Press Release

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

Board of Directors approves interim report for the period to 30 September 2014

- **CONSOLIDATED REVENUES OF €859.6 MILLION: -4.8% LIKE-FOR-LIKE (-7.7% ON THE €931.2 MILLION AT 30 SEPTEMBER 2013)**

- **EBITDA OF €36 MILLION: A MARKED IMPROVEMENT ON THE €8.9 MILLION AT 30 SEPTEMBER 2013**

- **CONSOLIDATED NET RESULT OF -€7.5 MILLION COMPARED WITH THE -€32.3 MILLION AT 30 SEPTEMBER 2013**

Q3 NET PROFIT OF €3.5 MILLION COMPARED WITH THE -€5.2 MILLION OF Q3 2013

- **NET FINANCIAL POSITION OF -€327.4 MILLION A MARKED IMPROVEMENT ON THE FIGURE AT THE END OF DECEMBER 2013 (-€363.2 MILLION) AND 30 SEPTEMBER 2013 (-€376.9 MILLION): SIGNIFICANT IMPROVEMENT EXPECTED FOR THE FULL YEAR COMPARED WITH 2013**

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CONTINUED RECOVERY IN PROFITABILITY: FULL YEAR EBITDA EXPECTED TO BE HIGHER THAN IN 2012

Segrate, 13 November 2014 - The Board of Directors of Arnoldo Mondadori S.p.A. met today, under the chairmanship of Marina Berlusconi, to examine and approve the interim report for the first nine months of the year to 30 September 2014, as presented by the Chief Executive, Ernesto Mauri.

THE MARKET SCENARIO

The international macroeconomic situation continues to be characterised by a progressive slowdown in emerging economies and relative stability in mature markets.
The sectors in which the Mondadori Group operates have begun to show, in both Italy and France, progressively less marked declines that in recent periods.

GROUP PERFORMANCE IN THE PERIOD TO 30 SEPTEMBER 2014

The Mondadori Group's figures to 30 September 2014 confirm, with a more marked acceleration, the improvement and recovery in profitability already seen in the first half of the year; in particular, the third quarter, with revenues essentially in line with those of the previous year, recorded a net profit for the first time after a prolonged period (seven quarters) of negative results.

In this market context, during the first nine months of 2014 the Group recorded **consolidated revenues** of **€859.6 million**, a fall of 4.8%, taking account of the contribution of the advertising sales activities to Mediamond S.p.A., finalised in January 2014 (-7.7% on the €931.2 million recorded on 30 September 2013).

The fall in revenues was contrasted also by higher reductions in operating costs, down by some €86 million, which made it possible to significantly improve **EBITDA**, which was up to **€36 million** from the €8.9 million of the previous year.

Arnoldo Mondadori Editore S.p.A.
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A contribution of over 50% was made to this performance by the Magazine area (Italy and France), the result of a combination of improved efficiency through action taken on the product, reductions in operating costs and lower restructuring charges.

Consolidated operating profit came to **€18.8 million**, compared with a loss of -€9.6 million in 2013, with amortizations and depreciations of tangible and intangible assets of €17.2 million (€18.5 million in the first 9 months of 2013).

Profit before taxation amounted to **€1 million**, compared with a loss of -€26.2 million in the previous year; during the period, financial charges amounted to €17.8 million (€16.6 million in the same period of 2013).

After minority interest, there was a **consolidated net loss** of **-€7.5 million**, compared with a loss of -€32.3 million for the same period of 2013.

The company also recorded a positive **cash flow** over the last twelve months of **€49.5 million**, deriving from a positive ordinary cash flow of €9.8 million and an extraordinary flow of €39.7 million, the latter mainly the result of a capital increase approved in June and the impact of the contribution of advertising activities to Mediamond.

Consequently, on 30 September 2014, there was a marked improvement in the **net financial position** which totalled **-€327.4 million**, compared with -€363.2 million at the end of 2013 (-€376,9 million on 30 September 2013).

