ANNUAL
REPORT
2014

MONDADORI

ARNOLDO MONDADORI EDITORE S.p.A.

Share capital € 67,979,168.40

Legal Offices in Milan
Administrative Offices in Segrate (Milan)

ANNUAL
REPORT
2014

Mondadori Group Consolidated Financial Statements and Company's Financial Statements at 31 December 2014

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting (AGM or the meeting) of Arnoldo Mondadori Editore S.p.A. (the Company) will be held at the Company's administrative offices in Via Mondadori 1, Segrate (MI) on first calling on 23 April 2015 at 11.00 a.m., or, if necessary, on second calling, at the same time and place on 24 April 2015, for the following purposes:

Agenda

1. Company financial statements at 31 December 2014, 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 2014. Resolutions relative to the approval of the financial statements at 31 December 2014.
2. Resolutions on the allocation of the results of the financial year 2014.
3. Report on remuneration; resolutions related to the first Section, pursuant to art. 123-*ter*, par. 6 of Italian Legislative Decree no. 58 of 24 February 1998.
4. Authorization for the purchase and sale of the Treasury Shares pursuant to the combined provisions of the articles 2357 and 2357-*ter* of the Italian Civil Code.
5. Appointment of the Board of Directors:
   5.1 Determination of the number of directors.
   5.2 Determination of the period of mandate.
   5.3 Determination of directors' compensation.
   5.4 Appointment of the members of the Board of Directors.
6. Appointment of the Board of Statutory Auditors for the financial years 2015/2016/2017.
   6.1 Determination of Statutory Auditors' compensation.
   6.2 Appointment of the members of the Board of Statutory Auditors.

Integration to the agenda or presentation of new proposals to resolve upon

Pursuant to art. 126-*bis* of Italian Legislative Decree no. 58 of 24 February 1998, the Shareholders who 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 on the items already in the agenda.

The request shall be made in writing within the afore mentioned term and sent by registered mail to the Company's head offices in Milan, Via Bianca di Savoia 12, addressed to the Department of Legal and Corporate Affairs, 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 specifying the motivation of the proposals submitted in relation to the new items for which they suggest a discussion or the motivation underlying the additional items supplemented for discussion on topics already included in the agenda.

The integrations to the agenda and the additional proposed items that the Shareholders' Meeting is given notice in the some forms of 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 presentation of additional items to discuss on topics 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 art. 125-*ter*, par. 1, of Italian Legislative Decree no. 58 of 24 February 1998.

Intervention in the Shareholders' Meeting

Holders of voting rights are legitimated to participate 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 legitimating 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 14 April 2015).

Those who are confirmed to be holding Company shares only after such date, shall not be deemed legitimated 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 20 April 2015), without prejudice to the legitimation 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 first call.

Shareholders are asked to arrive before the meeting time in order to facilitate registration procedures, which will begin at 10:00 a.m.

Representation in Shareholders' meeting

As per article 12.1 of Company by-laws, any person legitimated 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 authorised 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 head offices or by certified electronic mail to the following address: societario@pec.mondadori.it.

The proxy can be granted, with voting instructions on the proposals concerning the points on the agenda, to Computershare S.p.A., with registered office in Via Lorenzo Mascheroni no. 19, 20145 Milan, appointed if necessary by the Company pursuant to article 135-*undecies* of Italian Legislative Law no.58/1998, by signing the specific proxy form available, in printer-friendly version, on the website www.mondadori.it (Governance section) or at the registered office of the Company or at the registered office above of

Computershare S.p.A. The original proxy with voting instructions must be received by Computershare S.p.A. Via Lorenzo Mascheroni no. 19, 20145 Milan, by the end of the second day of open market before the date fixed for the Shareholders' Meeting, even on second call (i.e. no later than 21 April 2015 or 22 April 2015).

A copy of the proxy, accompanied by a statement that certifies its conformity with the original, may be sent in advance to the Appointed representative, within the above deadline, by telefax to no. +39 02 46776850 or as an attachment to an e-mail message to be sent to ufficiomilano@pecserviziotitoli.it. The proxy is effective only if voting instructions are given. The proxy and voting instructions can be revoked within the same deadline as above. The notification made to the Company by the intermediary, certifying the right to speak and to vote in the Shareholders' Meeting, is required even if the proxy is granted to the Appointed representative. Pursuant to the law, the shares for which the proxy was granted, partial or otherwise, are calculated for the regular forming of the Meeting and, if no voting instructions have been given, the shares are not counted in the calculation of the majority and of the capital share required for the approval of the resolutions.

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.

Share capital and voting rights

On the Company's website www.mondadori.it are available all information about the share capital, which at this date is of euro 67,979,168.40, divided in no. 261.458.340 ordinary shares with a nominal value of euro 0.26 each. No Treasury Shares are currently held by the Company. Any change in Treasury Shares will be communicated at the beginning of the Shareholders' Meeting.

Questions on the items of the agenda

Shareholders with voting rights may submit questions on the items on the agenda also before the Meeting, in line with the provisions of art. 127-*ter*, par. 1-*bis*, of Legislative Decree no. 58/1998, and definitely by 20th April 2015, by registered mail at the Company's head offices at Via Bianca di Savoia 12, Milan, addressed to the Department of Legal and Corporate Affairs, or at the certified email address societario@pec.mondadori.it.

Legitimation to exercise the voting right is confirmed by the forwarding to the Company to the afore specified addresses, 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 before 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 answers provided in writing distributed to all Shareholders with voting right at the beginning of the Shareholders' Meeting shall be considered as given.

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, on the "1Info" storage mechanism at www.1info.it and on the Company's website www.mondadori.it (Governance section).

The shareholders may review and ask a copy of such documentation.

With regard to items 5 and 6 on the Agenda, it should be noted that, as per current legislative and by-laws rulings, the appointment of the Board of Directors and the Board of Statutory Auditors is conducted by means of a voting list that and in force and the provisions set forth in the Company's by-laws, published on Company's website www.mondadori.it.

In particular, Italian Law no. 120 dated 12 July, 2011, introduced gender quotas for the composition of the governing bodies of listed Companies. In this regard, in order to enable the Board of Directors and the Borad of Statutory Auditors to be in compliance with the laws in force of genders equity, the lists should include candidates of different gender in accordance with articles 17 and 27 of the Company by-laws.

Requisites for the presentation of voting lists. Voting lists may be presented by shareholders with voting rights who, either individually or together with other shareholders, represent at least a percentage of the share capital, underwritten on the date of the presentation of the list, of 2.5% (as established by the Consob ruling no. 19109 of 28.01.2015).

Whether the minimum required share interest is held, which is required for submitting such lists is determined with reference to the shares of stocks that are ascertained, in favour of the shareholder who submitted such a list, on the day the list is filed with the Company with reference to the shares capital subscribed on the same date. The relevant certification can also be submitted to the Company, after filling the nominee lists, provided that this occurs within 2 April 2015 required for the publication of the list by the Company.

The lists, underwritten by the shareholder or shareholders and presented together with the required documentation as stipulated by the by-laws, must be deposited at the Company's head office in Via Bianca di Savoia 12, Milan - or sent by certified email to: societario@pec.mondadori.it or by fax to the number +39 02.75423094 – at least 25 day prior to the date fixed for the Shareholders' Meeting on first calling. Given that the final date this year falls on a Sunday (29 March 2015), the term has been extended and the final date for submissions is consequently Monday 30 March 2015. As well as the aforementioned indications for the presentation of voting lists for both the Board of Directors and the Board of Statutory Auditors, shareholders are requested also to take account of the recommendations given by Consob in the communication DEM/ 9017893 issued on 26 February 2009.

With regard to item 6 on the Agenda, it should also be noted that pursuant to art. 144-*sexies* of Consob Regulation, if, under the terms outlined above, no lists have been submitted within the period of 25 days prior to the Shareholders' Meeting, or if such lists as have been submitted are those presented by agreements between shareholders, within

the terms of art. 144-*quinquies* of the Consob Regulation, the term for the presentation of such lists will be further extended for an additional period of 3 days, consequently to 2 April 2015 (before 6 p.m.) and the percentage for the admissibility of lists presented will be reduced to 1.25% of the share capital.
The Company shall make the nominee lists and the relevant accompanying information available to the public, at its registered office, on the website and through any other method established by Consob, at least 21 days before the Shareholders' Meeting on 2 April 2015.

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This call of notice was published on the Company's website: www.mondadori.it (Governance section) on 13 March 2015, in line with the provisions of art. 125-bis, par. 2, of Legislative Decree no. 58/1998, as well as in the daily newspaper "Il Giornale" and on the "1Info" storage mechanism at www.1info.it.
The head offices of the Company 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. - 6:00 p.m.

13 March 2015

For the Board of Directors
The Chairman
Marina Berlusconi

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FINANCIAL STATEMENTS AT 31 DECEMBER 2014

MONDADORI GROUP HIGHLIGHTS 2014

(euro/million)	2014	2013	Var. %
Mondadori Group			
Revenues	**1,177.5**	**1,275.8**	**(7.7%)**
EBITDA before non-recurring items	**63.5**	**49.1**	**29.3%**
EBITDA incidence on revenues	*5.4%*	*3.8%*	
EBITDA	**67.1**	**(12.8)**	**n.s.**
EBITDA incidence on revenues	*5.7%*	*(1.0%)*	
EBIT	**42.4**	**(183.1)**	**n.s.**
EBIT incidence on revenues	*3.6%*	*(14.4%)*	
Net profit	**0.6**	**(185.4)**	**n.s.**
Business Areas			
Revenues	**1,177.5**	**1,275.8**	**(7.7%)**
Books	336.6	334.3	0.7%
Magazines Italy	297.0	326.1	(8.9%)
Advertising	11.3	141.6	n.s.
Magazines France	340.9	353.9	(3.7%)
Retail	211.2	225.0	(6.1%)
Radio	11.7	11.3	3.3%
Other Business and Corporate	29.6	35.0	(15.4%)
Intercompany	(60.8)	(151.4)	n.s.
EBITDA	**67.1**	**(12.8)**	**n.s.**
Books	45.1	46.2	(2.4%)
Magazines Italy	3.1	(20.6)	n.s.
Advertising	(4.1)	(19.9)	n.s.
Magazines France	35.0	26.7	31.1%
Retail	8.9	(8.5)	n.s.
Radio	(4.4)	(4.3)	(2.3%)
Other Business and Corporate	(16.5)	(32.4)	n.s.
Balance Sheet			
Shareholders' equity	289.1	258.7	
Net Financial Position	(291.8)	(363.2)	
Human Resources			
End-of-year headcounts	3,123	3,436	(9.1%)

COMPOSITION OF CORPORATE BODIES

CORPORATE OFFICES AND BOARDS

Board of Directors

CHAIRMAN
Marina Berlusconi

CEO
Ernesto Mauri

DIRECTORS
Pier Silvio Berlusconi
Pasquale Cannatelli
Bruno Ermolli
Martina Forneron Mondadori*
Danilo Pellegrino
Roberto Poli
Oddone Pozzi
Angelo Renoldi*
Mario Resca
Cristina Rossello*
Carlo Sangalli*
Marco Spadacini*

* Independent Director pursuant to the Corporate Governance Code for Listed Companies

Board of Statutory Auditors

CHAIRMAN
Ferdinando Superti Furga

STANDING STATUTORY AUDITORS
Francesco Antonio Giampaolo
Franco Carlo Papa

SUBSTITUTE STATUTORY AUDITORS
Ezio Maria Simonelli
Francesco Vittadini

MONDADORI GROUP ORGANIZATION

ARNOLDO MONDADORI EDITORE S.P.A.

Book	Magazines	Advertising	Retail	Radio	Others
Mondadori Libri S.p.A.* **100%**	Mondadori France S.a.s. **100%**	Mondadori Pubblicità S.p.A. **100%**	Mondadori Direct S.p.A. **100%**	Monradio S.r.l. **100%**	Cemit Interactive Media S.p.A. **100%**
Giulio Einaudi editore S.p.A. **100%**	Mondadori International Business S.r.l. **100%**	Mediamond S.p.A. **50%**			Kiver S.r.l. **75.22%**
Edizioni EL S.r.l. **50%**	Mondadori UK Ltd **92.13%**	Mondadori Seec (Beijing) Advertising Co.Ltd **50%**			Società Europea di Edizioni S.p.A. **36.89%**
Sperling & Kupfer Editori S.p.A. **100%**	Attica Publications S.A. **41.98%**				
Edizioni Piemme S.p.A. **100%**	Mondadori Independent Media LLC **50%**				
Mondadori Electa S.p.A. **100%**	Press-Di S.r.l. **100%**				
Mondadori Education S.p.A. **100%**	Gruner + Jahr/ Mondadori S.p.A. **50%**				
Harlequin Mondadori S.p.A. **50%**					
Mach 2 Libri S.p.A. **34.91%**					

Subsidiary companies | Associated companies

* As better detailed in "Relevant events occurred in the period", the contribution of Mondadori Libri S.p.A., a company incorporated on 25 November 2014, is effective as of 1 January 2015

MONDADORI GROUP ORGANIZATION CHART

Marina Berlusconi* **Chairman**

Ernesto Mauri* **Chief Executive**

Federico Angrisano **Communications and Media Relations**

Oddone Pozzi* **Group Finance, Procurement and IT Systems**

Enrico Selva Coddè **Group Human Resources and Organisation** - interim

Enrico Selva Coddè
Trade Books

Antonio Porro
Educational

Mario Maiocchi
Retail

Carlo Mandelli
Magazines Italy
International network
Radio

Carmine Perna
Magazines France

Federico Rampolla
Digital Innovation

* Board of Directors members

SUMMARY DESCRIPTION OF GROUP ACTIVITIES

BOOKS

Mondadori Group is market leader in the Trade Book area with a market share equal to 26.5% at end of 2014; the editorial products that traditionally make up its core business are fiction, essays, paperbacks and books for young readers.
In the Trade Book market the Group mainly operates through four publishing houses: Edizioni Mondadori, Giulio Einaudi editore, Edizioni Piemme and Sperling & Kupfer (the latter also includes the Frassinelli brand).
The Group is also present in the Education segment with Mondadori Education S.p.A., playing an important role in the Italian school textbook market with a stable share of 13%, and in the sector of art and illustrated books and provision of services for the management of museum concessions and the organization and management of exhibitions and cultural events with Mondadori Electa S.p.A., Italy's most prominent publisher in the sector of art and illustrated books.

MAGAZINES ITALY

With a 31.3% market share at year end, Mondadori is Italy's leader in the magazines sector with a portfolio of 23 magazines.
Over the years Mondadori has consolidated its presence in the magazines sector covering various areas of activity; in addition to the publication of weekly, monthly magazines in hard and soft copy, sold in newsstands or by subscription, it also developed websites and portals that contributed to increasing the number of readers while enhancing the brands.
Through the subsidiary Press-Di Distribuzione Stampa a Multimedia, the Group distributes its own magazines and third party magazines at the national level.
Mondadori is also active abroad with 36 international magazines published in 26 countries through joint ventures, direct subsidiaries or licensing agreements with international publishers.
In 2014 Mondadori celebrated the tenth anniversary of Grazia International Network, which currently manages 24 successful editions in the world with over 10 million copies sold on a monthly basis and more than 17 million readers and 16 million single users per month.

MAGAZINES FRANCE

Mondadori Group has been operating in France since 2006 through Mondadori France, one of the main publishing houses in the country, with a portfolio that includes 29 magazines, some of which are the most popular women's and men's magazines, TV and leisure time magazines: *Closer, Pleine Vie, Science & Vie, Télé Star* and *Auto Plus*.

The penetration of one of Europe's most important markets, both in terms of circulation and advertising sales, represented one of the key milestones accomplished by the Group in the pursuit of its expansion growth policy in international markets.

RETAIL

Mondadori operates in the Italian retail market through its subsidiary Mondadori Retail, relying on a network of approximately 600 stores and 4 different formats (directly managed stores, multicenters, franchised bookstores and Mondadori Points) plus web sale channels and book clubs. Mondadori Retail serves more than 20 million customers yearly.

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.

Since mid-2014 the entertainment section has been expanded by the launch of *R101TV*, a new TV channel on the digital cable network.

OTHER BUSINESS

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

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.

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

GROUP HISTORY MILESTONES

1907

Arnoldo Mondadori establishes **Luce!**, the first magazine with which he started his publishing house in Ostiglia (Mantua).

1919

The offices of the publishing house are moved to Milan.

1929

Launch of **Gialli Mondadori**, the first Italian series of crime novels.

1935

Thanks to the contract with Walt Disney, Mondadori stipulates Italy's first large international agreement in the publishing industry.

1938

Launch of **Grazia**, the first large distribution women's weekly.

1962

Mondadori launches Italy's first newsmagazine: **Panorama.**

1965

The Italian book market undergoes a true revolution with the launch of the Mondadori **Oscar** series: the first budget price paperbacks sold also in newsstands.

1969

Launch of **Meridiani**, a prestigious series to collect the most representative international authors of all time.

1975

Inauguration of the new Mondadori headquarters at Segrate, designed by one of the most renowned architects of the 20th century, Oscar Niemeyer.

1976

Mondadori and *Espresso* stipulate an agreement to develop the daily, **"la Repubblica"**.

1982

The Group is listed at the Milan Stock Exchange.

1988

Mondadori acquires Ediciones Grijalbo and establishes Elemond, a publishing house that controls the Electa and Einaudi brands.

1990

The Mondadori Group establishes a joint venture with the German publisher Gruner und Jahr for the publication of magazines in Italy.

2005

Mondadori penetrates the radio industry with **R101**.

2006

The Group further expands in the international market, acquiring Emap France, France's third ranking magazine publisher. Establishment of Mondadori France. Mondadori's international expansion policy aims also at single brand licensing, in particular, Grazia which, starting with the English edition in 2005, grows into a broad global network in just few years.

2007

Mondadori celebrates its 100th anniversary.

2008

Mondadori exits the graphic design sector following the transfer of Mondadori Printing to Pozzoni Group.

1948

Mondadori publishes the **Biblioteca Moderna Mondadori**, the first series of quality books at budget prices designed to reach a large number of readers, mainly young people.

1950

With the magazine **Epoca**, Mondadori launches the American model of illustrated journalism in Italy.

1954

The Mondadori per Voi book shop chain is established, with the objective of re-launching domestic book circulation.

1960

Launch of Club degli Editori, Italy's first mail-order book club.

1991

Mondadori becomes part of the Fininvest Group.

1995

Launch of **Miti**, Italy's first series of budget paperbacks, sold in all the key retail channels. With it Mondadori kicks off a new mass-market strategy designed to expand the book market in Italy.

1998

Development of the franchising sector through the acquisition of the Gulliver series and the opening of a chain of Mondadori book shops in franchising.

1999

An aggressive policy of acquisitions, agreements and joint ventures accelerates the expansion of activities in the educational sector, in magazines (joint venture with Hearst) and in direct marketing (development of Mondolibri with Bertelsmann); establishment of Mondadori Printing.

2001

Establishment of Grupo Editorial Random House Mondadori, a joint venture between Mondadori Group and the Bertelsmann Group.

2002

Leonardo Mondadori passes away. Marina Berlusconi is appointed Group Chairman.

2003

Mondadori acquires 70% of Piemme and an interest in Attica Publishing, a leader in the Greek magazines sector.

2011

The development strategy in the digital publishing market, started in the previous year, picks up speed with the stipulation of new agreements with Amazon and Apple for the distribution of e-books.

2013

The Group is engage in a re-organization of its operating and management structures, to concentrate on core activities (trade and educational books; magazines in Italy, France and international network; retail and radio) and give new impetus to the development of the digital business.

2014

Incorporation in Mediamond, the joint venture established with Publitalia '80, of Mondadori Pubblicità advertising sales activities focusing on magazines and radio stations; acquisition of the Anobii social reading platform, London-Boutiques.com and Kiver, a digital marketing company; establishment of Mondadori Libri S.p.A., leading company in the Book area.

INFORMATION FOR INVESTORS

Arnoldo Mondadori Editore S.p.A. ordinary shares have been listed at the Milan Stock Exchange since 1982 (ISIN Code: IT0001469383). Mondadori stock is listed in the following indexes:

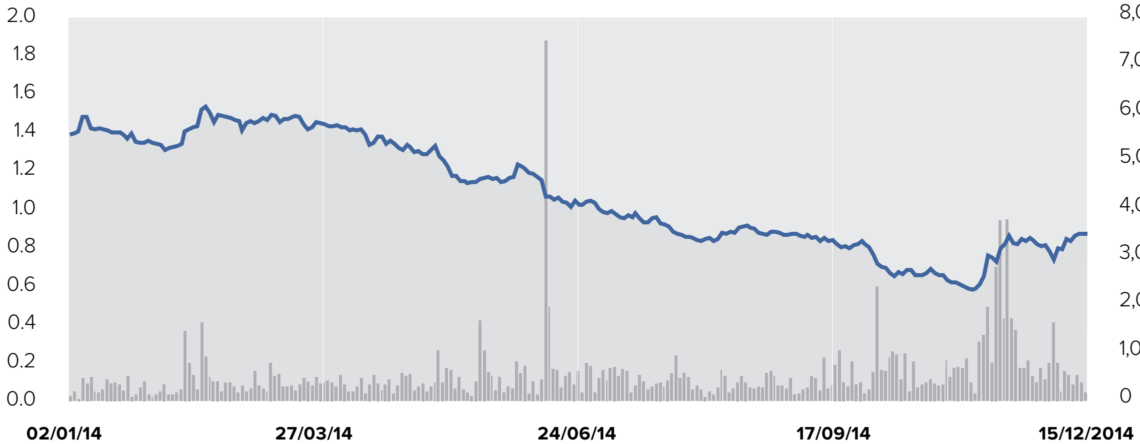
- Borsa Italiana indexes: FTSE Italia All Share and FTSE Italia Small Cap;
- Industry specific: *FTSE Italia Servizi al consumo and FTSE Italia Media*;
- National ethical: FTSE ECPI Italia SRI Benchmark and FTSE ECPI Italia SRI Leaders.

In 2014, Mondadori average share price was equal to euro 1.08 (average market capitalization of euro 281 million). On 30 December 2014, the last trading day for the year, Mondadori share price recorded a closing price of euro 0.88 with a market capitalization of euro 229 million.

Share price and share trading data	**FY 2014**
Closing price on 30/12/2014 in euro	0.88
Average price in euro	1.08
Maximum price in euro (18/02)	1.54
Minimum price in euro (12/11)	0.58
Average volume (thousands)	564
Maximum volume (thousands, 18/06)	7,523
Minimum volume (thousands, 06/01)	43
No. of ordinary shares (mln)*	261,458,340
Average market capitalization in euro millions*	281.4
Market capitalization at 30/12/2014 in euro millions	228.9

Source: Borsa Italiana
* Number of shares issued at 31 December 2014

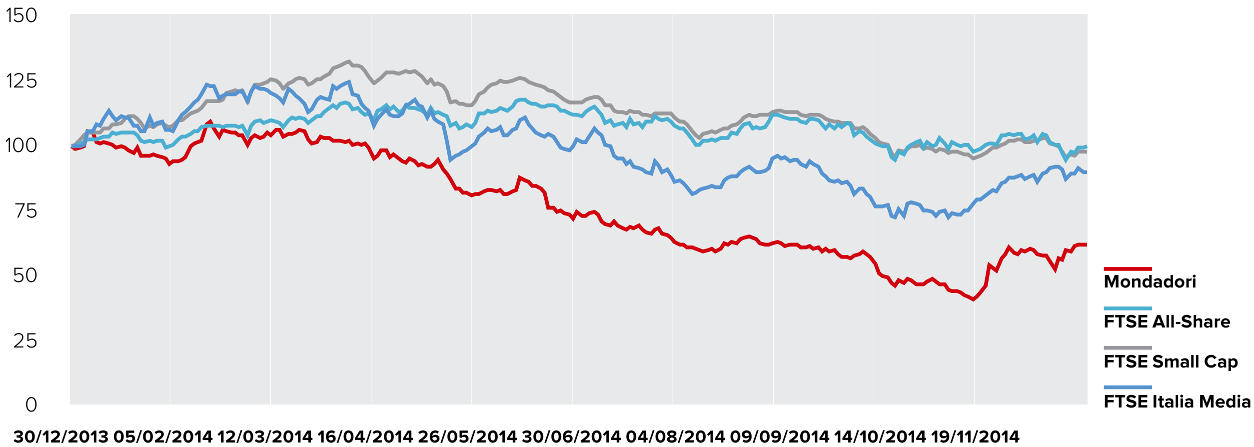
MONDADORI SHARE PRICE PERFORMANCE IN 2014



Source: Bloomberg

In the period of reference the Italian financial market had an essentially flat performance (FTSE Italia All-Share -0.3% in 2014). In this context Mondadori recorded a bearish trend of nearly 38% against end of 2013, lower than FTSE Italia Small Cap and FTSE Italia Media indexes (approximately -1% and -9%, respectively).

MONDADORI SHARE PRICE PERFORMANCE AGAINST THE MAIN ITALIAN FTSE INDEXES IN 2014



Source: Bloomberg

OWNERSHIP STRUCTURE

At 31 December 2014, following the capital increase transaction completed in June 2014, the Company's share capital amounts to euro 67,979,168.40, corresponding to 261,458,340 ordinary shares with a nominal par value of euro 0.26 each.
At the same date, to the knowledge of the Company, based on the disclosures received pursuant to article 120 of the Finance Consolidation Act and other available information, the Company ownership structure includes the following relevant equity investments (above 2%).

Shareholders	Equity investment at 31/12/2014
Fininvest S.p.A.	50.4%
Silchester International Investors Llp	12.6%
River and Mercantile Asset Management Llp	5.1%
UBS Group AG	3.4%

SUMMARY OF THE 2014 SUSTAINABILITY REPORT

In September 2010 the Mondadori Group established a Sustainability Committee (composed of representatives of the main corporate functions and chaired by the Head of Communications and Media Relations) to analyze sustainability-oriented proposals, strategic orientations and policies. The first sustainability report, released in 2011 for internal use only and regarding the previous financial year, was approved by the Board of Directors and submitted for audit by the Global Reporting Initiative (GRI, one of the most prominent independent international bodies that have established criteria and frameworks for sustainability reporting), which certified compliance with the relevant G3 reporting standards, rating C. The reporting area, kept unaltered also in subsequent years, corresponds to that adopted by Italian companies consolidated on a line-by-line basis.

In the following years the Sustainability Report was published and drafted according to G3.1 GRI standard, rating B+ and subject to audit by an independent company.

The 2014 Sustainability Report, of which an abstract is reported in this document, was drawn up according to the new G4, GRI standard, based on the “in accordance” - core rating, including the industry-specific supplementary document “G4 Sector Disclosures - Media”. Introduced in 2013, the G4 standard was meant to improve disclosure content and level in sustainability reports, focusing on the analysis of the aspects that concretely reflect economic, environmental and social impacts of the reporting organization and/or affect stakeholder valuations and decisions. The G4 standard also identifies objectives, measures performance and drives improvement.

In addition to sustainability reporting, in 2012 Mondadori joined the Climate Change program of the Carbon Disclosure Project (CDP), an independent, non-profit organization established to promote and motivate business transformation at the global level in order to fight against climate change and protect natural resources. CDP collects information on risks and opportunities concerning climate from the world’s largest corporations, communicates them to its 767 investors and circulates them through the global market in order to steer investments towards a low carbon economy.

One of the key topic of Mondadori’s environmental policy is the reduction in CO_2 emissions through the implementation of internal management and data reporting systems relative to greenhouse gas emissions and energy efficiency initiatives.

In addition, since 2010 Mondadori has followed a road map to gradually increase the proportion of certified paper it uses, in line with the initiative launched by Greenpeace to Italian companies operating in the paper industry in order to protect forests. In this framework, data relative to the 2012-2014 three-year period testify to the Group’s commitment to progressively improving sustainability in all the Group publishing houses.

Lastly, with the publication of the Sustainability Report together with the 2014 Annual Report, the Company intended to align financial and non-financial disclosure making both documents available at the Shareholders’ Meeting and including a summary of the Sustainability Report in the financial document, in line with the provisions of the 2014/95/EU Directive (amending the 2013/34/EU Directive), adopted by the EU Parliament and Council on 22 October 2014.

MAIN SUSTAINABILITY ITEMS IN 2014

Material issue	Indicator / disclosure

Climate changes

With reference to the disclosure level of the CDP initiative (CDP Climate Change Italy), in 2014 Mondadori posted a score of 85/100, confirming the performance of the previous years (84/100 in 2012 and 86/100 in 2013) above the national average of 71/100. The high score obtained testifies to the attention paid by Mondadori to the risks and opportunities for its business linked to climate change, as well the adequacy of the internal systems for the management and reporting of data relative to greenhouse gas emissions.

Greenhouse gas emissions (tonnes CO_2)	2012	2013	2014
Direct (scope 1)	2,064	1,930	1,193
Indirect energy (scope 2)	14,823	12,423	11,285

Responsible use of raw materials

Evidence of the Company's commitment undertaken since 2010, the consumption of FSC/PEFC certified paper grew to 74.3% of the total in 2014, against 17.9% in 2012 and 23.1% in 2013.
This is the result of the Group's resolution to increase the use of certified paper for printing books; the direct purchase of paper, which in 2014 accounted for 53.8% of total supplies, contributed also to increasing the percentage use of certified paper (68% on the total certified paper; 51% on the total paper quantity).

Total printing paper - Mondadori Group (tonnes)						
Type	**2012**	**%**	**2013**	**%**	**2014**	**%**
Certified paper	17,271	17.9%	19,308	23.1%	58,641	74.3%
Recycled paper	22	0.02%	0	0.0%	170	0.2%
Traditional paper	79,090	82.1%	64,461	76.9%	20,095	25.5%
Total	**96,383**		**83,767**		**78,908**	

Relations with the community

Investments in local communities	38%
Donations	17%
Commercial initiatives with social impact	46%

In 2014, the Group dedicated resources to the community for an estimated amount of euro 800,000, including 38% investments in local communities and 46% commercial initiatives. Donations accounted for 17% of the total.

Material issue	Indicator / disclosure
Supply chain integrity	Mondadori promotes the implementation of ethical standards of conduct with its suppliers, by also fostering respect of human rights and safety compliance in the workplace, the prohibition of child labour and the pursuit of sustainability policies. In this context the Group Purchasing function started, in 2014 experimentally and in 2015 in a more structured form, to develop a supplier database, both existing and new, through the compilation of a questionnaire aimed at collecting data relative to procedures, planning documents or certifications witnessing supplier engagement towards the main sustainability issues. In 2014 50% of new suppliers filled out the questionnaire based on the applied procedures for environmental protection, working methods, human rights and social impact. In addition, as a result of the direct paper purchase process begun in January 2014, over 90% of the selected suppliers hold environmental certifications. Within the aforementioned four areas covered by Purchasing, the Mondadori Group will identify those suppliers that increasingly align with the Company's requirements, becoming an active party in the understandably broad project of value creation in order to jointly pursue economic, social and environmental objectives.
Competency capitalization and brands	To better know and enhance human resources, already in 2012, the Group launched a process of ongoing improvement of the Performance Management system in order to further optimize steps and tools and extend it progressively to all areas of the Group. Performance Management is intended to provide middle management with a performance development and guidance system that reflects the Company's objectives. The system enables the organisation to keep its managers and staff focused on the link between performance and strategy, even if it is necessary to make and implement difficult decisions or respond to changing markets The process involved over 400 people in 2014

	2012		2013		2014	
	Number	%	Number	%	Number	%
Executives	40	23%	70	58%	58	57%
Middle managers	87	29%	136	47%	147	57%
Office workers	135	8%	145	9%	204	14%
Total	**262**	**10%**	**351**	**14%**	**409**	**19%**

Total 2013: women 51% - men 49%
Total 2014: women 52% - men 48%

Material issue	Indicator / disclosure
Information and content quality	

Output accessibility

Mondadori puts great emphasis on developing multidevice content, i.e. content that can be used both online and offline not only on computers, but also on mobile devices, like e-readers, tablets and smartphones.
Among these there is ME Book, a multidevice digital book developed by Mondadori Education, in which massive investments were made oriented towards the development of the digital service platform and the increase in digital teaching training. ME Book can be accessed from any device (PCs, tablets, smartphones) through a dedicated app. Internet connection is not always required as it can also work offline; moreover, in order to facilitate its use on mobile devices, the ME Book allows the downloading of only those chapters or sections of the book that a user needs.
Specifically, new functions were integrated, making it more user friendly and intuitive. An important new feature was introduced, the so-called "liquid book", i.e. content that adapts automatically to the various devices to facilitate access. Fixed layout editing is no longer an issue and priority is given to the experimentation of new content reading options. The liquid book is particularly appreciated by students with special learning needs, as it makes reading easier, while also giving access to content in the most appropriate format and size for the user. It also allows users to replace regular fonts with high readability ones.

Output diversity and freedom of expression

Mondadori guarantees the freedom of expression of its authors and promotes the expression of different opinions through a broad spectrum of topics and points of view. These values represent the key asset for any publishing company and are therefore essential for the development of products and services conceived for the general public.
If one considers for example the publication of books, in 2014 the various brands published 2,795 books covering a broad range of topics and categories.
Lastly, in addition to being a channel for sustainability projects, the Group magazines and websites express the opinions of people of different ethnic groups, gender, physical ability, sexual orientation, religion, age and income.

Directors' Report on Mondadori Group Operations in FY 2014

GENERAL ECONOMIC PERFORMANCE AND TREND IN THE SECTORS OF REFERENCE FOR MONDADORI GROUP

Dear Shareholders,
in 2014 the macroeconomic context was characterized by a gradual turnaround of the main economic indicators showing a progressive, though slight, recovery against the significantly negative results of the last two years.

In **Italy**, the economic scenario remained weak: GDP was negative at -0.4%[1] and is expected to return to growth only in 2015. Unemployment was also higher than the previous year (12.6% against 12.2% in 2013).

In Italy, the markets of reference for the Mondadori Group continued to record losses, even if progressively less sharp than in the previous years, yet with significant reverberations on the Group's business performance. In particular:

- magazines reflected the persistent slowdown in advertising investments, down 6.5% (-23.9% in 2013) and circulation (newsstand channel) also registered a 8.2% reduction (-11.2% in 2013);
- books decreased by 3.8% in value (-6.2% nel 2013)[2].

In **France**, the main macroeconomic indicators did not show any remarkable improvements against the previous year; GDP, after more sustainable growth registered in the first three quarters, slowed down to +0.1% in the last quarter, with a yearly average of +0.4%[3], below the projections of the beginning of the year (+0.8%). Unemployment remained essentially in line with the previous year (10.3%).

The magazines market in which Mondadori France operates recorded reductions against the previous year; in particular, advertising sales dropped by -8.8% (-9.2% in 2013); also circulation - in the newsstand channel - was down by 6.6%[2] (-6.7% in 2013).

In 2014 Mondadori Group confirmed the positive outcome deriving from the actions implemented in 2013, particularly with reference to the strategic rationalization of the portfolio of activities and the re-definition of the Group's industrial and organizational structure, which, combined with the unflagging commitment to cost reduction, led to a significant increase in the Group result and in Mondadori's ability to generate financial resources. This positive result was and will be used to reduce the consolidated debt, on one hand, and to sustain Group growth with adequate resources, on the other.

MAIN ELEMENTS IN MONDADORI BUSINESS AREAS

- In the **Books Area** the Group confirmed its leadership in Italy with a market share equal to 26.5%, against 27% recorded in 2013.
  The publishing schedule enabled the Group publishers to position four titles in the top ten bestseller rankings, including the first place of *Storia di una ladra di libri* by Markus Zusak (Frassinelli).

[1] Source: ISTAT, 13 February 2015
[2] For the sources reference should be made to the relevant sections in the Report
[3] Source: Insee, 13 February 2015

In the school textbook market the Group posted a positive revenue trend from the sales of school textbooks across all school levels and of museum management activities, resulting in a consequent significant increase in EBITDA.

- **Magazines Italy** continued on the same positive trend of the first half of 2014, posting an even better performance in the segment of reference in terms of circulation and advertising sales. Mondadori is market leader with a market share currently equal to 31.3% in value, up against 31 December 2013. This positive result is attributable to:
  - product focus in the segments in which the Group is market leader, like interior design, current news, cuisine, women's magazines, health and wellness and TV, targeting multimedia integration through the contribution of the digital activities;
  - launch of the new magazine *Il mio Papa* and the transformation of *Starbene* from monthly to weekly magazine; restyling of *Casafacile and Panorama*;
  - actions aimed at rationalising the magazines portfolio (cancellation of 11 magazines vs 2013);
  - ongoing actions targeting the reduction of operating costs.

International activities, carried out through Mondadori International Business, generated increased revenues by approximately 4% against the same period in 2013, mainly as a result of the performance of the 24 editions of *Grazia* and *Icon* in Spain, launched in November 2013.

Particularly significant in the view of the development of the digital activities was the acquisition of the LondonBoutiques.com marketplace platform, targeted to the launch, completed in November, of the global integrated e-commerce fashion platform of the *Grazia* brand (www.graziashop.com).

- In terms of circulation, **Magazines France** outperformed the market of reference, in particular thanks to the success of the sales of the magazines *Top Santé, Pleine Vie* and *Closer*. Digital activities posted a significant growth (+32% on a like-for-like basis) against the previous year; both revenues from online advertising sales, accounting for over 10% of total revenues from advertising sales, and web and mobile traffic data have increased significantly against the previous year.

- In the **Retail Area**, the Group continued to implement strategic actions to counter the negative market trend, targeting cost reduction and format revision in order to develop a new concept of book store for the future. The book category (making for 76% of in-store revenues) outperformed the market by over 7% with a market share increasing from 14% to 15%, enabling the Group to post positive operating margins in 2014.

- Despite the impact of the negative performance of advertising sales, the **Radio Area** posted revenue growth against the previous year, following the launch of the new TV channel last June, with a view to integrating TV activities with the radio and providing broad-spectrum entertainment programming.

- As to **Digital Activities**, actions continued to increase the team dedicated to business development. In this context, reference should be made to the acquisition of Kiver, a digital marketing company, to enhance the Group's presence in the segment of marketing services. Total revenues from purely digital activities, aimed at increasing the value of the Group's editorial content, grew by 13% against 2013.

2014 CONSOLIDATED FINANCIAL HIGHLIGHTS

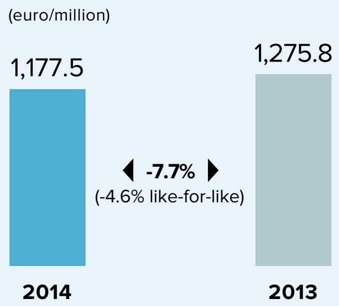
Below is a summary of the 2014 consolidated financial highlights, compared with the data of the previous year.

Consolidated income statement (euro/million)	**FY 2014**	**FY 2013**	**Var. %**
Revenues from sales and services	**1,177.5**	**1,275.8**	**(7.7%)**
Operating costs	886.5	973.5	(8.9%)
Personnel (*)	226.1	243.4	(7.1%)
Other (income) cost	1.4	9.8	(85.7%)
EBITDA net of non-recurring items	**63.5**	**49.1**	**29.3%**
EBITDA incidence on revenues	*5.4%*	*3.8%*	
Restructuring	(6.6)	(50.4)	n.s.
(Positive)/negative extraordinary items	10.2	(11.5)	n.s.
EBITDA	**67.1**	**(12.8)**	**n.s.**
EBITDA incidence on revenues	*5.7%*	*(1.0%)*	
Depreciation and impairment loss on property, plant and equipment	11.2	12.1	(7.4%)
Amortisation and impairment loss on intangible assets	13.6	130.3	n.s.
Impairment loss in investments valued at equity and other enterprises	-	27.9	n.s.
EBIT	**42.4**	**(183.1)**	**n.s.**
EBIT incidence on revenues	*3.6%*	*(14.4%)*	
Net financial revenues (costs)	(23.0)	(24.2)	(5.0%)
Revenues (costs) from other investments	-	-	
Profit before taxes for the period	**19.4**	**(207.3)**	**n.s.**
Income tax	15.7	(23.8)	n.s.
Minority shareholders' profit	3.1	1.9	n.s.
Net result	**0.6**	**(185.4)**	**n.s.**

(*) On a like-for-like basis the percentage variation would be equal to -6.2%.

