magazines, and redundancy programmes will be applied to over 350 journalists operating in the Magazines division.
The arrangement, whose application began in June 2013, will remain in force until May 2015, with significant benefits in terms of cost reduction in a sector heavily suffering from the evolution of the global economy.

In the Retail area, Mondadori Direct S.p.A. stipulated a series of agreements for the application of redundancy programmes in February and March 2013. These agreements will involve a total of 254 employees operating in the offices of Milan, Rimini and Brescia.
In December a restructuring programme was announced for the Brescia logistics centre, including an agreed upon management of redundant workers, and is expected to shift procurement activities to the Mondadori warehouse located in Verona.

After the completion of the first agreement signed in 2012 for the implementation of redundancy programmes for 15 workers who later left the company, Cemit Interactive Media S.p.A., a direct marketing service company, also stipulated a new redundancy and mobility agreement for 55 workers in June 2013.

Organisational evolution

Through the implemented restructuring plans, corporate transactions and detailed operating process revisions, the Group is oriented towards attaining improved efficiency and organisational streamlining.

The Group also concentrated its efforts on development activities, with particular attention to the digital world.

In 2013 the Group Digital Innovation division was established, reporting directly to the CEO, through a matrix structure with the single business areas, with the objective of creating synergies and favouring growth in the activities developed autonomously by the different operating areas.

Another move in this same direction was the transaction, announced in December 2013 and completed in January 2014, which envisaged the transfer of commercial activities from Mondadori Pubblicità S.p.A. to Mediamond S.p.A., a web agency already equally owned by Mondadori Pubblicità S.p.A. and Publitalia '80 S.p.A., thus forming a single entity that can offer coordinated services for magazines, web and the radio in the Italian advertising market.

Training

The starting point for the development of training programmes in 2013 was the attentive and well-organised dialogue opened with the representatives of the Mondadori Group activity areas and HR Managers in order to identify needs and requirements within the companies and business areas. Another important contribution came from the analysis of the results deriving from the third edition of the Performance Management process. The result was a tailor made training offering, developed in congruence with Group objectives and growth strategies.

The Mondadori Training Programme can be summed up in four key concepts (orient, support, favour and share) and in two types of training (specialist-managerial and languages) plus specific training on the topics regarding employee health and safety in the workplace and the catalogue for professional journalism training.

Confirming the trend registered in recent years, the Mondadori Group training programme is progressively shifting from catalogue training to the implementation of *ad hoc* training programmes, better concentrated on real training needs and adjustable to the specific business requirements.

Ad hoc training in 2013 involved 447 participants for a total of 3,599 hours of training. These figures are in line with last year's trend since the reduced number of training hours was offset by an increased number of employees involved.

This trend is also strictly correlated to the need for ongoing training of managerial and business-related competencies and the development of cross-sectional paths to favour integration between the different Group areas.

In relation to *ad hoc* training, the Performance Management System training should be mentioned. This is a specific course that involved both assessors and assessed individuals belonging to different Group areas. The objective of the course was to implement the revisions brought about by the process and stimulate participation and empowerment from the new users regarding the tool objectives.

Risks connected with health and safety

Also in 2013, as already made in the past years, the activity regarding monitoring of risks connected with employee health and safety in the workplace continued.
Specifically, periodic activities were carried out as envisaged by the applicable laws, including meetings between the company and employee representatives in relation to drills, office evacuation drills and also ordinary training to prepare people dedicated to first aid as well as on site inspections with the physicians in charge of each individual company.

The Risk Evaluation Documents were duly updated for each individual company and/or operating unit in order to include the new aspects introduced during the year of reference.
A massive training plan was also implemented, involving all Group employees, in application of Italian Legislative Decree 81/08, as better specified in a subsequent agreement reached by the Italian Conferenza Stato Regioni. Training on employee health and safety in the workplace and, more in general, training for all Group employees will continue in 2014.
During the periodic meetings on employee safety held in 2013, the outcomes of the analysis of the so-called "Correlated Work Stress" measurements were presented according to the methodology agreed upon and shared by the physicians of the single companies and the employee safety representatives. The results did not identify any particularly severe situations.

Lastly, in the last quarter of 2013, a free campaign was launched in collaboration with the Diabete Italia association, targeting employees over 40 at the Segrate headquarters, offering a complete diabetes risk screening.

Capital expenditures

During the fiscal period ending 31 December 2013, the Group made investments in technical assets for about euro 3.7 million, mostly for the purpose of replacing electronic office equipment, furniture, décor and other equipment and the upgrade of plants and third party properties leased to Group companies.

Goods were disposed of with a residual value of euro 0.6 million.

Performance of Arnoldo Mondadori Editore S.p.A.

The Annual Report of the parent company, Arnoldo Mondadori Editore S.p.A., for the year ended at 31 December 2013 shows a loss of euro 315.0 million, exceeding the loss of euro 39.6 million registered in the previous year.

The reasons for the aforementioned deficit are mainly the following:
- the results of the business areas due to the difficult market conditions of the segments in which the Company operates;
- organizational changes which involved the top managers of the various business areas, journalists and, in particular, the journalists of the magazines and the central functions, resulting in high non-recurring costs;
- failed collection of dividends from Group companies due to the low performance results posted by the same in the previous year;
- impairment test performance on subsidiaries and affiliated companies which resulted in a particularly high impairment loss, comprehensively totalling approximately euro 275 million.

Main risks and uncertainties to which the Mondadori Group is exposed

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

The internal model developed for the identification, assessment and management of risks is based on the principles of “COSO - Enterprise Risk Management” (COSO ERM), one of the most authoritative and widely adopted approaches at the Italian and international level.

Risks are identified and assessed through a self-assessment process by the heads of the business unit or function, who concurrently devise any necessary mitigating actions aimed at reducing the impact of risk factors. The assessment parameters are the likelihood that the event will occur and its impact.The latter is measured also against the potential impact on financial performance, market share, competitive advantage and reputation. The Internal Audit function is responsible for verifying the reliability and efficiency of the identified mitigating actions.

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

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

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

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

- risks related to the economic scenario;
- financial and credit risks;
- business risk: competitive scenario and strategic risk;
- regulatory risk;
- risk associated with brand protection.

Risks related to the economic scenario

While the world economy and international trade activities continue to show moderate signs of recovery and in the United States the economy seems to be on a consolidation trend, in the last quarter of 2013 a modest recovery was also perceivable in the euro area, reflecting a moderate thrust in consumer spending.
In Italy, GDP interrupted its plummeting trend in the third quarter of the year, but the economic scenario still remains weak and very diverse from company to company and geographic location. Projections for large sized companies and businesses strongly oriented towards foreign markets seem to improve, while the framework for enterprises of smaller size and those operating in the service sector remains unfavourable. The unemployment rate, which usually follows the economic cycle with a delay, is very high and dipping, while the inflation rate decreased.
Access to credit for businesses has not yet benefited from the improved conditions of the financial markets and still represents an obstacle to recovery.

In 2014 a moderate recovery of the economy is expected, driven by foreign demand and increased investments in manufacturing. Conversely, consumer spending will remain low, reflecting the persistent difficulties of the labour market.

The conditions of the market of reference generate critical effects in the sectors of activities in which the Group operates. The latest Risk Assessment identified the reduction in consumer spending the main risk factor. In fact, this is a systemic risk factor that is not only associated with the publishing industry.

Main risks	Mitigation actions
Lower consumption in the markets of reference may reverberate on Group performance.	Ongoing focus on product quality and innovation of the publishing offering also through targeted integration strategies with the development of digital activities, concentrating on the power and value of essential assets like the brand and contents.
Lower advertising investments, in terms of both sales volumes and average prices, in a context characterised by discontinuity in the advertising market.	Re-launch and restyling of the portfolio products and brand extensions. Increased offering through new agreements and cross media package development.

Financial and credit risks

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

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

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

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

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

Main risks	Mitigation actions
Difficulty in maintaining profitability levels and a correlation between cash flow and loans.	Ongoing monitoring of loan requirements as a function of the financial characteristics of operations. Re-negotiation of bank overdraft. Re-organisation of the structures and processes according to a saving and efficiency logic.
Inadequate support to assets financial values in the light of the current and future market trend and of the Group's financial results.	Ongoing monitoring of assets and write-off in order to ensure that the economic-financial performance is in line with the company plans.
Trade receivables: longer payment collection time and increased counterparty defaults.	Continuous monitoring of customers' credit exposure and recourse to adequate hedging instruments. Preventive analysis of customer solvency. Introduction of financial balance among management incentives parameters.

Business risk: competitive scenario and strategic risk

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

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

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

Main risks	Mitigation actions
Growing competition in the Group's markets, due to the growing competitiveness of existing players and to new players coming into the market.	Ongoing investment in improving publishing content and product quality. Integration of the sale network to target cost and revenue synergies.

Regulatory risk

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

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

Main risks	Mitigation actions
Criticalities associated with regulatory developments on specific business topics inherent to the activity areas in which the Group operates.	Constant control and active participation in discussions for the issuance of new regulatory provisions also thanks to the involvement of the main category associations (e.g. Fieg). Timely adjustment of business activities and products to regulatory novelties/changes also through the adoption of newly enforced regulations in the Group's internal policies.
Organisational and contractual management of resources.	Punctual attention to the regulation regarding employee labour contracts and training of employees in charge of their correct use. Development of a targeted corporate function.

Risk associated with brand protection

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

Main risks	Mitigation actions
The occurrence of events that may damage the Group's image and brands could result in the loss of customers, profits and reputation.	Monitoring and prompt actions on different information sources through appointed functions (external relations, sustainability, social media).

Relevant events occurred in the period

Abandon of the gaming concession and liquidation of company Glaming S.r.l.

As of July 2013, following the abandon of the gaming concession for the remote management of public games submitted by Mondadori Group, the decree issued by the Customs and Monopoly Agency that authorises the suspension of gaming revenues of Glaming S.r.l. has become effective.
As a result, on 10 October 2013, the Company was settled and the process is expected to be completed after the settlement of the obligations and payables due to the Public Administration, customers and suppliers.

Re-negotiation of the financial debt for a total amount of euro 570 million including waiver of the current covenants

As already described above, in November 2013 the negotiations for rescheduling the Group's financial debts were completed successfully for a total amount of euro 570 million.
In particular, a new loan contract was signed with a pool of five banks for an amount equal to euro 270 million with instalments of equal amount falling due in 2016-2017-2018, replacing the bank overdraft about to expire for approximately euro 380 million.
Existing bank overdraft were also subject to re-negotiation for a total amount of euro 300 million, including a euro 200 million worth loan granted by Intesa Sanpaolo with expiry date at the end of 2016 and a euro 100 million worth loan granted by Mediobanca expiring at the end of 2017.
The all-in cost for all bank overdraft at nominal value amounts to 485 base points (+Euribor).
Based on this re-negotiation the Company obtain waivers to the current net debt/EBITDA covenants for 2013 and 2014.

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

During the year of reference and with effective date as of 1 January 2014, the transfer of business relative to the sale of advertising space in magazines and on radio stations from subsidiary Mondadori Pubblicità S.p.A. to Mediamond S.p.A., a company providing services for the sale of advertising space on the websites managed by the Mondadori Group, RTI S.p.A. and third publishers, equally controlled by Mondadori Pubblicità S.p.A. and Publitalia '80 S.p.A. (Mediaset Group) was completed.

Transaction details

Prior to the application of the effects of the transaction and, therefore, until 31 December 2013, the activities regarding the sale of advertising space in the magazines managed by the Mondadori Group, third publishers and the radio stations *R101*, Radio Italia and Radio *Kiss Kiss*, as well as a few local radio stations, were carried out by Mondadori Pubblicità S.p.A., an Arnoldo Mondadori Editore S.p.A. fully owned company.
Mondadori Pubblicità S.p.A. also carries out activities defined as "operations", including providing support services to advertising sales, like ad editing and layout, as well as marketing activities to support the sales network.
Mediamond S.p.A. was in charge of the sale of advertising space on the websites managed by the Mondadori Group S.p.A. (Mediaset Group) and third publishers.
The transaction followed the procedure described below:

(i) transfer from Mondadori Pubblicità S.p.A. to Mediamond S.p.A. of the Business, including assets and liabilities, personnel and contracts relating to the sale of advertising space in the hard copy magazines published by Mondadori and third publishers and on the radio stations of *R101*, Radio Italia and Radio *Kiss Kiss* as well as a number of local radio stations (the "Business") with effective date as of 1 January 2014;

(ii) capital increase of Mediamond S.p.A., reserved to Mondadori Pubblicità S.p.A. to be completed upon the transfer mentioned above for a total of euro 450,000 calculated on the economic value of the Business determined based on an appraisal jointly made by two independent experts. After completion of the transfer, Mondadori Pubblicità S.p.A. residual activity will exclusively concentrate on the management of the operating support services to advertising sales as described above;

(iii) capital increase of Mediamond S.p.A., reserved to Publitalia '80 S.p.A. to be completed in cash by an amount corresponding to the increase indicated under (ii) above, for the purpose of maintaining the 50% shareholding in Mediamond S.p.A. by the current shareholders Mondadori Pubblicità S.p.A. and Publitalia '80 S.p.A.

With reference to the motivations and benefits expected from the transaction, it should be noted that the transaction in question enables the Group to develop and rely on one single entity - Mediamond S.p.A. - the most comprehensive agency for the integrated sale of advertising space operating in Italy in the main communication channels: web, magazines and radio.

In particular, the integration of the activities relating to the sale of advertising space in the aforementioned channels is expected to generate positive effects both in terms of synergies and increased optimization of the product offering, resulting from:

- the functional and commercial integration of the corresponding areas of excellence of the entities involved in the transaction, i.e., for Mondadori Pubblicità S.p.A., the sale of advertising space in hard copy magazines and on radio stations and, for Mediamond S.p.A., the sale of the same services on the web;
- the generation of a competitive advantage deriving from the currently unique possibility to propose a comprehensive service to Italian customers in relation to the aforementioned areas.

The expected economic benefits, reflected in the 2014-2016 business plan, envisage an advantage for the Mondadori Group in terms of improved EBIT for a total of approximately euro 21 million over the three-year time span of the plan (approximately euro 16 million net of the restructuring costs allocated to 2013 for about euro 5 million), mainly as a result of the progressive reduction in Mondadori Pubblicità S.p.A. negative margin deriving from lower structural costs, the rationalization and interaction of the sale network and expected higher gross receivable amounts that the Business is believed to generate compared to a stand alone situation.

Related parties

In compliance with the provisions of Consob Regulation 17221/2010 and subsequent amendments ("Consob Regulation") and the corresponding procedure adopted by the Board of Directors (the "Procedure"), the transaction was defined as a related party transaction "of greater importance". In particular:

(i) with reference to the specific nature of the correlation the transaction, in its entirety, involved the following related parties: Mondadori Pubblicità S.p.A., directly owned subsidiary, pursuant to article 2359, par.1, number1) of the Italian Civil Code; Arnoldo Mondadori Editore S.p.A., Publitalia '80 S.p.A., directly controlled by Mediaset S.p.A. and subject to joint control with Arnoldo Mondadori Editore S.p.A., and Mediamond S.p.A., equally controlled by Mondadori Pubblicità S.p.A. and Publitalia '80 S.p.A.;

(ii) the transaction was defined as of "greater importance", since it exceeded the indexes of reference of the assets and liabilities of the business subject to transfer as identified pursuant to article 4, par. 1, letter a) of Consob Regulation and adopted (at a 2.5% rate) in the corresponding Procedure against the consolidated assets resulting from the interim report of Arnoldo Mondadori Editore S.p.A. at 30 September 2013.

Consequently, in line with the aforementioned regulatory provisions and regulations, the transaction was approved by the Board of Directors of Arnoldo Mondadori Editore S.p.A., subject to prior opinion in favour expressed by the committee of "related party" independent directors on the company interest in completing the transaction and the material suitability and correctness of the underlying conditions.

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

Merger of subsidiary Mondadori International S.p.A. in Arnoldo Mondadori Editore S.p.A.

With effective date as of 1 January 2013, the merger by incorporation of Mondadori International S.p.A., a company fully owned by Arnoldo Mondadori Editore S.p.A., was completed. Its core activity was limited to the management of equity investments in foreign subsidiaries operating in the magazines segment, Mondadori France (100%), Attica Publications (Greece) 41.98% and Mondadori Independent Media (Russia) 50%, and no. 4,517,486 shares of the holding company equal to 1.83% of the share capital.

As a result of the merger by incorporation the aforementioned equity interests were directly transferred to the parent company Arnoldo Mondadori Editore S.p.A. against values corresponding to the book values of Mondadori International S.p.A., with no impact on the Group's consolidated financial statements.

The transaction, which did not involve any share exchange ratio since the entire capital of the incorporated company was already fully owned by the incorporating company, resulted in administrative and corporate streamlining and rationalization, particularly in terms of:

- streamlining and shorter company supply chain relative to the ownership of interests in publishing companies already owned by the incorporated company and, consequently, more direct flow of dividends to be paid out in favour of the parent company Arnoldo Mondadori Editore S.p.A.;
- direct management of Mondadori shares, already owned by the incorporated company, automatically acquired as portfolio Treasury shares as a result of the merger by incorporation;
- reduced administrative costs deriving from Mondadori International S.p.A. company structure.

In terms of accounting impact, as a consequence of the 100% cancellation of the equity interest held in the incorporated company, Arnoldo Mondadori Editore S.p.A. booked a capital gain amount, to be recognised under Shareholders' equity reserve, equal to approximately euro 43.5 million, net of the re-allocation of IAS/IFRS reserves, deriving from the difference between the incorporated company's Shareholders' equity and the book value attributed to the equity interest owned in the incorporated company, to be cancelled after completion of the merger by incorporation.

Transfer of the business relative to the activity regarding the management of IT service infrastructures

In the second half of 2013 an outsourcing process was started and completed involving the activities regarding the management of IT service infrastructures. Bids from the four main market operators were collected and, based on the relevant qualitative and economic aspects contained, IBM Italia S.p.A. was selected. In December 2013 Arnoldo Mondadori Editore S.p.A. entered into an agreement with IBM Italia S.p.A. for the transfer of the business and a service contract for the coming years.

In particular:
- the business subject to the transfer includes, among others, 24 employees, IT technology and equipment and is considered completed with an effective date as of 1 January 2014;
- the price, provisionally calculated based on the financial statements as at 30 September 2013, was equal to euro 86,000, subject to balance to be defined at the transaction effective date;
- the duration of the outsourcing contract is 7 years and it also includes the possibility for early termination on the side of Mondadori, the possibility to re-negotiate the price during the period of contract validity and employee job security guaranteed for a period of 24 months;
- the service provided by IBM Italia S.p.A. envisages user assistance, server and database management and the management of the (LAN and WAN) networks.

Thanks to the aforementioned transaction, the Group can count on greater flexibility of the cost structure relative to the IT infrastructures and expects to obtain savings on the order of 17% compared to the cost of keeping the activities in house.

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

The following table shows a comparison between Arnoldo Mondadori Editore S.p.A.'s Shareholders' equity and results in 2013 and the Group's consolidated Shareholders' equity and results.

(euro/thousand)	Shareholders' equity	Net result for the period
Balance - Parent Company's financial statements	175,417	(314,971)
Dividends received by the Parent Company from subsidiary and associated companies		(500)
Elimination of intercompany income	(7,199)	1,238
Equity and financial contribution from directly associated companies	5,963	(224)
Equity and financial contribution from subsidiary and indirectly associated companies, net of the aforementioned items	52,554	129,042
Balance - Group's consolidated financial statements	226,735	(185,415)

Foreseeable evolution

In a market that is not yet showing clear signs of recovery, the performance of the Group business areas in the first months of 2014 is above expectations: in addition to the good results of the activities and publishing products, the effects of the re-organization actions and cost reduction policy implemented in 2013 are becoming increasingly visible.

The foregoing along with the substantial reduction of non-recurring costs in the year enable the Group to project a significant growth in EBITDA at year end, above 2012 levels.

Among the initiatives implemented in the first three months of 2014 are:

- the launch of *Il mio Papa*, the first weekly magazine entirely dedicated to the Pope, which, after the great success of the first issue, registered a circulation exceeding 300,000 copies also with the second issue;
- the acquisition of brands and assets from the social reading service provided by Anobii Ltd, a worldwide platform with over one million users in the world, of which 300,000 are in Italy;
- great success of the *Closer* weekly magazine (record sales with over 600,000 copies), thanks to the scoop on the French President Hollande. The magazine confirms its standing as a key reference for people press in the country;
- the launch of the restyled *R101* with an entirely new editorial line, new logo, new "The Music" pay off and new jingle entrusted to a pool of the best musicians;
- the launch of the new *Panorama* magazine, with 110 ad pages in the first issue, out of which 40 pages related to fashion.

Relevant events after closure

Filing of the procedure relative to the liquidation of ACI-Mondadori S.p.A.

The extraordinary Shareholders' Meeting of 10 February 2014 resolved upon the filing of the voluntary liquidation procedure for ACI-Mondadori S.p.A., an equally owned joint venture between Mondadori and ACI established in 2000 with the objective of integrating the publishing activities of its partners in the automotive magazine segment.

The significant reduction in the number of car registrations in Italy (-50% in the last 5 years) due to the negative economic scenario had heavy reverberations also on the market of advertising investments and circulation of the segment-specific magazines.
In particular, advertising investments were down 55% and circulation dropped 60% on average in the 2005-2013 time span.

The aforementioned revenue performance led to the shutting down of the magazine *Auto Oggi* in 2009 and to ACI resolution to discontinue the publication of the *HP Trasporti* house organ in 2011. In 2013, the lower number of issues of the Aci Automobile Club house organ, limited to six against the eleven of the previous year, had a heavy impact on the 2013 result.

In addition to statistical data, the resolution to discontinue activities and file the early termination and liquidation of the company is also based on the projections for the advertising market and the circulation of sector-specific magazines in 2014, which envisage additional reductions.

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

Here below is information in relation to the following specific items.

Transactions with related parties

In compliance with the provisions set out in article 5, par. 8 and article 13, par. 3, of the "Regulation in the matter of transactions with related parties" issued by Consob through Resolution 17221 of 12 March 2010 (the "Consob Regulation"), the following is reported relating to the period of reference:

a) a transaction of greater importance was completed regarding the transfer of business relative to sale of advertising space on magazines and radio stations from subsidiary Mondadori Pubblicità S.p.A. to Mediamond S.p.A.
   Details about the transaction mentioned above are reported in the "Relevant events occurred in the period" section in this Directors' Report on Operations, in the information document and relevant supplement published pursuant to article 5, par. 1 of Consob Regulation on 21 November and 23 December 2013 and available on the company website at www.mondadori.it - Governance section;
b) another transaction of greater importance, exceeding the relevant quantitative indexes was completed with a related party.
   The transaction is excluded from the application of the provisions set out in Consob Regulation pursuant to the aforementioned article 13, par. 3, letter c) and from the Procedures adopted by Arnoldo Mondadori Editore S.p.A. in compliance with article 4 of the same Regulation, since, in relation to the foregoing, the transaction qualified as an ordinary transaction completed at market conditions.
   Here below are the details referring to the transaction:
   Counterparty: Mediobanca - Banca di Credito Finanziario S.p.A., as Lending Bank.
   Reference: on 13 November 2013 modification of previous loan contracts dated 15 June 2010 and 6 July 2011 relative to a bank overdraft for a total amount of euro 100,000,000.00 with expiry date on 15 December 2017, broken down in a term loan and a revolving credit facility of equal amount.
   Price: annual interest accrued coresponding to period Euribor increased by 425 base points for the Term loan and 375 base points for the revolving credit facility portion.
   Commissions: Facility Fee equal to 100 annual base points on the amount of the revolving credit facility portion of the loan.
   The transaction is excluded from the application of the provisions set out in Consob Regulation pursuant to the aforementioned article 13, par. 3, letter c) and from the Procedures adopted by Arnoldo Mondadori Editore S.p.A. in compliance with article 4 of the same Regulation, since the transaction qualified as an ordinary transaction completed at market conditions.
   In this respect the following should be noted:
   - the use of the bank overdraft will be secondary to the performance of the Group operations;
   - the conditions applied in terms of interest on Euribor and commissions are in line with similar transactions defined or negotiated with other banks which do not qualify as related parties;
   - the transaction is not larger than other similar transactions defined or negotiated with other banks which do not qualify as related parties;
c) no transactions were completed with related parties defined pursuant to article 2427, par. 2, of the Italian Civil Code, which have had an impact on the Company's equity or performance;
d) no changes or developments relating to the transactions with related parties illustrated in the last Annual Report are reported which had a significant impact on the Company's equity or performance in the financial year of reference.

Moreover, also in relation to article 2427 par. 22-*bis* and -*ter* of the Italian Civil Code, no atypical or unusual operations are reported outside the Company's ordinary management of operations.
Transactions with related parties were regulated under normal market conditions: those concluded with Mondadori Group companies are intercompany current account trade and financial transactions, managed by Arnoldo Mondadori Editore S.p.A., to which the various subsidiaries and associated companies contributed based on their relevant debt and credit positions.

For further details, reference should be made to the Explanatory Notes to the Financial Statements of Arnoldo Mondadori Editore S.p.A. and to the Group's Consolidated Financial Statements.

Tax consolidation

In relation to the tax consolidation regime pursuant to article 117 and following of Italian Presidential Decree 917/1986, Arnoldo Mondadori Editore S.p.A. exercised the option to adhere to the tax consolidation regime with Fininvest S.p.A. as consolidating company.

The consolidation agreement contains a protection clause according to which the Mondadori Group shall not be required to pay more income tax than the Group would have paid if Arnoldo Mondadori Editore S.p.A. had created its own tax consolidation agreement.

Moreover, according to the agreement, on account of the taxable income transferred by all Fininvest Group companies adhering to the tax consolidation, any tax benefits for the consolidating Fininvest S.p.A. deriving from the Mondadori Group's adherence to the tax consolidation regime shall be acknowledged to Arnoldo Mondadori Editore S.p.A.

Any tax receivables or payables resulting from adherence to such tax consolidation agreement are posted as receivables or payables to holding companies.

Tax transparency

With reference to article 115 of Italian Presidential Decree 917/1986, the "tax transparency" option was exercised jointly by Arnoldo Mondadori Editore S.p.A. and the following associated companies:
- Harlequin Mondadori S.p.A.
- Società Europea di Edizioni S.p.A.

Furthermore, the same option was exercised by Mondadori Pubblicità S.p.A. and Mediamond S.p.A.

After exercising this option, the taxable income and tax losses of the aforementioned companies concur to form the taxable income of Arnoldo Mondadori Editore S.p.A. and Mondadori Pubblicità S.p.A., in proportion to the stake held.

Direction and coordination activities (article 2497 and following of the Italian Civil Code)

Although Fininvest S.p.A. holds a controlling stake pursuant to article 2359 of the Italian Civil Code, it does not exert any direction and coordination activity as defined in article 2497-*bis* and following of the Italian Civil Code on Arnoldo Mondadori Editore S.p.A.; it manages the stake held in Arnoldo Mondadori Editore S.p.A. merely from a financial standpoint.

In relation to the companies controlled by Arnoldo Mondadori Editore S.p.A., the Board of Directors ascertained - pursuant to law requirements and bearing in mind that the Board of Directors defines the general strategic and organisational orientation for the subsidiaries as well - the exercise of direction and coordination activities pursuant to article 2497 and following of the Italian Civil Code in relation to the following subsidiaries, pursuant to article 2359 of the Italian Civil Code:
- Cemit Interactive Media S.p.A.
- Edizioni Piemme S.p.A.
- Electa S.r.l.
- Giulio Einaudi editore S.p.A.
- Glaming S.r.l. in liquidation
- Mondadori Direct S.p.A.
- Mondadori Education S.p.A.
- Mondadori Electa S.p.A.
- Mondadori International Business S.r.l.

- Mondadori Iniziative Editoriali S.p.A.
- Mondadori Pubblicità S.p.A.
- Monradio S.r.l.
- Press-Di Distribuzione Stampa e Multimedia S.r.l.
- Sperling & Kupfer Editori S.p.A.
- Sporting Club Verona S.r.l. Società Sportiva Dilettantistica,

The abovementioned companies consequently fulfilled their respective disclosure obligations pursuant to article 2497-*bis* of the Italian Civil Code.

Documento Programmatico sulla Sicurezza (privacy) (Italian Safety and Security Policy)

It should be noted that, despite the regulatory changes introduced by Italian Legislative Decree no. 5 of 9 February 2012, converted into Italian Law no. 35 of 4 April 2012, which eliminated the obligation regarding the preparation of a Documento Programmatico sulla Sicurezza (Italian Safety and Security Policy) in the matter of treatment of personal data, data owner Arnoldo Mondadori Editore S.p.A. in any case prepares and updates periodically the Documento Programmatico sulla Sicurezza (Italian Safety and Security Policy) provided for in rule no. 19 of the minimum technical safety and security specifications (Annex B to Italian Legislative Decree 196/2003).

Transactions relating to Treasury Shares

Renewal of the authorisation to purchase and sell Treasury Shares
Pursuant to article 2357 and following of the Italian Civil Code, the Shareholders' Meeting of 23 April 2013 resolved upon the renewal of the authorisation to purchase and sell Treasury Shares, following the expiry of the preceding authorisation resolved upon on 19 April 2012, with the aim of retaining the applicability of law provisions in the matter of any additional re-purchase plans and, consequently, of picking up any investment and operational opportunities involving Treasury Shares.

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

Motivations

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

Duration

Until the approval of the 2013 financial statements and in any case for a period not exceeding 18 months from the effective date of the resolution made by the Shareholders' Meeting of 23 April 2013.

Maximum number of purchasable Treasury Shares

A maximum of no. 9,692,334 shares, equal to 3.933% of the current share capital.
Considering the shares already either directly or indirectly owned, by the Company at the date of the resolution (no. 14,953,500 - 6.067% of the share capital - of which no. 10,436,014 directly in Arnoldo Mondadori Editore S.p.A. portfolio and no. 4,517,486 held by subsidiary Mondadori International S.p.A.), the authorisation enables the Company to reach a cap of 10% of the Company's capital.

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

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

The minimum and maximum purchase price is determined under the same conditions established by the preceding Shareholders' Meeting authorisations and, therefore, at a unit price not lower than the official Stock Exchange price of the day preceding the purchase transaction, reduced by 20%, and not higher than the official Stock Exchange price of the day preceding the purchase transaction, increased by 10%.
In terms of daily prices and volumes the purchase transactions would be completed in compliance with the conditions established in EC Regulation no. 2273/2003, and, specifically:
- the Company shall not purchase Treasury Shares at a price higher than the higher between the price of the latest single transaction and that of the highest single bid traded in the regulated market in which such purchase takes place;
- in terms of daily purchase volumes, the Company shall not purchase a quantity of shares higher than 25% of the daily average volume of Mondadori shares traded in the regulated market and calculated based on the daily average traded volume of Mondadori shares in the 20 trading days preceding the dates of purchase.

Following the resolution made by the Shareholders' Meeting, Arnoldo Mondadori Editore S.p.A. did not proceed, either directly or indirectly, with the purchase or sale of Treasury Shares through its subsidiaries.

After 31 December 2013 (and at the date of approval of this report) Arnoldo Mondadori Editore S.p.A. holds no. 14,953,500 Treasury Shares corresponding to 6.067% of the Company's share capital (average unit price of euro 4.9151).

It should be noted that as a result of the merger by incorporation of subsidiary Mondadori International S.p.A. in Arnoldo Mondadori Editore S.p.A., completed in 2013, no. 4,517,486 Mondadori shares already owned by the incorporated company were transferred in favour of the incorporating company. The aforementioned Treasury Shares are therefore fully directly held by Arnoldo Mondadori Editore S.p.A.

Report on corporate governance and ownership structure (article 123-*bis* of Italian Legislative Decree no.58 of 24 February 1998)

The report on corporate governance and ownership structure containing information on the adoption by Arnoldo Mondadori Editore S.p.A. of the Corporate Governance Code of listed companies established by Borsa Italiana S.p.A., as well as further information pursuant to article 123-*bis* par. 1 and 2 of the Italian Legislative Decree no. 58 of 24 February 1998 is available - together with this report on operations - under Governance section on the Company's website at www.mondadori.it.

Adhesion to the legislative simplification process adopted by Consob Resolution no. 18079 of 20 January 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 20 January 2012 and in relation to the provisions set out in article 70, par. 8, and article 71, par. 1-*bis* of Consob Regulation no. 11971/1999, resolved to avail itself of the faculty to waive the obligation of disclosure envisaged by the 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.

Proposals of the Board of Directors

Proposal for resolution

The Financial Statements as at 31 December 2013 show a loss for the financial year of euro 314,970,500.44.

First resolution:

The Shareholders' Meeting of Arnoldo Mondadori Editore S.p.A., ordinarily convened, having acknowledged the Statutory Auditors' report and the Independent Auditors' report

resolves

to approve the Board of Directors' Report on Operations and the Financial Statements at 31 December 2013, including all the information and results therein contained.

Second resolution:

The Shareholders' Meeting of Arnoldo Mondadori Editore S.p.A., ordinarily convened, with reference to the loss of euro 314,970,500.44 resulting from the Financial Statements as at 31 December 2013

resolves

to entirely cover the loss for the period, equal to euro 314,970,500.44 as follows:

- *euro 170,624,621.21 by fully resorting to the share premium reserve, subject to prior transfer of the unavailability restriction corresponding to the book value of Treasury shares held in the Company portfolio from the share premium reserve to the extraordinary reserve as defined in compliance with article 2357 ter, last paragraph, of the Italian Civil Code;*
- *euro 5,334,814.39 by fully resorting to the capital account contribution reserve under item "Other reserves and result carried forward";*
- *euro 51,132,983.35 by fully resorting to the following profit reserves under item "Other reserves and result carried forward":*
  - *Law reserve 675 of 12/08/1977 equal to euro 351,348.61*
  - *Law reserve 904 of 16/12/1977 equal to euro 750,738.83*
  - *Law reserve 124/1993, article 13, equal to euro 159,607.90*
  - *Reserve from mergers equal to euro 43,998,556.21*
  - *Reserve from unpaid dividends equal to euro 5,872,731.80;*
- *euro 10,802,729.52 by partially resorting to the available portion of IAS/IFRS reserves under item "Other reserves and result carried forward";*
- *euro 77,075,351.97 by partially resorting to the available portion of the extraordinary reserve under item "Other reserves and result carried forward";*

For the Board of Directors
The Chairman
Marina Berlusconi

Arnoldo Mondadori Editore S.p.A.
Financial Statements
at 31 December 2013

Balance Sheet

Assets (in Euro)	Notes	31/12/2013	31/12/2012
Intangible assets	1	90,430,140	88,554,135
Property investments	2	3,181,675	3,237,618
Land and buildings		6,815,386	7,417,967
Plant and equipment		2,992,120	3,952,450
Other tangible assets		2,443,068	3,523,198
Property, plant and equipment	3	12,250,574	14,893,615
Investments	4	248,502,020	563,746,814
Non-current financial assets	4	200,229,638	50,000,000
Pre-paid tax assets	5	22,166,698	19,704,417
Other non-current assets	6	15,441,465	491,698
Total non-current assets		592,202,210	740,628,297
Tax receivables	7	51,135,227	43,916,152
Other current assets	8	45,159,967	42,588,211
Inventory	9	28,300,153	30,662,369
Trade receivables	10	144,669,623	174,890,995
Other current financial assets	11	139,951,248	108,738,023
Cash and cash equivalents	12	53,009,395	161,519,765
Total current assets		462,225,613	562,315,515
Assets held for sale or transferred		-	-
Total assets		1,054,427,823	1,302,943,812

Liabilities (in Euro)	Notes	31/12/2013	31/12/2012(*)
Share capital		64,079,168	64,079,168
Share premium reserve		170,624,621	210,199,564
Treasury shares		(73,497,616)	(38,659,110)
Other reserves and results carried forward		329,181,214	283,764,698
Profit (loss) for the period		(314,970,500)	(39,287,426)
Total Shareholders' equity	13	175,416,887	480,096,894
Provisions	14	52,547,246	39,713,969
Post-employment benefits	15	20,821,953	24,053,494
Non-current financial liabilities	16	394,828,210	225,469,343
Deferred tax liabilities	5	25,091,620	23,175,235
Other non-current liabilities		-	-
Total non-current liabilities		493,289,029	312,412,041
Income tax payables	17	-	1,159,926
Other current liabilities	18	57,480,539	69,872,112
Trade payables	19	143,440,895	178,052,581
Payables due to banks and other financial liabilities	16	184,800,473	261,350,258
Total current liabilities		385,721,907	510,434,877
Liabilities held for sale or transferred		-	-
Total liabilities		1,054,427,823	1,302,943,812

(*) Following the retrospective application of revised IAS 19 as of 1 January 2013, data was restated for comparison purposes. In particular, net result increased by euro 288,000 against data published in the financial statements at 31 December 2012. This effect was allocated to a specific reserve under Shareholders' equity

Income statement

(in Euro)	Notes	FY 2013	FY 2012 (*)
Revenues from sales and services	20	**525,296,604**	**626,221,333**
Decrease (increase) of inventory	9	2,362,216	(19,160)
Costs of raw, ancillary, consumption materials and goods	21	119,911,157	141,923,677
Cost of services	22	314,054,362	357,340,990
Cost of personnel	23	120,155,202	122,372,062
Other (income) cost	24	15,087,339	261,898
EBITDA		(46,273,672)	4,341,866
Depreciation of properties, plant and equipment	2-3	3,451,123	3,506,784
Amortisation and impairment of intangible assets	1	611,321	2,049,512
EBIT		(50,336,116)	(1,214,430)
Financial revenues (costs)	25	(8,819,512)	(11,643,453)
Revenues (costs) from investments	26	(267,637,942)	(30,752,231)
Pre-tax result		(326,793,570)	(43,610,114)
Income tax	27	(11,823,070)	(4,322,688)
Net result		(314,970,500)	(39,287,426)

(*) Following the retrospective application of revised IAS 19 as of 1 January 2013, data was restated for comparison purposes. In particular, net result increased by euro 288,000 against data published in the financial statements at 31 December 2012. This effect was allocated to a specific reserve under Shareholders' equity

For the Board of Directors
The Chairman
Marina Berlusconi

Comprehensive income statement

(in Euro)	Notes	FY 2013	FY 2012 (*)
Net result		**(314,970,500)**	**(39,287,426)**
Items reclassified under income statement			
Effective portion of income (loss) on cash flow hedge instruments		2,072,418	(2,545,773)
Tax impact on differences		(452,816)	700,088
Items reclassified under income statement			
Effective portion of income (loss) on cash flow hedge instruments		8,902,815	
Income and loss deriving from held-for-sale assets (fair value)		2,221,227	
Tax impact on differences		(131,536)	
Items which will not be reclassified under income statement			
Actuarial income (loss)		(364,780)	(396,575)
Tax impact on differences		100,315	109,058
Comprehensive net result		(302,622,857)	(41,420,628)

(*) Following the retrospective application of revised IAS 19 as of 1 January 2013, data was restated for comparison purposes. In particular, net result increased by euro 288,000 against data published in the financial statements at 31 December 2012. This effect was allocated to a specific reserve under Shareholders' equity

For the Board of Directors
The Chairman
Marina Berlusconi

Table of variations in Shareholders' equity at 31 December 2013

(euro/000)	Notes	Share capital	Share premium reserve	Treasury shares	Stock option reserve	TFR IAS 19 (*) discounting reserve	Other reserves	Income (loss) for the period	Total net equity
Balance at 01/01/2012		64,079	210,200	(35,618)	5,949	1,335	223,151	55,343	524,439
Changes in:									
- Profit allocation							55,343	(55,343)	
- Dividend payout									
- (Purchase) of treasury shares				(3,041)					(3,041)
- Sale/cancellation of Treasury shares									
- Stock options					(2,193)		2,313		120
- Other reserves									
- Comprehensive income (loss) for the period						(288)	(1,846)	(39,287)	(41,421)
Balance at 31/12/2012		64,079	210,200	(38,659)	3,756	1,047	278,961	(39,287)	480,097

(*) Following the retroactive application of revised IAS 19 as of 1 January 2013, comparative data was re-calculated at 01/01/2012.

(euro/000)	Notes	Share capital	Share premium reserve	Treasury shares	Stock option reserve	TFR IAS 19 (*) discounting reserve	Other reserves	Income (loss) for the period	Total net equity
Balance at 01/01/2013		64,079	210,200	(38,659)	3,756	1,047	278,961	(39,287)	480,097
Changes in:									
- Incorporation of Mondadori International S.p.A.				(34,839)			(10,739)		(45,578)
- Profit allocation			(39,575)				288	39,287	
- Dividend payout									
- (Purchase) of Treasury shares									
- Sale/cancellation of Treasury shares									
- Stock options					(2,655)		2,655		
- Other reserves							43,521		43,521
- Comprehensive income (loss) for the period						(264)	12,611	(314,970)	(302,623)
Balance at 31/12/2013		64,079	170,625	(73,498)	1,101	783	327,297	(314,970)	175,417

For the Board of Directors
The Chairman
Marina Berlusconi

Cash flow statement

(euro/000)	Notes	31/12/2013	31/12/2012 (*)
Net result for the period		(314,970)	(39,287)
Adjustments			
Amortisation, depreciation and impairment		272,200	63,666
Income tax for the period	27	(11,823)	(4,323)
Stock options	23		96
Provision for post-employment benefits		17,148	6,146
Capital loss (gain) from the sale of intangible assets, properties, plant and equipment		(290)	909
Revenues from investments - dividends	26	(500)	(28,282)
Net financial costs (revenues) on loans and transactions with derivatives		9,136	7,475
Cash flow generated from operations		**(29,099)**	**6,400**
Trade receivable (increase) decrease		25,987	17,677
Inventory (increase) decrease		2,434	3,194
Trade payable increase (decrease)		(33,712)	(3,229)
Income tax payments		2,118	(14,014)
Increase (decrease) in the provisions for post-employment benefits		(5,294)	(5,947)
Net difference for other assets/liabilities		(27,276)	(4,898)
Cash flow generated from (absorbed by) operations		**(64,842)**	**(817)**
(Purchase) disposal of intangible assets		(2,194)	(861)
(Purchase) disposal of properties, plant and equipment		(1,648)	(1,499)
(Purchase) disposal of investments		(15,489)	18,901
Revenues from investments - dividends	26	500	28,282
(Purchase) disposal of securities and other financial assets	11	(31,213)	(8,556)
Cash on hand acquired/(transferred) on extraordinary transactions		168	(982)
Cash flow generated from (absorbed by) investment activities		**(49,876)**	**35,285**
Increase (decrease) of payables due to banks		(36,756)	(74,464)
(Purchase) disposal of Treasury shares	13		(3,041)
Net difference of other financial assets/liabilities	16	71,858	150,250
Collection of net financial revenues (payment of costs) on loans and transactions with derivatives		(28,895)	(6,912)
Dividend payout	13		(768)
Cash flow generated from (absorbed by) financing activities		**6,207**	**65,065**
Increase (decrease) in cash and cash equivalents		**(108,511)**	**99,533**
Cash and cash equivalents at the beginning of period	12	**161,520**	**61,987**
Cash and cash equivalents at the end of period	12	**53,009**	**161,520**
Cash and cash equivalents composition			
Cash, cheques and cash on hand		5	3
Bank and postal deposits		53,004	161,517
	12	**53,009**	**161,520**

(*) Following the retrospective application of revised IAS 19 as of 1 January 2013, comparative data was restated at 01/01/2012.

For the Board of Directors
The Chairman
Marina Berlusconi

Balance sheet pursuant to Consob Resolution no. 15519 of 27 July 2006

Assets (euro/000)	Notes	31/12/2013	of which related parties (note 30)	31/12/2012	of which related parties (note 30)
Intangible assets	1	90,430		88,554	
Property investments	2	3,182		3,238	
Land and buildings		6,815		7,418	
Plant and equipment		2,992		3,952	
Other tangible assets		2,443		3,523	
Property, plant and equipment	3	12,250		14,893	
Investments	4	248,502		563,747	
Non-current financial assets	4	200,230	200,000	50,000	50,000
Pre-paid tax assets	5	22,167		19,704	
Other non-current assets	6	15,441	14,861	492	
Total non-current assets		592,202	214,861	740,628	50,000
Tax receivables	7	51,135	7,783	43,916	10,649
Other current assets	8	45,160		42,588	
Inventory	9	28,300		30,662	
Trade receivables	10	144,670	88,681	174,891	108,957
Other current financial assets	11	139,951	132,056	108,738	94,576
Cash and cash equivalents	12	53,010		161,520	
Total current assets		462,226	228,520	562,315	214,182
Assets held for sale or transferred		-		-	
Total assets		1,054,428	443,381	1,302,943	264,182

Liabilities (euro/000)	Notes	31/12/2013	of which related parties (note 30)	31/12/2012 (*)	of which related parties (note 30)
Share capital		64,079		64,079	
Share premium reserve		170,625		210,200	
Treasury shares		(73,497)		(38,659)	
Other reserves and results carried forward		329,181		283,764	
Profit (loss) for the period		(314,970)		(39,287)	
Total Shareholders' equity	13	175,418		480,097	
Provisions	14	52,547		39,714	
Post-employment benefits	15	20,822		24,053	
Non-current financial liabilities	16	394,828	70,069	225,469	70,250
Deferred tax liabilities	5	25,092		23,175	
Other non-current liabilities		-		-	
Total non-current liabilities		493,289	70,069	312,411	70,250
Income tax payables	17	-	-	1,160	1,160
Other current liabilities	18	57,480		69,872	
Trade payables	19	143,441	47,538	178,053	47,164
Payables due to banks and other financial liabilities	16	184,800	142,917	261,350	184,278
Total current liabilities		385,721	190,455	510,435	232,602
Liabilities held for sale or transferred		-		-	
Total liabilities		1,054,428	260,524	1,302,943	302,852

(*) Following the retrospective application of revised IAS 19 as of 1 January 2013, data was restated for comparison purposes. In particular, net result increased by euro 288,000 against data published in the financial statements at 31 December 2012. This effect was allocated to a specific reserve under Shareholders' equity

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

(euro/000)	Notes	FY 2013	of which related parties (note 30)	of which non-recurring costs (revenues) (note 29)	FY 2012 (*)	of which related parties (note 30)	of which non-recurring costs (revenues) (note 29)
Revenues from sales and services	20	525,296	371,687		626,221	437,024	
Decrease (increase) of inventory	9	2,362			(19)		
Cost of raw, ancillary, consumption materials and goods	21	119,911	113,271		141,924	117,695	
Cost of services	22	314,055	40,810		357,341	44,515	
Cost of personnel	23	120,155		26,022	122,372		13,344
Other (income) cost	24	15,087	(10,739)		262	(10,266)	(2,870)
EBITDA		(46,274)	228,345	(26,022)	4,341	285,080	(10,474)
Depreciation of properties, plant and equipment	2-3	3,451			3,507		
Amortisation, depreciation and impairment of intangible assets	1	611			2,049		
EBIT		(50,336)	228,345	(26,022)	(1,215)	285,080	(10,474)
Financial revenues (costs)	25	(8,819)	11,075		(11,643)	545	
Revenues (costs) from investments	26	(267,638)	(267,638)		(30,752)	(30,752)	
Pre-tax result		(326,793)	(28,218)	(26,022)	(43,610)	254,873	(10,474)
Income tax	27	(11,823)		(7,156)	(4,323)		(9,854)
Net result		(314,970)	(28,218)	(18,866)	(39,287)	254,873	(620)

(*) Following the retrospective application of revised IAS 19 as of 1 January 2013, data was restated for comparison purposes. In particular, net result increased by euro 288,000 against data published in the financial statements at 31 December 2012. This effect was allocated to a specific reserve under Shareholders' equity

In relation to Arnoldo Mondadori Editore S.p.A. activities and results, number of employees, economic outlook and significant events occurred after closure, reference should be made to the "Directors' Report on Operations" for the financial year 2013.

Accounting principles and explanatory notes to the financial statements

1. General information

Arnoldo Mondadori Editore S.p.A.'s core business is the performance of activities in the publishing sector of books, magazines and the sale of advertising space. The Company has its legal offices in Milan, via Bianca di Savoia 12, and headquarters in Segrate, Milan, Strada privata Mondadori.

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

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

The Arnoldo Mondadori Editore S.p.A. financial statements for the year closed at 31 December 2013 were approved by the Board of Directors on 27 March 2014 and published and made available together with any additional documents making up the Company's Annual Report pursuant to article 154-*ter* of the Italian Finance Consolidation Act and the Statutory Auditors' Report as well as the Report of the Independent Auditing Firm in compliance with the terms envisaged by law, at Borsa Italiana S.p.A. and on the Company's website.
The financial statements will be published by means of filing with the Registrar of Companies within 30 days after the Shareholders' Meeting of 30 April 2014, called for the approval of the 2013 financial statements.

2. Form and content

The financial statements at 31 December 2013 were drafted in compliance with the International Accounting Standards (IAS/IFRS) issued by the International Accounting Standards Board (IASB) and approved by the EU and in compliance with the International Financial Reporting Interpretations Committee (SIC/IFRIC).

These financial statements were drafted based on the historical cost, adjusted as requested to evaluate a few financial instruments, and also on the assumption of business continuity. The Group has decided that, despite the difficult economic and financial context, there is no significant uncertainty (as defined by IAS 1, par. 25) surrounding its ability to continue operating also in virtue of the already undertaken actions to adjust to the changed level of demand and the Company's industrial and financial flexibility.

The Mondadori Group adopted the body of the principles applied as of 1 January 2005, following the adoption of European Regulation no. 1606 of 19 July 2002.

It should be noted that the disclosures pursuant to IFRS 1, relative to the impact of the first adoption of the International Accounting Principles, are contained in a separate attachment "Transition to the IAS/IFRS accounting principles" to the 2005 Half-Year Interim Report and the 2005 Company's Financial Statements, to which reference should be made.

The financial statements at 31 December 2013 were prepared in accordance with the accounting standards used for the preparation of IAS/IFRS financial statements as at 31 December 2011, taking into consideration any new amendments and standards with effect from 1 January 2011, which are referred to in note 3.25.

The financial statements were prepared in the following way:

- current and non-current assets and current and non-current liabilities are shown separately in the consolidated balance sheet;
- in the separate income statement, the analysis of costs is carried out on the basis of the nature of the costs, since the company decided that this method is more representative than an analysis by function;
- the consolidated comprehensive income statement contains revenue and cost items that are not recognised under income (loss) for the period as required or allowed by the other IAS/IFRS accounting standards;
- the cash flow statement has been prepared using the indirect method.

With reference to the requirements of Consob Resolution no. 15519 of 27 July 2006 concerning the tables to the financial statements, specific supplementary tables were included to highlight significant transactions with "Related parties" and "Non-recurring operations".

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

3. Accounting principles and valuation criteria

The following is an explanation of the principles adopted by the Company in preparing the IAS/IFRS financial statements at 31 December 2013.

3.1 Intangible assets

When it is probable that costs will generate future economic benefits, intangible assets include the cost, including accessory charges, of the purchase of assets or resources, without any physical form, used in the production of goods or in the supply of services, to rent to third parties or for administrative purposes, on condition that the cost is quantifiable in a reliable manner and that the goods are clearly identifiable and controlled by the company that owns them.

Any costs incurred after the initial purchase are included in the increase of the cost of intangible assets in direct relation to the extent to which those costs are able to generate future economic benefits.

Internal costs for producing mastheads and for the launch of newspapers and magazines are recognised in the income statement for the year in question.

Subsequent to initial recognition, intangible assets are valued at cost, net of accumulated amortization and any accumulated impairment losses.

Intangible assets purchased separately and those purchased as part of business combinations that took place before the first adoption of IAS/IFRS are initially recognised at cost, while those purchased as part of business combination transactions carried out after the first adoption of IAS/IFRS are initially recognised at fair value.

Intangible assets with finite useful life

The cost of intangible assets with a finite useful life is systematically amortized over the useful life of the asset from the moment that the asset is available for use. The amortization criteria depend on how the relative future economic benefits contribute to the Company's result.

The amortization rates reflecting the useful lives attributed to intangible assets with a finite life are as follows:

Intangible assets with finite useful life	Amortization rate and useful life
Goods under concession or license	Duration of the concession and license
Software	Straight line over 3 years
Patents and rights	Straight line over 3-5 years
Other intangible assets	Straight line over 3-5 years

Intangible assets with a finite useful life are subject to an impairment test every time there is an indication of a possible loss of value. The period and method of amortization applied are reviewed at the end of each year or more frequently, if necessary.

Variations in the expected useful life or in the way future economic benefits linked to intangible assets are expected to be earned by the Company are recognised by modifying the period or method of amortization, and are treated as adjustments to accounting estimates.

Intangible assets with an indefinite useful life
Intangible assets are considered to have an indefinite useful life when, on the basis of a thorough analysis of the relevant factors, there is no foreseeable limit to the length of time the assets may generate income for the Company.

The intangible assets identified by the Company as having an indefinite useful life are shown in the table below:

Intangible assets with indefinite useful life
Magazines
Brands
Goodwill

Goodwill represents the excess of the cost of a business combination over the Company's purchased share in the fair value of the assets, liabilities and contingent liabilities acquired, as identifiable at the time of purchase. Goodwill and other intangible assets with an indefinite useful life are not subject to amortization but to an impairment test of their book value. This test concerns the value of the individual assets or of cash generating unit and is carried out whenever it is believed that the value has decreased, and in any case at least once a year.

In cases where goodwill is attributed to a cash generating unit (or to a group of units) whose assets are partially disposed of, goodwill associated with the asset disposed of is reviewed in order to determine any capital gains or losses resulting from the transaction. In these circumstances, goodwill disposed of is measured on the basis of the value of the assets disposed of, compared with the asset still included in the cash generating unit in question.