RESULTS OF THE BUSINESS AREAS

- ***BOOKS***

There was a continuation of the negative trend of the first half of the year in the trade books market, in both the bookstore and large-scale retail channels, with third quarter revenues down - compared with the same period of 2013, albeit less marked - by 0.9% in terms of value (Source: Nielsen, to September).
Over the nine months, the trade book market was down by 4.3% in terms of value (Source: Nielsen, to September). The fall, always in terms of value, was more marked in the large-scale retail channel (13.5%, Source: Nielsen, to September).

Total revenues generated by the Book area in the first nine months of 2014 amounted to **€238.9 million**, an increase of 2% on the €234.2 million of same period of 2013. There was also a positive trend in the third quarter, with an increase, compared with the same period of the previous year, of 10.2%.
The publishing houses of the Mondadori Group also confirmed their overall leadership with a market share of 26% (excluding large-scale retail): during the reporting period, the Group published 11 of the titles in the list of the 25 best-selling books.

In the **trade books** area, revenues in the first nine months of the year have been affected by both the dynamics of the market and the different publishing schedule that foresees the publication of titles by the most established authors in the latter part of the year.
September saw the arrival of the first of the most significant titles due for publication before the end of the year, Ken Follett's *I giorni dell'eternità*, which was an immediate absolute best-seller (120,000 copies in just 15 days).

With regard to the digital e-book market, the Group's share remains stable at around 40%, with an offer of some 8,000 titles.

In the **educational** area, the Group recorded a rise in revenues in the first nine months of 2014, compared with 2013, as a result of a positive performance in primary school adoptions.
There was also an increase in revenues in the museum area thanks to the excellent performance in the management of museum concessions, the organisation of exhibitions and relative publishing activities, as well as the management of museum stores.

EBITDA was down to €35.8 million from the figure for 2013 (€39 million) due to the different mix in revenues resulting from the significant rise in third-party distribution with lower percentage profitability; in particular, the educational area saw an increase in gross operating profit of more than 10% compared with the previous year.

- ***MAGAZINES ITALY***

In the third quarter of the year there was a further downturn in the markets of reference compared with the same period of 2013, albeit less marked than in the first two quarters: in the reporting period there was a fall in circulation of 8.7% (internal figures to August) and advertising was down by 8.7% (Source Nielsen, to September).

In this context, the Magazines Italy area saw a continuation of the trend of the first half of the year with a better-than-market performance in both circulation and advertising. Mondadori also confirmed its leadership position with a market share (in terms of value) of 32.2%, up from 30.5% on 30 September 2013.

Total revenues for the Area amounted to **€227.5 million**, a fall of 10.1% on the €253.1 million of 2013 (-8.7% on a like-for-like basis, taking account of titles closed and sold).

The revenues generated by **Mondadori magazines** were affected by the negative trend in the markets of reference but, nevertheless, recorded a better-than-market performance.
In particular:

- circulation revenues were down by 8.4% (-6.2% on a like-for-like basis);
- advertising revenues for Mondadori brands (web + print) were down by 7% on the previous year;
- while revenues from add-ons were down compared with the first nine months of 2013, there was an increase in the percentage of profitability;
- the Mondadori web sites saw revenues increase by 4.1%, compared with the same period of 2013, thanks to the performance of Grazia.it (+34.9%) and Donnamoderna.com (+1.1%), in an Internet market that recorded average growth of 0.1% (Source: Nielsen, to September). There was also a positive performance in terms of traffic compared with 2013 for Grazia.it (+49%), Donnamoderna.com (+34%) and Panorama.it (+9.5%).

Despite the fall in revenues, there was a marked improvement in **EBITDA**, which went from -€9.7 million to +€4.2 million.
Considering the efficiencies deriving from the action taken on the product and efforts to reduce operating and structural costs in the Magazines Italy Area, along with the positive impact of the reorganisation of advertising sales in Italy, in the first nine months of the year the Group saw an **overall improvement** in aggregate EBITDA for the two activities of **€19.2 million**.

The revenues of Mondadori Pubblicità amounted €7.6 million and cannot be compared with the same period of 2013 due to the contribution of the advertising sales activity to Mediamond, the 50-50 joint-venture between Mondadori Pubblicità and Publitalia '80.