The above breakdown of economic results by sector of activity reflects the system used by the management to compare Group performance in the two years.

ECONOMIC RESULTS

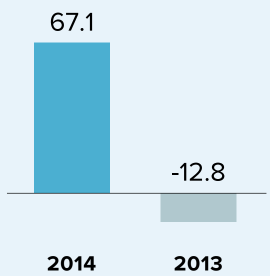


In 2014 **consolidated net revenues** totalled euro 1,177.5 million, down 7.7% against euro 1,275.8 million in 2013. On a like-for-like basis and considering the transfer of the advertising sales business unit to Mediamond S.p.A. completed in January 2014, **consolidated revenues dropped by 4.6%.**

Revenues by sector of activity (euro/million)	**FY 2014**	**FY 2013**	**Var. %**
Books	336.6	334.3	0.7%
Magazines Italy	297.0	326.1	(8.9%)
Advertising	11.3	141.6	n.s.
Magazines France	340.9	353.9	(3.7%)
Retail	211.2	225.0	(6.1%)
Radio	11.7	11.3	3.3%
Other Business and Corporate	29.6	35.0	n.s.
Total aggregate revenues	**1,238.3**	**1,427.2**	**(13.2%)**
Intercompany revenues	(60.8)	(151.4)	n.s.
Total consolidated revenues	**1,177.5**	**1,275.8**	**(7.7%)**

Sales by geographic area (euro/million)	**FY 2014**	**FY 2013**	**Var.%**
Italy	816.5	895.8	(8.9%)
France	321.0	333.6	(3.8%)
Other EU countries	33.0	35.9	(8.1%)
USA	0.8	0.7	14.3%
Other countries	6.2	9.8	(36.7%)
Total consolidated revenues	**1,177.5**	**1,275.8**	**(7.7%)**

EBITDA



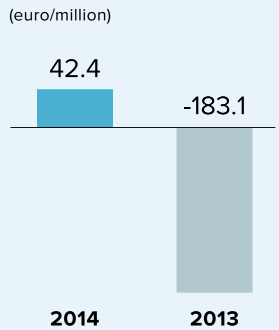
In 2014 **consolidated EBITDA** was sharply up at euro 67.1 million against a negative value of euro 12.8 million recorded in the previous year. Also net of non-recurring items (which impacted for approximately euro 62 million in 2013, mainly as a result of restructuring costs, while, in 2014, they were positive for nearly euro 3.6 million), EBITDA was sharply up by over 29%, climbing from euro 49.1 million in 2013 to euro 63.5 million in 2014. Group performance confirms recovered profitability and better efficiencies resulting from the strategic activity rationalization actions taken in the Group portfolio and the re-definition of its industrial and organizational structure.

EBITDA by sector of activity (euro/million)	**FY 2014**	**FY 2013**	**Var. %**
Books	45.1	46.2	(1.1)
Magazines Italy	3.1	(20.6)	23.7
Advertising	(4.1)	(19.9)	15.8
Magazines France	35.0	26.7	8.3
Retail	8.9	(8.5)	17.4
Radio	(4.4)	(4.3)	(0.1)
Other Business and Corporate	(16.5)	(32.4)	15.9
Total EBITDA	**67.1**	**(12.8)**	**79.9**

In 2014, the headcount fell by 313 people (-9.1%) as a result of both the ongoing re-organization of the Company structures and the extraordinary restructuring processes implemented in all Group companies. Excluding non-recurring costs regarding the restructuring processes and on a like-for-like basis, in 2014 cost of personnel decreased by 6.2% against the previous year.

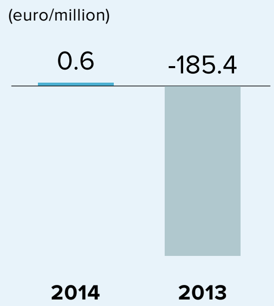
EBIT

Consolidated net profit equalled euro 42.4 million (euro -183.1 million in 2013).
The negative result recorded in 2013 referred to impairment losses for a total of about euro 145 million following the alignment of assets and investments with currently applicable market values.



EBIT by sector of activity (euro/million)	**FY 2014**	**FY 2013**	**Var. %**
Books	42.2	43.5	(1.3)
Magazines Italy	2.8	(32.0)	34.8
Advertising	(4.6)	(20.0)	15.4
Magazines France	23.7	(84.5)	108.2
Retail	3.6	(16.7)	20.3
Radio	(5.8)	(36.9)	31.1
Other Business and Corporate	(19.5)	(36.4)	16.9
Total EBIT	**42.4**	**(183.1)**	**225.4**

NET RESULT



Consolidated profit before taxes is positive for euro 19.4 million against a negative result of euro -207.3 million in the previous year; in 2014 financial costs equalled euro 23.0 million (euro 24.2 million in 2013).

Consolidated net profit, after minority shareholders' result, is positive for euro 0.6 million against a loss of euro 185.4 million in 2013.

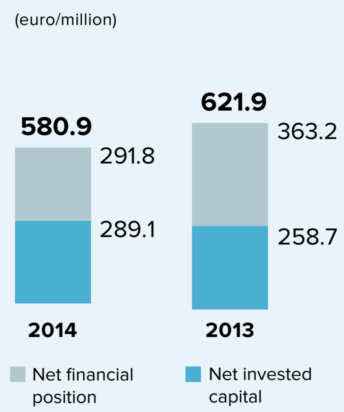
FINANCIAL RESULTS

NET INVESTED CAPITAL

The **Group net invested capital** at 31 December 2014 totalled euro 580.9 million against euro 621.9 million in 2013.

The **Group net working capital** decreased from euro 56.2 million at 31 December 2013 to euro 18.6 million at 31 December 2014 as a result of a more efficient management of inventory and improved trade receivables collection activities (reduction from 88 in 2013 to 81 days in 2014).

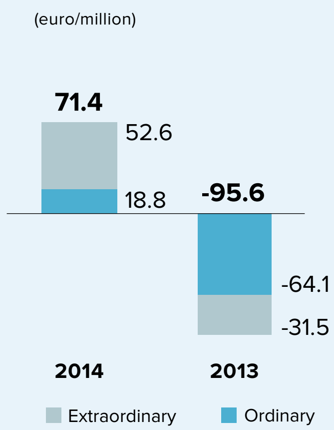
The **Group net financial position** at 31 December 2014 improved considerably at euro **-291.8 million** against euro **-363.2 million** of 31 December 2013 as a result of the cash flow generated by the Group.



CASH FLOW

In 2014 **cash flow from operations was positive for euro 47.2 million** (euro -28.7 million at 31 December 2013); **cash flow from core business operations** (net of the payment of financial costs and taxes for the period) totalled **euro 18.8 million** (against a negative value of euro 64.1 million in 2013) as a result of improved profitability and optimized management of the working capital.

Cash flow from extraordinary operations was positive for euro 52.6 million (euro -31.5 million in 2013) despite outlays for restructuring costs (euro 20.3 million) and is mainly attributed to the increase in the Company's capital and capital gain deriving from the transfer of an asset in the Retail Area.



CONSOLIDATED FINANCIAL RESULTS FOR THE FOURTH QUARTER OF 2014

Consolidated income statement (euro/million)	Q4 2014	Q4 2013	Var. %
Revenues from sales and services	**317.9**	**344.5**	**(7.7%)**
Operating costs	229.5	259.9	(11.7%)
Personnel	58.7	59.0	(0.5%)
Other (income) cost	5.6	12.8	(56.3%)
EBITDA net of non-recurring items	**24.1**	**12.9**	**86.3%**
EBITDA incidence on revenues	*7.6%*	*3.7%*	
Restructuring	(2.3)	(28.5)	n.s.
(Positive)/negative extraordinary items	9.3	(6.1)	n.s.
EBITDA	**31.1**	**(21.7)**	**n.s.**
EBITDA incidence on revenues	*9.8%*	*(6.3%)*	
Depreciation and impairment loss on property, plant and equipment	4.0	3.5	
Amortisation and impairment loss on intangible assets	3.5	120.3	
Impairment loss in investments valued at equity and other enterprises	-	27.9	
EBIT	**23.6**	**(173.5)**	**n.s.**
EBIT incidence on revenues	*7.4%*	*(50.4%)*	
Net financial revenues (costs)	(5.2)	(7.6)	(31.4%)
Revenues (costs) from other investments	-	-	
Profit before taxes for the period	**18.4**	**(181.0)**	**n.s.**
Income tax	9.1	(28.2)	n.s.
Minority shareholders' profit	1.1	0.2	n.s.
Net result	**8.2**	**(153.1)**	**n.s.**

In the fourth quarter of 2014 **consolidated net revenues** totalled euro 317.9 million, down 7.7% against euro 344.5 million in the corresponding period of 2013. On a like-for-like basis and considering the transfer of the advertising sales business unit to Mediamond S.p.A., **consolidated revenues dropped by 4.0%.**

Revenues by sector of activity (euro/million)	Q4 2014	Q4 2013	Var. %
Books	97.7	100.1	(2.4%)
Magazines Italy	69.4	73.1	(5.0%)
Advertising	3.7	36.5	n.s.
Magazines France	86.7	90.9	(4.6%)
Retail	66.3	71.5	(7.3%)
Radio	3.9	2.4	62.5%
Other Business and Corporate	8.3	8.8	(5.7%)
Total aggregate revenues	**336.1**	**383.3**	**(12.3%)**
Intercompany revenues	(18.2)	(38.8)	
Total consolidated revenues	**317.9**	**344.5**	**(7.7%)**

In the fourth quarter of 2014 **consolidated EBITDA** was sharply up at euro 31.1 million against a negative value of euro 21.7 million recorded in the same period of 2013. Also net of non-recurring items, margins grew significantly from euro 12.9 million to euro 24.1 million in the quarter of reference.

Consolidated profit before taxes is positive for euro 18.4 million against a negative result of euro -181.0 million of the previous year; in 2014 financial costs amounted to euro 5.2 million (euro 7.6 million in the fourth quarter of 2013 also as a result of the costs borne for the renegotiation of the Group credit lines completed in November 2013).

EBITDA by sector of activity (euro/million)	Q4 2014	Q4 2013	Var. %
Books	9.3	7.2	2.1
Magazines Italy	(1.1)	(10.9)	9.8
Advertising	(0.3)	(10.8)	10.5
Magazines France	12.7	4.9	7.8
Retail	14.9	(1.7)	16.6
Radio	(0.2)	(1.2)	1.0
Other Business and Corporate	(4.2)	(9.2)	5.0
Total EBITDA	**31.1**	**(21.7)**	**52.8**

In the fourth quarter of 2014 **consolidated net profit** equalled euro 23.6 million (euro -173.5 million in 2013). The negative result recorded in the fourth quarter of 2013 reflected impairment losses for a total of euro 145.4 million.

Consolidated net profit, after minority shareholders' result, is positive for euro 8.2 million against a loss of euro 153.1 million of the fourth quarter of 2013.

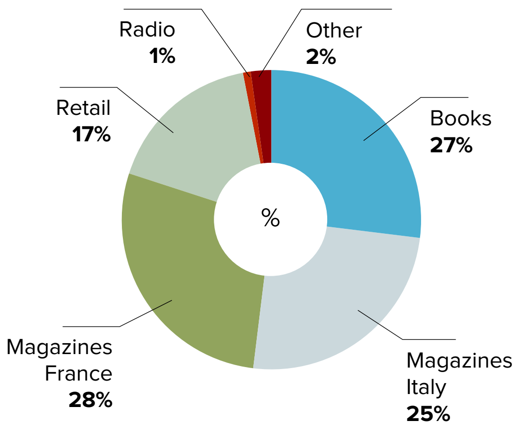
ECONOMIC PERFORMANCE BY AREA OF ACTIVITY

ECONOMIC PERFORMANCE BY AREA OF ACTIVITY

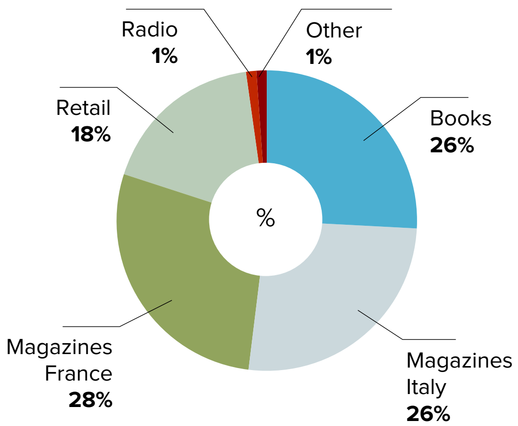
(euro/million)	Total revenues		EBITDA		Amortisation, depreciation and impairment		EBIT	
	2014	**2013**	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
Books	336.6	334.3	45.1	46.2	2.9	2.7	42.2	43.5
Magazines Italy	297.0	326.1	3.1	(20.6)	0.3	11.4	2.8	(32.0)
Advertising	11.3	141.6	(4.1)	(19.9)	0.5	0.1	(4.6)	(20.0)
Magazines France	340.9	353.9	35.0	26.7	11.3	111.2	23.7	(84.5)
Retail	211.2	225.0	8.9	(8.5)	5.3	8.2	3.6	(16.7)
Radio	11.7	11.3	(4.4)	(4.3)	1.4	32.6	(5.8)	(36.9)
Other Business and Corporate	29.6	35.0	(16.5)	(32.4)	3.0	4.0	(19.5)	(36.4)
Adjustments and cancellations	(60.8)	(151.4)	-	-	-	-	-	-
Total	**1,177.5**	**1,275.8**	**67.1**	**(12.8)**	**24.7**	**170.2**	**42.4**	**(183.1)**

REVENUES

2014



2013



BOOKS

Market performance

In the persistently difficult national macroeconomic scenario Trade books in Italy posted a 3.8%[4] reduction on a year-on-year basis. Compared to the performance recorded in the first six months of 2014, down 6.6% against the corresponding period in 2013, the second half of 2014 posted a much more limited drop of -1.9%.
In terms of sales channels, bookstores (including bookstore chains, independent bookstores and online bookstores) posted a 2.0% reduction with an increasing impact equal to 85.9%. Large retailers were down by 13.8% with a dropping market share corresponding to 14.1% (15.7% in 2013).
As for digital books, e-books sold in 2014 accounted for 3.3% in value (retail price) on the total of books, recording a growth rate below expectations (Source: internal estimates).
In this context, at the end of 2014 the market share of the publishing houses belonging to Mondadori Group, the market leader, was equal to 26.5%, down 0.5% against 27% recorded at the end of 2013[5].
The publishing schedule enabled the Group publishers to position eight titles in the top twenty bestseller list, holding the first position for 21 weeks out of 52 (source: Nielsen).

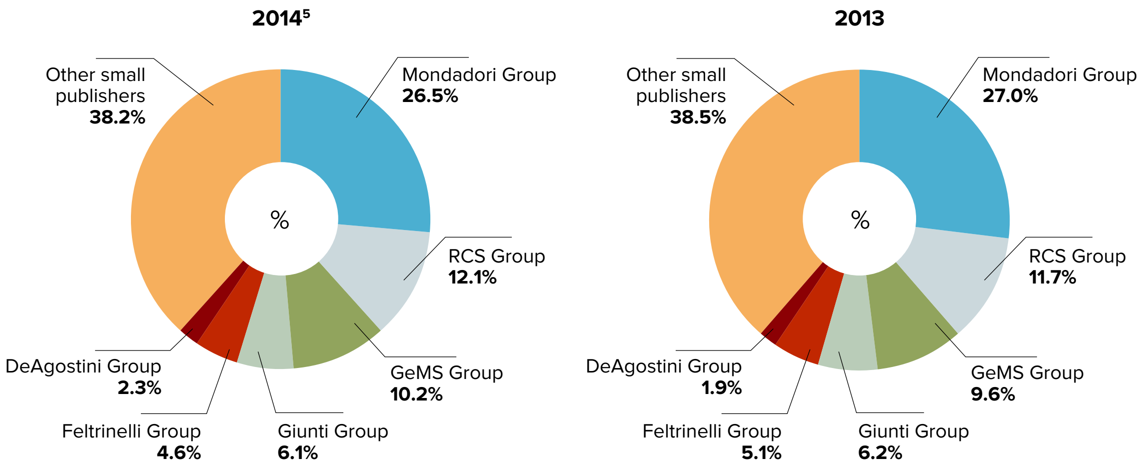
In the school textbook market Mondadori Education consolidated its third place with a market share equal to 13% in line with the previous year. The aggregate market share of the five top players, corresponding to approximately 70% of the total market, is slightly up against the smaller publishers[6].

The economic performance of the Book Area

Revenues
In 2014 revenues totalled euro 336.6 million, up 0.7% against the previous year as a result of the positive performance in the Educational area (+1.6%) despite the downturn in the Trade Books area. Also activities relative to the distribution of books on behalf of third publishers grew considerably against the previous year, mainly as a result of the services offered to De Agostini publishing house as of January 2014.

The production of new titles in 2014 included 2,795 titles of which 2,291 Trade (2,187 in 2013), 175 of Mondadori Electa S.p.A. (184 in 2013) and 329 of Mondadori Education S.p.A. (263 in 2013); the copies produced totalled approximately 50 million.

MARKET SHARES



[4] Source Nielsen: data in value at December
[5] Source Nielsen: data in value at December, excluding large retailers
[6] Source: AIE, ministerial data based on textbook adoption (in volume)

Books (euro/million)	**31/12/2014**	**31/12/2013**	**Var. %**
Edizioni Mondadori	91.8	104.8	(12.4%)
Giulio Einaudi editore	39.8	41.9	(5.0%)
Edizioni Piemme	28.2	35.9	(21.4%)
Sperling & Kupfer	22.6	19.5	15.9%
Trade Books	**182.4**	**202.1**	**(9.7%)**
Mondadori Electa	35.8	35.4	1.1%
Mondadori Education	73.5	72.2	1.8%
Educational Books	**109.3**	**107.6**	**1.6%**
Book distribution	34.2	18.6	83.9%
Other revenues	10.7	6.0	78.3%
Total consolidated revenues	**336.6**	**334.3**	**0.7%**

Trade Books
The revenue reduction recorded in 2014 equal to -9.7% against the previous year was due both to the market performance indicated above (in particular in the large retail channel) and a different publishing schedule, particularly in the first half of the year, for Edizioni Mondadori and Edizioni Piemme; it is worth highlighting, starting from the months of May and June of the past year, the presence of Dan Brown's bestsellers *Inferno*, published by Edizioni Mondadori, and *E l'eco rispose*, by Khaled Hosseini, under the Piemme brand.

Edizioni Mondadori

In a bearish market, Edizioni Mondadori (accounting for over 50% of revenues generated in the Trade book area), despite the reduction recorded in the period, confirmed its leadership with a market share equal to 12.3%[7].
Six books were present in the top 25 bestseller ranking; in particular, *I giorni dell'eternità* by Ken Follett, was number four on the bestseller list for the year. Released on 16 September, it remained at the top of the list throughout the entire last quarter of 2014. With a launch of over 300,000 copies, the promotional campaign reprised in December, with the presence of the author in Italy, contributed to the success of sales over Christmas, ensuring continuing high sales levels of both hard copy and e-book.

In paperback books, Mondadori is undisputed market leader with the Oscar Mondadori catalogue, with eight Oscar Mondadori titles in the top ten paperback bestsellers.

Giulio Einaudi editore

In 2014 Einaudi, second publisher in the book sector, consolidated its position with a 6.1% market share (nearly 5.9% at the end of 2013)[7], though posting a 5% reduction in revenues. In 2014 Einaudi authors took home the two important literary awards: Francesco Piccolo won the Strega Prize with *Il desiderio di essere come tutti* and Patrick Modiano took the Nobel Prize for Literature following Mo Yan and Alice Munro, making it three in a row.

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 (15% market share). In 2014 Piemme's market share was equal to 4.0% (against 4.5% of the previous year), while revenues dropped by approximately 21% against 2013, the year that included *E l'eco rispose* by K. Hosseini (which remained at the top of the general bestseller list for 14 consecutive weeks).

[7] Source Nielsen: data in value at December, excluding large retailers

Sperling & Kupfer

Sperling & Kupfer is the Group publishing house that controls the Sperling & Kupfer and Frassinelli trademarks, focusing on the Fiction book offering for the female public, Non Fiction books and books mainly for professional use. The publisher's market share in 2014 was equal to 2.9%, up against 2.5% of the previous year; revenues grew by nearly 16% against 2013, mainly as a result of the extraordinary success of *Storia di una ladra di libri* by Markus Zusak, a bestseller in Italy in 2014.

In 2014 the process for the termination of Mondadori Informatica, started in 2013, through a multi-year gradual reduction in the production of new products, was completed.

Educational Books

In this area the Group posted growing revenues by 1.6% in 2014 compared to the previous year, as a result both of the positive performance of Mondadori Education in the new book editions adopted across all school levels and also the positive performance of Mondadori Electa in relation to the management of museum concession activities and in the organization of exhibitions.

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 the primary and secondary high school, through thirteen proprietary brands and two distributed in English.
- As for miscellaneous, Mondadori Education offers textbooks for universities under the Mondadori Università and Le Monnier Università brands, language books for teaching Italian, and dictionaries under the Le Monnier trademark.

In 2014 Mondadori Education reconfirmed its leading position in the school textbook market with a 13% market share. The revenue growth is mainly attributable to the positive result of the campaign targeted to increasing the percentage of changes in books adopted, with a consequent remarkable improvement in the adopted-sold ratio.

- In primary school, Mondadori Education posted an excellent performance, increasing its market share from 12.4% to 13.6% and climbing from the fourth to the second position in the publisher ranking. Worth mentioning is also the extraordinary result obtained by the primary textbook, exceeding 100,000 copies sold.
- Also in primary and secondary high schools, the cancellation of the ban on new adoptions resulted in a high percentage of textbook changes (approximately 40%, in line with projections); the production of new textbooks by Mondadori Education, by quantity and quality, enabled it to seize the opportunities offered by the market. The positive results deriving from the new products reflected on catalogue books, which were adopted in a slightly lower percentage than projected.

The sales of dictionaries are in line with the trend, showing a slight reduction in the last years.

Mondadori Electa

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.

As to the management and organisation of exhibitions, revenues rose considerably against 2013, thanks to an increased number of visitors at the archaeological sites where the company operates and the great success of some exhibitions, like Veronese in Verona and Klein and Fontana at Museo del Novecento in Milan.

The revenues generated by the bookshops were slightly down as a result of the Venice Architecture Biennale edition, which historically registers lower attendance than the edition dedicated to Arts. The 2014 edition posted growing values compared to the corresponding exhibition of two years ago. On a like-for-like basis revenues were up by nearly 3%. The new merchandising line dedicated to bookshops and exhibitions also did very well.

In 2014 the publisher faced difficulties in the market of Arts, Illustrated Books and Tourist Guides, where its presence has always been historically relevant. In this context, Mondadori Electa managed to maintain its market share thanks to a repositioning strategy started in 2011 and consolidated in the last two years, and increased its profitability thanks to improved efficiency and process rationalization.

Revenues from book logistics services
Revenues from third publisher logistics activities amounted to euro 34.2 million in 2014, up approximately euro 16 million against the previous year, above all as a result of the services provided to De Agostini publisher as of 1 January 2014.

(6,900), August (7,200) and December (6,800) and in the post-Christmas period (over 9,000 downloads). The e-book catalogue exceeded 8,000 titles. The digitalization process of the most interesting part of the catalogue is almost completed. Among the particularly successful promotional activities worth mentioning is the “advance digital delivery” (e-books made available 1-2 weeks before the launch of the hard copy).

EBITDA

Books (euro/million)	**FY 2014**	**FY 2013**	**Var. %**
Total revenues	**336.6**	**334.3**	**0.7%**
EBITDA	**45.1**	**46.2**	**(2.4%)**

EBITDA of the Books Area was equal to euro 45.1 million, down 2.4% in 2014 compared to the previous year, with an overall incidence of 13% on revenues. In the Educational Area profitability increased both in absolute terms and in percentage points, while the Trade Area registered a reduction as a result of dropping revenues deriving from a different publishing schedule (the shifting of a more significant portion of the publishing schedule to the second half of the year did not compensate for the losses recorded in the first six months) and a different revenue mix resulting from a significant increase in logistics services carried out on account of third publishers, characterized by lower margins.

Business activities

- **E-book**: the weight of digital sales on total revenues[8] was equal to 4.8% in 2014 compared to 3.9% of 2013. Total downloads in 2014 amounted to 2.1 million, sharply up against 1.8 million of 2013 (+17%), confirming the Group’s market share at approximately 35% (internal estimate). Daily average downloads in the year totalled 5,900 (4,900 in 2013) with peaks in the months of July
- **Anobii**, global social reading platform acquired by Mondadori Group in March 2014, closed out 2014 with 57 million page hits and 2.6 million single users in the year of reference (of which 56% is Italian, 22% comes from Chinese countries, followed by United States, Spain, Japan with a 3% share, UK with a 2% share and, lastly, Germany with a 1% share). After completion of the acquisition, the Group was in a position to reach important results. In addition to increasing the audience rate, an App for smartphones was launched and the website was subject to restyling. The new version is expected to be launched in 2015.
- The new **Flipback**® series, books that are read vertically and browsed with one hand was launched. These products represent one of the most important new publishing items in the Italian market.
- Ongoing development of the **Mondadori Education** sales and distribution network, which increased its product distribution activity from two to five drop points in the main Italian cities.

[8] Percentage calculated on Trade Books revenues

MAGAZINES ITALY

Market performance

The Magazines Italy reduction in the markets of reference continued in 2014, although at progressively less impacting rates than 2013.
Advertising sales decreased by 2.5%, with the magazines segment showing a reduction by -6.5%[9] (against the more negative -23.9% registered in 2013).
Magazines circulation in the newsstand channel fell by 8.2%[10].
In all the markets of reference and with a higher impact compared to a situation that excludes variations (i.e. termination/transfer of some magazines following to the rationalization actions implemented in the year), Mondadori outperformed the market, increasing its market share in the circulation area from 31.2% in 2013 to 31.3%.[10]

The performance of Magazines Italy

Revenues
In 2014 Magazines Italy posted revenues totalling euro 297.0 million, down -8.9% against 2013 (-7.6% on a like-for-like basis).

Revenues from advertising sales
Revenues from advertising sales (print) in Italy decreased by 5.4%, but net of terminated and transferred magazines the reduction would be equal to 3.4%; considering the positive performance of the digital area, advertising sales on Mondadori brands dropped by 3.4% (-2.8% on a like-for-like basis).

Revenues from circulation
Revenues from circulation decreased by 7.2% (-5% on a like-for-like basis), while the newsstand channel was down -8.2%.

Revenues from add-on sales
Revenues from add-on sales (DVDs, CDs, books and gadgets distributed in attachment to magazines) dropped by 24.3% but showed increased margins mainly as a result of the implemented rationalization strategy and accurate selection of more profitable initiatives.

Revenues from Properties
Revenues from advertising sales on Mondadori properties in 2014 were up 4.1% against 2013 as a result of the positive performance of Grazia.it (+43.7%), Tu style.it and Donnamoderna.com, despite a market of reference that increased by +2.1%[11] against the previous year.

Magazines Italy (euro/million)	**FY 2014**	**FY 2013**	**Var. %**
Advertising	76.9	79.6	(3.4%)
Circulation	129.4	139.4	(7.2%)
Add-on sales	55.2	73.0	(24.3%)
Other revenues	35.5	34.2	3.9%
Total revenues	**297.0**	**326.1**	**(8.9%)**

[9] Source Nielsen: data at December
[10] PressDi internal source: data in value at December
[11] Source Nielsen: data at December

The audience in the main Mondadori websites is increasing considerably in percentage points against the previous year: Grazia.it topped 1.4 million single users (+40%), *Panorama* 3.9 million (+12%) and the *Donna Moderna* network peaked 93.1 million page hits, posting a 35% growth against the previous year, maintaining the absolute leadership in women's website in the "*Family & Lifestyle*" ranking developed by Audiweb View.

Press-Di Distribuzione Stampa e Multimedia
Press-Di is the Mondadori Group distribution company, whose scope is the circulation and sale of magazines, newspapers and multimedia products; it is among Italy's most important operators by market share in the Newsstand channel and is leader in the Large Retailer and Subscription channels.
The customer portfolio includes both publishers belonging to the Mondadori Group and independent publishers, which account for over 50% of the total revenues.
In 2014 the markets of reference for Press-Di were again down, confirming a negative trend both in terms of copies and value, although the reductions were more contained than those of the previous year. In this context, the Company outperformed the market thanks to the acquisition of the logistics services to be carried out on behalf of new publishers and the positive development of the collectibles, comics and kids' segments. Net revenues at 31 December 2014 equalled euro 58.0 million, down 4.7% against the previous year (euro 60.9 million in 2013).

- In the Newsstand channel, the Company improved its logistics services through a more profitable mix of the portfolio of distributed publishers compared to the previous year.
- In the Subscription channel, the Company further consolidated its leadership through the development of new value added services for a number of client publishers and the acquisition of new contracts. In 2014 the *abbonamenti.it* website was entirely restyled, reaching a higher number of users and transactions.

Revenues from international activities
Grazia International Network, celebrating its tenth anniversary, has currently 24 international editions of which 9 weeklies (Italy, France, UK, Germany, the Netherlands, Middle East, South Africa, Russia and China), 3 bi-monthlies (Poland, Korea, Mexico), 10 monthly (Balkans and Asia) and a digital edition (Spain).
The international activities include:

- **Mondadori International Business** - managing licensing contracts and advertising investments in Mondadori magazines published under licensing agreements in the world and in the magazines of some foreign partner publishers - posted 2014 revenues up 4.4%, also thanks to the contribution of the contract stipulated with the El Pais Group, acquired at the end of 2013, envisaging an exclusive in Italy for the group magazines and the revenues from the first international license of *Icon*, the magazine dedicated to men's fashion and contemporary lifestyle launched in November 2013 in partnership with the Prisa Group, which were better than expected.
- **Mondadori UK**, owner of the platform *www.London-boutiques.com*, acquired in May 2014, re-launched in November 2014 as *www.graziashop.com*, is an integrated e-commerce fashion platform that allows *Grazia* readers all over the world (17 million readers and 14 million single users per month) and all the women with a passion for fashion to have access to the sale of selected items offered by the best British and Italian boutiques.
- **Foreign companies** operating in the Magazines Area: Attica Publications: the positive trend recorded in advertising sales in the first three quarters of 2014 stalled in the fourth quarter as a result of the political crisis. Despite that, the company closed out the year with a slight increase (+1%) against 2013. Moreover, careful management, the leading position in the markets of magazines and radio (eighteen magazines and three radio stations) and the positive performance of add-on sales enabled the company to post a positive profitability margin.
  Mondadori Seec Advertising Co.Ltd, exclusive advertising agency for the Chinese edition of *Grazia*, posted a 9% hike in revenues against 2013; this was also attributable to the fact that the magazine has been transformed from bi-weekly to weekly since last April, in addition to positive profitability.
  Mondadori Independent Media LLC, publisher of *Grazia* in Russia posted dropping revenues from advertising sales by 8% as a result of the difficult macroeconomic scenario.

EBITDA

Magazines Italy (euro/million)	FY 2014	FY 2013	Var. %
Total revenues	**297.0**	**326.1**	**(8.9%)**
EBITDA	**3.1**	**(20.6)**	**n.s.**

EBITDA of Magazines Italy was slightly up in 2014 despite dropping revenues, increasing from a negative value of euro 20.6 million to euro +3.1 million, mainly as a result of the actions undertaken with reference to publishing products (including the focus on leading segments, the launch of new magazines and the restyling of others) cost reduction policies targeting industrial, publishing and organizational costs and lower restructuring costs compared to 2013.

Business activities

In 2014 the activity for the rationalisation of the magazines portfolio continued with the transfer of the magazines *PCProfessionale* and *Ciak*, with a positive gross margin of euro 0.4 million and the termination of the specialised magazines in the automotive segment, published by the ACI-Mondadori joint venture.

In 2014 initiatives were undertaken to steadily improve product quality, Mondadori leadership and brand awareness.

- The restyling of *Casafacile* and the launch of *Il mio papa* - the first weekly magazine designed to spread and share the Pope's actions and words - inaugurated 2014, followed by the restyling of *Panorama*, revised in the publishing mix and graphic layout and the transformation of *Starbene* from monthly to weekly magazine, with positive reactions from both advertising investors and the readers.
- Promotion of numerous initiatives by the brands:
  - "*Panorama d'Italia*" tour, touching 10 cities in Italy with a calendar of 150 locally integrated initiatives;
  - "*ExpoExpress*", a project in collaboration with Expo and the FS Italiane Group, for the promotion of meetings, events, laboratories, casting sessions and free of charge cooking show events through specifically targeted activities of a number of magazines with a view to establishing contacts and raising the awareness of people on the Expo theme «Feed the Planet, Energy for Life».

Particular commitment and attention were dedicated to the development of the **digital** area:

- in April the Salepepe.it website was launched, the first Mondadori branded food portal, which over the months registered a growing number of user registrations with a traffic peak reached in December (1.6 million single users and 7.8 million page hits). This is the result of a targeted quality digital publishing effort, which resulted in its positioning as the second digital publisher in the "Food & Cooking" ranking of Audiweb View (first among traditional publishers).
- In the last quarter the new version of the Starbene.it website was launched, a wellness portal whose objective is to become an online point of reference in Italy in matters concerning wellness and health, through publishing content, selected information, videos and expert answers.
- The Sorrisi.com website was completed restyled in order to enhance the brand leadership also in the digital world and make it become the first website of reference in the entertainment world thanks to three theme-based channels - TV, music and cinema - that guarantee complete coverage of all showbiz categories and also add an interactive TV guide and the "In Edicola" channel, dedicated to magazine previews. An integrated multi-channel project that will add additional functionalities targeting user taste recognition for customized offering.
- In 2014 Ilmiopapa.it and Casafacile.it websites were launched on the occasion of the launch and re-launch of the corresponding magazines in the newsstands.

ADVERTISING

As of 1 January 2014 the transfer of advertising services from Mondadori Pubblicità S.p.A., a subsidiary of Arnoldo Mondadori Editore S.p.A., to Mediamond S.p.A., a joint venture established in 2009 and controlled by Mondadori Pubblicità S.p.A. and Publitalia ‘80 S.p.A. was completed. This transaction is part of a broader plan targeting business model innovation characterized by significant synergies and offerings more suitable to the market.

Market performance

Advertising sales in Italy posted a reduction equal to 2.5%12 on a year-on-year basis and confirmed the trend of the last years, though with progressively smaller reductions.

Arnoldo Mondadori Editore **brands** (magazines and web), excluding data relative to the terminated magazines (*Casaviva, Panorama Travel, Men's Health* and *Ville&Giardini*) and the magazines transferred to third parties (*Ciak* and *PC Professionale*), posted revenues down 2.8% against 2013 (on a like-for-like basis).
In particular:
- in 2014 magazine advertising sales posted a 3.4% drop on a like-for-like basis, compared to the 6.5% reduction registered by the market of reference, also thanks to the contributions of the initiatives like the "*Panorama d'Italia*" tour;
- in 2014 advertising sales on properties increased by 4.1% on a like-for-like basis, compared to a +2.1% growth of the market of reference.

Advertising market (euro/million)	**2014**	**2013**	**Var. %**
Television	3,510	3,527	(0.5%)
Magazines	495	529	(6.5%)
Dailies	810	898	(9.7%)
Radio	347	353	(1.8%)
Internet	474	465	2.1%
Other	565	589	(4.1%)
Total advertising market	**6,201**	**6,359**	**(2.5%)**

Source: Nielsen Media Research

The economic performance of the Advertising Area

Revenues

Revenues from Mondadori Pubblicità activities totalled euro 11.3 million; due to the transfer transaction described above, this data is not comparable with that of the previous year and exclusively includes the management of operations, i.e. the provision of support services to advertising sales.

[12] Source Nielsen: data at December

EBITDA

Advertising (euro/million)	FY 2014	FY 2013	Var. %
Total revenues	**11.3**	**141.6**	**n.s.**
EBITDA	**(4.1)**	**(19.9)**	**n.s.**

In 2014 EBITDA of the Advertising Area, which also includes the pro-rata result of Mediamond - consolidated at equity - equal to euro -0.7 million, climbed from euro -19.9 million to euro -4.1 million, reflecting the positive results of the reorganization of advertising activities.

In 2014 Mediamond revenues grew by 2.2% against 2013; the print and radio segment (business unit transferred by Mondadori Pubblicità) posted a 0.6% reduction, while advertising sales in the web area were up by 10.3%.

MAGAZINES FRANCE

Market performance

In the period of reference, with the macroeconomic scenario characterized by a general downturn, the market of reference for Mondadori France recorded the following reductions:
• circulation: -6.6%;[13]
• traditional advertising sales: -8.8%[14].
Conversely, the digital advertising market posted a positive performance and was up by approximately 4% against the previous year.[15]

The economic performance of Magazines France

Revenues

In this context, Mondadori France revenues totalled euro 340.9 million, down 3.7% against 2013 (euro 353.9 million); on a like-for-like basis, considering the transfer of *Le Film Français* completed at the end of 2013, the reduction would be equal to 2.8%.

Revenues from traditional activities were down by 4.5%, while digital activities posted a 32% increase on a like-for-like basis, thanks to the development of the classifieds of *Natura Buy* (+27%) and the digital activities on the properties (+33%, both revenues from advertising sales and revenues from sales of digital copies).

Revenues from advertising sales
Amidst the continuing general downturn in the market, Mondadori France posted aggregate revenues from advertising sales down by 9.1% against 2013 (-7.7% on a like-for-like basis).
In this context, revenues from the digital area grew by 38%, making for over 10% of revenues from advertising sales, as a result of increased audience and a new commercial cross-media organization.
Revenues from traditional advertising sales in the French magazines (on a like-for-like basis) dropped by 10.4% in value against 2013, while the market of reference fell by 8.8%. In volume, the Mondadori France performance was in line with the market and it retained its 10.9% market share (second publisher).

Revenues from circulation
Revenues from circulation (newsstands and subscriptions), making for 70% of the total, were down by approximately 2% (-1% on a like-for-like basis), against a -6.5% reduction registered in 2013. In particular:
- revenues from the newsstand channel were down by 5.1%, less than the market average (-6.6%, at December), mainly as a result of the positive performance of the weekly magazine Closer (+3.8%)16 and the monthly magazines Top Santé (+10.0%)16 and Pleine Vie (+6.6%)[16];

Magazines France (euro/million)	**FY 2014**	**FY 2013**	**Var. %**
Advertising	82.4	90.7	(9.1%)
Circulation	242.5	246.7	(1.7%)
Other revenues	16.0	16.4	(2.7%)
Total revenues	**340.9**	**353.9**	**(3.7%)**

[13] Internal source: data at December, newsstand channel
[14] Source: Kantar Media, data at December
[15] Source: SRI-Udecam-PwC, data at December
[16] Data in volume

- revenues from subscriptions remained essentially in line with 2013 (-0.8%), confirming the need for strategic decisions for additional investments to be made in this channel.

Digital activities grew by 30.5%.

These positive performances were made possible thanks to the constant attention paid to publishing quality and innovation.

Business activities

In 2014 Mondadori France continued the ongoing improvement of the publishing quality of its products through a restyling of the main magazines *(Diapason, L'Auto-Journal Évasion, Top Santé, Modes & Travaux, Science & Vie, Grazia, Closer, TéléStar Jeux e Science & Vie Découvertes)* and the development of its brands through an increased number of magazines (especially in the health and wellness segment) with the launch of *Vital Food* from the bi-monthly *Vital*).

EBITDA

Magazines France (euro/million)	**FY 2014**	**FY 2013**	**Var. %**
Total revenues	**340.9**	**353.9**	**(3.7%)**
EBITDA	**35.0**	**26.7**	**31.1%**

EBITDA was equal to euro 35 million, up by over 30% against euro 26.7 million of the previous year (impacted by restructuring costs for approximately euro 8 million), increasing margins on revenues from 7.5% to 10.3% in 2014.