3.2 Property investments
A property investment is recognised as an asset when it is held in order to earn income from its rental or to increase its invested capital value, on condition that the cost of the asset can be reliably measured and that future economic benefits will flow to the entity.

Property investments are valued at cost, which includes the purchase cost and all accessory charges directly connected to the purchase.

Costs which arise after the initial purchase are included in the increase of the cost of the property in direct relation to how much those costs are able to generate future economic benefits higher than those originally assessed.

The cost of property investments, except for that part pertaining to the cost of the land, is systematically amortized over the useful life of the asset. Depreciation criteria depend on how the relative future economic benefits accrue to the entity.

The amortization rates reflecting the useful lives attributed to Company's property investments are as follows:

Investments	Amortization rate
Non-instrumental buildings	3%

Both the useful life and the amortization criteria are periodically reviewed and, if any significant changes are found in the assumptions previously adopted, the amortization rate for the period in question and for successive periods is adjusted.

Income and losses deriving from the disposal of property investments are recognised in the income statement pertaining to the year in which the transaction takes place.

Costs which arise after the initial purchase are recognised as an increase in cost in direct relation to the extent that these costs can improve the asset's yield.

3.3 Property, plant and equipment
Any costs attributable to the purchase of property, plant and equipment are recognised as assets, on condition that the relevant costs can be reliably calculated and any relative future economic benefits accrue to the entity.

Assets booked to property, plant and equipment are valued at cost, including any accessory charges, and are stated net of depreciation and any impairment.

Costs which arise after the initial purchase are recognised as an increase in cost in direct relation to the extent that these costs can improve the asset's yield.

Assets booked to property, plant and equipment purchased as part of acquisitions and business combinations are initially recognised at fair value as determined at the time of purchase and, subsequently, at cost.
Assets recognised as property, plant and equipment, with the exception of land, are depreciated on a straight line basis during the useful life of the asset from the moment the assets are available for use.

If the assets include more than one significant component and the components have different useful lives, each individual component is depreciated separately.

The depreciation rates that generally reflect the useful lives attributed to Company property, plant and equipment are shown in the table below:

Property, plants and machinery	Depreciation rate
Instrumental buildings	3%
Plant	10%-25%
Plants in external offices	based on lease contract duration
Machinery	15.5%
Equipment	25%
Electronic office equipment	30%
Office furniture, and machines	12%
Motor vehicles and transport vehicles	20%-30%
Other assets	20%

The residual value of assets, useful lives and depreciation criteria applied are reviewed on an annual basis and adjusted, if necessary, at year end.

Leasehold improvements are recognised as fixed assets and depreciated over the lower between the residual useful life of the asset and the residual term of the lease contract.

3.4 Finance lease assets

Assets acquired under finance leases, which transfer all the relevant risks and benefits to the Company, are recognised at current value or, if lower, at the value of the minimum lease payments, including the amount to be paid for exercising an eventual purchase option.

Liabilities arising from leasing contracts are recognised under financial liabilities.

These assets are classified in the relevant categories under properties, plant and equipment and are depreciated over the lower between the contract term and the useful life of the asset in question.

Lease contracts in which the lessor substantially retains all the risks and benefits associated with asset ownership are classified as operating leases and the relevant costs are recognised in the income statement for the entire duration of contract term.

3.5 Financial costs

As provided for in IAS 23R, the financial costs resulting from asset purchase, development or production are capitalized. In case failed identification of assets justifying capitalization, the costs are recognised under income statement in the year in which they are borne.

3.6 Impairment

The carrying value of intangible assets, investment property and property, plant and equipment is subject to an impairment test whenever it is believed that it may have decreased.

Impairment tests are carried out at least once a year on goodwill, other intangible assets with an indefinite useful life and on other assets that are not available for use, and are performed by comparing the carrying value with whichever is higher between the fair value minus the sales cost and the value in use of the asset.

If no binding sales agreement or active market for an asset exist, the fair value is calculated on the basis of the best information available as to the amount the entity would obtain at closing from the disposal of an asset in a free transaction between informed and willing parties, having deducted the costs of disposal.

The value in use of an asset is determined by discounting the cash flows expected from its use, subjecting forecasts of the relevant financial income on reasonable and sustainable assumptions used by the management to best represent the economic conditions foreseen for the remainder of the life of the asset, giving more weight to external indicators.

Discounting rates reflect current market estimates of the time value of money and the specific risks connected to the asset.

The valuation is carried out by individual asset or by the smallest Cash Generating Unit that generates cash flows from asset use.

Should the value resulting from the impairment test be lower than cost, the loss is recognised as a reduction in the value of the asset and recognised as a cost item in income statement.

If during subsequent financial years, when the impairment test is repeated, the reasons for the impairment no longer exist, the value of the asset, excluding goodwill, is reinstated to take into account the new recoverable value, which should never exceed the value that would have been stated had no loss in value been recognised.

3.7 Investments in subsidiaries, joint ventures and associated companies

Subsidiaries are companies in which the Company has the power to determine, both directly and indirectly, administrative and managerial decisions and obtain the resulting benefits. Generally, control is assumed when the Company owns, directly or indirectly, more than half of the voting rights in the ordinary Shareholders' Meeting, including any potential rights to vote resulting from convertible securities.

Joint ventures are companies in which the Company exercises, together with one or more partners, joint control over economic activities. Joint control envisages that the strategic, financial and managerial decisions are made with the unanimous agreement of the parties sharing control.

Associated companies are companies in which the Company has a considerable influence in the determination of the relevant administrative and managerial decisions, though not having control. Generally, a considerable influence is assumed when the Company owns, directly or indirectly, at least 20% of the voting rights in the ordinary Shareholders' Meeting.

Investments in subsidiaries, joint ventures and associated companies are valued at cost, subsequently adjusted as a result of any changes in the value, determined by appropriate impairment tests, leading to conditions that make it necessary to adjust the book value to the actual value of the equity. The initial value is recovered in subsequent years, should the reasons for the adjustments no longer exist. Adjustments and any value recoveries are recognised in income statement.

The risk resulting from any losses exceeding cost is recognised under provisions, to the extent to which the Company is held liable for legal or implicit obligations.

3.8 Inventory

Inventory is valued at the lower between the cost and the net realizable value. Inventory cost includes purchase costs, processing costs and other costs involved in bringing an item to its current location and condition, without taking financial charges into consideration.

The calculation of cost of inventory is based on the weighted average cost of raw and consumption materials and of finished products purchased for sale. The FIFO method is used for finished products.

The valuation of goods under construction and semi-finished products and work in progress to order is based on the cost of the materials and other direct costs incurred, taking into account the progress of the production process.

The presumed net value for raw, subsidiary and consumption materials corresponds to the cost of their replacement, while for semi-finished and finished products it corresponds to the standard estimated sales price net of estimated cost to completion and sales cost, respectively.

3.9 Financial assets

Financial assets are initially recognised at cost, corresponding to the fair value of the price paid, increased by accessory purchase charges. Purchases and sales of financial assets are recognised as of the trading date, which corresponds to the date in which the Company agrees to purchase the asset in question. After initial recognition, financial assets are posted according to the relevant classification, as outlined below:

Financial assets at fair value with adjustments recognised under income statement

This category includes financial assets held for trading, acquired for the purpose of sale in the short term.

Profit and losses deriving from fair value evaluation of assets held for trading are recognised in income statement.

Investments held to maturity

Assets that envisage fixed or determinable payments with a fixed maturity date, that the Company intends to hold in its portfolio, are classified as financial assets held to maturity.

Long-term financial investments that are held to their maturity, such as bonds, are valued, after their initial recognition by using the amortised cost method based on effective interest rates, i.e. the rates that will apply to future payments or returns estimated for the entire life of the financial instrument.
Calculation of amortised cost also considers any discounts or premiums that will be applied over the period of time to maturity.

Financial assets that the Company decides to keep in its portfolio for an indefinite period do not fall into this category.

Loans and receivables

This item includes financial assets that do not have fixed or determinable payments and are not listed on an active market.

These assets are recognised at amortised cost using the discounting method. Income and loss are recognised under income statement when loans and receivables are cancelled out or in case of impairment, as well as through amortization.

Held-for-sale financial assets

Held-for-sale financial assets include all assets which do not fall into any of the categories mentioned above.

After being initially measured at cost, held-for-sale financial assets are measured at fair value. Income and loss from valuations are recognised in a separate item under Shareholders' equity for as long as the assets are held in the portfolio and for as long as no impairment loss is identified.

In the case of shares widely traded on regulated markets, fair value is determined by referring to the listing reached at the end of the trading day corresponding to the closing date.

For investments where an active market does not exist, fair value is determined by valuations based on recent trading prices between independent parties, or on the basis of the current market value of a substantially similar financial instrument or on the analysis of discounted cash flows or option pricing models.
Held-for-sale financial assets also include investments in other companies

3.10 Trade receivables and other receivables

Trade receivables and other receivables are initially recognised at cost, i.e. at the fair value of the price collected upon completion of the relevant transaction. Receivables are recognised at current values when the relevant financial impact linked to the expected collection time span is significant and the collection date can be reliably estimated.
Receivables are recognised in the financial statements at their estimated realizable value.

3.11 Treasury shares

Treasury shares recognised to reduce shareholders' equity are booked in a separate reserve. No income or loss is recognised under income statement for the purchase, sale, issue, cancellation or any other transaction involving treasury shares.

3.12 Cash and cash equivalents

The cash and cash equivalents item includes cash on hand and financial investments falling due within three months and which entail only a minimal risk of variation in their face value. They are recognised at face value.

3.13 Financial liabilities

Financial liabilities include financial payables, derivative instruments, payables associated with financial leasing contracts and trade payables. All financial liabilities other than derivative financial instruments are initially valued at fair value, increased by any transaction costs, and are subsequently valued at amortized cost using the interest rate method.
Financial liabilities hedged by derivative instruments against the risk of changes in value (fair value hedges), are valued at fair value, in accordance with IAS 39 - *Hedge accounting*.
Income and loss resulting from subsequent variations in fair value are recognised under income statement. Any changes linked to the effective hedge portion are compensated for by adjusting the value of the relevant derivative instruments.
Financial liabilities hedged by derivative instruments against the risk of changes in cash flow (cash flow hedges), are valued at amortized cost in compliance with IAS 39 - *Hedge accounting*.

3.14 Derecognition of financial assets and liabilities

A financial asset or, where applicable, part of a financial asset or parts of a group of similar financial assets, is derecognised when:

- the right to receive cash flows from the asset has been extinguished;
- the Company still has the right to receive cash flows from the asset but has taken on a contractual obligation to transfer the entire cash flow promptly to a third party;
- the Company has transferred the right to receive cash flows from an asset and has transferred substantially all the risks and benefits deriving from the ownership of the financial asset or has transferred control of the financial asset.

A financial liability is derecognised when the underlying obligation has been discharged, cancelled or expired.

3.15 Impairment of financial assets

Upon closing, the Company carries out an impairment test in order to determine whether a financial asset or group of financial assets has decreased in value.

Financial assets valued at amortized cost

If there is objective evidence of a reduction in the value of loans and receivables, the loss amount is recognised under income statement and is calculated as the difference between the asset's book value and the current value of the estimated cash flows discounted based on the interest rate used initially for the asset.

If, in a subsequent period, the value loss amount decreases and such reduction can be objectively attributed to an event that has occurred after recognition of impairment, the previously recognised loss of value is reversed up to the amount the asset would have had, taking amortization into account, at the date of the reversal.

Held-for-sale financial assets

When any financial asset available for sale is subject to impairment, the accumulated value loss is recognised under income statement. Value reversals relative to equity instruments classified as held for sale are not recognised under income statement. Value reversals relative to debt instruments are recognised under income statement if the increase in the fair value of the instrument can be objectively attributed to an event that occurred after recognition of impairment in the income statement.

Financial assets valued at cost

If there is objective evidence of a reduction in the value of an unlisted equity instrument which was not recognised at fair value, because its fair value could not be reliably measured, or of a derivative instrument associated with and regulated by delivery of such unlisted equity instrument, the value loss amount is measured as the difference between the carrying value of the asset and the current value of the expected future cash flows discounted based on the current market performance rate for similar financial assets.

3.16 Derivative financial instruments

Derivative financial instruments are initially recognised at fair value at the date they are stipulated. When a hedge operation is entered into, the Company designates and formally documents the hedge relationship for hedge accounting purposes and its objectives for risk and strategy management purposes. The documentation includes the identification of the hedging instrument, the object or transaction subject to hedge, the nature of the risk and the criteria adopted by the Company to evaluate hedging effectiveness in compensating exposure to fair value fluctuations of the object hedged or cash flows correlated to the risk hedged.

It is assumed that such hedges are sufficiently effective to compensate for the exposure of the object hedged against fair value fluctuations or cash flows correlated to the risk hedged. The valuation of the effectiveness of such hedges is carried out on an ongoing basis over the years of application.

Transactions that satisfy hedge accounting criteria are accounted for as follows:

Fair value hedge

If a derivative financial instrument is designated as a hedge against the exposure to variations in the fair value of an asset or liability attributable to a particular risk, the income or loss deriving from subsequent variations in the fair value of the hedge instrument is recognised under income statement. The income or loss deriving from the adjustment of the fair value of the item hedged, to the extent attributable to the risk hedged, modifies the carrying value of the item and is recognised under income statement.

Cash flow hedge

If a derivative financial instrument is designated as a hedging instrument against exposure to cash flow variations of an asset or liability included in the financial statements or of a highly probable transaction, the effective portion of profit or loss deriving from fair value adjustment of the derivative instrument is recognised in a special reserve under shareholders' equity. The accumulated income or loss is written off from the equity reserve and recognised under income statement, when the results of the transaction subject to hedge are recognised under income statement.

Income and loss associated with the ineffective part of a hedge are recognised under income statement. When a hedging instrument is terminated, but the transaction subject to hedge has not yet been carried out, the accumulated income and loss are kept in the reserve under shareholders' equity and will be reclassified under income statement upon completion of the transaction. Should the transaction subject to hedge be considered as no longer probable, any unrealized income and loss posted under the relevant shareholders' equity reserve are recognised under income statement.

When hedge accounting is not applicable, income and loss deriving from the fair value valuation of the derivative financial instrument are recognised under income statement.

3.17 Provisions

Provisions established to cover liabilities that have been clearly identified, are certain or probable but whose amount or date of occurrence cannot be foreseen at the reporting date, are recognised when a legal or implicit obligation can be assumed which refers to past events and when it is also assumed that such obligation implies expenses that can be reliably measured.

Provisions are valued at fair value based on each individual liability item.When the financial impact associated with the assumed time span for the outlay is relevant and the payment dates can be reliably foreseen, provisions include said financial component, which is recognised in financial income (expense) in the income statement.

3.18 Post-employment benefits

Benefits due to employees upon termination of the relevant labour contract are broken down according to their economic nature as follows:

- defined contribution plans, represented by the sums accrued as of 1 January 2007;
- defined benefit plans, represented by the severance indemnity (TFR) fund accrued until 31 December 2006.

In the defined contribution plans, the entity's legal or implicit obligation is limited to the amount of contributions to pay; hence, the actuarial and investment risks fall upon the employee. In the defined benefit plans, the entity's obligation consists in granting and ensuring the agreed benefits to employees; hence, the actuarial and investment risks fall upon the entity.

Post-employment benefits are calculated by applying actuarial criteria to the severance indemnity provision accrued until 31 December 2006, taking into account both demographic assumptions, including mortality rates and employee turnover, and financial assumptions, relating to discounts reflecting the time value of money and the inflation rate.

The amount recognised as a liability for defined benefit plans is represented by the current liability value at closing, net of the current value of plan assets, if any. This liability item is listed in the income statement and includes the following components:

- social security costs relative to current labour;
- cost of interest;
- actuarial gains or losses;
- the expected return from any asset plan, if any.

The amounts accrued in favour of employees during the year and any applicable actuarial gains or losses are recognised under "Costs of personnel", while the relevant financial component, which represents the cost the company would have to incur if it were to seek a loan on the market for the same amount, is recognised under "Financial revenues (costs)".

The supplementary indemnity for agents is also determined on an actuarial basis. The amounts accrued in favour of agents during the year, which become payable upon termination of the labour contract only under certain conditions, is recognised under "Other costs (revenues)".

3.19 Stock options plans

The Company grants additional benefits to directors and managers whose functions are strategically relevant for the attainment of the company's results, through the provision of equity-settled stock option plans. Pursuant to IFRS 2, stock options are stated at fair value upon delivery. Fair value is determined on the basis of a binomial model and subject to the provisions of the individual plans.

These benefits are recognised as cost of personnel under income statement in the period of reference consistently with the vesting period starting from the date of delivery with a counter-item in "Reserve for stock options" under Shareholders' equity.

The benefits, directly attributed by the parent company Arnoldo Mondadori Editore S.p.A. to the employees/managers of subsidiaries, are recognised to increase the cost of the relevant equity with a counter-item in "Reserve for stock options" under Shareholders' equity.

Following the date of delivery, any change in the number of options implies an adjustment of the overall cost for the plan to be recognised according to the procedure described above. At the end of each financial year, the previously calculated fair value of every option is neither adjusted nor updated, but remains unchanged under Shareholders' equity; at closing, the estimate of the number of options expected to be exercised to maturity (and therefore the number of employees entitled to exercise these options) is consequently updated.

Any change in this estimate is recognised as a decreasing item in "Reserve for stock options" with a counter-item in personnel costs under income statement or in "Investments", if referring to benefits assigned to employees/directors of subsidiaries.
When an option is exercised, the part of the "Reserve for stock options" relating to exercised options is reclassified under "Share premium reserve" while the part of the "Reserve for stock options" relating to cancelled or expired options is reclassified under "Other reserves".

3.20 Recognition of revenues and costs

Revenues from the sale of goods are recognised net of agency and commercial discounts, allowances and returns when it is probable that the relevant economic benefits will flow to the Company and the relevant revenue amount may be reliably determined.

Revenues from the sale of magazines and advertising spaces are recognised on the basis of the relevant date of publication.

Revenues from services are recognised based on the relevant state of completion, when it is probable that the economic benefits arising from the sale flow to the Company and when the revenue amount may be reliably calculated.

Revenues from interest are recognised on an accrual basis by applying the interest method; royalties are recognised on an accrual basis and subject to the conditions of the relevant agreements; dividends are recognised when the shareholder is acknowledged the right to payment.

Costs are recognised based on similar criteria as revenues and, in any case, on an accrual basis.

3.21 Current, pre-paid and deferred taxes

Current taxes are calculated on the basis of a taxable income estimate and in accordance with the laws applicable in the individual countries in which the Company has its registered offices.

Deferred and pre-paid taxes are calculated on all the temporary differences between the tax base of assets and liabilities and the relevant book values in the financial statements, with the exception of the following:
- temporary taxable differences deriving from the initial recognition of goodwill;
- temporary differences resulting from the initial recognition of an asset or a liability in a transaction which does not imply business combination and which does not have any impact either on the result or the taxable income on the transaction date;
- in subsidiary, associated and jointly-controlled companies when:
  - the Company is in a position to control the timing for the reversal of temporary taxable differences and it is probable that such differences shall not reverse in the foreseeable future;
  - it is not probable that deductible temporary differences will reverse in the foreseeable future and that taxable income is available to cover such temporary differences.

The book value of pre-paid tax amounts is reviewed at closing and is reduced if it is no longer probable that sufficient taxable income will be available in the future to cover all or part of these assets.
Deferred tax assets and liabilities are calculated on the basis of the tax rates that are expected to apply in the period in which assets are realized and liabilities are settled, considering the then applicable tax rates or the tax rates essentially used at closing.

Taxes relating to items directly recognised under equity (cash flow hedge reserve) are recognised directly under Shareholders' equity and not under income statement.

3.22 Transactions denominated in foreign currencies

Revenues and costs deriving from transactions denominated in foreign currencies are posted in the relevant currency at the exchange rate applied on the transaction date.
Monetary assets and liabilities denominated in foreign currencies are converted at the exchange rate ruling at closing and any exchange differences are recognised under income statement.
Non-monetary items valued at cost in a foreign currency are converted using the exchange rates applied on the relevant transaction date. Non-monetary items recognised at fair value in a foreign currency are converted using the exchange rates applied on the fair value calculation date.

3.23 Grants and contributions

Grants and contributions are recognised if there is a reasonable certainty that they will be received and if all the conditions referring to them are satisfied. When grants refer to cost items, they are recognised as revenues and systematically distributed over the years so as to reflect the cost proportion they are intended to offset. When grants refer to assets, the relevant fair value is deferred in long-term liabilities and is recognised in equal amounts under income statement over the useful life of the asset.

3.24 Dividends
Dividends are recognised when shareholders are given right to them. This normally corresponds to the date of the Shareholders' Meeting resolving upon dividend payout.

3.25 Assets and liabilities held for sale (discontinued operations)
Non-current assets and groups of assets and liabilities whose book value is mainly expected to be recovered through disposal instead of continuous use are recognised separately from other assets and liabilities in the Company's balance sheet. Such assets and liabilities are classified as "Assets and liabilities held for sale or transferred" and are valued at the lower between their book value and fair value less probable costs of disposal. Income and loss, net of the related tax effect, resulting from the valuation or disposal of such assets or liabilities are recognised in a separate item in the income statement.

3.26 Accounting standards, amendments and IFRS interpretations with effect from 1 January 2013 and applicable to Arnoldo Mondadori Editore S.p.A.
The following accounting standards, amendments and interpretations have been applied for the first time by the Company with effect from 1 January 2013.

IAS 1 - Presentation of financial statements
Starting from 2013 the revisions of IAS 1 - Presentation of the financial statements were adopted with particular reference to the presentation of the comprehensive income statement to group together items that may be reclassified to the profit or loss section of the income statement.

IAS 19 - Employee benefits
On 16 June 2011 IASB issued an amendment to IAS 19 - Employee benefits, eliminating the option to account for actuarial gains and losses with the so-called "corridor approach" and requiring that all actuarial gains and losses be immediately recognised in "Other comprehensive income" so that the entire net amount of the provisions for defined benefits (net of plan-targeted assets) be recognised in the consolidated balance sheet.
The amendments also include that differences, between one financial year and the next, in the provisions for defined benefits and plan-based assets are divided into three parts:
- the cost items associated with the working performance in the financial year must be recognised under income statement as "Service costs";
- net financial expenses calculated by applying the appropriate discount rate to the net balance of the defined benefit provision net of assets resulting from the initial balance of the period must be recognised under income statement as such;
- actuarial gains and losses deriving from the new calculation of assets and liabilities must be recognised in "Other comprehensive income/(loss)".

In addition, the performance of assets included under net financial expenses as above indicated must be calculated based on the discount rate of liabilities and no longer on the expected performance of assets.

This amendment also requires disclosures of new information in the explanatory notes to the financial statements. The amendment has become effective retroactively in 2013.

IFRS 13 - Fair value measurement
On 12 May 2011 IASB issued IFRS 13 – Fair value measurement, clarifying how to measure fair value for accounting purposes. It applies to all IFRS principles that require or permit the calculation at fair value or the presentation of information based on fair value, with a few limited exclusions. In addition, this principle requires disclosure of information regarding fair value determination (fair value hierarchy) more extended than the one currently requested by IFRS 7. The principle is effective retroactively as of 1 January 2013.

3.27 Accounting standards, amendments and IFRS interpretations adopted by the European Union but not yet applicable and applied beforehand by the Company

IFRS 12 - Disclosure of interests in other entities
On 12 May 2011 IASB issued IFRS 12 - Disclosure of interests in other entities, a new and exhaustive principle regarding disclosures to be made in the consolidated financial statements for any type of interest held, including those in subsidiaries, joint arrangements, associated companies and special purpose entities and other non-consolidated special purpose vehicles. The principle is effective retroactively as of 1 January 2014.

IAS 32 - Financial instruments
On 16 December 2011 IASB issued a few amendments to IAS 32 - Financial Instruments: financial reporting, clarifying its requirements for offsetting financial assets and financial liabilities as envisaged in IAS 32. The amendments are applicable retroactively for the financial years beginning on or after 1 January 2014.

4. Use of estimates
In preparing the attached tables and the notes to these financial statements, it was deemed necessary to use estimates and assumptions in order to calculate, in particular, the provisions for returns relative to the sale of publishing products, the provisions for bad debt, inventory obsolescence and risks, post-employment benefits and taxation and the expected cash flows to calculate the value of some current and non-current activities under intangible assets and goodwill.

These estimates are periodically reviewed and any effects are recognised under income statement.

Estimates are based on the current status of information available, are examined periodically and effects are reflected in income statement.

It should be noted that in the current macroeconomic context and in the specific scenario of the publishing industry, characterized by the ongoing financial and economic crisis, it was deemed necessary to make assumptions on the future trend showing substantial uncertainties. As a result, it is not possible to exclude that in the upcoming years results might differ from estimates and that adjustments to the accounting value of items are needed, which cannot be either foreseen or quantified today, but which can also be significant.

The most significant accounting estimates that involve a high level of subjective opinion are outlined below:

Goodwill and intangible assets
The value reduction relative to goodwill and intangible assets is tested for impairment by comparing the book value of the Cash Generating Unit and the relevant recoverable value, represented by the higher between fair value and the value in use. This process includes, among others, the application of methods such as discounted cash flow, with the relevant assumptions.

Bad debt provision
The ability to recover bad debt is calculated by taking into account the risk of collection failure, the period of time receivables have been outstanding and any losses sustained in the past on similar debts.

Inventory impairment provision
The Company estimates the amount of inventory to subject to impairment loss based on specific analyses ascertaining finished product marketability and the relevant turnover rates, and, for orders in progress, the Company considers the relevant risk of failed completion.

Future returns
In the publishing sector it is accepted practice that unsold books and magazines are returned to the publisher under pre-established conditions.

Therefore, at the end of each financial year the Company measures the quantities that are expected to be returned in the following year: this estimate is based on historical statistics and takes into account also the level of circulation.

Provision for risks
Provisions made in relation to costs for restructuring and judicial, fiscal and arbitration disputes are based on complex estimates that take into account the probability of losing the disputes.

Provision for advances to authors
The Company estimates the risk that advances paid to authors of literary works published or to be published may be fully or partially offset by copyrights accrued following publication.

Post-employment benefits
Provisions made in relation to funds in favour of employees are based on actuarial assumptions: any changes in the underlying assumptions may have significant effects on them.

Income tax
Income tax (both current and deferred) is calculated based on the applicable rates in Italy according to a prudent interpretation of currently applicable tax laws.

5. Risk management
The Company manages financial risks for all Mondadori Group Italian subsidiaries. For an exhaustive analysis of the Group's financial risks, reference should be made to the relevant section in the Group's consolidated financial statements.

6. Non-recurring income and expenses
As required by Consob Resolution no. 15519 of 27 July 2006, income and expenses deriving from non-recurring transactions are recognised under income statement. Transactions and events are considered non-recurring when, by nature, they do not occur repeatedly during normal business operations. The relevant effects have been outlined in a separate table in the "Explanatory notes to the financial statements".

Details regarding the items of the financial statements
For the sake of clarity, the amounts reported in the following notes are expressed in euro thousands with the exception of some ancillary data, which is expressed in euro millions. The amounts in parentheses refer to 2012 figures.

Balance sheet
Assets

1. Intangible assets
Intangible assets and the changes in the period are described and commented on below:

Intangible assets (Euro/000)	31/12/2013	31/12/2012
Intangible assets with finite useful life	2,893	1,017
Intangible assets with indefinite useful life	87,537	87,537
Total intangible assets	90,430	88,554

The following two tables show the changes in intangible assets with a finite useful life in 2012 and 2013.

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

Intangible assets with finite useful life (Euro/000)	Software	Marketing rights	Total
Cost at 01/01/2012	8,511	650	9,161
Investments	370	-	370
Disposals	-	-	0
Other changes	-	-	0
Cost at 31/12/2012	8,881	650	9,531
Depreciation and impairment loss at 01/01/2012	7,235	650	7,885
Depreciation	629	-	629
Impairment loss/reinstatement of value	-	-	0
Disposals	-	-	0
Other changes	-	-	0
Depreciation and impairment loss al 31/12/2012	7,864	650	8,514
Net value at 01/01/2012	1,276	-	1,276
Net value at 31/12/2012	1,017	0	1,017

Intangible assets with finite useful life (Euro/000)	Software	Marketing rights	Other intangible assets	Total
Cost at 01/01/2013	8,881	650	-	9,531
Investments	287	-	2,200	2,487
Disposals	(11)	-	-	(11)
Other changes	-	-	-	0
Cost at 31/12/2013	9,157	650	2,200	12,007
Depreciation and impairment loss at 01/01/2013	7,864	650	-	8,514
Depreciation	611	-	-	611
Impairment loss/reinstatement of value	-	-	-	0
Disposals	(11)	-	-	(11)
Other changes	-	-	-	0
Depreciation and impairment loss at 31/12/2013	8,464	650	-	9,114
Net value at 01/01/2013	1,017	0	-	1,017
Net value at 31/12/2013	693	0	2,200	2,893

With reference to the increases registered in item "Other intangible assets", it should be noted that the investment totalling euro 2,200,000 is entirely attributable to the acquisition of the "aNobii" social network, completed in December 2013. The accounting principle of reference is IFRS 3 - Business combinations, which enables entities to suspend the final allocation of the price to be paid for a period of time which the buyer uses to seek more information, while better examining the acquired assets and liabilities. This evaluation period may in no case exceed 12 months after the date of acquisition as envisaged in paragraphs 45 and 46 of IFRS 3. Therefore, the amount relative to the completed acquisition was recognised under item "Other intangible assets" in the 2013 financial statements.

The following two tables show the changes in intangible assets with a indefinite useful life in 2012 and 2013.

Intangible assets with indefinite useful life (Euro/000)	Magazines	Brands	Goodwill	Total
Cost at 01/01/2012	83,577	7,566	732	91.875
Investments	-	115	-	115
Disposals	-	-	-	0
Other changes - resulting from transfer	-	(521)	-	(521)
Cost at 31/12/2012	83,577	7,160	732	91.469
Impairment loss at 01/01/2012	-	(2,512)	-	(2.512)
Impairment loss/reinstatement of value	-	(1,420)	-	(1.420)
Impairment loss at 31/12/2012	0	(3,932)	0	(3.932)
Net book value at 01/01/2012	83,577	5,054	732	89.363
Net book value at 31/12/2012	**83,577**	**3,228**	**732**	**87.537**

Intangible assets with indefinite useful life (Euro/000)	Magazines	Brands	Goodwill	Total
Cost at 01/01/2013	83,577	7,160	732	91,469
Investments	-		-	0
Disposals	-		-	0
Other changes	-		-	0
Cost at 31/12/2013	83,577	7,160	732	91,469
Impairment loss at 01/01/2013	-	(3,932)	-	(3,932)
Impairment loss/reinstatement of value	-		-	0
Impairment loss at 31/12/2013	0	(3,932)	0	(3,932)
Net value at 01/01/2013	83,577	3,228	732	87,537
Net value at 31/12/2013	**83,577**	**3,228**	**732**	**87,537**

Intangible assets with an indefinite useful life mainly refer to magazines (including, specifically, *TV Sorrisi* e *Canzoni* and *Chi*, each of which represents a different Cash Generating Unit) comprised in the acquisition of the business unit, former SBE, completed in 1994.
It should be noted that in July 2013 the transfer of the brand and magazine *VilleGiardini* was completed for a total amount of euro 250,000.

Amortization, impairment loss and value reinstatement of intangible assets
The following table summarises the amounts recognised in item "Amortization of intangible assets" under income statement, following to amortization, impairment loss and value reinstatement of intangible assets with indefinite useful life.

Amortization and impairment loss on intangible assets (Euro/000)	FY 2013	FY 2012
Software	611	629
Marketing rights	-	-
Total amortization of intangible assets	611	629
Amortization of intangible assets		1,420
Value reinstatement of intangible assets	-	-
Total amortization (value reinstatement) of intangible assets	0	1.420
Total amortization of intangible assets	611	2,049

Pursuant to IAS 36, assets with an indefinite useful life and goodwill are not subject to amortization but to an impairment test at least once a year or every time there is an indication of impairment. In such context, it is worth noting that though the listing price reflects a capitalization lower than the Parent Company's net equity, based on the audits carried out it was deemed necessary to account for impairment losses in excess to those already made given the current volatility of the financial markets.
For the impairment tests carried out on magazines, brands and goodwill to calculate their recoverable value, the value in use was also measured.

The value of magazines with an indefinite useful life, each of which represents a Cash Generating Unit, refers to the acquisition of the company Silvio Berlusconi Editore, completed in 1994. The main magazines acquired are *Tv Sorrisi e Canzoni, Chi* and *Telepiù*.

The recoverable value of the Cash Generating Unit was determined based on the calculation of the value in use, which is in turn based on the projections of the cash flows deriving from the relevant budgets for the 2014-2016 three-year period and subsequently approved by the Board of Directors. The aforementioned cash flows were measured based on the current market scenario, considering also the uncertainties relative to the expectations for growth in the sector.

Data is derived from the income statements of the individual magazines, considered representative of the relevant cash flows, taking into account the immediate collection of revenues characterizing magazines.

The economic results used for the projections include taxes; the discount rate before taxes, applied to cash flow projections, is equal to 7.80% (7.53% in 2012) and cash flows beyond the period of analytical projection deriving from medium-term plans, are assumed as constant (g=0).

With reference to the determination of the value in use of the different Cash Generating Units, the directors believe that, considering the particularly conservative assumptions made in the drafting of the business plans used, taking into account also the current specific economic scenario, it is reasonable to consider that changes are not expected to occur such as to imply a reduction in the recoverable value calculated.

A sensitivity analysis on the results obtained was performed, varying the assumptions considered the most significant. Such analysis confirmed the reasonableness of the results obtained.

After completing the analysis, the directors did not identify any need for impairment on the activities belonging to the Cash Generating Unit under examination nor on its goodwill.

2. Property investments

This item and the relevant changes in the period are broken down here below:

Property investments (Euro/000)	Land	Non-instrumental buildings	Total
Cost at 01/01/2012	458	3,833	4,291
Investments	518	62	580
Disposals	-	-	0
Other changes	-	-	0
Cost at 31/12/2012	976	3,895	4,871
Depreciation and impairment losses at 01/01/2012	-	1,530	1,530
Depreciation	-	103	103
Impairment loss/reinstatement of value	-	-	0
Disposals	-	-	0
Other changes	-	-	0
Depreciation and impairment losses at 31/12/2012	0	1,633	1,633
Net value at 01/01/2012	458	2.303	2.761
Net value at 31/12/2012	**976**	**2.262**	**3.238**

Property investments (Euro/000)	Land	Non-instrumental buildings	Total
Cost at 01/01/2013	976	3,895	4,871
Investments	-	-	0
Disposals	-	-	0
Other changes	-	57	57
Cost at 31/12/2013	976	3,952	4,928
Depreciation and impairment losses at 01/01/2013	-	1,633	1,633
Depreciation	-	105	105
Impairment loss/reinstatement of value	-	-	0
Disposals	-	-	0
Other changes	-	8	8
Depreciation and impairment losses at 31/12/2013	0	1,746	1,746
Net value at 01/01/2013	976	2,262	3,238
Net value at 31/12/2013	**976**	**2,206**	**3,182**

Directors estimate that the fair value of property investments at 31 December 2013 is not lower than the relevant net book value.

Depreciation of investment property

Depreciation for the year under item "Depreciation and impairment loss of property, plant and equipment", amount to euro 105,000.

It should be noted that there are no restrictions on the use of assets classified as property investments.

Land is not subject to depreciation.

3. Property, plant and equipment

This item and the relevant changes in the period are broken down here below:

Property, plant and machinery (Euro/000)	Land	Instrumental buildings	Plant and machinery	Other assets	Total
Cost at 01/01/2012	1.114	16.876	23.710	45.800	87.500
Investments	-	35	628	1.258	1.921
Disposals	-	-	-	(304)	(304)
Other changes	-	-	-	(46)	(46)
Cost at 31/12/2012	1.114	16.911	24.338	46.708	89.071
Depreciation and impairment loss at 01/01/2012	-	10.024	19.202	41.837	71.063
Depreciation	-	583	1.184	1.637	3.404
Impairment loss/reinstatement of value	-	-	-	-	0
Disposals	-	-	-	(250)	(250)
Other changes	-	-	-	(39)	(39)
Depreciation and impairment loss at 31/12/2012	0	10.607	20.386	43.185	74.178
Net value at 01/01/2012	1.114	6.852	4.508	3.963	16.437
Net value at 31/12/2012	**1.114**	**6.304**	**3.952**	**3.523**	**14.893**

Property, plant and machinery (Euro/000)	Land	Instrumental buildings	Plant and machinery	Other assets	Total
Cost at 01/01/2013	1,114	16,911	24,338	46,708	89,071
Investments	-	17	208	542	767
Disposals	-	-	(148)	(2,354)	(2,502)
Other changes	-	(57)	-	-	(57)
Cost at 31/12/2013	1,114	16,871	24,398	44,896	87,279
Depreciation and impairment loss at 01/01/2013	-	10,607	20,386	43,185	74,178
Depreciation	-	570	1,168	1,608	3,346
Impairment loss/reinstatement of value	-	-	-	-	0
Disposals	-	-	(148)	(2,340)	(2,488)
Other changes	-	(8)	-	-	(8)
Depreciation and impairment loss at 31/12/2013	0	11,169	21,406	42,453	75,028
Net value at 01/01/2013	1,114	6,304	3,952	3,523	14,893
Net value at 31/12/2013	**1,114**	**5,702**	**2,992**	**2,443**	**12,251**

Item "Other tangible assets" is broken down as follows:

Other tangible assets (Euro/000)	31/12/2013	31/12/2012
Industrial and commercial equipment	195	298
Electronic office equipment	906	1,743
Office furniture, and machines	685	911
Motor vehicles and transport vehicles	5	9
Leasehold improvements	370	518
Assets under construction and advances	282	44
Total other tangible assets	2,443	3,523

Investments in the period include:
- technology upgrades in the book and magazine editing offices;
- upgrade of data processing tools (personal computers and local networks) and the purchase of machinery and equipment.

Investments in the period, including those relative to “Other tangible assets”, equal to euro 767,000, of which euro 282,000 referring to assets not yet used at 31 December 2013, comprise:
- Verona plant (Books & Magazines Warehouse/ Magazines shipment and buildings) euro 140,000
- Milan offices (editorial office automation, furniture and equipment) euro 627,000

Divestments totalling euro 2,502,000, including those relative to “Other tangible assets”, mainly refer to disposals of office equipment (furniture, office machines and electronic machines) and scrapping of vehicles, leased property and office renovations, which generated a positive economic effect equal to euro 39,000.

Depreciation of properties, plant and machinery
Depreciation for the year under item “Depreciation of property, plant and equipment” in income statement is detailed below:

Depreciation of properties, plant and machinery (Euro/000)	FY 2013	FY 2012
Instrumental buildings	570	583
Plant and equipment	1,168	1,184
Equipment	128	140
Electronic office equipment	1,075	1,155
Office furniture, and machines	253	253
Motor vehicles and transport vehicles	4	40
Leasehold improvements	148	49
Depreciation of properties, plant and machinery	3,346	3,404

In 2013 no indications for impairment losses were identified.

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

4. Financial assets

Investments

Investments totalling euro 248,502,000 (euro 563,746,000) are broken down and commented on below with the relevant changes in the period.

The total of item “Investments”, net of provisions for losses/impairment, includes shares and units of limited liability companies for a total of euro 193,811,000 and capital contribution payments amounting to euro 18,132,000.

In addition, item “Investments” includes euro 2,635,000 resulting from the application of IFRS 2 on the stock options assigned by Arnoldo Mondadori Editore S.p.A. to executives and directors of subsidiary companies who perform strategic functions for the attainment of the Group’s targets. The detail for each subsidiary and associated company is reported in Annexes A and B to which reference should be made to compare the book value entered and the relevant portion of net equity.

Subsidiaries (Euro/000)	Shares and units owned	Capital contributions	Stock options assigned	Total value
Value at 31/12/2012	503,755	51,447	2,635	557,837
Increases:				
- Purchases, establishments and capital increases		15,700		15,700
- Payments to cover losses				
- Stock option assignment				
- Merger of Mondadori International S.p.A.				
- Equity investment in Mondadori France S.a.s.	260,000			260,000
- Other changes				
Total increases	260,000	15,700		275,700
Decreases:				
- Impairment loss	(33,821)			(33,821)
- Coverage of losses	(6,034)	(15,527)		(21,561)
- Write off of equity investment after merger of Mondadori International S.p.A.	(357,012)			(357,012)
- Other changes				
Total decreases	(396,867)	(15,527)		(412,394)
Changes in the provision for losses/impairment				
- Provisions	(252,327)			(252,327)
- Uses/reclassifications	53,619			53,619
Value at 31/12/2013	168,180	51,620	2,635	222,435

Affiliated companies and other enterprises (Euro/000)	Shares and units owned	Capital contributions	Stock options assigned	Total value
Value at 31/12/2012	5,290	619	0	5,909
Increases:				
- Purchases, establishments and capital increases		1,845		1,845
- Payments to cover losses				
- Stock option assignment				
- Merger of Mondadori International S.p.A.				
- Equity investment Mondadori Independent Media	5,501			5,501
- Merger of Mondadori International S.p.A.				
- Equity investment in Attica Publications S.A.	43,287			43,287
- Other changes				
Total increases	48,788	1,845		50,633
Decreases:				
- Impairment loss	(829)			(829)
- Coverage of losses		(1,062)		(1,062)
- Merger of Mondadori International S.p.A.				
- Impairment loss of Mondadori Independent Media	(4,347)			(4,347)
- Merger of Mondadori International S.p.A.				
- Impairment loss of Attica Publications S.A.	(12,081)			(12,081)
Total decreases	(17,257)	(1,062)		(18,319)
Changes in the provision for losses/impairment				
- Provisions	(14,046)			(14,046)
- Uses/reclassifications	1,890			1,890
Value at 31/12/2013	24,665	1,402	0	26,067

Shares and units owned in companies
The most important transactions in the period are detailed below.

On 28 November 2013 Arnoldo Mondadori Editore S.p.A. merged by incorporation company Mondadori International S.p.A., a fully owned subsidiary of Arnoldo Mondadori Editore S.p.A. at the date of the transaction.

Data referring to the aforementioned transaction is detailed here below

(Euro/000)	
Intangible assets	15
Investments	292,360
Current assets	350
Current financial assets	222,810
Cash and cash equivalents	168
Non-current liabilities	(25)
Non-current financial liabilities	(158,820)
Current liabilities	(386)
Non-current financial liabilities	(1,517)
Net assets subject to merger by incorporation	354,955

It should be noted that attached to these financial statements are the pro-forma tables of Arnoldo Mondadori Editore S.p.A. balance sheet and income statement for the 2012 financial year for comparison purposes, taking into account the effects of the merger of Mondadori International S.p.A. in Arnoldo Mondadori Editore S.p.A. with effective date on 01 January 2012.

Decreases include:
- the coverage of losses in Società Europea di Edizioni S.p.A. for euro 1,062,000;
- the coverage of losses in Mondadori Pubblicità S.p.A. for euro 6,594,000;
- the coverage of losses in Mondadori Direct S.p.A. for euro 4,046,000;
- the coverage of losses in Monradio S.r.l. for euro 33,822,000;
- the coverage of losses in Sporting Club Verona S.r.l. for euro 184,000;
- the coverage of losses in Glaming S.r.l. for euro 6,408,000;
- the coverage of losses in Mondadori Iniziative Editoriali S.p.A. for euro 4,328,000.

Consistently with IAS/IFRS accounting standards, in case of a potential impairment loss, equity interests held are subject to impairment test, using the higher between the value in use and the fair value. This resulted in an impairment loss for a total value of euro 266,373,000 broken down as follows: Società Europea di Edizioni S.p.A. for euro 1,397,000; Mondadori Pubblicità S.p.A. for euro 9,950,000; Monradio S.r.l. for euro 25,152,000; Mondadori Direct S.p.A. for euro 7,017,000; Glaming S.r.l. for euro 3,021,000, Mondadori Iniziative Editoriali S.p.A. for euro 1,891,000; Sporting Club Verona for euro 265,000; ACI-Mondadori for euro 482,000; Attica Publications S.A. for euro 12,166,000; Mondadori France S.a.s. for euro 186,866,000; Edizioni Piemme S.p.A for euro 10,551,000 and Sperling & Kupfer S.p.A. for euro 7,613,000. As to Monradio S.r.l., the impairment loss for the interest held was identified following to the expert analysis carried out by an independent company, which established the fair value of radio frequencies at 31 December 2013. Since the value of the interest held is calculated based on the company's financial results according to IAS/IFRS standards, the value determination of radio frequencies led to an impairment loss to the charge of Monradio S.r.l. according to the implemented international accounting standards, measuring a lower value of the subsidiary's Shareholders' equity at 31 December 2013.

Below is a commented analysis of the main changes in the book value of investments and the relevant portions of Shareholders' equity, as better detailed in the relevant attachments to these financial statements.

The higher book values of the equity interests held in Cemit Interactive Media S.p.A. and Mondadori Education S.p.A. against the corresponding net equity valuations, express the value of the corresponding production and commercial potential values supported in the 2014-2016 three-year plan.

Capital contributions
The amount of euro 18,132,000 at 31 December 2013 (euro 52,066,000 in 2012) includes euro 3,320,000 for Monradio S.r.l; euro 2,379,000 for Mondadori Iniziative Editoriali S.p.A.; euro 3,285,000 for Glaming S.r.l.; euro 247,000 for Sporting Club Verona; euro 7,500,000 for Mondadori Pubblicità S.p.A.; and euro 1,401,000 for Società Europea di Edizioni S.p.A.

The difference mainly refers to capital contribution payments to Mondadori Pubblicità S.p.A. for euro 7,500,000; Glaming S.r.l. for euro 4,100,000; Mondadori Iniziative Editoriali S.p.A. for 3,700,000; Sporting Club Verona for euro 400,000 and uses of capital contribution payments to cover the losses of Monradio S.r.l. for euro 34,890,000; Mondadori Pubblicità S.p.A. for euro 6,000,000; Mondadori Iniziative Editoriali S.p.A. for euro 4,329,000; Sporting Club Verona S.r.l. for euro 184,000; Glaming S.r.l. for euro 5,015,000 and Società Europea di Edizioni S.p.A. for euro 1,062,000.

Non-current financial assets
The composition of other financial assets equal to euro 200,000 thousand refers to the intercompany loan granted by Arnoldo Mondadori Editore S.p.A. to its subsidiary Mondadori France S.A.
Moreover, long-term financial assets are booked for the fair value evaluation of hedging instruments for a total of euro 230,000, of which euro 148,000 in favour of Mediobanca and euro 82,000 in favour of UniCredit.

5. Pre-paid tax assets and deferred tax liabilities
Tax assets equal to euro 22,167,000 (euro 19,704,000) and tax liabilities equal to euro 25,092,000 (euro 23,175,000) are recognised and determined based on the temporary differences between equity values stated in the financial statements and the corresponding values recognised for fiscal purposes, as summarised here below:

(Euro/000)	31/12/2013	31/12/2012
Pre-paid IRES	21,206	18,740
Pre-paid IRAP	961	964
Pre-paid tax assets	**22,167**	**19,704**
Deferred IRES	22,672	20,895
Deferred IRAP	2,420	2,280
Deferred tax liabilities	**25,092**	**23,175**

Pre-paid taxes and deferred taxes are determined based on the tax rates that will presumably be applied when the differences are reinstated (IRES 27.50%, IRAP 3.9%).

It should be noted that Italian Legislative Decree no. 225 of 29 December 2010, amended by Italian Law no. 214 of 22 December 2011 introduced a new regulation which allows entities registering a fiscal and/or statutory loss, to "transform" pre-paid tax amounts

generated by misalignments relative to the value of goodwill and other intangible assets (Deferred Tax Assets), recognised in the financial statements, in tax receivables to be used for compensation purposes.
As to the presentation of the financial statements, the Company complied with the provisions set out in Document no. 5 "Accounting criteria for the calculation of pre-paid tax amounts as per Italian Law 214/2011" published in May 2012 by the Co-ordination Committee between Bank of Italy, Consob and Isvap.
Based on the foregoing, as a result of the loss amount registered in 2013 and in application of the provisions set out in article 2, par. 55, of the Italian Law 225/2010, the Company indicated that the amount of euro 532,632.55 relative to pre-paid taxes on the value of other intangible assets recognised in the Company's balance sheet may be subject to the aforementioned transformation. Pursuant to the subsequent par. 56 of the aforementioned Law, the transformation in question becomes effective as of the date of approval of the financial statements by the Shareholders' Meeting.
In addition, the Company closed 2013 with a tax loss. Therefore, in application of the provisions set out in article 2, par. 56-*bis* of the same Italian Legislative Decree 225/2010, the Company indicated that the amount of euro 217,662.58 relative to pre-paid taxes recognised in these financial statements on the tax loss for the period which generated following to the deduction of negative income components regarding amortization/ impairment of other intangible assets may be subject to the aforementioned transformation. Pursuant to the aforementioned paragraph, the transformation above becomes effective on the date of filing of the tax return Unico 2014 for the 2013 tax period.

The following tables detail the temporary differences between assets and liabilities that generated the recognition of pre-paid and deferred tax amounts.

Description of temporary differences that led to the recognition of pre-paid taxes

	31/12/2013			31/12/2012		
(Euro/000)	Amount of temporary differences	Current tax rate	Pre-paid taxes	Amount of temporary differences	Current tax rate	Pre-paid taxes
Difference between book value and fiscal value of assets	4,404	27.50%	1,211	5,299	27.50%	1,457
Provision for bad debt	20,476	27.50%	5,631	8,171	27.50%	2,247
Inventory provision	1,873	27.50%	515	1,945	27.50%	535
Provisions	39,193	27.50%	10,778	42,443	27.50%	11,672
Other temporary differences	11,167	27.50%	3,071	10,287	27.50%	2,829
Total for IRES purposes	77,113		21,206	68,145		18,740
Difference between book value and fiscal value of assets	5,385	3.9%	210	5,385	3.9%	210
Inventory provision	1,179	3.9%	46	1,256	3.9%	49
Provisions	11,872	3.9%	463	11,872	3.9%	463
Other temporary differences	6,154	3.9%	242	6,205	3.9%	242
Total for IRAP purposes	24,590		961	24,718		964

Description of the temporary differences that led to the recognition of deferred taxes

	31/12/2013			31/12/2012		
(Euro/000)	Amount of temporary differences	Current tax rate	Deferred taxes	Amount of temporary differences	Current tax rate	Deferred taxes
Difference between book value and fiscal value of assets	77,087	27.50%	21,199	69,764	27.50%	19,185
Post-employment benefits/FISC	1,069	27.50%	294	1,930	27.50%	531
Other temporary differences	4,287	27.50%	1,179	4,287	27.50%	1,179
Total for IRES purposes	82,443		22,672	75,981		20,895
Difference between book value and fiscal value of assets	59,257	3.9%	2,311	45,923	3.9%	1,791
Other temporary differences	2,282	3.9%	89	11,923	3.9%	465
FISC	513	3.9%	20	615	3.9%	24
Total for IRAP purposes	62,052		2,420	58,461		2,280

Changes in pre-paid and deferred tax amounts led to a proceed equal to euro 766,000 as shown in note 27.

It should be noted that all financial assets are covered by the company's provisions for pre-paid tax amounts, except for impairment losses deriving from investments, for which it is not possible to reasonably foresee the moment in which the temporary differences will be cancelled out and for audits in progress which led to the recognition of cost under income statement.

6. Other non-current assets

Other non-current assets, equal to euro 15,441,000 (euro 492,000) are broken down and commented on below.

Other non-current assets (Euro/000)	31/12/2013	31/12/2012
Guarantee deposits	298	269
Medium-long term tax receivables towards Fininvest	14,861	-
Trade receivables	180	107
Other	102	116
Total other non-current assets	15,441	492

"Trade receivables", equal to euro 180,000 (euro 107,000), refer to booksellers.

The receivable amount due from Fininvest S.p.A., equal to euro 14,861,000, includes the amount due on a medium-long term for IRES following the adherence to the tax consolidation regime introduced through Italian Legislative Decree no. 344/2003 modifying income tax regimes and renewed for the 2013-2015 three-year period.
The discipline regarding the tax consolidation regime envisages that the consolidating entity of a group be given the possibility to exercise the option for tax consolidation on behalf of the consolidating entity and its subsidiaries. The regime is characterized by one single tax amount for IRES purposes determined by the algebraic sum of tax assets and liabilities contributed by the group companies adhering to the tax consolidation regime. The parent company/consolidating entity therefore, presents, based on the tax returns submitted by the individual consolidated companies, a consolidated tax return and provides

for the payment of the overall tax amount due. The individual consolidated companies pay their relevant IRES amounts, if due, not directly to the Tax Revenue Office but to the parent company, which, in turn, will provide for the payment of one single consolidated IRES amount.

7. Tax receivables

Item "Tax receivables", amounting to euro 51,135,000 (euro 43,916,000), is detailed and commented on below.

Tax receivables (Euro/000)	31/12/2013	31/12/2012
Receivables due from the Inland Revenue Office for IRES	1,938	1,938
Receivables due from Fininvest for IRES	6,587	10,649
Receivables due from Tax Revenue Office for direct and indirect taxes to recover	33,582	25,442
Advances for disputes	7,791	3,834
Receivables due from Tax Revenue Office for IRAP	1,237	2,053
Total tax receivables	51,135	43,916

Receivables for IRES are mainly due to the receivable equal to euro 1,938,000 to recover the IRES amount calculated on a taxable amount equal to 10% of IRAP paid in the period between 30 November 2004 and 31 December 2007, as envisaged by article 6 of Italian Legislative Decree 185/2008.