International Activities

In the first nine months of the year, Mondadori International Business S.r.l. recorded an increase in revenues compared with the same period of 2013 of around 6%, thanks to the consolidation of the editions of the *Grazia International Network*, now operating in 23 countries; the launch, in November 2013, of the first international licence for the male lifestyle title *Icon*, and advertising sales in Italy for the Spanish daily *El Pais*, since October 2013.

The Grazia International Network received an additional boost with the very recent launch of Graziashop.com, an integrated e-commerce fashion platform that will enable the *Grazia* community around the world, made up of 17 million readers and 16 million unique users per month, and fashion enthusiasts everywhere, to buy selected items from many of the world's most fashionable boutiques.

- ***MAGAZINES FRANCE***

During the reporting period, the markets of reference in France continued to record a downward trend, both in newsstand circulation (-8% internal figure to August) and advertising sales (-8.6%, internal re-elaboration of Kantar Media data to August). In this context, Mondadori France recorded a better-than-market performance in circulation.

In the first nine months of 2014 the consolidated revenues of Mondadori France came to **€254.2 million**, down 3.3% on the €262.9 million at 30 September 2013; on a like-for-like basis, taking account of the sale of *Le Film Français* at the end of 2013 and the different number of issues of some titles, the downturn was just 2.3%.

There was a split in **advertising** sales revenues between print and the web; print was down by 12.5% (-10.3% like-for-like), but improving when compared with the first half of the year; while the web grew by 36% (like-for-like).

The aggregate figure for advertising revenues therefore shows a downturn of 6,5% compared with the same period of 2013.

Circulation revenues, that make up 70% of the total, were down by 1.4% (-1% like-for-like):
- sales from the <u>newsstand</u> channel fell by 5.5% (5.4% like-for-like), compared with a reference market that was down by 8%, also as a result of the significant performance of *Top Santé* (+19%), *Pleine Vie* (+10%) and *Closer* (+6%).
- <u>subscription</u> sales were down by 1.5% (-0.7% like-for-like).

In the first nine months of 2014 digital activities, on a like-for-like basis, saw a significant rise in revenues (+37%), due to the development of NaturaBuy, advertising sales and the sale of digital copies.

Despite the fall in revenues, there was a 2.3% increase in the Area's **EBITDA** (€22.3 million compared with the €21.8 million of the first nine months of 2013), also as a result of the rationalisation of the structure and reductions in editorial and industrial costs and overheads. This process, begun in previous quarters, will continue with a view to adapting the organisation to the transformations taking place in the market.

Since January 2014 digital advertising sales have been managed by specially created cross-title structures.
Some of the web sites have been updated and further developed with new functions for tablets and smartphones: these changes have been positively received by the audience that has now reached 6.6 million unique users, +26% compared with 2013 (Source: Nielsen, to August), with a peak of 7.8 million in January; on mobile there was an increase in unique users of 77% on 2013 (Source: Nielsen, to July).

Activities and efforts continued to create new efficiencies with a plan for voluntary redundancies that will reduce the size of the staff, and a plan to have the whole staff on a single site in the first months of 2015.

- ***<u>RETAIL</u>***

The retail continued to feel the effects of the weakness in consumer spending. In this context, the channel that was best able to contain the fall in revenues was the chains, unlike independent book shops and large-scale retailers.

The overall revenues of the Area continued to suffer from the stagnation in consumer spending and in the first nine months of the year amounted to **€144.9 million**, a 5.5% fall on the €153.4 million of the same period of 2013, despite some signs of a recovery compared with the first half of the year, which was down by 8.9% on the previous year.

A breakdown of revenues by product type shows that:
- books were the preeminent product, accounting for 75% of the total: in fact, book sale were 9 percentage pints better than the market of reference (-4.3% in terms of value), enabling Mondadori Retail to increase its market share from 13.4% to 14.7%;
- sales of consumer electronics continued to fall faster than the sector in general;
- the book club channel continued its negative trend, with a downturn in revenues in the period of around 20%;
- online sales, on the *mondadoristore.it* web site were up by around 4%.