Also, in the period of reference actions targeting the reduction of organizational, industrial and logistic costs were continued and the resulting savings enabled the entity to entirely absorb the reduction in revenues (approximately euro 12.5 million) and sustain company investments in publishing, digital and diversification activities.

In particular, in 2014 three projects were carried out, which were fundamental to adapt the organization to a weak, changing market, transforming it into a fully digital company:
- restructuring plan based on voluntary acceptance;
- office rationalization and concentration in one building;
- reorganization of the editorial teams.

Mondadori France has approximately 19 million readers, of whom 40.7% are women: one woman in three in France reads a magazine from the Mondadori range dedicated to women[17], positioning the company second in the publisher ranking of women's magazines.

Mondadori France also continued to explore opportunities to diversify its business. In particular, in 2014 it developed a partnership with AB Group in relation to TV productions with *Le Chasseur Français* (currently on air) and *Science & Vie* (from spring 2015).

Particularly relevant in the period are the initiatives undertaken in the digital area:
- the actions started in 2013 and expected to be completed within end of 2016 were continued. These aim at digitalizing editorial teams in order to simultaneously develop new content for the paper magazines and the corresponding websites and apps;
- the websites of the main brands (Grazia, Closer, Top Santé, AutoPlus) and the corresponding apps for smartphones and tablets were further improved through the integration of new functionalities;

[17] Source: AudiPress ONE 2013/2014

- the digital presence of other brands was either developed or improved with a new design for the corresponding websites (Biba, Sport-Auto, Nous Deux, Le Chasseur Français, Télé Star, resulting in a significant growth in the audience rate in 2013 and in 2014).

- **Digital audience**:
  - 7.0 million single users, +25% against 2013[18] for the web – peak reached in the month of December with 9.6 million;
  - 1.8 million single users with access from a mobile device, +142% against 2013[18] – peak reached in the month of December with 2.7 million;
  - 4 websites registered an audience rate exceeding 1 million single users: closermag.fr (2.4 million), autoplus.fr (1.3 million), topsante.com (1.1 million) and grazia.fr (1 million); telestar.fr reached this cap in the month of October 2014.

[18] Source: Nielsen, average 2014

RETAIL

Market performance

Books

The market of reference in the Retail Area is the book market (76% of revenues). Though still negative, the market showed signs of recovery against the past years, in particular in the second half of 2014, closing the financial year with a -3.8% reduction against -6.2% of 2013.

- in consumer electronics, the "Digital Camera" category showed a significantly negative performance (-18.5%) and " Notebooks", "Tablets" and "Headphones" were comprehensively down by 10%, while smartphones confirmed a positive trend with a 7% increase. Globally, Consumer Electronics remained negative on a year-on-year basis.

Channels	Market values at retail prices 2014 (euro m)	Var. % on 2013	Mondadori Retail (total stores, retail price value) 2014 (euro m)	Var. % on 2013
Total	**1,189.5**	**(3.8%)**	**179.0**	**3.5%**
Independent bookshops and chains	952.1	(2.1%)		
Large retailers	167.9	(13.8%)		
Internet	69.4	(0.3%)		

Source: Nielsen and internal sources

Independent bookstores showed a performance essentially in line with the market and large retailers posted a significant reduction, while internet and bookstore chains proved the most performing channels with a reduction below -1%.

Non-book

In general, the retail market remained weak mainly as a result of the economic scenario in Italy.
The markets of reference in the "non-book" sector posted different performances according to the product categories:

- in the entertainment segment only gift boxes continued to grow;

The economic performance of the Retail Area

Revenues

In 2014 the Retail Area posted revenues totalling euro 211.2 million, down 6.1% against the previous year.

In the breakdown of **Total Stores** revenues the predominant category is books (76% of the total), which registered a positive performance throughout the year, overperforming both the market by over 7% (+3.5% against -3.8% of the market) and the channel of reference, "Chains and independent bookshops", which posted a -2.1% reduction as a result of the steadily improved commercial offering in terms of breadth and depth of the assortment and the renewed communication and promotion activities. In the period, Mondadori Retail market share in the Book Area increased from 14.0% in 2013 to 15.0% in 2014, while the market share of the Mondadori

[19] 2014 Total stores *revenues*

brands (26.5% in total) within the Retail network is significantly higher and is equal to 37.4%.[20]

After six months of particularly negative results, the performance of the revenues from the Non-Book segment, in particular in the Consumer Electronics category, showed clear signs of recovery as a result of the actions undertaken in relation to organization, assortment, promotion and selling processes.

In 2014 Mondadori Retail EBITDA totalled euro 8.9 million against euro -8.5 million of the previous year. The yearly increase equal to approximately euro 17.4 million is attributable to three main factors:

- the capital gain generated by the transfer of a store in Milan (equal to euro 9.3 million);
- increased operations which resulted in an EBITDA before non-recurring charges of euro 0.2 million, registering a positive value that, in addition to improved net working capital, is evidence of the Group's renewed ability to finance itself;
- lastly, reduced restructuring costs contributed an additional euro 7.7 million.

Revenues - Retail (euro/million)	**FY 2014**	**FY 2013**	**Var. %**	**Var. % (homogeneous)**	**of which book**
Direct bookstores	32.9	31.4	4.5%	1.8%	4.2%
Franchised bookstores	85.9	86.9	(1.2%)	(0.4%)	3.3%
Megastores	57.2	65.9	(13.2%)	(7.0%)	(0.6%)
Online	11.1	10.7	4.1%	4.1%	12.1%
Total Stores	**187.1**	**194.9**	**(3.9%)**		**3.5%**
Bookclubs	23.9	29.7	(19.1%)	n.s.	(17.8%)
Other	0.2	0.4	n.s.	n.s.	n.s.
Total revenues	**211.2**	**225.0**	**(6.1%)**	**n.s.**	**1%**

The analysis by channel highlighted the following:

- the positive performance of directly managed bookstores;
- the substantial stability of franchised bookstores with increasing sales in the book category;
- some difficulties were registered by the megastores, mainly in relation to the reduction in consumer electronics and the transfer of a flagship store;
- growth in the online channel, with particular reference to books, which posted a positive delta of over 10% against the market (+12.1% against -0.3% registered by the market);
- Bookclubs performed in line with the structural reduction expected in the medium term development plan.

The improved performance against the previous year is the result of the restructuring and relaunching actions undertaken in the period. These activities, targeted to rationalizing the various areas of the organization and better detailed in the subsequent section, generated significant savings. The cost reduction policies, the positive performance of the book category and the significant discount reduction contributed to improving margins in the period despite the negative impact resulting from both the expected structural reduction in the Bookclub

EBITDA

Retail (euro/million)	**FY 2014**	**FY 2013**	**Var. %**
Total revenues	**211.2**	**225.0**	**(6.1%)**
EBITDA	**8.9**	**(8.5)**	**n.s.**

[20] Source: Nielsen (data in value at December, excluding large retailers) and internal sources

channel (with the consequent increase of Franchising in the mix, which yields lower profitability) and the difficulties encountered in the Consumer Electronics category.

The analysis by channel highlights the following:
- the direct Bookstore channel increased margins significantly, by over euro 1 million;
- the Franchising channel, characterized by positive profitability, suffered a reduction mainly due to increased advertising costs and the allocation of a bad debt provision;
- the Megastore channel was impacted by the difficult performance in the Consumer Electronics category especially in the first half of 2014. The entire offering of the Megastore channel was repositioned to provide more focus on accessories and services through improved communication and promotional activities;
- in the Bookclub channel rationalization actions were implemented (in particular with reference to recruitment activities and store networks) that led to a profitability level in line with the previous year;
- the online channel improved both as a result of the positive performance of book sales and the cost reduction policy implemented.

Business activities
Consistently with the general recessionary economic scenario, numerous ordinary and extraordinary actions were undertaken, targeted to recovering market shares and profitability and, in particular:
- the **ongoing promotional actions** supported by a **massive communication and co-marketing activity** with important partners in the banking and telephony industry, enabled the network to maintain a market share of approximately 1.5%. These actions, jointly with a targeted discount reduction, resulted in improved profitability by nearly 1 percentage point;
- **progressive network and format revision**:
  - rationalization of the different areas within the directly managed stores;
  - format revision to develop a concept for the "bookshop of the future";
  - rebranding of the entire network with the analysis of a sign rollout plan;
  - development of a task force with the objective of analyzing the changes to be applied in the consumer electronics area and the redistribution, based on profitability levels, of the square meters allotted to the different product categories in the stores.

Concurrently, a project was launched for the opening of a new store in via S. Pietro all'Orto in Milan in the first half of 2015, representing the first new concept store:
- focus on the reduction of management costs both in the stores and in central functions: staff re-organization actions were continued in the period;
- launch of projects targeted to store profitability improvement through a process of benchmarking designed to seize opportunities to optimize revenues, margins and costs and supplier relationships;
- introduction of a new credit policy and relevant control tools, the first results of which were already visible at the end of the year;
- radical stock reduction.

RADIO

Market performance

In 2014 revenues from advertising sales on the radio channel in Italy posted a 2.5%[21] reduction, improving compared to the previous year (-12.3%) and September 2014 (-3.2%).

Despite a positive start in the first quarter, the radio segment recorded a negative performance by -1.8%, recovering in the last month of 2014 the reductions accumulated particularly over the third quarter.

	FY 2014	FY 2013
Total market	**(2.5%)**	**(12.3%)**
of which:		
Radio	**(1.8%)**	**(9.3%)**

The economic performance of the Radio Area

Revenues

In a still significantly uncertain context, gross revenues from advertising sales generated by the *R101* radio station in 2014 dropped by 3.4%. According to the latest 2014 surveys, the audience rate on an "average day" for *R101* radio station grew in the second half of 2014 against the previous year.[22]

Aggregate revenues for the Radio Area (radio, website and correlated initiatives, as well as revenues relative to the TV channel launched in June) rose by 3.3% against 2013.

In addition to the unfavourable performance of advertising sales, EBITDA (negative for euro -4.4 million against euro -4.3 million in 2013) reflected higher promotion and communication costs borne for the restyling of the radio station started in the first months of 2014 and the costs sustained for the launch of the television channel, which were only partially mitigated by the implemented cost reduction actions targeted to the technical and artistic areas.

Business activities

The main actions implemented in 2014 referred to the following:

- repositioning for the *R101* radio station, the result of a collaboration with the Radio Italia management, to which Mondadori entrusted the editorial and marketing management;
- partnerships on the occasion of the most important music events organized in Italy (concerts of the Rolling Stones, Simple Minds, James Blunt, Lenny Kravitz and Cat);
- an institutional TV campaign to increase *R101* brand awareness also through the promotion of music partnerships;
- the release of a new app and the restyling of the www.r101.it website, which topped approximately two million page hits at year end;
- the extension of the entertainment section with the integration of the *R101 TV* channel enriched by a broad spectrum proposal of music videos broadcast on channel 66 of the digital cable network since mid-2014;
- activities on *R101* social channels which generated an increase by over 300,000 fans on Facebook in the period (approximately 650,000 fans against 320,000 at end of 2013), while Twitter topped over 90,000 followers (against 36,000 at end of 2013).

EBITDA

Radio (euro/million)	FY 2014	FY 2013	Var. %
Total revenues	**11.7**	**11.3**	**3.3%**
EBITDA	**(4.4)**	**(4.3)**	**(2.3%)**

[21] Source Nielsen: data at December
[22] Source: Eurisko Radio Monitor

OTHER BUSINESS AND CORPORATE

Other Business

Other business includes the results deriving from the integrated service activities for relational offline and online 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

The Digital Innovation Area was established at the end of 2013 with the objective of increasing the Mondadori Group presence in the digital market, accelerating innovation processes also through the identification of new opportunities for the development of the business.

Business

In 2014 the structure was progressively enhanced through the introduction of new professional profiles specialized in the different digital areas, with particular attention to the supporting technological systems and the corresponding platforms, the Group's CRM central activities and those dedicated to the design and development of new digital products functional to the expansion of the commercial offering of the different activity areas and supplemented by Group content and assets.

Positive results were obtained both in increasing Mondadori customer base in terms of number of users, profiled data quality and the Group Card distribution with the corresponding loyalty programmes and in the development of digital projects aimed at increasing the online distribution of the properties in Italy.

In synergy with Cemit direct marketing and Mediamond, 75% of Kiver capital was acquired in December. Kiver is a digital marketing company specialized in the development of digital, branding, and interactive advertising activities.

The acquisition of this company will enable the Group to rapidly rely on specific competencies and on qualified know-how to operate in the market with new commercial tools, proposing increasingly complete solutions to control the digital marketing sector, particularly below the line.

Cemit, a company operating in Italy in the provision of integrated services for relational offline and online marketing, is part of the Digital Innovation Area.

Market of reference

In 2014 the aggregate market of advertising sales showed a -2.5% reduction compared to 2013 and the Direct Mail sector, the market of reference for Cemit activities, fell by -4.5% against 2013.

In this context, in December the company developed a mix of products combining the most traditional ones (like production, printing of promotional materials, customizations, marketing services and creativity) with the new digital and multimedia proposals, generating revenues of euro 12.3 million, down 24% against 2013, mainly as a result of some non-recurring items.

Business

Research activities and product development continued in the last months with a view to combining the traditional offering with a range of innovative services through the integration of content, media and direct and territorial marketing levers; the orders received in 2014 confirmed the validity of the decision made to satisfy an increasing number of customers oriented to diversifying their contacts with end users.

Società Europea di Edizioni: the publisher of the *Il Giornale* daily closed 2014 with a negative performance amounting to euro -1.4 million for the part relative to Mondadori, in line with the previous year.

Corporate

The Corporate segment includes – besides the Group top management organizations – Parent Company functions providing services to Group companies and the different business areas.

These services are mainly associated with activities regarding IT, administration, management control and planning, treasury and

finance, human resources, legal and corporate affairs and external and institutional relations.
Revenues are mainly referred to amounts billed to subsidiaries and associated companies as well as other entities using the services described above.
On 25 November 2014 the Board of Directors of Arnoldo Mondadori Editore S.p.A. approved to establish a company entirely controlled by Mondadori Libri S.p.A. to which, as of 1 January 2015, all assets, liabilities and equity interests regarding the Books Area are contributed as better detailed in the section "Relevant events occurred in the period".

FINANCIAL POSITION

The recent decisions by the ECB resulted in additional reductions in interest rates.

In the fourth quarter of 2014 3-month Euribor continued on the same trend posted in September, touching a trough of 0.078% on a yearly basis and remaining levels far lower than the 2014 average, equal to 0.209%; the average cost of the Mondadori Group's indebtedness in 2014 was equal to 4.06% against 3.44% of 2013 as a result of the renegotiation of the credit lines completed in November 2013.

The overall credit lines available to the Group at 31 December 2014 amounted to euro 757.4 million, of which euro 570.0 committed. In January 2015 a partial anticipated repayment of the committed lines for a total of euro 15.0 million was carried out. The Group's short-term loans, totalling euro 187.4 million, used for euro 18.8 million at 31 December 2014, included overdraft credit lines on current accounts, advances subject to collection and "hot money" flows.

Mondadori Group's financial position at 31 December 2014 showed a deficit of euro 291.8 million, improving significantly from euro -363.2 million at December 2013.

Net financial position (euro/million)	**31/12/2014**	**31/12/2013**
Cash and cash equivalents	13.0	65.7
Financial assets at fair value	-	-
Held-for-sale financial assets	-	-
Assets (liabilities) from derivative instruments	(1.7)	0.2
Other financial assets (liabilities)	(7.4)	0.5
Loans (short and medium/long term)	(295.7)	(429.6)
Net financial position	**(291.8)**	**(363.2)**

The main medium-long-term loans at 31 December 2014 are:

Medium/ long-term loans (euro/million)	Bank pool		Intesa Sanpaolo		Mediobanca		Total	of which: unutilized	of which: with interest rate hedge
Term Loan	180.0	(1)	50.0	(3)	50.0	(2)	**280.0**	-	140.0
Revolving Facility	90.0	(4)	150.0	(3)	50.0	(2)	**290.0**	280.0	-
Total loans	**270.0**		**200.0**		**100.0**		**570.0**	**280.0**	**140.0**

(1) Instalments of equal amounts coming due in December 2016 and December 2017; partial anticipated repayment in January 2015 of euro 7.5 million
(2) Coming due in December 2017; partial anticipated repayment (Term Loan) in January 2015 of euro 2.5 million
(3) Coming due in December 2016; partial anticipated repayment (Term Loan) in January 2015 of euro 5.0 million
(4) Coming due in December 2018

The net financial position at 31 December 2014 rose by euro 71.4 million against 31 December 2013.

Cash flow is detailed below:

Cash flow (euro/million)	31/12/2014	31/12/2013
Initial net financial position	(363.2)	(267.6)
EBITDA before non-recurring items	63.5	49.1
Equity investments	(5.1)	(9.5)
Net working capital and fund provisions	0.1	(65.6)
Capital expenditures	(11.4)	(2.8)
Cash flow from operations	**47.2**	**(28.7)**
Financial costs	(23.0)	(24.2)
Taxes	(5.4)	(11.2)
Cash flow from ordinary operations	**18.8**	**(64.1)**
Reimbursement of VAT receivables	15.2	8.5
Restructuring costs	(20.3)	(37.8)
Acquisitions/disposals	26.6	(2.2)
Share placement	31.1	-
Non-operating cash flow	**52.6**	**(31.5)**
Total cash flow	**71.4**	**(95.6)**
Final net financial position	**(291.8)**	**(363.2)**

Cash flow from operations, which in the last twelve months generated euro 47.2 million, remains steady, against outlays for euro 65.6 million in 2013, as a result of increased focus on the management of inventory and trade receivables. This is mainly attributable to the management of operating activities net of equity investments (euro 63.5 million) and the positive management of net working capital including provisions.

In 2014 capital expenditure increased: in the Educational Area investments were made in the development of new publishing products (euro 5.5 million), for the new Mondadori France offices, including, among others, plant modernization works (euro 1.8 million) and the purchase of software and office automation systems (euro 2.7 million).

Cash flow from ordinary operations, including cash-out for taxes and financial costs, was **positive for euro 18.8 million** and significantly improved against the loss of euro 64.1 million in 2013.
Non-operating cash flow was positive for euro 52.6 million despite outlays attributable to restructuring costs (euro 20.3 million) as a result of the share capital increase (euro 31.1 million), the partial collection of the VAT receivables accrued from the previous financial years (euro 15.2 million) and the net balance generated by asset acquisitions and disposals including the impact of the transfer of the business unit from Mondadori Pubblicità and the collection of euro 25 million relative to the transfer of a store in the centre of Milan.

These items generated a cash flow in 2014 totalling euro 71.4 million, against outlays equal to euro 95.6 million of the previous year.

A more effective management of inventory and receivables, combined with the changes in the perimeter, resulted in a reduction of working capital from euro 56.2 million at 31 December 2013 to euro 18.6 million at 31 December 2014:

- inventory decreased by 12.6% as a result of the rationalization process implemented in the points of sale, stock reduction (euro 9.0 million) in the Retail Area and the greater attention dedicated to circulation definition (euro 5.7 million) in the Book Area;
- net trade receivables and trade payables, including payables due to authors, workers and agents, were significantly affected by the transfer of Mondadori Pubblicità business; net of these effects, the reduction would be equal to euro 5.9 million and euro 7.8 million, respectively;

Consolidated balance sheet (euro/million)	**31/12/2014**	**31/12/2013**	**Var.%**
Net trade receivables	268.7	312.4	(14.0%)
Inventory	108.4	124.0	(12.6%)
Trade payables and payables due to authors, workers and agents	(347.4)	(380.7)	(8.7%)
Other assets/ (liabilities)	(11.1)	0.6	n.s.
Net working capital	**18.6**	**56.2**	**(67.0%)**
Intangible assets	601.6	617.5	(2.6%)
Purchase of properties, plant and equipment	37.1	43.9	(15.6%)
Equity investments	39.6	38.6	2.6%
Fixed invested capital	**678.3**	**700.0**	**(3.1%)**
Provisions	(69.1)	(83.9)	(17.7%)
Post-employment benefits	(46.8)	(50.4)	(7.3%)
Net invested capital	**580.9**	**621.9**	**(6.6%)**
Share capital	68.0	64.1	6.1%
Minority shareholders' reserves and net equity	220.5	380.0	(42.0%)
Net result	0.6	(185.4)	n.s.
Shareholders' equity	**289.1**	**258.7**	**11.8%**
Net financial position	291.8	363.2	(19.7%)
Minority shareholders' equity	**291.8**	**363.2**	**(19.7%)**
Total shareholders’ equity	**580.9**	**621.9**	**(6.6%)**

- other assets/(liabilities) posted increased net liabilities by euro 11.7 million as a result of:
  - lower receivables from subscriptions totalling euro 8 million;
  - lower payables for personnel, contributions and withholding taxes for euro 3.3 million;
  - higher prepaid tax assets for euro 7.4 million accrued in the last twelve months;
  - partial collection of VAT receivables accrued in the past financial years for euro 15.2 million;
  - reduction of pre-paid taxes by euro 10.4 million and increased deferred taxes for euro 4.8 million, related to the temporary differences between the book value and the tax value of assets and liabilities.

Fixed invested capital decreased by euro 21.7 million as a result of reduced fixed assets:

- intangible assets decreased by approximately euro 16 million, mainly as a result of:
  - amortization of magazines and of Mondadori France customer base (euro 8.7 million);
  - amortization of stores (euro 1.3 million) and reduction to zero of the residual value relating to the transfer of a store located in the centre of Milan (euro 13.6 million) in the Retail Area;
  - capitalization of the costs for the development of new publishing products in the school textbooks area (euro 3.8 million);
  - recognition of euro 3 million as goodwill resulting from the acquisition of the majority stake in London-Boutiques and Kiver;
- the reductions in the item "Equity investments, properties, plant and equipment" is attributable to period amortizations (euro 10.5 million) and period investments, mainly referring to the replacement of obsolete office machines and improvements of lease assets for euro 5.2 million.

Provisions and post-employment benefits dropped by comprehensively euro 18.4 million, mainly as a result of:

- utilization of the provision for risks regarding restructuring costs (euro 10 million) for the payment of indemnities to employees;
- utilization of the provision for risks regarding legal costs (euro 3.6 million) for the settlement of litigations;
- post-employment benefit and severance payments and supplementary customer allowance payment recognized to employees and agents following the termination of the relevant employment or agency contract (euro 3.7 million).

The Group's net invested capital showed a reduction equal to euro 41 million and combined with an increase in Shareholders' equity by euro 30.4 million, mainly resulting from the capital increase completed, led to an improved net financial position by euro 71.4 million.

PERSONNEL

HUMAN RESOURCES

Employees with a fixed-term or permanent labour contract employed by the Group companies at 31 December 2014 totalled 3,123 people, down 9.1% against December 2013 (3,436 employees).

In 2014 cost of personnel totalled euro 230.6 million, net of restructuring costs down euro 17.4 million (-7.1%) against the cost of 2013.

The 2014 analysis of personnel starts from a different perimeter compared to the previous year. In fact, on one hand, at the beginning of the year of reference the transfer of the business unit of Mondadori Pubblicità to Mediamond, the joint venture between the Mondadori Group and Publitalia, was completed with the consequent exclusion of 58 employees from the consolidation area. Yet, on the other, the subsidiary Kiver (13 employees) acquired in November 2014, and the British subsidiary Mondadori UK (19 employees) acquired in June 2014 to supplement the former London-Boutiques, were added to the consolidation area.

Including these changes, headcount and cost of personnel at the end of 2014 were down 8.3% and 6.2%, respectively against the previous year, confirming the Group's ongoing and effective commitment towards achieving improved business efficiencies.
Among the main measures implemented, the second phase of the restructuring plan for the graphic-publishing workers started at the end of April 2014, with the introduction of early retirement schemes which resulted in a reduction of 148 resources in the Corporate offices and in the Magazines Area.

As for the Magazines Area, the envisaged restructuring plan for journalists continued with the introduction of an early retirement scheme, which 30 editorial staffers opted for between June 2013 and the most recent round, in November 2014; the plan will continue until June 2015 with other significant reductions.

As for Group Magazines, in April the transfer of the magazines *Ciak* and *PCProfessionale* to Visibilia Group was completed and the headcount at Mondadori France was down by 33 employees.

With reference to Group logistics, activities were concentrated in the Verona warehouse, centralizing the activities of Brescia (Direct Area) and Firenze Signa (Mondadori Education).
In the Retail Area, the rationalization plan continued, resulting in a reduction of the headcount by 57 people, net of the aforementioned transfer of the Brescia warehouse, which were summed with the contribution deriving from the transfer of the store located in Corso Vittorio Emanuele in Milan.

The efficiency measures also included the move of the offices located in via Lampedusa – Milan (Mondadori Direct) and Corso Como – Milan (Sperling & Kupfer and Edizioni Piemme) to the headquarters in Segrate, with the consequent termination of the two external offices.

The following table provides a detailed breakdown of Group personnel at 31 December 2014:

Personnel	31/12/2014	31/12/2013
Arnoldo Mondadori Editore S.p.A.		
- Managers, journalists, office staff	939	1,051
- Blue collars	90	82
	1,029	**1,133**
Italian subsidiaries:		
- Managers, journalists, office staff	1,147	1,308
- Blue collars	20	52
	1,167	**1,360**
Foreign subsidiaries:		
- Managers, journalists, office staff	927	943
- Blue collars	-	-
	927	**943**
Total	**3,123**	**3,436**

Personnel by sector of activity	31/12/2014	31/12/2013
Books	558	580
Magazines Italy	568	595
Advertising services	47	106
Magazines France	908	942
Retail	566	667
Radio	27	27
Digital	99	80
Corporate	350	439
Total	**3,123**	**3,436**

INDUSTRIAL RELATIONS

In 2014 industrial relations essentially focused on the definition and management of agreements aimed at modernization of the organizational infrastructures, cost containment and the attainment of levels of efficiency required to recover profitability and react to the changing market scenario.

The most relevant actions referred to the management of the two restructuring plans, started in April 2012 and March 2013, involving the Magazines area and the Central offices.

The first involved the graphic-publishing workers of the aforementioned areas and was completed in April 2014, after two years, with an overall headcount reduction of 148 people.

The second focused on the Magazines area and determined the termination of 5 magazines, the definition of 87 redundancies, including journalists, and the implementation of solidarity contracts and CIGS schemes (Exceptional Wages Guarantee Fund) in rotation for the entire population of the organization. The plan, still under way, will be completed in May 2015 with significant positive economic impacts.

In March, an agreement was stipulated for the transfer of 2 magazines to Visibilia.
In 2014 significant agreements were reached in relation to the implementation of staff cost reduction policies in the Retail Area. In February an agreement was signed for the application of solidarity and voluntary mobility contracts for the personnel of the central offices of Milan and Rimini; the negotiations with the trade unions for the application of social measures also in 2015 were begun in December 2014.

Moreover, the warehouse in Brescia was closed in March, resulting in headcount reduction and the shifting of activities to the logistics centre located in Verona, while in May 2014 the agreement for the move of the Milan offices to the Mondadori Group headquarters in Segrate was signed.
Lastly, in October 2014 the multicenter store of Corso Vittorio Emanuele in Milan was shut down with the relevant transfer of the business and implementation of the redundancy voluntary mobility scheme in rotation.

Also in Cemit an agreement was reached for the implementation of a “one-time” redundancy scheme for the employees of the Turin and Segrate offices.

With regard to the publishers of the Books Area, with a view to implementing daily measures targeting efficiency and modernization of infrastructures and processes, the Firenze Signa logistics centre was closed and activities were moved to the central logistics centre of Verona. An additional rationalization measure was also applied, involving the move in December of the Piemme and Sperling & Kupfer offices in Milan to the headquarters in Segrate.

ORGANISATIONAL EVOLUTION

The Group evolution, which is becoming visible through the organisational redesign of its structures and the ongoing negotiations with the trade unions, highlights some specific traits.

Front and centre is the ongoing search for greater efficiency, a key element to recover profitability and process flexibility. This is the view pursued in the development of synergies consequent to the enhancement of the Verona logistics centre, the integration of the advertising sales activities with Publitalia and the saturation of the space available at the Niemeyer headquarters in Segrate following the shutting down of the external offices.

In addition, there are also the actions aimed at developing more integration between the digital and the traditional paper-based activities, represented by the daily interaction between Digital Innovation and the business areas, but also by the reorganisations currently in progress in the Advertising and Magazines areas, with the establishment of areas of shared responsibility revolving around the magazines and the brands, as well as the investments in new digital development initiatives correlated to the various business areas (acquisition of Kiver in CRM, Anobii in Books and Mondadori UK in women’s magazine e-commerce).

Lastly, on 1 January 2015 Mondadori Libri S.p.A., a spin off from Arnoldo Mondadori Editore and parent company of a group of 5 publishing houses, started operations. The company will play a leading role in the Italian book market, taking advantage of every opportunity for development and aggregation with other operators.

TRAINING

The starting point for the development of training programmes in 2014 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. The training plan was updated based on the findings of the Performance Management and Journalist Mapping surveys, making it more suitable to meet the needs for ongoing evolution of the company and personnel characteristics and ambitions. The result was a new tailor-made training offering, developed in congruence with Group objectives and growth strategies.

The Mondadori Training Programme includes specialist-managerial and language training courses, plus specific training on the topics regarding employee health and safety in the workplace and the catalogue for professional journalism training

In 2014 the specialist-managerial training program involved 504 participants for a total of 3,268 training hours. 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.

Projects include leadership and negotiation training, courses to increase employee awareness about digital publishing and writing skills for the new media, in-depth analysis of the social media and web marketing.

RISKS CONNECTED WITH HEALTH AND SAFETY

Employee health and safety in the workplace have always been key priorities for the Mondadori Group. In 2014, the Group fulfilled all the periodic obligations envisaged by Italian Legislative Decree 81/08, particularly focusing on the periodic meetings on safety, evacuation drills from the offices, training provided in relation to firefighting and first aid (approximately 1,000 training hours in class) and inspections of working environments by authorized competent physicians selected by the company.

Particular attention was paid to the office evacuation drills, with a view to testing and improving safety procedures to be implemented in case of emergency, integrating the relevant evacuation plans and planning all the necessary activities to improve procedures.

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.

Since 2014 the Mondadori Group has adopted an IT system to manage health and safety in the workplace. This software helps monitor and manage all aspects relating to staff training, the management of employee health cards and the planning of the visits to be performed on employees under health vigilance (by authorized competent physicians) and also monitors compliance with the applicable laws.

In 2014, following the approval of an experimental project submitted to the AUSL (local health unit) of reference, Mondadori planned and managed also the "specific portion" of the mandatory training program regarding employee safety on an e-learning basis.
The training, started in 2013 with the analysis of the "general" aspects, involved 2,000 employees and was completed with the performance of the final tests checked by the Group's Heads of the Prevention and Protection Service, who are qualified to do so having received, in turn, specific training.

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 2014 shows a loss of euro 12.9 million, far less than the loss of euro 315.0 million registered in the previous year.

EBITDA was positive for euro 5.4 million (euro -59.2 million at 31 December 2013), benefiting from the improved business trend, in particular in the Magazines Area, which posted growing results thanks to the actions implemented on the publishing products and the measures undertaken to reduce operating costs.

The results obtained enabled the Group to confirm its leadership in the market, despite the revenue downturn.

EBITDA also improved as a result of lower restructuring costs borne compared to 2013, year in which radical organizational changes were implemented, resulting in the recognition of significant non-recurring costs.

The net result was also affected by the balance in the management of the equity investments, posting costs for euro 7.6 million, down from euro 267.7 registered in 2013, discounting the particularly significant impairment losses resulting from the impairment test on the recoverable value of subsidiary and associated companies.

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 in planning and reporting.

RISKS RELATED TO THE ECONOMIC SCENARIO

While the economy in the United States is growing, short-medium term projections for the world economy remain uncertain due to the persisting weakness of the euro area and Japan, the slowing down of China and the crisis in Russia.
In the last three quarters consumer spending recovered in Italy, though at a slower pace: its contribution to economic recovery was offset by reduced investments, hampered by the large margins of unused capacity, profound uncertainty about future demand and a difficult real estate market. Employment remains fragile and the trend in retail prices is weak.

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

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.

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, though to a lesser extent, 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 still high, 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
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.
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 credit lines. Re-organisation of the structures and processes according to a saving and efficiency logic.
Risk correlated to an ineffective warehouse management, in terms of wrong procurement/circulation planning processes, with possible reverberations on stock breakage or high quantities of stock to be depreciated.	Adoption of strategies for publishing and logistics planning aimed at maintaining a proper level of circulation.
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.

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.

In this context, the risk generated by the increased level of competition in the main markets of reference remains a priority, in particular in the digital market and in the magazines segment, as well as the risk correlated to product innovation and the unavailability of blockbuster bestsellers in the trade area.

Main risks	Mitigation actions
Risk that the Group business portfolio is no longer able to adequately meet market needs in terms of product innovation and development.	Identification of new business opportunities in the market of reference.
Risk correlated to the unavailability of blockbuster bestsellers in the trade area.	Control actions in the market for the acquisitions of rights and publishing efficiency improvement.
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, and social media).

RISKS IN PLANNING AND REPORTING

The business to which the Group is exposed has reverberations not only on core processes, but also on support ones. It is therefore necessary to reduce reporting time, improve business support reporting quality and streamline the administrative processes.

Main risks	Mitigation actions
Management reporting inadequate to support business needs.	Actions aimed at streamlining administrative processes, reducing reporting time and improving reporting quality.

RELEVANT EVENTS OCCURRED IN THE PERIOD

TRANSFER OF BUSINESS RELATIVE TO SALE OF ADVERTISING SPACE ON MAGAZINES AND RADIO STATIONS FROM SUBSIDIARY MONDADORI PUBBLICITÀ S.P.A. TO MEDIAMOND S.P.A.

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

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

ACQUISITION OF ANOBII

On **11 March 2014** the Mondadori Group acquired the brand and assets from Anobii Ltd, the global social reading platform with more than one million users worldwide, of whom approximately 300,000 are in Italy, in order to support the growth of e-books.

ACQUISITION OF LONDON.BOUTIQUES.COM

On **19 May 2014** the Mondadori Group entered the e-commerce fashion market with the acquisition of London.Boutiques.com. The acquisition was meant to accelerate the development of the activities of the Grazia International Network and, in particular, the project for the launch of the global e-commerce platform of the *Grazia* brand, which was completed in November 2014.

PRIVATE PLACEMENT THROUGH ACCELERATED BOOK BUILDING

On **17 June 2014** the Board of Directors of Arnoldo Mondadori Editore S.p.A. approved a bidding transaction for a total of maximum no. 29,953,500 ordinary shares through a private placement exclusively reserved to “qualified investors” in Italy and institutional investors abroad.
The approved transaction was functional for the identification of new resources in the financial markets in order to enhance the financial structure supporting the Group's development objectives.
On **18 June 2014** the private placement transaction for a total of no. 29,953,500 ordinary shares with a nominal value of euro 0.26 each at a share price of euro 1.06 for a total countervalue of euro 31,750,710 was completed.
In particular, the bid was broken down as follows:
(i) no. 15,000,000 newly issued ordinary shares, equal to 6.09% of the company's capital, with regular enjoyment, deriving from a capital increase for a maximum nominal amount of euro 3,900,000 with the exclusion of pre-emptive rights pursuant to article 2441, section 4, par. 2 of the Italian Civil Code, resolved upon it by the Board of Directors on 17 June 2014 in partial

execution of the power conferred upon by the Shareholders' Meeting of last 30 April pursuant to article 2443 of the Italian Civil Code;

(ii) no. 14,953,500 shares owned by the Company as Treasury Shares, corresponding to 6.07% of the company's capital.

On **23 June 2014** the Mondadori Group announced that, following the entire underwriting of the capital increase resolved upon by the Board of Directors of 17 June 2014 - for a nominal value of euro 3,900,000 through the issuance of no. 15,000,000 new ordinary shares with a nominal value of euro 0.26 each - Arnoldo Mondadori Editore S.p.A.'s share capital amounted to euro 67,979,168.40 divided in no. 261,458,340 ordinary shares with a nominal value of euro 0.26 each.

APPOINTMENT OF A NEW CFO, DIRECTOR OF PURCHASING AND IT

On 17 June 2014 Oddone Pozzi, born in Varese in 1963, graduated in Business Administration at the Bocconi University in Milan, was appointed CFO, Director of Purchasing and IT for the Mondadori Group, directly reporting to the CEO Ernesto Mauri; Oddone Pozzi was also co-opted as director, replacing Carlo Maria Vismara, who submitted his resignation.

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

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

ESTABLISHMENT OF MONDADORI LIBRI S.P.A.

On 25 November 2014 the Board of Directors of Arnoldo Mondadori Editore S.p.A. approved the establishment of the fully owned company Mondadori Libri S.p.A.
With effective date as of 1 January 2015, the following business under Arnoldo Mondadori Editore S.p.A. was contributed to the newly established company:

- total assets, liabilities and existing contracts relative to publishing activities and logistics services performed in the Books Area;
- equity investments in publishing houses operating in the segments of trade, art and school textbooks - Edizioni Piemme S.p.A. (100%), Giulio Einaudi editore S.p.A. (100%), Mondadori Education S.p.A. (100%), Mondadori Electa S.p.A. (100%), Sperling & Kupfer Editori S.p.A. (100%), Harlequin Mondadori S.p.A. (50%) - and in Mach 2 Libri S.p.A., a logistics company (34.91%).

This transaction, performed according to continuity of values and without impacts on the Group's consolidated financial statements for a net accounting value of euro 99.4 million, did not imply any changes in relation to the Group's aggregate asset profile and operating characteristics.

The transaction is consistent with the objective of developing an organization that is more functional to the potential pursuit of partnership opportunities and industrial combinations aimed at exploiting scale and purpose economies; the transaction also permits the activation of all management, economic and financial levers by the management of the Books Area.

ACQUISITION OF KIVER

On **2 December 2014** the Mondadori Group signed an agreement for the acquisition of 75% of Kiver, a marketing agency specialized in the development of digital promotions, branding initiatives and interactive advertising, in order to enhance its presence in the area of digital marketing services, increasing its range of products and solutions with an integrated offering that includes the Group's contents and assets, Cemit's direct marketing activities and the Mediamond network.

RELEVANT EVENTS AFTER CLOSURE

APPOINTMENTS TO THE BOARD OF DIRECTORS OF MONDADORI LIBRI S.P.A.

On **21 January 2015** the Board of Directors of Mondadori Libri S.p.A. defined its composition as follows: Ernesto Mauri Chairman; Enrico Selva Coddè, Gian Arturo Ferrari, Antonio Porro and Oddone Pozzi Directors.
Reporting to the Group's CEO Ernesto Mauri, Enrico Selva Coddè was appointed Managing Director of Mondadori Libri S.p.A. for the Trade Area and Antonio Porro was confirmed Managing Director of the Educational Area. Gian Arturo Ferrari, Deputy Chairman of Mondadori Libri S.p.A., will work in co-operation with Enrico Selva for the implementation and publication of the publishing programmes.

NON-BINDING EXPRESSION OF INTEREST FOR RCS LIBRI S.P.A.

On **18 February 2015** upon request made by Consob the Company informed that RCS MediaGroup S.p.A. had been subjected to a non-binding expression of interest relative to a possible acquisition transaction of the entire interest owned by RCS MediaGroup S.p.A. in RCS Libri S.p.A. equal to 99.99% of the company capital as well as the additional assets and activities making up the RCS MediaGroup book repertoire.

On **6 March 2015** RCS MediaGroup S.p.A. granted the Company a period of exclusivity until 29 May 2015 in order to conduct an in depth analysis of the transaction terms and conditions.

FORESEEABLE EVOLUTION

Since 2013 the Company has been implementing **optimization actions** for its operating cost structure and **strategic rationalization measures** for its portfolio of activities. These actions and measures, in combination with an improved **business performance**, enabled the Company to record in 2014 an **EBITDA of euro 67.1 million and a positive net profit**.