Receivables for IRAP, equal to euro 1,237,000, refer to higher advances paid on the IRAP amount due.
The advances equal to euro 7,791,000 (euro 3,834,000) refer to payments made provisionally in relation to pending disputes.
Receivables for direct and indirect taxes to recover, equal to euro 33,582,000 (euro 25,442,000) refer to VAT receivables for the period carried forward for euro 19,543,000, VAT receivables subject to recovery for euro 13,970,000, receivables for IRES amounts paid by Mondadori International S.p.A. for euro 69,000.

The receivable amount due from Fininvest S.p.A., equal to euro 6,587,000, includes the amount due from Fininvest S.p.A. for IRES due within 12 months, following the adherence to the tax consolidation regime and euro 6,004,000 relative to higher IRES paid in the 2007-2011 tax periods due to the unaccomplished deduction of IRAP relative to the tax amount of cost of personnel and collaborators under temporary contracts, net of deductions due pursuant to article 11, par. 1, letter a), 1-*bis*, 4-*bis* 1 of Italian Legislative Decree no. 446/1997. Article 2, par. 1-*quater* of Italian Legislative Decree 201/2001 (introduced by Italian Legislative Decree no.16/2012) envisaged the possibility of applying for the reimbursement for the years 2007-2011 for the higher amount of IRES paid as a result of the aforementioned non-deductibility. Considering that the Company contributes to the group's tax amount with Fininvest S.p.A. as consolidating entity which, on behalf of the entire group, pays IRES, but also applies for the relevant reimbursement, the receivable amount is recognised to Fininvest S.p.A.

8. Other current assets

Item "Other current assets", equal to euro 45,160,000 (euro 42,588,000), are detailed and commented on below:

Other current assets (Euro/000)	31/12/2013	31/12/2012
Receivables from agents	48	48
Receivables from authors and collaborators	36,063	36,431
Receivables from suppliers	1,662	651
Receivables from personnel	607	236
Advances to social security institutes	1,438	11
Prepayments	4,073	3,898
Associated companies for transparent income	150	-
Other	1,119	1,313
Total other current assets	45,160	42,588

Advances to authors and collaborators are net of the relevant provision for copyright advances and equal to euro 8,137,000.

Prepayments equal to euro 4,073,000 (euro 3,898,000) include:

(Euro/000)	31/12/2013	31/12/2012
Third publishers' editions for copies sold in 2014	2,571	2,576
Rents	543	541
Other accrued income	16	26
Other prepayments (rents, subscriptions, membership fees)	943	755
Total prepayments	4,073	3,898

Prepayments on third publishers' editions refer to costs borne on behalf of company Harlequin Mondadori S.p.A. for the purchase of books that will be marketed in 2014.

9. Inventory

Item "Inventory", equal to euro 28,300,000 (euro 30,662,000), are detailed and commented on below.

Inventory (Euro/000)	31/12/2013	31/12/2012
Raw materials and consumption materials	65	66
Provision for raw materials and consumption materials	-	-
Total raw materials and consumption materials	65	66
Work in progress and semi-finished goods	11,005	13,776
Provision for work in progress and semi-finished goods	(516)	(516)
Total work in progress and semi-finished goods	10,489	13,260
Finished products and goods	19,014	18,676
Provision for finished products and goods	(1,268)	(1,340)
Total finished products and goods	17,746	17,336
Total inventory	28,300	30,662

With reference to inventory of finished products, existing stocks of books as at 31 December 2013 were valued based on the provisions set out in the Italian Ministerial Resolution no. 9/995 of 11 August 1977 in the matter of stocks of books.

Decrease (increase) of inventory
The following table summarises the changes in inventory recognised under income statement in the financial year of reference.

Decrease (increase) of inventory (Euro/000)	FY 2013	FY 2012
Changes in finished products and goods	(337)	895
Provision for finished products and goods	-	-
Utilization of the provisions for finished products and goods	(72)	(3,213)
Total changes in inventory of finished products and goods	(409)	(2,318)
Changes in semi-finished products	2,771	2,287
Provision for semi-finished products	-	-
Utilization of the provision for semi-finished products	-	-
Total changes in inventory of semi-finished products	2,771	2,287
Changes in raw, ancillary and consumption materials	-	12
Provision for raw, ancillary, consumption materials	-	-
Utilization of the provisions for raw, ancillary, consumption materials	-	-
Total changes in inventory of raw, ancillary, consumption materials	0	12
Total decrease (increase) in inventory	2,362	(19)

It should be noted that no inventory is subject to restriction to cover liabilities.

10. Trade receivables

Item "Trade receivables", equal to euro 144,670,000 (euro 174,891,000), is detailed and commented on below:

Trade receivables (Euro/000)	31/12/2013	31/12/2012
Receivables from customers	56,262	66,134
Receivables from associated companies	20,476	25,251
Receivables from subsidiaries	67,901	83,506
Receivables from parent companies	31	-
Total trade receivables	144,670	174,891

It should be noted that no trade receivables are due over five years and that the average collection period in 2013 was 104.8 days (99.5 days in 2012).

Information by geographical area is provided in the relevant separate section.

Receivables from subsidiaries of euro 67,901,000 (euro 83,506,000) and receivables from associated companies of euro 20,476,000 (euro 25,251,000) refer to trade transactions performed at standard market conditions. The breakdown by company and the changes against the previous year are reported in Annex C1.

Receivables from customers include receivables from Fininvest Group companies of euro 125,000 (euro 200,000) and mainly include RTI S.p.A. for euro 97,000 (euro 139,000) and other enterprises for a total of euro 28,000.
Trade transactions with the Fininvest Group are carried out under standard market conditions.

"Receivables from customers", equal to euro 56,262,000 (euro 66,134,000) include:

Trade receivables Receivables from customers (Euro/000)	31/12/2013	31/12/2012
Receivables from customers	89,827	91,748
Customers – returns to receive	(20,420)	(16,709)
Provision for bad debt	(13,145)	(8,905)
Total receivables from customers	56,262	66,134

The changes in provision for bad debt of euro 13,145,000 (euro 8,905,000) are detailed here below:

Trade receivables Receivables from customers - Bad debt provision (Euro/000)	31/12/2013	31/12/2012
Balance at beginning of year	8,905	10,126
Changes in the period:		
- Provisions	5,925	2,404
- Utilisations	(1,685)	(3,438)
- Contribution of Mondadori International Business S.r.l.	-	(187)
Total provision for bad debt	13,145	8,905

The provision, considered congruent to cover presumable risks of insolvencies, was determined by analytically considering receivables under dispute and any situation of unrecoverability for the other receivables.

11. Other current financial assets

Item "Other current financial assets", equal to euro 139,951,000 (euro 108,738,000), is detailed and commented on below:

Other current financial assets (Euro/000)	31/12/2013	31/12/2012
- Financial receivables from subsidiaries	130,460	94,376
- Financial receivables from associated companies	1,596	200
- Other financial receivables	7,895	14,162
Total financial receivables	139,951	108,738
Total other current financial assets	139,951	108,738

Financial receivables due to subsidiaries of euro 130,460,000 (euro 94,376,000) and receivables due to associated companies of euro 1,596,000 (euro 200,000) mainly refer to current account transactions, totalling euro 119,556,000, negotiated at interest rates in line with market rates.
The breakdown by company and the changes against the previous year are reported in Annex C1.

Other financial receivables of euro 7,895,000 (euro 14,162,000) include accrued income relative to financial components and other financial receivables.

The table below shows the changes of other current financial assets contributed after the completion of the merger by incorporation of Mondadori International S.p.A.

Other current financial assets - merger of Mondadori International S.p.A. (Euro/000)	01/01/2013	Merger items	Changes in 2013	31/12/2013
- Financial receivables from parent companies	56,341	(56,341)		
- Financial receivables from subsidiaries	151,462		(151,462)	
- Financial receivables from associated companies	507		(3)	504
- Other financial receivables	1,180		(1,180)	
Total financial receivables	209,490	(56,341)	(152,645)	504
Held-for-sale financial assets	13,320			
Total other current financial assets	222,810	(56,341)	(152,645)	504

Changes in financial receivables from subsidiaries are mainly attributable to the repayment of a loan from Mondadori France S.a.s. for a total of euro 150,000,000. Financial receivables from associated companies incorporated into Arnoldo Mondadori Editore S.p.A. refer to the loan granted to Attica Publications S.A.
Changes in held-for-sale assets incorporated for a total of euro 13,320,000 refer to the transfer of the bond portfolio, completed in the first half of 2013, resulting in a positive gain equal to euro 0.5 million.

Assets and liabilities resulting from derivative instruments
The following table shows assets and liabilities resulting from derivative instruments held at 31 December 2013.

Assets and liabilities resulting from derivative instruments Details (Euro/000)	Type of derivative instrument	Fair value at 31/12/2013	Fair value at 31/12/2012
Current financial assets/liabilitites			
- Currency derivatives	Trading	-	(18)

Currency derivatives
The Company stipulates currency derivative agreements to hedge against currency risk. The currency derivatives used exclusively refer to forward contracts for the purchase and sale of foreign currencies.
The main types of currency risks in the Group refer to the purchase of book copyrights and the purchase of multimedia products denominated in currencies other than the euro. In the latter case, the Group partially hedges against revenues deriving from budgeted sales. At 31 December 2013 currency risk hedge contracts, stipulated in the name and on behalf of subsidiary Edizioni Piemme S.p.A., referred to the purchase of forward contracts denominated in US dollars for a total of USD 375,000 (euro 266,000).

12. Cash and cash equivalents
Item “Cash and cash equivalents”, equal to euro 53,009,000 (euro 161,520,000), include postal accounts for a total of euro 33,000 (euro 58,000), receivables from banks of euro 52,971,000 (euro 161,459,000) and euro 5,000 (euro 3,000) of cash and cash on hand.

Cash and cash equivalents (Euro/000)	31/12/2013	31/12/2012
Cash and other disposable assets	5	3
Bank deposits	52.971	161.459
Postal deposits	33	58
Total cash and cash equivalents	53.009	161.520

The fair value of cash and cash equivalents as at 31 December 2013 is equal to the relevant book value.
To better understand the changes in the item, reference should be made to the relevant details provided in the cash flow statement section.

It should be noted that there are no restrictions on the use of cash and cash equivalents, except for the indications provided in note 16 “Financial liabilities”.

Liabilities

13. Total Shareholders' equity

The share capital of euro 64,079,000 is fully underwritten and paid up and is represented by 246,458,340 ordinary shares with a par value of euro 0.26 each.

The table below summarizes the changes in Shareholders' equity occurred in the last two periods:

(Euro/000)	Share capital	Share premium reserve	Treasury shares	Stock option reserve	Discounting reserve - IAS 19 Post-employment benefits (*)	Other reserves	Result for the period	Total Shareholders' equity
Balance at 01/01/2012	64,079	210,200	(35,618)	5,949	1,335	223,151	55,343	524,439
Changes in:								
- Profit allocation						55,343	(55,343)	
- Dividend paid out								
- Purchase of treasury shares			(3,041)					(3,041)
- Sale/cancellation of treasury shares								
- Stock option				(2,193)		2,313		120
- Other reserves								
- Comprehensive income for the period					(288)	(1,846)	(39,287)	(41,421)
Balance at 31/12/2012	**64,079**	**210,200**	**(38,659)**	**3,756**	**1,047**	**278,961**	**(39,287)**	**480,097**

(Euro/000)	Share capital	Share premium reserve	Treasury shares	Stock option reserve	Discounting reserve - IAS 19 Post-employment benefits (*)	Other reserves	Result for the period	Total Shareholders' equity
Balance at 01/01/2013	64,079	210,200	(38,659)	3,756	1,047	278,961	(39,287)	480,097
Changes in:								
- Merger of Mondadori International S.p.A.			(34,839)			32,782		(2,057)
- Profit allocation		(39,575)				288	39,287	
- Dividend paid out								
- Purchase of treasury shares								
- Sale/cancellation of treasury shares								
- Stock option				(2,655)		2,655		
- Other reserves								
- Comprehensive income for the period					(264)	12,611	(314,970)	(302,623)
Balance at 31/12/2013	**64,079**	**170,625**	**(73,498)**	**1,101**	**783**	**327,297**	**(314,970)**	**175,417**

(*) Following the application as of 1 January 2013 (with retrospective effect) of the revised IAS 19, data was restated for comparison purposes. In particular, net income increased by euro 288,000 against data at 31 December 2012; this effect was recognised in a specific reserve under Shareholders' equity.

Following the adoption of IAS32 as of 1 January 2005, Treasury shares are recognised to reduce Shareholders' equity. It should be noted that such portfolio, equal to 6.07% of the share capital, includes no. 10,436,014 ordinary shares with a par value of euro 0.26 each, purchased for a total of euro 38,659,000 in line with the resolutions made from time to time by the Shareholders' Meeting and on 19 April 2012 and no. 4,517,486 ordinary shares with a par value of euro 0.26 each, deriving from the merger by incorporation of Mondadori International S.p.A. in Arnoldo Mondadori Editore S.p.A. completed in 2013.

The table below is an analysis of Shareholders' equity with reference to the origin, availability and possible distribution of each single sub-item.

Nature/description (Euro/000)	Amount	Possible use	Available portion	Summary of past utilisations: dividend payout	Summary of past utilisations: Other reasons
Share capital	**64,079**				
Capital reserves					
- share premium reserve	143,647	A.B.C	143,647		
- saving share conversion reserve	26,978	A.B.C	26,978		
- capital contribution reserve	5,335	B			
Income reserves					
- revaluation reserve					
• It. Law no. 72 of 19/03/1983	12,022	A.B			
• It. Law no. 413 of 30/12/1991	4,689	A.B			
- legal reserve	13,490	B			
- extraordinary reserve	249,801	A.B.C	144,774	195,426	784
- reserve It.Law no. 675 of 12/08/1977	351	A.B			
- reserve It. Law no. 904 of 16/12/1977	751	A.B			3,329
- reserve pursuant to article 13 of It. Law 124/93	160	A.B			
- merger reserve	43,999	A.B.C	43,999		
- reserve It. Law no. 576 of 02/12/1975					3,128
- reserve for waived dividends	5,873	A.B.C	5,873		
IAS/IFRS					
- positive transition reserve	14,008	A.B.C	9,897		
- negative transition reserve	(31,529)	-			
- stock option reserve	1,101	A.B.C	1,120		
- stock option cancellation reserve	9,443	A.B.C	9,433		
- reserve for treasury share transactions	1,359	A.B.C	1,359		
- post-employment benefit discounting reserve	783	A.B.C	783		
- cash flow hedge reserve	(2,455)				
Treasury shares	(73,498)				
Total	490,387		387,873	195,426	7,241
Undistributable portion (1)			5,740		
Residual distributable portion			382,133		

Legenda: A: for capital increases - B: to cover losses - C: for distribution to Shareholders

(1) This represents the undistributable portion determined pursuant to the provisions set out in Italian Legislative Decree 38/2005.

The table "Changes in Shareholders' equity" includes details regarding the individual sub-items under Shareholders' equity and, specifically:

The **share premium and saving share conversion reserve** of euro 170,625,000 (euro 210,200,000) includes:

- euro 15,289,000, of which euro 13,278,000 derive from the conversion into shares of the former AMEF 6.5% 1987-1991 loan stock and euro 2,011,000 from the merger by incorporation of former AME of 29 November 1991;
- euro 238,603,000 deriving from the capital increase completed on 27 June 1994 following a resolution by the extraordinary shareholders' meeting of 30 May 1994, that provided for the issue of 33,000,000 ordinary shares with a par value of euro 0.52 (It. Lire 1,000) each at a price of euro 7.75 (It. Lire 15,000) per share, euro 7.23 (It. Lire 14,000) of which was share premium; decreased by euro 76,657,000 following to the adoption of the extraordinary Shareholders' Meeting's resolution of 21 April 2011, whose agenda included an item regarding share capital reduction and euro 39,575,000 following a resolution by the ordinary shareholders' meeting of 23 April 2013 on the coverage of the loss for the period through the use of the corresponding amount allocated to the share premium reserve;
- euro 384,000 deriving from the capital increase completed on 23 November 1998;
- euro 692,000 deriving from the capital increase completed on 17 September 1999;
- euro 1,801,000 deriving from the capital increase completed on 18 July 2000;
- euro 26,978,000 resulting from the conversion of no. 13,929,942 savings shares in ordinary shares in application of the Shareholders' Meeting's resolution of 30 May 1994, which provided holders of savings shares with the option to convert them into ordinary shares at a one to one ratio for a par value of euro 0.52 (Italian Lire 1,000), to be exercised in the period from 16 June to 31 July 1994 with payment of the balance of euro 1.94 (Italian Lire 3,750) for each share converted;
- euro 3,110,000 deriving from the stock option plan management as resolved upon by the Shareholders' Meeting in favour of its management.

The **capital contribution reserve** of euro 5,335,000 (euro 5,335,000) includes euro 1,148,000 relative to the allocation of contributions issued by the Agency for the Promotion and Development of the South of Italy (Min. Decree of 28/6/1979 and of 3/5/1989) for industrial investments made and a total of euro 4,187,000 (including euro 283,000 contributed by Mondadori Electa S.p.A. following the spin-off of the "magazines" business), relative to the allocation of contributions issued by the Italian government in previous years pursuant to Italian Law no. 416 of 05/08/1981. The accounting of the latter contributions was made according to ministerial guidelines which acknowledged their nature as capital contributions; such acknowledgement implies that no taxes are paid on the relevant amount until they are used for a purpose different than the coverage of losses.

Reserves made for tax purposes are classified as follows:

(Euro/000)	a - until 2007	a - from 2008	b	c	Total
Share premium reserve	-	-	-	143,647	143,647
Saving shares conversion reserve	-	-	-	26,978	26,978
					170,625
Reserve It. Law no. 72 of 19/03/1983	-	-	12,022	-	12,022
Reserve It. Law no. 413 of 30/12/1991	-	-	4,689	-	4,689
					16,711
Legal reserve	13,490	-	-	-	13,490
					13,490
Extraordinary reserve	54,799	195,002	-	-	249,801
Reserve It. Law no. 675 of 12/08/1977	-	-	351	-	351
Reserve It. Law no. 904 of 16/12/1977	-	-	751	-	751
Capital contribution reserve	-	-	5,335	-	5,335
Reserve art. 13 of It. Law 124/93	-	-	160	-	160
Reserve for merger	478	43,521	-	-	43,999
Reserve for waived dividends	4,292	1,581	-	-	5,873
IAS/IFRS application reserve	(8,821)	1,531	-	-	(7,290)
					312,470
Total reserves	64,238	241,635	23,308	170,625	499,806
Total free capital increases with utilisation of reserves	784	0	6,457	0	7,241

a. Reserves that upon distribution do not contribute to the formation of the shareholders' taxable income pursuant to articles 47, 59 and 89 of the It. Presidential Decree no. 917/86. Pursuant to article 1, par. 39, of It. Law no. 244/07 income generated until 31 December 2007 and income generated subsequently are separated.

b. Reserves that, when distributed, contribute to the formation of the Company's taxable income.

c. Reserves that, in case of distribution, do not contribute to the formation of the shareholders' taxable income.

The breakdown of reserves used for free capital increases completed in the past years is shown here below:

Reserves used (amounts in euros)	Shareholders' Meeting's resolution	Amounts contributed
Reserve It. Law no. 576 of 02/12/1975	30/04/1980	1,292,433
Reserve It. Law no. 576 of 02/12/1975	25/05/1981	1,291,142
Reserve It. Law no. 576 of 02/12/1975	30/04/1982	543,943
Reserve It. Law no. 904 of 16/02/1977	30/04/1982	3,329,483
		6,457,001
Stock option plan reserve	25/09/1998	66,365
Stock option plan reserve	07/07/1999	105,873
Stock option plan reserve	12/05/2000	152,045
Extraordinary reserve (capital re-denomination in euro)	24/04/2001	459,593
		783,876

14. Provisions

Item "Provisions", equal to euro 52,547,000 (euro 39,714,000) is broken down here below.

Provisions (Euro/000)	31/12/2012	Provisions	Utilisations	Other changes	31/12/2013
Provision for personnel downsizing risks	5,421	6,670	4,791		7,300
Provision for bad debt	1,069				1,069
Provision for legal risks	15,350	4,540	687	25	19,228
Provision for INPGI contribution dispute	1,899				1,899
Provision for equity impairment exceeding cost	1,626	8,999	1,626		8,999
Provision for charges on advertising receivables	6,215	2,500	1,748		6,967
Provision for charges on subscription receivables	1,092	650	642		1,100
Provision for charges on Mediamond receivables	119		6		113
Provision for other charges	6,923		1,051		5,872
Total provisions	39,714	23,359	10,550	25	52,547

It should be noted that the provision for legal risks increased by euro 25,000 as a result of the values contributed from the merger of Mondadori International S.p.A.
The provisions above are intended to cover potential liabilities resulting from legal disputes, bad debt, contractual risks and disputes with social security entities.

15. Post-employment benefits

Item "Post-employment benefits" is detailed and commented on below:

Post-employment benefits (Euro/000)	31/12/2013	31/12/2012
Provision for post-employment benefits (TFR)	19,373	22,646
Provision for supplementary agents' indemnity (FISC)	1,131	1,014
Provision for journalists (IFGP)	318	394
Total post-employment benefits	20,822	24,054

Changes in the period of reference are detailed below:

Post-employment benefits (TFR) - Details (Euro/000)	Post-employment benefits	FISC	IFGP	Total
Balance at 31/12/2012	22,646	1,014	394	24,054
Changes in 2013:				
- provisions	409	91	1	501
- utilizations	(5,156)	(78)	(77)	(5,311)
- reversals	-	-	-	
- discounting	760	104	-	864
- other	714	-		714
Balance at 31/12/2013	19,373	1,131	318	20,822

The liability relating to post-employment benefits was subject to discounting pursuant to IAS 19; the supplementary agents' indemnity was determined by using a discounting method pursuant to IAS 37, with the application of an actuarial methodology.

Consistently with the previous year, the following assumptions were used to measure the current value of post-employment benefits:

Actuarial assumptions to measure post-employment benefits	31/12/2013	31/12/2012
Economic assumptions:		
- increase in cost of living	2.0%	2.0%
- discounting rate	3.17%	4.0%
Demographic assumptions:		
- probability of death	IPS 55 tables	IPS 55 tables
- probability of disability	INPS 2000 tables	INPS 2000 tables
- probability of leaving for other reasons	14.16%	15.38%
- retirement age	applicable regulations	applicable regulations

The following assumptions were used to measure the provision for supplementary agents' indemnity:

Actuarial assumptions to measure FISC	31/12/2013	31/12/2012
Economic assumptions:		
- discounting rate	3.17%	4.00%
Demographic assumptions:		
- probability of death/disability	1.0%	1.0%
- probability of leaving service	1.0%	1.0%
- probability of voluntary resignation	1.50%	1.50%

Employee severance indemnity was not subject to discounting because the effects are irrelevant.

The cost for post-employment benefits under income statement is broken down as follows:

Cost of post-employment benefits (Euro/000)	FY 2013	FY 2012 (*)
Cost of post-employment benefits allocated to supplementary pension plans	5,294	5,797
	5,294	5,797
Financial costs	804	999
Total cost of post-employment benefits	6,098	6,796

(*) Following the application as of 1 January 2013 (with retroactive effect) of the revised IAS 19, data was re-processed for comparison purposes. In particular, cost of personnel decreased by euro 397,000 against data at 31 December 2012; this amount, net of the relevant tax effect, was recognised in a specific reserve under Shareholders' equity.

It should be noted that item "Current cost of post-employment benefits" and item "Actuarial (income)/loss" are recognised in "Cost of personnel", while the financial component is accounted for under financial expenses for the period.

16. Financial liabilities

This item, equal to euro 394,828,000 (euro 225,469,000), is detailed and commented on below.

Non-current financial liabilities (Euro/000)	Actual interest rate	Expiry over 5 years	31/12/2013	31/12/2012
Liabilities resulting from derivatives	-		16	5,969
Medium/long-term loans and borrowings	4.343%		394,812	219,500
Total non-current financial liabilities	4.343%		394,828	225,469

Item "Loans and borrowings" include the level of utilization of the loan contracts and, specifically:

- euro 150,000,000, the use of the bilateral loan contract stipulated with Intesa Sanpaolo, coming to maturity in December 2016;
- euro 70,000,000, the use of the loan stipulated with Mediobanca, coming to maturity in December 2017;
- euro 174,812,000, the amortised cost of the portion of the term loan stipulated with a pool of banks in November 2013, coming to maturity in December 2017.

The re-negotiation of the committed lines in November 2013 included the suspension of the calculation of the financial covenants (net debt/EBITDA) in the same year.

Liabilities from derivatives totalling euro 16,000 include the fair value relative to a floating to fix Interest Rate Swap (IRS) contract amounting to euro 25 million, converting the floating rate (1 month Euribor) into fixed at 0.96% with expiry on 13 January 2014 and referring to the portion of the loan contract underwritten with Intesa Sanpaolo.

The table below shows the changes in financial assets contributed after the completion of the merger by incorporation of Mondadori International S.p.A.

Other current financial assets - merger of Mondadori International S.p.A. (Euro/000)	01/01/2013	Changes in 2013	31/12/2013
Liabilities resulting from derivatives	8,820	(8,820)	-
Medium/long-term loans and borrowings	150,000	(150,000)	-
Total non-current financial liabilities	158,820	(158,820)	0

Changes in medium/long-term loans and borrowings is attributable to the cancellation of the club deal loan for euro 150,000,000 included in the framework of the re-negotiation process of the aforementioned committed lines. Changes in liabilities from derivatives refer to the termination of derivate instruments contracts with a cost impact on income statement equal to euro 4,380,000.

"Payables due to banks and other financial liabilities" were equal to euro 184,800,000 (261,298,000) and include:

Payables due to banks and other financial liabilities (Euro/000)	31/12/2013	31/12/2012
Payables due to banks	5,314	1
Payables due to associated companies	2,811	3,879
Financial payables due to subsidiaries	140,106	180,347
Other financial liabilities	35,759	76,733
Accrued liabilities and deferred income	810	338
Total payables due to banks and other financial liabilities	184,800	261,298

Payables due to banks of euro 5,314,000 (euro 1,000) include short-term current account overdraft payables.

Payables due to subsidiaries of euro 140,106,000 (euro 180,347,000) and payables due to associated companies of euro 2,811,000 (euro 3,879,000) mainly refer to current account transactions negotiated at interest rates in line with market rates.
The breakdown by company and the changes against the previous year are specified in Annex D1.

Other financial liabilities of euro 35,759,000 (euro 76,733,000) include euro 35,000,000 relative to the utilization of the revolving portion of the loan stipulated with a pool of banks.

Accrued liabilities and deferred income of euro 810,000 (euro 338,000) were determined on an accrual basis and refer to short-term loan interest rates.

The Company's comprehensive net financial position at 31 December 2013, shown in the table below, highlights a net debt of euro 186,438,000 (euro 166,471,000).

Net debt (Euro/000)	31/12/2013	31/12/2012
A Cash	5	3
- Bank deposits	52,971	161,459
- Postal deposits	33	58
B Other cash and cash equivalents	53,004	161,517
C Cash and cash equivalents and other financial assets (A+B)	**53,009**	**161,520**
D Securities held for trading		
- Financial receivables due from subsidiaries	330,460	144,376
- Financial receivables due from associated companies	1,596	200
- Financial assets valued at fair value	-	-
- Derivatives and other financial assets	8,126	14,162
E Receivables and other current financial assets	340,182	158,738
F Current and non-current financial assets (D+E)	**340,182**	**158,738**
G Current payables due to banks	5,314	1
- Bonds	-	-
- Loans	-	-
- Borrowings	35,809	76,338
H Current portion of non-current debt	35,809	76,338
- Financial payables due to subsidiaries	140,106	180,347
- Financial payables due to associated companies	2,811	3,931
- Derivatives and other financial assets	760	644
I Other current financial liabilities	143,677	184,922
L Payables due to banks and other current financial liabilities (G+H+I)	**184,800**	**261,260**
M Current and non-current net financial position (C+F-L)	**208,391**	**58,998**
- Bonds	-	-
- Loans	-	-
- Borrowings	394,813	219,500
N Debt - non-current portion	394,813	219,500
O Other non-current financial liabilities	16	5,969
P Non-current net debt (N+O)	**394,829**	**225,469**
Q Net debt (M-P)	**(186,438)**	**(166,471)**

It should be noted that the Company's net financial position, determined pursuant to Consob recommendation, would be negative with an amount equal to euro 386,668,000 (euro 216,471,000), because it would not include the balance of "Non-current financial assets", represented by the loan granted to subsidiary Mondadori France S.A. equal to euro 200,000,000 and the fair value of cash flow hedge instruments accounting for euro 230,000.

For the analysis of the Company's net financial position and the relevant changes reference should be made to the Annual Report attached to these financial statements.

17. Income tax payables

Item "Income tax payables", equal to euro 0 (euro 1,160,000), is detailed and commented on below with the relevant changes occurred in the period of reference:

Income tax payables (Euro/000)	31/12/2013	31/12/2012
Payables due to Fininvest for IRES	-	1,160
Total income tax payables	**0**	**1,160**

The Company's income amounts are defined for fiscal purposes along with the corresponding tax amounts paid until 2008, except for the indications provided in note 28 "Commitments and potential liabilities".

In case of criminally relevant cases pursuant to article 37 of Italian Legislative Decree no. 223/2006, amended and converted in Italian Law no. 248/2006, the Company envisaged a double set of assessment criteria: *"in case of violations leading to obligatory reporting pursuant to article 331 of the Italian Criminal Procedure Code for one of the crimes listed in Italian Legislative Decree no. 74 of 10 March 2000"*.

As to fiscally open financial years, tax amounts have been allocated and paid on the basis of taxable income and the currently applicable tax regulations upon the allocation of the relevant provision.

18. Other current liabilities

The "Other current liabilities" item, equal to euro 57,481,000 (euro 69,872,000), is detailed and commented on below with the relevant changes:

Other current liabilities (Euro/000)	31/12/2013	31/12/2012
Advances to customers	304	297
Tax payables	4,885	4,871
Cost of post-employment benefits allocated to supplementary pension plans	2,147	2,570
Payables due to welfare and social security entities	7,403	10,496
Other payables	41,022	50,045
Accrued liabilities and deferred income	1,418	1,593
Associated companies for transparent income	302	-
Total other current payables	**57,481**	**69,872**

Advances to customers of euro 304,000 (euro 297,000) increased by euro 7,000 against the previous year.
Tax payables of euro 4,885,000 (euro 4,871,000) refer to IRPEF amounts on employee salaries and professional fees paid in January 2014.

Cost for post-employment benefits allocated to supplementary pension plans of euro 2,147,000 (euro 2,570,000) refer to pension funds (mainly post-employment benefits for journalists), also including post-employment benefits paid in January 2014.
Payables due to welfare and social security entities of euro 7,403,000 (euro 10,496,000) include euro 4,382,000 (euro 5,899,000) for contributions on salaries relating to December and paid in January 2014; euro 3,021,000 (euro 4,597,000) for contributions allocated for deferred salary items.

Other payables of euro 41,022,000 (euro 50,045,000) are broken down as follows:

Other current liabilities Other payables (Euro/000)	31/12/2013	31/12/2012
Payroll and other amounts due to personnel	15,572	20,681
Payables due to authors and collaborators	22,710	26,687
Payables due to agents	509	651
Payables to directors and statutory auditors	1,763	402
Other	468	1,624
Total other payables	**41,022**	**50,045**

Accrued liabilities and deferred income of euro 1,418,000 (euro 1,593,000) were determined on an accrual basis and are broken down as follows:

(Euro/000)	31/12/2013	31/12/2012
Insurance, membership fees and other prepayments	609	771
Total accrued liabilities	609	771
Revenues from advertising per issue for magazines in 2014	435	628
Rentals	-	-
Other	374	194
Total deferred income	809	822
Total accrued liabilities and deferred income	**1,418**	**1,593**

19. Trade payables

Item "Trade payables" is detailed and commented on here below:

Trade payables (Euro/000)	31/12/2013	31/12/2012
Payables due to suppliers	101,235	136,575
Payables due to subsidiaries	37,434	36,038
Payables due to associated companies	4,723	5,433
Payables due to parent company	49	7
Total trade payables	**143,441**	**178,053**

Payables due to suppliers amount to euro 101,235,000 (euro 136,575,000) and include payables for the purchase of fixed assets for a total amount of euro 738,000 (euro 1,501,000). This item also includes:

- trade payables due to Fininvest Group companies totalling euro 5,048,000 (euro 5,676,000), of which the most significant refer to Publitalia '80 S.p.A. of euro 3,942,000 (euro 3,762,000), RTI S.p.A. of euro 1,084,000 (euro 1,769,000) and other minor payables for a total amount of euro 22,000 (euro 145,000).

Payables due to affiliated companies refer to trade transactions performed at standard market conditions.
Trade payables due to subsidiaries of euro 37,434,000 (euro 36,038,000) and trade payables due to associated companies of euro 4,723,000 (euro 5,433,000) refer to trade transactions performed at standard market conditions.

The breakdown by company and relevant changes occured in the period of reference are reported in Annex D1. The breakdown by geographic area is reported in Annex "Supplementary table".

It should be noted that no trade payables are due over 5 years and that the average payment period in 2013 equalled 128.8 days (122.4 days in 2012); in addition it should also be highlighted that supplier payment conditions have been re-defined.

Income statement

(Intercompany trade transactions in 2013 with related parties are detailed in Annexes C2 and D2).

20. Revenues from sales and services

Sales performance by sector is exhaustively detailed in the Directors' Report on Operations.

Revenues are detailed in the following tables:

Revenues from sales and services (Euro/000)	FY 2013	FY 2012	Var.%
Revenues from the sale of goods:			
- books	205,776	257,237	(20.01%)
- magazines/publications	183,832	194,473	(5.47%)
- magazines/subscriptions	21,999	23,374	(5.88%)
- Corporate and other business:			
Reproduction rights	4,117	7,391	(44.30%)
Commercial items and special initiatives	928	921	0.76%
Sub-products and scrap material	1,160	1,873	(38.07%)
Storage material and other	-	-	-
Revenues from the sale of service:			
- avertising services	76,971	110,052	(30.06%)
- Corporate and other business			
Online revenues, content deal and website management	81	602	(86.54%)
Other services, consulting and assistance	30,433	30,298	0.45%
Total revenues	**525,297**	**626,221**	**(16.12%)**

The decrease in the revenues from the sale of magazines/publications of euro 10,641,000 is mainly due to the performance of the market of reference, which resulted in plummeting sales in 2013.
For further details on the main phenomena underlying the variation in revenues, reference should be made to the relevant separate section in the Directors' Report on Operations.

The analysis by revenues broken down by geographical area is as follows:

Geographical area (Euro/000)	Books	Magazines	Rights	Advertising and other	2013	2012
Italian domestic market	197,711	205,270	4,900	108,484	516,365	612,697
Other EU countries	4,494	265	139	748	5,646	9,789
USA	76	20	1,121	-	1,217	215
Switzerland	1,077	2	24	416	1,519	1,353
Other countries	167	155	183	44	549	2,167
Total	**203,525**	**205,712**	**6,367**	**109,692**	**525,296**	**626,221**

21. Cost of raw, ancillary, consumption materials and goods

This item is detailed and commented on in the table below:

Cost of raw, ancillary, consumption materials and goods (Euro/000)	FY 2013	FY 2012
Paper for special initiatives	28	111
Production material	32	606
Total cost of raw and ancillary materials	60	717
Goods for re-sale	119,027	140,459
Consumption and maintenance materials	824	748
Total cost of consumption materials and goods	119,851	141,207
Total cost of raw, ancillary, consumption materials and goods	119,911	141,924

22. Cost of services

This item is detailed and commented on in the table below:

Cost of services (Euro/000)	FY 2013	FY 2012
Rights and royalties	62,250	71,814
Third party collaborations	23,583	26,723
Consultancy services	11,522	13,135
Commissions	2,978	3,515
Third party graphical processing:		
- print, packaging and other	84,034	94,650
- paper	42,070	50,064
Transport and shipping	24,078	25,425
Advertising services	27,544	32,775
Other services	9,699	11,502
Travel and other expense reimbursements	2,171	3,791
Maintenance	2,213	2,279
Postal costs and telephone	1,604	2,203
Utilities (electricity, gas, water)	2,147	2,274
Catering and cleaning services	3,473	3,737
Market research	1,878	1,941
Insurance	1,222	1,425
Subscription management	7,709	7,557
Press agency	424	482
Fees for company boards:		
- Chairman and Board of Directors	3,250	1,804
- Board of Statutory Auditors	205	245
Total cost of services	314,054	357,341

23. Cost of personnel

This item is detailed and commented on here below:

Cost of personnel (Euro/000)	FY 2013	FY 2012(*)
Salaries and wages	70,932	81,079
Stock options	-	96
Social security charges	20,483	23,621
Post-employment benefits, retirement indemnity and supplementary pension scheme plans	26,860	14,266
Provision/utilisation for risks for personnel re-organization	1,880	3,310
Total cost of personnel	120,155	122,372

Cost of personnel by category is broken down here below:

(Euro/000)	FY 2013	FY 2012(*)
Executives	27,610	27,176
White collars and managers	36,505	39,336
Journalists	52,729	52,981
Blue collars	3,311	3,276
Recalculation - discounting of post-employment benefits		(397)
Total	120,155	122,372

(*) Following the application as of 1 January 2013 (with retroactive effect) of the revised IAS 19, data was re-processed for comparison purposes. In particular, cost of personnel decreased by euro 397,000 against data at 31 December 2012; this amount, net of the relevant tax effect, was recognised in a specific reserve under Shareholders' equity.

At 31 December 2013 the Company has 1,133 employees, 77 employees less than in the previous year.

Employees	Actual 31/12/2013	Actual 31/12/2012	Average FY 2013	Average FY 2012
Executives	70	78	72	85
Journalists	317	363	344	367
White collars and managers	664	685	666	710
Blue collars	82	84	85	85
Total	1,133	1,210	1,167	1,247

In the year of reference the average number of employees was 1,167 units (1,247 in 2012).

Information on stock option plans
With reference to the stock option plans applied by parent company Arnoldo Mondadori Editore S.p.A. for the three year 2006-2007-2008 and 2009-2010-2011 time spans and described in the Directors' Report on Operations, the table below summarises the situation of the options assigned and still to be exercised at 31 December 2013 with indication of the prices and relevant exercise period.

Stock option	2007	2009	2010
In circulation at 01/01/2013	2,095,000	1,910,000	1,410,000
- assigned during the year	-	-	-
- cancelled during the year	(450,000)	(810,000)	(690,000)
- exercised during the year	-	-	-
- expired during the year	1,645,000	-	-
In circulation at 31/12/2013	-	1,100,000	720,000
Exercise term	26/06/2010-25/06/2013	16/10/2012-16/10/2015	22/07/2013-21/07/2016
Exercise price in euro	7.458	3.4198	2.4693
Exercisable at 31/12/2013	-	1,100,000	720,000

Options assigned were measured at fair value on the basis of a binomial tree numerical calculation method using the following parameters:

Parameters for the option measuring model	2009	2010
Exercise price of the option	3.4198	2.4693
Option term (residual years)	1.83	2.58
Average price at the date of assignment	3.53	2.415
Expected volatility of the share price	32.00%	35.40%
Dividend yield	5.66%	8.28%
Risk free interest rate for the option term	2.18%	2.16%

Lastly, no cost regarding share-based payments was recognised in item "Cost of personnel" under income statement.

24. Other (income) cost

This item is detailed and commented on here below:

Other (income) cost (Euro/000)	FY 2013	FY 2012
Other revenues and income	(22,261)	(21,672)
Cost of use of third party assets	10,893	11,754
Other operating costs	26,455	10,180
Total other (income) cost	15,087	262

"Other revenues and income", equal to euro 22,261,000 (euro 21,672,000), include:

Other (income) cost - Other revenues and income (Euro/000)	FY 2013	FY 2012
Capital gains and contingent assets	(294)	(215)
Supplier rebates and paper contributions	(1,235)	(3,263)
Third party expense reimbursements:		
- expense recovered from development, distribution, marketing activities	(5,096)	(5,657)
- expense recovered from advertising development	(1,242)	(1,468)
- labour costs recovered from temporary employees	(4,779)	(4,032)
- other	(6,432)	(3,544)
Other (promotions, rents, publishing facilities)	(3,183)	(3,493)
Totale altri ricavi e proventi	(22,261)	(21,672)

"Third-party assets use", equal to euro 10,893,000 (euro 11,754,000), include:

Other (income) cost - Third-party assets use (Euro/000)	FY 2013	FY 2012
Rental expense	7,759	7,909
Rental of vehicles and other	1,820	2,530
Data processing fees and other	1,314	1,315
Total cost of third-party assets use	10,893	11,754

"Other operating costs", equal to euro 26,455,000 (euro 10,180,000), include:

Other (income) cost - Other operating costs (Euro/000)	FY 2013	FY 2012
Compensation, settlements and allowances	3,211	3,471
Bad debt	1,685	1,281
Contributions and grants	490	576
Information material	606	671
Entertainment expenses	1,235	1,668
Other expenses	1,795	1,129
Capital loss and contingent losses	140	170
Provision for bad debt	5,925	2,404
Provision for legal risks	4,540	2,040
Provision for other risks	12,345	4,026
(Utilisation) provision for bad debt	(1,685)	(3,438)
(Utilisation) provision for legal risks	(687)	(1,002)
(Utilisation) provision for other risks	(4,022)	(4,249)
Council tax	247	234
Other taxes and duties	630	1,199
Total other operating costs	26,455	10,180

The provision for bad debt and the provision for other risks are allocated to protect the Company from potential losses that may emerge in future years.

25. Financial income (cost)

This item with the expense amount equal to euro 8,820,000 (cost equal to euro 11,643,000 in 2012), includes:

Financial income (cost) (Euro/000)	FY 2013	FY 2012
Interest from banks and post offices	533	383
Interest from associated companies	42	26
Interest from subsidiaries	12,749	4,079
Financial income from derivatives	715	222
Other interest and financial income	1,991	79
Total interest and other financial income	16,030	4,789
Interest due to banks and post offices	(143)	(88)
Interest due to associated companies	(3)	(48)
Interest to subsidiaries	(71)	(977)
Interest due to parent companies	-	(149)
Financial costs from derivatives	(9,767)	(1,809)
Other financial costs for discounting assets/liabilities	(804)	(999)
Other interest paid and financial costs	(14,554)	(12,399)
Total interest expense and other financial costs	(25,342)	(16,469)
Financial revenues from the management of securities	1,564	-
Financial costs from the management of securities	(6,879)	-
Utilization of the provision security depreciation	5,829	-
Total income (loss) from the management of securities	514	0
Realised currency gains	(22)	31
Unrealised currency gains	-	6
Total income (loss) on currency transactions	(22)	37
Total financial income (cost)	(8,820)	(11,643)

It should be noted that financial revenues and costs deriving from the management of securities refer to the transactions completed in 2013 by Mondadori International S.p.A., a company merged by incorporation into Arnoldo Mondadori Editore S.p.A. with accounting effects as of 1 January 2013.

The rates applied on receivables and payables due from and to subsidiaries and associated companies are in line with the average costs of money collection of Arnoldo Mondadori Editore S.p.A.

26. Income (cost) from investments

This item is detailed and commented on below:

Income (cost) from investments (Euro/000)	FY 2013	FY 2012
Dividends	500	28,282
Impairment loss	(268,138)	(58,109)
Capital gain/loss from transfer/liquidation	-	(925)
Total income (cost) from investments	(267,638)	(30,752)

Dividends collected in the period are broken down below:

(Euro/000)	FY 2013	FY 2012
Subsidiaries		
Press-Di Distribuzione Stampa e Multimedia S.r.l.	-	4,800
Giulio Einaudi editore S.p.A.	-	6,900
Mondadori Education S.p.A.	-	8,160
Cemit Interactive Media S.p.A.	-	959
Edizioni Piemme S.p.A.	-	3,650
Sperling & Kupfer S.p.A.	-	1,815
Total subsidiaries	0	26,284
Associated companies:		
Gruner + Jahr/Mondadori S.p.A.	-	1,157
Harlequin Mondadori S.p.A.	500	450
Mach 2 Libri S.p.A.	-	391
Total associated companies	500	1,998
Total dividends	500	28,282

The impairment loss of euro 268,138,000 (euro 58,109,000) refers to the impairment test performed to adjust the cost of investments to their recoverable value.

The details are reported under the "Investments" item in the balance sheet, while the table below provides a breakdown of the nature of the impairment loss.

(Euro/000)	FY 2013	FY 2012
Coverage of losses	22,623	16,966
Capital reduction and reserves/impairment on interest	34,651	744
	57,274	17,710
Provision for losses/impairment loss:		
- provisions	266,373	55,705
- utilizations	(55,509)	(15,306)
	210,864	40,399
Other	-	-
Total	268,138	58,109

27. Income tax

"Income tax" shows a positive balance of euro 11,823,000 (euro 4,323,000). The main components for the financial year 2013 and 2012 are illustrated in the table below:

IIncome tax (Euro/000)	FY 2013	FY 2012(*)
IRES tax on income for the period	(13,604)	(10,864)
IRAP for the period	2,547	3,674
Total current taxes	**(11,057)**	**(7,190)**
Deferred/(pre-paid) taxes for IRES	(910)	2,663
Deferred/(pre-paid) taxes for IRAP	144	204
Total deferred/(pre-paid) taxes	**(766)**	**2,867**
Total income taxes	**(11,823)**	**(4,323)**

(*) Following the application as of 1 January 2013 (with retroactive effect) of the revised IAS 19, data was re-processed for comparison purposes. In particular, the amount relative to pre-paid taxes increased by euro 109,000 against data at 31 December 2012; this amount, net of the cost of personnel reduced of the relevant tax effect, was recognised in a specific reserve under Shareholders' equity.

As evidenced in the sections relative to tax receivables and payables, since it adheres to Fininvest S.p.A. tax consolidation regime, the Company believes that it will be possible to recover the tax loss for the period under examination, equal to euro 13,604,000 in the upcoming years, also in consideration of the medium-term plans approved by the Board of Directors.

In relation to the changes occurred in current taxes reference should be made to note 28 - Commitments and contingent liabilities.

Reconciliation between the tax charge in the financial statements and the theoretical tax charge

(Euro/000)	FY 2013 Pre-tax result	FY 2013 Tax amount	FY 2013 Current tax rate	FY 2012 Pre-tax result	FY 2012 Tax amount	FY 2012 Current tax rate
Theoretical IRES tax charge	(326,794)	(89,868)	27.50%	(44,007)	(12,102)	27.50%
Theoretical IRAP tax charge		(12,745)	3.90%		(1,716)	3.90%
Total theoretical tax charge/rate	**(326,794)**	**(102,613)**	**31.40%**	**(44,007)**	**(13,818)**	**31.40%**
Actual IRES tax charge	(326,794)	(14,514)	4.44%	(44,007)	(8,311)	18.89%
Actual IRAP tax charge		2,690	(0.82%)		3,879	(8.81%)
Total actual tax charge/rate	**(326,794)**	**(11,824)**	**3.62%**	**(44,007)**	**(4,432)**	**10.08%**
Theoretical tax charge/rate	**(326,794)**	**(102,613)**	**31.40%**	**(44,007)**	**(13,818)**	**31.40%**
Effect relating to dividends	(500)	(138)	0.04%	(26,890)	(7,395)	16.80%
Effect relating to provision on investment impairment	268,138	73,738	(22.56%)	58,109	15,980	(36.31%)
Net effect relating to other permanent differences for IRES	12,480	3,432	(1.05%)	12,328	3,391	(7.71%)
Effect relating to a different taxable amount for IRAP (cost of personnel, collaborations, financial and extraordinary cost/income, bad debt)	395,769	15,435	(4.72%)	143,487	5,596	(12.72%)
Other	(6,097)	(1,678)	0.51%	(29,763)	(8,186)	(18.60%)
Current tax amount/rate		**(11,824)**	**3.62%**		**(4,432)**	**10.07%**

28. Commitments and contingent liabilities

Item "Commitments and contingent liabilities" is detailed and commented on below.

Item "Commitments" is broken down as follows:

(Euro/000)	Guarantees	Other Guarantees	Total 31/12/2013	31/12/2012
Guarantees, sureties, endorsements:				
- in favour of subsidiaries	57,947		57,947	62,877
- in favour of associated companies	705		705	2,705
- in favour of other enterprises	52,644		52,644	24,919
	111,296		111,296	90,501
Other commitments	532		532	24,812
Total	**111,828**		**111,828**	**115,313**

Guarantees, sureties, endorsements:

- *in favour of subsidiaries*: euro 57,947,000 (euro 62,877,000) mainly refer to guarantees against payment obligations in favour of the VAT office of Milan in the interest of subsidiaries for the excess amount of the VAT receivable offset in the framework of the Group liquidation and euro 9,000,000 refer to a letter of patronage issued in favour of Siic de Paris on behalf of Mondadori Magazine France;

- *in favour of associated companies*: euro 705,000 (euro 2,705,000) refer to guarantees against payment obligations in favour of the VAT office of Milan in the interest of Mondadori Printing S.p.A., a former subsidiary;

- *in favour of other enterprises*: euro 52,644,000 (euro 24,919,000) refer to sureties issued by the Company against guarantees issued by credit institutes:
  • in the interests of the Lombardy Regional Inland Revenue Office and the Italian Ministry of Production Activities to support premium contests attached to the sale of magazines of euro 5,344,000;
  • to the Gaming Monopoly Authority for euro 261,000;
  • to UBI Factor for euro 35,000,000;
  • to the Lombardy Regional Inland Revenue Office for VAT reimbursements for euro 11,485,000;
  • to other entities and enterprises for a total of euro 554,000.

In relation to **Contingent liabilities** the following pending litigations should be taken into account:

- Years 1996-1997-1998-1999: following inspection by the Italian Social Security Division for Journalists and the Finance Police, the Inland Revenue Office notified tax assessments containing the request for additional IRPEF withholding taxes for a total of euro 186,000 plus applicable ancillary charges as a result of failed payment of withholding taxes. The Company filed an appeal before the Tax Commission. In this respect the following should be noted:
  • the tax assessments relative to the 1996-1998 years have been suspended by the Provincial Tax Commission pending resolution of the proceedings before the labour judge;
  • the tax assessment relative to 1999 was cancelled by the Provincial Tax Commission; the Division filed an appeal before the Regional Tax Commission; the Regional Tax Commission suspended the proceedings pending resolution of the proceedings before the labour judge.

- Year 2004: the Central Division of the Lombardy Region submitted findings relative to the application of a 12.50% withholding tax on the interest paid on a loan stock in favour of a subsidiary for a total of euro 999,000 plus applicable ancillary charges; as of today's date the proceedings have been filed with the Court of Cassation.
- Year 2005: the Central Division of the Lombardy Region challenged the omitted payment of a 12.5% withholding for a total of euro 3,051,000 plus applicable ancillary charges by means of a tax assessment, in relation to interest paid on a loan stock stated in 2004. As of today's date the proceedings have been filed with the Court of Cassation.

For the above indicated contingent liabilities and in consideration of the valid defence motivations brought up, as confirmed by tax advisors, it is not probable that the Company shall lose the cases and, considering the amounts already paid to the Inland Revenue Office pending resolutions, no additional provisions for risks and charges were allocated in 2013.

29. Non-recurring (income) cost

In accordance with Consob Resolution no. 15519 of 27 July 2006, it should be noted that the Company carried out non-recurring transactions in 2013 relative to the restructuring process implemented following the declaration by the Company of a crisis situation of the Magazines area with a negative result amounting to euro 6,010,000.

The afore described transactions, net of the relevant tax effect, generated a negative impact on 2013 for a total of euro 4,357,000.

30. Related parties

Transactions carried out with related parties, including intercompany transactions, do not qualify as either atypical or unusual, since they refer to standard business activities performed by Group companies. When performed out of the scope of standard conditions or when they are imposed by specific regulatory conditions, transactions with related parties were in any case carried out under market conditions.
Annexes C1, C2, D1, D2 detail the economic and financial impacts of transactions with parent companies, subsidiaries, associated companies and affiliated companies performed in 2012 and 2013.

31. Financial risk management and other information required pursuant to IFRS 7

In carrying out its business activities, the Company is exposed to various financial risks, including interest rate risk, exchange rate risk, price risk, credit/counterparty default risk, issuer risk and liquidity risk.

The Company drafted a "General Policy for Financial Risk Management" aimed at regulating and defining financial risk management. The Policy also envisages the possibility of setting up a Risk Committee, whose task is to identify any changes. The Policy is adopted by the Parent Company, Arnoldo Mondadori Editore S.p.A., and all Group companies.

The Company analyses and measures its exposure to financial risks for the purpose of defining management and hedge strategies. The criteria used by the Company to measure the risks include the sensitivity analysis of positions subject to risk, involving mark to market analysis of variations and/or future cash flow variations in relation to small variations in risk factors.

The overall Policy objective is to minimize financial risks, by using appropriate tools available on the market. Financial derivative instruments are exclusively used to hedge against financial risks directly referring to Arnoldo Mondadori Editore S.p.A. or its subsidiaries. Financial derivative instruments may not be used for speculative purposes.

Specific company functions are responsible for risk management and monitoring and reports are drafted periodically for each type of risk.

Interest rate risk

Interest rate risk refers to the possibility that losses may be incurred in financial management, in terms of lower business activity performance or increased liability costs (existing or potential) as a result of interest rate fluctuations.

Interest rate risk is therefore correlated to interest rate uncertainty. The key objective of interest rate risk management is to protect the Group's financial margin against market interest rate fluctuations, by steadily monitoring interest rate volatility, and prudently managing the risk consistently with the Group risk profiles and the Group financial assets and liabilities performance in a logic of asset and liability management.