The trend in book sales helped to mitigate the negative impact on the Area's **EBITDA** (-€6 million, compared with -€6.8 million in the first nine months of 2013), deriving from the fall in revenues from the book clubs and sales of consumer electronics.
When compared with the first nine months of 2013, the figure, if broken down by type of outlet, shows an improvement in directly-owned bookstores, stable for franchise outlets and in decline in the multicenters.

Given the ongoing recession, actions, already implemented in the first half, continued with the aim of recovering profitability.
In particular:
- progressive revision of the network, with the rationalisation of outlets and formats, in order to develop a new concept bookstore of the future;
- efforts to improve the assortment, supported by promotional activities, communication and advertising;
- the continuation of activities for the reorganisation of operating processes and staffing structures.

Mondadori Store was recently awarded Italy's 2014-2015 ***Insegna dell'Anno*** (Retailer of the Year) as the bookstore chain offering the best customer experience in terms of price, assortment and service.

- ***RADIO***

After a decidedly positive start, the radio market in the first nine months of 2014 experienced a downturn that led to a fall of -3.1% (Source: Nielsen, to September).
In this context, advertising sales for *R101*, in the first nine months of 2014, confirmed the trend of the first half, performing worse than the market.

The radio's revenues, including those related to the web site and other initiatives, were down by 12,4% to **€7.8 million** (€8.9 million in the first nine months of 2013).
EBITDA (-€4.2 million compared with -€3,1 million in the first nine months of 2013) was affected by the negative trend in advertising sales and higher promotional and communication costs during the station's re-launch phase in the early months of the year.

The main actions taken during 2014 to build the audience and offset the negative trend in the market, included:

- the repositioning of *R101,* partner of the concerts of leading Italian and international artists;
- an institutional television campaign aimed at strengthening the station's brand awareness;
- the redesign of the layout and content of the r101.it web site and the release of the station's new app;
- the enhancement of the music offer with the launch, with a view to creating an integrated system with the radio, of R*101 TV*, channel 66 on the digital terrestrial platform.

DIGITAL

In recent months the Digital Innovation area has continued its efforts aimed at consolidating the central structure, updating the platform for the management of users and contacts, as part of the CRM system, and technological enhancements aimed and a broader valorisation of the Group's editorial content.

During the reporting period, revenues from purely digital activities in Italy and France rose, overall, by 8.7%, while revenues from marketing services (Cemit) were down compared with the first nine months of 2013.

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<u>Information regarding personnel</u>

At 30 September 2014, permanent and temporary staff in the companies of the Group, totalled 3,194, a fall of 242 (-7%) compared to the end of 2013 and 345 (-9.7%) compared with September 2013.
Net of extraordinary operations that have modified the scope of the Group, the reduction in headcount was 6.3% compared with the end of 2013 and 9% compared with the previous twelve months.
In the first nine months of the year, labour costs, net of extraordinary operations and lower restructuring costs, were down by 8.1% compared with 2013.

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<u>Financial position and equity</u>

The net financial position at 30 September 2014 improved by €35.8 million compared with 31 December 2013 and by €49.5 million, compared with the same period of the previous year.
Over the past year, there was a positive ordinary cash flow of €9.8 million as a result of the optimisation of the management of net working capital, which offset outflows for investment.
The first nine months of the year, also affected by the seasonal nature of the sector, recorded a normal cash absorption of €8.6 million (-€82.5 million in the first nine months of 2013) and an extraordinary cash flow of €44.4 million, of which €31.1 million resulting from the capital increase concluded in June; the net balance of the acquisition and disposal of assets takes account of the effects of the contribution to Mediamond and an advance amounting to €12 million, relating to the sale of an asset, the completion of which is expected by the end of the year.

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FULL YEAR 2014 OUTLOOK

In a market that continues to be characterized by signs of weakness, although less marked than in the first half of the year, the actions taken by the Group – regarding the strategic rationalisation of the business portfolio, along with the constant commitment to reducing both operating and structural costs, as well as the excellent performance recorded by the Magazine Area, in Italy and France – have enabled the Group to improve during the year its capacity to generate financial resources.