In the light of the current market scenario and the aforementioned actions and measures which are expected to be continued in 2015, it is reasonable to expect a **substantial growth in the Group EBITDA** in 2015. In parallel, the activities targeting the disposal of non-core assets will be continued. These are expected to generate a capital gain essentially in line with the previous year. Consistently with the description above and notwithstanding recovering investments and possible changes in the Digital area the Company's **net financial position** is also expected to improve against 2014 year end.

Based on the market trend and the latest performance of the business areas, it is reasonable to expect that revenues will grow by 0.5% to 1.5% in the **2015-2017 three-year span**, an **increase** that is proportional to **profitability** (average annual growth of between 10% and 15%).

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

c) 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.

RELATIONSHIP BETWEEN PARENT COMPANY'S SHAREHOLDERS' EQUITY AND RESULTS AND GROUP CONSOLIDATED SHAREHOLDERS' EQUITY AND RESULTS

(euro/000)	Shareholders' equity	Net result for the period
Balance - Parent Company's financial statements	**192,445**	**(12,888)**
Dividends received by the Parent Company from subsidiary and associated companies		(20,588)
Eliminations of intercompany income	(7,200)	(1)
Equity and financial contribution from directly associated companies	4,810	(160)
Equity and financial contribution from subsidiary and indirectly associated companies, net of the aforementioned items	67,248	34,255
Balance - Group's consolidated financial statements	**257,303**	**618**

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) no transaction of greater importance were completed, as identified in the Mondadori Procedures in compliance with the provisions of the Consob Regulation;

b) 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;

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

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

Also in relation to 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 art. 117 and following of Italian Presidential Decree 917/1986, Arnoldo Mondadori Editore S.p.A. renewed the option in 2013 to adhere to the tax consolidation regime with Fininvest S.p.A. as consolidating company for the three-year period ending on 31 December 2015. The consolidation agreement contains a protection clause according to which Arnoldo Mondadori Editore S.p.A. and its subsidiaries adhering to tax consolidation shall not be required to pay more income tax than the Group would have paid if Arnoldo Mondadori Editore S.p.A. and its subsidiaries had created its own tax consolidation agreement. Therefore, this protection clause is aimed at only accounting the tax amount that would have been paid by the subsidiaries excluded from the fiscal unit belonging to Fininvest S.p.A. as a result of the application of the so-called "demultiplier".

The agreement explicitly excludes the right of each company adhering to the tax consolidation regime to preventively deduct past losses (use of the same based on the proportional principle), as the currently applicable reporting principle envisages the compensation between current tax receivables and payables (i.e. referred to the same year in which the tax payment is due), paid by the adhering companies. Pursuant to the currently applicable regulations in the matter, the agreement allows the transfer, within the consolidation area, of tax benefits enjoyed by the adhering companies, which are transferred or made available to the fiscal unit against recognition of a compensation (paid at a rate corresponding to the ordinary IRES. tax value) by the companies benefiting from it.
Any tax receivables or payables resulting from adherence to such tax consolidation agreement are posted as receivables or payables to holding companies, with the latter acting as "clearing house".

TAX TRANSPARENCY

With reference to art. 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 their shareholding.

DIRECTION AND COORDINATION ACTIVITIES (ARTICLE 2497 AND FOLLOWING OF THE ITALIAN CIVIL CODE)

Although Fininvest S.p.A. holds a controlling stake pursuant to art. 2359 of the Italian Civil Code, it does not exert any direction and coordination activity as defined in art. 2497-*bis* and following of the Italian Civil Code on Arnoldo Mondadori Editore S.p.A.; it manages the interest 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 art. 2497 and following of the Italian Civil Code in relation to the following subsidiaries, pursuant to art. 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 Libri 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
Kiver S.r.l.

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

DOCUMENTO PROGRAMMATICO SULLA SICUREZZA (PRIVACY) (ITALIAN SAFETY AND SECURITY POLICY)

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 30 April 2014 resolved upon the renewal of the authorisation to purchase and sell Treasury Shares, following the expiry of the preceding authorisation resolved upon on 23 April 2013, 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 re-purchase 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 2014 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 30 April 2014.

Maximum number of purchasable Treasury Shares

The renewed authorization enables the Company to reach the cap of 10% of its share capital.

Considering the overall number of Treasury Shares already held by the Company at the date of the resolution, amounting to no. 14,953,500 (equal to 6.067% of the capital), the Treasury Shares subject to possible repurchase totalled no. 9,692,334, equal to 3.933% of the 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 n. 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.

On 17 June 2014 the Board of Directors approved - by partially exercising the power attributed to it by the Shareholders' Meeting of 30 April 2014 regarding the paid increase of the share capital - the placement of a total of maximum no. 29,953,500 ordinary shares with a nominal value of euro 0.26 each, which was completed through a private placement exclusively reserved to "Qualified Investors" (as defined in article 34-*ter*, par. 1, letter b) of the Regulation adopted with Consob Regulations no. 11971 of 14 May 1999 and subsequent amendments) in Italy and institutional investors abroad (pursuant to Regulation S of the United States Securities Act of 1933 and subsequent amendments, and in the United States limitedly to "Qualified Institutional Buyers" pursuant to Rule 144 A of the United States Securities Act of 1933 and subsequent amendments with the exclusion of any other country in which the placement would be forbidden by the applicable law) ("Beneficiaries").

In particular, the offering was broken down as follows:

- no. 15,000,000 newly issued ordinary shares equal to 6.09% of the share capital, deriving from a capital increase for a nominal value of maximum euro 3,900,000 falling within the limit of the 10% cap, with exclusion of the option rights pursuant to article 2441, section 4, par. 2 of the Italian Civil Code, in partial execution of the power granted

by the Shareholders' Meeting of 30 April 2014 in compliance with article 2443 of the Italian Civil Code;
- no. 14,953,500 shares equal to 6.07 % of the capital, owned by the Company as treasury shares pursuant to article 2357 of the Italian Civil Code.

The newly issued shares and the Treasury Shares were offered as private placement, exclusively reserved to the Beneficiaries, according to the Accelerated Book Building procedures.
To this end, the Company gave a Joint Bookrunner mandate for the transaction to Banca IMI and UniCredit Corporate & Investment Banking.
The transaction was entirely completed on 18 June 2014 at a price per share equal to euro 1.06 for a total countervalue of euro 31,750,710.00.

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

Following the capital increase, Arnoldo Mondadori S.p.A.'s share capital amounts to euro 67,979,168.40, divided into 261,458,340 ordinary shares with a nominal value of euro 0.26 each.

In the context of the transaction, Mondadori took on lock-up commitments for a duration of 120 days in line with the market procedures implemented in similar transactions.
The approved transaction was functional for the identification of new resources in the financial markets in order to enhance the financial structure supporting the Group's development objectives and also enabled the Company to increase the number of shareholders while concurrently limiting the dilution effects for the existing shareholders.

Following completion of the aforementioned transaction, at the date of approval of these financial statements the Company does not hold any treasury shares either directly or indirectly through its subsidiaries.

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 58 of 24 February 1998 is available, together with this report on operations, on the www.mondadori.it website under the Governance section and through the storage system www.1info.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 of waiving the obligation of disclosure envisaged by the aforementioned Consob Regulation on the occasion of significant transactions relative to mergers, spin-off and capital increases through contribution of assets in nature, acquisitions and transfers.

PROPOSAL OF THE BOARD OF DIRECTORS

The Financial Statements as at 31 December 2014 show a loss for the financial year of euro 12,888,013.64.

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 2014, 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 12,888,013.64 resulting from the Financial Statements as at 31 December 2014

resolves

to entirely cover the loss for the period, equal to euro 12,888,013.64 as follows:

- for euro 12,000,000.00 through the entire utilization of the share premium reserve allocated as a result of the capital increase underwritten in the period;
- for euro 888,013.64 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

Mondadori Group consolidated financial statements at 31 December 2014

CONSOLIDATED BALANCE SHEET

Assets (euro/000)	Notes	31/12/2014	31/12/2013
Intangible assets	11	**601,593**	**617,464**
Property investments	12	**3,133**	**3,181**
Land and buildings		7,895	8,542
Plant and machinery		8,853	11,729
Other tangible assets		17,187	20,489
Property, plant and machinery	13	**33,935**	**40,760**
Investments booked at equity		39,201	38,187
Other investments		443	442
Total investments	14	**39,644**	**38,629**
Non-current financial assets	21	**316**	**2,717**
Pre-paid tax assets	15	**78,882**	**58,444**
Other non-current assets	16	**1,848**	**22,250**
Total non-current assets		**759,351**	**783,445**
Tax receivables	17	**50,040**	**68,478**
Other current assets	18	**87,687**	**89,289**
Inventory	19	**108,365**	**124,009**
Trade receivables	20	**268,736**	**312,366**
Other current financial assets	21	**11,916**	**13,858**
Cash and cash equivalents	22	**12,966**	**65,683**
Total current assets		**539,710**	**673,683**
Assets held for sale or transferred		**-**	**-**
Total assets		**1,299,061**	**1,457,128**

Liabilities (euro/000)	Notes	31/12/2014	31/12/2013
Share capital		**67,979**	**64,079**
Share premium reserve		**12,000**	**170,625**
Treasury shares		**-**	**(73,497)**
Other reserves and results carried forward		**176,706**	**250,943**
Profit (loss) for the period		**618**	**(185,415)**
Group's Shareholders' equity	23	**257,303**	**226,735**
Minority shareholders' equity and reserves	24	**31,818**	**31,954**
Total Shareholders' equity		**289,121**	**258,689**
Provisions	25	**69,109**	**83,928**
Post-employment benefits	26	**46,709**	**50,409**
Non-current financial liabilities	27	**266,327**	**398,836**
Deferred tax liabilities	15	**81,657**	**76,950**
Other non-current liabilities		**-**	**-**
Total non-current liabilities		**463,802**	**610,123**
Income tax payables	17	**139**	**293**
Other current liabilities	28	**204,224**	**220,093**
Trade payables	29	**291,079**	**321,307**
Payables due to banks and other financial liabilities	27	**50,696**	**46,623**
Total current liabilities		**546,138**	**588,316**
Liabilities held for sale or transferred		**-**	**-**
Total liabilities		**1,299,061**	**1,457,128**

CONSOLIDATED INCOME STATEMENT

(euro/000)	Notes	FY 2014	FY 2013
Revenues from sales and services	30	**1,177,495**	**1,275,791**
Decrease (increase) of inventory	19	13,752	5,610
Cost of raw, ancillary, consumption materials and goods	31	201,329	186,166
Cost of services	32	673,474	783,289
Cost of personnel	33	230,588	290,468
Other (income) cost	34	(9,591)	21,338
Revenues (costs) from investments valued at equity	35	(802)	(1,759)
EBITDA		**67,141**	**(12,839)**
Depreciation and impairment loss on property, plant and equipment	12-13	11,157	12,089
Amortisation and impairment loss on intangible assets	11	13,581	130,248
Impairment loss on investments valued at equity and other enterprises	14	-	27,892
EBIT		**42,403**	**(183,068)**
Financial revenues (costs)	36	(22,986)	(24,209)
Revenues (costs) from other investments		-	-
Profit before taxes for the period		**19,417**	**(207,277)**
Income tax	37	15,654	(23,789)
Profit from operations		**3,763**	**(183,488)**
Income (cost) from assets/liabilities held for sale or transferred		-	-
Net result		**3,763**	**(183,488)**
Attributable to:			
- Minority shareholders	24	**3,145**	**1,927**
- Parent Company's shareholders		**618**	**(185,415)**
Net earnings per share (in euro units)	38	0.002	(0.801)
Diluted net earnings per share (in euro units)	38	0.002	(0.801)

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

(euro/000)	Notes	31/12/2014	31/12/2013
Net result		**3,763**	**(183,488)**
Items reclassifiable to income statement			
Income (loss) deriving from the conversion of currency denominated financial statements of foreign companies	23	(62)	
Other profit (loss) from companies valued at equity	23	(274)	(135)
Effective part of profit (loss) on cash flow hedge instruments (cash flow hedge)	21-27	(1,937)	2,073
Income (loss) deriving from held-for-sale assets (fair value)	21-27	-	-
Tax impact on other income (loss) reclassifiable to income statement		606	(452)
Items reclassified to income statement			
Profit (loss) on cash flow hedge instruments		1,106	8,902
Income (loss) deriving from held-for-sale assets (fair value)		-	2,221
Tax impact on other income (loss) reclassified to income statement		(304)	(132)
Items not reclassifiable to income statement			
Actuarial income/(losses)	26	(2,224)	(851)
Tax impact on other income (loss) not reclassified to income statement	23	696	223
Total other profit (loss) net of tax effect		**(2,393)**	**11,849**
Comprehensive income for the period		**1,370**	**(171,639)**
Attributable to:			
- Parent Company's shareholders		**(1,708)**	**(173,550)**
- Minority shareholders		**3,078**	**1,911**

For the Board of Directors
The Chairman
Marina Berlusconi

CONSOLIDATED INCOME STATEMENT - FOURTH QUARTER

(euro/000)	Q4 2014	Q4 2013
Revenues from sales and services	**317,852**	**344,547**
Decrease (increase) of inventory	4,025	(360)
Cost of raw, ancillary, consumption materials and goods	59,690	63,385
Cost of services	165,979	198,241
Cost of personnel	60,687	84,379
Other (income) cost	(1,655)	19,824
Revenues (costs) from investments valued at equity	1,968	(798)
EBITDA	**31,094**	**(21,720)**
Depreciation and impairment loss on property, plant and equipment	3,963	3,545
Amortisation and impairment loss on intangible assets	3,531	120,336
Impairment loss on investments valued at equity and other enterprises	-	27,892
EBIT	**23,600**	**(173,493)**
Financial revenues (costs)	(5,178)	(7,550)
Revenues (costs) from other investments	-	-
Profit before taxes for the period	**18,422**	**(181,043)**
Income tax	9,146	(28,181)
Profit from operations	**9,276**	**(152,862)**
Income (cost) from assets/liabilities held for sale or transferred	-	-
Net result	**9,276**	**(152,862)**
Attributable to:		
- Minority shareholders	**1,113**	**227**
- Parent Company's shareholders	**8,163**	**(153,089)**

For the Board of Directors
The Chairman
Marina Berlusconi

TABLE OF CHANGES IN THE GROUP'S CONSOLIDATED SHAREHOLDERS' EQUITY AT 31 DECEMBER 2013 AND 2014

(euro/000)	Notes	Share capital	Share premium reserve	Treasury shares	Stock option reserve	Cash flow hedge reserve
Balance at 01/01/2013		**64,079**	**210,200**	**(73,497)**	**3,756**	**(12,846)**
- Allocation of net income			(39,575)			
- Dividend payout						
- Changes in consolidation area						
- Capital increase						
- Transactions on treasury shares						
- Stock options					(2,655)	
- Other changes						
- Comprehensive income (loss)						10,391
Balance at 31/12/2013		**64,079**	**170,625**	**(73,497)**	**1,101**	**(2,455)**

(euro/000)	Notes	Share capital	Share premium reserve	Treasury shares	Stock option reserve	Cash flow hedge reserve
Balance at 01/01/2014		**64,079**	**170,625**	**(73,497)**	**1,101**	**(2,455)**
- Allocation of net income			(170,625)			
- Dividend payout						
- Changes in consolidation area						
- Capital increase	23	3,900	12,000			
- Transactions on treasury shares	23			73,497		
- *Stock options*						
- Other changes						
- Comprehensive income (loss)						(529)
Balance at 31/12/2014		**67,979**	**12,000**	**0**	**1,101**	**(2,984)**

Fair value reserve	Currency reserve	Post-employment discounting reserve	Other reserves	Income (loss) for the period	Total Group's NFP	Minority shareholders' NFP	Total
(2,221)	**93**	**2,036**	**375,016**	**(166,117)**	**400,499**	**33,313**	**433,812**
			(126,542)	166,117	-		-
					-	(3,270)	(3,270)
					-		-
					-		-
					-		-
			2,655		-		-
			(214)		(214)		(214)
2,221	(83)	(612)	(52)	(185,415)	(173,550)	1,911	(171,639)
0	**10**	**1,424**	**250,863**	**(185,415)**	**226,735**	**31,954**	**258,689**

Fair value reserve	Currency reserve	Post-employment discounting reserve	Other reserves	Income (loss) for the period	Total Group's NFP	Minority shareholders' NFP	Total
0	**10**	**1,424**	**250,863**	**(185,415)**	**226,735**	**31,954**	**258,689**
			(14,790)	185,415	-		-
					-	(3,212)	(3,212)
					-		-
					15,900		15,900
			(58,206)		15,291		15,291
					-		-
		(68)	1,153		1,085	(2)	1,083
	(173)	(1,466)	(158)	618	(1,708)	3,078	1,370
0	**(163)**	**(110)**	**178,862**	**618**	**257,303**	**31,818**	**289,121**

For the Board of Directors
The Chairman
Marina Berlusconi

GROUP'S CONSOLIDATED CASH FLOW STATEMENT

(euro/000)	Notes	31/12/2014	31/12/2013
Net result for the period		618	(185,415)
Adjustments			
Amortisation, depreciation and impairment	11-12-13	24,738	170,229
Income tax for the period	37	14,194	(23,789)
Stock options		-	-
Fund provisions (utilisation) and post-employment benefits		(17,267)	33,565
Capital loss (gain) from the transfer of intangible assets, properties, plant and equipment, investments		(11,856)	490
Capital loss (gain) from financial assets valuation	36	-	(503)
(Revenues) costs of companies valued at equity	35	802	1,487
Net financial costs on loans and transactions with derivatives	36	17,990	20,079
Cash flow generated from operations		**29,219**	**16,143**
Trade receivable (increase) decrease		16,604	16,653
Inventory (increase) decrease		15,214	4,745
Trade payable increase (decrease)		(7,943)	(40,753)
Income tax payments		(5,435)	(18,280)
Advances and post-employment benefits		(8,443)	(8,318)
Net difference for other assets/liabilities		2,063	(39,552)
Cash flow generated from (absorbed by) operations		**41,279**	**(69,362)**
Price collected (paid) net of cash transferred/acquired	10	(1,124)	-
(Purchase) disposal of intangible assets		19,586	(2,040)
(Purchase) disposal of properties, plant and equipment		(2,957)	(7,793)
(Purchase) disposal of investments		(4,385)	(6,617)
(Purchase) disposal of financial assets		12,929	31,360
Cash flow generated from (absorbed by) investing activities		**24,049**	**14,910**
Net difference in financial liabilities		(128,386)	(17,808)
Payment of net financial costs on loans and transactions with derivatives		(20,850)	(28,895)
Capital increase	23	15,900	-
(Purchase) disposal of treasury shares	23	15,291	-
Dividends paid out		-	-
Cash flow generated from (absorbed by) financing activities		**(118,045)**	**(46,703)**
Increase (decrease) in cash and cash equivalents		**(52,717)**	**(101,155)**
Cash and cash equivalents at the beginning of the period		**65,683**	**166,838**
Cash and cash equivalents at the end of the period		**12,966**	**65,683**
Cash and cash equivalents composition			
Cash, cheques and securities		1,117	2,810
Bank and postal deposits		11,849	62,873
	22	**12,966**	**65,683**

For the Board of Directors
The Chairman
Marina Berlusconi

GROUP'S CONSOLIDATED BALANCE SHEET PURSUANT TO CONSOB RESOLUTION NO. 15519 OF 27 JULY 2006

Assets (euro/000)	Notes	31/12/2014	of which related parties (note 41)	31/12/2013	of which related parties (note 41)
Intangible assets	11	**601,593**	-	**617,464**	-
Property investments	12	**3,133**	-	**3,181**	-
Land and buildings		7,895	-	8,542	-
Plant and machinery		8,853	-	11,729	-
Other tangible assets		17,187	-	20,489	-
Property, plant and machinery	13	**33,935**	**0**	**40,760**	**0**
Investments booked at equity		39,201	-	38,187	-
Other investments		443	-	442	-
Total investments	14	**39,644**	**0**	**38,629**	**0**
Non-current financial assets	21	**316**	-	**2,717**	**2,292**
Pre-paid tax assets	15	**78,882**	-	**58,444**	-
Other non-current assets	16	**1,848**	-	**22,250**	**19,703**
Total non-current assets		**759,531**	**0**	**783,445**	**21,995**
Tax receivables	17	**50,040**	**10,440**	**68,478**	**13,060**
Other current assets	18	**87,687**	**3,143**	**89,289**	**276**
Inventory	19	**108,365**	-	**124,009**	-
Trade receivables	20	**268,736**	**44,995**	**312,366**	**34,704**
Other current financial assets	21	**11,916**	**5,429**	**13,858**	**4,933**
Cash and cash equivalents	22	**12,966**	-	**65,683**	-
Total current assets		**539,710**	**64,007**	**673,683**	**52,973**
Assets held for sale or transferred		-	-	-	-
Total assets		**1,299,061**	**64,007**	**1,457,128**	**74,968**

Liabilities (euro/000)	Notes	31/12/2014	of which related parties (note 41)	31/12/2013	of which related parties (note 41)
Share capital		67.979	-	64.079	-
Share premium reserve		12.000	-	170.625	-
Treasury shares		-	-	(73.497)	-
Other reserves and results carried forward		176.706	-	250.943	-
Profit (loss) for the period		618	-	(185.415)	-
Group's Shareholders' equity	23	257.303	0	226.735	0
Minority shareholders' equity and reserves	24	31.818	-	31.954	-
Total Shareholders' equity		289.121	0	258.689	0
Provisions	25	69.109	-	83.928	-
Post-employment benefits	26	46.709	-	50.409	-
Non-current financial liabilities	27	266.327	48.423	398.836	70.069
Deferred tax liabilities	15	81.657	-	76.950	-
Other non-current liabilities		-	-	-	-
Total non-current liabilities		463.802	48.423	610.123	70.069
Income tax payables	17	139	-	293	-
Other current liabilities	28	204.224	1.293	220.093	757
Trade payables	29	291.079	19.897	321.307	20.134
Payables due to banks and other financial liabilities	27	50.696	5.391	46.623	2.811
Total current liabilities		546.138	26.581	588.316	23.702
Liabilities held for sale or transferred		-	-	-	-
Total liabilities		1.299.061	75.004	1.457.128	93.771

INCOME STATEMENT PURSUANT TO CONSOB RESOLUTION NO. 15519 OF 27 JULY 2006

(euro/000)	Notes	FY 2014	of which related parties (note 41)	of which non-recurring (income) cost (note 40)	FY 2013	of which related parties (note 41)	of which non-recurring (income) cost (note 40)
Revenues from sales and services	30	**1,177,495**	**116,185**	**-**	**1,275,791**	**45,898**	**-**
Decrease (increase) of inventory	19	13,752	-	-	5,610	-	-
Cost of raw, ancillary, consumption materials and goods	31	201,329	16,784	-	186,166	15,428	-
Cost of services	32	673,474	20,223	-	783,289	19,022	-
Cost of personnel	33	230,588	-	4,527	290,468	-	50,431
Other (income) cost	34	(9,591)	(2,214)	-	21,338	(1,358)	-
Revenues (costs) from investments valued at equity	35	(802)	-	-	(1,759)	-	-
EBITDA		**67,141**	**81,392**	**(4,527)**	**(12,839)**	**12,806**	**(50,431)**
Depreciation and impairment loss on property, plant and equipment	12-13	11,157	-	-	12,089	-	-
Amortisation and impairment loss on intangible assets	11	13,581	-	-	130,248	-	-
Impairment loss on investments valued at equity and other enterprises	14	-	-	-	27,892	-	-
EBIT		**42,403**	**81,392**	**(4,527)**	**(183,068)**	**12,806**	**(50,431)**
Financial revenues (costs)	36	(22,986)	(3,302)	-	(24,209)	(2,786)	-
Revenues (costs) from other investments		-	-	-	-	-	-
Profit before taxes for the period		**19,417**	**78,090**	**(4,527)**	**(207,277)**	**10,020**	**(50,431)**
Income tax	37	15,654	-	(1,294)	(23,789)	-	(14,437)
Profit from operations		**3,763**	**78,090**	**(3,233)**	**(183,488)**	**10,020**	**(35,994)**
Revenues (costs) from assets/ liabilities held for sale or transferred		-	-	-	-	-	-
Net result		**3,763**	**78,090**	**(3,233)**	**(183,488)**	**10,020**	**(35,994)**
Attributable to:							
- Minority shareholders	24	**3,145**	**-**	**-**	**1,927**	**-**	**-**
- Parent Company's shareholders		**618**	**-**	**(3,233)**	**(185,415)**	**-**	**(35,994)**

ACCOUNTING PRINCIPLES AND EXPLANATORY NOTES

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.

Since 2011 all of Mondadori’s business areas have been developing products and services available through the most advanced technology, thus increasing the sales offering.

Arnoldo Mondadori Editore S.p.A., with legal offices in Milan, Via Bianca di Savoia 12 and headquarters in Strada privata Mondadori, Segrate, Milan, 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 2014 was authorised by the Board of Directors’ resolution of 12 March 2015.

2. FORM AND CONTENT

The Group’s consolidated financial statements at 31 December 2014 were drafted based on the principle of business continuity; the Directors verified the Group’s ability, despite the current difficult economic, financial and industry-specific scenario, to face future commitments and believe that there is no significant uncertainty, as defined by IAS 1.25, concerning its ability to continue operating in the future.

The risks and uncertainties the Group is exposed to in relation to its business activities performed and the risk mitigation measures adopted are detailed in the dedicated section of the Directors’ Report on Operations.

These financial statements 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 principle of the historical cost, except for some financial instruments valued at fair value, and in compliance with the accounting principles adopted for the drafting of the financial statements at 31 December 2013, considering the amendments and the new principles effective as of 1 January 2014, as per note 6.26.

The following criteria were taken into account in the drafting of these financial statements:

- in the consolidated balance sheet current and non-current assets and current and non-current liabilities are shown separately;
- 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, specific supplementary tables were included to highlight significant transactions with "Related parties" and "Non-recurring transactions".

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

3. CONSOLIDATION PRINCIPLES AND PERIMETER

The financial statements of the consolidated companies are drafted with the same closing date of Arnoldo Mondadori Editore S.p.A., according to the IAS/IFRS standards.

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.

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 10. In these cases the financial statements are consolidated on a line-by-line basis;
- 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 IFRS 11. 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 IFRS 11. In these cases, in compliance with the same standard, investments are valued at equity.

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.

Minority shareholders' equity and result for the period are recognized separately in the consolidated balance sheet and income statement.

In 2014 the consolidation perimeter was subject to the following changes:
- on 2 December 2014 the Mondadori Group signed an agreement for the acquisition of 75% of Kiver, a marketing agency specialized in the development of digital promotion, branding initiatives and interactive advertising, in order to enhance its presence in the market of digital marketing services, increasing its range of products and solutions with an integrated offering that includes the Group's contents and assets;
- on 25 November 2014 the Board of Directors of Arnoldo Mondadori Editore S.p.A. resolved to establish a company entirely controlled by Mondadori Libri S.p.A., to which, with accounting and fiscal effective date as of 1 January 2015, the business of Arnoldo Mondadori Editore S.p.A. was incorporated, including all assets, liabilities and existing contracts relative to the publishing activities and logistics services provided in the Books Area and also comprising the equity interests owned, with the objective of developing a company structure more suitable to pursue partnership opportunities and business combinations for its future development;
- Mondadori Iniziative Editoriali S.p.A. merged by incorporation in Mondadori Direct S.p.A., with accounting and fiscal effective date as of 1 January;
- on 19 May 2014 the Mondadori Group entered the e-commerce fashion market with the acquisition of the majority stake of London-Boutiques Ltd, now Mondadori UK Ltd. The acquisition was meant to accelerate the development of the activities of the Grazia International Network and, in particular, the project for the launch of the global e-commerce platform of the *Grazia* brand;
- in the Educational Books Area, Consorzio Scuola Digitale was established with the objective of developing a digital platform with other publishers, and Milano Cultura S.c.ar.l. (in partnership with 24 Ore Cultura S.r.l.) for the organization of exhibitions and cultural events and the development of ancillary services, including promotion, ticketing, publishing products and bookshop activities;
- in the Radio Area a minority stake was acquired in Consorzio Emittente Piemonte.

Company name	Location	Business	Currency	Share capital expressed in local currency	Group interest held 31/12/2014	Group interest held 31/12/2013
Companies consolidated on a line-by-line basis						
Arnoldo Mondadori Editore S.p.A.	Milan	Publishing	Euro	64,079,168.40		
Italian subsidiaries						
Cemit Interactive Media S.p.A.	S.Mauro Torinese (TO)	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
Kiver S.r.l.	Milan	Internet	Euro	93,177.00	75.22	-
Mondadori International Business S.r.l.	Milan	Publishing	Euro	2,800,000.00	100.00	100.00
Mondadori Libri S.p.A.	Milan	Publishing	Euro	50,000.00	100.00	-
Mondadori Pubblicità S.p.A.	Milan	Advert. Agency	Euro	3,120,000.00	100.00	100.00
Mondadori Iniziative Editoriali S.p.A.						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						
Gruppo Mondadori France Group	Paris	Publishing	Euro	50,000,000.00	100.00	100.00
Mondadori UK Ltd	London	Trade	Gbp	2,895.19	92.13	-
Companies valued at equity						
ACI-Mondadori S.p.A. in liquidation	Milan	Publishing	Euro	590,290.00	50.00	50.00
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
Consorzio Scuola Digitale	Milan	Internet	Euro	40,000.00	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 (Milan)	Trade	Euro	646,250.00	34.91	34.91
Mach 2 Press S.r.l.	Peschiera Borromeo (Milan)	Trade	Euro	200,000.00	46.98	46.98
Mediamond S.p.A.	Milan	Advert. Agency	Euro	2,400,000.00	50.00	50.00
Milano Cultura S.c.ar.l.	Milan	Publishing	Euro	40,000.00	50.00	-
Mondadori Independent Media LLC	Moscow	Publishing	Ruble	92,232,160.00	50.00	50.00
Mondadori Seec Advertising Co. Ltd	Beijing	Publishing	Cny	40,000,000.00	50.00	50.00
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.ar.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

Company name	Location	Business	Currency	Share capital expressed in local currency	Group interest held 31/12/2014	Group interest held 31/12/2013
Companies valued at fair value						
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
C.E.P. Consorzio Emittente Piemonte	Milan	Radio	Euro	21,691.19	3.57	-
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
Cons. 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	17.00
SCABEC S.p.A.	Naples	Services	Euro	1,000,000.00	10.78	10.78
Selcon S.r.l.						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, Other Business and Corporate.

This structure gives a clear representation of the Group's differentiation in terms of products sold and services rendered and is used by 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.

6. ACCOUNTING PRINCIPLES AND VALUATION CRITERIA

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 amortization but to an impairment test of their book value. This test concerns the value of the individual assets or of the 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:

Property investments	Amortisation rate
Non-instrumental buildings	3%

Both the useful life and the depreciation 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 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.

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.

Following the application of IFRS 11, investments in companies under joint control are recognized as joint operations or joint ventures based on the valuation of the relevant rights to assets and obligations to liabilities.

According to the new principle, joint operations are valued based on the relevant share of assets and liabilities upon which the Group holds right to assets and obligations to liabilities, and the share of the relevant costs and revenues; joint ventures and associated companies are valued at equity.

The book value of investments in joint operations, joint ventures and associated companies include also any higher cost paid attributable to goodwill.

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 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 face 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 realizable 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 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.

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 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 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 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.

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, when fulfilling the relevant requirements;
• cost of interest.

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)”.

Actuarial income and loss are recognized in a specific item under Shareholders’ equity and in the comprehensive income statement.

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, are recognised under “Other costs (revenues)”.

6.19 Stock options 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 recognized 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 cost of personnel 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.

Il Gruppo Mondadori ha applicato le disposizioni previste dall'IFRS 2 a tutti i piani di *stock option* assegnati dopo il 7 novembre 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 relative 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 realized 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, amendments and interpretations adopted by the European Union with effect from 1 January 2014 and applied by Mondadori Group

The following accounting standards, amendments and interpretations have been applied by the Group for the first time by the Group with effect from 1 January 2014.

IFRS 10 – Consolidated Financial Statements

In replacement of IAS 27 - *Consolidated and separate financial statements* for the part relative to the consolidated financial statements and SIC 12 - *Consolidation - Special purpose entities*. The preceding IAS 27 was renamed Separate financial statements and only governs the accounting of equity investments in the separate financial statements. The main variations established in this new principle are the following:

- based on IFRS 10, there is one single basic principle to consolidate entities, and it is control. This variation eliminates the inconsistency perceived between the previous IAS 27 (based on control) and SIC 12 (based on risks and benefits);
- a more robust definition of control is provided compared to the past, based on three elements: (a) control of the acquired entity; (b) exposure, or right, to variable performances deriving from the involvement with the same; (c) ability to use power to influence performance;
- IFRS 10 requires that for the purpose of evaluating the control over an acquired entity, an investor must focus on the activities that significantly impact the performance of the same entity (concept of relevant activities);
- 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 for evaluating control in complex situations, such as, concretely, actual control, potential voting rights, structured entities 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.

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 adoption of this principle did not have any significant impact on the Group's consolidation perimeter.

IFRS 11 - Joint arrangements

In replacement of 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, making a distinction between joint venture and joint operation agreements. According to IFRS 11, contrary to IAS 31, the availability of a separate special purpose entity is not a sufficient condition to qualify a joint arrangement as a joint venture. For joint ventures, where the parties have rights only to the net equity resulting from the transaction, the principle envisages that they are valued at equity in the consolidated financial statements. For joint operations, where the parties have right to the assets and obligation to the liabilities resulting from the transaction, the principle envisages that they are directly recognized in the consolidated financial statements (and in the separate financial statements) according to the pro rata of the relevant assets, liabilities, costs and revenues.

In general terms, the application of IFRS 11 requires a significant level of expertise in specific corporate sectors to understand the difference between joint venture and joint operation.
The principle is effective retroactively as of 1 January 2014.
Following validation of the afore mentioned principle IFRS11, 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 adoption of this principle did not have any significant impact on the Group's consolidation perimeter.

IFRS 12 - Disclosure of interests in other entities

IFRS 12 – *Disclosure of interests in other entities* is 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

The amendments to IAS 32 *Offsetting of financial assets and financial liabilities* were aimed at clarifying the application of the necessary criteria to offset financial assets and liabilities (i.e. the entity has a legally enforceable right of "setting off" amounts identified in accounting and intends to settle the collateral amounts, or realize the asset and simultaneously settle the liability). The amendments are effective retroactively as of 1 January 2014.

The adoption of these amendments did not have any significant impact on the Group's consolidation perimeter.

IAS 36 - Impairment of assets. Additional disclosures on the recoverable amount of non-financial assets

Amendments to IAS 36 *Impairment of assets - Disclosure on the recoverable value of impaired assets*. These amendments aim at clarifying that any additional disclosures made on the recoverable amount of assets (goodwill included) or financial flow generating units subject to impairment test, in the case in which their recoverable value is based on the fair value net of any transfer costs, refer only to those assets or cash generating units for which an impairment loss was identified or settled during the year of reference. In this case it will be necessary to provide adequate disclosures on the fair value hierarchy that includes the recoverable value, and also on the valuation criteria and assumptions made (in case of level 2 or 3). The amendments are effective retroactively as of 1 January 2014.

The adoption of these amendments did not have any significant impact on the Group's consolidation perimeter.

IAS 39 - Financial instruments: recognition and measurement

Amendments to IAS 39 *Financial instruments: recognition and measurement - novation of derivatives and continuation of hedge accounting.* The amendments refer to the introduction of a few exemptions to hedge accounting requirements defined by IAS 39 in circumstances when a hedging instrument is required to be novated to a central counterparty (CCP) as a result of laws or regulations. The amendments are effective retroactively as of 1 January 2014.

The adoption of these amendments did not have any significant impact on the Group's consolidation perimeter.

6.27 Accounting standards, amendments and IFRS and IFRIC interpretations adopted by the European Union but not yet applicable and applied beforehand by the Group at 31 December 2014

- On 21 November 2013 IASB published the amendment to IAS 19 - *Defined Benefit Plans: Employee Contributions*, clarifying the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service as a reduction of service cost in the year in which the contribution is paid. The need for the proposal emerged following the introduction of the new IAS 19, where it is specified that such contributions are to be considered as a post-employment benefit rather than a short-term benefit and, therefore, that such contribution must be spread over the years of service. The amendments apply at the latest from the financial years starting from 1 February 2015 or at any later date. The directors do not expect any significant impact in the Group's consolidated financial statements resulting from the adoption of this amendment.

- In the annual process of revision of the principles, on 12 December 2013, IASB published the following documents: "Annual Improvements to IFRSs: 2010-2012 Cycle" and "Annual Improvements to IFRSs: 2011-2013 Cycle", partially supplementing the already existing principles. These amendments and supplements did not have any significant impact on the Group's consolidated financial statements.

6.28 Accounting standards, amendments and IFRS interpretations not yet validated by the European Union

As at the date of these Financial Statements the competent bodies of the European Union had not yet completed the validation process necessary for the adoption of the amendments and principles detailed here below.

- On 28 May 2014 IASB published IFRS 15 – *Revenue from Contracts with Customers*, which will replace IAS 18 – *Revenue* and IAS 11 – *Construction Contracts*, as well as IFRIC 13 – *Customer Loyalty Programmes*, IFRIC 15 – *Agreements for the Construction of Real Estate*, IFRIC 18 – *Transfers of Assets from Customers* and SIC 31 – *Revenues-Barter Transactions Involving Advertising Services*. The principle establishes a new model for the recognition of revenues, which will be applied to all contracts stipulated with customers except for those falling within the application of other IAS/IFRS principles as leasing, insurance contracts and financial instruments. The key steps for the accounting of revenues based on this new model are:
  - identification of the contract with the customer;
  - identification of the performance obligations included in the contract;
  - pricing;
  - price allocation based on the performance obligations included in the contract;
  - the criteria for the recognition of revenues when the entity meets each performance obligations.

The principle is applicable as of 1 January 2017 and early adoption is also possible.
The Directors expect that the application of IFRS 15 can have an impact on revenue amounts recognized and on the relevant disclosure included in the Group's consolidated financial statements, upon valuation.

- On 24 July 2014 IASB published the final version of IFRS 9 – *Financial instruments*. The document includes the findings of the phases run by IASB to replace IAS 39 and relative to Classification and valuation, Impairment and Hedge accounting. This new principle, that replaces the preceding versions of IFRS 9, must be applied in the financial statements starting from 1 January 2018 or later.

The Directors are currently evaluating the possible impacts deriving from the introduction of these amendments on the Group's consolidated financial statements.

- On 25 September 2014 IASB published "Annual Improvements to IFRSs: 2012-2014 Cycle", partially supplementing the already existing principles. The amendments apply at the latest from the financial years starting from 1 February 2016 or later. These amendments and supplements did not have any significant impact on the Group's consolidated financial statements.

7. USE OF ESTIMATES

The drafting of these financial statements and the notes required the use of estimates and assumptions by the Directors, which have an impact on the value of assets and liabilities and on the disclosures relative to potential assets and liabilities at closing, based on the application of the IAS/IFRS accounting principles.
Estimates and assumptions, based on the current status of information available and including information on the shrinking markets in which the Group operates, are examined periodically and effects are reflected in income statement.

The most significant accounting estimates 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 Units 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.

Depreciation of inventory

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 prorata 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".

10. ACQUISITIONS AND TRANSFERS IN THE PERIOD

The main transactions that have had an impact on the Group's consolidation perimeter are outlined below:

Acquisition of London-Boutiques
On 19 May 2014 the Mondadori Group entered the e-commerce fashion market following the acquisition of 92.13% of London-Boutiques Ltd, now Mondadori UK Ltd, for a price equal to £ 1,090 thousand.

The transaction included:
- a call/put option to be exercised within June 2015 on the minority residual stake of the company's capital at a pre-established price, corresponding to the pro-rata amount already paid for the acquisition of the majority stake, equal to 92.13%;
- two earn out instalments to be paid to agents when the revenue target established for the 2015 and 2016 financial years is reached, subject to the sharing of the relevant values to be taken from the financial statements made available within eight weeks after approval.