The Group exposure to interest rate risk mainly refers to long-term loans, and, in particular: bilateral bank overdraft granted by Intesa Sanpaolo, the bullet loan coming to maturity in December 2017 granted by Mediobanca and the new loan granted in November 2013 by a pool of banks.

The following table illustrates the findings of the sensitivity analysis on the interest rate risk with indication of the relevant impact on income statement, gross of any tax effects, as requested by IFRS 7. No impact was identified on net equity, since the amount is considered irrelevant.

Sensitivity analysis (Euro/million)	Underlying	Interest rate increase/(decrease)	Income (costs)
2013	(80,6)	1%	(0,8)
2012	(143,5)	1%	(1,4)
2013	(80,6)	(0.2%)	0,2
2012	(143,5)	(0.2%)	0,3

While identifying potential impact correlated to positive and negative interest rate variations, floating-rate loans (short-term bank overdraft) were also analysed.

The impact of the sensitivity analysis refers to future cash flows on the payment of floating-rate loans.

The basic assumptions underlying the sensitivity analysis are:
- an initial parallel shift of the interest curve of +100/-20 base points (+100/-20 base points in 2012);
- the analysis is carried out on the assumption that all the other risk variables remain constant;
- for the purpose of comparability, the same analysis is performed both on the current year and the previous year.

Currency risk

Currency risk refers to a set of negative effects on the margin or the value of an asset or a liability as a result of exchange rate fluctuations.

The Company, though operating internationally, is not particularly exposed to exchange rate risks since the euro is the currency used in the Company's main business areas.

The Company has underwritten forward contracts in order to hedge against the exchange rate risk resulting from US dollars and pound sterling purchase and sale transactions.

Despite the fact that these contracts are specifically entered into for hedge purposes, they do not fully meet the requirements envisaged by international accounting standards in the matter of hedge accounting, and are therefore accounted for as trading derivatives.

The Company has a policy of hedging a percentage of the positions included in the budget in order to protect its operational profitability against the negative impact resulting from exchange rate fluctuations.

In 2013 the type of exposure and the hedge policy adopted for exchange rate risks did not show any particular variations against previous years.

The results of the sensitivity analysis performed on the currency risk showed an insignificant economic impact, considering the low level of average exposure in 2012 and 2013.

No impact was identified on Shareholders' equity, as a result of the fact that the derivative instruments stipulated for the purpose of exchange rate risk management do not qualify for hedge accounting.

The basic assumptions underlying the sensitivity analysis are:
- exchange rate shock at closing equal for all currencies the Company is exposed to, corresponding to ± 10%;
- the analysis is carried out on the assumption that all the other risk variables remain constant;
- for the purpose of comparability, the same analysis is performed both on the current year and the previous year.

Liquidity risk

Liquidity risk refers to the possibility that the Company may not be able to face payment obligations as a result of its inability to raise new funds (funding liquidity risk), or its inability to sell assets on the market (asset liquidity risk), thereby being forced to sustain excessively high costs for the purpose of meeting obligations. The Company's exposure to liquidity risk mainly refers to existing loans and borrowings.

In addition, if deemed necessary, the Company may resort to pre-authorised short-term bank overdraft.

The Company's objective is to maintain a constant balance and flexibility between financial sources and commitments. For more detailed information regarding current and non-current financial liabilities, reference should be made to note 16 "Financial liabilities".

At 31 December 2013 liquidity risk was managed by the Company by resorting to its own financial resources and the financial resources of its subsidiaries.

The table below details the Company exposure to liquidity risk and the relevant maturity dates

Liquidity risk	Analysis of maturity periods at 31/12/2012						
(Euro/million)	< 6 months	6 - 12 months	1 - 2 years	2 - 5 years	5 - 10 years	> 10 years	Total
Trade payables	136.6						136.6
Medium/long-term intercompany loans							
Medium/long-term third party loans	78.1	3.0	32.8	286.2			400.1
Other financial liabilities:							
- committed lines							
- uncommitted lines	1.1						1.1
Other liabilities	31.3						31.3
Intercompany payables	225.7						225.7
Total	472.7	3.0	32.8	286.2			794.8
Derivatives on rate risk	0.8	0.8	1.5	3.1			6.3
Total exposure	473.6	3.8	34.3	289.3			801.1

Liquidity risk	Analysis of maturity periods at 31/12/2013						
(Euro/million)	< 6 months	6 - 12 months	1 - 2 years	2 - 5 years	5 - 10 years	> 10 years	Total
Trade payables	101.2						101.2
Medium/long-term intercompany loans							
Medium/long-term third party loans	9.5	9.8	19.6	468.0			506.9
Other financial liabilities:							
- committed lines							
- uncommitted lines	5.3						5.3
Other liabilities	21.9						21.9
Intercompany payables	185.1						185.1
Total	323.1	9.8	19.6	468.0			820.4
Derivatives on rate risk	0.2	0.2	0.3				0.6
Total exposure	323.3	10.0	19.9	468.0			821.0

Maturity dates were analysed by using undiscounted cash flows and the amounts were accounted for taking into account the first date upon which payment becomes due. For this reason, uncommitted bank overdraft are reported in the first column.

For the purpose of meeting liquidity requirements, the Company relies on bank overdraft and liquidity, as already commented on above, and cash flow from operations.

Credit risk

Credit risk refers to the possibility of incurring financial losses as a result of counterparty default in complying with contractual obligations.
Credit risk includes counterparty/replacement risk in case of derivative instruments. In the latter case, the risk is associated with any deferred gains as a result of the possibility that the counterparty fails to live up to its contractual obligations and thus no positive cash flow is generated in favour of the Company. The Company is exposed to credit risk only to a limited extent, since the counterparties of derivative instrument contracts are leading financial institutions with high ratings.

The objective is to limit the risk for losses due to the unreliability of market counterparties or to the difficulty of converting or replacing existing financial positions. Hence, transactions with non-authorised counterparties are not allowed.
When approving the Policy, the Board of Directors also approved a list of authorised counterparties for financial risk hedging. Transactions with such authorised counterparties are constantly monitored and reports are periodically drafted.

Each individual Company Division is responsible for the management of trade receivables in compliance with the Company financial objectives, commercial strategies and operating procedures, restricting the sale of products and services to customers whose credit profile or provision of collateral guarantees does not conform to the standards set. The balance relative to trade receivables is monitored throughout the year, so as to ensure that the amount of exposure to losses is kept low.
The table below illustrates maximum exposure to credit risk for financial statements items. Maximum risk exposure is accounted for before the effects of mitigation deriving from compensation agreements and guarantees.

Credit risk (Euro/million)	31/12/2013	31/12/2012
Deposits	53.0	161.5
Receivables and loans:		
- trade receivables and other current financial assets	273.6	256.5
- trade receivables and other non-current financial assets	212.6	0.5
- Guarantees	-	2.0
Total maximum exposure to credit risk	**539.2**	**420.5**

As to trade receivables, the table below illustrates the Company's exposure to credit risk by geographical area and business unit:

Credit risk concentration (Euro/million)	31/12/2013	31/12/2012	% 31/12/2013	% 31/12/2012
By business unit:				
Books	89.6	95.5	61.9%	54.6%
Magazines	50.8	68.8	35.1%	39.3%
Other	4.3	10.6	3.0%	6.1%
Total	**144.7**	**174.9**	**100.0%**	**100.0%**
By geographical area:				
Italy	142.9	171.7	98.8%	98.2%
Other countries	1.8	3.2	1.2%	1.8%
Total	**144.7**	**174.9**	**100.0%**	**100.0%**

Below is a description of management criteria used for the main segments of activity.

Books
The Company has adopted a specific procedure to assess the risk profile of any new customer. This procedure comprises the collection of commercial information to evaluate customer reliability before granting any bank overdraft. Customer reliability is monitored on an ongoing basis.

Magazines
The activity regarding the sale and distribution in the newsstand and subscription channels is performed by subsidiary Press-Di Distribuzione Stampa e Multimedia S.r.l.
With reference to the sales in the newsstand channel, it should be noted that the Company is not exposed to credit risk, because the subsidiary responsible for the activity is also liable for any losses and, as a result, is in charge of defining the relevant criteria to manage the risk. With reference to the sales in the subscription channel, losses on receivables suffered by Press-Di Distribuzione Stampa e Multimedia S.r.l. are charged back to the Company. However, considering the fragmentation of the balance receivable and the small amounts involved, the receivable management does not involve the use of bank overdraft, but the adoption of measures aimed at limiting exposure vis-à-vis the individual subscription holders.

Advertising
Receivables from advertising refer to the sale of advertising space in the Company's magazines. The sales activities are entrusted to the subsidiary Mondadori Pubblicità S.p.A., which is also responsible for the definition of the relevant criteria to efficiently manage and monitor such receivables.

With reference to bad debt from booksellers, it should be noted that the Company allocates individual provisions for the individually significant positions. The amount of bad debt takes into account an estimate of the recoverable amount, collection dates, charges and expenses, as well as any guarantees received.

In case of positions not subject to specific losses, the Company sets up a provision based on historical data and statistics.

Price risk
Price risk mainly refers to variations in the market price of equity instruments and financial assets/liabilities value impairment as a result of variations in commodity prices. The key objective of price risk management is to reduce the impact of fluctuations in the price of raw materials on the Company's financial results.

Due to the nature of its core business, the Company is exposed to variations in the price of paper.

Other information requested pursuant to IFRS 7

The table below summarizes financial assets and liabilities classified based on the categories defined by IAS 39 and the relevant fair value.

Classification	Book value						Fair value	
	Total		- current		- non-current			
(Euro/million)	31/12/2013	31/12/2012	31/12/2013	31/12/2012	31/12/2013	31/12/2012	31/12/2013	31/12/2012
Receivables and loans:								
- cash and other cash equivalent	53.0	161.5		161.5				161.5
- trade receivables	48.4	58.9	48.2	58.8	0.2	0.1	48.4	58.9
- other financial assets	7.9	6.9	7.9	6.5		0.4	7.9	6.9
- receivables due from subsidiaries, associated companies	418.9	253.1	206.9	191.1	212.0	62.0	418.9	253.1
Held-for-sale financial assets (investments)	0.2	0.2	0.2	0.2			0.2	0.2
Cash flow hedge instruments	0.2				0.2		0.2	
Total financial assets	**539.6**	**480.6**	**326.8**	**418.1**	**212.8**	**62.5**	**539.6**	**480.6**
Financial liabilities at amortized cost:								
- trade payables	101.2	136.6	101.2	136.6			101.2	136.6
- payables to banks and other financial liabilities	457.0	327.9	62.2	108.4	394.8	219.5	525.8	341.9
- payables due from subsidiaries, associated companies	185.1	225.7	185.1	225.7			185.1	225.7
Cash flow hedge instruments		6.0				6.0		6.0
Total financial liabilities	**743.4**	**696.2**	**348.6**	**470.7**	**394.8**	**225.5**	**812.2**	**710.2**

The table below summarises income and expenses recognised under income statement and attributable to financial assets and liabilities, classified according to the categories defined by IAS 39.

Income and loss from financial instruments (Euro/million)	FY 2013	FY 2012
Net income on financial liabilities at amortised cost		
Net income on derivative instruments		
Interest earned on financial assets not valued at fair value:		
- deposits	0.5	0.4
- intercompany receivables		
- other financial assets	14.7	4.1
Total income	15.3	4.5
Net loss on derivative instruments	9.1	1.6
Net loss on financial liabilities, loans and receivables		0.1
Interest due on financial liabilities not valued at fair value:		
- deposits	0.1	0.1
- loans	10.4	5.9
- intercompany payables	0.1	1.2
- other	3.6	6.3
Losses from financial instrument impairment:		
- trade receivables	5.9	0.2
Total expenses	29.2	15.4
Total	(13.9)	(10.9)

32. Evaluations at fair value

Some of the Company's financial assets and liabilities are valued at fair value at closing. The table below provides information about the calculation of the aforementioned fair value.

Assets/Liabilities Financial (Euro/000)	Fair value at 31/12/2013	Fair value hierarchy	Valuation method and main inputs
Interest rate swap contracts	216	Level 2	Discounted cash flow Projected flows are discounted based on the forward rate curve expected at year end and on the contractual fixing rates, taking also the counterparty default risk into account.
Investments in other companies	164	Level 3	Based on the nature of the interest held in other enterprises, the cost may be considered representative of the fair value.

33. Information pursuant to article 149-*duodecies* of Consob Issuer Regulation

The table below, drafted pursuant to article 149-*duodecies* of Consob Issuer Regulation, summarises fees paid in 2013 (net of ancillary expenses) for auditing activities and other services provided by Deloitte & Touche S.p.A. and by other entities belonging to the same network.

(Euro/000)	Entity providing the service	Amount in 2013
Auditing	*Deloitte & Touche S.p.A.* [1]	339.5
Certification	*Deloitte & Touche S.p.A.* [2]	86.3
Other services	*Deloitte ERS Enterprise Risk Services S.r.l.* [3]	10.0
Total		435.8

[1] It includes the fees relative to the incorporated company Mondadori International S.p.A.
[2] Attestazione Circolazione Stampa (circulation auditing). Company financial statements auditing, tax return audits.
[3] Technical and methodological support for the "Privacy" project.

Supplementary tables

Attached is the table containing the information on the Company's receivables and payables broken down by geographical area (Annex H).

Consolidated result

Attached is the Group's consolidated financial statements at 31 December 2013.

For the Board of Directors
The Chairman
Marina Berlusconi

Annexes to the Company Financial Statements

Annex A: Table of investments

Description (Euro/000)	Legal offices	Share capital	Shareholders' equity	Profit (Loss) in the period	Total shareholders' equity	% of interest	Net equity of competence	Balance sheet values: Acquisition/ incorporation	Shareholders' payments	Impairment loss provision	Total
Subsidiaries:											
Cemit Interactive Media S.p.A.	S. Mauro Torinese (TO)	3,835	7,203	724	7,927	100.00%	7,927	15,601			15,601
Edizioni Piemme S.p.A.	Milan	567	13,744	811	14,555	100.00%	14,555	25,106		(10,551)	14,555
Giulio Einaudi editore S.p.A.	Turin	23,920	39,312	4,754	44,066	100.00%	44,066	28,490			28,490
Glaming S.r.l. (in liquidation)	Milan	20	3,091	(2,806)	285	100.00%	285	274	3,285	(3,275)	284
Mondadori Direct S.p.A.	Milan	2,700	6,845	(10,459)	(3,614)	100.00%	(3,614)	7,020		(7,020)	0
Mondadori Education S.p.A.	Milan	10,608	47,126	9,330	56,456	100.00%	56,456	56,217			56,217
Mondadori Electa S.p.A.	Milan	1,594	6,627	2,096	8,723	100.00%	8,723	6,333			6,333
Mondadori Iniziative Editoriali S.p.A.	Milan	500	2,879	(1,886)	993	100.00%	993	500	2,379	(1,901)	978
Mondadori International Business S.r.l.	Milan	2,800	3,434	(45)	3,389	100.00%	3,389	2,800			2,800
Mondadori France S.a.s.	Montrouge	50,000	278,427	(79,004)	199,423	100.00%	199,423	260,000		(186,866)	73,134
Mondadori Pubblicità S.p.A.	Milan	3,120	10,029	(15,414)	(5,385)	100.00%	(5,385)	2,450	7,500	(9,950)	0
Monradio S.r.l.	Milan	3,030	20,903	(13,703)	7,200	100.00%	7,200	41,944	3,320	(25,152)	20,112
Press-Di Distribuzione Stampa e Multimedia S.r.l.	Milan	1,095	6,834	2,949	9,783	100.00%	9,783	1,095			1,095
Sperling & Kupfer Editori S.p.A.	Milan	1,556	3,460	(589)	2,871	100.00%	2,871	10,367		(7,613)	2,754
Sporting Club Verona S.r.l.	Milan	100	348	(265)	83	100.00%	83	100	247	(265)	82
Total							346,755	458,297	16,731	(252,593)	222,435
Affiliated companies:											
ACI-Mondadori S.p.A.	Milan	590	938	(823)	115	50.00%	58	540		(482)	58
Gruner + Jahr/Mondadori S.p.A.	Milan	2,600	4,528	(124)	4,404	50.00%	2,202	1,203			1,203
Harlequin Mondadori S.p.A.	Milan	258	673	938	1,611	50.00%	806	402			402
Mach 2 Libri S.p.A.	Peschiera Borromeo (MI)	646	10,088	(705)	9,383	34.91%	3,276	3,118		(9)	3,109
Società Europea di Edizioni S.p.A.	Milan	2,529	6,326	(3,775)	2,551	36.90%	941	933	1,401	(1,397)	937
Attica Publications S.A.	Athens	4,590	14,541	530	15,071	41.98%	6,327	43,287		(24,247)	19,040
Mondadori Independent Media LLC (*)	Moscow	92,232	68,193	10,703	78,896	50.00%	39,448	5,501		(4,347)	1,154
Total							7,282	54,984	1,401	(30,482)	25,903
Other companies:											
Consorzio Edicola Italiana	Milan	60	-		-	16.67%	-	10			10
Consuledit Società consortile ar.l. (in liquidation)	Milan	20	40		40	9.56%	4	1			1
Editrice Portoria S.p.A. (in bankruptcy)	Milan	364	300		300 (a)	16.78%	50	61		(61)	0
Immobiliare Editori Giornali S.r.l.	Rome	830	5,890		5,890	7.88%	464	52			52
Soc. Editrice Il Mulino S.p.A.	Bologna	1,175	1,685		1,685	7.05%	119	101			101
Total							637	225	0	(61)	164
Total direct equity investments							354,674	513,506	18,132	(283,136)	248,502

(a) Net equity at 31/12/1999.
(*) not approved

Note: values refer to financial and economic data complying with the accounting principles adopted for the preparation of the financial statements of the individual subsidiaries.

Annex B1: List of the main indirectly owned subsidiaries and affiliated companies at 31 December 2013

Description (Values in currency/000)	Legal offices		Share capital	Shareholders' equity	Income (loss) in the period	Total shareholders' equity	% of interest	Net equity of competence denominated in currency	Net equity of competence In Euro (a)
Subsidiaries:									
Electa S.r.l.	Milan	Euro	20	213	(2)	211	100.00%	211	211
EMAS "Editions Mondadori Axel Springer" S.n.c.	France	Euro	152	152	6,067	6,219	50.00%	3,110	3,110
Mondadori France S.a.s.	Montrouge	Euro	50,000	278,427	(79,004)	199,423	100.00%	199,423	199,423
Mondadori Magazines France .S.a.s.	Montrouge	Euro	60,557	418,334	(68,804)	349,530	100.00%	349,530	349,530
Naturabuy S.a.s.	Montrouge	Euro	9	1,063	449	1,512	60.00%	907	907
Total									**553,181**
Affiliated companies:									
Companies belonging to the Attica group:									
Airlink S.A.	Athens	Euro	801				41.98%		
Argos S.A.	Athens	Euro	2,910				2.75%		
Attica Publications S.A.	Athens	Euro	4,590				41.98%		
Attica Media Bulgaria Ltd	Sophia	Lev	155				28.90%		
Attica Media Serbia Ltd	Belgrade	Euro	1,659				38.18%		
Attica-Imako Media Ltd	Bucarest	Ron	700				20.99%		
Civico Ltd	Cyprus	US$	2				41.98%		
E-One S.A. (in liquidation)	Athens	Euro	339				10.50%		
Ennalaktikes Publications S.A. (in liquidation)	Athens	Euro	487				20.57%		
HRS Ltd	Athens	Euro	18				41.98%		
International Radio Networks Holdings S.A.	Luxembourg	Euro	2,507				41.98%		
International Radio Networks S.A.	Athens	Euro	380				41.85%		
Ionikes Publishing S.A.	Athens	Euro	1,374				27.92%		
Lampsi Publishing Radio & Radio Enterprises S.A.	Athens	Euro	3,251				41.98%		
Attica Media Romania Ltd (former PBR Publication Ltd)	Bucarest	Ron	1				41.98%		
Radio Zita	Thessaloniki	Euro	746				20.99%		
Tilerama S.A.	Athens	Euro	1,467				20.99%		
(Attica consolidated figures)	Athens	Euro	4,590	2,409	1,228	3,637	41.98%		
Campania Arte S.c.ar.l.	Rome	Euro	100	100		100	22.00%	22	22
Consorzio Covar (in liquidation)	Rome	Euro	15	7		7	25.00%	2	2
Consorzio Forma	Pisa	Euro	4	3		3	25.00%	1	1
Edizioni EL S.r.l.	Trieste	Euro	620	6,379		6,379	50.00%	3,190	3,190
Mach 2 Press S.r.l. (*)	Peschiera Borromeo (MI)	Euro	200	1,984	(796)	1,188	46.98%	558	558
Mediamond S.p.A.	Milan	Euro	1,500	3,055	502	3,557	50.00%	1,779	1,779
Mondadori Independent Media LLC (*)	Moscow	Rouble	92,232	68,193	10,703	78,896	50.00%	39,448	966
Mondadori Seec (Beijing) Advertising Co. Ltd	Beijing	Cny	40,000	(10,362)	22,259	11,897	50.00%	5,949	605
Selcon S.r.l.	Milan	Euro	21	945		945	25.60%	242	242
Venezia Accademia Società per i servizi museali S.c.ar.l.	Venice	Euro	10	10		10	25.00%	3	3
Venezia Musei Società per i servizi museali S.c.ar.l. (in liquidation)	Venice	Euro	10	22		22	34.00%	7	7
Total									**7,374**

(a) Exchange rates: US$ Euro 1.3362; Cny Euro 9.835; Rub Euro 40.820.
(*) not approved

Annex B2: Table of relevant investments (equal or above 10% of share capital directly or indirectly held through controlled companies)

Arnoldo Mondadori Editore S.p.A. — Date of reference: 31 December 2013

Company name		Share capital	% owned	Ownership mode	Holder	% owned	Legal offices	Tax code	Date of incorporation
ACI-Mondadori S.p.A. (Italy)	Euro	590,290	50%	direct	Arnoldo Mondadori Editore S.p.A.	50%	Milan - via Bianca di Savoia 12	13277400159	17/11/2000
Aranova Freedom Soc. Cons. ar.l. (Italy)	Euro	19,200	16.67%	indirect	Monradio S.r.l.	16.67%	Bologna - via Guinizzelli 3	02532501208	24/01/2005
Campania Arte S.c.ar.l. (Italy)	Euro	100,000	22%	indirect	Mondadori Electa S.p.A.	22%	Rome – via Tunisi 4	09086401008	18/07/2006
Cemit Interactive Media S.p.A. (Italy)	Euro	3,835,000	100%	direct	Arnoldo Mondadori Editore S.p.A.	100%	Turin - corso Giulio Cesare 268	04742700018	13/12/1984
Club Dab Italia Società consortile per azioni (Italy)	Euro	240,000	12.50%	indirect	Monradio S.r.l.	12.5%	Milan - Foro Bonaparte 71	97174850152	01/02/1996
Editrice Portoria S.p.A. in bankruptcy (Italy)	Euro	364,000	16.786%	direct	Arnoldo Mondadori Editore S.p.A.	16.786%	Milan - via Chiossetto 1	02305160158	26/03/1975
Edizioni EL S.r.l. (Italy)	Euro	620,000	50%	indirect	Giulio Einaudi editore S.p.A.	50%	Trieste - San Dorligo della Valle - via J. Ressel 5	00627340326	07/05/1984
Edizioni Piemme S.p.A. (Italy)	Euro	566,661	100%	direct	Arnoldo Mondadori Editore S.p.A.	100%	Milan - via Bianca di Savoia 12	00798930053	29/09/1982
Electa S.r.l. (Italy)	Euro	20,000	100%	indirect	Mondadori Electa S.p.A.	100%	Milan - via Bianca di Savoia 12	07136630964	08/09/2010
Giulio Einaudi editore S.p.A. (Italy)	Euro	23,920,000	100%	direct	Arnoldo Mondadori Editore S.p.A.	100%	Turin - via U. Biancamano 2	08367150151	03/06/1986
Glaming S.r.l. in liquidation (Italy)	Euro	20,000	100%	direct	Arnoldo Mondadori Editore S.p.A.	100%	Milan - via Bianca di Savoia 12	07428570969	21/04/2011
Gruner + Jahr/Mondadori S.p.A. (Italy)	Euro	2,600,000	50%	direct	Arnoldo Mondadori Editore S.p.A.	50%	Milan - via Luisa Battistotti Sassi 11/A	09440000157	19/09/1988
Harlequin Mondadori S.p.A. (Italy)	Euro	258,250	50%	direct	Arnoldo Mondadori Editore S.p.A.	50%	Milan - via Marco D'Aviano 2	05946780151	15/10/1980
Mach 2 Libri S.p.A. (Italy)	Euro	646,250	34.91%	direct	Arnoldo Mondadori Editore S.p.A.	30.91%	Peschiera Borromeo (MI) - via Galileo Galilei 1	03782990158	06/05/1983
				indirect	Sperling & Kupfer Editore S.p.A.	4%			
Mach 2 Press S.r.l. (Italy)	Euro	200,000	40%	indirect	Press-Di Distribuzione Stampa e Multimedia S.r.l.	40%	Peschiera Borromeo (MI) - via Galileo Galilei 1	07014150960	27/04/2010
MDM Milano Distribuzione Media S.r.l. (Italy)	Euro	611,765	17%	indirect	Press-Di Distribuzione Stampa e Multimedia S.r.l.	17%	Milan - via Carlo Cazzaniga 19	10463540152	02/10/1991
Mediamond S.p.A. (Italy)	Euro	1,500,000	50%	indirect	Mondadori Pubblicità S.p.A.	50%	Milan - via Bianca di Savoia 12	06703540960	30/07/2009
Mondadori Direct S.p.A. (Italy)	Euro	2,700,000	100%	direct	Arnoldo Mondadori Editore S.p.A.	100%	Milan - via Bianca di Savoia 12	00212560239	19/11/1946
Mondadori Education S.p.A. (Italy)	Euro	10,608,000	100%	direct	Arnoldo Mondadori Editore S.p.A.	100%	Milan - via Bianca di Savoia 12	03261490969	01/10/2001
Mondadori Electa S.p.A. (Italy)	Euro	1,593,735	100%	direct	Arnoldo Mondadori Editore S.p.A.	100%	Milan - via Trentacoste 7	01829090123	23/02/1989
Mondadori Iniziative Editoriali S.p.A. (Italy)	Euro	500,000	100%	direct	Arnoldo Mondadori Editore S.p.A.	100%	Milan - via Bianca di Savoia 12	03619240967	08/07/2002
Mondadori International Business S.r.l. (Italy)	Euro	2,800,000	100%	direct	Arnoldo Mondadori Editore S.p.A.	100%	Milan - via Bianca di Savoia 12	08009080964	29/10/2012
Mondadori Pubblicità S.p.A. (Italy)	Euro	3,120,000	100%	direct	Arnoldo Mondadori Editore S.p.A.	100%	Milan - via Bianca di Savoia 12	08696660151	12/02/1987
Monradio S.r.l. (Italy)	Euro	3,030,000	100%	direct	Arnoldo Mondadori Editore S.p.A.	100%	Milan - via Bianca di Savoia 12	04571350968	15/10/2004
Press-Di Distribuzione Stampa e Multimedia S.r.l. (Italy)	Euro	1,095,000	100%	direct	Arnoldo Mondadori Editore S.p.A.	100%	Milan - via Bianca di Savoia 12	03864370964	19/02/2003
Società Europea di Edizioni S.p.A. (Italy)	Euro	2,528,875	36.89838%	direct	Arnoldo Mondadori Editore S.p.A.	36.89838%	Milan - via G. Negri 4	01790590150	27/02/1974
Sperling & Kupfer Editori S.p.A. (Italy)	Euro	1,555,800	100%	direct	Arnoldo Mondadori Editore S.p.A.	100%	Milan - via Bianca di Savoia 12	00802780155	03/11/1927
Sporting Club Verona S.r.l. - Società Sportiva Dilettantistica (Italy)	Euro	100,000	100%	direct	Arnoldo Mondadori Editore S.p.A.	100%	Milan - via Bianca di Savoia 12	07231600961	03/12/2010
Venezia Accademia Società per i servizi museali S.c.ar.l. (Italy)	Euro	10,000	25%	indirect	Mondadori Electa S.p.A.	25%	Venice - via L. Einaudi 74	03808820272	11/01/2008
Venezia Musei Società per i servizi museali S.c.ar.l. (in liquidation)	Euro	10,000	34%	indirect	Mondadori Electa S.p.A.	34%	Venice - via L. Einaudi 74	03534350271	22/04/2004
Attica Publications S.A. (Greece)	Euro	4,590,000	41.987%	direct	Arnoldo Mondadori Editore S.p.A.	41.987%	Greece - Athens - Maroussi, 40 Kifissias Avenue		01/08/1994
Editions Mondadori Axel Springer S.n.c. (France)	Euro	152,500	50%	indirect	Mondadori France S.a.s.	50%	France - Montrouge Cedex - 8, rue François Ory		09/12/1999
EMAS Digital S.a.s. (France)	Euro	15,275,400	50%	indirect	Mondadori France S.a.s.	50%	France - Montrouge Cedex - 8, rue François Ory		13/09/2011
Mondadori France S.a.s. (France) (ex AME France S.àr.l.)	Euro	50,000,000	100%	direct	Arnoldo Mondadori Editore S.p.A.	100%	France - Montrouge Cedex - 8, rue François Ory		23/06/2004
Mondadori Independent Media LLC (Russia)	Rouble	92,232,160	50%	direct	Arnoldo Mondadori Editore S.p.A.	50%	Russia - Moscow - 3, Bldg. 1, Polkovaya Str.		26/12/2007
Mondadori Magazines France S.a.s. (France)	Euro	60,557,458	100%	indirect	Mondadori France S.a.s.	100%	France - Montrouge Cedex - 8, rue François Ory		30/03/2004
Mondadori Seec (Beijing) Advertising Co. Ltd	Cny	40,000,000	50%	indirect	Mondadori Pubblicità S.p.A.	50%	China - Beijing - Chaoyang District - Fan Li Plaza, 22, Chaowai Avenue, Level 10, Room B2		26/09/2008
Naturabuy S.a.s. (France)	Euro	9,150.00	60%	indirect	Mondadori France S.a.s.	60%	France - Montrouge Cedex - 8, rue François Ory		25/04/2007

Related parties
Annex C1: Receivables due from subsidiaries and affiliated companies at 31 December 2013

(euro/000)	31/12/2013	31/12/2012
Current account transactions and financial receivables		
Subsidiaries:		
Edizioni Piemme S.p.A.	2,099	7,086
Glaming S.r.l.	-	4
Mondadori Electa S.p.A.	-	-
Mondadori France S.a.s.	202,759	51,557
Mondadori Iniziative Editoriali S.p.A.	-	-
Mondadori International Business S.r.l.	45	-
Mondadori Pubblicità S.p.A.	27,007	13,753
Mondadori Direct S.p.A.	57,337	36,307
Monradio S.r.l.	35,721	33,402
Press-Di Distribuzione Stampa e Multimedia S.r.l.	31	36
Sperling & Kupfer Editori S.p.A.	5,461	2,231
Affiliated companies:		
ACI-Mondadori S.p.A.	1,096	-
Attica Publications S.A.	500	-
Harlequin Mondadori S.p.A.	-	200
Other companies for amounts lower than euro 52,000 (*)	-	-
Total	332,056	144,576
% of incidence	97.6%	91.1%

(*) The amounts of the previous year also include receivables due from companies transferred during 2013.

(euro/000)	31/12/2013	31/12/2012
Trade transactions:		
Subsidiaries:		
Cemit Interactive Media S.p.A.	193	228
Edizioni Piemme S.p.A.	1,321	1,021
Giulio Einaudi editore S.p.A.	3,105	3,120
Glaming S.r.l.	1	295
Mondadori Education S.p.A.	1,144	566
Mondadori Electa S.p.A.	612	566
Mondadori France S.a.s.	-	180
Mondadori International S.p.A.	-	45
Mondadori International Business S.r.l.	504	185
Mondadori Magazines France S.a.s.	106	1,518
Mondadori Pubblicità S.p.A.	38,287	52,061
Mondadori Direct S.p.A.	8,106	9,465
Monradio S.r.l.	584	736
Mondadori Iniziative Editoriali S.p.A.	583	997
Press-Di Distribuzione Stampa e Multimedia S.r.l.	12,143	11,314
Sperling & Kupfer Editori S.p.A.	1,212	1,209
Affiliated companies:		
ACI-Mondadori S.p.A.	143	158
Attica Publications S.A.	7	-
Edizioni EL S.r.l.	355	339
Gruner + Jahr/Mondadori S.p.A.	177	117
Harlequin Mondadori S.p.A.	94	66
Mach 2 Libri S.p.A.	19,563	24,124
Mediamond S.p.A.	134	131
Mondadori Independent Media LLC	3	43
Mondadori Seec Advertising Co. Ltd	-	264
Società Europea di Edizioni S.p.A.	-	9
Parent company:		
Fininvest S.p.A.	31	-
Associated companies:		
Fininvest Gestione Servizi S.p.A.	5	4
Milan A.C. S.p.A.	22	33
RTI S.p.A.	97	139
Milan Entertainment S.r.l.	1	-
Taodue S.r.l.	-	24
Mediobanca S.p.A.	148	-
Other companies for amounts lower than euro 52,000 (*)	-	-
Total	88,681	108,957
% of incidence	61.3%	62.3%

Tax receivables	31/12/2013	31/12/2012
Parent company:		
Fininvest S.p.A.	22,644	10,649
Total	22,644	10,649

(*) The amounts of the previous year also include receivables due from companies transferred during 2013.

Annex C2: Intercompany transactions in 2013

(euro/000)

Related parties	Revenues from sales and services	Other income	Financial income	Income from investments	Total
Parent company:					
Fininvest S.p.A.	7	59			66
Subsidiaries:					
Ame Publishing Ltd					0
Arnoweb S.A.					0
Cemit Interactive Media S.p.A.	531	88			619
Diana S.a.s.					0
Edizioni Piemme S.p.A.	2,984	762	139		3,885
Excelsior Publications S.a.s.					0
Mondadori Education S.p.A.	3,192	624			3,816
Giulio Einaudi editore S.p.A.	4,545	206			4,751
Glaming S.r.l.	379	35	6		420
Mondadori Electa S.p.A.	1,735	424			2,159
Mondadori France S.a.s.			10,822		10,822
Mondadori International S.p.A.					0
Mondadori International Business S.r.l.	580	727	1		1,308
Mondadori Iniziative Editoriali S.p.A.	1,752	12	11		1,775
Mondadori Magazines France S.a.s.	585	414			999
Mondadori Pubblicità S.p.A.	78,738	5,986	619		85,343
Mondadori Direct S.p.A.	35,119	1,605	1,590		38,314
Press-Di Distribuzione Stampa e Multimedia S.r.l.	212,338	844			213,182
Prisco Spain S.A.					0
Monradio S.r.l.	446	705	904		2,055
Sperling & Kupfer Editori S.p.A.	2,146	597	119		2,862
Sporting Club Verona S.r.l.		1			1
Sub-total	345,070	13,030	14,211	0	372,311
Affiliated companies:					
ACI-Mondadori S.p.A.	437	105	14		556
Agenzia Lombarda Distrib.Giornali e Riviste S.r.l.					0
Attica Media Publications S.A.			27		27
Edizioni EL S.r.l.	862				862
Gruner + Jahr/Mondadori S.p.A.	181	27			208
Harlequin Mondadori S.p.A.	103	94		500	697
Hearst Mondadori Editoriale S.r.l.					0
Mach 2 Libri S.p.A.	24,460	5			24,465
Mediamond S.p.A.	363	69	1		433
Mondadori Independent Media LLC					0
Mondadori Rodale S.r.l.					0
Mondadori Printing S.p.A.					0
Mondadori Seec Advertising Co. Ltd					0
Random House Mondadori S.A.					0
Società Europea di Edizioni S.p.A.					0
Sub-total	26,406	300	42	500	27,248

(euro/000)

Related parties	Revenues from sales and services	Other income	Financial income	Income from investments	Total
Fininvest group companies:					
Alba Servizi Aerotrasporti S.p.A.					0
Banca Mediolanum S.p.A.					0
Elettronica industriale S.p.A.					0
Digitalia 08 S.r.l.					0
Fininvest Gestione Servizi S.p.A.	5				5
Il Teatro Manzoni S.p.A.					0
Milan A.C. S.p.A.	21				21
Mediaset S.p.A.					0
Media Shopping S.p.A.					0
Mediobanca S.p.A.			63		63
Medusa Film S.p.A.					0
Publitalia '80 S.p.A.					0
RTI Reti Televisive Italiane S.p.A.	178				178
Taodue S.r.l.					0
Videotime S.p.A.					0
Sub-total	204	0	63	0	267
Total	371,687	13,389	14,316	500	399,892
% of incidence	70.76%	60.15%	86.53%	100.00%	70.83%

Annex D1: Payables due to parent company, subsidiaries and affiliated companies at 31 December 2013

(euro/000)	31/12/2013	31/12/2012
Current account transactions and financial payables:		
Subsidiaries:		
Cemit Interactive Media S.p.A.	7,999	7,294
Electa S.r.l.	203	210
Mondadori Education S.p.A.	56,746	44,240
Mondadori Electa S.p.A.	9,848	5,295
Giulio Einaudi editore S.p.A.	24,110	20,790
Glaming S.r.l.	460	-
Mondadori Iniziative Editoriali S.p.A.	724	896
Mondadori International S.p.A.	-	56,341
Mondadori International Business S.r.l.	-	762
Press-Di Distribuzione Stampa e Multimedia S.r.l.	39,119	43,556
Sporting Club Verona S.r.l.	897	963
Affiliated companies:		
ACI-Mondadori S.p.A.	-	1
Gruner + Jahr/Mondadori S.p.A.	6	149
Harlequin Mondadori S.p.A.	2,563	3,163
Mach 2 Libri S.p.A.	-	34
Mediamond S.p.A.	242	584
Parent company:		
Fininvest S.p.A.	-	-
Associated company:		
Mediobanca S.p.A.	70,069	70,250
Other companies for amounts lower than euro 52,000 (*)	-	-
Total	212,986	254,528
% of incidence	36.7%	52.3%

(*) The amounts of the previous year also include payables due to companies transferred during 2013.

(euro/000)	31/12/2013	31/12/2012
Trade transactions:		
Subsidiaries:		
Cemit Interactive Media S.p.A.	(78)	61
Edizioni Piemme S.p.A.	8,680	8,973
Mondadori Education S.p.A.	130	100
Giulio Einaudi editore S.p.A.	13,495	11,189
Glaming S.r.l.	24	-
Mondadori Electa S.p.A.	2,498	2,663
Mondadori International Business S.r.l.	5	2
Mondadori Magazines France S.a.s.	9	72
Mondadori Pubblicità S.p.A.	3,096	2,605
Mondadori Direct S.p.A.	446	1,787
Monradio S.r.l.	19	43
Mondadori Iniziative Editoriali S.p.A.	49	-
Press-Di Distribuzione Stampa e Multimedia S.r.l.	4,582	4,636
Sperling & Kupfer Editori S.p.A.	4,478	3,907

(euro/000)	31/12/2013	31/12/2012
Affiliated companies:		
Attica Media Bulgaria Ltd	-	2
Edizioni EL S.r.l.	4,400	4,957
Gruner + Jahr/Mondadori S.p.A.	103	5
Harlequin Mondadori S.p.A.	114	217
Mach 2 Libri S.p.A.	103	59
Mediamond S.p.A.	2	42
Mondadori Seec Advertising Co. Ltd	-	149
Società Europea di Edizioni S.p.A.	1	2
Parent company:		
Fininvest S.p.A.	48	7
Associated companies:		
Alba Servizi Aerotrasporti S.p.A.	-	16
Digitalia 08 S.r.l.	8	-
The Space Cinema	-	19
RTI S.p.A.	1,208	1,461
Publitalia '80 S.p.A.	3,942	3,762
Mediaset S.p.A.	-	103
Medusa Film S.p.A.	154	156
Milan Entertainment S.r.l.	22	-
Other related parties:		
Sin&rgetica	-	169
Sineris	-	-
Other companies for amounts lower than euro 52,000 (*)	-	-
Total	47,538	47,164
% of incidence	33.1%	26.5%

Tax payables	31/12/2013	31/12/2012
Parent company:		
Fininvest S.p.A.	-	1,160
Total	0	1,160

(*) The amounts of the previous year also include payables due to companies transferred during 2013.

Annex D2: Intercompany transactions in 2013

(euro/000)

Related parties	Raw, ancillary, consumption materials and goods	Services	Other costs	Financial costs	Costs from investments	Total
Parent company:						
Fininvest S.p.A.	0	54	6			60
Subsidiaries:						
Ame France S.a.s.						0
Ame Publishing Ltd						0
Arnoldo Mondadori Deutschland GmbH						0
Cemit Interactive Media S.p.A.		363		4		367
Diana S.a.s.						0
Edizioni Piemme S.p.A.	34,750	23	9	22	10,551	45,355
Electa S.r.l.						0
Giulio Einaudi editore S.p.A.	34,954	119	2	14		35,089
Glaming S.r.l.					3,817	3,817
Mondadori Electa S.p.A.	7,329	484	1	6		7,820
Mondadori Education S.p.A.		130	1	27		158
Mondadori France S.a.s.					186,866	186,866
Mondadori Magazines France S.a.s.		18				18
Mondadori Franchising S.p.A.						0
Mondadori Iniziative Editoriali S.p.A.		40			2,722	2,762
Mondadori International S.p.A.						0
Mondadori International Business S.r.l.		115				115
Mondadori Pubblicità S.p.A.	2,576	3,347	1,798		10,035	17,756
Mondadori Direct S.p.A.	8	1,450	125	260	7,017	8,860
Mondolibri S.p.A.						0
Press-Di Distribuzione Stampa e Multimedia S.r.l.		23,987	680	20		24,687
Monradio S.r.l.		31			25,152	25,183
Monradio Servizi S.r.l. (former Rock FM S.r.l.)						0
Sperling & Kupfer Editori S.p.A.	18,572	64			7,613	26,249
Sporting Club Verona S.r.l.					318	318
Sub-total	98,189	30,171	2,616	353	254,091	385,420
Affiliated companies:						
ACI-Mondadori S.p.A.		34			482	516
Artes Graficas Toledo S.A.						0
Attica Media Serbia Ltd						0
Attica Publications S.A.					12,166	12,166
Edizioni EL S.r.l.	5,954					5,954
Gruner + Jahr/Mondadori S.p.A.		108		1		109
Harlequin Mondadori S.p.A.	8,470		1	1		8,472
Hearst Mondadori Editoriale S.r.l.						0
Mach 2 Libri S.p.A.		102				102
Mediamond S.p.A.		59	6			65
Mondadori Independent Media LLC						0
Mondadori Rodale S.r.l.						0
Mondadori Printing S.p.A.						0
Mondadori Seec Advertising Co. Ltd						0
Random House Mondadori S.A.						0
Società Europea di Edizioni S.p.A.			5		1,399	1,404
Sub-total	14,424	303	12	2	14,047	28,788

(euro/000)

Related parties	Raw, ancillary, consumption materials and goods	Services	Other costs	Financial costs	Cost from investments	Total
Fininvest group companies:						
Alba Servizi Aerotrasporti S.p.A.						0
Consorzio Campus Multimedia						0
Digitalia 08 S.r.l.						0
Il Teatro Manzoni S.p.A.						0
Fininvest Gestione Servizi S.p.A.			10			10
Mediaset S.p.A.						0
Mediobanca S.p.A.				2,886		2,886
Medusa Film S.p.A.		5				5
Medusa Video S.r.l.						0
Milan A.C. S.p.A.			6			6
Milan Entertainment S.r.l.		19				19
Digital 08 S.r.l.		4				4
Publitalia '80 S.p.A.		9,390				9,390
Radio e Reti S.r.l.						0
RTI Reti Televisive Italiane S.p.A.	658	864				1,522
Taodue S.r.l.						0
The Space Cinema 1 S.p.A.						0
Sub-total	658	10,282	16	2,886	0	13,842
Other related parties:						
Sin&rgetica						0
Sineris						0
Sub-total	0	0	0	0	0	0
Total	113,271	40,810	2,650	3,241	268,138	428,110
% of incidence	94.46%	12.99%	12.66%	12.78%	100.00%	57.20%

Annex E: Financial highlights of subsidiaries drafted in compliance with statutory accounting principles

(euro/000)	Monradio	Mondadori Iniziative Edit.	Sporting Club Verona	Glaming (in liquidation)
Financial year at	31/12/2013	31/12/2013	31/12/2013	31/12/2013
Balance sheet				
Assets				
Intangible assets	27,040	208	46	-
Tangible assets	5,314	5	38	-
Financial assets	130	-	-	17
Total fixed assets	32,484	213	84	17
Inventory	-	2,198	-	-
Trade receivables	4,758	280	80	-
Receivables due from Group companies	19	786	898	483
Other receivables	11,052	1,877	-	150
Financial assets (no fixed assets)	-	-	-	-
Cash and cash equivalents	-	-	3	7
Total current assets	15,829	5,141	981	640
Accrued income and deferred liabilities	76	29	5	-
Total assets	**48,389**	**5,383**	**1,070**	**657**
Liabilities				
Share capital	3,030	500	100	20
Reserves	14,554	-	-	0
Shareholders' payments	3,319	2,379	248	3,285
Adjustments from liquidation				(214)
Income (loss) in the period	(13,703)	(1,886)	(265)	(2,806)
Total Shareholders' equity	7,200	993	83	285
Provision for risks and charges	1,062	17	-	181
Post-employment benefits	431	209	51	-
Payables due to banks	-	-	-	4
Trade payables	2,104	3,362	199	84
Payables due to Group companies	36,303	532	-	-
Other payables	1,187	270	112	103
Accrued liabilities and deferred income	102	-	625	-
Total liabilities	**48,389**	**5,383**	**1,070**	**657**

(euro/000)	Monradio	Mondadori Iniziative Edit.	Sporting Club Verona	Glaming (in liquidation)
Financial year	2013	2013	2013	2013
Income statement				
Revenues from sales	11,316	11,054	1,633	239
Differences in inventory	-	-	-	-
Other revenues	530	-	55	43
Total value of production	11,846	11,054	1,688	282
Purchases and services	13,152	12,694	1,421	1,868
Personnel	2,116	1,019	455	468
Amortization, depreciation and impairment	13,821	50	25	732
Differences in raw materials and goods	-	(283)	-	-
Provisions	300	-	-	-
Other operating costs	524	126	39	19
Total cost of production	29,913	13,606	1,940	3,087
Revenues from investments	-	-	-	-
Financial revenues (costs)	(904)	(11)	-	(1)
Total financial revenues (costs)	(904)	(11)	0	(1)
Revaluations (impairment loss)	-	-	-	-
Extraordinary revenues (costs)	317	-	-	-
Pre-tax result	(18,654)	(2,563)	(252)	(2,806)
Income tax	(4,951)	(677)	13	-
Net income (loss) in the period	**(13,703)**	**(1,886)**	**(265)**	**(2,806)**

Annex E: Financial highlights of subsidiaries according to IAS international accounting standards

(euro/000)	Cemit Interactive Media	Edizioni Piemme	Mondadori Education	Giulio Einaudi editore	Mondadori Electa	Mondadori Pubblicità	Press-Di Distrib. Stampa e Multimedia	Mondadori Direct	Mondadori International Business	Sperling & Kupfer Editori
Financial year at	31/12/2013	31/12/2013	31/12/2013	31/12/2013	31/12/2013	31/12/2013	31/12/2013	31/12/2013	31/12/2013	31/12/2013
Balance sheet										
Assets										
Intangible assets	-	532	23,711	9	45	9	4	15,489	532	105
Property investments	-	-	-	-	-	-	-	-	-	-
Property, plant and machinery	304	492	132	110	1,045	485	20	12,396	22	32
Investments	-	-	-	1,332	271	3,297	248	-	-	26
Non-current financial assets	-	-	-	-	-	2,144	-	-	-	-
Pre-paid tax assets	109	1,701	3,429	4,893	2,874	2,126	1,125	6,952	69	948
Other non-current assets	3	7	78	-	19	-	1	320	10	12
Total non-current assets	416	2,732	27,350	6,344	4,254	8,061	1,398	35,157	633	1,123
Tax receivables	231	4,129	505	450	331	5,803	104	6,380	411	327
Other current assets	161	8,848	664	10,621	1,613	445	7,035	1,613	149	6,229
Inventory	111	5,524	9,156	4,019	4,931	-	176	65,609	-	2,888
Trade receivables	5,636	9,398	6,481	21,010	11,199	87,517	46,696	34,203	5,696	5,015
Securities and other current financial assets	7,999	6	56,746	24,110	10,317	551	39,119	-	-	-
Cash and cash equivalents	27	1	29	31	24	3	663	10,403	1,176	2
Total current assets	14,165	27,906	73,581	60,241	28,415	94,319	93,793	118,208	7,432	14,461
Assets held for sale or transferred	-	-	-	-	-	-	-	-	-	-
Total assets	**14,581**	**30,638**	**100,931**	**66,585**	**32,669**	**102,380**	**95,191**	**153,365**	**8,065**	**15,584**
Liabilities										
Share capital	3,835	567	10,608	23,920	1,594	3,120	1,095	2,700	2,800	1,556
Reserves	3,368	13,177	36,518	15,392	5,033	6,909	5,739	4,145	634	1,904
Income (loss) for the period	724	812	9,330	4,754	2,096	(15,414)	2,949	(10,459)	(45)	(589)
Total Shareholders' equity	7,927	14,556	56,456	44,066	8,723	(5,385)	9,783	(3,614)	3,389	2,871
Provisions	99	499	5,827	2,731	5,595	5,054	840	10,310	-	380
Post-employment benefits	1,342	799	5,797	2,902	714	2,241	1,301	5,891	76	819
Non-current financial liabilities	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	34	401	5,767	18	6	30	3	79	54	11
Other non-current liabilities	-	-	-	-	-	-	-	-	-	-
Total non-current liabilities	1,475	1,699	17,391	5,651	6,315	7,325	2,144	16,280	130	1,210
Income tax payables	207	-	3,879	1,905	1,416	-	1,267	21	59	-
Other current liabilities	1,281	8,259	14,550	10,179	3,895	5,418	30,655	12,003	1,002	3,931
Trade payables	3,691	4,025	8,367	4,772	11,959	67,453	51,305	71,332	3,439	2,110
Payables due to banks and other financial liabilities	-	2,099	288	12	361	27,569	37	57,343	46	5,462
Total current liabilities	5,179	14,383	27,084	16,868	17,631	100,440	83,264	140,699	4,546	11,503
Liabilities held for sale or transferred	-	-	-	-	-	-	-	-	-	-
Total liabilities	**14,581**	**30,638**	**100,931**	**66,585**	**32,669**	**102,380**	**95,191**	**153,365**	**8,065**	**15,584**

(follows)

Annex E: Financial highlights of subsidiaries according to IAS international accounting standards

(follow)

(euro/000)	Cemit Interactive Media	Edizioni Piemme	Mondadori Education	Giulio Einaudi editore	Mondadori Electa	Mondadori Pubblicità	Press-Di Distrib. Stampa e Multimedia	Mondadori Direct	Mondadori International Business	Sperling & Kupfer Editori
Financial year	2013	2013	2013	2013	2013	2013	2013	2013	2013	2013
Income statement										
Revenues from sales and services	16,049	36,191	72,450	41,898	40,211	141,610	60,922	218,302	10,255	19,777
Inventory decrease (increase)	434	383	161	489	1,827	-	(7)	(1,448)	-	166
Purchase of raw, ancillary, consumption materials and goods	281	460	6,355	692	4,101	-	1,742	133,806	22	351
Purchases of services	9,674	29,588	42,487	27,039	20,120	147,370	51,016	43,519	6,860	16,534
Cost of personnel	3,865	2,834	7,837	6,034	5,084	9,311	4,607	32,312	2,628	2,533
Other costs (revenues)	452	1,279	1,538	859	5,047	5,051	(1,603)	16,148	574	765
Income from investments valued at equity	-	-	-	-	-	-	509	-	-	-
EBITDA	1,343	1,647	14,072	6,785	4,032	(20,122)	4,658	(6,035)	171	(572)
Depreciation of property, plant and machinery	84	78	109	71	335	104	18	3,841	7	25
Amortization of intangible assets	-	22	50	24	89	5	2	1,825	3	13
EBIT	1,259	1,547	13,913	6,690	3,608	(20,231)	4,638	(11,701)	161	(610)
Financial revenues (costs)	(51)	(117)	(81)	(52)	(73)	(748)	(35)	(1,328)	(132)	(160)
Income (costs) from investments	-	-	-	434	(2)	-	-	-	-	-
Pre-tax result	1,208	1,430	13,832	7,072	3,533	(20,979)	4,603	(13,029)	29	(770)
Income tax	484	618	4,502	2,318	1,437	(5,565)	1,654	(2,570)	74	(181)
Net result	724	812	9,330	4,754	2,096	(15,414)	2,949	(10,459)	(45)	(589)

Annex F: Financial highlights of the main indirectly owned subsidiaries

(euro/000)	Mondadori France S.a.s.
Financial year at	31/12/2013
Balance sheet	
Assets	
Intangible assets	-
Property investments	-
Property, plant and machinery	-
Investments	599,383
Non-current financial assets	-
Pre-paid tax assets	-
Other non-current assets	-
Total non-current assets	599,383
Tax receivables	-
Other current assets	1,718
Inventory	-
Trade receivables	699
Securities and other current financial assets	-
Cash and cash equivalents	-
Total current assets	2,417
Assets held for sale or transferred	-
Total assets	**601,800**
Liabilities	
Share capital	50,000
Reserves	228,427
Income (loss) for the period	(79,004)
Total Shareholders' equity	199,423
Provisions	344
Post-employment benefits	-
Non-current financial liabilities	-
Deferred tax liabilities	-
Other non-current liabilities	-
Total non-current liabilities	344
Income tax payables	-
Other current liabilities	1,340
Trade payables	79
Payables due to banks and other financial liabilities	400,614
Total current liabilities	402,033
Liabilities held for sale or transferred	-
Total liabilities	**601,800**

(euro/000)	Mondadori France S.a.s.
Financial year	2013
Income statement	
Revenues from sales and services	2,761
Inventory decrease (increase)	-
Purchase of raw, ancillary, consumption materials and goods	-
Purchases of services	891
Cost of personnel	1,654
Other costs (revenues)	1,191
EBITDA	(975)
Depreciation of property, plant and machinery	-
Amortization of intangible assets	-
EBIT	(975)
Financial revenues (costs)	(131,136)
Income (costs) from investments	50,690
Pre-tax result	(81,421)
Income tax	(2,417)
Net result	**(79,004)**

Annex G: Financial highlights of affiliated companies

(euro/000)	ACI-Mondadori	Gruner + Jahr /Mondadori	Harlequin Mondadori	Mach 2 Libri	Società Europea di Edizioni
Financial year at	31/12/2013	31/12/2012	31/12/2013	31/12/2013	31/12/2013
Balance sheet					
Assets					
Intangible assets	1	345	69	420	6,168
Tangible assets	3	61	22	64	577
Financial assets	-	60	509	285	738
Total fixed assets	4	466	600	769	7,483
Inventory	90	638	211	13,395	506
Trade receivables	511	9,808	1,628	47,864	15,325
Receivables due from Group companies	1,433	1,528	-	129	2,399
Other receivables	151	6,029	357	10,707	1,342
Financial assets (no fixed assets)	-	-	-	-	-
Cash and cash equivalents	100	667	1,373	1,784	38
Total current assets	2,285	18,670	3,569	73,879	19,610
Accrued income and deferred liabilities	12	111	265	185	1,855
Total assets	**2,301**	**19,247**	**4,434**	**74,833**	**28,948**
Liabilities					
Share capital	590	2,600	258	646	2,529
Reserves	348	1,928	415	9,442	3,797
Shareholders' payments	-	-	-	-	-
Income (loss) for the period	(823)	(124)	938	(705)	(3,775)
Total Shareholders' equity	115	4,404	1,611	9,383	2,551
Provisions for risks and charges	70	487	-	5,235	3,673
Post-employment benefits	220	1,673	688	442	4,627
Payables due to banks	-	-	-	12,943	7,294
Trade payables	315	7,094	1,444	44,568	6,140
Payables due to Group companies	1,240	-	-	811	7
Other payables	324	5,588	634	1,451	4,244
Accrued liabilities and deferred income	17	1	57	-	412
Total liabilities	**2,301**	**19,247**	**4,434**	**74,833**	**28,948**

(euro/000)	ACI-Mondadori	Gruner + Jahr /Mondadori	Harlequin Mondadori	Mach 2 Libri	Società Europea di Edizioni
Financial year	2013	2012	2013	2013	2013
Income statement					
Revenues from sales	3,884	29,553	9,293	106,977	47,276
Inventory differences	(103)	(129)	(20)	-	-
Other revenues	74	2,055	371	4,352	2,400
Total value of production	3,855	31,479	9,644	111,329	49,676
Purchases and services	3,816	18,038	6,200	102,610	30,508
Cost of personnel	911	11,890	1,907	2,817	18,202
Amortization, depreciation and impairment	5	560	-	649	1,759
Differences in inventory of raw materials and goods	-	550	-	816	635
Provisions	26	447	74	4,467	697
Other operating costs	(96)	411	38	229	1,424
Total cost of production	4,662	31,896	8,219	111,588	53,225
Revenues from investments	-	-	-	-	-
Financial revenues (costs)	(11)	55	6	(114)	(469)
Total financial revenues (costs)	(11)	55	6	(114)	(469)
Revaluations (impairment loss)	-	-	-	(160)	-
Extraordinary revenues (costs)	-	399	(3)	-	692
Pre-tax result	(818)	37	1,428	(533)	(3,326)
Income tax	5	161	490	172	449
Profit (loss) in the period	**(823)**	**(124)**	**938**	**(705)**	**(3,775)**

Annex H: Breakdown of payables and receivables by geographic area

(euro/000)	Italy	Other EU countries	USA	Switzerland	Canada	Other countries	Total
Receivables:							
Non-current assets:							
Non-current financial assets	230						230
Pre-paid tax assets	21,067						21,067
Other non-current assets	580						580
Current assets:							
Tax receivables	66,194						66,194
Other current assets	22,814	8,419	11,594	267	116	1,800	45,010
Trade receivables	142,890	1,096	39	428	6	211	144,670
Securities and other financial assets	138,320	203,258					341,578
Total receivables	392,095	212,773	11,633	695	122	2,011	619,329
Payables:							
Non-current liabilities:							
Non-current financial liabilities	396,455						396,455
Deferred tax liabilities	25,092						25,092
Other non-current liabilities							0
Current liabilities:							
Income tax liabilities							0
Other current liabilities	54,994	1,027	1,353	43	9	102	57,528
Trade payables	140,377	2,836	61	50	3	114	143,441
Payables due to banks and other financial liabilities	184,800						184,800
Total payables	801,718	3,863	1,414	93	12	216	807,316

Annex I.1: Proforma balance sheet at 31 December 2012 including the effect of the merger by incorporation of Mondadori International S.p.A.