In view of the current context and the above-mentioned actions, which will continue also in the last quarter of the year, for the full year 2014, it is reasonable to confirm the forecast, already announced, of an EBITDA for the Group higher than that of 2012, and of a consolidated net result at breakeven.

In line with the trend recorded in the first nine months of the year, it is expected by year end a significant improvement in the Group's Net Financial Position compared with 2013.

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

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The documentation relating to the presentation of the results to 30 September 2014 is available from the authorised storage system 1info (www.1info.it) and www.borsaitaliana.it and www.mondadori.it (in the Investor Relations section).

PUBLICATION OF THE INTERIM REPORT FOR THE PERIOD TO 30 SEPTEMBER 2014

The interim report for the period to 30 September 2014, duly approved by the board of directors, will be available from today at the company's headquarters, the authorised storage system 1info (www.1info.it), www.borsaitaliana.it and www.mondadori.it (in the Investor Relations section).

Enclosures:

1. *consolidated balance sheet*
2. *consolidated income statement*
3. *consolidated income statement for the third quarter*

Media Relations Mondadori
Tel. +39 02 75423159
Email: pressoffice@mondadori.it

Web: www.mondadori.it
Feed RSS: http://www.mondadori.it/Extra/RSS-Feed
Twitter: https://twitter.com/mondadori

Encl. 1

Consolidated balance sheet (in €m)

Assets	**30 September 2014**	**31 December 2013**
Intangible assets	**616.1**	**617.5**
Fixed assets	**3.1**	**3.2**
Land and buildings	8.1	8.5
Plant and machinery	9.8	11.7
Other assets	17.6	20.5
Property, plant and machinery	**35.5**	**40.7**
Investments booked using net equity method	36.7	38.2
Other investments	0.4	0.4
Total investments	**37.1**	**38.6**
Non-current financial assets	**0.3**	**2.7**
Advanced taxes	**48.7**	**58.4**
Other non-current assets	**32.6**	**22.3**
Total non-current assets	**773.4**	**783.4**
Tax credits	**52.3**	**68.5**
Other current assets	**102.2**	**89.3**
Inventories	**112.4**	**124.0**
Trade receivables	**285.0**	**312.4**
Stocks and other current financial assets	**14.6**	**13.8**
Cash and equivalents	**31.1**	**65.7**
Total current assets	**597.6**	**673.7**
Assets destined to be sold or closed	-	-
Total assets	**1,371.0**	**1,457.1**

Liabilities	**30 September 2014**	**31 December 2013**
Share capital	**68.0**	**64.1**
Share premium reserve	**12.0**	**170.6**
Other reserves and results carried forward	**177.0**	**177.4**
Profit (loss) for the period	**(7.5)**	**(185.4)**
Total Group shareholders' equity	**249.5**	**226.7**
Minority capital and reserves	**30.8**	**32.0**
Total shareholders' equity	**280.3**	**258.7**
Reserves	**63.1**	**83.9**
Severance payments	**45.6**	**50.4**
Non-current financial liabilities	**322.0**	**398.8**
Deferred tax liabilities	**78.4**	**77.0**
Other non-current liabilities	-	-
Total non-current liabilities	**509.1**	**610.1**
Income taxes payable	**0.5**	**0.3**
Other current liabilities	**219.4**	**220.1**
Trade liabilities	**310.3**	**321.3**
Bank debts and other financial liabilities	**51.4**	**46.6**
Total current liabilities	**581.6**	**583.3**
Liabilities deriving from sales or closures	-	-
Total liabilities	**1,371.0**	**1,457.1**

Encl. 2

Consolidated income statement (in €m)