For the purpose of quantifying the overall cost of the transaction the following activities were carried out:
- valuation of the net acquired assets at fair value at the acquisition date;
- valuation of the aforementioned options in compliance with the provisions set out in IFRS 3, based upon which financial payables were recognized to the selling party relative to the minority stake held and only to the second earn out instalment, as, based on the 2015 budget approved by Mondadori Group, the revenue target projected in the contract in relation to the first earn out instalment was not reached.

Goodwill recognized under "Intangible assets", although only provisionally, pursuant to IAS 36.84, amounts to euro 2,087 thousand.

The highlights relative to the business combination are detailed below:

(euro/000)	Fair value
Business	37
Cash and cash equivalents	156
Liabilities	(431)
Net acquired assets	(238)
Price paid	1,296
Valuation of earn out and call/put options	553
Goodwill	2,087

Acquisition of Kiver
On 2 December 2014 Mondadori stipulated an agreement for the acquisition of 75.22% of Kiver S.r.l., a marketing company specialized in the development of digital promotions, branding and advertising initiatives, for a price equal to euro 224 thousand.

The agreement envisaged an earn out option to be recognized to agents based on the average EBITDA calculated in the 2015-2016 financial years and two call/put options on the residual stake to be exercised as follows:
- within sixty days after the approval of the Company's financial statement at 31 December 2016 based on the average EBITDA calculated over the 2015 and 2016 financial years for the first instalment corresponding to 50% of the shares held by the minority shareholders;
- within sixty days after the approval of the Company's financial statement at 31 December 2018 based on the average EBITDA calculated over the 2017 and 2018 financial years for the second instalment corresponding to 50% of the shares held by the minority shareholders.

For the purpose of quantifying the overall cost of the transaction the following activities were carried out:
• valuation of the net acquired assets at fair value at the acquisition date;
• valuation of the aforementioned options in compliance with the provisions set out in IFRS 3, based upon which financial payables were recognized to the selling party.

At the end of the aforementioned process, goodwill recognized under "Intangible assets", although only provisionally, pursuant to IAS 36.84, amounts to euro 620 thousand, plus goodwill recognized under acquired assets for euro 373 thousand following determination of the fair value and fulfilment of the relevant accounting requirements.

The highlights relative to the business combination are detailed below:

(euro/000)	**Fair value**
Business	1,321
Cash and cash equivalents	267
Liabilities	(1,266)
Net acquired assets	322
Price paid	224
Valuation of earn out and call/put options	718
Goodwill	620

11. INTANGIBLE ASSETS

Intangible assets posted a reduction against 2013.

Intangible assets (euro/000)	**31/12/2014**	**31/12/2013**
Intangible assets with finite useful life	181,173	200,354
Intangible assets with indefinite useful life	420,420	417,110
Total intangible assets	**601,593**	**617,464**

Intangible assets with a definite useful life mainly comprise magazines published by the Mondadori France Group, among which the most important are *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 amortized over a period of six years.

Intangible assets with finite useful life (euro/000)	**Magazines**	**Customer lists**	**Charges on shop lease contract takeovers**	**Software**	**Licenses, patents and rights**	**Cost of development**	**Intangible assets under construction and advances**	**Total**
Cost at 31/12/2012	248,000	8,000	31,487	22,716	1,912	248	4,152	316,515
Capital expenditures	-	-	-	1,235	-	-	2,246	3,481
Disposals	(800)	-	(45)	(184)	-		(221)	(1,250)
Changes in the consolidation area	-	-	-	-	-	-	-	0
Other changes	-	-	-	32	-	-	(982)	(950)
Cost at 31/12/2013	247,200	8,000	31,442	23,799	1,912	248	5,195	317,796
Provision for depreciation and impairment loss at 31/12/2012	46,351	1,333	15,448	19,616	1,465	248	3,904	88,365
Amortization, 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)
Provision for depreciation and impairment loss at 31/12/2013	71,319	2,666	16,770	21,407	1,869	248	3,163	117,442
Net book value at 31/12/2012	201,649	6,667	16,039	3,100	447	0	248	228,150
Net book value at 31/12/2013	**175,881**	**5,334**	**14,672**	**2,392**	**43**	**0**	**2,032**	**200,354**

The most significant changes in “Intangible assets with a finite useful life” in 2014 are broken down here below:

- transfer of the business regarding the store located in Corso Vittorio Emanuele in Milan, which essentially zeroed the residual value of the asset, generating a capital gain, gross of ancillary sales costs, equal to euro 11,593 thousand;
- the capitalization of pre-printing costs relative to the creation of school textbook content, for the first time as of 1 January, including publishing, translation, revision and editing costs and copyrights, for a total of euro 3,773 thousand, recognized under “Cost for development” and euro 1,637 thousand recognized under “Other intangible assets”. These costs are amortized over three years.

The performance of the impairment test did not reveal any value loss and, therefore, no impairment was recognized; more details are given in the dedicated chapter.

Intangible assets with finite useful life (euro/000)	**Magazines**	**Customer lists**	**Charges on shop lease contract takeovers**	**Software**	**Licenses, patents and rights**	**Cost of development**	**Intangible assets under construction and advances**	**Total**
Cost at 31/12/2013	247,200	8,000	31,442	23,799	1,912	248	5,195	317,796
Capital expenditures	-	-	-	1,586	-	3,773	2,030	7,389
Disposals	-	-	(23,999)	(1,129)	-	-	(3)	(25,131)
Changes in the consolidation area	-	-	-	341	-	-	-	341
Other changes	-	-	-	267	(288)	-	185	164
Cost at 31/12/2014	247,200	8,000	7,443	24,864	1,624	4,021	7,407	300,559
Provision for depreciation and impairment loss at 31/12/2013	71,319	2,666	16,770	21,407	1,869	248	3,163	117,442
Amortization, depreciation	7,373	1,333	1,349	1,647	27	1,258	496	13,483
Impairment/(reinstatement of value)	-	-	-	-	-	-	-	0
Disposals	-	-	(10,680)	(1,036)	-	-	(3)	(11,719)
Changes in the consolidation area	-	-	-	245	-	-	-	245
Other changes	-	-	-	221	(279)	-	(7)	(65)
Provision for depreciation and impairment loss at 31/12/2014	78,692	3,999	7,439	22,484	1,617	1,506	3,649	119,386
Net book value at 31/12/2013	175,881	5,334	14,672	2,392	43	0	2,032	200,354
Net book value at 31/12/2014	**168,508**	**4,001**	**4**	**2,380**	**7**	**2,515**	**3,758**	**181,173**

Intangible assets with an indefinite useful life include:

- magazines deriving from the acquisition of the business of Silvio Berlusconi Editore S.p.A., including *TV Sorrisi e Canzoni* and *Chi*,
- series of the Books Area;
- brands acquired against payment;
- radio stations;
- goodwill.

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
Capital expenditures	-	-	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**

The most significant changes in "Intangible assets with an indefinite useful life" in 2014 are broken down here below:

- the acquisition of the majority stake of London-Boutiques Ltd, now Mondadori UK, and Kiver S.r.l., described in note 10, generating goodwill for a total of euro 2,957 thousand from the acquisition transaction, plus euro 373 thousand accounted for Kiver S.r.l. assets;
- the transfer of the magazines *PCProfessionale* and *Ciak*, for which the relevant book values were completely written off in the preceding years, recognized under item "Magazines" and "Brands".

The performance of the impairment test did not reveal any value loss, except for the minor brands that the Group does not expect to use and, therefore, no impairment was recognized; more details are given in the dedicated chapter.

Intangible assets with an indefinite useful life (euro/000)	**Magazines**	**Series**	**Brands**	**Radio stations**	**Goodwill**	**Total**
Cost at 31/12/2013	98,158	31,509	6,695	127,041	460,597	724,000
Capital expenditures	-	-	-	248	2,957	3,205
Disposals	(1,935)	-	(3,932)	(414)	-	(6,281)
Changes in the consolidation area	-	-	-	-	373	373
Other changes	-	-	-	-	-	0
Cost at 31/12/2014	96,223	31,509	2,763	126,875	463,927	721,297
Impairment loss 31/12/2013	10,825	-	5,121	79,635	211,309	306,890
Impairment/(reinstatement of value)	-	-	98	-	-	98
Other changes/disposals	(1,935)	-	(3,932)	(244)	-	(6,111)
Impairment loss 31/12/2014	8,890	0	1,287	79,391	211,309	300,877
Net book value at 31/12/2013	87,333	31,509	1,574	47,406	249,288	417,110
Net book value at 31/12/2014	**87,333**	**31,509**	**1,476**	**47,484**	**252,618**	**420,420**

Amortization, impairment loss and value reinstatement of intangible assets

Amortization is in line with the previous year:

- the share relative to "Magazines" is lower as a result of the transfers and impairments made in 2013, which reduced amortization against an equal residual life of the asset;
- "Cost of development", comprising the cost of the creation of school textbook content, was amortized for one third for the first year of capitalization.

Amortization and impairment loss of intangible assets (euro/000)	**FY 2014**	**FY 2013**
Magazines	7.373	8.144
Customer lists	1.333	1.333
Charges on shop lease contract takeovers	1.349	1.367
Software	1.647	1.933
Licenses, patents and rights	27	402
Development costs	1.258	-
Other intangible assets	496	209
Total amortization of intangible assets	**13.483**	**13.388**
Amortization of intangible assets	98	116.860
Value reinstatement of intangible assets	-	-
Total amortization (value reinstatement) of intangible assets	**98**	**116.860**
Total amortization and impairment loss of intangible assets	**13.581**	**130.248**

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

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.

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.

At closing, market capitalization is slightly lower than shareholders' equity.
Therefore, a first level impairment test was carried out on the Cash Generating Units individually, based on the data contained in the corresponding budget plans approved by the Board of Directors of 5 February 2015.
Considering the outcome of the test and the current turbulence in the financial markets as well as the irrelevant difference between market capitalization and book value, it was deemed unnecessary to proceed with a second level impairment test.

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 net of impairment losses identified in the period, as 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					228		1,875
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	47,484			47,856
Group of CGU Mondadori France	168,508	4,001				227,711		400,220
Group of CGU location retail							4	4
Other CGU	2,107			555		5,830		8,492
	255,841	**4,001**	**31,509**	**1,476**	**47,484**	**252,618**	**4**	**592,933**

Key elements 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 2015-2017	g = 0	7.15%
Group of CGU magazines former Elemond	Value in use	EBITDA PMT 2015-2017	g = 0	7.15%
Group of CGU Mondadori France	Value in use	EBITDA PMT 2015-2019 Revenues PMT 2015-2019	g = 0	6.27%
	Fair value		g = 0	6.27%
CGU Einaudi	Value in use	Operating cash flows PMT 2015-2017	g = 0	7.15%
CGU Sperling & Kupfer	Fair value	EBITDA PMT 2015-2017	g = 0	7.15%
CGU Mondadori Education	Value in use	Operating cash flows PMT 2015-2017	g = 0	7.15%
CGU Piemme	Value in use	Operating cash flows PMT 2015-2017	g = 0	7.15%
Group of CGU *R101*	Fair value	n.s.	n.s.	n.s.
Group of CGU location retail	Value in use	n.n.		
	Fair value	n.s.		
Other CGU	Value in use	EBITDA PMT 2015-2017	g = 0	7.15%

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 2015-2017 three-year period and subsequently approved by the Board of Directors. The afore mentioned 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 margins from the magazines also include overhead costs and operating costs.

The economic results used for the projections include taxes; the discount rate before taxes, applied to cash flow projections, is equal to 7.15% (7.80% in 2013) 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. The book value coverage percentage is equal to approximately 250%.

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 only magazine with a book value is *Interni*.

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 2015-2017 three-year period and subsequently approved by the Board of Directors. The afore mentioned 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 margins from the magazines also include overhead costs and maintenance costs.

The economic results used for the projections include taxes; the discount rate before taxes, applied to cash flow projections, is equal to 7.15% (7.80% in 2013) 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, with the exception of minor brands for a total value of euro 12 thousand about which no use is expected in the future, the directors did not identify any need for impairment on the activities belonging to the Cash Generating Unit under examination nor on its goodwill. The book value coverage percentage is equal to approximately 125%.

Cash Generating Unit Einaudi
This Cash Generating Unit includes Casa Editrice Einaudi series, acquired indirectly through the transaction completed in more than one instalments between 1989 and 1994 with the Elemond Group.
Considering the changes occurred over time in the structure and in the positioning of the different series of the company acquired, the entire legal entity to which also goodwill acquired upon acquisition is attributed, was considered as cash generating unit for the purpose of the impairment test.

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 2015-2017 three-year period and subsequently approved by the Board of Directors. The afore mentioned 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 7.15% (7.80% in 2013) 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. The book value coverage percentage is equal to approximately 4,200%.

Cash Generating Unit Sperling & Kupfer
This Cash Generating Unit includes the series published by Sperling & Kupfer, a company acquired in 1995.

Considering the changes occurred over time in the structure and in the positioning of the different series of the company acquired, the entire legal entity to which also goodwill acquired upon acquisition is attributed, was considered as cash generating unit for the purpose of the impairment test.

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 2015-2017 three-year period and subsequently approved by the Board of Directors. The afore mentioned 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 7.15% (7.80% in 2013) 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. The book value coverage percentage is equal to approximately 1,200%.

Cash Generating Unit Mondadori Education

The Cash Generating Unit Mondadori Education includes series and publishing lines referring to the production of text books 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: some publishers acquired through the Elemond Group transaction between 1989 and 1994 (euro 6,483 thousand), the acquisition of the Le Monnier Group between 1999 and 2011 (euro 12,070 thousand) and the acquisition of Texto, publisher of school textbooks under the Piemme Scuola brand, completed in 2004 (euro 380 thousand). Goodwill deriving from the afore mentioned 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 thousand add up to the afore indicated values.

The value of the series and goodwill relating to the Cash Generating Unit coinciding with the entire entity was considered, 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 longer 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 2015-2017 three-year period and subsequently approved by the Board of Directors. The afore mentioned 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 7.15% (7.80% in 2013) 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. The book value coverage percentage is equal to approximately 500%.

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 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 2015-2017 three-year period and subsequently approved by the Board of Directors. The afore mentioned 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 7.15% (7.80% in 2013) 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. The book value coverage percentage is equal to approximately 150%.

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 2015-2017 three-year period and subsequently approved by the Board of Directors. The afore mentioned 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 7.15% (7.80% in 2013) 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 findings resulting from the application of the calculation method above described, 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 plant and frequencies.

Considering the juridical complexity of the segment in which radio stations operate, in order to formulate an economic opinion regarding plant and frequencies, the expert relied, as is standard practice, on several parameters and assumptions.

The most important are:
- 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;
- fine-tuning 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;
- valuation based on the number of inhabitants potentially covered by the plant;
- 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.

The conclusions drawn by the independent expert confirmed the book value.

Cash Generating Unit Mondadori France
In August 2006 Mondadori acquired a 100% interest in Emap Group France, the third largest publisher of magazines in France with over fourty 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. In particular, the recoverable value was measured on the single magazines and then, in order to calculate the recoverable value on goodwill, a second test was performed on the entire French Group.

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 2015-2019 five-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 margins from the magazines also include overhead costs and operating costs.

The economic results used for the projections include taxes; the discount rate before taxes, applied to cash flow projections, is equal to 6.27% (6.63% in 2013) 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.

To calculate the fair value, in addition to assumed revenues, the following parameters were taken into account:
- a royalty rate (ranging from 2% to 9%), measured on each single magazine based on the specific characteristics of the magazine and also based on similar market transactions;
- a residual useful life equal to 23.5 years, aligned with that defined for the calculation of the value in use;
- a revenue growth rate, beyond the last year included in the medium-term plan, equal to zero.

After completing the analysis, the directors did not identify any need for impairment.

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 2015-2019 five-year period and for the projection of the relevant cash flows a pre-tax rate equal to 6.27% (6.63% in 2013).

After completing the analysis, the directors did not identify any need for impairment.

The book value coverage percentage is equal to approximately 120%.

Cash Generating Unit location retail
This Cash Generating Unit includes key money paid over the years by Mondadori 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 amortized based on the residual duration of the lease contract of the store of reference which also coincides with the cash generating unit.

At 31 December 2014, as a result of the transfer of the business relative to the store of Corso Vittorio Emanuele in Milan, the residual value of the asset, after period amortization, is equal to euro 4 thousand.

Considering the small amount, it was deemed unnecessary to proceed with a measurement of the recoverable value.

Other Cash Generating Units
This group of Cash Generating Units include the values of residual assets.
Specifically:

- Mondolibri S.p.A. bookclub member database, the 50% of which was acquired in 2010, for a total of euro 2,500 thousand;
- the difference between the price paid and the fair value of the net assets acquired in 2014 following the completion of the acquisition transaction of the majority stake in London-Boutiques Ltd, now Mondadori UK Ltd, and Kiver S.r.l., which was provisionally recognized under goodwill pursuant to IAS 36.84, comprehensively equal to euro 3,330 thousand.

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 2015-2017 three-year period; pre-tax discount rate equal to 7.15% (7.80% in 2013), growth factor applied to data in addition to those indicated in the plan, equal to zero (g=0).

The findings resulting from the analysis confirmed the recoverability of the book values and with reference to goodwill attributed to the acquisition transactions completed in the period, the price paid is considered in line with the fair value of net assets. For this reason, no impairment test was carried out.

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 pure risk free, 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 (1.086 at 31 December 2014). The equity risk premium was calculated based on historical statistics in a 5%-5.50% 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, makes 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, it was subject to conversion to include taxes as specifically requested by IAS 36.55 and then deflated.

Sensitivity to changes in the assumptions
Some assumptions used for the medium-term plans are conservative, and therefore express prudent values.
These are:
- for the Italian magazines:
  - the expected benefits, resulting from the renegotiation of printing fees, relative to the currently applicable contract expiring at the end of 2016, are not completely reflected;
  - revenues from the circulation of some Mondadori magazines were taken into account, showing a downturn in line with market trends for similar magazines, despite the fact that they have outperformed the market in the past few years;
- for the French magazines:
  - the expected benefits resulting from the renegotiation of printing fees relative to the currently applicable contract expiring at the end of 2016, are not completely reflected;
  - paper costs were kept steady, despite the decision to reduce the format of some magazines;
  - the probable benefit resulting from the renegotiation of the fees with the companies responsible for subscriptions was not considered.

Therefore, it was deemed opportune to carry out a sensitivity analysis on the discounting rate and the growth rate, always equal to zero in the impairment test.
The findings of this analysis confirmed that the results obtained are reasonable and, consequently, confirmed the recoverability of the book values recognized in these financial statements.

12. PROPERTY INVESTMENTS

Property investments in the period, equal to euro 57 thousand, include expenses borne for the Sporting Verona building.

The fair value of property investments at 31 December 2014 is estimated not to be lower than the net book value.

The table below is a breakdown of "Property Investments" in 2013 and 2014:

Property investments (euro/000)	**Land**	**Non-instrumental buildings**	**Total**
Cost at 31/12/2012	976	3,895	4,871
Capital expenditures		-	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
Amortization, 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**

Property investments (euro/000)	**Land**	**Non-instrumental buildings**	**Total**
Cost at 31/12/2013	976	3,951	4,927
Capital expenditures	-	57	57
Disposals	-	-	0
Other changes	-	-	0
Cost at 31/12/2014	976	4,006	4,984
Depreciation and impairment losses at 31/12/2013	-	1,746	1,746
Amortization, depreciation	-	105	105
Impairment/(reinstatement of value)	-	-	0
Disposals	-	-	0
Other changes	-	-	0
Depreciation and impairment losses at 31/12/2014	0	1,851	1,851
Net book value at 31/12/2013	976	2,205	3,181
Net book value at 31/12/2014	**976**	**2,155**	**3,133**

Depreciation of property investment
Depreciation for the year under item "Depreciation and impairment loss of property, plant and equipment", amounted to euro 105 thousand in line with 2013.

The use of the assets classified under property investments is not subject to any lien or restriction.

13. PROPERTY, PLANT AND MACHINERY

The net value of "Property, plant and machinery" posted a significant reduction against 2013 (euro -6,825 thousand); total investments totalled euro 5,232 thousand, while depreciation amounted to euro 10,458 thousand.

Investments in "Plant and machinery", equal to euro 785 thousand, mainly referred to some stores managed by Mondadori Direct S.p.A. (euro 266 thousand), the new offices of Mondadori France (euro 130 thousand), the sports center and the thermal power plant located in Verona (euro 378 thousand).

Investments in "Other tangible assets", amounting to euro 4,447 thousand, included:
- the replacement of obsolete office machines (euro 1,033 thousand);
- equipment, office furniture and machines (comprehensively totalling euro 1,068 thousand), mainly referring to the bookshop layout (euro 276 thousand) and to the radio broadcasting segment (euro 578 thousand);
- costs borne on third party assets leased to Group companies (euro 2,051 thousand). In particular, the costs for the new offices of Mondadori France accounted for euro 1,575 thousand.

Item "Impairment/(reinstatement of value)" included the residual value of some assets that are no longer used by the Group companies.

The transfer transaction of the business of Mondadori Pubblicità S.p.A. to Mediamond S.p.A. and the transfer transaction of the business of the multicenter located in Galleria del Corso in Milan determined the recognition of significant amounts under item "Changes in the consolidation area" and item "Disposals".

The table below is a breakdown of "Property, plant and machinery" in 2013 and 2014:

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

Property, plant and machinery (euro/000)	**Land**	**Instrumental buildings**	**Plant and machinery**	**Other assets**	**Total**
Cost at 31/12/2013	1,434	19,285	49,371	122,428	192,518
Capital expenditures	-	-	785	4,447	5,232
Disposals	-	-	(8,229)	(11,283)	(19,512)
Changes in the consolidation area	-	-	58	(2,214)	(2,156)
Other changes	-	443	251	(711)	(17)
Cost at 31/12/2014	1,434	19,728	42,236	112,667	176,065
Depreciation and impairment loss provision at 31/12/2013	-	12,177	37,642	101,939	151,758
Amortization, depreciation	-	696	3,200	6,562	10,458
Impairment/(reinstatement of value)	-	329	-	265	594
Disposals	-		(7,875)	(10,944)	(18,819)
Changes in the consolidation area	-		51	(1,914)	(1,863)
Other changes	-	65	365	(428)	2
Depreciation and impairment loss provision at 31/12/2014	0	13,267	33,383	95,480	142,130
Net book value at 31/12/2013	1,434	7,108	11,729	20,489	40,760
Net book value at 31/12/2014	**1,434**	**6,461**	**8,853**	**17,187**	**33,935**

Item “Other tangible assets” is broken down as follows:

Other tangible assets (euro/000)	**31/12/2014**	**31/12/2013**
Industrial and commercial equipment	3,704	4,168
Electronic office equipment	1,715	2,500
Office furniture, and machines	5,493	7,006
Motor vehicles and transport vehicles	5	24
Leasehold improvements	4,329	5,963
Other assets	63	448
Assets under construction and advances	1,878	380
Total other tangible assets	**17,187**	**20,489**

Depreciation of properties, plant and machinery

Depreciation showed a reduction against the previous year.

Depreciation of properties, plant and machinery (euro/000)	**FY 2014**	**FY 2013**
Instrumental buildings	696	684
Plant and machinery	3,200	3,511
Equipment	1,446	2,056
Electronic office equipment	1,466	2,371
Office furniture, and machines	1,586	1,661
Motor vehicles and transport vehicles	6	11
Leasehold improvements	2,026	1,387
Other assets	32	83
Depreciation of properties, plant and machinery	**10,458**	**11,764**
Depreciation of tangible assets	594	220
Value reinstatement of tangible assets	-	-
Total depreciation (reinstatement of value) of tangible assets	**594**	**220**
Total depreciation and impairment loss of tangible assets	**11,052**	**11,984**

Leased assets

There are currently no leasing contracts in place; in the previous years some assets were redeemed, the most relevant being a warehouse property close to Casale Monferrato.

14. EQUITY INVESTMENTS

“Investments booked at equity” and “Investments in other companies” amounted to euro 39,644 thousand.

Investments (euro/000)	**31/12/2014**	**31/12/2013**
Investments booked at equity	39,201	38,187
Investments in other companies	443	442
Total investments	**39,644**	**38,629**

In 2014 capital account payments or payments to cover the losses of Società Europea di Edizioni S.p.A., ACI-Mondadori S.p.A. and Mach 2 Press S.r.l. were carried out for a total of comprehensively euro 2,048 thousand; euro 30 thousand represents the amount underwritten and paid up by the Group upon the establishment of Milano Cultura S.c.ar.l. and Consorzio Scuola Digitale, of which the Group controls 50% and 25% of the capital, respectively.

The pro-rata results in the period of the companies booked at equity were positive for a total of euro 3,488 thousand and negative for euro 4,290 thousand; note 35 includes details broken down by company.

The dividends collected by the Group in 2014 totalling euro 906 thousand, were paid out by Harlequin Mondadori S.p.A., Edizioni EL S.r.l. and Mondadori Independent Media LLC.

Equity investments - Investments booked at equity (euro/000)	**Net value**
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
- devaluation	(4,952)
- impairment	(25,354)
- dividends	(940)
Balance at 31/12/2013	**38,187**
Changes in 2013:	
- purchases and changes in consolidation area	2,078
- changes in consolidation method	-
- disposals and other changes	644
- revaluations	3,488
- devaluation	(4,290)
- impairment	-
- dividends	(906)
Balance at 31/12/2014	**39,201**

"Investments valued at equity":

Investments valued at equity – Details (euro/000)	**31/12/2014**	**31/12/2013**
Investments in joint ventures:		
- Gruner + Jahr/Mondadori S.p.A.	1,213	1,116
- Harlequin Mondadori S.p.A.	861	799
- Edizioni EL S.r.l.	3,198	3,065
- Attica Publications Group	19,306	19,040
- ACI-Mondadori S.p.A.	88	60
- Mediamond S.p.A.	1,281	2,004
- Mondadori Independent Media LLC	605	870
- Mondadori Seec Advertising Co. Ltd	2,613	713
Total investments in joint ventures	**29,165**	**27,667**
Investments in associated companies:		
- Mach 2 Libri S.p.A.	2,959	3,228
- Mach 2 Press S.r.l.	356	84
- Società Europea di Edizioni S.p.A.	6,617	7,124
- Venezia Accademia Società per i servizi museali S.c.ar.l.	52	59
- Campania Arte S.c.ar.l.	22	22
- Consorzio Covar (in liquidation)	2	2
- Consorzio Forma	1	1
- Milano Cultura S.c.ar.l.	17	-
- Consorzio Scuola Digitale	10	-
Total investments in associated companies	**10,036**	**10,520**
Total investments valued at equity	**39,201**	**38,187**

The value of "Investments in other companies" increased as a result of the acquisition of a minority stake in Consorzio CEP, a radio broadcasting operator.

Equity investments - Investments in other companies (euro/000)	**Net value**
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
- devaluation	-
- impairment	(2,538)
Balance at 31/12/2013	**442**
Changes in 2014:	
- purchases and changes in consolidation area	1
- disposals and other changes	-
- changes in consolidation method	-
- devaluation	-
- impairment	-
Balance at 31/12/2014	**443**

"Investments in other companies":

Investments in other companies - Details (euro/000)	31/12/2014	31/12/2013
Investments in other companies:		
- Milano Distribuzione Media S.r.l.	164	164
- Società Editrice Il Mulino S.p.A.	101	101
- Consuledit S.r.l.	1	1
- Consorzio Sistemi Informativi Editoriali Distributivi	10	10
- Immobiliare Editori Giornali S.r.l.	52	52
- Audiradio	23	23
- Consorzio Forte Montagnolo	1	1
- Consorzio Riqualificazione Monte Gennaro	1	1
- Consorzio Camaldoli 1	2	2
- Consorzio Antenna Colbuccaro	8	8
- Aranova Freedom S.c.ar.l.	30	30
- Club Dab Italia	30	30
- Consorzio Edicola Italiana	10	10
- CTAV	6	6
- Consorzio Emittente Piemonte	1	-
- Sem Issy Media	3	3
Total investments in other companies	**443**	**442**

Impairment test
Mondadori Group measures the value in use in order to verify the recoverable value of equity investments; when in determining this value an impairment loss is identified, before proceeding with devaluation, the fair value is calculated after having deducted the estimated cost of disposal.

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, approved by Mondadori Board of Directors on 5 February 2015.

The expected cash flows of each individual investment was discounted based on WACC differentiated by country:
• for Italian subsidiaries the rate applied was 7.15%;
• for French subsidiaries the rate applied was 6.27%;
• for the Attica Group the rate applied was 8.55%.

For the Italian and French subsidiaries the growth rate on the terminal value was kept equal to zero (g = 0); for Attica growth rates in the range from zero to 3% were taken into account (g comprised between 0 and 3%) in order to account for the differences between businesses and the geographic areas in which the Group operates. The book value coverage percentage is equal to approximately 105%.

15. PRE-PAID TAX ASSETS AND DEFERRED TAX LIABILITIES

(euro/000)	31/12/2014	31/12/2013
IRES on fiscal losses	30,890	-
Pre-paid IRES	45,337	55,293
Pre-paid IRAP	2,655	3,151
Pre-paid tax assets	**78,882**	**58,444**
Deferred IRES	77,258	73,540
Deferred IRAP	4,399	3,410
Deferred tax liabilities	**81,657**	**76,950**

"IRES on fiscal losses", equal to euro 30,890 thousand, refers to the possible benefits resulting from the use in compensation of the losses generated by the Mondadori Group in the last financial years, transferred to the fiscal unit that is controlled by the parent company Fininvest S.p.A. as a result of the application of the tax consolidation regime (pursuant to article 117 and the following of Italian Presidential Decree no. 917/1986) for the 2013-2015 three-year period.

Consistently with the provisions envisaged in the applicable agreement mentioned above, the receivables will become due if and to the extent the relevant transferred tax benefits are actually used in the context of the tax consolidation. This is a rather remote option in the light of the comprehensive global tax amount expected by the consolidating entity for the future financial years. Based on the foregoing and considering:

- the approaching expiry of the currently exercised option, on the occasion of which the contractual conditions currently governing it, may be subject to amendments;
- the right to carry forward tax losses without time restrictions;
- the right reserved to the adhering companies in case of failed renewal of the currently exercised option, to have the losses transferred by the same returned and unused;
- the result projections highlighted in the 2015-2017 Plan, approved by the Board of Directors and the prepared tax planning documents;

the Directors believe that the tax benefits transferred to date are fully recoverable.

Therefore, the amount recognized in the financial statements ended at 31 December 2013 was re-classified from "Receivables due from Fininvest for IRES" (under "Other non-current assets") to the item under examination, in addition to the integrating amount corresponding to the tax loss generated in the year in which these financial statements make reference.

"Pre-paid tax assets" posted a reduction due to:

- transformation into tax receivables, pursuant to article 2 of Italian Legislative Decree no. 225 of 29 December 2010, amended by Italian Law no. 214 of 22 December 2011, of a portion of those relative to intangible assets as described in note 17;
- partial utilization of the provision for bad debt and provision for risks.

Temporary differences that led to the recognition of pre-paid taxes

(euro/000)	31/12/2014			31/12/2013		
	Amount of temporary differences	Current tax rate	Taxes Pre-paid	Amount of temporary differences	Current tax rate	Taxes Pre-paid
Differences between book and tax value of intangible assets	3,569	(*)	981	11,816	(*)	3,249
Difference between book and tax value of property investments and investments in property, plant and equipment	2,570	(*)	707	2,757	(*)	758
Provision for bad debt	30,285	(*)	8,406	36,830	(*)	10,175
Depreciation of inventory	13,776	(*)	3,788	13,072	(*)	3,595
Provision for advances to authors	21,617	(*)	5,945	21,443	(*)	5,897
Provisions	48,414	(*)	13,355	71,115	(*)	20,134
Post-employment benefits	14,075	(*)	4,473	11,933	(*)	3,769
Elimination of intercompany income	10,496	(*)	2,885	10,494	(*)	2,885
Other temporary differences	16,795	(*)	4,797	16,778	(*)	4,831
Total for IRES purposes	**161,597**		**45,337**	**179,460**		**55,293**
Differences between book and tax value of intangible assets	7,246	(*)	283	11,525	(*)	449
Difference between book and tax value of property investments and investments in property, plant and equipment	946	(*)	37	932	(*)	36
Depreciation of inventory	11,715	(*)	457	10,796	(*)	421
Provision for advances to authors	14,396	(*)	561	13,560	(*)	529
Provisions	11,403	(*)	445	20,940	(*)	817
Post-employment benefits	4,221	(*)	165	4,545	(*)	177
Elimination of intercompany income	10,496	(*)	410	10,494	(*)	410
Other temporary differences	7,629	(*)	297	7,991	(*)	312
Total for IRAP purposes	**68,052**		**2,655**	**80,783**		**3,151**

(*) 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.

"Deferred tax liabilities" posted an increase attributed to intangible assets with an indefinite useful life for which amortization is carried out only for tax purposes.

Temporary differences that led to the recognition of deferred taxes

(euro/000)	31/12/2014			31/12/2013		
	Amount of temporary differences	Current tax rate	Taxes Deferred	Amount of temporary differences	Current tax rate	Taxes Deferred
Capital gains in instalments	-	(*)	-	69	(*)	19
Differences between book and tax value of intangible assets	244,679	(*)	75,111	227,166	(*)	70,898
Difference between book and tax value of property investments and investments in property, plant and equipment	2,449	(*)	673	2,757	(*)	758
Post-employment benefits	522	(*)	143	1,909	(*)	525
Assets in leasing	497	(*)	137	493	(*)	136
Other temporary differences	4,342	(*)	1,194	4,377	(*)	1,204
Total for IRES purposes	**252,489**		**77,258**	**236,771**		**73,540**
Capital gains in instalments	-	(*)	-	-	(*)	-
Differences between book and tax value of intangible assets	107,872	(*)	4,207	82,222	(*)	3,207
Difference between book and tax value of property investments and investments in property, plant and equipment	1,718	(*)	67	1,709	(*)	67
Post-employment benefits	436	(*)	17	718	(*)	28
Assets in leasing	497	(*)	19	497	(*)	19
Other temporary differences	2,282	(*)	89	2,282	(*)	89
Total for IRAP purposes	**112,805**		**4,399**	**87,428**		**3,410**

(*) 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 associated companies.

16. OTHER NON-CURRENT ASSETS

"Other non-current assets" posted a decrease against 31 December 2013.

Other non-current assets (euro/000)	31/12/2014	31/12/2013
Guarantee deposits	1,637	2,435
Confirmation deposits	-	-
Receivables due to the Inland Revenue Office for IRE on post-employment benefits	-	27
Receivables due from Fininvest for IRES	-	19,703
Other	211	85
Total other non-current assets	**1,848**	**22,250**

The reduction in item “Guarantee deposits” refers to the lower amount committed by Mondadori France for the lease of the new offices. The total amount is mainly attributable to Mondadori France for euro 1,097 thousand, the Retail Area for euro 225 thousand for the lease of the stores and to the Parent Company for euro 133 thousand.

With regard to the change in item “Receivable due from Fininvest for IRES” reference should be made to note 15.

17. TAX RECEIVABLES AND PAYABLES

Tax receivables (euro/000)	**31/12/2014**	**31/12/2013**
Receivables due from the Inland Revenue Office for IRAP	1,393	2,223
Receivables due from the Inland Revenue Office for IRES	2,890	2,203
Receivables due from Fininvest for IRES	8,625	13,060
Receivables from Inland Revenue Office for VAT, direct taxes to recover and advances on disputes	37,132	50,992
Total tax receivables	**50,040**	**68,478**

Group’s position in relation to tax receivables and payables:

- receivables due from the Inland Revenue Office for IRAP were lower than the amount posted in 2013 (euro 1,393 thousand against euro 2,223 thousand) as a result of lower advances paid in 2014, resulting from the lower tax rate considered in 2013 compared to the one taken into account in 2012. “Payables due to the Inland Revenue Office for IRAP” referred only to Sperling & Kupfer S.p.A., whose net result was much higher than the one recorded in the previous year;
- “Receivables due from the Inland Revenue Office for IRES” included, almost for its entirety, receivables relating to Monradio S.r.l. in application of article 2 of the Italian Legislative Decree no. 225 of 29 December 2010, amended by Italian Law no. 214 of 22 December 2011, which introduced a new provision allowing companies with a tax loss and/or a statutory loss to “transform” pre-paid taxes resulting from misalignments relative to the value of goodwill and other intangible assets into to-be-compensated tax receivables. In 2015 these amounts will be used as compensation upon payment of costs for contributions and tax charges;
- “Receivables due from Fininvest for IRES” included:
  - IRES amount to be recovered following to the partial deductibility of IRAP for the 2005-2007 and 2007-2011 periods. The relevant application forms for reimbursement have been filed in 2008 and 2013 (euro 7,786 thousand); in 2014 the amount subject to reimbursement for 2004 for a total of euro 443 thousand was collected;
  - withholdings paid for euro 839 thousand;
- the significant decrease in “Receivables due from the Inland Revenue Office for VAT, direct taxes to be recovered and advances for disputes” was mainly attributable to the VAT reimbursement collected in 2014 relative to 2010 and 2011 for a total amount of euro 15.2 million. This item included:
  - VAT subject to reimbursement for euro 8,523 thousand;
  - VAT carried forward (euro 14,774 thousand), whose application for reimbursement will be filed in 2015 for euro 10,476 thousand;
  - VAT receivable due to Fininvest S.p.A., whose tax consolidation regime will become effective for Mondadori Group companies as of 1 January 2014 (euro 1,815 thousand);
  - VAT receivable relative to Mondadori France for euro 3,500 thousand;
  - receivables for tax disputes for a total of euro 7,811 thousand. The amounts referred to the temporary payment of some tax forms received by Group companies in relation to pending tax disputes. Following tax audits by the Finance Police, a few reports were made on a number of subsidiaries:

- Arnoldo Mondadori Editore S.p.A. for the 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 amounts for a total of euro 186 thousand 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:
  - for the tax assessments relative to 1996 and 1998, the Provincial Tax Commission rejected the appeal filed by the Company, pending the terms for a second appeal;
  - 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;
- Arnoldo Mondadori Editore S.p.A. for the 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 thousand, plus applicable ancillary charges; against such assessment proceedings have been filed with the Court of Cassation;
- Arnoldo Mondadori Editore S.p.A. for the year 2005, the Central Division of the Lombardy Region challenged the omitted payment of a 12.50% withholding tax for a total of euro 3,051 thousand plus applicable ancillary charges by means of a tax assessment, in relation to interest paid on a loan stock stated in 2004. Against such assessment proceedings have been filed with the Court of Cassation;
- Mondadori Direct S.p.A. received tax assessments for IRES, IRAP and VAT relative to the 2003-2006 tax years. All these tax assessments have been challenged before the Provincial Tax Commission, which accepted the appeals. The Division appealed before the Regional Tax Commision and the date of the hearing has not been established yet. As for IRAP for 2004, the Division filed an appeal before the Court of Cassation after receiving the cancellation of the assessment notice from the Regional Tax Commission;
- as for Giulio Einaudi editore S.p.A. the years from 2005 to 2009 are yet to be defined; all tax assessments relative to these years have been challenged before the Provincial Tax Commision, which issued a resolution accepting the appeals filed by Einaudi on 25 September 2014. The dispute before the Provincial Tax Commission of Rome relative to the second level notices on the same issues is still pending.

Income tax payables (euro/000)	**31/12/2014**	**31/12/2013**
Payables due to Inland Revenue Office for IRAP	49	227
Payables due to Inland Revenue Office for IRES	90	66
Payables due to Fininvest for IRES	-	-
Total income tax payables	**139**	**293**

The decrease in “Income tax payables” is attributable to the lower IRAP payable amount; “Payables due to the Inland Revenue Office for IRES” include the tax position of Mondadori France.

18. OTHER CURRENT ASSETS

"Other current assets" posted a reduction (euro -1,602 thousand) due to the lower balance for advances to authors; "Other receivables due from associated companies" included advances for subscriptions and the circulation of magazines.