(in euro)	Arnoldo Mondadori Editore S.p.A.	Proforma
Financial year at	31/12/2013	31/12/2012 (*)
Assets		
Intangible assets	90,430,140	88,568,718
Property investments	3,181,675	3,237,618
Land and buildings	6,815,386	7,417,967
Plant and machinery	2,992,120	3,952,450
Other tangible assets	2,443,068	3,523,198
Property, plant and machinery	**12,250,574**	**14,893,615**
Investments	248,502,020	499,094,896
Non-current financial assets	200,229,638	50,000,000
Pre-paid tax assets	22,166,698	19,967,869
Other non-current assets	15,441,465	491,698
Total non-current assets	**592,202,210**	**676,254,414**
Tax receivables	51,135,227	43,977,873
Other current assets	45,159,967	42,613,267
Inventory	28,300,153	30,662,369
Trade receivables	144,669,623	174,845,620
Other current financial assets	139,951,248	275,206,941
Cash and cash equivalents	53,009,395	161,687,867
Total current assets	**462,225,613**	**728,993,937**
Assets helf for sale or transferred	-	-
Total assets	**1,054,427,823**	**1,405,248,351**
Liabilities		
Share capital	64,079,168	64,079,168
Share premium reserve	170,624,621	210,199,564
Treasury shares	(73,497,616)	(73,497,615)
Other reserves and results carried forward	329,181,214	309,383,426
Profit (loss) for the period	(314,970,500)	(32,124,945)
Total Shareholders' equity	**175,416,887**	**478,039,597**
Provisions	52,547,246	39,738,969
Post-employment benefits	20,821,953	24,053,494
Non-current financial liabilities	394,828,210	384,289,672
Deferred tax liabilities	25,091,620	23,175,235
Other non-current liabilities	-	-
Total non-current liabilities	**493,289,029**	**471,257,370**
Income tax payables	-	1,376,247
Other current liabilities	57,480,539	69,935,596
Trade payables	143,440,895	178,113,115
Payables due to banks and other financial liabilities	184,800,473	206,526,426
Total current liabilities	**385,721,907**	**455,951,384**
Liabilities held for sale or transferred	-	-
Total liabilities	**1,054,427,823**	**1,405,248,351**

(*) Following the application as of 1 January 2013 (with retrospective effect) of the revised IAS 19, data was restated for comparison purposes. In particular, net income increased by euro 288,000 against data at 31 December 2012; this effect was recognised in a specific reserve under Shareholders' equity.

Annex I.2: Proforma income statement at 31 December 2012 including the effect of the merger by incorporation of Mondadori International S.p.A.

(in Euro) Financial year	Arnoldo Mondadori Editore S.p.A. 2013	Proforma 2012 (*)
Revenues from sales and services	**525,296,604**	**626,221,333**
Inventory decrease (increase)	2,362,216	(19,160)
Costs of raw, ancillary materials	119,911,157	141,923,677
Cost of services	314,054,362	357,340,990
Cost of personnel	120,155,202	122,372,062
Other costs (revenues)	15,087,339	260,133
EBITDA	**(46,273,672)**	**4,343,631**
Depreciation of property, plant and machinery	3,451,123	3,506,784
Amortization and impairment of intangible assets	611,321	2,049,512
EBIT	**(50,336,116)**	**(1,212,665)**
Financial revenues (costs)	(8,819,512)	(11,040,331)
Revenues (costs) from investments	(267,637,942)	(23,924,120)
Pre-tax result	**(326,793,570)**	**(36,177,117)**
Income tax	(11,823,070)	(4,106,367)
Net result	**(314,970,500)**	**(32,070,750)**

(*) Following the application as of 1 January 2013 (with retrospective effect) of the revised IAS 19, data was restated for comparison purposes. In particular, net income increased by euro 288,000 against data at 31 December 2012; this effect was recognised in a specific reserve under Shareholders' equity.

Statement of the Company's financial statements pursuant to article 81-*ter* of Consob Regulation no. 11971 of 14 May 1999 and subsequent amendments and supplements

1. The undersigned Ernesto Mauri, in his capacity as CEO and Carlo Maria Vismara in his capacity as Executive Manager responsible for the drafting of the corporate accounting documentation of Arnoldo Mondadori Editore S.p.A., also in compliance with the provisions set out in article 154-*bis*, par. 3 and 4, of Italian Legislative Decree no. 58 of 24 February, 1998, hereby declare:

   - the adequacy in relation to the Group's characteristics and
   - the effective application

   of the administrative and accounting procedures for the drafting of the Company's financial statements closed at 31 December 2013.

2. The valuation of the adequacy of the administrative and accounting procedures for the drafting of the Company's financial statements at 31 December 2013 was carried out based on a specific process defined by Arnoldo Mondadori Editore S.p.A. consistently with the Internal Control - Integrated Framework model issued by the Committee of Sponsoring Organizations of the Treadway Commission, which groups together a set of general principles of reference generally accepted at the international level.

3. We also hereby declare that:

3.1 the financial statements at 31 December 2013:

a) were drafted in compliance with the applicable international accounting standards acknowledged at the EU level pursuant to EC regulation no. 1606/2002 of the EU Parliament and Council of 19 July 2002 as well as the provisions set out for the implementation of article 9 of Italian Legislative Decree no. 38/2005;

b) reflect the accounting books and entries;

c) provide a true and fair description of the financial position and results of operations of the Company;

3.2 the report on operations includes a reliable analysis of the Company's performance and results, the financial position of the Company and the companies included in the consolidation area, along with the description of the main risks and uncertainties they are exposed to.

27 March 2014

The CEO
(Ernesto Mauri)

The Executive Manager responsible for the drafting of
corporate accounting documents
(Carlo Maria Vismara)

Group Consolidated Financial Statements at 31 December 2013

Consolidated balance sheet

Assets (euro/000)	Notes	31/12/2013	31/12/2012(*)
Intangible assets	2	617,464	745,999
Property investments	3	3,181	3,238
Land and buildings		8,542	9,258
Plant and equipment		11,729	14,178
Other tangible assets		20,489	26,318
Property, plant and equipment	4	40,760	49,754
Investments booked at equity		38,187	59,125
Other investments		442	1,374
Total investments	5	38,629	60,499
Non-current financial assets	12	2,717	5,571
Pre-paid tax assets	6	58,444	50,630
Other non-current assets	7	22,250	1,965
Total non-current assets		783,445	917,656
Tax receivables	8	68,478	61,872
Other current assets	9	89,289	85,225
Inventory	10	124,009	129,627
Trade receivables	11	312,366	335,423
Other current financial assets	12	13,858	32,073
Cash and cash equivalents	13	65,683	166,838
Total current assets		673,683	811,058
Assets held for sale or transferred		-	-
Total assets		1,457,128	1,728,714

Liabilities (euro/000)	Notes	31/12/2013	31/12/2012(*)
Share capital		64,079	64,079
Share premium reserve		170,625	210,200
Treasury shares		(73,497)	(73,497)
Other reserves and results carried forward		250,943	365,834
Profit (loss) for the period		(185,415)	(166,117)
Group's Shareholders' equity	14	226,735	400,499
Minority shareholders' equity and reserves	15	31,954	33,313
Total Shareholders' equity		258,689	433,812
Provisions	16	83,928	61,858
Post-employment benefits	17	50,409	53,877
Non-current financial liabilities	18	398,836	387,321
Deferred tax liabilities	6	76,950	89,393
Other non-current liabilities		-	-
Total non-current liabilities		610,123	592,449
Income tax payables	19	293	2,689
Other current liabilities	20	220,093	248,191
Trade payables	21	321,307	366,811
Payables due to banks and other financial liabilities	18	46,623	84,762
Total current liabilities		588,316	702,453
Liabilities held for sale or transferred		-	-
Total liabilities		1,457,128	1,728,714

Consolidated income statement

(euro/000)	Notes	FY 2013	FY 2012 (*)
Revenues from sales and services	22	**1,275,791**	**1,416,093**
Decrease (increase) of inventory	10	5,610	7,340
Cost of raw, ancillary, consumption materials and goods	23	186,166	216,611
Cost of services	24	740,989	794,655
Cost of personnel	25	290,468	288,884
Other (income) costs	26	63,638	48,510
Revenues (costs) from investments valued at equity	27	(1,759)	8,063
EBITDA		**(12,839)**	**68,156**
Depreciation and impairment loss on property, plant and equipment	3-4	12,089	11,794
Amortisation and impairment loss on intangible assets	2	130,248	206,257
Impairment loss on investments valued at equity and other enterprises	5	27,892	-
EBIT		**(183,068)**	**(149,895)**
Financial revenues (costs)	28	(24,209)	(22,260)
Revenues (costs) from other investments		-	-
Profit before taxes for the period		**(207,277)**	**(172,155)**
Income tax	29	(23,789)	(8,248)
Profit from operations		**(183,488)**	**(163,907)**
Revenues (costs) from assets/liabilities held for sale or transferred		-	-
Net result		**(183,488)**	**(163,907)**
Attributable to:			
- Minority shareholders	15	**1,927**	**2,210**
- Parent Company's shareholders		**(185,415)**	**(166,117)**
Net earnings per share (in euro units)	30	(0.801)	(0.715)
Diluted net earnings per share (in euro units)	30	(0.801)	(0.715)

(*) Following the application of revised IAS 19 as of 1 January 2013 with retrospective effect, 2012 Group consolidated data was restated for comparison purposes. In particular, the Group's result and minority shareholders' result increased by euro 1,160,000 and 24,000, respectively. These effects have been respectively allocated to a specific Shareholders' equity reserve and under "Minority shareholders' equity and reserves" item. Cost of personnel decreased by euro 1,531,000, revenues (costs) from investments valued at equity increased by euro 123,000, income tax rose by euro 470,000 and minority Shareholders' interest increased by euro 24,000.

For the Board of Directors
The Chairman
Marina Berlusconi

Consolidated comprehensive income statement

(euro/000)	Notes	FY 2013	FY 2012
Net result		**(183,488)**	**(163,907)**
Items reclassifiable to income statement			
Other profit (loss) from companies valued at equity	14	(135)	(265)
Effective part of profit (loss) on cash flow hedge instruments	12	2,073	(3,087)
Income (loss) deriving from held-for-sale assets (fair value)	12	-	2,175
Tax impact on other income (loss) reclassifiable to income statement		(452)	700
Items reclassified to income statement			
Profit (loss) on cash flow hedge instruments		8,902	-
Income (loss) deriving from held-for-sale assets (fair value)		2,221	-
Tax impact on other income (loss) reclassified to income statement		(132)	-
Items not reclassifiable to income statement			
Actuarial income/ (losses)	17	(851)	(1,531)
Tax impact on other income (loss) not reclassifiable to income statement		223	470
Total other profit (loss) net of tax effect		**11,849**	**(1,538)**
Comprehensive income for the period		**(171,639)**	**(165,445)**
Attributable to:			
- Parent Company's shareholders		**(173,550)**	**(167,631)**
- Minority shareholders		**1,911**	**2,186**

For the Board of Directors
The Chairman
Marina Berlusconi

Table of changes in Shareholders' equity at 31 December 2012 (*)

(euro/000)	Notes	Share capital	Share premium reserve	Treasury shares	Stock option reserve	Cashh flow hedge reserve	Fair value reserve	Currency reserve	Post-employment discounting reserve	Other reserves	Income (loss) for the period	Total Group's NFP	Minority shareholders' NFP	Total
Balance at 01/01/2012		64,079	210,200	(70,456)	5,949	(10,459)	(4,396)	(2,230)	3,073	328,430	49,621	573,811	35,068	608,879
- Allocation of net income										49,621	(49,621)			
- Dividend payout													(3,680)	(3,680)
- Changes in consolidation area								2,465		(5,204)		(2,739)	(261)	(3,000)
- Transactions on treasury shares				(3,041)								(3,041)		(3,041)
- Stock options					(2,193)					2,312		119		119
- Other changes										(20)		(20)		(20)
- Comprehensive income (loss)						(2,387)	2,175	(142)	(1,037)	(123)	(166,117)	(167,631)	2,186	(165,445)
Balance at 31/12/2012		64,079	210,200	(73,497)	3,756	(12,846)	(2,221)	93	2,036	375,016	(166,117)	400,499	33,313	433,812

(*) Following the application of revised IAS 19 as of 1 January 2013 with retrospective effect, 2012 Group consolidated data was restated for comparison purposes. In particular, the Group's result and minority shareholders' result increased by euro 1,160,000 and 24,000, respectively. These effects have been respectively allocated to a specific reserve and under "Minority shareholders' equity and reserves" item.

Table of changes in Shareholders' equity at 31 December 2013

(euro/000)	Notes	Share capital	Share premium reserve	Treasury shares	Stock option reserve	Cashh flow hedge reserve	Fair value reserve	Currency reserve	Post-employment discounting reserve	Other reserves	Income (loss) for the period	Total Group's NFP	Minority shareholders' NFP	Total
Balance at 01/01/2013		64,079	210,200	(73,497)	3,756	(12,846)	(2,221)	93	2,036	375,016	(166,117)	400,499	33,313	433,812
- Allocation of net income			(39,575)							(126,542)	166,117			
- Dividend payout													(3,270)	(3,270)
- Changes in consolidation area														
- Transactions on treasury shares														
- Stock options	14				(2,655)					2,655				
- Other changes										(214)		(214)		(214)
- Comprehensive income (loss)						10,391	2,221	(83)	(612)	(52)	(185,415)	(173,550)	1,911	(171,639)
Balance at 31/12/2013		64,079	170,625	(73,497)	1,101	(2,455)	0	10	1,424	250,863	(185,415)	226,735	31,954	258,689

For the Board of Directors
The Chairman
Marina Berlusconi

Consolidated cash flow statement

(euro/000)	Notes	FY 2013	FY 2012(*)
Net result for the period		(185,415)	(166,117)
Adjustments			
Amortisation, depreciation and impairment	2-3-4	170,229	218,051
Income tax for the period	29	(23,789)	(8,248)
Stock options		-	119
Fund provisions (utilisation) and post-employment benefits		33,565	1,441
Capital loss (gain) from the transfer of intangible assets, properties, plant and equipment, investments		490	(7,434)
Capital loss (gain) from financial assets valuation	28	(503)	(208)
(Revenues) costs of companies valued at equity	27	1,487	(677)
Net financial costs on loans and transactions with derivatives	28	20,079	13,914
Cash flow generated from operations		16,143	50,841
Trade receivable (increase) decrease		16,653	25,740
Inventory (increase) decrease		4,745	6,900
Trade payable increase (decrease)		(40,753)	(3,608)
Income tax payments		(18,280)	(43,626)
Advances and post-employment benefits		(8,318)	(5,240)
Net difference for other assets/liabilities		(39,552)	(4,409)
Cash flow generated from (absorbed by) operations		(69,362)	26,598
Price collected (paid) net of cash transferred/acquired	1	-	(1,932)
(Purchase) disposal of intangible assets		(2,040)	(2,381)
(Purchase) disposal of properties, plant and equipment		(7,793)	(5,104)
(Purchase) disposal of investments		(6,617)	71,537
(Purchase) disposal of financial assets		31,360	(6,140)
Cash flow generated from (absorbed by) investment activities		14,910	55,980
Net difference in financial liabilities		(17,808)	19,172
Payment of net financial costs on loans and transactions with derivatives		(28,895)	(14,813)
(Purchase) disposal of treasury shares	14	-	(3,041)
Dividends paid out		-	-
Cash flow generated from (absorbed by) financing activities		(46,703)	1,318
Increase (decrease) in cash and cash equivalents		(101,155)	83,896
Cash and cash equivalents at the beginning of period		166,838	82,942
Cash and cash equivalents at the end of period		65,683	166,838
Cash and cash equivalents composition			
Cash, cheques and cash on hand		2,810	1,994
Bank and postal deposits		62,873	164,844
	13	65,683	166,838

(*) Following the application of revised IAS 19 as of 1 January 2013 with retrospective effect, 2012 Group consolidated data was restated for comparison purposes.
In particular, the Group's result and minority shareholders' result increased by euro 1,160,000 and 24,000 respectively. These effects have been respectively allocated to a specific Shareholders' equity reserve and under "Minority shareholders' equity and reserves" item.

For the Board of Directors
The Chairman
Marina Berlusconi

Group Consolidated balance sheet pursuant to Consob Resolution no. 15519 of 27 July 2006

Assets					
(euro/000)	Notes	31/12/2013	of which related parties (note 33)	31/12/2012(*)	of which related parties (note 33)
Intangible assets	2	617,464	-	745,999	-
Investments	3	3,181	-	3,238	-
Land and buildings		8,542	-	9,258	-
Plant and equipment		11,729	-	14,178	-
Total other tangible assets		20,489	-	26,318	-
Property, plant and equipment	4	40,760	0	49,754	0
Investments booked at equity		38,187	-	59,125	-
Other investments		442	-	1,374	-
Total investments	5	38,629	0	60,499	0
Non-current financial assets	12	2,717	2,292	5,571	5,144
Pre-paid tax assets	6	58,444	-	50,630	-
Other non-current assets	7	22,250	19,703	1,965	-
Total non-current assets		783,445	21,995	917,656	5,144
Tax receivables	8	68,478	13,060	61,872	15,847
Other current assets	9	89,289	276	85,225	226
Inventory	10	124,009	-	129,627	-
Trade receivables	11	312,366	34,704	335,423	40,339
Other current financial assets	12	13,858	4,933	32,073	3,589
Cash and cash equivalents	13	65,683	-	166,838	-
Total current assets		673,683	52,973	811,058	60,001
Assets held for sale or transferred		-	-	-	-
Total assets		1,457,128	74,968	1,728,714	65,145

Liabilities					
(euro/000)	Notes	31/12/2013	of which related parties (note 33)	31/12/2012(*)	of which related parties (note 33)
Share capital		64,079	-	64,079	-
Share premium reserve		170,625	-	210,200	-
Treasury shares		(73,497)	-	(73,497)	-
Other reserves and results carried forward		250,943	-	365,834	-
Profit (loss) for the period		(185,415)	-	(166,117)	-
Group Shareholders' equity	14	226,735	0	400,499	0
Minority shareholders' equity and reserves	15	31,954	-	33,313	-
Total Shareholders' equity		258,689	0	433,812	0
Provisions	16	83,928	-	61,858	-
Post-employment benefits	17	50,409	-	53,877	-
Non-current financial liabilities	18	398,836	70,069	387,321	70,251
Deferred tax liabilities	6	76,950	-	89,393	-
Other non-current liabilities		-	-	-	-
Total non-current liabilities		610,123	70,069	592,449	70,251
Income tax payables	19	293	-	2,689	1,160
Other current liabilities	20	220,093	757	248,191	55
Trade payables	21	321,307	20,134	366,811	24,601
Payables due to banks and other financial liabilities	18	46,623	2,811	84,762	3,879
Total current liabilities		588,316	23,702	702,453	29,695
Liabilities held for sale or transferred		-	-	-	-
Total liabilities		1,457,128	93,771	1,728,714	99,946

Consolidated income statement pursuant to Consob Resolution no. 15519 of 27 July 2006

(euro/000)	Notes	FY 2013	of which related parties (note 33)	of which non-recurring (income) cost (note 32)	FY 2012(*)	of which related parties (note 33)	of which non-recurring (income) cost (note 32)
Revenues from sales and services	22	1,275,791	45,898	-	1,416,093	51,176	-
Decrease (increase) of inventory	10	5,610	-	-	7,340	-	-
Cost of raw, ancillary, consumption materials and goods	23	186,166	15,428	-	216,611	18,452	-
Cost of services	24	740,989	18,931	-	794,655	24,566	-
Cost of personnel	25	290,468	-	50,431	288,884	-	18,786
Other (income) cost	26	63,638	(1,267)	-	48,510	(1,207)	(3,904)
Revenues (costs) from investments valued at equity	27	(1,759)	-	-	8,063	-	178
EBITDA		(12,839)	12,806	(50,431)	68,156	9,365	(14,704)
Depreciation and impairment loss on property, plant and equipment	3-4	12,089	-	-	11,794	-	-
Amortisation and impairment loss on intangible assets	2	130,248	-	-	206,257	-	-
Impairment loss on investments valued at equity and other enterprises	5	27,892	-	-	-	-	-
EBIT		(183,068)	12,806	(50,431)	(149,895)	9,365	(14,704)
Financial revenues (costs)	28	(24,209)	(2,786)	-	(22,260)	(2,426)	-
Revenues (costs) from other investments		-	-	-	-	-	-
Profit before taxes for the period		(207,277)	10,020	(50,431)	(172,155)	6,939	(14,704)
Income tax	29	(23,789)	-	(14,437)	(8,248)	-	(14,740)
Profit from operations		(183,488)	10,020	(35,994)	(163,907)	6,939	36
Revenues (costs) from assets/liabilities held for sale or transferred		-	-	-	-	-	-
Net result		(183,488)	10,020	(35,994)	(163,907)	6,939	36
Attributable to:							
- Minority shareholders	15	1,927	-	-	2,210	-	43
- Parent Company's shareholders		(185,415)	-	(35,994)	(166,117)	-	(7)

(*) Following the application of revised IAS 19 as of 1 January 2013 with retrospective effect, 2012 Group consolidated data was restated for comparison purposes. In particular, the Group's result and minority shareholders' result increased by euro 1,160,000 and 24,000, respectively. These effects have been respectively allocated to a specific Shareholders' equity reserve and under "Minority shareholders' equity and reserves" item. Cost of personnel decreased by euro 1,531,000, revenues (costs) from investments valued at equity increased by euro 123,000, income tax rose by euro 470,000 and minority Shareholders' interest increased by euro 24,000.

Accounting principles and explanatory notes to the financial statements

Accounting principles and other information

1. General information

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

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

In 2011 Mondadori extended its offer of products and services of all of its business areas, to be used with cutting edge technology.

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

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

The advertisement of Mondadori Group's consolidated financial statements ended at 31 December 2013 was authorised by the Board of Directors' resolution of 27 March 2014.

2. Form and content

The financial statements at 31 December 2013 were drafted in compliance with the International Accounting Standards (IAS/IFRS) issued by the International Accounting Standards Board (IASB) and approved by the EU and in compliance with the International Financial Reporting Interpretations Committee (SIC/IFRIC).

The Group consolidated financial statements were drafted based on the principle of the historical cost, except for the fair value valuation of specific financial instruments.

The financial statements were prepared with the understanding that the Company will continue to operate in the future. The Group has decided that, despite the difficult economic and financial context, there is no significant uncertainty (as defined by IAS 1.25) surrounding its ability to continue operating in the future, partly as a result of the actions already undertaken to adjust to the changes that are currently involving some products and markets in which the Group operates and to the industrial and financial flexibility of the Group.

The Mondadori Group adopted the body of the principles applied as of 1 January 2005, following the adoption of European Regulation no. 1606 of 19 July 2002.

The financial statements at 31 December 2013 were prepared in accordance with the accounting standards used for the preparation of IAS/IFRS financial statements as at 31 December 2012, taking into consideration any new amendments and standards with effect from 1 January 2013, which are referred to in note 6.26.

The financial statements were prepared in the following way:
- current and non-current assets and current and non-current liabilities are shown separately in the consolidated balance sheet;
- in the separate income statement, the analysis of costs is carried out on the basis of the nature of the costs, since the Group decided that this method is more representative than an analysis by function;
- the consolidated comprehensive income statement contains revenue and cost items that are not recognised under income (loss) for the period as required or allowed by the other IAS/IFRS accounting standards;
- the cash flow statement has been prepared using the indirect method.

With reference to the requirements of Consob Resolution no. 15519 of 27 July 2006 concerning the tables to the financial statements, specific supplementary tables were included to highlight significant transactions with “Related parties” and “Non-recurring operations”.

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

3. Consolidation principles

Mondadori Group consolidated financial statements include:
- the financial statements of the Parent Company and the financial statements of Italian and foreign companies directly or indirectly owned by Arnoldo Mondadori Editore S.p.A., according to the provisions set out in IAS 27. In these cases the financial statements are consolidated on a line-by-line basis in accordance with IAS 27;
- the financial statements of Italian and foreign companies in which Arnoldo Mondadori Editore S.p.A. has joint control, either directly or indirectly, pursuant to IAS 31, In these cases investments are recognised in compliance with the equity method;
- the financial statements of Italian and foreign companies in which Arnoldo Mondadori Editore S.p.A. has a direct or indirect investment in an associated company pursuant to IAS 28. In these cases investments are recognised in compliance with the equity method.

The application of the above mentioned consolidation policies has led to the following adjustments:
- the book value of investments in companies included in the consolidation area is cancelled out against the related net equity;
- the difference between the cost borne for the acquisition of the investment and the relevant share of net equity is recognised on the date of purchase and allocated to the specific asset and liability items at fair value. Any positive difference is recognised under goodwill; any negative difference is recognised under income statement;
- consolidated equity amounts, reserves and the financial result attributable to minority shareholders’ interests are recognised under separate items in consolidated Shareholders’ equity and income statement;
- in preparing the consolidated financial statements, receivables and payables, revenues and expenses resulting from transactions between companies included in the consolidation area are cancelled out as are any unrealised gains or losses on intercompany transactions.

The financial statements of companies included in the consolidation area are prepared at the same closing date of Arnoldo Mondadori Editore S.p.A., in accordance with IAS/IFRS.

In cases where the closing date is different from the Parent Company’s closing date, adjustments are made in order to recognise the effects of any significant transactions or events that have occurred between that date and the Parent Company’s closing date.

No significant transaction was completed in the period of reference:
- the stake held in some non strategic associated companies was transferred (in the consortia Roccella, Novamusa Val di Noto, Novamusa Val di Mazara, Novamusa Valdemone) and the shareholding in MDM Milano Distribuzione Media S.r.l. was subject to dilution;
- Mondadori International S.p.A. was merged by incorporation in the Parent Company;
- Glaming S.r.l. was put in liquidation.

Company name	Registered office	Business	Currency	Share capital expressed in local currency	Group interest held as at 31/12/2013	Group interest held as at 31/12/2012
Companies consolidated using line-by-line method						
Arnoldo Mondadori Editore S.p.A.	Milan	Publishing	Euro	64,079,168.40		
Italian subsidiaries:						
Cemit Interactive Media S.p.A.	S. Mauro Torinese (Turin)	Trade	Euro	3,835,000.00	100.00	100.00
Edizioni Piemme S.p.A.	Milan	Publishing	Euro	566,661.00	100.00	100.00
Mondadori Education S.p.A.	Milan	Publishing	Euro	10,608,000.00	100.00	100.00
Mondadori Electa S.p.A.	Milan	Publishing	Euro	1,593,735.00	100.00	100.00
Electa S.r.l.	Milan	Services	Euro	20,000.00	100.00	100.00
Mondadori Direct S.p.A.	Milan	Trade	Euro	2,700,000.00	100.00	100.00
Giulio Einaudi editore S.p.A.	Turin	Publishing	Euro	23,920,000.00	100.00	100.00
Glaming S.r.l. (in liquidation)	Milan	Gambling	Euro	20,000.00	100.00	100.00
Mondadori International S.p.A.	Milan	Financial	Euro			100.00
Mondadori International Business S.r.l.	Milan	Publishing	Euro	2,800,000.00	100.00	100.00
Mondadori International S.p.A.	Milan	Conc. Advert.	Euro	3,120,000.00	100.00	100.00
Mondadori Iniziative Editoriali S.p.A.	Milan	Trade Publ.	Euro	500,000.00	100.00	100.00
Press-Di Distribuzione Stampa e Multimedia S.r.l.	Milan	Services	Euro	1,095,000.00	100.00	100.00
Monradio S.r.l.	Milan	Radio	Euro	3,030,000.00	100.00	100.00
Sperling & Kupfer Editori S.p.A.	Milan	Publishing	Euro	1,555,800.00	100.00	100.00
Sporting Club Verona S.r.l.	Milan	Sports Club	Euro	100,000.00	100.00	100.00
Foreign subsidiaries:						
ABS Finance Fund Sicav (in liquidation)	Luxembourg	Financial	Euro			70.57
Mondadori France Group	Paris	Publishing	Euro	50,000,000.00	100.00	100.00

Company name	Registered office	Business	Currency	Share capital expressed in local currency	Group interest held as at 31/12/2013	Group interest held as at 31/12/2012
Companies valued at equity						
ACI-Mondadori S.p.A.	Milan	Publishing	Euro	590,290.00	50.00	50.00
MDM Milano Distribuzione Media S.r.l.	Milan	Trade	Euro			20.00
Attica Publications Group	Athens	Publishing	Euro	4,590,000.00	41.98	41.98
Campania Arte S.c.ar.l.	Rome	Services	Euro	100,000.00	22.00	22.00
Consorzio Covar (in liquidation)	Rome	Services	Euro	15,493.70	25.00	25.00
Consorzio Forma	Pisa	Services	Euro	3,615.00	25.00	25.00
Edizioni EL S.r.l.	Trieste	Publishing	Euro	620,000.00	50.00	50.00
Gruner + Jahr/Mondadori S.p.A.	Milan	Publishing	Euro	2,600,000.00	50.00	50.00
Harlequin Mondadori S.p.A.	Milan	Publishing	Euro	258,250.00	50.00	50.00
Mach 2 Libri S.p.A.	Peschiera Borromeo (MI)	Trade	Euro	646,250.00	34.91	34.91
Mach 2 Press S.r.l.	Peschiera Borromeo (MI)	Trade	Euro	200,000.00	46.98	46.98
Mediamond S.p.A.	Milan	Conc. - Advert.	Euro	1,500,000.00	50.00	50.00
Mondadori Independent Media LLC	Moscow	Publishing	Rouble	92,232,160.00	50.00	50.00
Mondadori Seec Advertising Co. Ltd	Beijing	Publishing	Cny	40,000,000.00	50.00	50.00
Novamusa Val di Noto S.c.ar.l.	Messina	Services	Euro			20.00
Novamusa Valdemone S.c.ar.l.	Messina	Services	Euro			20.00
Novamusa Val di Mazara S.c.ar.l.	Messina	Services	Euro			20.00
Roccella S.c.ar.l. (in liquidation)	Naples	Services	Euro			49.50
Società Europea di Edizioni S.p.A.	Milan	Publishing	Euro	2,528,875.00	36.89	36.89
Venezia Musei Società per i servizi museali S.c.a r.l. (in liquidation)	Venice	Services	Euro	10,000.00	34.00	34.00
Venezia Accademia Società per i servizi museali S.c.ar.l.	Venice	Services	Euro	10,000.00	25.00	25.00
Companies valued at equity						
Aranova Freedom Società Consortile ar.l.	Bologna	Radio	Euro	19,200.00	16.66	16.66
Audiradio S.r.l. (in liquidation)	Milan	Services	Euro	258,000.00	2.50	2.50
Club Dab Italia S.c. per azioni	Milan	Radio	Euro	240,000.00	12.50	12.50
Consuledit S.r.l. (in liquidation)	Milan	Services	Euro	20,000.00	9.56	9.56
Consorzio Edicola Italiana	Milan	Services	Euro	60,000.00	16.67	16.67
Consorzio Forte Montagnolo	Civitanova Marche	Radio	Euro	26,000.00	3.85	3.85
Consorzio Riqualificazione Monte Gennaro	Rome	Radio	Euro	15,000.00	6.67	6.67
Consorzio Antenna Colbuccaro	Ascoli Piceno	Radio	Euro	180,000.00	4.44	4.44
Consorzio Camaldoli 1	Naples	Radio	Euro	42,000.00	4.76	4.76
Consorzio Sistemi Informativi Editoriali Distributivi	Milan	Services	Euro	103,291.38	10.00	10.00
Editrice Portoria S.p.A.	Milan	Publishing	Euro	364,000.00	16.78	16.78
Immobiliare Editori Giornali S.r.l.	Rome	Real Estate	Euro	830,462.00	7.88	7.88
MDM Milano Distribuzione Media S.r.l.	Milan	Trade	Euro	611,765.00	17.00	
SCABEC S.p.A.	Naples	Services	Euro	1,000,000.00	10.78	10.78
Selcon S.r.l.	Milan	Services	Euro	20,800.00	25.60	25.60
Società Editrice Il Mulino S.p.A.	Bologna	Publishing	Euro	1,175,000.00	7.05	7.05

4. Conversion of financial statements denominated in foreign currencies

All amounts in the Mondadori Group consolidated financial statements are in euros, which is the Group's functional and presentation currency.

When the financial statements of companies are denominated in a different currency, they are converted into the entity's presentation currency as follows:

- assets and liabilities are converted at the exchange rate ruling at closing;
- income statement items are converted at the average exchange rate for the period.

Currency exchange rate differences that arise from these conversions are recognised in a specific reserve under Shareholders' equity.

5. Segment information

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

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

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

6. Accounting principles and valuation criteria

The following is an explanation of the principles adopted by the Group in preparing the IAS/IFRS financial statements at 31 December 2013.

6.1. Intangible assets

When it is probable that costs will generate future economic benefits, intangible assets include the cost, including accessory charges, of the purchase of assets or resources, without any physical form, used in the production of goods or in the supply of services, to rent to third parties or for administrative purposes, on condition that the cost is quantifiable in a reliable manner and that the goods are clearly identifiable and controlled by the company that owns them.

Any costs incurred after the initial purchase are included in the increase of the cost of intangible assets in direct relation to the extent to which those costs are able to generate future economic benefits.

Internal costs for producing mastheads and for the launch of newspapers and magazines are recognised in the income statement for the year in question.

Subsequent to initial recognition, intangible assets are valued at cost, net of accumulated amortisation and any accumulated impairment losses.

Intangible assets purchased separately and those purchased as part of business combinations that took place before the first adoption of IAS/IFRS are initially recognised at cost, while those purchased as part of business combination transactions carried out after the first adoption of IAS/IFRS are initially recognised at fair value.

Intangible assets with finite useful life

The cost of intangible assets with a finite useful life is systematically amortized over the useful life of the asset from the moment that the asset is available for use.The amortisation criteria depend on how the relative future economic benefits contribute to the Company's result.

The amortisation rates reflecting the useful lives attributed to intangible assets with a finite life are as follows:

Intangible assets with finite useful life	Useful life
Magazines	Duration of license/30 years
Replacement charges for lease contracts	Duration of the lease contract
Goods under concession or license	Duration of the concession and license
Software	Straight line over 3 years
Patents and rights	Straight line over 3-5 years
Other intangible assets	Straight line over 3-5 years

Intangible assets with a finite useful life are subject to an impairment test every time there is an indication of a possible loss of value. The period and method of amortisation applied are reviewed at the end of each year or more frequently, if necessary.

Variations in the expected useful life or in the way future economic benefits linked to intangible assets are expected to be earned by the Group are recognised by modifying the period or method of amortisation, and are treated as adjustments to accounting estimates.

Intangible assets with an indefinite useful life

Intangible assets are considered to have an indefinite useful life when, on the basis of a thorough analysis of the relevant factors, there is no foreseeable limit to the length of time the assets may generate income for the Mondadori Group.

The intangible assets identified by the Mondadori Group as having an indefinite useful life are shown in the table below:

Intangible assets with indefinite useful life
Magazines
Series
Radio stations
Brands
Goodwill

Goodwill represents the excess of the cost of a business combination over the Group's purchased share in the fair value of the assets, liabilities and contingent liabilities acquired, as identifiable at the time of purchase. Goodwill and other intangible assets with an indefinite useful life are not subject to amortisation but to an impairment test of their book value.This test concerns the value of the individual assets or of cash generating unit and is carried out whenever it is believed that the value has decreased, and in any case at least once a year.

In cases where goodwill is attributed to a cash generating unit (or to a group of units) whose assets are partially disposed of, goodwill associated with the asset disposed of is reviewed in order to determine any capital gains or losses resulting from the transaction. In these circumstances, goodwill disposed of is measured on the basis of the value of the assets disposed of, compared with the asset still included in the cash generating unit in question.

6.2. Property investments

A property investment is recognised as an asset when it is held in order to earn income from its rental or to increase its invested capital value, on condition that the cost of the asset can be reliably measured and that future economic benefits will flow to the entity.

Property investments are valued at cost, which includes the purchase cost and all accessory charges directly connected to the purchase.

Costs which arise after the initial purchase are included in the increase of the cost of the property in direct relation to how much those costs are able to generate future economic benefits higher than those originally assessed.

The cost of property investments, except for that part pertaining to the cost of the land, is systematically amortised over the useful life of the asset. Amortisation criteria depend on how the relative future economic benefits accrue to the entity.

The amortisation rates reflecting the useful lives attributed to Group's property investments are as follows:

Investments	Amortisation rate
Non-instrumental buildings	3%

Both the useful life and the amortisation criteria are periodically reviewed and, if any significant changes are found in the assumptions previously adopted, the amortisation rate for the period in question and for successive periods is adjusted.

Income and losses deriving from the disposal of property investments are recognised in the income statement pertaining to the year in which the transaction takes place.

Property investments are reclassified when there is a change in use following to specific events.

6.3. Property, plant and equipment

Any costs attributable to the purchase of property, plant and equipment are recognised as assets, on condition that the relevant costs can be reliably calculated and any relative future economic benefits accrue to the entity.

Assets booked to property, plant and equipment are valued at cost, including any accessory charges, and are stated net of depreciation and any impairment.

Costs which arise after the initial purchase are recognised as an increase in cost in direct relation to the extent that these costs can improve the asset's yield.

Assets booked to property, plant and equipment purchased as part of acquisitions and business combinations are initially recognised at fair value as determined at the time of purchase and, subsequently, at cost.

Assets recognised as property, plant and equipment, with the exception of land, are depreciated on a straight line basis during the useful life of the asset from the moment the assets are available for use.

If the assets include more than one significant component and the components have different useful lives, each individual component is depreciated separately.

The depreciation rates that generally reflect the useful lives attributed to Group property, plant and equipment are shown in the table below:

Property, plant and equipment	Depreciation rate
Instrumental buildings	3%
Plant	10%-25%
Machinery	15.5%
Equipment	12.5%-25%
Electronic office equipment	30%
Office furniture, and machines	12%
Motor vehicles and transport vehicles	20%-30%
Other assets	20%

The residual value of assets, useful lives and depreciation criteria applied are reviewed on an annual basis and adjusted, if necessary, at year end.

Leasehold improvements are recognised as fixed assets and depreciated over the lower between the residual useful life of the asset and the residual term of the lease contract.

6.4 Finance lease assets

Assets acquired under finance leases, which transfer all the relevant risks and benefits to the Group, are recognised at current value or, if lower, at the value of the minimum lease payments, including the amount to be paid for exercising an eventual purchase option.

Liabilities arising from leasing contracts are recognised under financial liabilities.

These assets are classified in the relevant categories under properties, plant and equipment and are depreciated over the lower between the contract term and the useful life of the asset in question.

Lease contracts in which the lessor substantially retains all the risks and benefits associated with asset ownership are classified as operating leases and the relevant costs are recognised in the income statement for the entire duration of contract term.

6.5. Financial costs

The financial costs resulting from asset purchase, development or production are capitalized. In case failed identification of assets justifying capitalization, the costs are recognised under income statement in the year in which they are borne.

6.6 Impairment

The carrying value of intangible assets, investment property and property, plant and equipment is subject to an impairment test whenever it is believed that it may have decreased.

Impairment tests are carried out at least once a year on goodwill, other intangible assets with an indefinite useful life and on other assets that are not available for use, and are performed by comparing the carrying value with whichever is higher between the fair value minus the sales cost and the value in use of the asset.

If no binding sales agreement or active market for an asset exist, the fair value is calculated on the basis of the best information available as to the amount the entity would obtain at closing from the disposal of an asset in a free transaction between informed and willing parties, having deducted the costs of disposal.

The value in use of an asset is determined by discounting the cash flows expected from its use, subjecting forecasts of the relevant financial income on reasonable and sustainable assumptions used by the management to best represent the economic conditions foreseen for the remainder of the life of the asset, giving more weight to external indicators.

Discounting rates reflect current market estimates of the time value of money and the specific risks connected to the asset.

The valuation is carried out by individual asset or by the smallest Cash Generating Unit that generates cash flows from asset use.

Should the value resulting from the impairment test be lower than cost, the loss is recognised as a reduction in the value of the asset and recognised as a cost item in income statement.

If during subsequent financial years, when the impairment test is repeated, the reasons for the impairment no longer exist, the value of the asset, excluding goodwill, is reinstated to take into account the new recoverable value, which should never exceed the value that would have been stated had no loss in value been recognised.

6.7 Investments in subsidiaries, joint ventures and associated companies

This item refers to investments in companies under joint control, in which any financial and strategically relevant decisions require the agreement of all the parties sharing control.

This item also includes investments in companies in which the Group has a significant influence, i.e. where the Group has the power to take part in the definition of the company's financial and management policies without having control or joint control thereupon.

Investments in joint ventures and associated companies are initially recognised at cost and subsequently adjusted as a result of any changes in the interest the Group holds in the relevant equity.
The Group's share of any income and loss of such companies is recognised under income statement.

The relevant book value also contains any excess cost paid and attributable to goodwill.

The risk resulting from any loss exceeding Shareholders' equity is recognised as a liability to the extent to which the Group is legally bound or held liable or has made payments on behalf of the company in question.

6.8. Inventory

Inventory is valued at the lower between the cost and the net realizable value. Inventory cost includes purchase costs, processing costs and other costs involved in bringing an item to its current location and condition, without taking financial charges into consideration.

The calculation of cost of inventory is based on the weighted average cost of raw and consumption materials and of finished products purchased for sale. The FIFO method is used for finished products.

The valuation of goods under construction and semi-finished products and work in progress to order is based on the cost of the materials and other direct costs incurred, taking into account the progress of the production process.

The presumed net value for raw, subsidiary and consumption materials corresponds to the cost of their replacement, while for semi-finished and finished products it corresponds to the standard estimated sales price net of estimated cost to completion and sales cost, respectively.

6.9. Financial assets

Financial assets are valued at fair value, increased by accessory purchase charges. Purchases and sales of financial assets are recognised as of the trading date, which corresponds to the date in which the Group agrees to purchase the asset in question. After initial recognition, financial assets are posted according to the relevant classification, as outlined below.

Financial assets at fair value with adjustments recognised under income statement

In accordance with IAS 39, this category includes:

- financial assets/liabilities which the Group posted at fair value through income and loss under income statement upon first recognition;
- financial assets/liabilities held for trading as:
  - classified as held for trading, i.e. purchased or committed to for the purpose of gaining benefits from short-term price fluctuations;
  - part of a portfolio of specific financial instruments that are managed en bloc and for which there is recent, reliable evidence of short-term benefits.

In an active market, the fair value of these instruments is calculated by making reference to the market value at closing, while financial evaluation techniques are used in case of no active market. Profit and losses deriving from fair value evaluation of assets held for trading are recognised in income statement.

Held-to-maturity investments

Assets that envisage fixed or determinable payments with a fixed maturity date, that the Group intends to hold in its portfolio, are classified as financial assets held to maturity.

Long-term financial investments that are held to their maturity, such as bonds, are valued, after their initial recognition by using the amortised cost method based on effective interest rates, i.e. the rates that will apply to future payments or returns estimated for the entire life of the financial instrument.
Calculation of amortised cost also considers any discounts or premiums that will be applied over the period of time to maturity.

Financial assets that the Group decides to keep in its portfolio for an indefinite period do not fall into this category.

Loans and receivables

IAS 39 defines these financial assets as having fixed or determinable payments that are not listed on an active market, with the exception of those designated as being held for trading or as being available for sale. These assets are recognised at amortised cost using the discounting method. Income and loss are recognised under income statement when loans and receivables are cancelled out or in case of impairment, as well as through amortisation.

The Group includes trade receivables, both financial and other receivables into this category. These are due within 12 months and are therefore recognised at nominal value (net of any impairment loss). This category also includes item "Cash and other cash equivalents".

Held-for-sale financial assets
Held-for-sale financial assets include all assets which do not fall into any of the categories mentioned above.

After being initially measured at cost, held-for-sale financial assets are measured at fair value; income and loss from valuations are recognised in a separate item under Shareholders' equity for as long as the assets are held in the portfolio and for as long as no impairment loss is identified.

In the case of shares widely traded on regulated markets, fair value is determined by referring to the listing reached at the end of the trading day corresponding to the closing date.

For investments where an active market does not exist, fair value is determined by valuations based on recent trading prices between independent parties, or on the basis of the current market value of a substantially similar financial instrument or on the analysis of discounted cash flows or option pricing models.

Held-for-sale financial assets also include investments in other companies, which are valued at cost since the fair value cannot be reliably calculated.

6.10 Trade receivables and other receivables
Trade receivables and other receivables are initially recognised at cost, i.e. at the fair value of the price collected upon completion of the relevant transaction. Receivables are recognised at current values when the relevant financial impact linked to the expected collection time span is significant and the collection date can be reliably estimated.
Receivables are recognised in the financial statements at their estimated realisable value.

6.11 Treasury shares
Treasury shares recognised to reduce Shareholders' equity are booked in a separate reserve. No income or loss is recognised under income statement for the purchase, sale, issue, cancellation or any other transaction involving treasury shares.

6.12 Cash, liquidity and cash equivalents
The cash, liquidity and cash equivalents item includes cash on hand and financial investments falling due within three months and which entail only a minimal risk of variation in their face value.
They are recognised at face value.

6.13 Financial liabilities
Financial liabilities include financial payables, derivative instruments, payables associated with financial leasing contracts and trade payables. All financial liabilities other than derivative financial instruments are initially valued at fair value, increased by any transaction costs, and are subsequently valued at amortised cost using the interest rate method.

Financial liabilities hedged by derivative instruments against the risk of changes in value (fair value hedges) are valued at fair value, in accordance with IAS 39 - Hedge accounting. Income and loss resulting from subsequent variations in fair value are recognised under income statement. Any changes linked to the effective hedge portion are compensated for by adjusting the value of the relevant derivative instruments.
Financial liabilities hedged by derivative instruments against the risk of changes in cash flow (cash flow hedges) are valued at amortised cost in compliance with IAS 39 - Hedge accounting.

6.14 Derecognition of financial assets and liabilities
A financial asset or, where applicable, part of a financial asset or parts of a group of similar financial assets, is derecognised when:
- the right to receive cash flows from the asset has been extinguished;
- the Group still has the right to receive cash flows from the asset but has taken on a contractual obligation to transfer the entire cash flow promptly to a third party;
- the Group has transferred the right to receive cash flows from an asset and has transferred substantially all the risks and benefits deriving from the ownership of the financial asset or has transferred control of the financial asset.

A financial liability is derecognised when the underlying obligation has been discharged, cancelled or expired.

6.15 Impairment of financial assets
Upon closing, the Group carries out an impairment test in order to determine whether a financial asset or group of financial assets has decreased in value.

Financial assets valued at amortised cost
If there is objective evidence of a reduction in the value of loans and receivables, the loss amount is recognised under income statement and is calculated as the difference between the asset's book value and the current value of the estimated cash flows discounted based on the interest rate used initially for the asset.

If, in a subsequent period, the value loss amount decreases and such reduction can be objectively attributed to an event that has occurred after recognition of impairment, the previously recognised loss of value is reversed up to the amount the asset would have had, taking amortisation into account, at the date of the reversal.

Held-for-sale financial assets
When any financial asset available for sale is subject to impairment, the accumulated value loss is recognised under income statement. Value reversals relative to equity instruments classified as available for sale are not recognised under income statement. Value reversals relative to debt instruments are recognised under income statement if the increase in the fair value of the instrument can be objectively attributed to an event that occurred after recognition of impairment in the income statement.

Financial assets valued at cost
If there is objective evidence of a reduction in the value of an unlisted equity instrument which was not recognised at fair value, because its fair value could not be reliably measured, or of a derivative instrument associated with and regulated by delivery of such unlisted equity instrument, the value loss amount is measured as the difference between the carrying value of the asset and the current value of the expected future cash flows discounted based on the current market performance rate for similar financial assets.

6.16 Derivative financial instruments
Derivative financial instruments are initially recognised at fair value at the date they are stipulated. When a hedge operation is entered into, the Group designates and formally documents the hedge relationship for hedge accounting purposes and its objectives for risk and strategy management purposes. The documentation includes the identification of the hedging instrument, the object or transaction subject to hedge, the nature of the risk and the criteria adopted by the Group to evaluate hedging effectiveness in compensating exposure to fair value fluctuations of the object hedged or cash flows correlated to the risk hedged.