	Period to 30/09/14	% of revenues	Period to 30/09/13	% of revenues	% change
Income from sales of goods and services (*)	859.6	100.0%	931.2	100.0%	(7.7%)
Personnel costs (**)	169.9	19.8%	206.1	22.1%	(17.6%)
Cost of raw and ancillary materials, consumables and goods (***)	151.4	17.6%	128.7	13.8%	17.6%
Cost of services	480.9	55.9%	553.4	59.4%	(13.1%)
Rentals and leases (****)	26.5	3.1%	31.6	3.4%	(16.1%)
Other charges (income)	(7.9)	(0.9%)	1.5	0.2%	n.s.
Income (charges) from investments calculated on a net equity basis	(2.8)	(0.3%)	(1.0)	(0.1%)	n.s.
Adjustments for non-recurring items: (positive)/negative	3.4		27.3		
EBITDA net of non-recurring items	**39.4**		**36.2**		**8.8%**
EBITDA	**36.0**	**4.2%**	**8.9**	**1.0%**	**n.s.**
Depreciation of property, plant and machinery	7.2	0.8%	8.6	0.9%	(16.3%)
Depreciation of intangible assets	10.0	1.2%	9.9	1.1%	1.0%
EBIT	**8.8**	**2.2%**	**(9.6)**	**(1.0%)**	**n.s.**
Net financial income (charges)	(17.8)	(2.1%)	(16.6)	(1.8%)	7.2%
Other financial income (charges)	-		-	-	
Profit for the period before taxation	**1.0**	**0.1%**	**(26.2)**	**(2.8%)**	**n.s.**
Tax charges (income)	6.5	0.8%	4.4	0.5%	47.7%
Minority interest	(2.0)	(0.2%)	(1.7)	(0.2%)	17.6%
Net profit	**(7.5)**	**(0.9%)**	**(32.3)**	**(3.5%)**	**n.s.**

(*) Given the contribution of the business activities of Mondadori Pubblicità S.p.A. to Mediamond S.p.A., revenues show a fall of 4.8%.

(**)Given the contribution of the business activities of Mondadori Pubblicità S.p.A. to Mediamond S.p.A. and net of restructuring charges, the cost of personnel was down by 8.1%.

(***) Includes "Decrease (increase) in inventories".

(****) Included under "Other charges (income)".

Encl. 3

Consolidated income statement for the third quarter of 2014 (in €m)

	Q3 2014	% of revenues	Q3 2013	% of revenues	% change
Income from sales of goods and services (*)	310.4	100.0%	318.9	100.0%	(2.7%)
Personnel costs (**)	52.5	16.9%	58.1	18.2%	(9.6%)
Cost of raw and ancillary materials, consumables and goods (***)	54.9	17.7%	48.4	15.2%	13.4%
Cost of services	164.2	52.9%	181.6	56.9%	(9.6%)
Rentals and leases (****)	8.8	2.8%	10.2	3.2%	(13.7%)
Other charges (income)	8.3	2.7%	5.2	1.6%	59.6%
Income (charges) from investments calculated on a net equity basis	(0.6)	(0.2%)	(1.2)	(0.4%)	(50.0%)
Adjustments for non-recurring items: (positive)/negative	2.9		7.8		
EBITDA net of non-recurring items	**24.0**		**22.0**		**9.1%**
EBITDA	**21.1**	**6.8%**	**14.2**	**4.5%**	**48.6%**
Depreciation of property, plant and machinery	2.4	0.8%	2.9	0.9%	(17.2%)
Depreciation of intangible assets	3.5	1.1%	3.2	1.0%	9.4%
EBIT	**15.2**	**4.9%**	**8.1**	**2.5%**	**87.7%**
Net financial income (charges)	(5.5)	(1.8%)	(6.1)	(1.9%)	(9.8%)
Other financial income (charges)	-		-	-	
Profit for the period before taxation	**9.7**	**3.1%**	**2.0**	**0.6%**	**n.s.**
Tax charges (income)	5.4	1.7%	6.5	2.0%	(16.9%)
Minority interest	(0.8)	(0.3%)	(0.7)	(0.2%)	14.3%
Net profit	**3.5**	**1.1%**	**(5.2)**	**(1.6%)**	**n.s.**

(*) Given the contribution of the business activities of Mondadori Pubblicità S.p.A. to Mediamond S.p.A., revenues show a fall of 0.7%.

(**)Given the contribution of the business activities of Mondadori Pubblicità S.p.A. to Mediamond S.p.A. and net of restructuring charges, the cost of personnel was down by 1.1%.

(***) Includes “Decrease (increase) in inventories”.

(****) Included under “Other charges (income)”.