Other current assets (euro/000)	**31/12/2014**	**31/12/2013**
Receivables from agents	317	439
Receivables due from authors and employees	89,155	90,601
Provision for advances to authors	(31,807)	(30,521)
Receivables due from suppliers	6,571	7,211
Receivables due from personnel	798	930
Receivables for insurance compensation	-	-
Receivables due from social security institutions	2,381	1,873
Receivables for guarantee deposits	176	187
Other receivables due from associated companies	3,081	276
Prepayments	2,816	3,583
Other	14,199	14,710
Total other current assets	**87,687**	**89,289**

19. INVENTORY

"Inventory" at Group level significantly dropped as a result of the inventory management policies adopted.

Inventory (euro/000)	**31/12/2014**	**31/12/2013**
Raw materials and consumption materials	9,884	9,009
Depreciation for raw materials and consumption materials	(225)	(150)
Total raw materials and consumption materials	**9,659**	**8,859**
Work in progress and semi-finished goods	13,647	16,455
Depreciation of work in progress and semi-finished goods	(1,232)	(1,255)
Total work in progress and semi-finished goods	**12,415**	**15,200**
Contract work in progress	2,671	2,857
Depreciation of contract work in progress	(102)	(227)
Total contract work in progress	**2,569**	**2,630**
Finished products and goods	98,029	111,122
Depreciation of finished products and goods	(14,307)	(13,802)
Total finished products and goods	**83,722**	**97,320**
Advances	-	-
Total inventory	**108,365**	**124,009**

“Raw materials and consumption materials” increased against 31 December 2013 as a result of the changes applied to the paper procurement process that, starting from 2014, is directly managed by Arnoldo Mondadori Editore S.p.A.
Until the end of the year of reference only Mondadori Education S.p.A. and Mondadori France S.A. were purchasing paper for production, while all the other Group companies had outsourced the activity to the printing companies which billed the corresponding costs together with the printing fees.
The increase was mitigated by the reduction in Mondadori Education S.p.A. inventory (euro -195 thousand, equal to 20% of 2013 inventory) and Mondadori France S.A. (euro -1,808 thousand, equal to 23% of 2013 inventory).

“Work in progress and semi-finished products”, totalling euro 12,415 thousand and mainly including orders for magazines (euro 7,959 thousand), posted a reduction attributable to the lower value of the production orders in the Books Area and to the different cost accounting criteria applied to the development of new Educational products that are classified under “Intangible assets” as of 1 January 2014.

“Contract work in progress” was in line with 2013 and euro 2,210 thousand referred to Mondadori France S.A. orders.

“Finished products and goods” included books produced by the Group, third-party publishers’ books purchased for re-sale in the Retail sector and merchandising, paper processing and gifts.

The value of “Finished products and goods”, equal to euro 83,722 thousand, was down euro -13,598 thousand, of which euro 7,624 thousand in the Retail Area, as a result of the purchasing and product policies applied, and euro 3,159 thousand in the Books Area, which involved all Group publishers.

Inventory depreciation was 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 products**	**Contract work in progress**	**Finished products and goods**
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**
Changes in the period:				
- provisions	173	-	79	4,803
- utilisations	(98)	(23)	(204)	(4,300)
- other changes	-	-	-	2
Balance at 31/12/2014	**225**	**1,232**	**102**	**14,307**

No inventory is subject to restriction to cover liabilities.

Decrease (increase) of inventory
The economic effects resulting from the changes in inventory and the provisions for their value adjustments are detailed below.

Decrease (increase) of inventory (euro/000)	FY 2014	FY 2013
Changes in finished products and goods	13,094	(1,434)
Provision for finished products and goods	4,803	6,133
Utilization of the provisions for finished products and goods	(4,300)	(5,341)
Total changes in inventory of finished products and goods	**13,597**	**(642)**
Changes in work in progress and semi-finished products	820	2,197
Provision for work in progress and semi-finished products	-	34
Utilization of work in progress and semi-finished products	(23)	(2)
Total changes in work in progress and semi-finished products	**797**	**2,229**
Changes for contract work in progress	283	812
Provision for contract work in progress	79	195
Utilization of contract work in progress	(204)	(54)
Total changes in contract work in progress	**158**	**953**
Changes in raw, ancillary and consumption materials	(875)	3,162
Provision for raw, ancillary, consumption materials	173	65
Utilization of the provisions for raw, ancillary, consumption materials	(98)	(157)
Total changes in inventory of raw, ancillary, consumption materials	**(800)**	**3,070**
Total decrease (increase) in inventory	**13,752**	**5,610**

20. TRADE RECEIVABLES

Trade receivables (euro/000)	31/12/2014	31/12/2013
Receivables due from customers	223.741	277.662
Receivables due from associated companies	44.341	33.398
Receivables due from parent companies	29	31
Receivables due from affiliated companies	625	1.275
Total trade receivables	**268.736**	**312.366**

“Trade receivables” decreased significantly against 31 December 2013 as a result of:

- changes in the consolidation area, mainly attributable to the transfer of business from Mondadori Pubblicità S.p.A. to Mediamond S.p.A. (euro 37,776 thousand);
- dropping revenues and improved receivable collection conditions as well as efficient management in the Magazines Italy Area;
- improved receivables collection performance in the Retail Area together with lower revenues generated by franchised bookshops (euro -2,945 thousand).

“Receivables due from associated companies” posted an increase resulting from the transfer to Mediamond S.p.A. of the Group advertising business; Arnoldo Mondadori Editore S.p.A. and Monradio S.r.l., Group publisher for the Italian market and radio broadcaster, respectively, recorded receivables due from Mediamond S.p.A. for a total of euro 14,767 thousand.

The value includes a receivable due from Mach 2 Libri S.p.A., distributor of books in the large retail area; the balance, equal to approximately euro 20 million, is in line with the previous year.
Receivables due from associated companies, parent company and affiliated companies are detailed in Annex "Transactions with related parties"; transactions with related parties are carried out under normal market conditions.

Item "Customers - returns to receive", equal to euro 129,048 thousand, posted a reduction in the Magazines Area, both in Italy and in France, due to dropping revenues, while it increased in the Books Area as a result also of De Agostini Libri activities.

Trade receivables - Receivables from customers (euro/000)	**31/12/2014**	**31/12/2013**
Receivables from customers	388,339	461,195
Customers - returns to receive	(129,048)	(137,168)
Provision for bad debt	(35,550)	(46,365)
Total receivables from customers	**223,741**	**277,662**

"Trade receivables" did not include amounts due over five years; collection days, calculated with the count back method, amounted to 81 in 2014, down from 88 registered in 2013.

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, considering also the customer solvency rating; the reduction against 31 December 2013 was attributable to the closing of some significant debt positions.

"Other changes" included the portion of the provision for bad debt regarding the risk for the charging back of losses suffered by the advertising agency, reclassified under the "Provisions" item in liabilities, due to the transfer of the advertising business from Mondadori Pubblicità S.p.A. to Mediamond S.p.A.
In fact, the receivables of Mondadori Pubblicità S.p.A., a company consolidated on a line-by-line basis, contributed to the Group's total and, therefore, the relevant provision for adjustments was directly reduced; the receivables of Mediamond S.p.A., a company consolidated at equity, were not included in the total and, therefore, the risk described was reflected in the "Provisions" item under liabilities.

Trade receivables - Receivables from customers - Bad debt provision (euro/000)	**31/12/2014**	**31/12/2013**
Balance at beginning of year	46,365	39,883
Changes in the period:		
- provisions	8,378	16,868
- utilisations	(15,024)	(10,386)
- changes in consolidation area	(745)	-
- other changes	(3,424)	-
Total bad debt provision	**35,550**	**46,365**

21. FINANCIAL ASSETS

Non-current financial assets (euro/000)	31/12/2014	31/12/2013
Financial receivables due from associated companies	-	2,144
Financial receivables	316	343
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	**316**	**2,717**

“Non-current financial assets”, equal to euro 316 thousand, included amounts coming due over 12 months towards third party relating to Mondadori Magazines France S.a.s.

The reduction against the previous year was mainly due to the re-classification under “Other current financial assets” of the loan to Mondadori Seec Advertising Co.Ltd for euro 2,144 thousand.

“Other current financial assets”, equal to euro 11,916 thousand, included the credit positions on current accounts held by the Parent Company towards some associated companies, as well as the already mentioned loan to Mondadori Seec Advertising Co. Ltd. The item decreased by euro 1,942 thousand in the period.

Other current financial assets (euro/000)	31/12/2014	31/12/2013
Financial receivables due from customers	300	-
Financial receivables due from associated companies	5,429	4,933
Financial receivables due from parent company	-	-
Financial receivables due from affiliated companies	-	-
Financial receivables due from others	6,187	8,919
Total financial receivables	**11,916**	**13,852**
Financial assets at fair value with adjustments recognised under income statement	-	-
Held-for-sale financial assets	-	-
Assets resulting from derivative instruments	-	6
Total other current financial assets	**11,916**	**13,858**

Assets and liabilities resulting from derivative instruments

Assets and liabilities in derivative instruments - Details (euro/000)	**Type of derivative instrument**	**Fair value at 31/12/2014**	**Fair value at 31/12/2013**
Non-current financial assets (liabilities)			
- Rate derivatives	Cash flow hedge	(1,723)	214
Current financial assets (liabilities)			
- Currency derivatives	Trading	-	6

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.

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 referred to exchange risk management, which is not present in the Group's financial statements at 31 December 2014.

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. 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 quarterly basis.

At 31 December 2014 there are only exchange risk hedge contracts:
- three Interest Rate Swap (IRS) floating to fix contracts of euro 90 million each, converting the floating rate (1 month Euribor) into fixed at 0.42% on average, with expiry on 31 December 2016, referring to the portion of the Term Loan stipulated 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.

The table below shows the hedge impact on income statement and shareholders' equity:

Cash flow hedge reserve (euro/000)	**31/12/2014**	**31/12/2013**
Initial balance gross of the tax impact	(3,512)	(14,487)
Amount recognised in the period	(321)	16,146
Amount endorsed from reserve and recognised under income statement:		
- adjustments to expenses	(725)	(5,580)
- adjustments to revenues	208	409
Final balance gross of the tax impact	**(4,350)**	**(3,512)**
Inefficient part of hedge	0	0

22. CASH AND CASH EQUIVALENTS

This item, equal to euro 12,966 thousand, posted a significant reduction.

Cash and cash equivalents (euro/000)	**31/12/2014**	**31/12/2013**
Cash and cash on hand	1,117	2,810
Bank deposits	11,360	61,731
Postal deposits	489	1,142
Total cash and cash equivalents	**12,966**	**65,683**

Item "Bank deposits" included current account balances of Arnoldo Mondadori Editore S.p.A. and Mondadori International Business S.r.l. (euro 65.7 million at 31 December 2013).

The significant decrease in current account balances against 2013, which is also reflected in the average trend, derived from the need to optimize the net financial position by reducing liquidity commitments on one hand, and, on the other, from the reduction to zero of market yields on short-term financial assets.

The fair value of cash and cash equivalents at 31 December 2014 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 table below shows the Group net financial position in accordance with Consob recommendations.

	Net financial position (euro/000)	**31/12/2014**	**31/12/2013**
A	Cash	1,117	2,810
	- Bank deposits	11,360	61,731
	- Postal deposits	489	1,142
B	Other cash and cash equivalents	11,849	62,873
C	**Cash and cash equivalents and other financial assets (A+B)**	**12,966**	**65,683**
D	Securities held for trading		
	- Financial receivables due from associated companies	5,429	4,933
	- Financial assets at fair value	-	-
	- Held-for-sale financial assets	-	-
	- Derivatives and other financial assets	6,487	8,925
E	Receivables and other current financial assets	11,916	13,858
F	**Current financial assets (D+E)**	**11,916**	**13,858**
G	Current payables due to banks	9,509	6,740
	- Bonds	-	-
	- Loans	-	-
	- Borrowings	35,000	35,809
H	Current portion of non-current debt	35,000	35,809
	- Financial payables due to associated companies	2,891	2,811
	- Derivatives and other financial liabilities	3,296	1,263
I	Other current financial liabilities	6,187	4,074
L	**Payables due to banks and other current financial liabilities (G+H+I)**	**50,696**	**46,623**
M	**Current net financial position (C+F-L)**	**(25,814)**	**32,918**
	- Bonds	-	-
	- Loans	-	-
	- Borrowings	260,716	394,601
N	Debt non-current portion	260,716	394,601
O	Other non-current financial liabilities	5,611	4,235
P	**Non-current net debt (N+O)**	**266,327**	**398,836**
Q	**Net debt (M-P)**	**(292,141)**	**(365,918)**

Should the balance of "Non-current financial assets", equal to euro 316 thousand and not included in the Consob format, be added to the above data, the Group net financial position would be negative for euro 291,825 thousand.

Further information regarding the Group net financial position is detailed in the notes 21, 22 and 27.

23. SHAREHOLDERS' EQUITY

Shareholders' equity at 31 December 2014, equal to euro 289,121 thousand, increased by euro 30,432 thousand. Changes are detailed in the corresponding table of reference.

On 17 June 2014 the Board of Directors of Arnoldo Mondadori Editore S.p.A. approved a bidding transaction for a total of maximum no. 29,953,500 ordinary shares through a private placement exclusively reserved to "qualified investors" in Italy and institutional investors abroad.
On 18 June 2014 the private placement transaction for the ordinary shares with a nominal value of euro 0.26 each at a share price of euro 1.06 for a total countervalue of euro 31,750,710 was completed.
In particular, the bid was broken down as follows:

- no. 15,000,000 newly issued ordinary shares, equal to 6.09% of the company's capital, with regular enjoyment, deriving from a capital increase for a maximum nominal amount of euro 3,900,000 with the exclusion of pre-emptive rights pursuant to article 2441, section 4, par. 2 of the Italian Civil Code;
- no. 14,953,500 shares owned by the Company as Treasury Shares, corresponding to 6.07% of the company's capital.

Share capital

Following the entire underwriting of the afore mentioned capital increase, at closing, Arnoldo Mondadori Editore S.p.A. share capital amounts to euro 67,979,168.40 divided into no. 261,458,340 ordinary shares with a nominal value of euro 0.26 each.

The legal entity controlling the Mondadori Group is Fininvest S.p.A.

Share premium reserve

Arnoldo Mondadori Editore S.p.A. share premium reserve, equal to euro 170,625 thousand at 31 December 2013, was entirely used to cover the loss of the previous year.

In 2014, as a result of the entire underwriting of the capital increase above mentioned, a share premium was identified, corresponding to euro 12,000 thousand, collected on the nominal value of the newly issued share.

Treasury shares

At closing, following the placement transaction described above, the Company does not own any treasury shares.

Other reserves and results carried forward

"Other reserves and results carried forward" at 31 December 2014 amounted to euro 176,706 thousand and included:

- legal reserve for euro 13,490 thousand;
- a revaluation reserve used over the years for a total of euro 16,711 thousand;
- a cash flow hedge reserve, negative for euro 2,984 thousand, net of the relevant tax impact, for the valuation of hedge derivatives;

- a stock option reserve, amounting to euro 1,101 thousand serving the stock option plans granted to Group directors and managers. No changes occurred in the period;
- a reserve for post-employment discounting, net of the relevant tax impact, negative for euro 110 thousand;
- the conversion reserve, negative for euro 163 thousand (positive for euro 10 thousand as at 31 December 2013), mainly resulting from the conversion of the financial statements of Mondadori UK, the companies belonging to the Attica Group, with offices in Eastern European countries, 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 31/12/2014	Spot 31/12/2013	Average FY 2014	Average FY 2013
British sterling	0.78	-	0.81	-
Russian ruble	72.34	45.32	50.90	42.34
Chinese yuan	7.54	8.35	8.19	8.16
New Rumenian leu	4.48	4.48	4.44	4.42
Bulgarian leva	1.96	1.96	1.96	1.96
Serbian dinar	121.38	114.64	117.3	113.08

- 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)	31/12/2014	31/12/2013
Net debt	291.8	363.2
Capital (Shareholders' equity)	289.1	258.7
Total capital and net debt	**580.9**	**621.9**
Ratio of net debt/capital to net debt	50.2%	58.4%
Treasury shares in portfolio	-	73.5

24. CAPITAL, RESERVES AND RESULTS ATTRIBUTABLE TO MINORITY SHAREHOLDERS

Below is a breakdown of Minority Shareholders' equity:

Capital, reserves and results attributable to minority shareholders (euro/000)	**EMAS S.n.c.**	**NaturaBuy S.a.s.**	**Mondadori UK Ltd**
Shareholders' equity at 31/12/2013	31,734	220	-
Result for 2013	1,746	181	-
Shareholders' equity at 31/12/2014	31,679	253	(114)
Result for 2014	3,040	214	(109)

25. PROVISIONS

"Provisions", equal to euro 69,109 thousand, dropped by euro 14,819 thousand.

Provisions (euro/000)	**31/12/2013**	**Provisions**	**Utilisations**	**Other changes**	**31/12/2014**
Provision for agents' contractual risks	5,079	448	(1,805)	1,386	5,108
Provision for personnel downsizing risks	26,963	2,217	(11,102)	(1,095)	16,983
Provision for legal risks	25,703	1,796	(5,703)	310	22,106
Provision for equity investment risks	4,029	-	-	1,085	5,114
Provision for tax disputes	2,648	1,500	(40)	(580)	3,528
Other risk provisions	19,506	5,026	(8,341)	79	16,270
Total provisions	**83,928**	**10,987**	**(26,991)**	**1,185**	**69,109**

The reduction in item "Provisions" was attributable mainly to the partial utilization of the amount allocated in the previous years for staff downsizing measures including the payment of employee indemnities in 2014; also, item "Provisions for legal risks" decreased in absolute values as a result of the settlement of some disputes pending both in the Magazines Area and Books Area.

"Provisions for agents' contractual risks" refers to some disputes pending in the Books Area, where the Parent Company, Mondadori Education S.p.A. and Giulio Einaudi editore S.p.A. have over 200 agency contracts in place.

Item “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. Item “Provision for equity investment risk” mainly refers to the impairment carried out by Mondadori France S.A. vis-à-vis Emas Digital S.a.s. (euro 3,829 thousand), by Arnoldo Mondadori Editore S.p.A. for the interest held in Editrice Portoria in liquidation (euro 972 thousand) and by Mondadori Electa S.p.A. in relation to some associated companies for a total of euro 313 thousand.

“Other risk provision” included, 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 against INPGI.

26. POST-EMPLOYMENT BENEFITS

“Provisions”, equal to euro 46,709 thousand, dropped by euro 3,700 thousand.

Post-employment benefits (euro/000)	**31/12/2014**	**31/12/2013**
Provision for post-employment benefits (TFR)	39,013	42,572
Provision for supplementary agents’ indemnity (FISC)	7,369	7,519
Provision for retirement and similar obligations	327	318
Total post-employment benefits	**46,709**	**50,409**

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 valuations.

Actuarial assumptions to measure TFR	**31/12/2014**	**31/12/2013**
Economic assumptions:		
- increase in cost of living	0.6% - 1.5%	2.0%
- discounting rate	1.49%	3.17%
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 5.48% to 18.41%	from 1% to 18.98%
- retirement age	Applicable regulations	Applicable regulations

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 2013 (1.49% against 3.17%). In particular, the effect resulting from the change in the applied rate amounts to euro 2.5 million.
By increasing or decreasing the discounting rate by 0.5%, the effect on the "Post-employment benefits provision" item would be equal to approximately euro 1 million.

Post-employment benefits - Details (euro/000)	**TFR**	**FISC**	**Provision for retirement**
Balance at 31/12/2013	42,572	7,519	318
Changes in 2014:			
- provisions	706	1,701	8
- utilisations	(6,312)	(1,813)	-
- reversals	-	-	-
- discounting	1,252	-	-
- changes in the consolidation area and other changes	795	(38)	1
Balance at 31/12/2014	**39,013**	**7,369**	**327**

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 706 thousand and financial costs for euro 1,252 thousand.

The allocation and utilization of the "Provision for supplementary agents' indemnity" reflects the turnover in the sales force of the Group in 2014.

Actuarial assumptions to measure FISC	**31/12/2014**	**31/12/2013**
Economic assumptions:		
- discounting rate	1.49%	3.17%
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

"Provision for retirement" was not subject to discounting because the effects are irrelevant.

27. FINANCIAL LIABILITIES

Current and non-current "Financial liabilities", equal to euro 317,023 thousand, dropped by euro 128,436 thousand.

Non-current financial liabilities (euro/000)	**Actual interest rate**	**Expiry 1-5 years**	**Expiry over 5 years**	**31/12/2014**	**31/12/2013**
Bonds		-	-	-	-
Convertible bonds		-	-	-	-
Borrowings	4.543%	260,716	-	260,716	394,601
Payables due to suppliers		-	-	-	-
Payables due to associated companies		-	-	-	-
Payables due to parent companies		-	-	-	-
Payables due to affiliated companies		-	-	-	-
Payables due for lease agreements		-	-	-	-
Payables for shareholders' contributions		-	-	-	-
Liabilities resulting from derivatives		1,723	-	1,723	16
Other financial liabilities		3,888	-	3,888	4,219
Total non-current financial liabilities		**266,327**	**0**	**266,327**	**398,836**

Item "Non-current financial liabilities" equal to euro 266,327 thousand mainly included:

- euro 169,746 thousand regarding the amortised cost of the Amortizing Term Loan underwritten with a pool of banks and expiring in 2016/2017/2018;
- euro 43,747 thousand regarding the use of part of the Term Loan of the bilateral contract stipulated with Intesa Sanpaolo, coming to maturity in December 2016;
- euro 47,319 thousand regarding the use of part of the Term Loan of the contract stipulated with Mediobanca, coming to maturity in December 2017;
- euro 1,723 thousand regarding the fair value of the stipulated derivative contracts;
- euro 3,888 thousand, the fair value of the option relative to the acquisition of NaturaBuy S.a.s.

The significant reduction (euro 132,512 thousand) against the previous year reflected cash flow recovery and, consequently, the lower bank debt cost.

The actual interest rate relative to "Borrowings" corresponds to the weighted average of the actual rates calculated on borrowings.

Payables due to banks and other financial liabilities (euro/000)	**Actual interest rate**	**31/12/2014**	**31/12/2013**
Bank deposits		9,509	6,740
Bonds		-	-
Convertible bonds		-	-
Borrowings	3.528%	35,000	35,809
Payables due to suppliers		5	3
Payables due to associated companies		2,891	2,811
Payables due to parent companies		-	-
Payables due to affiliated companies		-	-
Payables due for lease agreements		-	3
Payables for shareholders' contributions		-	-
Liabilities resulting from derivatives		-	-
Other financial liabilities		3,291	1,257
Total payables due to banks and other financial liabilities		**50,696**	**46,623**

"Payables due to banks and other financial liabilities" were equal to euro 50,696 thousand and mainly included:
- euro 10,000 thousand regarding the use of the revolving portion of the bilateral loan contract stipulated with Intesa Sanpaolo, coming to maturity in December 2016;
- euro 10,000 thousand regarding the use of hot money lines;
- euro 15,000 thousand regarding the use of the Term Loan coming to maturity in January 2015, following the partial advance reimbursement, envisaged by the contract, following the asset disposal finalized in December 2014;
- euro 2,891 thousand relative to financial payables due to associated companies using the intercompany current accounts. For more information reference should be made to "Transactions with related parties".

At 31 December 2014 the Financial Covenant Leverage Ratio (Net Financial Position/EBITDA) resulting from the consolidated annual report was equal to 4.35, below the cap of 4.50 envisaged in the corresponding loan contracts.

For information relative to the financial instruments reference should be made to note 21 "Financial assets" in these Notes.

28. OTHER CURRENT LIABILITIES

The reduction in item "Advances to customers" is almost entirely attributable to the transfer of the business from Mondadori Pubblicità S.p.A. to Mediamond S.p.A.; the reduction in headcount resulted in a reduction in "Tax payables" for withholdings and in "Payables due to welfare and social security entities" for contributions paid. "Tax payables" also include payable balances for VAT of some French companies.

Other current liabilities (euro/000)	**31/12/2014**	**31/12/2013**
Advances to customers	25,639	28,495
Tax payables	13,830	14,296
Payables due to welfare and social security entities	27,921	28,181
Payables due to associated companies	452	757
Other payables	136,382	148,364
Total other current liabilities	**204,224**	**220,093**

"Other payables" posted a reduction in the following items:

- "Payroll and other amounts due to personnel" as a result of the headcount reduction following the pre-retirement policy implemented in 2013;
- "Payables due to authors and workers" as a result of lower revenues generated in the Trade Books Area;
- "Payables to subscription and instalment customers" as a result of the reduction in the number of subscriptions for Italian magazines.

Other current liabilities – Other payables (euro/000)	**31/12/2014**	**31/12/2013**
Payroll and other amounts due to personnel	27,536	30,360
Payables due to authors and workers	44,945	49,038
Payables due to agents	8,169	8,318
Payables to subscription and instalment customers	42,271	47,446
Payables to directors and statutory auditors	3,255	2,073
Deferred income for anticipated rents	-	85
Other payables, accrued expense and deferred income	10,206	11,044
Total other payables	**136,382**	**148,364**

29. TRADE PAYABLES

Trade payables (euro/000)	**31/12/2014**	**31/12/2013**
Payables due to suppliers	271,182	301,173
Payables due to associated companies	15,150	12,911
Payables due to parent companies	24	49
Payables due to affiliated companies	4,723	7,174
Total trade payables	**291,079**	**321,307**

At 31 December 2014 "Trade payables", equal to euro 291,079 thousand, dropped as a result of:

- changes in the consolidation area, mainly attributable to the transfer of business from Mondadori Pubblicità S.p.A. to Mediamond S.p.A. (euro 25,535 thousand);
- the cost containment policy focusing on variable costs in the Magazines Italy Area, implemented as a result of dropping revenues;

• lower purchases in the Retail Area;
• increased payables in the Books Area, due to the purchase of third party products for reselling.

"Payables due to associated companies" were slightly up against 31 December 2013 following services carried out by the Group on account of third publishers in relation to the distribution of products (euro 4.2 million for Edizioni EL S.r.l. in the Books Area; euro 2 million for Società Europea di Edizioni S.p.A. and euro 1.5 million for Gruner+Jahr/Mondadori S.p.A. in the Magazines Italy Area) and barter of goods against advertising pages from Mediamond S.p.A. for euro 6.4 million.

Payables due to associated companies, parent companies and affiliated companies are detailed in Annex "Transactions with related parties"; transactions with related parties are carried out under normal market conditions.
There are no trade payables due over five years.

30. REVENUES FROM SALES AND SERVICES

Revenues from sales and services (euro/000)	**FY 2014**	**FY 2013**	**Var. %**
Revenues from the sale of products:			
- books	250,013	253,329	(1.3%)
- magazines	446,932	486,485	(8.1%)
- direct	18,381	22,025	(16.5%)
- retail	185,196	193,276	(4.2%)
- other assets	15,729	12,954	21.4%
Revenues from the sale of services:			
- transfer of publication rights	3,960	4,597	(13.9%)
- sale of e-books	9,000	8,058	11.7%
- revenues from book e-commerce	10,703	10,367	3.2%
- advertising services	174,342	222,109	(21.5%)
- direct marketing	12,008	15,589	(23.0%)
- ticket sale and organisation of exhibitions	16,238	13,876	17.0%
- other services	34,993	33,126	5.6%
Total revenues from sales and services	**1,177,495**	**1,275,791**	**(7.7%)**

"Revenues from sales and services", equal to euro 1,177,495 thousand, dropped by 7.7% (-4.6% when considering the transfer of business from Mondadori Pubblicità S.p.A. to Mediamond S.p.A.) as a result of:
• dropping book sales (-1.3%): up in the educational area and in third publisher product logistics, down in the Trade Area;
• dropping revenues from circulation and add-on sales: in Italy, revenues from the sales of copies were down by 7.2% and revenues from add-on sales fell by 24.3%; while in France, revenues from the sale of copies dropped by 1.7%;
• lower revenues from the sale of books from mail orders (-16.5%), in line with the dropping performance recorded in the last years;
• lower revenues from the Group network stores (-4.2%), scattered throughout Italy;
• growth in revenues from the sale of e-books and e-commerce, which is significant in percentages (+11.7% and +3.2%), but still scarcely relevant in absolute values;

- decreasing revenues from advertising sales in magazines by 3.4% in Italy and 9.1% in France. The drop reported in the table totals 21.5% as advertising sales in third publisher magazines was performed by Mediamond S.p.A. in 2014;
- significant decrease in revenues from direct marketing activities carried out by subsidiary Cemit Interactive Media S.p.A., which remains the leading company in a sector characterized by a negative trend in the past few years (-23%);
- increased revenues reached in the segment regarding the organization of exhibitions and temporary events and management of museum concessions (+17%).

For more information on revenues and performance of the different business segments in which the Group operates, reference should be made to the "Annual Report".

31. COST OF RAW, ANCILLARY, CONSUMPTION MATERIALS AND GOODS

Cost of raw, ancillary, consumption materials and goods (euro/000)	**FY 2014**	**FY 2013**
Paper	59,755	42,166
Other production materials	5	32
Total cost of raw and ancillary materials	**59,760**	**42,198**
Goods for re-sale	133,190	136,179
Consumption and maintenance materials	2,087	2,033
Other	6,292	5,756
Total cost of consumption materials and goods	**141,569**	**143,968**
Total cost of raw, ancillary, consumption materials and goods	**201,329**	**186,166**

"Costs for raw, ancillary, consumption materials and goods" were not consistent with those taken into account in 2013, as up until last year paper was directly purchased only by Mondadori France and Mondadori Education S.p.A; all other companies relied on the corresponding printing service provider, which billed raw materials together with its printing and packaging activities.
As of 1 January 2014 paper is directly purchased by Mondadori for all of its printing activities.

For comparison purposes, when aggregating costs for the purchase of paper with the costs for external processing, classified under "Costs of services", a reduction by nearly 10% is recorded as a result of lower production volumes in all market segments in which the Group operates.

The cost reduction in "Goods for re-sale" is attributable to the Retail Area and, to a lesser extent, to Mondadori Electa S.p.A. museum bookshops.

32. COST OF SERVICES

This item, equal to euro 673,474 thousand, posted a significant reduction.

Cost of services (euro/000)	**FY 2014**	**FY 2013**
Rights and royalties	94,838	107,943
Consultancy services and third party collaborations	65,395	70,899
Commissions	51,899	61,209
Third party graphical processing	173,286	215,781
Transport and shipping	70,380	78,635
Purchase of advertising space and promotion expenses	52,253	56,509
Preparation and layout of trade shows and exhibitions	6,461	3,039
Travel and other expense reimbursements	6,683	8,108
Maintenance expenses	5,011	6,315
Telephone and postal expenses	8,623	9,289
Catering and cleaning services	7,781	8,542
Market research	5,877	6,387
Insurance	2,457	2,794
Subscriptions management	33,971	32,870
Publisher's share	3,715	30,225
Electricity, water, gas and fuel	7,227	8,268
Bank services and commissions	2,792	3,067
EDP services	7,129	2,432
Directors' and statutory auditors' fees	4,940	4,961
Temporary work fees	9,239	8,669
Rents and service expenses	25,864	28,866
Leases and rentals	10,571	13,434
Other services	17,082	15,047
Total cost of services	**673,474**	**783,289**

Also “Costs of services” were not consistent due to the same reasons described in note 31.

As a result of dropping revenues, which affected all Group activity areas, also other strictly related costs, including “Rights and royalties”, “Commissions”, “Transport and shipping”, in addition to the already mentioned “Third party graphical processing”, recorded significant reductions.

Item “Commissions” and item “Publisher’s share” reflected the effect of the business transfer transaction from Mondadori Pubblicità S.p.A. to Mediamond S.p.A.

The other cost items posted a reduction due to the revenue trend and the significant cost reduction policies implemented.

The costs for the organization and layout of exhibitions and events increased as a result of the further development of the activity in 2014, generating increased revenues; costs for “EDP services” grew as a result of the outsourced activity to IBM of part of the structure and activity, which was formerly carried out directly by the Parent Company.

Costs for “Rents and service expenses” and “Leases and rentals”, which in 2013 were classified under item “Other costs (revenues)”, decreased following the rationalization process implemented at company level targeted to the centralization of some structures in the headquarters of Segrate and the re-negotiation of some lease contracts particularly in the Retail Area.

Item “Directors’ and statutory auditors’ fees” comprised fees paid to Directors and Statutory Auditors for euro 4,505 thousand and euro 435 thousand, respectively.

33. COST OF PERSONNEL

Cost of personnel (euro/000)	**FY 2014**	**FY 2013**
Salaries and wages	160,793	176,724
Stock options	-	-
Social security charges	51,393	53,407
Post-employment benefits TFR	706	536
Supplementary pension scheme plans	7,557	8,961
Retirement indemnity and similar obligations	7	-
Other costs	10,132	50,840
Total cost of personnel	**230,588**	**290,468**

Employees	**Actual 31/12/2014**	**Actual 31/12/2013**	**Average FY 2014**	**Average FY 2013**
Executives	111	130	113	140
White collars, middle managers and journalists	2,902	3,172	2,980	3,290
Blue collars	110	134	122	140
Total	**3,123**	**3,436**	**3,215**	**3,570**

Employees with a fixed-term or permanent labour contract employed by the Group companies at 31 December 2014 totalled 3,123 people, down 9.1% (-313 people) against December 2013 (3,436 employees).

In 2014 cost of personnel dropped by 20.6%; net of restructuring costs and the effects from extraordinary transactions carried out in the year of reference (transfer of the business from Mondadori Pubblicità S.p.A. to Mediamond S.p.A., acquisition of London-Boutiques Ltd, now Mondadori UK Ltd, and Kiver S.r.l.), the decrease would be equal to 6.2%.

The trend of the markets in which the Group operates required more efficiency in each single business segment; at the end of April 2014 the second restructuring plan for the graphic-publishing employees was completed, through which a reduction by a total of 148 people was achieved in the centralized staff functions and in the Magazines Area, thanks to the implementation of pre-retirement schemes.

The restructuring plan of the Magazines Area was also continued for journalists; in the 2013-2014 two-year period 30 journalists were dismissed.

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 2009-2010-2011 time spans and described in the Remuneration Report pursuant to article 123-*ter* of Italian Legislative Decree no. 58 of 24 February 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 2014.

The granting of loans or other facilities for the purchase of shares is not admitted pursuant to art. 2358, par. 3, of the Italian Civil Code.

Stock option	2009	2010
In circulation at 01/01/2013	1,100,000	720,000
- assigned during the year	-	-
- cancelled during the year	-	-
- exercised during the year	-	-
- expired during the year	-	-
In circulation at 31/12/2013	1,100,000	720,000
Vesting period	16/10/2012-16/10/2015	22/07/2013-21/07/2016
Price in euro	3.4198	2.4693
Exercisable at 31/12/2014	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)	0.83	1.58
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%

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.

The cost of share-based payments recognised in item "Cost of personnel" under income statement, deriving from share-based payments, totals euro zero.

34. OTHER (INCOME) COST

Other (income) cost (euro/000)	**FY 2014**	**FY 2013**
Other revenues and income	(34,611)	(28,516)
Various operating costs	25,020	49,854
Total other (income) cost	**(9,591)**	**21,338**

"Other revenues and income" increased mainly as a result of capital gain deriving from the transfer of some assets, including the transfer of the business relative to the book store located in Corso Vittorio Emanuele in Milan and the *PCProfessionale* and *Ciak* magazines.

Income from costs borne for publishers and third party customers and charged back in the framework of the performance of logistics services decreased as a result of the reduction posted in the activity against the previous year.

Other (income) cost – Other revenues and income (euro/000)	FY 2014	FY 2013
Year's contributions	53	32
Capital gains from the transfer of assets	13,335	498
Supplier rebates and other third party contributions	664	2,110
Insurance reimbursements	239	4
Rentals	1,482	1,403
Contingent assets	4,802	3,409
Third party expense reimbursements	10,561	14,265
Other	3,475	6,795
Total other revenues and income	**34,611**	**28,516**

The improved result against the previous year is mainly attributable to lower losses on receivables, a reduction in fund provisions for certain and probable liabilities and adjustments of assets items, bad debt and impairment on trade receivables and other assets, also resulting from the changes in the Group's consolidation area.

Fund utilizations increased against 2013, due to higher costs regarding compensations, settlements, contingent liabilities and other income statement items; other income included the share of these provisions in excess of estimates made for the financial years in which they were allocated.

Other (income) cost – Other operating costs (euro/000)	FY 2014	FY 2013
Bad debt	8,640	15,677
Provisions/(Utilization) of provisions for legal and other risks	95	18,420
Contributions and grants	417	474
Capital loss from the transfer of assets	394	716
Entertainment expenses, gifts and information material	5,722	6,196
Other taxes and duties	5,581	5,287
Other	4,171	3,084
Total other operating costs	**25,020**	**49,854**

35. RESULT FROM INVESTMENTS VALUED AT EQUITY

The economic results of consolidated companies valued at equity showed an increase against 2013 (euro -802 thousand), mainly as a result of:

- profits recorded by Gruner+Jahr/Mondadori S.p.A., after two negative years, including also significant restructuring costs;
- additional increase in the profitability margins of the Chinese Mondadori Seec Advertising Co. Ltd joint venture, the advertising agency for the local edition of *Grazia*;
- limited loss from the French EMAS Digital S.a.s. joint venture;

despite the worsening results of Mediamond S.p.A. following the transfer of the business from Mondadori Pubblicità S.p.A.

Revenues (costs) from investments valued at equity (euro/000)	**FY 2014**	**FY 2013**
- Gruner + Jahr/Mondadori S.p.A.	186	(822)
- Harlequin Mondadori S.p.A.	541	459
- Milano Distribuzione Media S.r.l.	-	(83)
- ACI-Mondadori S.p.A.	(694)	(415)
- Attica Publications Group	258	334
- Società Europea di Edizioni S.p.A.	(1,430)	(1,394)
- Random House Mondadori Group	-	-
- Mach 2 Libri S.p.A.	(269)	(341)
- Mach 2 Press S.r.l.	(128)	(331)
- Mondadori Independent Media LLC	165	126
- Edizioni EL S.r.l.	505	479
- Roccella S.c.ar.l.	-	(145)
- Venezia Musei Società per i servizi museali S.c.ar.l.	-	(20)
- Mediamond S.p.A.	(686)	251
- Venezia Accademia Società per i servizi museali S.c.ar.l.	(7)	25
- 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	1,678	1,363
- EMAS Digital S.a.s.	(918)	(1,189)
- Milano Cultura S.c.ar.l.	(3)	-
Total income (cost) from investments valued at equity	**(802)**	**(1,759)**

36. FINANCIAL INCOME (COSTS)

Financial income (costs) (euro/000)	FY 2014	FY 2013
Interest from banks and post offices	29	558
Financial income from derivatives	225	1,443
Financial income	751	1,000
Other interest	224	311
Total interest and other financial income	**1,229**	**3,312**
Interest to banks and post offices	159	265
Interest on bonds, loans and borrowings	18,278	11,122
Financial costs from derivatives	798	10,400
Other financial costs for discounting assets/liabilities	1,252	1,718
Other interest	3,854	4,002
Total interest expense and other financial costs	**24,341**	**27,507**
Realised positive currency differences	299	265
Unrealised positive currency differences	59	20
Realised negative currency differences	(176)	(776)
Unrealised negative currency differences	(56)	(26)
Total income (loss) on currency transactions	**126**	**(517)**
Income (cost) from financial assets	-	503
Total financial income (costs)	**(22,986)**	**(24,209)**

At 31 December 2014 net financial income posted an increase by euro 1,223 thousand against the previous year, mainly as a result of lower interest due for euro 1,358 thousand; the positive difference against the previous year reflected the termination of interest rate derivative contracts in November 2013 following debt re-negotiation for approximately euro 3,800 thousand.

The difference against the previous year is attributable to other financial cost items and, mainly:

- lower interests accrued for euro -867 thousand;
- higher net income from currency exchange transactions for euro 525 thousand;
- lower discounting costs on post-employment benefits for euro 466 thousand;
- euro -503 thousand relative to the capital gain on the transfer of bonds completed in 2013.