It is assumed that such hedges are sufficiently effective to compensate for the exposure of the object hedged against fair value fluctuations or cash flows correlated to the risk hedged. The valuation of the effectiveness of such hedges is carried out on an ongoing basis over the years of application.

Transactions that satisfy hedge accounting criteria are accounted for as follows:

Fair value hedge
If a derivative financial instrument is designated as a hedge against the exposure to variations in the fair value of an asset or liability attributable to a particular risk, the income or loss deriving from subsequent variations in the fair value of the hedge instrument is recognised under income statement. The income or loss deriving from the adjustment of the fair value of the item hedged, to the extent attributable to the risk hedged, modifies the carrying value of the item and is recognised under income statement.

As for the fair value hedge of items recognised at amortised cost, the adjustment of the carrying value is amortised under income statement throughout the period before maturity. Any adjustments to the carrying value of any hedged financial instrument for which the interest rate method is applied, are amortised under income statement.

The amortisation may begin as soon as an adjustment is identified but it may not be extended after the date in which the object hedged ceases to be subject to fair value adjustments attributable to the hedging risk. If the hedged object is cancelled, the fair value that has not been amortised is immediately recognised under income statement.

Cash flow hedge
If a derivative financial instrument is designated as a hedging instrument against exposure to cash flow variations of an asset or liability included in the financial statements or of a highly probable transaction, the effective portion of profit or loss deriving from fair value adjustment of the derivative instrument is recognised in a special reserve under Shareholders' equity. The accumulated income or loss is written off from the equity reserve and recognised under income statement, when the results of the transaction subject to hedge are recognised under income statement.

Income and loss associated with the ineffective part of a hedge are recognised under income statement. When a hedging instrument is terminated, but the transaction subject to hedge has not yet been carried out, the accumulated income and loss are kept in the reserve under Shareholders' equity and will be reclassified under income statement upon completion of the transaction. Should the transaction subject to hedge be considered as no longer probable, any unrealised income and loss posted under the relevant Shareholders' equity reserve are recognised under income statement.

When hedge accounting is not applicable, income and loss deriving from the fair value valuation of the derivative financial instrument are recognised under income statement.

6.17 Provisions
Provisions established to cover liabilities that have been clearly identified are certain or probable but whose amount or date of occurrence cannot be foreseen at the reporting date, are recognised when a legal or implicit obligation can be assumed which refers to past events and when it is also assumed that such obligation implies expenses that can be reliably measured.

Provisions are valued at fair value based on each individual liability item. When the financial impact associated with the assumed time span for the outlay is relevant and the payment dates can be reliably foreseen, provisions include said financial component, which is recognised in financial income (expense) in the income statement.

6.18 Post-employment benefits
Benefits due to employees upon termination of the relevant labour contract are broken down according to their economic nature as follows:
- defined contribution plans, represented by the sums accrued as of 1 January 2007 for Group companies with more than 50 employees;
- defined benefit plans, represented by the severance indemnity fund for companies with less than 50 employees and the severance indemnity fund accrued until 31 December 2006 for the other Group companies.

In the defined contribution plans, the entity's legal or implicit obligation is limited to the amount of contributions to pay; hence, the actuarial and investment risks fall upon the employee. In the defined benefit plans, the entity's obligation consists in granting and ensuring the agreed benefits to employees; hence, the actuarial and investment risks fall upon the entity.

Post-employment benefits for companies with more than 50 employees are calculated by applying actuarial criteria to the severance indemnity provision accrued until the date of the financial statements, taking into account both demographic assumptions, including mortality rates and employee turnover, and financial assumptions, relating to discounts reflecting the time value of money and the inflation rate.

Post-employment benefits for companies with less than 50 employees are calculated by applying the same actuarial criteria, taking into account current and future salary levels.

The amount recognised as a liability for defined benefit plans is represented by the current liability value at closing, net of the current value of plan assets, if any. This liability item is listed in the income statement and includes the following components:
- social security costs relative to current labour;
- cost of interest;
- the expected return from any asset plan, if any.

Starting from the 2013 financial year, in compliance with revised IAS 19, the Group recognises all actuarial gains and losses directly under a specific item of Shareholders' equity and comprehensive income statement.

The amounts accrued in favour of employees during the year are recognised under "Costs of personnel", while the relevant financial component, which represents the cost the company would have to incur if it were to seek a loan on the market for the same amount, is recognised under "Financial revenues (costs)".

The supplementary indemnity for agents is also determined on an actuarial basis. The amounts accrued in favour of agents during the year, which become payable upon termination of the labour contract only under certain conditions, is recognised under "Other costs (revenues)".

6.19 Stock option plans
The Group grants additional benefits to directors and managers whose functions are strategically relevant for the attainment of the company's results, through the provision of equity-settled stock option plans.

Stock options are stated at fair value upon delivery. Fair value is determined on the basis of a binomial model and subject to the provisions of the individual plans.

These benefits are recognised as cost of personnel in the period of reference consistently with the vesting period starting from the date of delivery with a counter-item in "Reserve for stock options" under Shareholders' equity.

At the end of each financial year, the previously calculated fair value of every option is neither adjusted nor updated; at closing, the estimate of the number of options expected to be exercised to maturity (and therefore the number of employees entitled to exercise these options) is consequently updated. Any change in this estimate is recognised in item "Reserve for stock options" with a counter-item in personnel costs under income statement.

When an option is exercised, the part of the "Reserve for stock options" relating to exercised options is reclassified under "Share premium reserve" while the part of the "Reserve for stock options" relating to cancelled out, expired options, or options coming to maturity is reclassified under "Other reserves".

The dilution effect of options that have not yet been exercised is reflected in the calculation of diluted earnings per share.

The Mondadori Group implemented the provisions contained in IFRS 2 for all stock option plans granted after 7 November 2002.

6.20 Recognition of revenues and costs

Revenues from the sale of goods are recognised net of agency and commercial discounts, allowances and returns when it is probable that the relevant economic benefits will flow to the Group and the relevant revenue amount may be reliably determined.

Revenues from the sale of magazines and advertising spaces are recognised on the basis of the relevant date of publication.

Revenues from barter transactions are recognised at fair value when the barter deal involves dissimilar services. Dissimilar services comprise barter deals for goods and advertising, when they refer to different communications means or product positioning.

Revenues from services are recognised based on the relevant state of completion, when it is probable that the economic benefits arising from the sale flow to the Group and when the revenue amount may be reliably calculated.

Revenues from interest are recognised on an accrual basis by applying the interest method; royalties are recognised on an accrual basis and subject to the conditions of the relevant agreements; dividends are recognised when the shareholder is acknowledged the right to payment.

Costs are recognised based on similar criteria as revenues and, in any case, on an accrual basis.

6.21 Current, pre-paid and deferred taxes

Current taxes are calculated on the basis of a taxable income estimate and in accordance with the laws applicable in the individual countries in which any of the Group companies has its registered offices.

Deferred and pre-paid taxes are calculated on all the temporary differences between recognised assets and liabilities and the relevant book values booked in the financial statements for tax purposes, with the exception of the following:

- temporary taxable differences deriving from the initial recognition of goodwill;
- temporary differences resulting from the initial recognition of an asset or a liability in a transaction which does not imply business combination and which does not have any impact either on the result or the taxable income on the transaction date;
- temporary differences realtive to the value of the shareholding held in subsidiary, associated and jointly-controlled companies when:
  - the Group is in a position to control the timing for the reversal of temporary taxable differences and it is probable that such differences shall not reverse in the foreseeable future;
  - it is not probable that deductible temporary differences will reverse in the foreseeable future and that taxable income is available to cover such temporary differences.

The value of pre-paid tax amounts is reviewed at closing and is reduced if it is no longer probable that sufficient taxable income will be available in the future to cover all or part of these assets.
Deferred and pre-paid tax amounts are calculated on the basis of the tax rates that are expected to apply in the period in which assets are realised and liabilities are settled, considering the then applicable tax rates or the tax rates essentially used at closing.

Deferred and pre-paid tax amounts relating to items directly recognised under equity are recognised directly under Shareholders' equity.

6.22 Transactions denominated in foreign currencies

Revenues and costs deriving from transactions denominated in foreign currencies are posted in the relevant currency at the exchange rate applied on the transaction date.
Monetary assets and liabilities denominated in foreign currencies are converted at the exchange rate ruling at closing and any exchange differences are recognised under income statement, except for the differences deriving from loans denominated in foreign currency taken out to pay for the acquisition of an interest in a foreign company. In the latter case, such differences are recognised under Shareholders' equity until disposal.
Non-monetary items valued at cost in a foreign currency are converted using the exchange rates applied on the relevant transaction date. Non-monetary items recognised at fair value in a foreign currency are converted using the exchange rates applied on the fair value calculation date.

6.23 Grants and contributions

Grants and contributions are recognised if there is a reasonable certainty that they will be received and if all the conditions referring to them are satisfied. When grants refer to cost items, they are recognised as revenues and systematically distributed over the years so as to reflect the cost proportion they are intended to offset. When grants refer to assets, the relevant fair value is deferred in long-term liabilities and is recognised in equal amounts under income statement over the useful life of the asset.

6.24 Earnings per share

Earnings per share refer to the Group's net profit divided by the weighted average number of outstanding shares in the period of reference.
For the purpose of calculating diluted earnings per share, the weighted average number of outstanding shares is adjusted on the assumption of converting shares with a dilution effect.

6.25 Held-for-sale assets and liabilities (discontinued operations)

Non-current assets and groups of assets and liabilities whose book value is mainly expected to be recovered through disposal instead of continuous use are recognised separately from other assets and liabilities in the Company's balance sheet. Such assets and liabilities are classified as "Held-for-sale assets" and are valued at the lower between their book value and fair value less probable costs of disposal. Income and loss, net of the related tax effect, resulting from the valuation or disposal of such assets or liabilities are recognised in a separate item in the income statement.

6.26 Accounting standards and interpretations adopted by the European Union with effect from 1 January 2013 and applied by Mondadori Group

The following accounting standards, amendments and interpretations have been applied by the Group for the first time with effect from 1 January 2013.

IFRS 13 - Fair value measurement

On 12 May 2011 IASB issued IFRS 13 - Fair value measurement, clarifying how to measure fair value for accounting purposes. It applies to all IFRS principles that require or permit the calculation at fair value or the presentation of information based on fair value, with a few limited exclusions. In addition, this principle requires disclosure of information regarding fair value determination (fair value hierarchy) more extended than the one currently requested by IFRS 7. The principle is effective retroactively as of 1 January 2013. The adoption of this principle did not have any significant impact on the presentation of these financial statements.

IAS 19 - Employee benefits

On 16 June 2011 IASB issued an amendment to IAS 19 - Employee benefits, eliminating the option to account for actuarial gains and losses with the so-called "corridor approach" and requiring that all actuarial gains and losses be immediately recognised in "Other comprehensive income" so that the entire net amount of the provisions for defined benefits (net of plan-targeted assets) be recognised in the consolidated balance sheet.

The amendment also includes that differences between one financial year and the next, in the provisions for defined benefits and plan-based assets are divided into three parts: the cost items associated with the working performance in the financial year must be recognised under income statement as "Service costs"; net financial expenses calculated by applying the appropriate discount rate to the net balance of the defined benefit provision net of assets resulting from the initial balance of the period must be recognised under income statement as such and actuarial gains and losses deriving from the new calculation of assets and liabilities must be recognised in "Other comprehensive income". In addition, the performance of assets included under net financial expenses as above indicated must be calculated based on the discount rate of liabilities and no longer on the expected performance of assets. This amendment also requires disclosures of new information in the explanatory notes to the financial statements. The amendment is effective retroactively from the financial year beginning on or after 1 January 2013.

IAS 1 - Presentation of financial statements

On 16 June, 2011 IASB issued an amendment to IAS 1 - Presentation of financial statements requiring entities to group all components under "Other comprehensive income" based on whether they can be or not reclassified at a later stage under income statement. The amendment is effective starting from the financial years beginning on or after 1 July 2012.

IFRS 7 – Financial instruments: Disclosures

On 16 December, 2011 IASB issued a few amendments to IFRS 7 - Financial Instruments: Disclosures. The introduced amendments require the disclosure of information regarding the effects or potential effects of compensation of financial assets and liabilities on the balance sheet of an entity. The amendments are effective starting from the financial years beginning on or after 1 January 2013 and information must be disclosed retroactively.

6.27 New standards and interpretations not yet in effect and applicable by the Mondadori Group

IFRS 10 - Consolidated Financial Statements

On 12 May 2011 IASB issued IFRS 10 - Consolidated financial statements, replacing SIC 12 - Consolidation - Special purpose entities and part of IAS 27 - Consolidated and separate financial statements, which will be re-named separate financial statements, regulating the accounting rules applicable to investment entities booked in the separate financial statements. The main variations established in this new principles are the following:

- based on IFRS 10, there is one single basic principle to consolidate entities, this is control. This variation eliminates the inconsistency perceived between the previous IAS 27 (based on control) and SIC 12 (based on risks and benefits);
- a more robust definition of control is provided compared to the past, based on three elements: (a) control on the acquired entity; (b) exposure, or right, to variable performances deriving from the involvement with the same; (c) ability to use power to influence the amount of performance;
- IFRS 10 requires that for the purpose of evaluating the control on an acquired entity, an investor focuses on the activities that significantly impact the performance of the same entity;
- IFRS 10 requires that, in evaluating control, only essential rights are taken into account, i.e. those rights that can be concretely exercised when relevant decisions need to be made on the acquired entity;
- IFRS 10 envisages practical support guidelines in the evaluation in case of control in complex situations, such as, concretely, potential voting rights and the situations in which it is necessary to determine whether the person having the power to resolve is acting as an agent or principal, etc.

In general terms, the application of IFRS 10 requires a significant level of confidence on a certain number of operating aspects.

The principle is effective retroactively as of 1 January 2014.

The analysis, which has not been completed yet, reveals that the application of these new provisions does not apparently have an impact on the consolidation area.

IFRS 11 - Joint arrangements

On 12 May 2011 IASB issued IFRS 11 - Joint arrangements, to replace IAS 31 - Interests in joint ventures and SIC 13 - Jointly controlled entities - Non-monetary contributions by venture partners.

Without prejudice to the criteria for the identification of joint control, this new principle provides rules for the accounting of joint arrangements based on rights and obligations deriving from agreements rather than from the relevant legal form of the same and, consequently, requires that interests in joint ventures be evaluated at equity in the consolidated financial statements. According to IFRS 11, the existence of a separate special purpose entity is not a sufficient condition to qualify a joint arrangement as a joint venture. The principle is effective retroactively as of 1 January 2014. Following validation of the aforementioned principle, IAS 28 - Investments in associates and joint ventures - was modified to include also joint control entities in its sphere of application as of the effective date of the standard.

The analysis, which has not been completed yet, reveals that the application of these new provisions does not apparently have an impact on the consolidated financial statements.

IFRS 12 - Disclosure of interests in other entities
On 12 May 2011 IASB issued IFRS 12 - Disclosure of interests in other entities, a new and exhaustive principle regarding disclosures to be made in the consolidated financial statements for any type of interest held, including those in subsidiaries, joint arrangements, associated companies and special purpose entities and other non-consolidated special purpose vehicles. The principle is effective retroactively as of 1 January 2014.

IFRS 32 - Financial instruments
On 16 December 2011 IASB issued a few amendments to IAS 32 - Financial Instruments: financial reporting, clarifying its requirements for offsetting financial assets and financial liabilities as envisaged in IAS 32, making it more difficult. The amendments are applicable retroactively for the financial years beginning on or after 1 January 2014.

IAS 36 - Impairment of assets. Additional disclosures on the recoverable amount of non-financial assets
On 29 May 2013 IASB issued some amendments to IAS 36 - Impairment of assets. Additional disclosures on the recoverable amount of non-financial assets. These amendments aim at clarifying that any additional disclosure made on the recoverable amount of assets (goodwill included) or financial flow generating units, in the case in which their recoverable value is based on the fair value net of any transfer costs, only refer to those assets for which an impairment loss was identified or cancelled out during the year of reference. These amendments are effective retroactively starting from the financial years beginning on 1 January 2014.

7. Use of estimates
In preparing the attached tables and the notes to these financial statements, it was deemed necessary to use estimates and assumptions in order to calculate, in particular, the provisions for returns relative to the sale of publishing products, the provisions for bad debt, inventory obsolescence and risks, post-employment benefits and taxation and the expected cash flows to calculate the value of some current and non-current activities under intangible assets and goodwill.

Estimates are based on the current status of information available, are examined periodically and effects are reflected in income statement.

The general uncertainty caused by the current global economic and financial crisis and the progressive reduction in the markets within which the Group operates, made it necessary to make significant assumptions on the future trend showing substantial uncertainties on estimates. As a result, it is possible that results might differ from estimates and that adjustments to the accounting value of items need to be made.

The most significant accounting estimates that involve a high level of subjective opinion are outlined below:

Goodwill and intangible assets
The value reduction relative to goodwill and intangible assets is tested for impairment by comparing the book value of the Cash Generating Unit and the relevant recoverable value, represented by the higher between fair value and the value in use. This process includes, among others, the application of methods such as discounted cash flow, with the relevant assumptions.

Provision for advances to authors
The Group estimates the risk that advances paid to authors of literary works published or to be published may be fully or partially offset by copyrights accrued following publication.

Inventory provision
The Group estimates the amount of inventory to subject to impairment loss based on specific analyses ascertaining finished product marketability and the relevant turnover rates, and, for orders in progress, the Group considers the relevant risk of failed completion.

Provision for bad debt
The ability to recover bad debt is calculated by taking into account the risk of collection failure, the period of time receivables have been outstanding and any losses sustained in the past on similar debts.

Future returns
In the publishing sector it is accepted practice that unsold books and magazines are returned to the publisher under pre-established conditions.
Therefore, at the end of each financial year the Group measures the quantities that are expected to be returned in the following year: this estimate is based on historical statistics and takes into account also the level of circulation.

Provision for risks
Provisions made in relation to costs for judicial, fiscal and arbitration disputes are based on complex estimates that take into account the probability of losing the disputes.

Post-employment benefits
Provisions made in relation to funds in favour of employees are based on actuarial assumptions: any changes in the underlying assumptions may have significant effects on them.

Income tax
Income tax (both current and deferred) is calculated based on the applicable rates in each individual country in which the Group operates, according to a prudent interpretation of currently applicable tax laws.

8. Business combinations and other acquisitions
Business combinations are recognised using the purchase cost method pursuant to IFRS 3. Upon acquisition date, assets and liabilities pertaining to the transaction are recognised at fair value, except for any anticipated and deferred taxes and assets and liabilities relating to benefits in favour of employees, which are valued according to the relevant reference principle.
Accessory charges relating to the transaction are recognised under income statement in the financial year in which they are incurred.

Goodwill represents the difference between acquisition price, minority shareholders' equity and the fair value of any interest previously held in the acquired company against the fair value of the net assets and liabilities acquired upon completion of the transaction.

When the value of the net assets and liabilities purchased on the acquisition date exceeds the acquisition price, the minority shareholders' equity and the fair value of any interest previously held in the acquired company, such excess amount is recognised under income statement in the year in which the acquisition transaction is completed.

Minority Shareholders' equity may be valued, at acquisition date, either at fair value or pro-rata of the net assets recognised for the acquired company.
The valuation method is selected on a case-by-case basis.

For the purpose of calculating goodwill, any prices relating to the acquisition subject to the conditions of, and envisaged by business combination contracts, are valued at fair value as at the acquisition date and included in the relevant acquisition price.
Any subsequent changes in the fair value, referred to as adjustments deriving from additional information provided about facts and circumstances existing on the business combination completion date and in any case identified within the subsequent twelve months, are retroactively included in the value of goodwill.

In case of business combinations accomplished in subsequent steps, the interest previously held in the acquired company is subject to revaluation at fair value from the date of control acquisition and any resulting income or loss is recognised under income statement in the year in which the transaction is completed.

Should the values of the assets and liabilities acquired be incomplete as at the date of drafting of these financial statements, the Group recognises provisional values that will be later subject to adjustments in the financial year of reference within twelve months thereafter, so as to take into account any new information about facts and circumstances existing at the acquisition date, that, if made available earlier, would have had an impact on the value of the assets and liabilities recognised on that same date.

Business combinations completed before 1 January 2010 are recognised pursuant to the provisions contained in the previous version of IFRS 3.

9. Non-recurring income and expenses

As required by Consob Resolution no. 15519 of 27 July 2006, income and expenses deriving from non-recurring transactions are recognised under income statement.
Transactions and events are considered non-recurring when, by nature, they do not occur repeatedly during normal business operations.
The relevant effects have been outlined in a separate table in these “Explanatory notes to the financial statements”.

1. Acquisitions and transfers in the year

In the first months of 2014 the brand and asset acquisition of the Anobii Ltd global social reading platform was completed, including more than one million users in the world, of which 300,000 in Italy for a total price of euro 2.5 million.
The Group used different methods to determine the fair value of assets and liabilities subject to acquisition. The allocation of the purchase price on the net acquired assets had not been completed yet at the date of publication of these financial statements.

Transfers referred to non strategic interests held in associated companies and did not have any relevant impact on the Group's consolidated income statement and balance sheet.

2. Intangible assets

Intangible assets and the changes in the period are described and commented on below:

Intangible assets (Euro/000)	31/12/2013	31/12/2012
Intangible assets with finite useful life	200,354	228,150
Intangible assets with indefinite useful life	417,110	517,849
Total intangible assets	**617,464**	**745,999**

The following two tables show the changes in intangible assets with a finite useful life in 2012 and 2013.

Intangible assets with definite useful life (Euro/000)	Magazines	Customer lists	Charges on shop lease contract taking over	Software	Licenses, patents and rights	Other intangible assets	Intangible assets under construction and advances	Total
Cost at 31/12/2011	248,000	8,000	31,487	21,327	1,906	4,270	143	315,133
Purchases	-	-	-	1,871	6	70	32	1,979
Disposals	-	-	-	(251)	-	-	-	(251)
Changes in the consolidation area	-	-	-	91	-	-	-	91
Other changes	-	-	-	(322)	-	28	(143)	(437)
Cost at 31/12/2012	248,000	8,000	31,487	22,716	1,912	4,368	32	316,515
Depreciation and impairment loss provision at 31/12/2011	37,937	-	12,006	18,198	1,296	3,916	-	73,353
Depreciation	8,145	1,333	1,592	2,076	169	232	-	13,547
Impairment/(reinstatement of value)	269	-	1,850	-	-	-	-	2,119
Disposals	-	-	-	(251)	-	-	-	(251)
Changes in the consolidation area	-	-	-	34	-	-	-	34
Other changes	-	-	-	(441)	-	4	-	(437)
Depreciation and impairment loss provision at 31/12/2012	46,351	1,333	15,448	19,616	1,465	4,152	0	88,365
Net book value at 31/12/2011	210,063	8,000	19,481	3,129	610	354	143	241,780
Net book value at 31/12/2012	**201,649**	**6,667**	**16,039**	**3,100**	**447**	**216**	**32**	**228,150**

Intangible assets with a definite useful life mainly include the magazines published by Mondadori France Group (*Télé Star*, *Closer*, *Pleine Vie*, *Le Chasseur Français*, *Auto Plus*); the useful life of these assets, each of which represents a Cash Generating Unit, is estimated in thirty years; also EMAS list of customers with subscription is included in the same CGU and the relevant value is amortised over a period of six years.

In 2013 investments, of limited amount, mainly refer to software and IT programmes.

Disposals include the French magazine *Film Français*, with a capital gain of euro 20,000.

Impairment for euro 16,971,000 refer to the value attributed to a number of French magazines better detailed here below.

Intangible assets with definite useful life (Euro/000)	Magazines	Customer lists	Charges on shop lease contract taking over	Software	Licenses, patents and rights	Other intangible assets	Intangible assets under construction and advances	Total
Cost at 31/12/2012	248,000	8,000	31,487	22,716	1,912	4,368	32	316,515
Purchases	-	-	-	1,235	-	2,210	36	3,481
Disposals	(800)	-	(45)	(184)	-	(221)	-	(1,250)
Changes in the consolidation area	-	-	-	-	-	-	-	0
Other changes	-	-	-	32	-	(950)	(32)	(950)
Cost at 31/12/2013	247,200	8,000	31,442	23,799	1,912	5,407	36	317,796
Depreciation and impairment loss provision at 31/12/2012	46,351	1,333	15,448	19,616	1,465	4,152	-	88,365
Depreciation	8,144	1,333	1,367	1,933	402	209	-	13,388
Impairment/(reinstatement of value)	16,971	-	-	-	-	-	-	16,971
Disposals	(147)	-	(45)	(140)	-	-	-	(332)
Changes in the consolidation area	-	-	-	-	-	-	-	0
Other changes	-	-	-	(2)	2	(950)	-	(950)
Depreciation and impairment loss provision at 31/12/2013	71,319	2,666	16,770	21,407	1,869	3,411	0	117,442
Net book value at 31/12/2012	201,649	6,667	16,039	3,100	447	216	32	228,150
Net book value at 31/12/2013	**175,881**	**5,334**	**14,672**	**2,392**	**43**	**1,996**	**36**	**200,354**

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

The table below illustrates data relative to intangible assets with an indefinite useful life.

Intangible assets with an indefinite useful life (Euro/000)	Magazines	Series	Brands	Radio stations	Goodwill	Total
Cost at 31/12/2011	98,158	31,509	6,530	127,396	459,670	723,263
Purchases	-	-	135	1,658	5,759	7,552
Disposals	-	-	-	(1,450)	-	(1,450)
Changes in the consolidation area	-	-	-	-	-	0
Other changes	-	-	-	-	(3,857)	(3,857)
Cost at 31/12/2012	98,158	31,509	6,665	127,604	461,572	725,508
Impairment loss 31/12/2011	10,226	-	3,627	2,911	976	17,740
Impairment/(reinstatement of value)	599	-	1,487	46,324	142,181	190,591
Other changes/disposals	-	-	-	-	(672)	(672)
Impairment loss 31/12/2012	10,825	0	5,114	49,235	142,485	207,659
Net book value at 31/12/2011	87,932	31,509	2,903	124,485	458,694	705,523
Net book value at 31/12/2012	**87,333**	**31,509**	**1,551**	**78,369**	**319,087**	**517,849**

In 2013 no significant purchases and disposals of intangible assets with an indefinite useful life were completed; impairment in goodwill is attributed to the disposal of the French magazine *Film Français*, whose portion of goodwill value was cancelled out according to IAS 36.

Impairment, totalling euro 31,058,000 and euro 68,824,000, includes the value attributed, respectively, to radio stations and goodwill of Mondadori France Cash Generating Unit and the book club Cash Generating Unit as better detailed here below.

The other changes mainly refer to the radio sector for the purchase and exchange of frequencies.

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

Amortisation, impairment loss and value reinstatement of intangible assets

The following table summarises the amounts recognised in item "Amortisation and impairment of intangible assets" under income statement, following to amortisation, impairment and value reinstatement of intangible assets with definite and indefinite useful life.

Amortisation and impairment loss of intangible assets (Euro/000)	FY 2013	FY 2012
Magazines	8,144	8,145
Customer lists	1,333	1,333
Charges on shop lease contract taking over	1,367	1,592
Software	1,933	2,076
Licenses, patents and rights	402	169
Other intangible assets	209	232
Total amortisation of intangible assets	**13,388**	**13,547**
Amortisation of intangible assets	116,860	192,710
Value reinstatement of intangible assets	-	-
Total amortisation (value reinstatement) of intangible assets	**116,860**	**192,710**
Total amortisation and impairment loss of intangible assets	**130,248**	**206,257**

Impairment test

Pursuant to IAS 36, assets with an indefinite useful life and goodwill are not subject to amortisation but to an impairment test at least once a year or every time there is an indication of impairment. In such context, it is worth noting that though the listing price reflects a capitalization lower than the Parent Company's net equity, based on the audits carried out it was deemed necessary to account for impairment losses in excess to those already made given the current volatility of the financial markets.

Assets with a finite useful life are subject to amortisation, according to the useful life of each asset, and upon closing assets items are subject to impairment test to verify occurrence of value losses.

For the purpose of calculating the recoverable value of assets (whichever is higher between fair value and value in use), Mondadori Group identified Cash Generating Units, broken down by the sectors in which the Group operates, with values already net of impairment losses identified in the period, shown in the table below:

Cash Generating Unit (Euro/000)	Magazines	Customer lists	Series	Brands	Radio stations	Goodwill	Location	Total
Group of CGU magazines former Silvio Berlusconi Editore	83,579					731		84,310
Group of CGU magazines former Elemond	1,647			12		228		1,887
CGU Einaudi			2,991			286		3,277
CGU Sperling & Kupfer			1,817	30		731		2,578
CGU Mondadori Education			18,933			12,042		30,975
CGU Piemme			7,768	519		5,059		13,346
Group of CGU *R101*				372	47,406			47,778
Group of CGU Mondadori France	175,881	5,334				227,711		408,926
Group of CGU location retail							14,672	14,672
Other CGU	2,107			641		2,500		5,248
	263,214	5,334	31,509	1,574	47,406	249,288	14,672	612,997

The following table shows the key elements, better defined below, used to calculate the recoverable value.

Cash Generating Unit	Criterion used	Economics	Growth rate on terminal value	Discounting rate
Group of CGU magazines former Silvio Berlusconi Editore	Value in use	EBITDA PMT 2014-2016	g = 0	7.80%
Group of CGU magazines former Elemond	Value in use	EBITDA PMT 2014-2016	g = 0	7.80%
Group of CGU Mondadori France	Value in use Fair value	EBITDA PMT 2014-2018 Revenues PMT 2014-2016	g = 0 g = 0	6.63% 6.63%
CGU Einaudi	Value in use	Operating cash flows PMT 2014-2016	g = 0	7.80%
CGU Sperling & Kupfer	Value in use	EBITDA PMT 2014-2016	g = 0	7.80%
CGU Mondadori Education	Value in use	Operating cash flows PMT 2014-2016	g = 0	7.80%
CGU Piemme	Value in use	Operating cash flows PMT 2014-2016	g = 0	7.80%
Group of CGU *R101*	Fair value	n.a.	n.a.	n.a.
Group of CGU location retail	Value in use	EBITDA PMT 2014-2016	g = 0	7.80%
Other CGU	Fair value Value in use	n.a. EBITDA PMT 2014-2016	g = 0	7.80%

Group of CGU magazines former Silvio Berlusconi Editore

The value of magazines with an indefinite useful life, each of which represents a Cash Generating Unit, refers to the acquisition of the company Silvio Berlusconi Editore, completed in 1994. The main magazines acquired are *Tv Sorrisi e Canzoni*, *Chi* and *Telepiù*.

The recoverable value of the Cash Generating Unit was determined based on the calculation of the value in use which is in turn based on the projections of the cash flows deriving from the relevant budgets for the 2014-2016 three-year period and subsequently approved by the Board of Directors. The aforementioned cash flows were measured based on the current market scenario, considering also the uncertainties relative to the expectations for growth in the sector.

Data is derived from the income statements of the individual magazines, considered representative of the relevant cash flows, taking into account the immediate collection of revenues characterizing magazines.

The economic results used for the projections include taxes; the discount rate before taxes, applied to cash flow projections, is equal to 7.80% (7.53% in 2012) and cash flows beyond the period of analytical projection deriving from medium-term plans, are always assumed as constant (g=0).

After completing the analysis, the directors did not identify any need for impairment on the activities belonging to the Cash Generating Unit under examination nor on its goodwill.

Group of CGU magazines former Elemond

The value of magazines with an indefinite useful life, each of which represents a Cash Generating Unit, refers to the acquisition of the Elemond Group, completed in more than one tranche between 1989 and 1994.

The main magazines acquired are *Interni* and *Casabella*, the book value of which had been posted at the beginning of the year.

The recoverable value of the Cash Generating Unit was determined based on the calculation of the value in use which is in turn based on the projections of the cash flows deriving from the relevant budgets for the 2014-2016 three-year period and subsequently approved by the Board of Directors. The aforementioned cash flows were measured based on the current market scenario, considering also the uncertainties relative to the expectations for growth in the sector.

Data is derived from the income statements of the individual magazines, considered representative of the relevant cash flows, taking into account the immediate collection of revenues characterizing magazines.

The economic results used for the projections include taxes; the discount rate before taxes, applied to cash flow projections, is equal to 7.80% (7.53% in 2012) and cash flows beyond the period of analytical projection deriving from medium-term plans, are always assumed as constant (g=0).

After completing the analysis, the directors did not identify any need for impairment on the activities belonging to the Cash Generating Unit under examination nor on its goodwill.

Cash Generating Unit Einaudi

This Cash Generating Unit includes Casa Editrice Einaudi series, acquired indirectly through the transaction completed in more than one tranche between 1989 and 1994 with the Elemond Group.

Considering the changes in the structure and in the positioning of the different series of the company acquired, the directors deemed it more appropriate to consider, for the purpose of the impairment test, the entire legal entity, to which also goodwill acquired upon acquisition is attributed, as cash generating unit.

The recoverable value of the Cash Generating Unit was determined based on the calculation of the value in use which is in turn based on the projections of the cash flows deriving from the relevant financial budgets for the 2014-2016 three-year period and subsequently approved by the Board of Directors. The aforementioned cash flows were measured based on the current market scenario, considering also the uncertainties relative to the expectations for growth in the sector.

The cash flows used for the projections include taxes and financial revenues and costs; the discount rate before taxes, applied to cash flow projections, is equal to 7.80% (7.53% in 2012) and cash flows beyond the period of analytical projection deriving from medium-term plans, are always assumed as constant (g=0).

After completing the analysis, the directors did not identify any need for impairment on the activities belonging to the Cash Generating Unit under examination.

Cash Generating Unit Sperling & Kupfer

This Cash Generating Unit includes the series published by Sperling & Kupfer, a company acquired in 1995.

Considering the changes in the structure and in the positioning of the different series of the company acquired, the directors deemed it more appropriate to consider, for the purpose of the impairment test, the entire legal entity, to which also goodwill acquired upon acquisition is attributed, as cash generating unit.

The recoverable value of the cash generating unit was determined based on the higher between value in use and fair value.

The value in use was determined based on the projections of the cash flows deriving from the relevant financial budgets for the 2014-2016 three-year period and subsequently approved by the Board of Directors. The aforementioned cash flows were measured based on the current market scenario, considering also the uncertainties relative to the expectations for growth in the sector.

The cash flows used for the projections include taxes and financial revenues and costs; the discount rate before taxes, applied to cash flow projections, is equal to 7.80% (7.53% in 2012) and cash flows beyond the period of analytical projection deriving from medium-term plans, are always assumed as constant (g=0).

Subsequently, given the results of the calculation of the value in use, the directors deemed appropriate to determine the fair value of the Cash Generating Unit by adopting the multiple calculation criteria, resulting from similar transactions and database.

After completing the analysis, the directors did not identify any need for impairment on the activities belonging to the Cash Generating Unit under examination.

Cash Generating Unit Mondadori Education

The Cash Generating Unit Mondadori Education includes series and publishing lines referring to the production of textbooks for the different levels and grades of the Italian school system.

The Cash Generating Unit groups the values deriving from acquisition transactions completed over time. In particular reference is made to some publishers acquired through the Elemond Group transaction completed in different tranches between 1989 and 1994 (euro 6,483,000), the acquisition of the Le Monnier Group between 1999 and 2011 (euro 12,070,000) and the acquisition of Texto, publisher of school texts under the Piemme Scuola brand, completed in 2004 (euro 380,000). Goodwill deriving from the aforementioned transactions as a residual portion compared to the higher price paid, and from other acquisitions completed in 1992 (Juvenilia), between 1999 and 2002 (Poseidonia), in 1999 (Mursia) and in 2008 (Edizioni Electa Bruno Mondadori) for a total of euro 12,042,000 add up to the afore indicated values.

It was considered appropriate to consider the value of the series and goodwill relating to the Cash Generating Unit coinciding with the entire entity, instead of making reference to the residual value of each business unit acquired. This is because, since the transactions were completed over time for the purpose of rationalizing publishing structures, the catalogue composition, the sales network and the business units currently included under the umbrella of Mondadori Education S.p.A. are very different from those acquired and, consequently, no more representative of the company acquired.

The recoverable value of the Cash Generating Unit was determined based on the calculation of the value in use which is in turn based on the projections of the cash flows deriving from the relevant financial budgets for the 2014-2016 three-year period and subsequently approved by the Board of Directors. The aforementioned cash flows were measured based on the current market scenario, considering also the uncertainties relative to the expectations for growth in the sector.

The cash flows used for the projections include taxes and financial revenues and costs; the discount rate before taxes, applied to cash flow projections, is equal to 7.80% (7.53% in 2012) and cash flows beyond the period of analytical projection deriving from medium-term plans, are always assumed as constant (g=0).

After completing the analysis, the directors did not identify any need for impairment on the activities belonging to the Cash Generating Unit under examination.

Cash Generating Unit Piemme

This Cash Generating Unit includes Casa Editrice Edizioni Piemme series, acquired in more than one tranche between 2003 and 2012.

Upon acquisition, the higher price paid compared to accounting values, had not been considered in relation to the attribution to the single series and publishing lines. As a result, for the purpose of pursuing the decision made at that time, the cash generating unit coincides, for the purpose of the impairment test, with the entity to which also goodwill transferred upon acquisition is allocated.

The recoverable value of the Cash Generating Unit was determined based on the calculation of the value in use which is in turn based on the projections of the cash flows deriving from the relevant financial budgets for the 2014-2016 three-year period and subsequently approved by the Board of Directors. The aforementioned cash flows were measured based on the current market scenario, considering also the uncertainties relative to the expectations for growth in the sector.

The cash flows used for the projections include taxes and financial revenues and costs; the discount rate before taxes, applied to cash flow projections, is equal to 7.80% (7.53% in 2012) and cash flows beyond the period of analytical projection deriving from medium-term plans, are always assumed as constant (g=0).

After completing the analysis, the directors did not identify any need for impairment on the activities belonging to the Cash Generating Unit under examination.

Cash Generating Unit *R101*

This Cash Generating Unit includes the brands and radio frequencies of Monradio S.r.l., controlling *R101*.

The values recognised in the assets of the consolidated balance sheet refer to different transactions regarding the acquisition of companies or single frequencies operated since 2005, the first and most important of which was the acquisition of the One-O-One business unit from the bankruptcy procedure opened to the charge of Radio Milano International.

Each frequency is considered a Cash Generating Unit.

The recoverable value of the cash generating unit was determined based on the higher between value in use and fair value.

First the value in use was calculated based on the projections of the company's cash flows before taxes, deriving from the relevant budgets for the 2014-2016 three-year period and subsequently approved by the Board of Directors. The aforementioned cash flows were measured based on the current market scenario, considering also the uncertainties relative to the expectations for growth in the sector.

A pre-tax discount rate equal to 7.80% (7.53% in 2012) was applied to cash flow projections and cash flows beyond the period of analytical projection deriving from medium-term plans, were always assumed as constant (g=0).

Subsequently, given the results of the value in use, the directors gave mandate to a third independent expert, specialised in the radio market, to estimate the fair value of the company's assets including plants and frequencies.

Considering the juridical complexity of the segment in which radio stations operate, in order to formulate an economic opinion, the expert relied, as is standard practice, on several parameters and assumptions.

These are detailed here below:

- correspondence of the technical data reported in the sheets drafted pursuant to Italian Law no. 223 of 6 August 1990 with the actually exercised parameters;
- quality of equipment, determined by the service area theoretically calculated and possibly compared with measurements carried out on site:
- area of radioelectric coverage for the radio station and population possibly reached with equal or higher quality than the one indicated in "Recommendation 412-4" of CCIR, considering only the minimum values for the service in large cities;
- finetuning and knowledge of frequencies by users, determined by their experience, signal quality, brand quality and awareness referring to the radio station and its programmes;
- availability of radioelectric resources and/or ministerial grants for the circulation of programmes in Italy;
- quality and ownership of technology, determined by the type of availability of radio broadcasting stations, their type, equipment adjustments to the regulations in the matter of employee safety and security, the possibility of developing new installations or applying changes in the sites where the stations are installed;
- quality and ownership of high frequency installations, determined by the brands of the equipment used, their technological quality, conditions of use and correct maintenance;
- evaluation as a function of the number of inhabitants possibly reached by the plant and the number of potential listeners reached;
- trend and performance of the purchase/sale market of radio equipment in the light of the consolidation of the radioelectric coverage stations in the territory by the main Italian national networks and the new digital broadcasting technology;
- audience indexes, performance of the radio advertising market and other elements that contribute to the plant economic evaluation.

After completing the analysis and based on the conclusions drawn by the independent expert in charge of determining the value of the Group's network equipment and frequencies, the directors deemed it necessary to recognise an impairment loss for these assets equal to euro 31,058,000, before taxes.

<u>Cash Generating Unit Mondadori France</u>

In August 2006 Mondadori acquired a 100% interest in Emap Group France, the third largest publisher of magazines in France with over forty magazines dedicated to men, women, sports, entertainment and television programmes.
The most important magazines are: *Télé Star*, *Télé Poche*, *Top Santé*, *Biba*, *Pleine Vie*, *Le Chasseur Français*.

Following acquisition and after completion of the purchase price allocation process, the higher price paid against the accounting values acquired, was attributed to the different magazines included in the portfolio and for the residual portion to goodwill.

At first, the magazines, considered assets with an indefinite useful life, had been clustered, each identifying a cash generating unit, but already in July 2008 they have been redefined as separate cash generating units and subjected to amortization based on their useful life estimated in thirty years.

Goodwill, that had been initially allocated proportionately to the clusters, is attributed to the Cash Generating Units, coinciding with the entire French Group.

The recoverable value of the cash generating unit was determined based on the higher between value in use and fair value.

First the value in use was calculated based on the projections of the company's cash flows before taxes, deriving from the relevant budgets of the single magazines for the 2014-2018 three-year period and subsequently approved by the Board of Directors. The cash flows were then calculated based on the current market scenario, considering the significant uncertainties that have had an impact on the advertising market in the last two years, as better described in the Directors' Report on Operations, to which reference should be made for additional details.

Data is derived from the income statements of the individual magazines, considered representative of the relevant cash flows, taking into account the immediate collection of revenues characterizing magazines.

The economic results used for the projections include taxes; the discount rate before taxes, applied to cash flow projections, is equal to 6.63% (6.62% in 2012) and cash flows beyond the period of analytical projection deriving from medium-term plans, are always assumed as constant (g=0).

The directors also deemed it appropriate to determine the fair value of the individual magazines by applying the method of the royalties, based on estimated revenues in the medium term of each magazine.
For the purpose of calculating the fair value, in addition to estimated revenues, the following parameters were used: a royalty rate, defined for each individual magazine based also on similar market transactions; a residual useful life aligned with that defined for the calculation of the value in use; and a revenue growth rate, beyond the last year of the medium-term plan, equal to zero.

After completing the analysis, the directors deemed it necessary to recognise an impairment loss to the charge of *Télé Star*, *Télé Poche*, *Ami des Jardins and Revue Nationale de la Chasse* for a total of euro 16,971,000 and a book value (reflected in the value of the equity interest) for the websites of the associated company Autoreflex for euro 13,098,000, net of the relevant taxes.

Subsequently, a second level impairment test was performed with a view to verifying the recoverable value of goodwill allocated to the group of cash generating units represented by the individual magazines.

First the value in use was calculated based on the financial pre-tax result of the entire French Group, deriving from the relevant plans for the 2014-2018 three-year period and for the projection of the relevant cash flows a pre-tax rate equal to 6.63% (6.62% in 2012).

After completing the analysis, the directors deemed it necessary to recognise an impairment loss of euro 66,324,000.

Cash generating unit location retail
This Cash Generating Unit includes key money paid over the years by Mondadori Direct for lease takeovers of some prestigious and commercially strategic locations, occupied by other entities and opening flagship stores and, in particular, multicenters.
These costs are amortised based on the residual duration of the lease contract of the store of reference which also coincides with the cash generating unit.

As at 31 December 2013, after accounting of amortisation for the period, directors deemed it appropriate to perform an impairment test on the residual value of each location, considering the economics not particularly positive included in the 2014-2016 medium-term plan.

The recoverable value of the cash generating unit was determined based on the higher between value in use and fair value.

The value in use was determined based on the projections of the cash flows deriving from the relevant financial budgets for the 2014-2016 three-year period and subsequently approved by the Board of Directors.

Data used is derived from the income statements of the individual stores considered representative of the relevant cash flows, taking also into account that payments are made cash.

The economic results used for the projections include taxes and financial revenues and costs; the discount rate before taxes, applied to cash flow projections, is equal to 7.80% (7.53% in 2012) and cash flows beyond the period of analytical projection deriving from medium-term plans, are always assumed as constant (g=0).

When deemed necessary, a fair value evaluation was made for the company asset, based on the economic offers received upon the assumption of transfer of the relevant lease contract.

After completing the analysis, the directors did not identify any need for impairment on the activities belonging to the Cash Generating Unit under examination.

Other Cash Generating Units
This group of Cash Generating Units includes values referred to some assets, whose values may be considered residual.
Among these, the most important are the one relative to the mail order business and the one relative to the database of the members of Mondolibri S.p.A. book club, whose 50% stake was acquired in 2010.

The recoverable value of the cash generating unit was determined based on the higher between value in use and fair value.

Data used to calculate the value in use are: pre-tax results included in the medium-term plan for the 2014-2016 three-year period; pre-tax discount rate equal to 7.80% (7.53% in 2012), growth factor applied to data in addition to those indicated in the plan, equal to zero (g=0).

For the determination of the fair value of the database of the members of the book club an internal estimate was used based on the values of the expert opinion drafted on the occasion of the 2010 acquisition transaction.

After completing the analysis, the directors deemed it necessary to recognise an impairment loss for the mail order business and the database of the members of the book club for euro 2,500,000.

Determination of the rate
The discount rate was defined in terms of weighted average cost of capital (WACC) for the individual Cash Generating Unit/country taken into account and it includes taxes and inflation consistently with the flows used, as requested by IAS 36.55.
It was then adjusted to take into account the impact of inflation in order to maintain consistency with the definition of the assumed cash flow.
WACC is an adjusted risk rate, measured directly based on the cost that the company must bear to collect resources from lending entities, internal and external, to finance any specific investment. WACC expresses an opportunity cost of capital and is calculated as the weighted average of the cost of the risk capital and the cost of the debt capital.

The individual parameters that contribute to the determination of WACC are the following:
- cost of equity (ke) is quantified based on the model of CAPM (Capital Asset Pricing Model) as also requested in IAS 36. Based on CAPM, the cost of equity is determined as the sum resulting from risk free investment performance and a risk premium, determined as a function of the systematic risk on the investment under examination. The risk premium is quantified through the product resulting from the beta coefficient (ß) and the difference between the market performance (mp) and risk free (equity risk premium), determined taking into account a sufficiently large time horizon. For the purpose of quantification of the individual parameters, the following parameters were taken into account to properly quantify the level of risk included in the Company's cash flows. The risk free rate was determined taking into account the yield to maturity for the securities of the countries to which the Cash Generating Units are referred as at the date of the impairment test. Therefore, the reference rate is not a pure risk-free rate, but it includes a premium for the country risk, which is consequently considered and included in the model. This quantification considers also any market data affected by marked market speculations. To calculate the beta (ß) coefficient it is necessary to consider Arnoldo Mondadori Editore stock price as quantified by the data provider Bloomberg (1,080 at 31 December 2013). The equity risk premium was calculated based on historical statistics in a 4-6% range;
- the cost of debt (kd) was quantified by making reference to the rate that the company would pay under current market conditions in order to obtain a new medium-long term loan. The calculation of the cost of debt (kd) is based on the analysis of the specific financial structure of the Cash Generating Unit/country of reference. This, considered the specific financial structures of the Cash Generating Units/countries, making reference to the available market data;
- the average cost of debt is de-taxed as a result of deductibility of interest due from taxable income according to the specific tax rate "t" of the individual Cash Generating Unit/country;
- the weight attributed to Shareholders' equity and third party equity was calculated by taking into account that the financial structure of the Cash Generating Unit/country

at the date of reference is that sustainable over the medium-long term and, therefore, reflecting the market average conditions.

Based on the afore described parameters it was possible to determine the WACC by individual Cash Generating Unit/country.
The discounting rate obtained is an amount net of taxes and, therefore, subject to conversion to include taxes as specifically requested by IAS 36.55.

Since the business plan used for the purpose of the impairment test does not take into account inflation, the rates were adjusted as requested by IAS 36.40.

Sensitivity to changes in the assumptions
With reference to the determination of the value in use of the different Cash Generating Units, the directors believe that, considering the particularly conservative assumptions made in the drafting of the business plans used, taking into account also the current specific economic scenario that involves all the countries in which the Group operates, it is reasonable to consider that changes are not expected to occur such as to imply a reduction in the recoverable value calculated.

A sensitivity analysis on the results obtained was performed, varying the assumptions considered the most significant. Such analysis confirmed the reasonableness of the results obtained.

3. Property investments

This item and the relevant changes in the period are broken down here below:

Property investments (Euro/000)	Land	Non-instrumental buildings	Total
Cost at 31/12/2011	458	3,833	4,291
Purchases	518	62	580
Disposals	-	-	0
Other changes	-	-	0
Cost at 31/12/2012	976	3,895	4,871
Depreciation and impairment losses at 31/12/2011	-	1,530	1,530
Depreciation	-	103	103
Impairment/(reinstatement of value)	-	-	0
Disposals	-	-	0
Other changes	-	-	0
Depreciation and impairment losses at 31/12/2012	0	1,633	1,633
Net book value at 31/12/2011	458	2,303	2,761
Net book value at 31/12/2012	976	2,262	3,238

During the year no significant changes were recorded in the item; the directors estimate that the fair value of property investments at 31 December 2013 is not lower than the net book value.

Property investments (Euro/000)	Land	Non-instrumental buildings	Total
Cost at 31/12/2012	976	3,895	4,871
Purchases		-	0
Disposals	-	-	0
Other changes	-	56	56
Cost at 31/12/2013	976	3,951	4,927
Depreciation and impairment losses at 31/12/2012	-	1,633	1,633
Depreciation	-	105	105
Impairment/(reinstatement of value)	-	-	0
Disposals	-	-	0
Other changes	-	8	8
Depreciation and impairment losses at 31/12/2013	0	1,746	1,746
Net book value at 31/12/2012	976	2,262	3,238
Net book value at 31/12/2013	976	2,205	3,181

Depreciation of property investment
Depreciation for the year under item "Depreciation and impairment loss of property, plant and equipment" amount to euro 105,000 (euro 103,000 in 2012).

It should be noted that there are no restrictions on the use of assets classified as property investments.

4. Property, plant and equipment

The table below shows the item's composition and changes in the period of reference and in the previous year.

Property, plant and equipment (Euro/000)	Land	Instrumental buildings	Plant and machinery	Other assets	Total
Cost at 31/12/2011	1,434	19,693	38,569	132,694	192,390
Purchases	-	36	883	7,602	8,521
Disposals	-	-	(181)	(4,926)	(5,107)
Changes in the consolidation area	-	-	8	10	18
Other changes	-	-	9,568	(9,609)	(41)
Cost at 31/12/2012	1,434	19,729	48,847	125,771	195,781
Depreciation and impairment loss at 31/12/2011	-	10,912	26,164	102,043	139,119
Depreciation	-	710	3,474	7,224	11,408
Impairment/(reinstatement of value)	-	283	-	-	283
Disposals	-	-	(174)	(4,617)	(4,791)
Changes in the consolidation area	-	-	-	8	8
Other changes	-	-	5,205	(5,205)	0
Depreciation and impairment loss at 31/12/2012	0	11,905	34,669	99,453	146,027
Net book value at 31/12/2011	1,434	8,781	12,405	30,651	53,271
Net book value at 31/12/2012	1,434	7,824	14,178	26,318	49,754

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

In the year of reference purchases of euro 3,722,000 mainly refer to furniture, office machines, tools and electronic office equipment to fit out new book stores and replace obsolete equipment.

Item "Impairment/(reinstatement of value)" includes the impairment in a number of no longer usable equipment items following to the shutting down of some retail stores.

Item "Other tangible assets" is broken down as follows:

Other tangible assets (Euro/000)	31/12/2013	31/12/2012
Industrial and commercial equipment	4,168	5,497
Electronic office equipment	2,500	3,968
Office furniture, and machines	7,006	8,361
Motor vehicles and transport vehicles	24	31
Leasehold improvements	5,963	6,765
Other assets	448	500
Assets under construction and advances	380	1,196
Total other tangible assets	20,489	26,318

Depreciation of properties, plant and equipment
Depreciation for the year under item "Depreciation and impairment loss of property, plant and equipment" in the income statement, amount to euro 11,984,000, as illustrated below.

In 2013 impairment losses of assets in "Property, plant and equipment" were identified for a total of euro 220,000.

Depreciation of properties, plant and equipment (Euro/000)	FY 2013	FY 2012
Instrumental buildings	684	710
Plant and machinery	3,511	3,474
Equipment	2,056	1,780
Electronic office equipment	2,371	2,471
Office furniture, and machines	1,661	1,669
Motor vehicles and transport vehicles	11	73
Leasehold improvements	1,387	1,168
Other assets	83	63
Depreciation of properties, plant and machinery	**11,764**	**11,408**
Depreciation of tangible assets	220	283
Value reinstatement of tangible assets	-	-
Total depreciation (reinstatement of value) of tangible assets	**220**	**283**
Total depreciation and impairment loss of tangible assets	**11,984**	**11,691**

Leased assets
The table below shows the value of assets purchased through financial leasing contracts at 31 December 2013 and recognised under "Property, plant and equipment":

	31/12/2013			31/12/2012		
(Euro/000)	Gross value	Depreciation	Net value	Gross value	Depreciation	Net value
Instrumental buildings	775	(336)	439	775	(313)	462
Plant and machinery	-	-	-	138	(110)	28
Other assets	300	(225)	75	300	(180)	120
Total leased assets	1,075	(561)	514	1,213	(603)	610

It should be noted that during the year no new financial leasing contracts were underwritten.

With reference to instrumental buildings, contracts have already been redeemed, while for other categories of assets the relevant contracts have a duration of four and five years. The rents paid in the year of reference amounted to euro 69,000, of which euro 1,000 refer to financial charges.

Rents were calculated according to the French depreciation plan, indexed on the three-month Euribor rate, with an initial reference rate of 5.377%.

There are no restrictions or liens in relation to the above mentioned contracts with reference to dividend payout, the stipulation of additional leasing contracts or loan contracts.

5. Investments

Investments in companies valued at equity and investments in other companies amount to euro 38,629,000.

Investments (Euro/000)	31/12/2013	31/12/2012
Investments booked at equity	38,187	59,125
Investments in other companies	442	1,374
Total investments	38,629	60,499

Below are the changes occurred over the past two years in item "Investments valued at equity"; in 2013, in addition to some capital increases, the most relevant change referred to the recognition of an impairment loss totalling euro 25,354,000.
This impairment amount refers to the equity investment held in the Attica Group for euro 10,856,000, in EMAS Digital joint venture held by Mondadori France for euro 13,098,000 and Mach 2 Libri S.p.A. for euro 1,400,000.

investments - Investments booked at equity (Euro/000)	Net value
Balance at 31/12/2011	126,134
Changes in 2012:	
- purchases and changes in consolidation area	1,676
- changes in consolidation method	-
- disposals and other changes	(66,505)
- revaluations	4,035
- impairment loss	(3,481)
- dividends	(2,734)
Balance at 31/12/2012	59,125
Changes in 2013:	
- purchases and changes in consolidation area	4,995
- changes in consolidation method	(164)
- disposals and other changes	2,104
- revaluations	3,373
- depreciation	(4,952)
- impairment	(25,354)
- dividends	(940)
Balance at 31/12/2013	38,187

Below is a breakdown of "Investments valued at equity", whose evolution has already been illustrated before with regard to the most important aspects.

Investments valued at equity - Details (Euro/000)	31/12/2013	31/12/2012
Investments in joint ventures:		
- Gruner + Jahr/Mondadori S.p.A.	1,116	1,958
- Milano Distribuzione Media S.r.l.	-	253
- Harlequin Mondadori S.p.A.	799	865
- Edizioni EL S.r.l.	3,065	3,020
- Attica Publications Group	19,040	29,530
- ACI-Mondadori S.p.A.	60	478
- Mediamond S.p.A.	2,004	1,307
- Mondadori Independent Media LLC	870	845
- Mondadori Seec Advertising Co. Ltd	713	-
- EMAS Digital S.a.s.	-	8,676
Total investments in joint ventures	27,667	46,932
Investments in affiliated companies:		
- Mach 2 Libri S.p.A.	3,228	4,969
- Mach 2 Press S.r.l.	84	415
- Società Europea di Edizioni S.p.A.	7,124	6,673
- Venezia Accademia Società per i servizi museali S.c.ar.l.	59	34
- Campania Arte S.c.ar.l.	22	22
- Consorzio Covar (in liquidation)	2	2
- Consortium Forma	1	1
- Roccella S.c.ar.l.	-	21
- Novamusa Val di Noto S.c.ar.l.	-	18
- Novamusa Valdemone S.c.ar.l.	-	21
- Novamusa Val di Mazara S.c.ar.l.	-	17
Total investments in affiliated companies	10,520	12,193
Total investments booked at equity	38,187	59,125

The tables below show changes in item "Investments in other companies" valued at fair value; in 2013 the payment made by Mondadori France S.A. in favour of national distributors of magazines Presstalis and MLP is worth noting and its subsequent impairment totalling euro 2,538,000.

Equity investments - Investments in other companies (Euro/000)	Net value
Balance at 31/12/2011	995
Changes in 2012:	
- purchases and changes in consolidation area	379
- disposals and other changes	-
- changes in consolidation method	-
- impairment loss	-
- dividends	-
Balance at 31/12/2012	1,374
Changes in 2013:	
- purchases and changes in consolidation area	1,442
- disposals and other changes	-
- changes in consolidation method	164
- depreciation	-
- impairment	(2,538)
- dividends	-
Balance at 31/12/2013	442

Below is the composition of item “Investments in other companies”.

Investments in other companies - Details (Euro/000)	31/12/2013	31/12/2012
Investments in other companies:		
- Milano Distribuzione Media S.r.l.	164	-
- Società Editrice Il Mulino S.p.A.	101	101
- Consuledit S.r.l.	1	1
- Consorzio Sistemi Informativi Editoriali Distributivi	10	10
- Immobiliare Editori Giornali S.r.l.	52	52
- Audiradio	23	23
- Consorzio Forte Montagnolo	1	1
- Consorzio Riqualificazione Monte Gennaro	1	1
- Consorzio Camaldoli 1	2	2
- Consorzio Antenna Colbuccaro	8	8
- Aranova Freedom S.c.ar.l.	30	30
- Club Dab Italia	30	30
- Consorzio Edicola Italiana	10	10
- CTAV	6	3
- MLP	-	758
- Presstalis	-	341
- Sem Issy Media	3	3
Total investments in other companies	442	1,374

For the purpose of calculating the recoverable value of Mondadori Group investments, Mondadori calculates first its value in use. When an impairment loss is identified, the fair value method minus costs of sale is applied before proceeding with the recognition of the impairment loss.

Impairment tests are carried out for each individual investment representing a separate Cash Generating Unit.

For the purpose of calculating value in use, projections contained in the 3-5-year plans drafted by the individual companies were used, as integrating part of the medium-term Plan, the guidelines of which have been approved by Mondadori Board of Directors on 30 January 2014.

Discounting of the expected cash flows relative to the individual investments subject to impairment test was based on the discount rate used for the performance of the impairment test on the assets representing the Cash Generating Units of the relevant countries: for Italy the applied rate is 7.80% and for France 6.63%.
For the Attica Group the rate applied was 8.06%.

For the Italian and French companies the growth rate on the terminal value was kept equal to zero (g=0), while for Attica a different growth rate was applied (g in a range from 0% to 3%) to take into account the different markets and segments in which the Group operates.

For the purpose of calculating value in use, a sensitivity analysis of the results was also performed, which confirmed the previous results.

6. Pre-paid tax assets and deferred tax liabilities

The following tables detail “Pre-paid tax assets” and “Deferred tax liabilities”.

Pre-paid tax assets increased compared to the previous year as a result of adjustments made to provisions for fixed assets or provisions for risks recognised in 2012, while deferred tax liabilities decreased mainly due to the reduction in the temporary difference between tax and book value attributed to French magazines and radio frequencies as a result of impairment test.

(Euro/000)	31/12/2013	31/12/2012
Pre-paid IRES	55,293	47,773
Pre-paid IRAP	3,151	2,857
Pre-paid tax assets	58,444	50,630
Deferred IRES	73,540	85,515
Deferred IRAP	3,410	3,878
Deferred tax liabilities	76,950	89,393

Description of temporary differences that led to the recognition of pre-paid taxes

	31/12/2013			31/12/2012		
(Euro/000)	Amount of temporary differences	Current tax rate	Pre-paid taxes	Amount of temporary differences	Current tax rate	Pre-paid taxes
Differences between book and tax value of intangible assets	11,816	(*)	3,249	12,720	(*)	3,498
Difference between book and tax value of property investments and investments in property, plant and equipment	2,757	(*)	758	2,362	(*)	650
Provision for bad debt	36,830	(*)	10,175	30,186	(*)	8,386
Depreciation of inventory	13,072	(*)	3,595	12,070	(*)	3,319
Provision for advances to authors	21,443	(*)	5,897	21,062	(*)	5,792
Provisions	71,115	(*)	20,134	49,801	(*)	13,899
Supplementary agent indemnity	4,908	(*)	1,350	4,515	(*)	1,242
Elimination of intercompany income	10,494	(*)	2,885	12,199	(*)	3,382
Other temporary differences	23,803	(*)	7,250	24,846	(*)	7,605
Total for IRES purposes	196,238		55,293	169,761		47,773
Differences between book and tax value of intangible assets	11,525	(*)	449	11,144	(*)	435
Difference between book and tax value of property investments and investments in property, plant and equipment	932	(*)	36	890	(*)	35
Depreciation of inventory	10,796	(*)	421	9,485	(*)	370
Provision for advances to authors	13,560	(*)	529	13,101	(*)	511
Provisions	20,940	(*)	817	13,931	(*)	543
Supplementary agent indemnity	4,545	(*)	177	4,113	(*)	160
Elimination of intercompany income	10,494	(*)	410	12,299	(*)	480
Other temporary differences	7,991	(*)	312	8,289	(*)	323
Total for IRAP purposes	80,783		3,151	73,252		2,857

(*) It should be noted that, with reference to income tax, each Group company applied the tax rate applicable in the country of residence.
As for IRAP, each Group company applied the tax rate in force taking into account taxable income differences by region.

Description of the temporary differences that led to the recognition of deferred taxes

(Euro/000)	31/12/2013 Amount of temporary differences	Current tax rate	Taxes Deferred	31/12/2012 Amount of temporary differences	Current tax rate	Taxes Deferred
Capital gains in instalments	69	(*)	19	138	(*)	38
Differences between book and tax value of intangible assets	227,166	(*)	70,898	261,237	(*)	82,130
Difference between book and tax value of property investments and investments in property, plant and equipment	2,757	(*)	758	3,492	(*)	960
Post-employment benefits	1,140	(*)	314	2,973	(*)	818
Supplementary agent indemnity	769	(*)	211	886	(*)	244
Leased assets	493	(*)	136	520	(*)	143
Other temporary differences	4,377	(*)	1,204	4,299	(*)	1,182
Total for IRES purposes	236,771		73,540	273,545		85,515
Capital gains in instalments	-	(*)	-	-	(*)	-
Differences between book and tax value of intangible assets	82,222	(*)	3,207	93,833	(*)	3,659
Difference between book and tax value of property investments and investments in property, plant and equipment	1,709	(*)	67	1,964	(*)	77
Supplementary agent indemnity	718	(*)	28	836	(*)	33
Leased assets	497	(*)	19	520	(*)	20
Other temporary differences	2,282	(*)	89	2,282	(*)	89
Total for IRAP purposes	87,428		3,410	99,435		3,878

(*) It should be noted that, with reference to income tax, each Group company applied the tax rate applicable in the country of residence. As for IRAP, each Group company applied the tax rate in force taking into account taxable income differences by region.

It should be noted that no deferred taxes were allocated for undistributed income of subsidiary and affiliated companies.

The following table shows the total amount of past tax losses resulting from companies which did not adhere to the tax consolidation regime until 2013.

Unrecognised deferred taxes (Euro/000)	31/12/2013	31/12/2012
Temporary differences excluded from the determination of pre-paid and deferred taxes	-	-
Tax losses to carry forward	-	7,339

7. Other non-current assets

The significant increase in item "Other non-current assets" is attributed to the recognition of tax receivables in favour of Fininvest S.p.A.; these receivables refer to compensation amounts in favour of Mondadori Group resulting from the application of the tax consolidation regime, offsetting tax benefits (negative tax amounts) transferred on the consolidating entity. These receivables were consequently re-classified under non-current assets, given their liquidity, according to the specifications envisaged by the tax consolidation regime.

Other non-current assets (Euro/000)	31/12/2013	31/12/2012
Guarantee deposits	2,435	1,822
Confirmation deposits	-	-
Receivables due to the Inland Revenue Office for IRES on post-employment benefits	27	27
Receivables due from Fininvest for IRES	19,703	-
Other	85	116
Total other non-current assets	22,250	1,965

8. Tax receivables

The increase in item "Tax receivables" is mainly attributable to a higher VAT receivable amount to recover against 31 December 2012.

Tax receivables (Euro/000)	31/12/2013	31/12/2012
Receivables due from the Inland Revenue Office for IRAP	2,223	3,751
Receivables due from the Inland Revenue Office for IRES	2,203	2,037
Receivables due from Fininvest for IRES	13,060	15,847
Receivables due from Tax Revenue Office for direct taxes to recover and prepayments for litigations	50,992	40,237
Total tax receivables	68,478	61,872

Receivables due from Fininvest for IRES are mainly attributable to IRES amount to recover following to the partial deductibility of IRAP for the 2004-2007 and 2007-2011 periods. The relevant application forms for reimbursement have been filed in 2008 and 2013, respectively.

9. Other current assets

This item's increase was essentially attributable to higher advances made to suppliers for magazines distribution activities compared to last year.

Other current assets (Euro/000)	31/12/2013	31/12/2012
Receivables from agents	439	285
Receivables from authors and collaborators	60,080	61,844
Receivables from suppliers	7,211	3,612
Receivables from personnel	930	502
Receivables for insurance compensation	-	-
Receivables from social security institutions	1,873	189
Receivable for guarantee deposits	187	219
Other receivables from affiliated companies	276	226
Prepayments	3,583	4,197
Other	14,710	14,151
Total other current assets	89,289	85,225

10. Inventory

The trend in the markets in which the Group operates made it necessary for it to implement a targeted raw material procurement policy, maintaining a minimum yet adequate quantity of stock.

Item "Inventory" is broken down and commented on below.

Inventory (Euro/000)	31/12/2013	31/12/2012
Raw materials and consumption materials	9,009	12,171
Depreciation for raw materials and consumption materials	(150)	(242)
Total raw materials and consumption materials	8,859	11,929
Work in progress and semi-finished goods	16,455	19,671
Depreciation of work in progress and semi-finished goods	(1,255)	(1,330)
Total work in progress and semi-finished goods	15,200	18,341
Contract work in progress	2,857	2,977
Depreciation of contract work in progress	(227)	(86)
Total contract work in progress	2,630	2,891
Finished products and goods	111,122	109,507
Depreciation of finished products and goods	(13,802)	(13,041)
Total finished products and goods	97,320	96,466
Advances	-	-
Total inventory	124,009	129,627

Raw materials include the value of paper, plates and ink owned by Mondadori France Group and Mondadori Education S.p.A., which directly carry out printing, while other Group companies have outsourced the printing activity.

Orders in progress include costs borne for client publications.

Finished products include books produced by the Group, third-party publishers' books purchased for resale in the retail sector and merchandising, paper processing and gifts.

Inventory depreciation is made separately and analytically by each Group company, taking into account finished product marketability and any failed revenue generation from orders in progress and semi-finished products.

Inventory - Depreciation (Euro/000)	Raw materials	Work in progress and semi-finished goods	Contract work in progress	Finished products and goods
Balance at 31/12/2011	424	1,386	82	15,929
Changes in the period:				
- Provisions	104	143	4	5,069
- Utilisations	(286)	(199)	-	(8,057)
- Other changes	-	-	-	100
Balance at 31/12/2012	242	1,330	86	13,041
Changes in the period:				
- Provisions	65	34	195	6,133
- Utilisations	(157)	(2)	(54)	(5,341)
- Other changes	-	(107)	-	(31)
Balance at 31/12/2013	150	1,255	227	13,802

It should be noted that no inventory is subject to restriction to cover liabilities.

Decrease (increase) of inventory

The following table summarises the changes in inventory recognised under income statement in the financial year of reference.

Decrease (increase) of inventory (Euro/000)	FY 2013	FY 2012
Changes in finished products and goods	(1,434)	4,778
Provision for finished products and goods	6,133	5,069
Utilisation of the provisions for finished products and goods	(5,341)	(8,057)
Total changes in inventory of finished products and goods	(642)	1,790
Changes in work in progress and semi-finished products	2,197	4,167
Provision for work in progress and semi-finished products	34	143
Utilisation of work in progress and semi-finished products	(2)	(199)
Total changes in work in progress and semi-finished products	2,229	4,111
Changes for contract work in progress	812	(280)
Provision for contract work in progress	195	4
Utilisation of contract work in progress	(54)	-
Total changes in contract work in progress	953	(276)
Changes in raw, ancillary and consumption materials	3,162	1,897
Provision for raw, ancillary, consumption materials	65	104
Utilisation of the provisions for raw, ancillary, consumption materials	(157)	(286)
Total changes in inventory of raw, ancillary, consumption materials	3,070	1,715
Total decrease (increase) in inventory	5,610	7,340

11. Trade receivables

The downturn in sales registered in all the business segments in which the Group operates also resulted in decreased trade receivables due from customers and subsidiaries. In this respect, it should be noted that the detailed breakdown of receivables due from affiliated companies, parent companies and associated companies is provided in Annex "Transactions with related parties" and that the commercial transactions with these companies are carried out under standard market conditions.

Trade receivables (Euro/000)	31/12/2013	31/12/2012
Receivables from customers	277,662	295,084
Receivables from associated companies	33,398	39,002
Receivables from parent companies	31	-
Receivables from affiliated companies	1,275	1,337
Total trade receivables	312,366	335,423

It should be noted that no trade receivables are due over five years and that the average collection period in 2013 was 85.5 days, up from the 84.3 days of the previous year.

The following table details item "Receivables from customers".

Trade receivables Receivables from customers (Euro/000)	31/12/2013	31/12/2012
Receivables from customers	461,195	474,758
Customers - returns to receive	(137,168)	(139,791)
Provision for bad debt	(46,365)	(39,883)
Total receivables from customers	277,662	295,084

With reference to the provision for bad debt, it should be noted that each Group company performs an accurate analysis of each individual debt item position in order to calculate the amount to be allocated for. The current economic conditions resulted in an increased risk for bad debt which reflected in an increase of the relevant provision.

Trade receivables Receivables from customers - Bad debt provision (Euro/000)	31/12/2013	31/12/2012
Balance at beginning of year	39,883	40,550
Changes in the period:		
- provisions	16,868	12,618
- utilisations	(10,386)	(13,285)
- changes in consolidation area	-	-
- other changes	-	-
Total bad debt provision	46,365	39,883

12. Financial assets

Item "Non-current financial assets", amounting to euro 2,717,000, include financial receivables coming due over 12 months towards Mondadori Seec Advertising Co. Ltd, receivables from third party relating to Mondadori Magazines France S.A. and the fair value relative to Group's cash flow hedge derivatives, of which euro 148,000 from Mediobanca S.p.A.

Non-current financial assets (Euro/000)	31/12/2013	31/12/2012
Financial receivables due from associated companies	2,144	5,144
Financial receivables	343	427
Financial assets at fair value with adjustments recognised under income statement	-	-
Held-for-sale financial assets	-	-
Assets resulting from derivative instruments	230	-
Total non-current financial assets	2,717	5,571

Item "Financial receivables from affiliated companies" includes receivables coming due within 12 months from EMAS Digital S.a.s. and Mondadori Seec Advertising Co. Ltd.

Other current financial assets (Euro/000)	31/12/2013	31/12/2012
Financial receivables due from customers	-	85
Financial receivables due from associated companies	4,933	3,589
Financial receivables due from parent company	-	-
Financial receivables due from affiliated companies	-	-
Financial receivables due from others	8,919	15,037
Total financial receivables	13,852	18,711
Financial assets at fair value with adjustments recognised under income statement	-	-
Held-for-sale financial assets	-	13,320
Assets resulting from derivative instruments	6	42
Total other current financial assets	13,858	32,073

Changes in item "Other current financial assets" referred mainly to the transfer of the bond portfolio, completed in the first half of 2013, resulting in a positive gain equal to euro 0.5 million.

Assets and liabilities resulting from derivative instruments
The following table shows assets and liabilities resulting from derivative instruments held at 31 December 2013.

Assets and liabilities in derivative instruments - Details (Euro/000)	Type of derivative instrument	Fair value at 31/12/2013	Fair value at 31/12/2012
Non-current financial assets (liabilities)			
- Rate derivatives	Cash flow hedge	214	(14,789)
Current financial assets (liabilitites)			
- Currency derivatives	Trading	6	(100)

Trading derivatives refer to transactions that, though established for hedging purposes, do not fully meet the requirements envisaged by the international accounting standards to qualify for hedge accounting. In the case of the Mondadori Group, trading derivatives only refer to exchange risk management.

The Group has adopted a Financial Risk Management policy. The use of derivative instruments is in line with the guidelines contained in such policy. In order to verify hedging efficiency, the Group performs a series of perspective and retroactive tests at least on a quarterly basis.

Perspective tests envisage that at the beginning of a hedge transaction and for its entire duration, each individual hedge proves highly effective. This means that any changes in the fair value or cash flow of the hedged item almost completely offset any changes in the fair value or cash flow of the hedged instrument.

Retroactive tests envisage that a hedge proves highly effective, when its results fall in a 80%-125% range. Tests can be performed periodically, with each test beginning immediately after the end of the previous one, or on a cumulative basis starting from any specific date.

Group criteria to test effectiveness include statistic regression analyses and the Dollar Offset Method or Ratio Analysis.

In addition, the Group calculates the fair value of current hedge transactions on a monthly basis.

Interest rate derivatives

Derivatives comprise:
- three Interest Rate Swap (IRS) floating to fix contracts of euro 90 million each, converting the floating rate (3-month Euribor) into fixed at 0.42% on average, with expiry on 31 December 2016, referring to the portion of the Term Loan stipulated with a pool of banks in November 2013;
- an Interest Rate Swap (IRS) floating to fix contract of euro 50 million, converting the floating rate (1-month Euribor) into fixed at 0.61% with expiry on 15 December 2017 to hedge the Term Loan contract underwritten with Mediobanca;
- an Interest Rate Swap (IRS) floating to fix contract, stipulated in 2011, amounting to euro 25 million, converting the floating rate (1-month Euribor) into fixed at 0.96% with expiry on 13 January 2014 and referring to the portion of the loan contract underwritten with Intesa Sanpaolo.

The table below shows the hedge impact on income statement and shareholders' equity:

Cash flow hedge reserve (Euro/000)	31/12/2013	31/12/2012
Initial balance gross of the tax impact	(14,487)	(11,400)
Amount recognised in the period	16,146	1,830
Amount endorsed from reserve and recognised under income statement:		
- adjustments to expenses	(5,580)	(6,456)
- adjustments to revenues	409	1,539
Final balance gross of the tax impact	**(3,512)**	**(14,487)**
Inefficient part of hedge	0	0

Currency derivatives

The Group enters into currency derivative agreements to hedge against the currency risk. The currency derivatives used exclusively refer to forward contracts for the purchase and sale of foreign currencies.

The main types of currency risks in the Group refer to the purchase of book copyrights and the purchase of multimedia products denominated in currencies other than the euro. In the latter case, the Group partially hedges against revenues deriving from budgeted sales.

At 31 December 2013 currency risk hedge contracts referred to the purchase of forward contracts denominated in US dollars for a total of USD 375,000 (euro 266,000).

13. Cash and cash equivalents

Item "Bank deposits" includes current account balances of Arnoldo Mondadori Editore S.p.A., Mondadori Direct S.p.A. and Mondadori International Business S.r.l. (euro 61.7 million at 31 December 2013).
The decrease in bank deposits against the previous year is mainly due to unavailability of short-term bank deposits, recognised at end of 2012 and partially referring to the transfer of the interest held in Random House Mondadori, completed at the end of November 2012.

Cash and cash equivalents (Euro/000)	31/12/2013	31/12/2012
Cash and cash on hand	2,800	1,944
Cheques	10	50
Bank deposits	61,731	163,996
Postal deposits	1,142	848
Total cash and cash equivalents	**65,683**	**166,838**

The fair value of cash and cash equivalents as at 31 December 2013 is equal to the relevant book value.
For more details relative to the changes in cash and cash equivalents reference should be made to the Group consolidated cash flow statement.

The following table shows the Group net financial position in accordance with Consob recommendations.

	Net financial position (Euro/000)	31/12/2013	31/12/2012
A	Cash	2,810	1,994
	- Bank deposits	61,731	163,996
	- Postal deposits	1,142	848
B	Other cash and cash equivalents	62,873	164,844
C	**Cash and cash equivalents and other financial assets (A+B)**	**65,683**	**166,838**
D	Securities held for trading		
	- Financial receivables due from associated companies	4,933	3,589
	- Financial assets receivables at fair value	-	-
	- Held-for-sale financial assets	-	13,320
	- Derivatives and other financial assets	8,925	15,164
E	Receivables and other current financial assets	13,858	32,073
F	**Current financial assets (D+E)**	**13,858**	**32,073**
G	Current payables due to banks	6,740	1,363
	- Bonds	-	-
	- Loans	-	-
	- Borrowings	35,809	76,567
H	Current portion of non-current debt	35,809	76,567
	- Financial payables due to associated companies	2,811	3,879
	- Derivatives and other financial liabilities	1,263	2,953
I.	Other current financial liabilities	4,074	6,832
L	**Payables due to banks and other current financial liabilities (G+H+I)**	**46,623**	**84,762**
M	**Current net financial position (C+F-L)**	**32,918**	**114,149**
	- Bonds	-	-
	- Loans	-	-
	- Borrowings	394,601	368,572
N	Debt non-current portion	394,601	368,572
O	Other non-current financial liabilities	4,235	18,749
P	**Non-current net debt (N+O)**	**398,836**	**387,321**
Q	**Net debt (M-P)**	**(365,918)**	**(273,172)**

Should the balance of "Non-current financial assets", not included in the Consob format, be added to the above data, the Group net financial position would show a loss of euro 363,201,000.

Further information regarding the Group net financial position is detailed in the notes 12, 13 and 18.

14. Shareholders' equity

More information concerning the composition and changes in Shareholders' equity is detailed in the table dedicated to "Changes in consolidated Shareholders' equity".

It should be noted that the legal entity controlling the Mondadori Group is Fininvest S.p.A.

Share capital

Arnoldo Mondadori Editore S.p.A.'s share capital is divided in no. 246,458,340 ordinary shares with a par value of euro 0.26 each at 31 December 2013; during the year, no new shares were issued.

Share premium reserve

Arnoldo Mondadori Editore S.p.A. share premium reserve, accounting for euro 170,625,000, includes:

- euro 15,289,000, euro 13,278,000 of which deriving from the conversion into shares of the former AMEF 6.5% 1987/1991 bond loan and euro 2,011,000 resulting from the merger by incorporation of the former AME completed on 29 November 1991;
- euro 238,603,000 deriving from the capital increase completed on 27 June 1994 following a resolution by the extraordinary Shareholders' Meeting of 30 May 1994, that provided for the issue of 33,000,000 ordinary shares with a par value of euro 0.52 (It. Lire 1,000) each at a price of euro 7.75 (It. Lire 15,000) per share, euro 7.23 (It. Lire 14,000) of which was share premium; decreased by euro 76,657,000 following to the adoption of the extraordinary Shareholders' Meeting's resolution of 21 April 2011, whose agenda included an item regarding share capital reduction and euro 39,575,000 following a resolution by the ordinary Shareholders' Meeting of 23 April 2013 on the coverage of the loss for the period for the corresponding amount;
- euro 384,000 deriving from the capital increase completed on 23 November 1998;
- euro 692,000 deriving from the capital increase completed on 17 September 1999;
- euro 1,801,000 deriving from the capital increase completed on 18 July 2000;
- euro 26,978,000 resulting from the conversion of no. 13,929,942 savings shares in ordinary shares in application of the Shareholders' Meeting's resolution of 30 May 1994, which provided holders of savings shares with the option to convert them into ordinary shares at a one to one ratio for a par value of euro 0.52 (Italian Lire 1,000), to be exercised in the period from 16 June to 31 July 1994 with payment of the balance of euro 1.94 (Italian Lire 3,750) for each share converted;
- euro 3,110,000 deriving from the exercise of stock options.

Treasury shares

Treasury shares owned by Arnoldo Mondadori Editore S.p.A. account for no. 14,953,500 ordinary shares corresponding to a total amount of euro 73,497,000.

No transactions in treasury shares were performed in the period.

Other reserves and results carried forward

"Other reserves and results carried forward" at 31 December 2013 amounted to euro 250,943,000 and included:

- legal reserve for euro 13,490,000;
- reserves equal to euro 5,335,000 for amounts paid out by the Agency for the Promotion and Development of the South of Italy (Italian Ministerial Decrees of 28/6/1979 and 3/5/1989) and the Government by virtue of the Italian Law on Publishing no. 416 of 5/8/1981;
- a revaluation reserve used over the years for a total of euro 16,711,000;
- a cash flow hedge reserve, negative for euro 2,455,000, net of the relevant tax impact, for the valuation of hedge derivatives;
- a stock option reserve, amounting to euro 1,101,000 serving the stock option plans granted to Group directors and managers. This item decreased by euro 2,655,000 as a result of the cancellation of expired options and outgoing personnel. Further details are provided in note 25;
- a reserve for post-employment discounting, net of the relevant tax impact, for euro 1,424,000;
- the conversion reserve, positive for euro 10,000 as at 31 December 2013 (euro 93,000 as at 31 December 2012), mainly resulting from the conversion of the financial statements of the companies belonging to the Attica Group, with offices in Eastern European countries, and the Chinese joint venture Mondadori Seec Advertising Co. Ltd and the Russian joint venture Mondadori Independent Media LLC. The exchange rates used for the conversion of financial statements denominated in foreign currencies are summarised in the table below:

Currency	Spot 31/12/2013	Spot 31/12/2012	Average FY 2013	Average FY 2012
Rouble	45.32	40.33	42.34	39.93
Chinese yuan	8.35	8.22	8.16	8.11
New Rumenian leu	4.48	4.45	4.42	4.46
Bulgarian leva	1.96	1.96	1.96	1.96
Serbian dinars	114.64	112.60	113.08	113.04

- the residual balance represents reserves for retained earnings from past years.

Capital management

Mondadori Group share capital is managed mainly in relation to the Group overall financial structure, taking into account a correct balance between net debt and capital.

The main index used by the Group for measuring capital adequacy compares net debt with capital to net debt. Net debt includes all liabilities (payables due to banks) net of cash and cash equivalents.

Capital management (Euro/million)	31/12/2013	31/12/2012
Net debt	363.2	267.6
Capital (Shareholders' equity)	258.7	433.8
Total capital and net debt	621.9	701.4
Ratio of net debt/capital to net debt	58.4%	38.2%
Treasury shares in portfolio	73.5	73.5

15. Capital, reserves and results attributable to minority shareholders

The table below details minority interests:

Capital, reserves and results attributable to minority shareholders (Euro/000)	Edizioni Piemme S.p.A.	Glaming S.r.l.	EMAS S.n.c.	NaturaBuy S.a.s.
Shareholders' equity at 31/12/2012	-	-	33,274	39
Result for 2012	158	(560)	2,549	39
Shareholders' equity at 31/12/2013	-	-	31,734	220
Result for 2013	-	-	1,746	181

16. Provisions

Provisions for risks and charges are broken down and commented on below:

Provisions (Euro/000)	31/12/2012	Provisions	Utilisations	Other changes	31/12/2013
Provision for agents' contractual risks	4,575	1,472	(887)	(81)	5,079
Provision for legal risks	17,092	9,408	(771)	(26)	25,703
Provision for equity investment risks	1,728	-	-	2,301	4,029
Provision for tax disputes	2,648	-	-	-	2,648
Other risk provisions	35,815	27,020	(16,546)	180	46,469
Total provisions	61,858	37,900	(18,204)	2,374	83,928

It should be noted that "Provision for legal risks" is set up mainly to cover losses generated from actions for libel associated with articles published in magazines and requests for compensation by authors and third parties in general.

"Provision for equity investment risks" is set up to cover losses generated by companies valued at equity in excess of the value of the Group's interest in such companies.

Item "Other risk provision" includes, among other, the amounts that the Group companies will have to pay in 2014 to third parties in relation to already undertaken commitments, and specific provisions allocated to cover a litigation regarding contribution issues vis-à-vis INPGI and allocated amounts relative to the process of re-organisation and pre-pension schemes started in 2012, continued in 2013 and that will also be extended to next year.

17. Post-employment benefits

Item "Post-employment benefits" is detailed and commented on here below:

Post-employment benefits (Euro/000)	31/12/2013	31/12/2012
Provision for post-employment benefits (TFR)	42,572	46,531
Provision for supplementary agents' indemnity (FISC)	7,519	6,952
Provision for retirement and similar obligations	318	394
Total post-employment benefits	50,409	53,877

The balance amount of "Provision for post-employment benefits (TFR)" is significantly lower than that of the preceding year, because of the heavy reduction in headcount, but also as a result of the application of a lower discounting rate than that applied at 31 December 2012 (3.17% against 4%). In particular, the effect resulting from the change in the applied rate amounts to euro 1.4 million.

Post-employment benefits (TFR) - Details (Euro/000)	TFR	FISC	Provision for retirement
Balance at 31/12/2012	46,531	6,952	394
Changes in 2013:			
- provisions	536	1,815	1
- utilisations	(6,993)	(1,248)	(77)
- reversals	-	-	-
- discounting	2,498	-	-
- changes in the consolidation area and other changes	-	-	-
Balance at 31/12/2013	42,572	7,519	318

Post-employment benefits and the supplementary agents' indemnity have been determined by applying an actuarial method in compliance with IAS 19 and IAS 37.

It should be noted that for both calculations a discounting rate based on the iBoxx benchmark, euro area, rating AA and with a 10+ duration was used consistently with past evaluations.

It should also be noted that by increasing or decreasing the discounting rate by 0.5%, the effect on item "Post-employment benefits provision" would be equal to higher costs or lower costs, respectively, by approximately euro 0.9 million.

The following assumptions were used to measure the actuarial value of post-employment benefits:

Actuarial assumptions to measure TFR	31/12/2013	31/12/2012
Economic assumptions:		
- increase in cost of living	2.0%	2.0%
- discounting rate	3.17%	4.0%
- salary increase	3.0%-4.0%	3.0%-4.0%
Demographic assumptions:		
- probability of death	IPS 55 tables	IPS 55 tables
- probability of disability	INPS 2000 tables	INPS 2000 tables
- probability of leaving for other reasons	from 1% to 18.98%	from 1% to 19.04%
- retirement age	Applicable regulations	Applicable regulations

Following to the application of revised IAS 19 as of 1 January 2013, envisaging the recognition of actuarial profits (losses) under a specific reserve of Shareholders' equity, net of the relevant tax effect, post-employment benefits cost items, booked under income statement, include the service cost of the companies with less than 50 employees for euro 536,000 and financial costs for euro 1,718,000.

The following assumptions were used to measure the provision for supplementary agents' indemnity:

Actuarial assumptions to measure FISC	31/12/2013	31/12/2012
Economic assumptions:		
- discounting rate	3.17%	4.0%
Demographic assumptions:		
- probability of death/disability	1.0%	1.0%
- probability of leaving service	1.0%	1.0%
- probability of voluntary resignation	1.5%-2.0%	1.5%-2.0%
- average age of agency contract termination	Applicable regulations	Applicable regulations

Employee severance indemnity was not subject to discounting because the effects are irrelevant.

18. Financial liabilities

Item "Non-current financial liabilities" equal to euro 398,836,000 mainly includes:

- euro 176,439,000 regarding the amortised cost of the Term Loan underwritten with a pool of banks in November 2013;
- euro 148,327,000, the use of the bilateral loan contract stipulated with Intesa Sanpaolo, coming to maturity in December 2016;
- euro 69,753,000, the use of the loan stipulated with Mediobanca, coming to maturity in December 2017;
- euro 16,000, the fair value of the stipulated derivative contracts;
- euro 4,219,000, the fair value of the option relative to the acquisition of NaturaBuy S.a.s.

As already described in the Directors' Report on Operations, in November 2013 the negotiations for rescheduling the Group's bank overdraft completed successfully for a total amount of euro 570 million.
In particular, a new loan contract was signed with a pool of five banks for an amount equal to euro 270 million with instalments of equal amount falling due in 2016-2017-2018, replacing the bank overdraft about to expire for approximately euro 380 million.
Existing bank overdraft were also subject to re-negotiation for a total amount of euro 300 million, including a euro 200 million worth loan granted by Intesa Sanpaolo with expiry date at the end of 2016 and a euro 100 million worth loan granted by Mediobanca expiring at the end of 2017.
Waivers of the current net debt/EBITDA covenants for 2013 and 2014 were defined to complete the process of organizational restructuring and re-launch.

It should be noted that the actual interest rate relative to "Borrowings" is the weighted average of the actual rates calculated on borrowings.

Non-current financial liabilities (Euro/000)	Actual interest rate	Expiry 1-5 years	Expiry over 5 years	31/12/2013	31/12/2012
Bonds		-	-	-	-
Convertible bonds		-	-	-	-
Borrowings	4.343%	394,601	-	394,601	368,572
Payables due to suppliers		-	-	-	-
Payables due to associated companies		-	-	-	-
Payables due to parent companies		-	-	-	-
Payables due to affiliated companies		-	-	-	-
Payables due for lease agreements	5.377%-6.704%	-	-	-	3
Payables for shareholders' contributions		-	-	-	-
Liabilities resulting from derivatives		16	-	16	14,789
Other financial liabilities		4,219	-	4,219	3,957
Total non-current financial liabilities		398,836	0	398,836	387,321

"Payables due to banks and other financial liabilities" mainly include:

- euro 35,809,000, relative to the use of the revolving portion of the loan contract stipulated with a pool of banks and coming to maturity in December 2018, including interests;
- euro 2,811,000, relative to financial payables due to affiliated companies using the intercompany current accounts. For more information reference should be made to "Transactions with related parties".

Payables due to banks and other financial liabilities (Euro/000)	Actual interest rate	31/12/2013	31/12/2012
Bank deposits		6,740	1,363
Bonds		-	-
Convertible bonds		-	-
Borrowings	4.236%	35,809	76,567
Payables due to suppliers		3	367
Payables due to associated companies		2,811	3,879
Payables due to parent companies		-	-
Payables due to affiliated companies		-	-
Payables due for lease agreements		3	69
Payables for shareholders' contributions		-	-
Liabilities resulting from derivatives		-	142
Other financial liabilities		1,257	2,375
Total payables due to banks and other financial liabilities		46,623	84,762

Committed loans renegotiated in November 2013 envisage that the financial covenants be suspended for the year.

In subsequent years it is envisaged that the leverage ratio be complied with, which corresponds to the net debt/EBITDA ratio as resulting from the annual Group consolidated financial statements.

For information relative to the financial instruments reference should be made to note 12 "Financial assets" in these Notes.

19. Income tax payables

This item decreased as a result of the reduction in the performance obtained by the majority of the Group companies.

Income tax payables (Euro/000)	31/12/2013	31/12/2012
Payables due to Inland Revenue Office for IRAP	227	140
Payables due to Inland Revenue Office for IRES	66	1,389
Payables due to Fininvest for IRES	-	1,160
Total income tax payables	293	2,689

Item "Payables due to Inland Revenue Office for IRES" reflect the tax position of the companies which have not adhered to the tax consolidation regime.

20. Other current liabilities

The heavy reduction in this item against the previous year mainly refers to liabilities for personnel, down 267 units, and payables due to authors, collaborators and agents, as a result of dropping sales.

Other current liabilities (Euro/000)	31/12/2013	31/12/2012
Advances to customers	28,495	36,261
Tax payables	14,296	15,081
Payables due to welfare and social security entities	28,181	34,134
Payables due to associated companies	757	55
Other payables	148,364	162,660
Total other current liabilities	220,093	248,191

Item "Other payables" is broken down below.

Other current liabilities - Other payables (Euro/000)	31/12/2013	31/12/2012
Payroll and other amounts due to personnel	30,360	35,847
Payables due to authors and collaborators	49,038	53,735
Payables due to agents	8,318	9,588
Payables to subscription and instalment customers	47,446	48,084
Payables to directors and statutory auditors	2,073	702
Deferred income for anticipated rents	85	52
Other payables, accrued expense and deferred income	11,044	14,652
Total other payables	148,364	162,660

21. Trade payables

Similarly to other items referring to current receivables and payables, also item "Trade payables" dropped against 31 December 2012. The main reason is attributable to shrinking volumes in the business segments in which the Group operates, which generated reduced volumes of purchases of goods and services.

Trade payables (Euro/000)	31/12/2013	31/12/2012
Payables due to suppliers	301,173	342,379
Payables due to associated companies	12,911	16,118
Payables due to parent companies	49	7
Payables due to affiliated companies	7,174	8,307
Total trade payables	321,307	366,811

For the detailed breakdown of payables due to associated companies, parent company and affiliated companies reference should be made to the Annex "Relations with related parties".
It should be noted that no trade payables are due over five years and that the average collection period in 2013 was 108.1 days, down from the 109.3 days of the previous year.

22. Revenues from sales and services

Revenues from sales, detailed in the table below separating revenues from the sale of products and the sale of services, were down compared to the previous year. Conversely, revenues associated with the organization of exhibitions improved, as a result of the increasing number and success of the events proposed.

The Group's overall revenues in 2013 were down 9.9% compared to the previous year, penalised by the persistent gloomy market conditions, which resulted in dropping investments from companies and in consumer spending.

The reduced volumes are particularly conspicuous in the direct marketing activity and mail order sales, mainly through the book club, and advertising in owned and third party magazines and radio stations.

Revenues from sales and services (Euro/000)	FY 2013	FY 2012	Var. %
Revenues from the sale of products:			
- books	261,387	293,295	(10.9%)
- magazines	486,485	532,324	(8.6%)
- direct	22,025	27,986	(21.3%)
- retail	193,276	201,849	(4.2%)
- other products	12,954	16,234	(20.2%)
Revenues from the sale of services:			
- transfer of publication rights	4,597	6,074	(24.3%)
- advertising services	222,109	265,568	(16.4%)
- direct marketing	15,589	16,435	(5.1%)
- ticket sale and organisation of exhibitions	13,876	11,486	20.8%
- other services	43,493	44,842	(3.0%)
Total revenues from sales and services	1,275,791	1,416,093	(9.9%)

For further information reference should be made to the Directors' Report on Operations, including details about sale volumes and the performance of the segments of activity in which the Group operates.

23. Cost of raw, ancillary, consumption materials and goods

Dropping revenues also generated cost cutting in relation to both the purchase of paper and other production materials as well as products and goods purchased for re-sale purposes in the retail network.

Cost of raw, ancillary, consumption materials and goods (Euro/000)	FY 2013	FY 2012
Paper	42,166	49,959
Other production materials	32	4,912
Total cost of raw and ancillary materials	42,198	54,871
Goods for re-sale	136,179	149,400
Consumption and maintenance materials	2,033	1,606
Other	5,756	10,734
Total cost of consumption materials and goods	143,968	161,740
Total cost of raw, ancillary, consumption materials and goods	186,166	216,611

24. Cost of services

"Cost of services" also shows a performance consistent with shrinking volumes. In fact, the most significant fluctuations are attributed to variable costs, including "Rights and royalties", "Commissions" and "Third party work in progress".

The revision of the printing fees applied by the main suppliers had a positive effect on the latter sub-item.

Also other cost items showed limited changes, as a result of higher attention paid to cost reduction. The cost item referring to "Publisher's share", associated with the acquisition of the advertising business for some national and local radio stations, completed in the period, showed an opposite trend.

Cost of services (Euro/000)	FY 2013	FY 2012
Rights and royalties	107,943	116,662
Consultancy services and third party collaborations	70,899	79,817
Commissions	61,209	64,952
Third party graphical processing	215,781	243,228
Transport and shipping	64,965	66,602
Purchase of advertising space and promotion expenses	56,509	61,612
Travel and other expense reimbursements	8,108	10,883
Maintenance expenses	6,315	7,073
Warehouse and porterage expenses	13,670	15,249
Telephone and postal expenses	9,289	10,227
Catering and cleaning services	8,542	8,577
Market research	6,387	4,686
Insurance	2,794	2,934
Subscriptions management	32,870	32,568
Publisher's share	30,225	19,155
Electricity, water, gas and fuel	8,268	8,437
Bank services and commissions	3,067	3,032
Directors' and statutory auditors' fees	4,961	3,318
Other services	29,187	35,643
Total cost of services	740,989	794,655

It should also be noted that item "Directors' and statutory auditors' fees" comprises fees paid to Directors and Statutory Auditors for euro 4,439,000 and euro 522,000, respectively.

25. Cost of personnel

This item is detailed and commented on here below:

Cost of personnel (Euro/000)	FY 2013	FY 2012
Salaries and wages	176,724	189,979
Stock options	-	119
Social security charges	53,407	56,966
Post-employment benefits TFR	536	630
Supplementary pension scheme plans	8,961	9,634
Retirement indemnity and similar obligations	-	-
Other costs	50,840	31,556
Total cost of personnel	290,468	288,884

To understand changes in item "Cost of personnel" it is worth focusing on the following aspects:

- 2012 data was reprocessed to make it consistent with 2013 data following to the application of revised IAS 19; this valuation generated a reduction in the overall cost of personnel equal to euro 1,531,000;
- 2013 data includes restructuring costs associated with the early retirement schemes applied to graphics operators and journalists, rationalization policies for journalists and, last but not least, one-to-one leaving schemes for a total of approximately euro 47 million against euro 18.1 million in 2012. These costs were partially covered in the period and partially allocated at year end.

Net of the latter effect, item "Cost of personnel" recorded a 10.1% reduction.

The table below includes information regarding Group employees, showing a 267 headcount reduction at closing.

This data confirms that the restructuring process is expected to have additional positive effects on reducing the cost of personnel also in 2014.

Employees	Actual 31/12/2013	Actual 31/12/2012	Average FY 2013	Average FY 2012
Executives	130	150	140	151
White collars, middle managers and journalists	3,172	3,414	3,290	3,464
Blue collars	134	139	140	147
Total	3,436	3,703	3,570	3,762

Information about stock option plans

With reference to the stock option plans applied by parent company Arnoldo Mondadori Editore S.p.A. for the three year 2006-2007-2008 and 2009-2010-2011 time spans and described in the Remuneration Report pursuant to article 123-*ter* of Italian Legislative Decree no. 58 of 24/2/1998, advertised concurrently with this Annual Report, the table below summarises the situation of the options assigned and still to be exercised at 31 December 2013 with indication of the prices and relevant exercise period.

It should be noted that the granting of loans or other facilities for the purchase of shares is not admitted pursuant to article 2358, par. 3, of the Italian Civil Code.

Stock option	2007	2009	2010
In circulation at 01/01/2013	2,095,000	1,910,000	1,410,000
- assigned during the year	-	-	-
- cancelled during the year	(450,000)	(810,000)	(690,000)
- exercised during the year	-	-	-
- expired during the year	(1,645,000)	-	-
In circulation at 31/12/2013	-	1,100,000	720,000
Exercise term	26/06/2010-25/06/2013	16/10/2012-16/10/2015	22/07/2013-21/07/2016
Exercise price in euro	7.458	3.4198	2.4693
Exercisable at 31/12/2013	-	1,100,000	720,000

Options assigned after 7 November 2002 were measured at fair value on the basis of a binomial tree numerical calculation method using the following parameters:

Parameters for the option measuring model	2009	2010
Exercise price of the option	3.4198	2.4693
Option term (residual years)	1.83	2.58
Market price of the underlying shares at the grant date in euro	3.53	2.415
Expected volatility of the share price	32.00%	35.40%
Dividend yield	5.66%	8.28%
Risk free interest rate for the option term	2.18%	2.16%

With reference to the assignment of options relative to the 2008 stock option plan, it should be noted that 2008 performance objectives, identified as exercise conditions for the assigned options, have not been met.
Therefore, under the Plan rules, these options are not exercisable.

As of 2011, the Board of Directors of Arnoldo Mondadori Editore S.p.A. resolved, upon proposal made by the Remuneration Committee, to waive the assignment of options, given the availability of other forms of incentives and loyalty schemes considered appropriate to provide the Group with a significant advantage in the medium-long period.

Lastly, the cost of share-based payments recognised in item "Cost of personnel" under income statement, deriving from share-based payments, totals euro zero.

26. Other (income) cost

This item is detailed and commented on here below:

Other (income) cost (Euro/000)	FY 2013	FY 2012
Other revenues and income	(28,516)	(29,419)
Cost of use of third party assets	42,300	43,388
Various operating costs	49,854	34,541
Total other (income) cost	63,638	48,510

The decrease in item "Other revenues and income" is mainly attributed to lower "Year's contributions" recognised by the government in 2012 in relation to the consumption of paper in 2011, failing compensation with higher rebates from suppliers at year end.

Other (income) cost - Other revenues and income (Euro/000)	FY 2013	FY 2012
Year's contributions	32	4,359
Capital gains from the transfer of assets	498	205
Supplier rebates and other third party contributions	2,110	149
Insurance reimbursements	4	6
Rentals	1,403	1,413
Contingent assets	3,409	3,391
Third party expense reimbursements	14,265	12,170
Other	6,795	7,726
Total other revenues and income	28,516	29,419

Item "Cost of third party assets use" decreased as a result of savings obtained on the cost of maintenance for plants and other office machines.

Other (income) cost - Cost of third party assets use (Euro/000)	FY 2013	FY 2012
Rental expense	35,237	35,473
Data processing fees, leases and rentals	6,823	7,765
Other	240	150
Total cost of third party assets use	42,300	43,388

Item "Other operating costs" rose as a result of higher provisions for other risks, which were deemed necessary to complete the evaluation processes of assets items and pending litigations.

Other (income) cost - Other operating costs (Euro/000)	FY 2013	FY 2012
Compensation and settlements	2,208	1,607
Bad debt	9,195	10,092
Provisions	37,332	22,788
Utilisations	(16,892)	(19,025)
Contributions and grants	474	621
Contingent liabilities	2,254	2,555
Capital loss from the transfer of assets	716	157
Entertainment expenses, gifts and information material	6,196	7,324
Other taxes and duties	5,287	6,402
Other	3,084	2,020
Total other operating costs	49,854	34,541

27. Result from investments valued at equity

The table below details 2013 and 2012 results of companies valued at equity.

Revenues (costs) from investments valued at equity (Euro/000)	FY 2013	FY 2012
- Gruner + Jahr/Mondadori S.p.A.	(822)	(303)
- Harlequin Mondadori S.p.A.	459	618
- Milano Distribuzione Media S.r.l.	(83)	6
- ACI-Mondadori S.p.A.	(415)	(129)
- Attica Publications Group	334	(139)
- Società Europea di Edizioni S.p.A.	(1,394)	(994)
- Group Random House Mondadori	-	1,055
- Mach 2 Libri S.p.A.	(341)	(1,279)
- Mach 2 Press S.r.l.	(331)	(159)
- Mondadori Independent Media LLC	126	(24)
- Edizioni EL S.r.l.	479	618
- Roccella S.c.ar.l.	(145)	-
- Venezia Musei Società per i servizi museali S.c.ar.l.	(20)	(72)
- Mediamond S.p.A.	251	280
- Venezia Accademia Società per i servizi museali S.c.ar.l.	25	27
- Novamusa Val di Noto S.c.ar.l.	(18)	-
- Novamusa Valdemone S.c.ar.l.	(21)	-
- Novamusa Val di Mazara S.c.ar.l.	(17)	-
- Mondadori Seec Advertising Co. Ltd	1,363	124
- EMAS Digital S.a.s.	(1,189)	1,048
Capital gain from transfer of Mondadori Printing S.p.A.	-	5,707
Capital gain from transfer of Group Random House Mondadori	-	1,679
Total revenues (costs) from investments valued at equity	(1,759)	8,063

The change against the previous year is mainly attributed to capital gains obtained in 2012 from the transfers of Mondadori Printing S.p.A. and Random House Mondadori.

28. Financial revenues (costs)

This item is broken down as follows:

Financial revenues (costs) (Euro/000)	FY 2013	FY 2012
Interest from banks and post offices	558	635
Financial income from derivatives	1,443	1,368
Financial income	1,000	1,816
Other interest	311	138
Total interest and other financial income	3,312	3,957
Interest to banks and post offices	265	99
Interest on bonds, loans and borrowings	11,122	16,956
Financial costs from derivatives	10,400	6,494
Other financial costs for discounting assets/liabilities	1,718	2,024
Other interest	4,002	761
Total interest expense and other financial costs	27,507	26,334
Realised positive currency differences	265	238
Unrealised positive currency differences	20	18
Realised negative currency differences	(776)	(329)
Unrealised negative currency differences	(26)	(18)
Total income (loss) on currency transactions	(517)	(91)
Income (cost) from financial assets	503	208
Total financial revenues (costs)	(24,209)	(22,260)

Higher financial income refers to the early termination of hedge derivative contracts stipulated on the bank overdraft re-paid in November 2013.

29. Income tax

The table below shows the composition of current, pre-paid and deferred taxes.

Income tax (Euro/000)	FY 2013	FY 2012
IRES tax on income for the period	(8,072)	6,763
IRAP for the period	6,186	7,220
Total current taxes	(1,886)	13,983
Deferred/(pre-paid) taxes for IRES	(20,081)	(11,981)
Deferred/(pre-paid) taxes for IRAP	(765)	(1,060)
Total deferred/(pre-paid) taxes	(20,846)	(13,041)
Other tax items	(1,057)	(9,190)
Total income tax	(23,789)	(8,248)

The tax burden for the period significantly reflects the reduction in the economic performance of the Group companies; given the different taxable base IRAP decreases less than IRES and the corresponding French tax, proportionately.