37. INCOME TAX

Income tax (euro/000)	FY 2014	FY 2013
IRES tax on income for the period	(1.598)	(8.072)
IRAP for the period	5.105	6.186
Total current taxes	**3.507**	**(1.886)**
Deferred/pre-paid taxes for IRES	10.657	(20.081)
Deferred/pre-paid taxes for IRAP	1.083	(765)
Total deferred/pre-paid taxes	**11.740**	**(20.846)**
Other tax items	407	(1.057)
Total income taxes	**15.654**	**(23.789)**

The tax burden for the period grew by over euro 39 million:

- current taxes, including IRES and IRAP for the companies having legal offices in Italy, and income tax of foreign companies posted a significant increase against 2013 as a result of the improved income performance of almost all legal entities:
  - "IRES tax on income for the period", equal to euro -1,598 thousand, including also Mondadori France Group taxes (euro 5,777 thousand against euro 6,767 thousand in 2013), is reflected as net income despite the comments above. Tax liabilities attributed to the Parent Company, Monradio S.r.l. and Cemit Interactive Media S.p.A. exceeded the profits recorded by the other Italian Group companies;
  - "IRAP for the period", equal to euro 5,105 thousand, posted a reduction despite the improved economic performance, as a result of the significant drop of labour cost, which is not deductible for tax purposes;
- deferred/pre-paid taxes showed an opposite trend in the two years taken into account for comparison purposes:
  - in 2013 the positive impact was attributed to:
    - net allocation of pre-paid taxes referring to loans, irrelevant for tax purposes, mainly resulting from staff downsizing, for probable liabilities of Mondadori Pubblicità S.p.A. following the transfer of the business to Mediamond S.p.A. for bad debt risk;
    - net utilization of deferred taxes mainly attributable to devaluation following impairment;
  - in 2014 the negative impact was attributed to:
    - net utilization of pre-paid taxes following the realignment of various temporary differences generated in the previous year, mainly for costs relative to staff downsizing;
    - net allocation of deferred taxes as a result of tax deductibility of the amortization portion of some intangible assets with indefinite useful life that were not amortized in the financial statements pursuant to IAS 38;
- "Other tax items" included the benefits recognized by Fininvest S.p.A. for the application of the tax consolidation regime. In 2014 a provision was made in relation to a tax dispute.

Reconciliation between the theoretical tax charge and the current tax charge

(euro/000)	FY 2014			FY 2013		
	Pre-tax result	Tax amount	Current tax rate	Pre-tax result	Tax amount	Current tax rate
Theoretical IRES tax amount	19,417	5,340	27.50%	(207,277)	(57,001)	27.50%
Theoretical IRAP tax amount	19,417	757	3.90%	(207,277)	(8,084)	3.90%
Total theoretical tax amount/rate		**6,097**	**31.40%**		**(65,085)**	**31.40%**
Actual IRES tax amount		9,616	49.52%		(29,205)	14.09%
Actual IRAP tax amount		6,038	31.10%		5,416	(2.61%)
Total actual tax amount/rate		**15,654**	**80.62%**		**(23,789)**	**11.48%**
Theoretical tax amount/rate		**6,097**	**31.40%**		**(65,085)**	**31.40%**
Effect relating to consolidation entries		525	2.70%		26,806	(12.93%)
Effect relative to the recognition of taxes relative to previous years		(835)	(4.30%)		(981)	0.47%
Effect relative to companies posting losses		86	0.44%		671	(0.32%)
Effect of differences in tax rates on taxable income of foreign subsidiaries		1,905	9.81%		318	(0.15%)
Net effect of other permanent differences		2,595	13.37%		982	(0.47%)
Effect of different IRAP tax base		5,281	27.20%		13,500	(6.52%)
Actual tax amount/rate		**15,654**	**80.62%**		**(23,789)**	**11.48%**

38. 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 2014	FY 2013
Net income for the period (euro/000)	618	(185.415)
Average number of outstanding ordinary shares (no./000)	247,730	231,505
Basic earnings per share (euro)	**0.002**	**(0.801)**

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 2014	FY 2013
Net income for the period (euro/000)	618	(185,415)
Average number of outstanding ordinary shares (no./000)	247,730	231,505
Number of options with diluted effect (no./000)	0	0
Diluted earnings per share (euro)	**0.002**	**(0.801)**

39. COMMITMENTS AND CONTINGENT LIABILITIES

At 31 December 2014 Mondadori Group has commitments underwritten for a total amount of euro 88,062 thousand (euro 124,019 thousand at 31 December 2013) mainly represented by guarantees issued on VAT receivables subject to reimbursement and prize contests transactions.
In 2014 the amount of commitments was sharply down as a result of some VAT reimbursements obtained and the cancellation of guarantees previously released by the Parent Company to credit institutes in favour of some Group subsidiaries.

40. 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 early retirement schemes and staff downsizing policies recognized under “Cost of personnel” for euro 4,527 thousand, and the relevant effects booked in “Income tax” for euro 1,294 thousand.

41. RELATED PARTIES

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

Benefits to executives with strategically relevant functions

At 31 December 2014 the executives holding responsibilities in relation to Mondadori Group planning, direction and control activities are listed below:

Directors	
Ernesto Mauri	CEO
Oddone Pozzi	CFO, Director of Purchasing and IT
Executives	
Riccardo Cavallero	Director of Trade Books
Mario Maiocchi	Director of Business Direct
Carlo Luigi Mandelli	Director of Magazines Italy, Advertising, Radio and International
Carmine Perna	Director of Mondadori France
Antonio Porro	Director of Educational Books
Federico Rampolla	Director of Digital Innovation
Enrico Selva Coddè	Director of Human Resources and Group Organization

In 2014 the comprehensive amount due for compensation to executives holding responsibilities in relation to Mondadori Group planning, direction and control activities (Chairman, CEO and Executives with strategic functions) amounted to euro 8.7 million.
Net of the long-term multi-year incentive plan attributed to the CEO becoming payable upon approval of the 2014 financial statements by the Shareholders' Meeting, the total compensation amount for the period was reduced by 9.3% against the amount paid in the previous year.
This decrease reflected the re-organization of the top management accomplished in 2013, which resulted in a reduction of the average number of executives with strategic functions, excluding the Chairman, from 10.8 to 9.

Transactions with parent companies, associated and affiliated companies

Below is a detail of the economic and financial impact of transactions with parent companies, associated and affiliated companies relative to 2013 and 2014.

TRANSACTIONS WITH RELATED PARTIES: FIGURES AT 31 DECEMBER 2014

(euro/000)	Trade receivables	Financial receivables	Tax receivables	Other current assets
Parent companies				
- Fininvest S.p.A.	29	-	10,440	-
Associated companies				
- Gruner + Jahr/Mondadori S.p.A.	386	-	-	2,917
- Mach 2 Libri S.p.A.	20,159	1	-	-
- Venezia Musei Società per i servizi museali S.c.ar.l.	260	-	-	-
- Harlequin Mondadori S.p.A.	149	-	-	151
- Attica Publications Group	119	500	-	-
- Edizioni EL S.r.l.	744	-	-	9
- Società Europea di Edizioni S.p.A.	557	-	-	-
- ACI-Mondadori S.p.A.	38	-	-	-
- Consorzio Covar (in liquidation)	-	-	-	4
- EMAS Digital S.a.s.	-	2,625	-	-
- Campania Arte S.c.ar.l.	23	134	-	-
- Mondadori Independent Media LLC	62	-	-	-
- Venezia Accademia Società per i servizi museali S.c.ar.l.	25	25	-	-
- Mediamond S.p.A.	21,326	-	-	-
- Mondadori Seec Advertising Co. Ltd	493	2,144	-	-
- Mach 2 Press S.r.l.	-	-	-	-
Total associated companies	**44,341**	**5,429**	**0**	**3,081**

Trade payables	Financial payables	Tax payables	Other current payables	Revenues	Purchases of raw materials	Purchases of services	Other costs (revenues)	Financial revenues (costs)
24	-	-	841	5	-	70	(78)	-
1,494	22	-	166	1,911	39	710	(227)	(2)
107	-	-	-	17,085	-	123	(13)	1
-	-	-	-	-	-	-	-	-
308	2,593	-	-	409	7,185	-	(85)	(8)
10	-	-	1	1	-	21	-	26
4,232	-	-	6	873	5,935	9	(613)	-
2,095	-	-	123	2,829	215	-	(9)	-
-	100	-	-	171	1	3	(49)	38
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	29
42	-	-	-	20	-	51	(2)	-
-	-	-	-	194	-	-	-	-
17	-	-	-	18	2	50	(11)	-
6,426	176	-	156	90,870	3,011	7,055	(1,137)	130
67	-	-	-	710	-	95	-	-
352	-	-	-	-	395	1,100	-	-
15,150	**2,891**	**0**	**452**	**115,091**	**16,783**	**9,217**	**(2,146)**	**214**

TRANSACTIONS WITH RELATED PARTIES: FIGURES AT 31 DECEMBER 2014

(euro/000)	Trade receivables	Financial receivables	Tax receivables	Other current assets
Affiliated companies				
- RTI - Reti Televisive Italiane S.p.A.	223	-	-	62
- Publitalia '80 S.p.A.	373	-	-	-
- Digitalia '08 S.r.l. (former Promoservice Italia S.r.l.)	-	-	-	-
- Banca Mediolanum S.p.A.	9	-	-	-
- Medusa Film S.p.A.	-	-	-	-
- The Space Cinema 1 S.p.A.	-	-	-	-
- Isim S.p.A.	-	-	-	-
- Mediaset S.p.A.	10	-	-	-
- Media Shopping S.p.A.	8	-	-	-
- Il Teatro Manzoni S.p.A.	-	-	-	-
- Mediolanum Comunicazione S.p.A.	-	-	-	-
- Fininvest Gestione Servizi S.p.A.	2	-	-	-
- AC Milan S.p.A.	-	-	-	-
- Milan Entertainment S.r.l.	-	-	-	-
- Alba Servizi Aerotrasporti S.p.A.	-	-	-	-
- Promoservice Italia S.r.l.	-	-	-	-
- Mediobanca S.p.A.	-	-	-	-
Total affiliated companies	**625**	**0**	**0**	**62**
Other related parties				
- Sin&rgetica S.r.l.	-	-	-	-
Total other related parties	**0**	**0**	**0**	**0**
Total related parties	**44,995**	**5,429**	**10,440**	**3,143**
% of incidence	**16.7%**	**45.6%**	**20.9%**	**3.6%**

Trade payables	Financial payables	Tax payables	Other current	Revenues	Purchases of raw materials	Purchases of services	Other costs (revenues)	Financial revenues (costs)
1,648	-	-	-	591	1	769	(1)	-
2,815	-	-	-	306	-	9,987	-	-
65	-	-	-	-	-	106	-	-
-	-	-	-	69	-	-	-	-
154	-	-	-	-	-	-	-	-
-	-	-	-	-	-	6	-	-
2	-	-	-	-	-	-	-	-
-	-	-	-	10	-	-	-	-
-	-	-	-	16	-	-	3	-
-	-	-	-	5	-	5	-	-
-	-	-	-	87	-	-	-	-
20	-	-	-	2	-	49	-	-
-	-	-	-	3	-	-	-	-
1	-	-	-	-	-	3	-	-
11	-	-	-	-	-	11	-	-
7	-	-	-	-	-	-	8	-
-	50,923	-	-	-	-	-	-	(3,516)
4,723	**50,923**	**0**	**0**	**1,089**	**1**	**10,936**	**10**	**(3,516)**
-	-	-	-	-	-	-	-	-
0	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
19,897	**53,814**	**0**	**1,293**	**116,185**	**16,784**	**20,223**	**(2,214)**	**(3,302)**
6.8%	**17.0%**	**n.s.**	**0.6%**	**9.9%**	**8.3%**	**3.0%**	**n.s.**	**14.4%**

TRANSACTIONS WITH RELATED PARTIES: FIGURES AT 31 DECEMBER 2013

(euro/000)	Trade receivables	Financial receivables	Tax receivables	Other current assets
Parent companies				
- Fininvest S.p.A.	31	-	32,763	-
Associated companies				
- Gruner + Jahr/Mondadori S.p.A.	4,361	-	-	-
- Mach 2 Libri S.p.A.	19,781	-	-	-
- MDM Milano Distribuz. Media S.r.l. (until 27/5/2013)	-	-	-	-
- Venezia Musei Società per i servizi museali S.c.ar.l.	260	-	-	-
- Harlequin Mondadori S.p.A.	173	-	-	150
- Attica Publications Group	126	500	-	-
- Edizioni EL S.r.l.	750	-	-	12
- Società Europea di Edizioni S.p.A.	584	-	-	-
- ACI-Mondadori S.p.A.	198	1,096	-	-
- Consorzio Covar (in liquidation)	-	-	-	4
- EMAS Digital S.a.s.	-	2,627	-	-
- Roccella S.c.ar.l. (in liquidation)	-	-	-	-
- Campania Arte S.c.ar.l.	32	134	-	-
- Mondadori Independent Media LLC	83	-	-	-
- Venezia Accademia Società per i servizi museali S.c.ar.l.	-	25	-	-
- Mediamond S.p.A.	6,131	-	-	110
- Mondadori Seec Advertising Co. Ltd	919	2,695	-	-
- Mach 2 Press S.r.l.	-	-	-	-
Total associated companies	**33,398**	**7,077**	**0**	**276**

Trade payables	Financial payables	Tax payables	Other current payables	Revenues	Purchases of raw materials	Purchases of services	Other costs (revenues)	Financial revenues (costs)
49	-	-	-	7	-	58	(57)	-
3,918	6	-	180	2,374	26	2,647	153	(1)
124	-	-	-	24,466	-	131	(5)	-
-	-	-	-	-	-	36	-	-
-	-	-	-	-	-	-	-	-
114	2,563	-	-	400	8,470	-	(104)	(1)
17	-	-	-	57	-	37	-	27
4,452	-	-	3	891	6,025	13	(612)	-
1,962	-	-	123	2,827	222	-	(6)	-
505	-	-	-	845	8	914	(118)	11
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	52
-	-	-	-	-	-	-	(14)	(52)
25	-	-	-	7	-	13	-	-
-	-	-	-	249	-	-	-	-
71	-	-	-	-	-	75	-	-
1,206	242	-	450	10,224	-	2,188	(584)	1
218	-	-	-	652	-	306	-	-
299	-	-	1	-	-	1,107	-	-
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
Affiliated companies				
- RTI - Reti Televisive Italiane S.p.A.	442	-	-	-
- Publitalia ’80 S.p.A.	-	-	-	-
- Digitalia ’08 S.r.l. (former Promoservice Italia S.r.l.)	224	-	-	-
- Banca Mediolanum S.p.A.	54	-	-	-
- Medusa Film S.p.A.	-	-	-	-
- Radio e Reti S.r.l.	9	-	-	-
- Isim S.p.A.	-	-	-	-
- Mediaset S.p.A.	14	-	-	-
- Media Shopping S.p.A.	-	-	-	-
- Publieurope Ltd	504	-	-	-
- Towertel S.p.A.	-	-	-	-
- Fininvest Gestione Servizi S.p.A.	5	-	-	-
- AC Milan S.p.A.	22	-	-	-
- Milan Entertainment S.r.l.	1	-	-	-
- Mediobanca S.p.A.	-	148	-	-
Total affiliated companies	**1,275**	**148**	**0**	**0**
Other related parties				
- Sin&rgetica S.r.l.	-	-	-	-
Total other related parties	**0**	**0**	**0**	**0**
Total related parties	**34,704**	**7,225**	**32,736**	**276**
% of incidence	**11.1%**	**43.6%**	**36.1%**	**0.3%**

Trade payables	Financial payables	Tax payables	Other current payables	Revenues	Purchases of raw materials	Purchases of services	Other costs (revenues)	Financial revenues (costs)
2,351	-	-	-	904	660	941	(17)	-
4,364	-	-	-	-	-	10,112	-	-
4	-	-	-	197	-	4	-	-
-	-	-	-	199	-	-	-	-
153	-	-	-	-	17	22	-	-
-	-	-	-	-	-	-	-	-
2	-	-	-	-	-	-	-	-
-	-	-	-	14	-	-	-	-
9	-	-	-	36	-	-	-	-
267	-	-	-	1,523	-	267	-	-
2	-	-	-	-	-	122	-	-
-	-	-	-	5	-	10	-	-
-	-	-	-	21	-	-	6	-
22	-	-	-	-	-	19	-	-
-	70,069	-	-	-	-	-	-	(2,823)
7,174	**70,069**	**0**	**0**	**2,899**	**677**	**11,497**	**(11)**	**(2,823)**
-	-	-	-	-	-	-	-	-
0	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
20,134	**72,880**	**0**	**757**	**45,898**	**15,428**	**19,022**	**(1,358)**	**(2,786)**
6.3%	**16.4%**	**n.s.**	**0.3%**	**3.6%**	**8.3%**	**2.4%**	**n.s.**	**11.5%**

42. 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 envisaged the setting up of a Risk Committee, whose task is to identify any changes. The Policy was adopted by the Parent Company, Arnoldo Mondadori Editore S.p.A., and all Group companies.

The Mondadori Group analyses and measures its exposure to financial risks for the purpose of defining management and hedge strategies. The criteria used by the Group 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.

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 bullet loan coming to maturity in December 2016 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 0.61% fixed rate 1-month Euribor hedge, comprising an interest rate swap of a notional value of euro 50 million, with expiry in December 2017;
- a 0.42% fixed rate 1-month Euribor hedge, comprising an interest rate swap of a notional value of euro 90 million, with expiry in December 2016.

For more detailed information regarding debt, reference should be made to note 21 “Financial assets”, and note 27 “Financial liabilities”.

The following table illustrates the findings of the sensitivity analysis with indication of the relevant impact on income statement and Shareholders’ equity, gross of any tax effects, as requested by IFRS 7.

Sensitivity analysis (euro/million)	**Underlying**	**Interest rate increase/ (decrease)**	**Revenues (cost)**	**Shareholders' equity increase (decrease)**
2014	(283.0)	1%	(1.5)	3.1
2013	(281.7)	1%	(2.8)	1.3
2014	(283.7)	(0.2%)	0.3	(0.6)
2013	(281.7)	(0.2%)	0.6	(0.3)

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.

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 Group is not particularly exposed to exchange rate risks. At 31 December 2014 there are no exchange derivatives in place.

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 Mondadori 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 credit lines. For more detailed information regarding current and non-current financial liabilities, reference should be made to note 27 "Financial liabilities".

At 31 December 2014 liquidity risk was managed by Mondadori Group through the following tools:
- bank and post office deposits totalling euro 11.8 million;
- committed credit lines totalling approximately euro 570.0 million (euro 280.0 million of which unused) and uncommitted credit lines of euro 187.5 million, used for a total of euro 18.8 million at 31 December 2014.

The table below details the Group exposure to liquidity risk and the relevant maturity dates.

Liquidity risk (euro/million)	**Analysis of maturity periods at 31/12/2014**						
	< 6 months	**6-12 months**	**1-2 years**	**2-5 years**	**5-10 years**	**> 10 years**	**Total**
Trade payables	275.9	-	-	-	-	-	275.9
Medium/long-term loans	22.1	7.0	153.9	141.1	-	-	324.1
Other financial liabilities:							
- committed lines	-	-	-	-	-	-	0
- uncommitted lines	12.9	10.1	-	-	-	-	23.0
Other liabilities	74.3	-	-	-	-	-	74.3
Payables due to associated companies	18.0	-	-	-	-	-	18.0
Total	**403.2**	**17.1**	**153.9**	**141.1**	**0**	**0**	**715.3**
Derivatives on rate risk	0.3	0.4	0.7	0.3	-	-	1.7
Derivatives on currency risk							
Total exposure	**403.5**	**17.5**	**154.6**	**141.4**	**0**	**0**	**717.0**

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**

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 credit lines are reported in the first column.

For the purpose of meeting liquidity requirements, the Group relies on credit lines and liquidity, 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.

A special type of credit risk is represented by the counterparty/replacement risk in case of derivative exposure. In this 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.

In the case of Mondadori Group this potential risk is limited, 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.

Maximum risk exposure for financial 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)	**31/12/2014**	**31/12/2013**
Deposits	11.8	62.9
Receivables and loans:		
- trade receivables and other current financial assets	300.9	342.8
- trade receivables and other non-current financial assets	37.9	35.7
Held-for-sale assets	-	-
Receivables from hedge derivatives	-	-
Guarantees	-	-
Total maximum exposure to credit risk	**350.6**	**441.4**

The table below illustrates the Group's exposure to credit risk by geographical area:

	Credit risk concentration			
	(Euro/million) 31/12/2014	**(Euro/million) 31/12/2013**	**% 31/12/2014**	**% 31/12/2013**
By geographical area:				
Italy	214.7	261.1	79.9%	83.6%
France	54.0	51.3	20.1%	16.4%
Other countries	-	-	-	-
Total	**268.7**	**312.4**	**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 credit line. 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 companies set up a provision based on historical data and statistics.

The table below illustrates the Group's exposure to credit risk by business area:

Credit risk concentration (euro/million)		**Analysis of maturity periods at 31/12/2014 Net overdraft**				
	Net to maturity	**0-30 days**	**30-60 days**	**60-90 days**	**over**	**Bad debt provision**
Books	103.3	1.6	1.1	0.7	9.1	17.4
Magazines Italy	30.6	8.6	1.2	0.5	7.1	8.0
Magazines France	38.1	7.1	2.5	1.2	5.1	3.8
Advertising	6.6	-	-	-	3.4	0.7
Retail	13.1	3.6	1.0	0.7	10.6	5.1
Radio	5.4	-	-	-	-	0.1
Other business	4.1	1.3	0.6	0.2	0.3	0.5
Total	**201.2**	**22.2**	**6.4**	**3.3**	**35.6**	**35.6**

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**

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 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 (euro/million)	Book value							
	Total		of which current		of which non-current		Fair value	
	31/12/2014	31/12/2013	31/12/2014	31/12/2013	31/12/2014	31/12/2013	31/12/2014	31/12/2013
Financial assets valued at fair value with differences recognised under income statement, held for trading	-	-	-	-	-	-	-	-
Receivables and borrowings:								
- cash and cash equivalents	13.0	65.7	13.0	65.7	-	-	13.0	65.7
- trade receivables	224.4	279.0	219.7	271.9	4.7	7.1	224.4	279.0
- other financial assets	64.1	61.8	36.5	39.2	27.6	22.6	64.1	61.8
- receivables from associated companies and joint ventures	49.8	39.4	49.8	37.3	-	2.1	49.8	39.4
Held-for-sale financial assets	0.4	0.4	0.4	0.4	-	-	0.4	0.4
Derivatives	-	0.2	-	-	-	0.2	-	0.2
Total financial assets	**351.7**	**446.5**	**319.4**	**414.5**	**32.3**	**32.0**	**351.7**	**446.5**
Financial liabilities at fair value:								
- non-hedge derivatives	-	-	-	-	-	-	-	-
Financial liabilities at amortized cost:								
- trade payables	275.9	308.4	275.9	308.4	-	-	275.9	308.4
- payables due to banks and other financial liabilities	386.7	524.7	122.1	125.9	264.6	398.8	324.1	589.4
- payables to associated companies and joint ventures	18.0	15.7	18.0	15.7	-	-	18.0	15.7
Derivatives	1.7	-	-	-	1.7	-	1.7	-
Total financial liabilities	**682.3**	**848.8**	**416.0**	**450.0**	**266.3**	**398.8**	**619.7**	**913.5**

IFRS 7 requires that values regarding financial assets and liabilities are classified based on a scale of levels reflecting input significance used when calculating fair value.

At 31 December 2014 the Group has current and non-current financial liabilities represented by derivatives as defined in note 27 “Financial liabilities”, that are classified Level 2; this scale refers to procedures to either directly or indirectly monitor inputs having a significant impact on fair value.

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)	**31/12/2014**	**31/12/2013**
Net income from instruments held for trading and valued at fair value with changes recognised under income statement	-	-
Net income from receivables and borrowings	-	0.1
Net income on derivative instruments	-	-
Net income from held-for-sale financial assets	-	0.5
Interest earned on financial assets not valued at fair value:		
- deposits	-	0.6
- other financial assets	1.0	1.3
Total income	**1.0**	**2.5**
Net loss from instruments held for trading and valued at fair value with changes recognised under income statement	-	-
Net loss on borrowings and receivables	-	-
Net loss on held-for-sale financial assets	-	-
Net loss on financial liabilities at amortised cost	-	-
Net loss on derivative instruments	0.6	9.1
Interest due on financial liabilities not valued at fair value:	-	-
- deposits	0.2	0.3
- bonds	-	-
- borrowings	17.4	10.3
- other	3.8	4.0
Losses from financial instrument impairment:		
- trade receivables	15.3	9.2
Expense and commissions not included in effective interest rates	0.9	1.3
Total expenses	**38.2**	**34.2**
Total	**(37.2)**	**(31.7)**

43. EVALUATIONS AT FAIR VALUE

Some of the Group's financial assets and liabilities were valued at fair value.

Financial assets (liabilities) (euro/000)	**Fair value at 31/12/2014**	**Fair value hierarchy**	**Valuation method and main inputs**
Interest rate swap contracts	(1,723)	Level 2	Discounted cash flow Projected flows are discounted based on the forward rate curve expected at year end and on the contractual fixing rates, also taking the counterparty default risk into account.
Investments in other companies	443	Level 3	Based on the nature of the interests held in other enterprises, the cost may be considered representative of the fair value.

44. 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 on which the periodic reporting is made, used by the Top Management to define actions and strategies, evaluate investment opportunities and allocate resources.

The organizational structure of 2013 has remained unchanged.

45. INFORMATION PURSUANT TO ARTICLE 149-*DUODECIES* OF CONSOB ISSUER REGULATION

Table drafted pursuant to article 149-*duodecies* of Consob Issuer Regulation, illustrating fees paid in 2014 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)
	Deloitte & Touche S.p.A.	Arnoldo Mondadori Editore S.p.A.		342.3
Auditing	Deloitte & Touche S.p.A.	Subsidiaries		486.2
	Deloitte & Associés S.A.	Subsidiaries		242.2
	Deloitte & Touche S.p.A.	Arnoldo Mondadori Editore S.p.A.	(1)	177.7
Certification	Deloitte & Touche S.p.A.	Subsidiaries	(2)	14.6
	Deloitte & Associés S.A.	Subsidiaries	(3)	15.0
Totale				**1,278.0**

(1) Accertamento Diffusione Stampa (circulation auditing). Auditing of the Company financial statements, tax returns and report drafted pursuant to article 2441 of the Italian Civil Code.
(2) Audits for underwriting of tax returns.
(3) Auditing procedure for the obtaining of subsidized postal tariffs (CPAPP).

For the Board of Directors
The Chairman
Marina Berlusconi

SEGMENT INFORMATION: FIGURES AT 31 DECEMBER 2014

(euro/000)	Books	Magazines Italy	Magazines France
Revenues from sales and services from external customers	**298,540**	**288,871**	**340,855**
Revenues from sales and services from other sectors	**38,010**	**8,169**	**61**
Revenues (costs) from investments valued at equity	767	1,465	(918)
EBITDA	**45,105**	**3,145**	**35,037**
EBIT	**42,201**	**2,790**	**23,710**
Financial income (costs)	-	-	-
Result before taxes and minority interests	**42,201**	**2,790**	**23,710**
Income tax	-	-	-
Minority profit	-	(109)	3,254
Net result	**42,201**	**2,899**	**20,456**
Amortisation, depreciation and impairment	2,904	355	11,327
Non-monetary costs	9,284	4,334	5,005
Non-recurring revenues (costs)	(879)	(1,168)	(715)
Capital expenditures	6,530	2,268	3,340
Investments valued at equity	7,122	24,181	-
Total assets	291,173	186,918	482,208
Total liabilities	143,214	185,596	146,900

Italy
France
Other EU countries
USA
Other countries
Consolidated result

Advertising services	Retail	Radio	Other Business and Corporate	Adjustments for consolidation	Consolidated result
11,300	**210,156**	**11,535**	**16,238**	**-**	**1,177,495**
1	**1,046**	**152**	**13,333**	**(60,772)**	**0**
(686)	-	-	(1,430)	-	(802)
(4,132)	**8,918**	**(4,388)**	**(16,544)**	**-**	**67,141**
(4,582)	**3,552**	**(5,786)**	**(19,482)**	**-**	**42,403**
-	-	-	(22,986)	-	(22,986)
(4,582)	**3,552**	**(5,786)**	**(42,468)**	**-**	**19,417**
-	-	-	15,654	-	15,654
-	-	-	-	-	3,145
(4,582)	**3,552**	**(5,786)**	**(58,122)**	**-**	**618**
450	5,366	1,398	2,938	-	24,738
2,677	5,705	143	3,125	-	30,273
-	(410)	(50)	(11)	-	(3,233)
-	1,010	920	2,325	-	16,393
1,281	-	-	6,617	-	39,201
11,769	101,723	58,953	195,500	(29,183)	1,299,061
9,485	85,337	6,255	451,840	(18,687)	1,009,940

Revenues from sales and services	Fixed assets
816,506	227,032
321,015	409,493
33,026	2,136
747	-
6,201	-
1,177,495	**638,661**

SEGMENT INFORMATION: FIGURES AT 31 DECEMBER 2013

(euro/000)	Books	Magazines Italy	Magazines France
Revenues from sales and services from external customers	**299,978**	**247,345**	**353,867**
Revenues from sales and services from other sectors	**34,283**	**78,782**	**-**
Revenues (costs) from investments valued at equity	401	172	(1,189)
EBITDA	**46,180**	**(20,626)**	**26,713**
EBIT	**43,528**	**(32,013)**	**(84,545)**
Financial income (costs)	-	-	-
Result before taxes and minority interests	**43,528**	**(32,013)**	**(84,545)**
Income tax	-	-	-
Minority profit	-	-	1,927
Net result	**43,528**	**(32,013)**	**(86,472)**
Amortisation, depreciation and impairment	2,652	11,387	111,258
Non-monetary costs	13,799	11,750	13,186
Non-recurring revenues (costs)	(2,922)	(14,191)	(8,207)
Capital expenditures	3,027	133	1,104
Investments valued at equity	7,176	21,883	-
Total assets	283,555	208,041	489,666
Total liabilities	136,284	210,960	150,239

Italy
France
Other EU countries
USA
Other countries
Consolidated result

Advertising services	Retail	Radio	Other Business and Corporate	Adjustments for consolidation	Consolidated result
135,196	**220,362**	**322**	**18,721**	**-**	**1,275,791**
6,414	**4,663**	**10,994**	**16,303**	**(151,439)**	**0**
251	-	-	(1,394)	-	(1,759)
(19,871)	**(8,532)**	**(4,288)**	**(32,415)**	**-**	**(12,839)**
(19,980)	**(16,733)**	**(36,949)**	**(36,376)**	**-**	**(183,068)**
-	-	-	(24,209)	-	(24,209)
(19,980)	**(16,733)**	**(36,949)**	**(60,585)**	**-**	**(207,277)**
-	-	-	(23,789)	-	(23,789)
-	-	-	-	-	1,927
(19,980)	**(16,733)**	**(36,949)**	**(36,796)**	**-**	**(185,415)**
109	8,201	32,661	3,961	-	170,229
6,168	12,564	339	10,096	-	67,902
(5,168)	(8,218)	(352)	3,064	-	(35,994)
8	1,245	907	987	-	7,411
2,004	-	-	7,124	-	38,187
90,459	134,085	58,225	265,829	(72,732)	1,457,128
80,166	103,063	4,853	575,112	(62,238)	1,198,439

Revenues from sales and services	Fixed assets
895,763	244,099
333,643	417,306
35,948	-
684	-
9,753	-
1,275,791	**661,405**

STATEMENT OF THE GROUP'S CONSOLIDATED FINANCIAL STATEMENTS

STATEMENT OF THE GROUP'S CONSOLIDATED FINANCIAL STATEMENTS PURSUANT TO ART. 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 Oddone Pozzi, in his capacity as Executive Manager responsible for the drafting of the corporate accounting documentation of Arnoldo Mondadori Editore S.p.A., also in compliance with the provisions set out in art. 154-*bis*, par. 3 and 4, of Italian Legislative Decree no. 58 of February 24, 1998, hereby declare:

   • the adequacy in relation to the Group's characteristics and
   • the effective application

   of the administrative and accounting procedures for the drafting of the Group's consolidated financial statements closed at 31 December 2014.

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 2014 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 2014:

   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 art. 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.

12 March 2015

The CEO
(Ernesto Mauri)

The Executive Manager responsible for the drafting
of the corporate accounting documents
(Oddone Pozzi)

Arnoldo Mondadori Editore S.p.A.
Financial Statements
at 31 December 2014

BALANCE SHEET

Assets (euros)	Notes	31/12/2014	31/12/2013
Intangible assets	1	90,026,180	90,430,140
Property investments	2	3,132,407	3,181,675
Land and buildings		6,281,193	6,815,386
Plant and machinery		2,357,981	2,992,120
Other tangible assets		1,187,659	2,443,068
Property, plant and machinery	3	**9,826,833**	**12,250,574**
Investments	4	238,752,293	248,502,020
Non-current financial assets	4	200,000,000	200,229,638
Pre-paid tax assets	5	31,804,813	22,166,698
Other non-current assets	6	657,384	15,441,465
Total non-current assets		**574,199,910**	**592,202,210**
Tax receivables	7	42,587,312	51,135,227
Other current assets	8	40,892,280	45,159,967
Inventory	9	30,476,954	28,300,153
Trade receivables	10	130,789,542	144,669,623
Other current financial assets	11	87,352,602	139,951,248
Cash and cash equivalents	12	10,080,584	53,009,395
Total current assets		**342,179,274**	**462,225,613**
Assets held for sale or transferred		-	-
Total assets		**916,379,184**	**1,054,427,823**

Liabilities (euros)	**Notes**	**31/12/2014**	**31/12/2013**
Shareholders' equity		67,979,168	64,079,168
Share premium reserve		12,000,000	170,624,621
Treasury shares		-	(73,497,616)
Other reserves and results carried forward		125,354,954	329,181,214
Profit (loss) for the period		(12,888,014)	(314,970,500)
Total Shareholders' equity	13	**192,446,108**	**175,416,887**
Provisions	14	39,077,810	52,547,246
Post-employment benefits	15	18,023,459	20,821,953
Non-current financial liabilities	16	262,535,906	394,828,210
Deferred tax liabilities	5	27,288,956	25,091,620
Other non-current liabilities		-	-
Total non-current liabilities		**346,926,131**	**493,289,029**
Income tax payables	17	-	-
Other current liabilities	18	57,832,946	57,480,539
Trade payables	19	140,533,497	143,440,895
Payables due to banks and other financial liabilities	16	178,640,502	184,800,473
Total current liabilities		**377,006,945**	**385,721,907**
Liabilities held for sale or transferred		-	-
Total liabilities		**916,379,184**	**1,054,427,823**

INCOME STATEMENT

(euros)	Notes	FY 2014	FY 2013
Revenues from sales and services	20	**494,877,999**	**525,296,604**
Decrease (increase) of inventory	9	(2,190,615)	2,362,216
Cost of raw, ancillary, consumption materials and goods	21	147,613,485	119,911,157
Cost of services	22	279,190,714	324,947,005
Cost of personnel	23	88,545,060	120,155,202
Other (income) cost	24	(24,178,698)	4,194,696
EBITDA		**5,898,053**	**(46,273,672)**
Depreciation of properties, plant and machinery	2-3	2,936,625	3,451,123
Amortisation and impairment loss of intangible assets	1	1,122,403	611,321
EBIT		**1,839,025**	**(50,336,116)**
Financial revenues (costs)	25	(7,901,802)	(8,819,512)
Revenues (costs) from investments	26	(7,582,826)	(267,637,942)
Profit before taxes for the period		**(13,645,603)**	**(326,793,570)**
Income tax	27	(757,589)	(11,823,070)
Net result		**(12,888,014)**	**(314,970,500)**

COMPREHENSIVE INCOME STATEMENT

(euros)	Notes	FY 2014	FY 2013
Net result		**(12,888,014)**	**(314,970,500)**
Items reclassifiable to income statement			
Effective portion of income (loss) on cash flow hedge instruments		(1,936,955)	2,072,418
Tax effect on variations		606,169	(452,816)
Reclassified entries under income statement			
Effective portion of income (loss) on cash flow hedge instruments		1,105,541	8,902,815
Income (loss) deriving from held-for-sale assets (*fair value*)			2,221,227
Tax effect on variations		(304,024)	(131,536)
Items that will not be later reclassified under income statement			
Actuarial income/(losses)		(406,698)	(364,780)
Tax effect on variations		111,842	100,315
Comprehensive net result		**(13,712,139)**	**(302,622,857)**

For the Board of Directors
The Chairman
Marina Berlusconi

TABLE OF CHANGES IN SHAREHOLDERS' EQUITY AT 31 DECEMBER 2013 AND 2014

(euro/000)	Notes	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)			(10,739)		(45,578)
- Allocation of net income			(39,575)				288	39,287	
- Dividend payout									
- (Purchase) of treasury shares									
- Sale/cancellation of treasury shares									
- Stock option					(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**

(euro/000)	Notes	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 01/01/2014		**64,079**	**170,625**	**(73,498)**	**1,101**	**783**	**327,297**	**(314,970)**	**175,417**
Changes in:									
- Allocation of net income			(170,625)				(144,345)	314,970	
- Dividend payout									
- Capital increase		3,900	12,000						15,900
- Sale/cancellation of treasury shares				73,498			(58,207)		15,291
- Stock option									
- Other reserves							(450)		(450)
- Comprehensive income (loss)						(295)	(529)	(12,888)	(13,712)
Balance at 31/12/2014		**67,979**	**12,000**	**0**	**1,101**	**488**	**123,766**	**(12,888)**	**192,446**

For the Board of Directors
The Chairman
Marina Berlusconi

CASH FLOW STATEMENT

(euro/000)	Notes	31/12/2014	31/12/2013
Net result for the period		(12,888)	(314,970)
Adjustments			
Amortisation, depreciation and impairment		32,230	272,200
Income tax for the period	27	(758)	(11,823)
Stock options	23		
Fund provisions and post-employment benefits		(17,885)	17,148
Capital loss (gain) from the sale of intangible assets, properties, plants and machinery		(419)	(290)
Revenues from investments - dividends	26	(20,588)	(500)
Net financial costs (income) on borrowings and transactions with derivatives		18,803	9,136
Cash flow generation from operations		**(1,505)**	**(29,099)**
Trade receivable (increase) decrease		20,301	25,987
Inventory (increase) decrease		(2,177)	2,434
Trade payable increase (decrease)		1,031	(33,712)
Income tax payments		4,354	2,118
Fund provisions increase (decrease) and post-employment benefits		(4,430)	(5,294)
Net difference for other assets/liabilities		16,928	(27,276)
Cash flow generated from (absorbed by) operations		**34,502**	**(64,842)**
(Purchase) disposal of intangible assets		(2,578)	(2,194)
(Purchase) disposal of properties, plant and equipment		(2,510)	(1,648)
(Purchase) disposal of investments		(18,321)	(15,489)
Revenues from investments - dividends	26	20,588	500
(Purchase) disposal of securities and other financial assets	11	52,598	(31,213)
Net liquidity acquired/(transferred) from extraordinary transactions			168
Cash flow generated from (absorbed by) investment activities		**49,777**	**(49,876)**
Trade payable increase (decrease) due to banks		3,027	(36,756)
(Purchase) disposal of treasury shares	13	15,291	
Net difference for other financial assets/liabilities	16	(124,676)	71,858
Collection of net financial revenues (payment of costs) on borrowings and transactions with derivatives		(20,850)	(28,895)
Dividends paid out			
Cash flow generated from (absorbed by) financing activities		**(127,208)**	**6,207**
Increase (decrease) in cash and cash equivalents		**(42,929)**	**(108,511)**
Cash and cash equivalents at the beginning of the period	12	**53,009**	**161,520**
Cash and cash equivalents at the end of the period	12	**10,080**	**53,009**
Cash and cash equivalents composition			
Cash on hand, cheques and securities		5	5
Bank and postal deposits		10,075	53,004
		10,080	**53,009**

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**	**31/12/2014**	**of which related parties (note 30)**	**31/12/2013**	**of which related parties (note 30)**
Intangible assets	1	90,026		90,430	
Property investments	2	3,132		3,182	
Land and buildings		6,281		6,815	
Plant and machinery		2,358		2,992	
Other tangible assets		1,188		2,443	
Property, plant and machinery	3	**9,827**		**12,250**	
Investments	4	238,752		248,502	
Non-current financial assets	4	200,000	200,000	200,230	200,000
Pre-paid tax assets	5	21,657		22,167	
Other non-current assets	6	657	132	15,441	14,861
Total non-current assets		**564,051**	**200,132**	**592,202**	**214,861**
Tax receivables	7	52,736	15,578	51,135	7,783
Other current assets	8	40,892		45,160	
Inventory	9	30,477		28,300	
Trade receivables	10	130,790	53,305	144,670	88,681
Other current financial assets	11	87,353	82,482	139,951	132,056
Cash and cash equivalents	12	10,080		53,010	
Total current assets		**352,328**	**151,365**	**462,226**	**228,520**
Assets held for sale or transferred		-		-	
Total assets		**916,379**	**351,497**	**1,054,428**	**443,381**

Liabilities (euro/000)	**Notes**	**31/12/2014**	**of which related parties (note 30)**	**31/12/2013**	**of which related parties (note 30)**
Share capital		67,979		64,079	
Share premium reserve		12,000		170,625	
Treasury shares		-		(73,497)	
Other reserves and results carried forward		125,355		329,181	
Profit (loss) for the period		(12,888)		(314,970)	
Total Shareholders' equity	13	**192,446**		**175,418**	
Provisions	14	39,078		52,547	
Post-employment benefits	15	18,023		20,822	
Non-current financial liabilities	16	262,536	47,506	394,828	70,069
Deferred tax liabilities	5	27,289		25,092	
Other non-current liabilities		-		-	
Total non-current liabilities		**346,926**	**47,506**	**493,289**	**70,069**
Income tax payables	17	-	-	-	-
Other current liabilities	18	57,833		57,480	
Trade payables	19	140,533	50,062	143,441	47,538
Payables due to banks and other financial liabilities	16	178,641	133,732	184,800	142,917
Total current liabilities		**377,007**	**183,794**	**385,721**	**190,455**
Liabilities held for sale or transferred		-		-	
Total liabilities		**916,379**	**231,300**	**1,054,428**	**260,524**

INCOME STATEMENT PURSUANT TO CONSOB RESOLUTION NO. 15519 OF 27 JULY 2006

(euro/000)	Notes	FY 2014	of which related parties (note 30)	of which non-recurring (income) cost (note 29)	FY 2013	of which related parties (note 30)	of which non-recurring (income) cost (note 29)
Revenues from sales and services	20	**494,878**	**336,300**		**525,296**	**371,687**	
Decrease (increase) of inventory	9	(2,190)			2,362		
Cost of raw, ancillary materials and goods	21	147,613	105,512		119,911	113,271	
Cost of services	22	279,191	33,807		324,947	40,810	
Cost of personnel	23	88,545		1,953	120,155		26,022
Other (income) cost	24	(24,179)	(12,431)		4,195	(10,739)	
EBITDA		**5,898**	**209,412**	**(1,953)**	**(46,274)**	**228,345**	**(26,022)**
Depreciation of properties, plant and machinery	2-3	2,937			3,451		
Amortisation and impairment of intangible assets	1	1,122			611		
EBIT		**1,839**	**209,412**	**0**	**(50,336)**	**228,345**	**(26,022)**
Financial revenues (costs)	25	(7,902)	15,126		(8,819)	11,075	
Revenues (costs) from investments	26	(7,583)	(7,583)		(267,638)	(267,638)	
Profit before taxes for the period		**(13,646)**	**216,955**	**0**	**(326,793)**	**(28,218)**	**(26,022)**
Income tax	27	(758)		(537)	(11,823)		(7,156)
Net result		**(12,888)**	**216,955**	**(1,416)**	**(314,970)**	**(28,218)**	**(18,866)**

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 present through the storage device on the www.1info.it website.