Reconciliation between the theoretical tax charge and the current tax charge

	FY 2013			FY 2012		
(Euro/000)	Pre-tax result	Tax amount	Current tax rate	Pre-tax result	Tax amount	Current tax rate
Theoretical IRES tax amount	(207,277)	(57,001)		(172,155)	(47,343)	27.50%
Theoretical IRAP tax amount	(207,277)	(8,084)		(172,155)	(6,714)	3.90%
Total theoretical tax amount/rate		(65,085)	31.40%		(54,057)	31.40%
Actual IRES tax amount		(29,205)	14.09%		(14,404)	8.37%
Actual IRAP tax amount		5,416	(2.61%)		6,156	(3.58%)
Total actual tax amount/rate		(23,789)	11.48%		(8,248)	4.79%
Theoretical tax amount/rate		(65,085)	31.40%		(54,057)	31.40%
Effect relating to consolidation entries		26,806	(12.93%)		38,066	(22.11%)
Effect relative to the recognition of taxes relative to previous years		(981)	0.47%		(8,890)	5.16%
Effect relative to companies posting losses		671	(0.32%)		1,445	(0.84%)
Effect of tax rate differences on foreign subsidiary tax amounts		318	(0.15%)		2,743	(1.59%)
Net effect of other permanent differences		982	(0.47%)		(490)	0.28%
Effect of different IRAP tax base		13,500	(6.52%)		12,935	(7.51%)
Current tax amount/rate		(23,789)	11.48%		(8,248)	4.79%

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

	FY 2013	FY 2012
Net income for the period (Euro/000)	(185,415)	(166,117)
Average number of outstanding ordinary shares (no./000)	231,505	232,340
Basic earnings per share (Euro)	(0.801)	(0.715)

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

	FY 2013	FY 2012
Net income for the period (Euro/000)	(185,415)	(166,117)
Average number of outstanding ordinary shares (no./000)	231,505	232,340
Number of options with diluted effect (no./000)	0	0
Diluted earnings per share (Euro)	(0.801)	(0.715)

31. Commitments and contingent liabilities
At 31 December 2013 Mondadori Group has commitments underwritten for a total amount of euro 124,019,000 (euro 115,287,000 at 31 December 2012) almost entirely represented by guarantees issued vis-à-vis VAT receivables subject to reimbursement and premium contests transactions; euro 266,000 refer to forward currency purchase/sale contracts.

In addition to the details provided in these Notes in relation to the Parent Company (note 27 “Income tax” and note 28 “Commitments and contingent liabilities”, to which reference should be made), it should be noted that the Tax Authorities submitted findings in relation to specific tax investigations performed in some Group companies.

As to Mondadori Direct S.p.A. tax assessments for IRES, IRAP and VAT relative to the 2003-2006 tax years have been notified. All these tax assessments have been challenged before the Provincial Tax Commission. The Provincial Tax Commission accepted the appeals presented for IRAP for the 2004 year; the Commission later appealed to the Regional Tax Commission.
As to Giulio Einaudi editore S.p.A. the 2005-2009 tax years are still pending settlement. All these tax assessments relative to the afore indicated years have been challenged before the Provincial Tax Commission. On 10 December 2013 a hearing was held to negotiate appeals. To date, the response is not yet known.
For the above indicated contingent liabilities, it is not probable that the Group shall lose the cases and, therefore, no provisions for risks were allocated in 2013.

32. Non-recurring (income) cost
In accordance with Consob Resolution no. 15519 of 27 July 2006, it should be noted that the Mondadori Group recorded non-recurring income and cost attributable to corporate restructuring and early retirement schemes recognised under “Cost of personnel” for euro 50,431,000, net of the relevant effects booked in “Income tax” for euro 14,437,000.

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

Benefits to executives with strategically relevant functions
Executives holding responsibilities in relation to Mondadori Group planning, direction and control activities are listed below:

Directors	
Ernesto Mauri	CEO
Carlo Maria Vismara	CFO, Director of Purchasing and IT
Executives	
Riccardo Cavallero	Director of Trade Books Area
Mario Maiocchi	Director of Direct Area
Carlo Luigi Mandelli	Director Magazines Italy, Radio and International Area
Carmine Perna	Director Mondadori France Area
Antonio Porro	Director Books Educational Area
Federico Rampolla	Director of Digital Innovation Area
Enrico Selva Coddè	Director of Human Resources and Group Organization

The comprehensive amount due for compensation by Arnoldo Mondadori Editore S.p.A. or by the Group companies to executives holding strategically relevant functions in 2013 is equal to euro 6.6 million. The significant reduction against the previous year (euro -6.5 million, equal to 50%) is attributed to the following: 60% failed payment in 2013 of LTI amounts relative to the 2010-2012 time span and 40% radical re-organization of the top management, completed in 2013 with the replacement of several members, including the CEO, and the reduction - from 12 to 9 of the total number of the managers holding strategic responsibilities (the average number is equal to 10.8).

Transactions with parent companies, affiliated and associated companies
Below is a detail of the economic and financial impact of transactions with parent companies, affiliated and associated companies relative to 2012 and 2013.

Transactions with related parties: figures at 31 December 2013

(euro/000)	Trade receivables	Financial receivables	Tax receivables	Other current assets	Trade payables	Financial payables	Tax payables	Other current liabilities	Revenues	Purchases of raw materials	Purchases of services	Other (revenues) costs	Financial revenues (costs)
Parent companies:													
- Fininvest S.p.A.	31	-	32,763	-	49	-	-	-	7	-	54	(53)	-
Affiliated companies:													
- Gruner + Jahr/Mondadori S.p.A.	4,361	-	-	-	3,918	6	-	180	2,374	26	2,647	153	(1)
- Mach 2 Libri S.p.A.	19,781	-	-	-	124	-	-	-	24,466	-	131	(5)	-
- MDM Milano Distribuzione Media S.r.l. (until 27/05/2013)	-	-	-	-	-	-	-	-	-	-	36	-	-
- Venezia Musei Società per i servizi museali S.c.ar.l.	260	-	-	-	-	-	-	-	-	-	-	-	-
- Harlequin Mondadori S.p.A.	173	-	-	150	114	2,563	-	-	400	8,470	-	(104)	(1)
- Attica Publications Group	126	500	-	-	17	-	-	-	57	-	37	-	27
- Edizioni EL S.r.l.	750	-	-	12	4,452	-	-	3	891	6,025	13	(612)	-
- Società Europea di Edizioni S.p.A.	584	-	-	-	1,962	-	-	123	2,827	222	-	(6)	-
- ACI-Mondadori S.p.A.	198	1,096	-	-	505	-	-	-	845	8	914	(118)	11
- Consorzio Covar (in liquidation)	-	-	-	4	-	-	-	-	-	-	-	-	-
- EMAS Digital S.a.s.	-	2,627	-	-	-	-	-	-	-	-	-	-	52
- Roccella S.c.ar.l. (in liquidation)	-	-	-	-	-	-	-	-	-	-	-	(14)	(52)
- Campania Arte S.c.ar.l.	32	134	-	-	25	-	-	-	7	-	13	-	-
- Mondadori Independent Media LLC	83	-	-	-	-	-	-	-	249	-	-	-	-
- Venezia Accademia Società per i servizi museali S.c.ar.l.	-	25	-	-	71	-	-	-	-	-	75	-	-
- Mediamond S.p.A.	6,131	-	-	110	1,206	242	-	450	10,224	-	2,188	(584)	1
- Mondadori Seec Advertising Co. Ltd	919	2,695	-	-	218	-	-	-	652	-	306	-	-
- Mach 2 Press S.r.l.	-	-	-	-	299	-	-	1	-	-	1,107	-	-
Total affiliated companies	33,398	7,077	0	276	12,911	2,811	0	757	42,992	14,751	7,467	(1,290)	37

Transactions with related parties: figures at 31 December 2013

(euro/000)	Trade receivables	Financial receivables	Tax receivables	Other current assets	Trade payables	Financial payables	Tax payables	Other current liabilities	Revenues	Purchases of raw materials	Purchases of services	Other (revenues) costs	Financial revenues (costs)
Associated companies:													
- RTI - Reti Televisive Italiane S.p.A.	442	-	-	-	2,351	-	-	-	904	660	953	(11)	-
- Publitalia '80 S.p.A.	-	-	-	-	4,364	-	-	-	-	-	10,112	-	-
- Digitalia '08 S.r.l. (former Promoservice Italia S.r.l.)	224	-	-	-	4	-	-	-	197	-	4	-	-
- Banca Mediolanum S.p.A.	54	-	-	-	-	-	-	-	199	-	-	-	-
- Medusa Film S.p.A.	-	-	-	-	153	-	-	-	-	17	22	-	-
- Radio e Reti S.r.l.	9	-	-	-	-	-	-	-	-	-	-	-	-
- Isim S.p.A.	-	-	-	-	2	-	-	-	-	-	-	-	-
- Mediaset S.p.A.	14	-	-	-	-	-	-	-	14	-	-	-	-
- Media Shopping S.p.A.	-	-	-	-	9	-	-	-	36	-	-	-	-
- Publieurope Ltd	504	-	-	-	267	-	-	-	1,523	-	267	-	-
- Towertel S.p.A.	-	-	-	-	2	-	-	-	-	-	51	71	-
- Fininvest Gestione Servizi S.p.A.	5	-	-	-	-	-	-	-	5	-	-	10	-
- A.C. Milan S.p.A.	22	-	-	-	-	-	-	-	21	-	-	6	-
- Milan Entertainment S.r.l.	1	-	-	-	22	-	-	-	-	-	19	-	-
- Mediobanca S.p.A.	-	148	-	-	-	70,069	-	-	-	-	-	-	(2,823)
Total associated companies	1,275	148	0	0	7,174	70,069	0	0	2,899	677	11,410	76	(2,823)
Other related parties:													
- Sin&rgetica S.r.l.	-	-	-	-	-	-	-	-	-	-	-	-	-
Total other related parties	0	0	0	0	0	0	0	0	0	0	0	0	0
Total related parties	34,704	7,225	32,736	276	20,134	72,880	0	757	45,898	15,428	18,931	(1,267)	(2,786)
% of incidence	11.1%	43.6%	36.1%	0.3%	6.3%	16.4%	n.s.	0.3%	3.6%	8.3%	2.6%	n.s.	11.5%

Transactions with related parties: figures at 31 December 2012

(euro/000)	Trade receivables	Financial receivables	Tax receivables	Other current assets	Trade payables	Financial payables	Tax payables	Other current liabilities	Revenues	Purchases of raw materials	Purchases of services	Other (revenues) costs	Financial revenues (costs)
Parent companies:													
- Fininvest S.p.A.	-	-	15,847	-	7	-	1,160	-	-	-	31	4	(149)
Affiliated companies:													
- Gruner + Jahr/Mondadori S.p.A.	4,882	-	-	-	6,249	97	-	52	3,132	73	4,649	(78)	(17)
- Mach 2 Libri S.p.A.	24,378	-	-	-	75	34	-	-	28,453	-	166	(4)	25
- Milano Distribuzione Media S.r.l.	1,000	-	-	-	19	-	-	-	-	-	305	14	-
- Venezia Musei Società per i servizi museali S.c.ar.l.	260	-	-	-	-	-	-	-	-	-	-	-	-
- Harlequin Mondadori S.p.A.	181	-	-	200	217	3,163	-	-	476	9,535	-	(105)	(25)
- Attica Publications Group	187	507	-	-	25	-	-	-	137	-	59	-	7
- Edizioni EL S.r.l.	718	-	-	22	4,990	-	-	3	843	6,349	13	(602)	-
- Random House Mondadori Group (until 30/11/2012)	-	-	-	-	-	-	-	-	203	-	34	-	-
- Società Europea di Edizioni S.p.A.	585	-	-	-	1,979	-	-	-	3,254	134	18	(10)	-
- ACI-Mondadori S.p.A.	297	-	-	-	633	1	-	-	1,037	8	1,136	(132)	(3)
- Consorzio Covar (in liquidation)	-	-	-	4	-	-	-	-	-	-	-	-	-
- EMAS Digital S.a.s.	-	5,127	-	-	-	-	-	-	-	-	-	-	101
- Roccella S.c.ar.l. (in liquidation)	-	165	-	-	60	-	-	-	-	-	-	-	-
- Campania Arte S.c.ar.l.	32	134	-	-	23	-	-	-	7	-	12	-	-
- Mondadori Independent Media LLC	90	-	-	-	-	-	-	-	261	-	-	(15)	-
- Venezia Accademia Società per i servizi museali S.c.ar.l.	9	25	-	-	47	-	-	-	-	1	93	(32)	-
- Mediamond S.p.A.	5,851	80	-	-	1,165	584	-	-	9,962	5	2,298	(581)	(5)
- Mondadori Seec Advertising Co. Ltd	532	2,695	-	-	202	-	-	-	542	-	147	-	-
- Mach 2 Press S.r.l.	-	-	-	-	434	-	-	-	-	-	1,299	-	-
Total affiliated companies	39,002	8,733	0	226	16,118	3,879	0	55	48,307	16,105	10,229	(1,545)	83

Transactions with related parties: figures at 31 December 2012

(euro/000)	Trade receivables	Financial receivables	Tax receivables	Other current assets	Trade payables	Financial payables	Tax payables	Other current liabilities	Revenues	Purchases of raw materials	Purchases of services	Other (revenues) costs	Financial revenues (costs)
Associated companies:													
- RTI - Reti Televisive Italiane S.p.A.	521	-	-	-	2,704	-	-	-	768	1,914	335	4	-
- Publitalia '80 S.p.A.	-	-	-	-	4,912	-	-	-	-	-	12,413	-	-
- Digitalia '08 S.r.l. (former Promoservice Italia S.r.l.)	181	-	-	-	-	-	-	-	-	-	51	-	-
- Fininvest Gestione Servizi S.p.A. (former Finedim It. S.p.A.)	3	-	-	-	-	-	-	-	3	-	-	21	-
- Banca Mediolanum S.p.A.	38	-	-	-	-	-	-	-	204	-	-	-	-
- Medusa Film S.p.A.	21	-	-	-	524	-	-	-	99	432	412	-	-
- Alba Servizi Aerotrasporti S.p.A.	-	-	-	-	16	-	-	-	-	-	-	27	-
- Radio e Reti S.r.l.	9	-	-	-	-	-	-	-	-	-	-	-	-
- Isim S.p.A.	-	-	-	-	2	-	-	-	-	-	-	-	-
- Mediaset S.p.A.	8	-	-	-	103	-	-	-	8	-	85	-	-
- A.C. Milan S.p.A.	34	-	-	-	-	-	-	-	33	-	-	6	-
- Media Shopping S.p.A.	10	-	-	-	27	-	-	-	23	-	29	-	-
- Publieurope Ltd	485	-	-	-	-	-	-	-	1,711	-	406	-	-
- The Space Cinema 2 S.p.A. (former Medusa Cinema S.p.A.)	-	-	-	-	19	-	-	-	-	-	16	-	-
- Taodue S.r.l.	24	-	-	-	-	-	-	-	20	-	20	-	-
- Milan Entertainment S.r.l.	3	-	-	-	-	-	-	-	-	-	5	12	-
- Towertel S.p.A.	-	-	-	-	-	-	-	-	-	1	194	264	-
- Mediobanca S.p.A.	-	-	-	-	-	70,251	-	-	-	-	-	-	(2,360)
Total associated companies	1,337	0	0	0	8,307	70,251	0	0	2,869	2,347	13,966	334	(2,360)
Other related parties:													
- Sin&rgetica S.r.l.	-	-	-	-	169	-	-	-	-	-	340	-	-
Total other related parties	0	0	0	0	169	0	0	0	0	0	340	0	0
Total related parties	40,339	8,733	15,847	226	24,601	74,130	1,160	55	51,176	18,452	24,566	(1,207)	(2,426)
% of incidence	12.0%	23.2%	25.6%	0.3%	6.7%	15.7%	43.1%	n.s.	3.6%	8.5%	3.1%	n.s.	10.9%

34. Financial risk management and other information required pursuant to IFRS 7
In carrying out its business activities, Mondadori Group is exposed to various financial risks, including interest rate risk, exchange rate risk, price risk, credit/counterparty risk, issuer risk and liquidity risk.

The Group drafted a "General Policy for Financial Risk Management" aimed at regulating and defining financial risk management. The Policy also envisages the possibility of setting up a Risk Committee, whose task is to identify any changes. The Policy is adopted by the Parent Company, Arnoldo Mondadori Editore S.p.A., and all Group companies.

The Group analyses and measures its exposure to financial risks for the purpose of defining management and hedge strategies. The criteria used by the Company to measure the risks include the sensitivity analysis of positions subject to risk, involving mark to market analysis of variations and/or future cash flow variations in relation to small variations in risk factors.

The overall Policy objective is to minimize financial risks, by using appropriate tools available on the market. Financial derivative instruments are exclusively used to hedge against financial risks directly referring to Arnoldo Mondadori Editore S.p.A. or its subsidiaries.
Financial derivative instruments may not be used for speculative purposes.

Specific company functions are responsible for risk management and monitoring and reports are drafted periodically for each type of risk.

<u>Interest rate risk</u>
Interest rate risk refers to the possibility that losses may be incurred in financial management, in terms of lower business activity performance or increased liability costs (existing or potential) as a result of interest rate fluctuations.

Interest rate risk is therefore correlated to interest rate uncertainty. The key objective of interest rate risk management is to protect the Group's financial margin against market interest rate fluctuations, by steadily monitoring interest rate volatility, and prudently managing the risk consistently with the Group risk profiles and the Group financial assets and liabilities performance in a logic of asset and liability management.

The Group exposure to interest rate risk mainly refers to long-term loans, and, in particular: the loan granted by a pool of banks; the bilateral bank overdraft granted by Intesa Sanpaolo and the bullet loan coming to maturity in December 2017 granted by Mediobanca.

Interest rate risk hedging is ensured through interest rate swap contracts, converting exposure from floating to fixed rate.

In particular:
- a 0.41% fixed interest 1-month Euribor hedge, comprising an interest rate swap for an initial notional value of euro 50 million, coming into force as of end of November 2013;
- a 0.62% fixed interest 1-month Euribor hedge, comprising an interest rate swap for a notional value of euro 90 million, coming into force as of end of November 2013;
- a 0.96% fixed rate 1-month Euribor hedge, comprising an interest rate swap of a notional value of euro 25 million, coming into force as of September 2011.

For more detailed information regarding debt, reference should be made to note 12 "Financial assets", and note 18 "Financial liabilities".

The following table illustrates the findings of the sensitivity analysis on the interest rate risk with indication of the relevant impact on income statement, gross of any tax effects, as requested by IFRS 7.

Sensitivity analysis

(Euro/million)	Underlying	Interest rate increase/(decrease)	Income (costs)	Shareholders' equity increase (decrease)
2013	(281.7)	1%	(2.8)	1.3
2012	(177.7)	1%	(1.8)	2.1
2013	(281.7)	(0.2%)	0.6	(0.3)
2012	(177.7)	(0.2%)	0.3	(0.4)

While identifying potential impact correlated to positive and negative interest rate variations, floating-rate loans were also analysed.

The impact of the sensitivity analysis on floating-rate loans refers to future cash flows, while in the case of fixed rate liabilities it refers to variations in the fair value.

The basic assumptions underlying the sensitivity analysis are:
- an initial parallel shift of the interest curve of +100/-20 base points;
- the analysis is carried out on the assumption that all the other risk variables remain constant;
- for the purpose of comparability, the same analysis is performed both on the current year and the previous year.

<u>Currency risk</u>
Currency risk refers to a set of negative effects on the margin or the value of an asset or a liability as a result of exchange rate fluctuations.
The Group is not particularly exposed to exchange rate risks.

The Group has underwritten forward contracts in order to hedge against the exchange rate risk resulting from US dollars sale transactions.
Despite the fact that these contracts are specifically entered into for hedge purposes, they do not fully meet the requirements envisaged by international accounting standards in the matter of hedge accounting, and are therefore accounted for as trading derivatives.
The Group has a policy of hedging a percentage of the positions included in the budget in order to protect its operational profitability against the negative impact resulting from exchange rate fluctuations.

In 2013 the type of exposure and the hedge policy adopted for exchange rate risks did not show any particular variations against previous years.
The results of the sensitivity analysis performed on the exchange rate risk showed an irrelevant economic impact, considering the low level of average exposure in 2012 and 2013.
No impact was identified on Shareholders' equity, as a result of the fact that the derivative instruments stipulated for the purpose of exchange rate risk management do not qualify for hedge accounting.

The basic assumptions underlying the sensitivity analysis are:
- exchange rate shock at closing equal for all currencies the Group is exposed to, corresponding to ± 10%;

- the analysis is carried out on the assumption that all the other risk variables remain constant;
- for the purpose of comparability, the same analysis is performed both on the current year and the previous year.

Liquidity risk

Liquidity risk refers to the possibility that the Group may not be able to face payment obligations as a result of its inability to raise new funds (funding liquidity risk), or its inability to sell assets on the market (asset liquidity risk), thereby being forced to sustain excessively high costs for the purpose of meeting obligations.

The Group's exposure to liquidity risk mainly refers to existing loans and borrowings. Currently, the Group has medium/long-term loans (loans granted in pool, bilateral loans) with banks.
In addition, if deemed necessary, the Group may resort to pre-authorised short-term bank overdraft. For more detailed information regarding current and non-current financial liabilities, reference should be made to note 18 "Financial liabilities".

At 31 December 2013 liquidity risk was managed by Mondadori Group through the following tools:
- bank and post office deposits totalling euro 62.9 million;
- committed bank overdraft totalling approximately euro 570.0 million (euro 135.0 million of which unused) and uncommitted bank overdraft of euro 213.4 million, used for a total of euro 4.7 million at 31 December 2013.

The table below details the Group exposure to liquidity risk and the relevant maturity dates.

Liquidity risk (Euro/million)	Analysis of maturity periods at 31/12/2013						
	< 6 months	6-12 months	1-2 years	2-5 years	5-10 years	> 10 years	Total
Trade payables	308.4	-	-	-	-	-	308.4
Medium/long-term loans	9.5	9.8	19.6	468.0	-	-	506.9
Other financial liabilities:							
- committed lines	-	-	-	-	-	-	0
- uncommitted lines	9.7	-	-	-	-	-	9.7
Other liabilities	81.2	-	-	-	-	-	81.2
Payables due to associated companies	15.7	-	-	-	-	-	15.7
Total	**424.5**	**9.8**	**19.6**	**468.0**	**0**	**0**	**921.9**
Derivatives on rate risk	0.2	0.2	0.3	-	-	-	0.7
Derivatives on currency risk	-	-	-	-	-	-	0
Total exposure	**424.7**	**10.0**	**19.9**	**468.0**	**0**	**0**	**922.6**

Liquidity risk (Euro/million)	Analysis of maturity periods at 31/12/2012						
	< 6 months	6-12 months	1-2 years	2-5 years	5-10 years	> 10 years	Total
Trade payables	350.7	-	-	-	-	-	350.7
Medium/long-term loans	79.4	5.5	189.4	286.2	-	-	560.6
Other financial liabilities:							
- committed lines	-	-	-	-	-	-	0
- uncommitted lines	5.7	-	-	-	-	-	5.7
Other liabilities	92.8	-	-	-	-	-	92.8
Payables due to associated companies	20.0	-	-	-	-	-	20.0
Total	**548.6**	**5.5**	**189.4**	**286.2**	**0**	**0**	**1,029.7**
Derivatives on rate risk	6.0	0.5	4.9	0.9	-	-	12.3
Derivatives on currency risk	-	0.1	-	-	-	-	0.1
Total exposure	**554.6**	**6.1**	**194.3**	**287.1**	**0**	**0**	**1,042.1**

Maturity dates were analysed by using undiscounted cash flows and the amounts were accounted for by taking into account the first date upon which payment becomes due. For this reason, uncommitted bank overdraft are reported in the first column.

For the purpose of meeting liquidity requirements, the company relies on bank overdraft and liquidity, as already commented on above, and cash flow from operations.

Credit risk

Credit risk refers to the possibility of incurring financial losses as a result of counterparty default in complying with contractual obligations.

Credit risk includes counterparty/replacement risk in case of derivative instruments. In the latter case, the risk is associated with any deferred gains as a result of the possibility that the counterparty fails to live up to its contractual obligations and thus no positive cash flow is generated in favour of the Group.

The Group is exposed to credit risk only to a limited extent, since the counterparties of derivative instrument contracts are leading financial institutions with high ratings.

The objective is to limit the risk for losses due to the unreliability of market counterparties or to the difficulty of converting or replacing existing financial positions. Hence, transactions with non-authorised counterparties are not allowed.

When approving the Policy, the Board of Directors also approved a list of authorised counterparties for financial risk hedging. Transactions with such authorised counterparties are constantly monitored and reports are periodically drafted.

Each individual Group company is responsible for the management of trade receivables in compliance with the Group financial objectives, commercial strategies and operating procedures, restricting the sale of products and services to customers whose credit profile or provision of collateral guarantees does not conform to the standards set. The balance relative to trade receivables is monitored throughout the year, so as to ensure that the amount of exposure to losses is kept low.

The table below illustrates maximum exposure to credit risk for financial statements items, including derivative instruments. Maximum risk exposure is accounted for before the effects of mitigation deriving from compensation agreements and guarantees.

Credit risk (Euro/million)	31/12/2013	31/12/2012
Deposits	62.9	164.9
Receivables and loans:		
- trade receivables and other current financial assets	342.8	363.6
- trade receivables and other non-current financial assets	35.7	16.3
Held-for-sale assets	-	14.7
Receivables from hedge derivatives	-	-
Guarantees	-	2.0
Total maximum exposure to credit risk	**441.4**	**561.5**

The table below illustrates the Group's exposure to credit risk by geographical area:

Credit risk concentration (Euro/million)	31/12/2013	31/12/2012	% 31/12/2013	% 31/12/2012
By geographical area:				
Italy	261.1	276.7	83.6%	82.5%
France	51.3	58.7	16.4%	17.5%
Other countries	-	-	-	-
Total	**312.4**	**335.4**	**100.0%**	**100.0%**

Below is a description of management criteria used for the main segments of activity.

Books
The Group has adopted a specific procedure to assess the risk profile of any new customer. This procedure comprises the collection of commercial information to evaluate customer reliability before granting any bank overdraft. Customer reliability is monitored on an ongoing basis.

Magazines
With reference to the Italian market, the Group's exposure relates to local distributors mainly represented by small/medium enterprises.
Given the fact that contractual provisions establish the collection of significant advances on supplies, exposure is represented by the residual amount of sales relative to the month of December.

In addition, for the purpose of limiting the credit risk, the Group stipulated an insurance.

The French market of magazines is characterised by only two national players, whose stake is also owned by the main French publishers.

Therefore, considering counterparty financial robustness and solvency, the Group does not consider credit risk relevant.

Advertising
The Group's exposure refers to small/medium advertising agencies; the credit risk vis-à-vis said entities is monitored through the performance of reliability analyses before the delivery of the relevant services in relation to investments of significant amount. The same risk is monitored on an ongoing basis through the trade relations with the sales network.

Exposure vis-à-vis media centres, managing advertising on behalf of their customers, is characterised by a higher credit risk concentration.

In relation to said entities, the Group constantly monitors exposures and collects trade information to confirm solvency.

With reference to bad debt, it should be noted that each Group company allocates individual provisions for the individually significant positions.

The amount of bad debt takes into account an estimate of the recoverable amount, collection dates, charges and expenses, as well as any guarantees received.

In case of positions not subject to specific losses, the Group sets up a provision based on historical data and statistics.

The Group credit risk exposure by business area is detailed below:

Credit risk concentration (Euro/million)	Analysis of maturity periods at 31/12/2013	Net overdraft				
	Net to maturity	0-30 days	30-60 days	60-90 days	over	Bad debt provision
Books	87.8	2.6	3.6	1.6	4.5	19.1
Magazines Italy	28.1	4.4	0.4	0.1	10.3	11.8
Magazines France	38.2	6.5	2.7	1.1	2.8	3.5
Advertising	56.5	8.1	2.9	1.8	14.9	1.5
Retail	20.6	3.3	1.2	1.2	5.8	5.0
Radio	-	-	-	-	-	-
Other business	0.1	1.3	-	-	-	5.5
Total	**231.3**	**26.2**	**10.8**	**5.8**	**38.3**	**46.4**

Credit risk concentration (Euro/million)	Analysis of maturity periods at 31/12/2012	Net overdraft				
	Net to maturity	0-30 days	30-60 days	60-90 days	over	Bad debt provision
Books	95.1	1.5	3.8	0.5	5.9	18.5
Magazines Italy	27.8	11.8	0.6	0.2	1.8	10.7
Magazines France	46.7	7.1	4.2	0.7	-	4.0
Advertising	54.0	9.9	3.7	1.7	17.4	1.4
Retail	22.0	3.7	1.7	1.3	4.2	4.8
Radio	-	-	-	-	-	-
Other business	5.3	1.5	0.8	0.4	0.1	0.5
Total	**250.9**	**35.5**	**14.8**	**4.8**	**29.4**	**39.9**

<u>Price risk</u>
Price risk mainly refers to variations in the market price of equity instruments and financial assets/liabilities value impairment as a result of variations in commodity prices.

The key objective of price risk management is to reduce the impact of fluctuations in the price of raw materials on the financial results of companies.

Due to the nature of its core business, the Group is exposed to variations in the price of paper.

Other information requested pursuant to IFRS 7
The table below summarizes financial assets and liabilities classified based on the categories defined by IAS 39 and the relevant fair value.

Classification	Book value						Fair value	
	Total		- of which current		- of which non-current			
(Euro/million)	31/12/2013	31/12/2012	31/12/2013	31/12/2012	31/12/2013	31/12/2012	31/12/2013	31/12/2012
Financial assets valued at fair value with differences recognised under income statement, held for trading	-	-	-	-	-	-	-	-
Receivables and loans:								
- cash and other cash equivalents	65.7	166.8	65.7	166.8	-	-	65.7	166.8
- trade receivables	279.0	296.4	271.9	288.8	7.1	7.6	279.0	296.4
- other financial assets	61.8	40.9	39.2	38.5	22.6	2.4	61.8	40.9
- receivables from affiliated companies and joint ventures	39.4	47.7	37.3	42.6	2.1	5.1	39.4	47.7
Held-for-sale financial assets	0.4	14.7	0.4	14.7	-	-	0.4	14.7
Derivatives	0.2	-	-	-	0.2	-	0.2	-
Total financial assets	**446.5**	**566.5**	**414.5**	**551.4**	**32.0**	**15.1**	**446.5**	**566.5**
Financial liabilities at fair value:								
- non-hedge derivatives	-	0.1	-	0.1	-	-	-	0.1
Financial liabilities at amortized cost:								
- trade payables	308.4	350.7	308.4	350.7	-	-	308.4	350.7
- payables to banks and other financial liabilities	524.7	497.6	125.9	175.1	398.8	322.5	589.4	564.2
- payables to affiliated companies and joint ventures	15.7	20.0	15.7	20.0	-	-	15.7	20.0
Derivatives	-	14.8	-	-	-	14.8	-	14.8
Total financial liabilities	**848.8**	**883.2**	**450.0**	**545.9**	**398.8**	**337.3**	**913.5**	**949.8**

The table below details fair value valuations of held-for-sale financial assets (securities) pursuant to IFRS 7, reconciling initial and final balances based on the changes and results occurred in the period of reference.

IFRS 7 requires that values are classified based on a scale of levels reflecting input significance, used when calculating fair value.

Level 1 includes securities whose evaluation is based on listed prices (not adjusted) on an active market for identical assets or liabilities; Level 2 includes procedures to either directly or indirectly monitor inputs having a significant impact on fair value; Level 3 includes stocks valued based on inputs having a significant impact on fair value and which are not based on observable market data.

In 2013 the entire security portfolio was divested and no transfers from one Level to another were identified.

(Euro/million)	Total	Level 1	Level 2	Level 3
Fair value at 31/12/2012	**13.3**	**0**	**0.8**	**12.5**
Sales/refunds	(13.8)	-	(0.8)	(13.0)
Realised net income (loss)	0.5	-	-	0.5
Unrealised net income (loss)	-	-	-	-
Fair value at 31/12/2013	**0**	**0**	**0**	**0**

Moreover, as at 31 December 2013, the Group had current and non-current financial liabilities in the form of derivative instruments as described in Nnote 18 “Financial liabilities”, that were classified as Level 2.

The table below summarises income and expenses recognised under income statement and attributable to financial assets and liabilities, classified according to the categories defined by IAS 39.

Income and loss from financial instruments (Euro/million)	31/12/2013	31/12/2012
Net income from instruments held for trading and valued at fair value with changes recognised under income statement	-	-
Net income from receivables and loans	0.1	-
Net income on derivative instruments	-	-
Net income from held-for-sale financial assets	0.5	0.3
Interest earned on financial assets not valued at fair value:		
- deposits	0.6	0.6
- other financial assets	2.0	2.0
Total income	**2.9**	**2.9**
Net loss from instruments held for trading and valued at fair value with changes recognised under income statement	-	0.2
Net loss on loans and receivables	-	0.1
Net loss on held-for-sale financial assets	-	-
Net loss on financial liabilities at amortised cost	-	-
Net loss on derivative instruments	9.1	4.9
Interest due on financial liabilities not valued at fair value		
- deposits	0.3	0.1
- bonds	-	-
- loans	10.3	8.8
- other	4.0	7.7
Losses from financial instrument impairment:		
- trade receivables	9.2	9.8
Expense and commissions not included in effective interest rates	1.3	1.2
Total expenses	**34.2**	**32.8**
Total	**(31.7)**	**(29.9)**

35. Evaluations at fair value

Some of the Group’s financial assets and liabilities were valued at fair value at closing. The table below provides information about the calculation of the aforementioned fair value.

Financial assets (liabilitites) (Euro/000)	Fair value at 31/12/2013	Fair value hierarchy	Valuation method and main inputs
Interest rate swap	214	Level 2	Discounted cash flow Projected flows are discounted based on the forward rate curve expected at year end and on the contractual fixing rates, taking also the counterparty default risk into account.
Currency derivatives	6	Level 2	Discounted cash flow Projected flows are discounted based on the forward currency rate curve expected at year end and strikes fixed with banks, taking also the counterparty default risk into account.
Investments in other companies	442	Level 3	Based on the nature of the shareholdings in other enterprises, the cost may be considered representative of the fair value.

36. Operating segments

Change in the graphical description following IFRS 8 - Operating segments

The disclosure required by IFRS 8 - Operating segments - is provided by taking into account the Group's organizational structure based upon which reporting is made, used by the Top Management to define actions and strategies, evaluate investment opportunities and allocate resources.

In the third quarter 2013 the Group's organizational structure was subject to revision. Such revision re-defined a few business areas and led to changes in the succession of a group of executive managers.

The new configuration of the business areas, including Books, Magazines and the additional separation between Magazines Italy, Advertising and Magazines France, Retail, Radio and Corporate and Other business envisages the classification of the direct marketing activity previously included in the Retail segment, among the residual ones under Corporate and Other business.

Therefore, in the following tables data referring to 2012 was re-processed to reflect the changes described.

37. Information pursuant to article 149-*duodecies* of Consob Issuer Regulation

The table below, drafted pursuant to article 149-*duodecies* of Consob Issuer Regulation, summarises fees paid in 2013 for auditing activities and other services provided by Deloitte & Touche S.p.A. and by other entities belonging to the same network.

Service	Entity providing the service	Beneficiary of the service		Amount (Euro/000)
Auditing	Deloitte & Touche S.p.A.	Arnoldo Mondadori Editore S.p.A.	(1)	339.5
	Deloitte & Touche S.p.A.	Subsidiaries		467.1
	Deloitte & Associés S.A.	Subsidiaries		242.5
Certification	Deloitte & Touche S.p.A.	Arnoldo Mondadori Editore S.p.A.	(2)	86.3
	Deloitte & Touche S.p.A.	Subsidiaries	(3)	11.9
	Deloitte & Associés S.A.	Subsidiaries	(4)	3.0
Other services	Deloitte ERS Enterprise Risk Services S.r.l.	Arnoldo Mondadori Editore S.p.A.	(5)	10.0
Total				1,160.3

(1) It includes the fees relative to the incorporated company Mondadori International S.p.A.
(2) Accertamento Diffusione Stampa (circulation auditing). Company financial statements auditing, tax return audits.
(3) Audits for underwriting of tax returns.
(4) Auditing procedure for the obtaining of subsidized postal tariffs (CPAPP).
(5) Technical and methodological support for the "Privacy" project.

For the Board of Directors
The Chairman
Marina Berlusconi

Segment information

Segment information: figures at 31 December 2013

(euro/000)	Books	Magazines Italy	Magazines France	Avertising services	Retail	Radio	Corporate and other business	Adjustments for consolidation	Consolidated result
Revenues from sales and services from external customers	299,978	247,345	353,867	135,196	220,362	322	18,721	-	1,275,791
Revenues from sales and services from other sectors	34,283	78,782	-	6,414	4,663	10,994	16,303	(151,439)	0
Revenues (costs) from investments valued at equity	401	172	(1,189)	251	-	-	(1,394)	-	(1,759)
EBITDA	46,180	(20,626)	26,713	(19,871)	(8,532)	(4,288)	(32,415)	-	(12,839)
EBIT	43,528	(32,013)	(84,545)	(19,980)	(16,733)	(36,949)	(36,376)	-	(183,068)
Financial revenues (costs)	-	-	-	-	-	-	(24,209)	-	(24,209)
Result before taxes and minority interests	43,528	(32,013)	(84,545)	(19,980)	(16,733)	(36,949)	(60,585)	-	(207,277)
Income tax	-	-	-	-	-	-	(23,789)	-	(23,789)
Minority profit	-	-	1,927	-	-	-	-	-	1,927
Net result	43,528	(32,013)	(86,472)	(19,980)	(16,733)	(36,949)	(36,796)	-	(185,415)
Amortisation, depreciation and impairment	2,652	11,387	111,258	109	8,201	32,661	3,961	-	170,229
Non-monetary costs	14,181	12,251	13,451	6,223	12,801	354	8,641	-	67,902
Non-recurring revenues (costs)	(2,922)	(14,191)	(8,207)	(5,168)	(8,218)	(352)	3,064	-	(35,994)
Investments	3,027	133	1,104	8	1,245	907	987	-	7,411
Investments valued at equity	7,176	21,883	-	2,004	-	-	7,124	-	38,187
Total assets	283,555	208,041	489,666	90,459	134,085	58,225	265,829	(72,732)	1,457,128
Total liabilities	136,284	210,960	150,239	80,166	103,063	4,853	575,112	(62,238)	1,198,439

	Revenues from sales and services	Fixed assets
Italy	895,763	244,099
France	333,643	417,306
Other EU countries	35,948	-
USA	684	-
Other countries	9,753	-
Consolidated result	1,275,791	661,405

Segment information: figures at 31 December 2012

(euro/000)	Books	Magazines Italy	Magazines France	Avertising services	Retail	Radio	Corporate and other business	Adjustments for consolidation	Consolidated result
Revenues from sales and services from external customers	333,093	273,902	381,465	168,394	237,314	361	21,564	-	1,416,093
Revenues from sales and services from other sectors	37,462	110,018	145	4,471	7,270	13,523	17,397	(190,286)	0
Revenues (costs) from investments valued at equity	2,646	(624)	1,048	280	-	-	4,713	-	8,063
EBITDA	60,193	3,129	39,641	(8,142)	(411)	(1,970)	(24,284)	-	68,156
EBIT	58,560	267	(112,338)	(8,219)	(10,600)	(49,974)	(27,591)	-	(149,895)
Financial revenues (costs)	-	-	-	-	-	-	(22,260)	-	(22,260)
Result before taxes and minority interests	58,560	267	(112,338)	(8,219)	(10,600)	(49,974)	(49,851)	-	(172,155)
Income tax	-	-	-	-	-	-	(8,248)	-	(8,248)
Minority profit	158	-	2,612	-	-	-	(560)	-	2,210
Net result	58,402	267	(114,950)	(8,219)	(10,600)	(49,974)	(41,043)	-	(166,117)
Amortisation, depreciation and impairment	1,633	2,862	151,979	77	10,189	48,004	3,307	-	218,051
Non-monetary costs	12,989	8,166	12,551	2,001	4,381	90	4,095	-	44,273
Non-recurring revenues (costs)	677	(3,264)	(3,242)	(267)	(49)	-	6,138	-	(7)
Investments	883	348	9,278	577	4,084	2,481	3,027	-	20,678
Investments valued at equity	8,990	33,479	8,676	1,307	-	-	6,673	-	59,125
Total assets	294,911	231,058	606,714	92,042	142,501	92,174	364,840	(95,526)	1,728,714
Total liabilities	151,094	225,882	163,402	84,660	110,329	5,676	637,086	(83,227)	1,294,902

	Revenues from sales and services	Fixed assets
Italy	1,007,401	285,273
France	359,662	513,718
Other EU countries	36,668	-
USA	537	-
Other countries	11,825	-
Consolidated result	1,416,093	798,991

Statement of the Group's consolidated financial statements pursuant to article 81-*ter* of Consob Regulation no. 11971 of 14 May 1999 and subsequent amendments and supplements

1. The undersigned Ernesto Mauri, in his capacity as CEO and Carlo Maria Vismara in his capacity as Executive Manager responsible for the drafting of the corporate accounting documents of Arnoldo Mondadori Editore S.p.A., also in compliance with the provisions set out in article 154-*bis*, par. 3 and 4, of Italian Legislative Decree no. 58 of 24 February 1998, hereby declare:

   - the adequacy in relation to the Group's characteristics and
   - the effective application

   of the administrative and accounting procedures for the drafting of the Group's consolidated financial statements closed at 31 December 2013.

2. The valuation of the adequacy of the administrative and accounting procedures for the drafting of the Group's consolidated financial statements at 31 December 2013 was carried out based on a specific process defined by Arnoldo Mondadori Editore S.p.A. consistently with the Internal Control - Integrated Framework model issued by the Committee of Sponsoring Organizations of the Treadway Commission, which groups together a set of general principles of reference generally accepted at the international level.

3. We also hereby declare that:

3.1 the Group's consolidated financial statements at 31 December 2013:

a) were drafted in compliance with the applicable international accounting standards acknowledged at the EU level pursuant to EC regulation no. 1606/2002 of the EU Parliament and Council of 19 July 2002 as well as the provisions set out for the implementation of article 9 of Italian Legislative Decree no. 38/2005;

b) reflect the accounting books and entries;

c) provide a true and fair description of the financial position and results of operations of the Company and the group of companies included in the consolidation area;

3.2 the report on operations includes a reliable analysis of the Company's performance and results, the financial position of the Company and the companies included in the consolidation area, along with the description of the main risks and uncertainties they are exposed to.

27 March 2014

The CEO
(Ernesto Mauri)

The Executive Manager responsible for the drafting of
the corporate accounting documents
(Carlo Maria Vismara)

Board of Auditors' Report

Board of Auditors' report to the Shareholders' Meeting called for the approval of the financial statements at 31 December 2013 (art.153 of Italian Legislative Decree no. 58/98)

Dear Shareholders,
in 2013 we have carried out auditing activities as required by law and in compliance with the provisions set out in Consob Communication no. 1025564 of 6 April 2001 and subsequent amendments, taking also the Code of Conduct recommended by the Italian National Association of Certified and Professional Accountants into account.

In particular:

- We have monitored compliance with the law, the Company's By-Laws and the principles of correct administration;
- We have attended the Shareholders' Meetings, the Board of Directors' meetings and the meetings of the Board Committees and we have obtained from the Directors, also pursuant to article 150 of Italian Legislative Decree 58/1998, periodic reports on the general performance of operations, its foreseeable evolution, as well as transactions of greater financial and economic relevance completed by the Company, making sure that the resolutions made and implemented were not openly incautious and risky, generating a potential conflict of interest, in contrast with the resolutions made by the Shareholders' Meeting or such to jeopardize the integrity of the Company's capital;
- We have obtained knowledge of and monitored the adequacy of the Company's organisation structure for the aspects falling under our competence, through direct auditing, collection of information and meetings with the representatives of Deloitte & Touche S.p.A., the independent auditing firm responsible for legal auditing on the Group's consolidated and Company's financial statements as well as for the limited auditing on the Group's consolidated and Company's interim reports, for the purpose of also exchanging relevant data and information. In this respect, no specific aspects were identified which needed to be reported;
- We have assessed and monitored the adequacy of the internal control and risk management system, the activity performed by the Internal Audit Officer and of the administrative-accounting system, as well as the latter's reliability to correctly reflect data on operations by collecting information, examining corporate documents and analysing the outcomes resulting from the audits carried out by the independent auditors. We have also periodically met with the Internal Audit Officer, with whom we have exchanged information about the outcomes of the audits made on the subsidiaries and we have also attended the meetings of the Internal Control and Risk Committee;
- We have monitored the correct implementation of corporate governance rules as envisaged in the relevant Corporate Governance Code, with which the Company complies according to the criteria set out in the Report on Corporate Governance and Ownership Structure. In particular, we have checked, on an annual basis, the compliance with the independence requirements of non-executive Directors qualified as independent by the Board of Directors and we have also verified the fulfilment of the same requirements of independence by the Statutory Auditors;
- With reference to Italian Legislative Decree 39/2010 we have verified the compliance with independence requirements by the independent auditing firm, Deloitte & Touche S.p.A. also based on the statement released pursuant to article 17, par. 9, letter a) of the aforementioned Italian Legislative Decree 39/2010;
- We have assessed and monitored the adequacy of the guidelines given to subsidiaries pursuant to article 114, par. 2, of Italian Legislative Decree 58/1998. These guidelines enabled subsidiaries to promptly provide the parent company with the necessary information to comply with disclosure obligations required by law;
- We have verified compliance with law provisions in relation to the preparation of the Group's consolidated and Company's annual financial statements at 31 December 2013, drafted according to IAS/IFRS international accounting standards, the relevant reports on operations, through direct audits and information obtained from the independent auditors; this Board of Auditors shared the criteria adopted by the Board of Directors in relation to the impairment tests reflected in the Group's consolidated and Company's financial statements;
- We have monitored compliance with the procedures regarding transactions with related parties, adopted by the Board of Directors, following to the principles set out in Consob Regulation no. 17221 of 12 March 2010 and its implementation;
- We have given, pursuant to article 2389, par. 3, of the Italian Civil Code, our favourable opinion in relation to the proposals made to the Board of Directors by the Remuneration Committee in relation to the determination of the compensation to be paid to the directors holding special offices in compliance with the Company's By-Laws (CEO) and, pursuant to article 2386, par. 1, of the Italian Civil Code, we have approved the resolutions adopted by the Board of Directors with reference to the co-optation of two directors in replacement of the resigning ones.

In the performance of the auditing activities described above, no omissions, reprehensible events or irregularities were identified that would have required reporting to the competent supervisory boards or mentioning in this report.
In 2013 the Committee responsible for monitoring the effectiveness, compliance and updating of the Company's organizational, management and control model adopted pursuant to Italian Legislative Decree 231/2001, did not report to us any events.
Also, the annual Report on Corporate Governance and Ownership Structure drafted by the Board of Directors did not identify any issues that would need to be submitted to your attention.

In compliance with the recommendations and indications provided by CONSOB, this Board of Auditors also points out that:

- it verified that no atypical and/or unusual transactions, both at intercompany level or with related parties, were carried out;

The information provided by the Board of Directors also with specific reference to intercompany transactions and transactions with related parties is considered adequate. In particular, the latter transactions are to be considered correlated and inherent to the Company's purpose. The characteristics and the economic effects of the ordinary transactions performed are reported in the Notes to the Financial Statements and are considered congruent and fulfilling the Company's interests. In addition, in this respect, no conflicts of interest were identified.

Also, as a result of the motivated opinion in favour expressed to the Board of Directors by the Committee of Independent Directors "related parties" in relation to the Company's interest in fulfilling the transaction, the suitability and substantial correctness of the relevant conditions, this Board of Auditors shared the resolutions made by the Board of Directors in the matter of approval of the general guidelines regarding a transaction with a related party as envisaged in the provisions set out in Consob Regulation no.17221/2010 and subsequent amendments and the procedure adopted by the Company as transaction "of greater relevance". The transaction referred to the transfer from subsidiary Mondadori Pubblicità S.p.A. to Mediamond S.p.A., with effective date on 1 January 2014, of the business relative to the sale of advertising space in magazines and on radio stations.

Detailed information about the transaction is reported in the Directors' Report on Operations also making reference to the memorandum and relevant supplement, advertised pursuant to article 5, par. 1 of Consob Regulation no. 17221 /2010 on 21 November 2013 and 23 December 2013, respectively, and available for download on the Company's website at www.mondadori.it –Governance section;

- The Company has adhered to the Code of Corporate Governance of listed companies issued by Borsa Italiana S.p.A., as specified in the relevant report by the Board of Directors.

During the financial year of reference:

- the Board of Auditors periodically met and exchanged information with the representatives of Deloitte & Touche S.p.A. and, though not yet relying on the auditing reports regarding the Group's consolidated and the Company's financial statements, it may reasonably believe that no events need to be reported on the same;
- the Board of Directors had no. 6 meetings and the Board of Auditors had no. 10 meetings;
- the Company assigned to Deloitte & Touche S.p.A., the independent auditing firm responsible for auditing the Group's consolidated and the Company's financial statements, also the following tasks:
  - ADS audits for 2012 for a price of euro 51,500.
  - auditing of the Company's financial statements at 31 December 2013 for a price of euro 15,000;
  - audits for the underwriting of the tax returns for a price of euro 30,600 (of which euro 2,650 relative to the parent company) and euro 15,000 relative to the "approval of compliance" for VAT statements.
- The company assigned to entities having ongoing relations with, and correlated to the independent auditing firm the following tasks:
  - Deloitte ERS Entrerprise Risk Service S.r.l. was given the task to provide technical-methodological support for the "privacy" project for a price of euro 10,000;
  - Deloitte & Associates S.A. was given the task to carry out audits for the purpose of obtaining reduced mail fees for a price of euro 3,000;
- The Board of Auditors did not receive any reports pursuant to article 2408 of the Italian Civil Code nor complaints.

In brief, taking into account the foregoing and for the activities under its competence, this Board of Auditors did not identify any events or facts that may prevent the approval of the financial statements at 31 December 2013, showing a loss of euro 314,970,500.44 nor of the proposal to cover said loss through the entire utilization of the "Share premium reserve" amounting to euro 170,624,621.21 and for the residual amount of euro 144,345,879.23 through the use of additional reserves available included under item "Other reserve and profit carried forward", as proposed by the Board of Directors.

Segrate, 7 April 2014

For the Board of Auditors
The Chief Statutory Auditor
Ferdinando Superti Furga

Independent Auditors' Report

Auditors' report pursuant to art. 14 And 16 of legislative decree no. 39 of January 27, 2010

Deloitte.

To the Shareholders of
Arnoldo Mondadori Editore S.p.A.

1. We have audited the financial statements of Arnoldo Mondadori Editore S.p.A., which comprise the statement of balance sheet as of December 31, 2013, and the income statement, comprehensive income statement, statement of changes in shareholders' equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes. These financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n° 38/2005 are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with the Auditing Standards recommended by CONSOB, the Italian Commission for listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

   For the opinion on the prior year's financial statements, whose data are presented for comparative purposes, reference should be made to our auditors' report issued on March 28, 2013. Those comparative figures have been revised in compliance with the IAS 19 new amendment. These revisions to comparative data and related disclosures included in the notes to the financial statements have been reviewed by us for the purpose of expressing our audit opinion on the financial statements as of December 31, 2013.

3. In our opinion, the financial statements give a true and fair view of the financial position of Arnoldo Mondadori Editore S.p.A. as of December 31, 2013, and of the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n° 38/2005.

4. The Directors of Arnoldo Mondadori Editore S.p.A. are responsible for the preparation of the report of the Board of Directors and the annual report on the corporate governance and the ownership structure in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the report of the Board of Directors and of the information reported in compliance with art. 123-bis of Italian Legislative Decree n. 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) in the annual report on corporate governance, with the financial statements, as required by law. For this purpose, we have performed the procedures required under Auditing Standard n. 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion, the report of the Board of Directors and the information reported in compliance with art. 123-bis of Italian Legislative Decree n. 58/1998 paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) included in the annual report on the corporate governance and the ownership structure are consistent with the financial statements of Arnoldo Mondadori Editore S.p.A. as of December 31, 2013.

April 7, 2014
Milan, Italy

Deloitte & Touche S.p.A.
Patrizia Arienti
Partner

Patrizia Arienti

This report has been translated into the English language solely for the convenience of international readers.

Deloitte.

To the Shareholders of
Arnoldo Mondadori Editore S.p.A.

1. We have audited the consolidated financial statements of Arnoldo Mondadori Editore S.p.A. and its subsidiaries the ("Mondadori Group"), which comprise the consolidated balance sheet as of December 31, 2013, and the consolidated income statement, consolidated comprehensive income statement, statement of changes in consolidated shareholders' equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes. These consolidated financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n° 38/2005 are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

2. We conducted our audit in accordance with the Auditing Standards recommended by CONSOB, the Italian Commission for listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

   For the opinion on the prior year's consolidated financial statements, whose data are presented for comparative purposes, reference should be made to our auditors' report issued on March 28, 2013.Those comparative figures have been revised in compliance with the IAS 19 new amendment. These revisions to comparative data and related disclosures included in the notes to the consolidated financial statements have been reviewed by us for the purpose of expressing our audit opinion on the consolidated financial statements as of December 31, 2013.

3. In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Mondadori Group as of December 31, 2013, and of the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n° 38/2005.

4. The Directors of Arnoldo Mondadori Editore S.p.A. are responsible for the preparation of the report of the Board of Directors and the annual report on the corporate governance and the ownership structure in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the report of the Board of Directors and of the information reported in compliance with art. 123-bis of Italian Legislative Decree n. 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) in the annual report on corporate governance, with the financial statements, as required by law. For this purpose, we have performed the procedures required under Auditing Standard n. 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion, the report of the Board of Directors and the information reported in compliance with art. 123-bis of Italian Legislative Decree n. 58/1998 paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) included in the annual report on the corporate governance and the ownership structure are consistent with the consolidated financial statements of Mondadori Group as of December 31, 2013.

April 7, 2014
Milan, Italy

Deloitte & Touche S.p.A.
Patrizia Arienti
Partner

This report has been translated into the English language solely for the convenience of international readers.

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