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

The Arnoldo Mondadori Editore S.p.A. financial statements for the year closed at 31 December 2014 were approved by the Board of Directors on 12 March 2015 and published and made available together with any additional documents making up the Company's Annual Report pursuant to art. 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 Company's financial statements will be filed with the Registrar of Companies within 30 days after the Shareholders' Meeting scheduled on 23 April 2015 called to approve the 2014 financial statements.

2. FORM AND CONTENT

The financial statements at 31 December 2014 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 1.25) surrounding its ability to continue operating, also as a result of the actions undertaken to adjust to the changed market scenarios and its industrial and financial flexibility.

Arnoldo Mondadori Editore S.p.A. 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 2014 were prepared in accordance with the accounting standards used for the preparation of IAS/IFRS financial statements, taking into consideration any new amendments and standards with effect from 1 January 2014, which are referred to in note 3.26.

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 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 transactions”.

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 2014.

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 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	Amortisation 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 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 Company 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 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 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.

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 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 Company's property investments are as follows:

Property investments	Amortisation rate
Non-instrumental buildings	3%

Both the useful life and the depreciation 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.

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, plant 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 23, the Company capitalizes financial costs resulting from asset purchase, development or production. In case failed identification of assets justifying capitalization, the costs are recognized 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 the 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 Group 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 amortisation.

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, 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.

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 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 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

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 plans, 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 recognized 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 value of prepaid 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 2014 and applicable to Arnoldo Mondadori Editore S.p.A.

The following IFRS accounting standards, amendments and interpretations have been applied for the first time by the Company with effect from 1 January 2014:

- **IFRS 11** - *Joint Arrangements* in replacement of 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, making a distinction between joint venture and joint operation agreements. According to IFRS 11, contrary to IAS 31, the availability of a separate special purpose entity is not a sufficient condition to qualify a joint arrangement as a joint venture. For joint ventures, where the parties have rights only to the net equity resulting from the transaction, the principle envisages that they are valued at equity in the consolidated financial statements. For joint operations, where the parties have right to the assets and obligations to the liabilities resulting from the transaction, the principle envisages that they are directly recognized in the consolidated financial statements (and in the separate financial statements) according to the pro rata of the relevant assets, liabilities, costs and revenues. In general terms, the application of IFRS 11 requires a significant level of expertise in specific corporate sectors to understand the difference between joint venture and joint operation. The principle is effective retroactively as of 1 January 2014. Following validation of the afore mentioned principle IFRS 11, 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 amendments to **IAS 32** - *Offsetting of financial assets and financial liabilities* were aimed at clarifying the application of the necessary criteria to offset financial assets and liabilities (i.e. the entity has a legally enforceable right of "setting off" amounts identified in accounting and intends to settle the collateral amounts, or realize the asset and simultaneously settle the liability). The amendments are effective retroactively as of 1 January 2014.

- Amendments to **IAS 36** - *Impairment of assets - Disclosure on the recoverable value of impaired assets*. These amendments aim at clarifying that any additional disclosures made on the recoverable amount of assets (goodwill included) or financial flow generating units subject to impairment test, in the case in which their recoverable value is based on the fair value net of any transfer costs, refer only to those assets or cash generating units for which an impairment loss was identified or settled during the year of reference. In this case it will be necessary to provide adequate disclosures on the fair value hierarchy that includes the recoverable value, and also on the valuation criteria and assumptions made (in case of level 2 or 3). The amendments are effective retroactively as of 1 January 2014.

- Amendments to **IAS 39** - *Financial instruments: recognition and measurement - Novation of derivatives and continuation of hedge accounting*. The amendments refer to the introduction of a few exemptions to hedge accounting requirements defined by IAS 39 in circumstances when a hedging instrument is required to be novated to a central counterparty (CCP) as a result of laws or regulations. The amendments are effective retroactively as of 1 January 2014.

3.27 Accounting standards, amendments and IFRS interpretations adopted by the European Union but not yet applicable and applied beforehand by the Company at 31 December 2014

- On 21 November 2013 IASB published the amendment to **IAS 19** – *Defined Benefit Plans: Employee Contributions,* clarifying the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service. The need for the proposal emerged following the introduction of the new IAS 19 (2011), where it is specified that such contributions are to be considered as a post-employment benefit rather than a short-term benefit and, therefore, that such contribution must be spread over the years of service. The amendments apply at the latest from the financial years starting from 1 February 2015 or at any later date.

- In the annual process of revision of the principles, on 12 December 2013, IASB published the following documents: *Annual Improvements to IFRSs: 2010-2012 Cycle* and *Annual Improvements to IFRSs: 2011-2013 Cycle*, partially supplementing the already existing principles. These amendments and supplements did not have any significant impact on the Group's consolidated financial statements.

3.28 Accounting standards, amendments and IFRS interpretations not yet validated by the European Union

As at the date of these Financial Statements the competent bodies of the European Union had not yet completed the validation process necessary for the adoption of the amendments and principles detailed here below.

- On 28 May 2014 IASB published **IFRS 15** – *Revenue from Contracts with Customers*, which will replace IAS 18 – *Revenue* and IAS 11 – *Construction Contracts*, as well as IFRIC 13 – *Customer Loyalty Programmes*, IFRIC 15 – *Agreements for the Construction of Real Estate*, IFRIC 18 – *Transfers of Assets from Customers* and SIC 31 – *Revenues-Barter Transactions Involving Advertising Services*. The principle establishes a new model for the recognition of revenues, which will be applied to all contracts stipulated with customers except for those falling within the application of other IAS/IFRS principles as leasing, insurance contracts and financial instruments. The key steps for the accounting of revenues based on this new model are:
  - identification of the contract with the customer;
  - identification of the performance obligations included in the contract;
  - pricing;
  - price allocation based on the performance obligations included in the contract;
  - the criteria for the recognition of revenues when the entity meets each performance obligation.

The principle is applicable as of 1 January 2017 and early adoption is also possible.

- On 24 July 2014 IASB published the final version of **IFRS 9** – *Financial instruments*: The document includes the findings of the phases run by IASB to replace IAS 39 and relative to *Classification and valuation, Impairment and Hedge accounting*. This new principle, that replaces the preceding versions of IFRS 9, must be applied in the financial statements starting from 1 January 2018 or later.

- On 25 September 2014 IASB published "Annual Improvements to IFRSs: 2012-2014 Cycle", partially supplementing the already existing principles. The amendments apply at the latest from the financial years starting from 1 February 2016 or later.

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 COSTS

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 2013 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)	**31/12/2014**	**31/12/2013**
Intangible assets with finite useful life	2,581	2,893
Intangible assets with indefinite useful life	87,445	87,537
Total intangible assets	**90,026**	**90,430**

The following two tables show the changes in intangible assets with a finite useful life in 2013 and 2014.

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**	**Other intangible assets**	**Total**
Cost at 01/01/2013	8,881	650	-	9,531
Capital expenditures	287	-	2,200	2,487
Disposals	(11)	-	-	(11)
Other changes		-	-	0
Cost at 31/12/2013	**9,157**	**650**	**2,200**	**12,007**
Provision for depreciation and impairment loss at 01/01/2013	7,864	650	-	8,514
Amortization, depreciation	611	-	-	611
Impairment loss/reinstatement of value	-	-	-	0
Disposals	(11)	-	-	(11)
Other changes	-	-	-	0
Provision for depreciation and impairment loss at 31/12/2013	8,464	650	0	9,114
Net book value at 01/01/2013	1,017	-	-	1,017
Net book value at 31/12/2013	**693**	**0**	**2,200**	**2,893**

Intangible assets with finite useful life (euro/000)	Software	Marketing rights	Other intangible assets	Total
Cost at 01/01/2014	9,157	650	2,200	12,007
Capital expenditures	398	-	300	698
Disposals	(20)	-	-	(20)
Other changes	15	-	-	15
Cost at 31/12/2014	9,550	650	2,500	12,700
Provision for depreciation and impairment loss at 01/01/2014	8,464	650	-	9,114
Amortization, depreciation	536	-	495	1,031
Impairment loss/reinstatement of value				
Disposals	(20)	-	-	(20)
Other changes	(6)	-	-	(6)
Provision for depreciation and impairment loss at 31/12/2014	8,974	650	495	10,119
Net book value at 01/01/2014	693	0	2,200	2,893
Net book value at 31/12/2014	**576**	**0**	**2,005**	**2,581**

Investments in the period totalling euro 698 thousand, of which euro 59 thousand regarding intangible assets in progress and not yet used at 31 December 2014, include purchases of software programmes for euro 398 thousand and a supplement amount for the acquisition of the Anobii social network for euro 300 thousand.

The following two tables show the changes in intangible assets with a indefinite useful life in 2013 and 2014.

Intangible assets with indefinite useful life (euro/000)	Magazines	Brands	Goodwill	Total
Cost at 01/01/2013	83,577	7,160	732	91,469
Capital expenditures	-	-	-	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	-		-	
Impairment loss at 31/12/2013	0	(3,932)	0	(3,932)
Net book value at 01/01/2013	83,577	3,228	732	87,537
Net book value at 31/12/2013	**83,577**	**3,228**	**732**	**87,537**

Intangible assets with indefinite useful life (euro/000)	**Magazines**	**Brands**	**Goodwill**	**Total**
Cost at 01/01/2014	83,577	7,160	732	91,469
Capital expenditures	-	-	-	-
Disposals	-	-	-	-
Other changes	-	-	-	-
Cost at 31/12/2014	83,577	7,160	732	91,469
Impairment loss at 01/01/2014	-	(3,932)	-	(3,932)
Impairment loss/reinstatement of value	-	(92)	-	(92)
Impairment loss at 31/12/2014	0	(4,024)	0	(4,024)
Net book value at 01/01/2014	83,577	3,228	732	87,537
Net book value at 31/12/2014	**83,577**	**3,136**	**732**	**87,445**

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 April 2014 the *PCProfessionale* brand and the *Ciak* magazine were transferred in the framework of the transfer of the corresponding businesses; both the brand and the magazine subject to transfer, had a net value equal to zero at closing.
Following to completion of the impairment test, devaluations were applied to Random House Mondadori brand and former Elemond brands - *Interni*, *Casa Bella* and *I viaggi di Grand Gourmet* - transferred to Arnoldo Mondadori Editore through the spinoff of the business relative to Mondadori Electa magazines as of 1 April 2002 for a total price of euro 92 thousand.

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 2014**	**FY 2013**
Software	1,031	611
Marketing rights	-	-
Total amortization of intangible assets	**1,031**	**611**
Amortisation of intangible assets	92	-
Value reinstatement of intangible assets	-	-
Total amortization (value reinstatement) of intangible assets	**92**	**0**
Total amortization of intangible assets	**1,123**	**611**

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.

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 afore mentioned cash flows were measured based on the current market scenario, considering also the uncertainties relative to the expectations for growth in the sector.

The values used are derived from the income statements of the single magazines and include operating costs. They are considered representative of the cash flows, considering the speed with which receivables are collected - typical of the Magazines area - and the irrelevant amount of maintenance expenses. Usually the latter would not be capitalized and, therefore, they are not included in the magazine margins.

The economic results used for the projections include taxes; the discount rate before taxes, applied to cash flow projections, is equal to 7.15% (7.80% in 2013) 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 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 01/01/2013	976	3,895	4,871
Capital expenditures	-	-	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
Amortization, 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 book value at 01/01/2013	976	2,262	3,238
Net book value at 31/12/2013	**976**	**2,206**	**3,182**

Property investments (euro/000)	Land	Non-instrumental buildings	Total
Cost at 01/01/2014	976	3,952	4,928
Capital expenditures	56	-	56
Disposals	-	-	0
Other changes	-	-	0
Cost at 31/12/2014	1,032	3,952	4,984
Depreciation and impairment losses at 01/01/2014	-	1,746	1,746
Amortization, depreciation	-	105	105
Impairment loss/reinstatement of value	-	-	0
Disposals	-	-	0
Other changes	-	-	0
Depreciation and impairment losses at 31/12/2014	0	1,851	1,851
Net book value at 01/01/2014	976	2,206	3,182
Net book value at 31/12/2014	**1,032**	**2,101**	**3,133**

Directors estimate that the fair value of property investments at 31 December 2014 is not lower than the relevant net book value.

Depreciation of property investment

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

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 machinery

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 01/01/2013	1,114	16,911	24,338	46,708	89,071
Capital expenditures	-	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
Provision for depreciation and impairment loss at 01/01/2013	-	10,607	20,386	43,185	74,178
Amortization, depreciation	-	570	1,168	1,608	3,346
Impairment loss/reinstatement of value	-	-	-	-	0
Disposals	-	-	(148)	(2,340)	(2,488)
Other changes	-	(8)	-	-	(8)
Provision for depreciation and impairment loss at 31/12/2013	0	11,169	21,406	42,453	75,028
Net book value at 01/01/2013	1,114	6,304	3,952	3,523	14,893
Net book value at 31/12/2013	**1,114**	**5,702**	**2,992**	**2,443**	**12,251**

Property, plant and machinery (euro/000)	**Land**	**Instrumental buildings**	**Plant and machinery**	**Other assets**	**Total**
Cost at 01/01/2014	1,114	16,871	24,398	44,896	87,279
Capital expenditures	-	5	630	248	883
Disposals	-	-	(1,926)	(1,554)	(3,480)
Other changes	-	-	48	(2,250)	(2,202)
Cost at 31/12/2014	1,114	16,876	23,150	41,340	82,480
Provision for depreciation and impairment loss at 01/01/2014	-	11,169	21,406	42,453	75,028
Amortization, depreciation	-	539	1,135	1,158	2,832
Impairment loss/reinstatement of value	-	-	-	-	0
Disposals	-	-	(1,791)	(1,513)	(3,304)
Other changes	-	-	42	(1,945)	(1,903)
Provision for depreciation and impairment loss at 31/12/2014	0	11,708	20,792	40,153	72,653
Net book value at 01/01/2014	1,114	5,702	2,992	2,443	12,251
Net book value at 31/12/2014	**1,114**	**5,168**	**2,358**	**1,187**	**9,827**

Item “Other changes” includes the transfer of the following assets:
- the transfer of the business to IBM for euro 350 thousand; the business subject to transfer included assets, liabilities and existing contracts regarding the group of activities managed by the ICT infrastructure owned by the Company;

- the transfer of the *Ciak/PCProfessionale* business for euro 3 thousand; the business subject to transfer included assets, liabilities and existing contracts regarding the group of activities managed by the *Ciak* and *PCProfessionale* magazines owned by AME, generating a capital gain of euro 450 thousand recognized under income statement;
- upon acquisition of the logistics centre located in Roncadelle (Brescia) by Mondadori Direct S.p.A. for euro 54 thousand; the business subject to transfer included assets, liabilities and existing contracts regarding the provision of logistics warehouse and distribution services carried out at the Roncadelle (Brescia) facility. As envisaged by IAS/IFRS standards, the transactions having effects within the same group do not allow the recognition of any higher value with regard to the assets acquired (i.e. goodwill); such higher value, equal to euro 450 thousand, was therefore directly recognized under net Sharesholders' equity reserve.

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

Other tangible assets (euro/000)	**31/12/2014**	**31/12/2013**
Industrial and commercial equipment	121	195
Electronic office equipment	379	906
Office furniture and machines	494	685
Motor vehicles and transport vehicles	5	5
Leasehold improvements	2	370
Assets under construction and advances	186	282
Total other tangible assets	**1,187**	**2,443**

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 883 thousand, of which euro 186 thousand referring to assets not yet used at 31 December 2014, comprised:
- Verona plant (Books & Magazines Warehouse/ Magazines shipment and buildings) euro 207 thousand
- Milan offices (editorial office automation, furniture and equipment) euro 676 thousand

Divestments totalling euro 176 thousand, 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 31 thousand.

Depreciation of properties, plant and machinery

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

Depreciation of properties, plant and machinery (euro/000)	**FY 2014**	**FY 2013**
Instrumental buildings	539	570
Plant and machinery	1,135	1,168
Equipment	120	128
Electronic office equipment	418	1,075
Office furniture and machines	247	253
Motor vehicles and transport vehicles	5	4
Leasehold improvements	368	148
Depreciation of properties, plant and machinery	**2,832**	**3,346**

In 2014 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 238,752 thousand (euro 248,502 thousand) 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 228,085 thousand and capital contribution payments amounting to euro 8,032 thousand.

In addition, the “Investments” item includes euro 2,635 thousand 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 31/12/2013	**203,069**	**16,731**	**2,635**	**222,435**
Increases:				
- Purchases, establishments and capital increases	274	16,500		16,774
- Payments to cover losses				
- Stock option assignment				
- Other changes				
Total increases	**274**	**16,500**		**16,774**
Decreases:				
- Impairment loss				
- Coverage of losses	(29,104)	(26,854)		(55,958)
- Other changes				
Total decreases	**(29,104))**	**(26,854)**		**(55,958)**
Changes in the provision for losses/impairment:				
- Provisions	(18,041)			(18,041)
- Uses/reclassifications	46,880			46,880
Value at 31/12/2014	**203,078**	**6,377**	**2,635**	**212,090**

Associated companies and other enterprises (euro/000)	**Shares and units owned**	**Capital contributions**	**Stock options assigned**	**Total value**
Value at 31/12/2013	**24,665**	**1,402**	**0**	**26,067**
Increases:				
- Purchases, establishments and capital increases		1,647		1,647
- Payments to cover losses				
- Stock option assignment				
- Other changes				
Total increases	**0**	**1,647**		**1,647**
Decreases:				
- Impairment loss				
- Coverage of losses		(1,393)		(1,393)
- Other changes				
Total decreases	**0**	**(1,393)**		**(1,393)**
Changes in the provision for losses/impairment:				
- Provisions	(1,052)			(1,052)
- Uses/reclassifications	1,393			1,393
Value at 31/12/2014	**25,006**	**1,656**	**0**	**26,662**

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

Decreases include:
• the coverage of losses in Società Europea di Edizioni S.p.A. for euro 1,393 thousand;
• the coverage of losses in Mondadori Pubblicità S.p.A. for euro 15,414 thousand;
• the coverage of losses in Mondadori Direct S.p.A. for euro 12,346 thousand;
• the coverage of losses in Monradio S.r.l. for euro 25,144 thousand;
• the coverage of losses in Sporting Club Verona S.r.l. for euro 248 thousand;
• the coverage of losses in Glaming S.r.l. for euro 2,806 thousand.

Consistently with IAS/IFRS accounting standards, in case of a potential impairment loss, 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 19,093 thousand broken down as follows: Mondadori Pubblicità S.p.A. for euro 2,413 thousand, Monradio S.r.l. for euro 6,486 thousand, Sporting Club Verona S.r.l. for euro 83 thousand, ACI-Mondadori S.r.l. for euro 200 thousand, Edizioni Piemme S.p.A. for euro 488 thousand, Cemit Interactive Media S.p.A. for 8,571 thousand and Mondadori Independent Media LLC for euro 852 thousand.

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 annexes to these financial statements.

The higher book value of the equity interests held in Mondadori Education S.p.A. against the corresponding net equity valuation, expresses the value of the corresponding production and commercial potential values supported in the 2015-2017 three-year plan.

Capital contributions
The amount of euro 8,032 thousand at 31 December 2014 (euro 18,132 thousand in 2013) includes euro 492 thousand for Mondadori Direct S.p.A., euro 2,086 thousand for Mondadori Pubblicità S.p.A., euro 3,320 thousand for Monradio S.r.l., euro 478 thousand for Glaming S.r.l. in liquidation, euro 725 thousand for ACI-Mondadori S.p.A. in liquidation and euro 931 thousand for Società Europea di Edizioni S.p.A.

The difference mainly refers to capital contribution payments to Mondadori Pubblicità S.p.A. for euro 10,000 thousand, Mondadori Direct S.p.A. for euro 6,500 thousand, ACI-Mondadori S.p.A. in liquidation for euro 725 thousand, Società Europea di Edizioni S.p.A. for euro 922 thousand and utilizations for capital contribution payments to cover the losses of Mondadori Pubblicità S.p.A. for euro 15,414 thousand, Mondadori Direct S.p.A. for euro 8,386 thousand, Sporting Club Verona S.r.l. for euro 248 thousand, Glaming S.r.l. in liquidation for euro 2,806 thousand and Società Europea di Edizioni S.p.A. for euro 1,393 thousand.

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.

5. Pre-paid tax assets and deferred tax liabilities

Tax assets equal to euro 31,804 thousand (euro 22,167 thousand) and tax liabilities equal to euro 27,289 thousand (euro 25,092 thousand) 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)	31/12/2014	31/12/2013
IRES on fiscal losses	13,140	-
Pre-paid IRES	17,709	21,206
Pre-paid IRAP	955	961
Pre-paid tax assets	**31,804**	**22,167**
Deferred IRES	24,586	22,672
Deferred IRAP	2,703	2,420
Deferred tax liabilities	**27,289**	**25,092**

"IRES on fiscal losses", equal to euro 13,140 thousand, refers to the possible benefits resulting from the use in compensation of the losses generated by the Company in the last financial years, transferred to the fiscal unit that is controlled by the parent company Fininvest S.p.A. as a result of the application of the tax consolidation regime (pursuant to article 117 and the following of Italian Presidential Decree no. 917/1986) for the 2013-2015 three-year period.

Consistently with the provisions envisaged in the applicable agreement mentioned above, the receivables will become due if and to the extent the relevant transferred tax benefits are actually used in the context of the tax consolidation. This is a rather remote option in the light of the comprehensive global tax amount expected by the consolidating entity for the future financial years. Based on the foregoing and considering:

- the approaching expiry of the currently exercised option, on the occasion of which the contractual conditions currently governing it, may be subject to amendments;
- the right to carry forward tax losses without time restrictions;
- the right reserved to the adhering companies in case of failed renewal of the currently exercised option, to have the losses transferred by the same returned and unused;
- the result projections highlighted in the 2015-2017 Budget, approved by the Board of Directors and the prepared tax planning documents;

the Directors believe that the tax benefits transferred to date are fully recoverable.

Therefore, the amount recognized in the financial statements ended at 31 December 2013 was re-classified from "Receivables due from Fininvest for IRES" (under "Other non-current assets") to the item under examination, in addition to the integrating amount corresponding to the tax loss generated in the year in which these financial statements make reference.

Pre-paid taxes and deferred taxes are calculated based on the tax rates that will become applicable when these differences emerge (IRES 27.50%, IRAP 3.9%).

The following tables show the temporary differences between the value of assets and liabilities which resulted in the recognition of pre-paid and deferred tax amounts.

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

(euro/000)	31/12/2014			31/12/2013		
	Amount of temporary differences	**Current tax rate**	**Taxes Pre-paid**	**Amount of temporary differences**	**Current tax rate**	**Taxes Pre-paid**
Difference between book value and fiscal value of assets	2,138	27.50%	588	4,404	27.50%	1,211
Provision for bad debt	13,406	27.50%	3,687	20,476	27.50%	5,631
Depreciation of inventory	1,873	27.50%	515	1,873	27.50%	515
Provisions	34,739	27.50%	9,552	39,193	27.50%	10,778
Other temporary differences	60,025	27.50%	16,507	11,167	27.50%	3,071
Total for IRES purposes	**112,181**		**30,849**	**77,113**		**21,206**
Difference between book value and fiscal value of assets	5,256	3.9%	205	5,385	3.9%	210
Depreciation of inventory	1,179	3.9%	46	1,179	3.9%	46
Provisions	11,872	3.9%	463	11,872	3.9%	463
Other temporary differences	6,179	3.9%	241	6,154	3.9%	242
Total for IRAP purposes	**24,486**		**955**	**24,590**		**961**

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

(euro/000)	31/12/2014			31/12/2013		
	Amount of temporary differences	**Current tax rate**	**Taxes Deferred**	**Amount of temporary differences**	**Current tax rate**	**Taxes Deferred**
Difference between book value and fiscal value of assets	84,629	27.50%	23,273	77,087	27.50%	21,199
Post-employment benefits/FISC	484	27.50%	133	1,069	27.50%	294
Other temporary differences	4,291	27.50%	1,180	4,287	27.50%	1,179
Total for IRES purposes	**89,404**		**24,586**	**82,443**		**22,672**
Difference between book value and fiscal value of assets	66,590	3.9%	2,597	59,257	3.9%	2,311
Other temporary differences	2,282	3.9%	89	2,282	3.9%	89
FISC	436	3.9%	17	513	3.9%	20
Total for IRAP purposes	**69,308**		**2,703**	**62,052**		**2,420**

Changes in pre-paid and deferred tax amounts led to costs equal to euro 6,113 thousand 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 657 thousand (euro 15,441 thousand) are broken down and commented on below.

Other non-current assets (euro/000)	**31/12/2014**	**31/12/2013**
Guarantee deposits	150	298
Medium/long-term tax receivables t/w Fininvest	131	14,861
Trade receivables	180	180
Other	196	102
Total other non-current assets	**657**	**15,441**

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

The receivable due from Fininvest S.p.A. amounting to euro 131 thousand includes the amount due from Fininvest S.p.A. on foreign withholding tax amounts not yet reimbursed. As to the changes occurred in item "Receivables due from Fininvest for IRES", reference should be made to note 5.

7. Tax receivables

Item "Tax receivables", amounting to euro 42,587 thousand (euro 51,135 thousand), is detailed and commented on below.

Tax receivables (euro/000)	**31/12/2014**	**31/12/2013**
Receivables due from Fininvest for IRES	14,689	8,525
Receivables due from Fininvest for VAT	897	-
Receivables due from Tax Revenue Office for direct and indirect taxes to recover	18,705	33,582
Advances for disputes	7,791	7,791
Receivables due from Tax Revenue Office for IRAP	505	1,237
Total tax receivables	**42,587**	**51,135**

Receivables for IRAP, equal to euro 505 thousand, refer to higher advances paid on the IRAP amount due.
Advances equal to euro 7,791 thousand (euro 7,791 thousand) refer to payments made provisionally in relation to pending disputes.
Receivables for direct and indirect taxes to be recovered, equal to euro 18,705 thousand (euro 33,582 thousand) refer to VAT receivables for the period carried forward for euro 14,074 thousand, VAT receivables to be recovered for euro 4,611 thousand and receivable amounts paid by Mondadori International S.p.A. for euro 20 thousand. The significant reduction in this item is attributable to the collection of VAT receivables subject to reimbursement in the previous years for a total amount of euro 13,969 thousand.

The receivable due from Fininvest S.p.A. for euro 14,689 thousand mainly includes euro 8,997 thousand referring to the amount due from Fininvest S.p.A. for the IRES receivable becoming due within 12 months following the application of the tax consolidation regime as specified in the preceding note, while the amount of euro 5,665 thousand refers to the higher IRES amount paid in the 2007-2011 tax periods as a result of the non-deductibility of IRAP relative to the taxable amount of the cost of personnel and other labour costs net of the deductions envisaged 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 no. 201/2001 (introduced by Italian Legislative Decree no. 16/2012) envisaged the possibility to apply for reimbursement of the higher IRES amount paid as a result of the afore mentioned non-deductibility for the 2007-2011 tax periods. Considering that the Company contributes to the Group taxable amount with Fininvest acting as the consolidating entity, which, on behalf of the entire Group, pays IRES amounts, but also applies for the relevant reimbursement, the receivable was recognized due from Fininvest S.p.A.

8. Other current assets

Item “Other current assets”, equal to euro 40,892 thousand (euro 45,160 thousand), are detailed and commented on below:

Other current assets (euro/000)	**31/12/2014**	**31/12/2013**
Receivables from agents	48	48
Receivables from authors and employees	33,956	36,063
Receivables from suppliers	907	1,662
Receivables from personnel	449	607
Advances to social security institutes	1,466	1,438
Prepayments	2,982	4,073
Associated companies for transparent income	151	150
Other	933	1,119
Total other current assets	**40,892**	**45,160**

Receivables from authors and employees are net of the relevant provision for copyright advances and equal to euro 7,237 thousand.

Prepayments equal to euro 2,982 thousand (euro 4,073 thousand) include:

(euro/000)	31/12/2014	31/12/2013
Third publishers' editions for copies sold in 2014	2,110	2,571
Rents	208	543
Other accrued income	13	16
Other prepayments (rents, subscriptions, membership fees)	651	943
Total prepayments	**2,982**	**4,073**

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 2015.

9. Inventory

Item "Inventory", equal to euro 30,477 thousand (euro 28,300 thousand), are detailed and commented on below.

Inventory (euro/000)	31/12/2014	31/12/2013
Raw materials and consumption materials	2,984	65
Depreciation for raw materials and consumption materials	-	-
Total raw materials and consumption materials	**2,984**	**65**
Work in progress and semi-finished goods	10,288	11,005
Depreciation of work in progress and semi-finished goods	(516)	(516)
Total work in progress and semi-finished goods	**9,772**	**10,489**
Finished products and goods	18,989	19,014
Depreciation of finished products and goods	(1,268)	(1,268)
Total finished products and goods	**17,721**	**17,746**
Total inventory	**30,477**	**28,300**

With reference to inventory of finished products, existing stocks of books as at 31 December 2014 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 2014**	**FY 2013**
Changes in finished products and goods	24	(337)
Provision for finished products and goods	-	-
Utilization of the provisions for finished products and goods	-	(72)
Total changes in inventory of finished products and goods	**24**	**(409)**
Changes in semi-finished products	704	2,771
Provision for semi-finished products	-	-
Utilization of the provision for semi-finished products	-	-
Total changes in inventory of semi-finished products	**704**	**2,771**
Changes in raw, ancillary and consumption materials	(2,919)	-
Provision for raw, ancillary, consumption materials	-	-
Utilization of the provisions for raw, ancillary, consumption materials	-	-
Total changes in inventory of raw, ancillary, consumption materials	**(2,919)**	**0**
Total decrease (increase) in inventory	**(2,191)**	**2,362**

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

10. Trade receivables

“Trade receivables”, equal to euro 130,790 thousand (euro 144,670 thousand), is detailed and commented on below:

Trade receivables (euro/000)	**31/12/2014**	**31/12/2013**
Receivables from customers	78,534	56,262
Receivables from associated companies	30,308	20,476
Receivables from subsidiaries	21,919	67,901
Receivables from parent companies	29	31
Total trade receivables	**130,790**	**144,670**

It should be noted that no trade receivables are due over five years and that the average collection period in 2014 was 111.3 days (104.8 days in 2013).

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

Receivables from subsidiaries of euro 21,919 thousand (euro 67,901 thousand) and receivables from associated companies of euro 30,308 thousand (euro 20,476 thousand) 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 95 thousand (euro 125 thousand) and mainly include RTI S.p.A. for euro 93 thousand (euro 97 thousand) and other enterprises for a total of euro 2 thousand.
Trade transactions with the Fininvest Group are carried out under standard market conditions.

"Receivables from customers", equal to euro 78,534 thousand (euro 56,262 thousand) include:

Trade receivables - Receivables from customers (euro/000)	**31/12/2014**	**31/12/2013**
Receivables from customers	107,259	89,827
Customers – returns to receive	(21,881)	(20,420)
Provision for bad debt	(6,844)	(13,145)
Total receivables from customers	**78,534**	**56,262**

The changes in provision for bad debt of euro 6,844 thousand (euro 13,145 thousand) are detailed here below:

Trade receivables - Receivables from customers - Provision for bad debt (euro/000)	**31/12/2014**	**31/12/2013**
Balance at beginning of year	13,145	8,905
Changes in the period:		
- provisions	1,576	5,925
- utilisations	(7,877)	(1,685)
Total provision for bad debt	**6,844**	**13,145**

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

“Other current financial assets”, equal to euro 87,353 thousand (euro 139,951 thousand), is detailed and commented on below:

Other current financial assets (euro/000)	**31/12/2014**	**31/12/2013**
- Financial receivables due from subsidiaries	81,981	130,460
- Financial receivables due from associated companies	501	1,596
- Other financial receivables	4,871	7,895
Total financial receivables	**87,353**	**139,951**
Total other current financial assets	**87,353**	**139,951**

Financial receivables due from subsidiaries of euro 81,981 thousand (euro 130,460 thousand) and receivables due from associated companies of euro 501 thousand (euro 1,596 thousand) mainly refer to current account transactions, totalling euro 70,012 thousand, 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 4,871 thousand (euro 7,895 thousand) include accrued income relative to financial components and other financial receivables.

12. Cash and cash equivalents

Item “Cash and cash equivalents”, equal to euro 10,081 thousand (euro 53,009 thousand), include postal accounts for a total of euro 38 thousand (euro 33 thousand), receivables due from banks of euro 10,038 thousand (euro 52,971 thousand) and euro 5 thousand (euro 5 thousand) of cash and cash on hand.

Cash and cash equivalents (euro/000)	**31/12/2014**	**31/12/2013**
Cash and cash on hand	5	5
Bank deposits	10.038	52.971
Postal deposits	38	33
Total cash and cash equivalents	**10.081**	**53.009**

The fair value of cash and cash equivalents as at 31 December 2014 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. Shareholders’ equity

The share capital of euro 67,979 thousand is fully underwritten and paid up and is divided in 261,458,340 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 01/01/2013	**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	
- Dividends paid out								
- Purchase of treasury shares								(3,041)
- Disposal/cancellation of treasury shares								
- Stock options				(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**

(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 01/01/2014	**64,079**	**170,625**	**(73,498)**	**1,101**	**783**	**327,297**	**(314,970)**	**175,417**
Changes in:								
- Profit allocation		(170,625)				(144,345)	314,970	
- Dividends paid out								
- Capital increase	3,900	12,000						15,900
- Disposal/cancellation of treasury shares			73,498			(58,207)		15,291
- Stock options								
- Other reserves						(450)		(450)
- Comprehensive income for the period					(295)	(529)	(12,888)	(13,712)
Balance at 31/12/2014	**67,979**	**12,000**	**0**	**1,101**	**488**	**123,766**	**(12,888)**	**192,446**

In the first half of 2014 a private placement exclusively reserved for “qualified investors” in Italy and foreign institutional investors was issued on a total of 29,953,500 ordinary shares equal to 12.5% of the Company’s share capital.
In particular, the bid included the issue of 15,000,000 new ordinary shares, deriving from a capital increase transaction, with option rights excluded pursuant to article 2441, par. 4, of the Italian Civil Code and the transfer of 14,953,500 ordinary shares held by Arnoldo Mondadori Editore S.p.A. as treasury shares.
Following the positive completion of the transaction:
• the “Share capital” made up of 261,458,340 ordinary shares with a nominal value of euro 0.26 each, is increased by euro 3,900,000, from euro 64,079,168.40 to euro 67,979,168.40;
• the “Share premium reserve”, zeroed as a result of the resolution made by the Shareholders’ Meeting of 30 April 2014 to cover the loss for the 2013 period, is increased by euro 12,000,000;
• “Treasury shares” are zeroed, as there are no additional treasury shares in the portfolio;
• “Other reserves” increased by euro 15,291 thousand as a result of treasury shares placement.

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**
Share capital	**67,979**		
Capital reserves			
- share premium reserve	12,000	A,B,C	12,000
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	114,520	A,B,C	93,565
IAS/IFRS			
- negative transition reserve	(17,971)	-	
- stock option reserve	1,101	A,B,C	1,101
- post-employment benefit discounting reserve	488	A,B,C	
- cash flow hedge reserve	(2,984)		
Total	**205,334**		**106,666**
Undistributable portion (1)			5,740
Residual distributable portion			100,926

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 reserve*** equal to euro 12,000 thousand (euro 170,625 thousand) refers to the capital increase completed on 17 June 2014 following implementation of the resolution made by the Board of Directors of 16 June 2014 in partial execution of the power granted by the extraordinary Shareholders' Meeting of 30 April 2014 pursuant to article 2443 of the Italian Civil Code.

Reserves made for tax purposes are classified as follows:

(euro/000)	a - until 2007	a - from 2008	b	c	Total
Share premium reserve	-	-	-	12,000	12,000
					12,000
Reserve ex It. Law no. 72 of 19/03/1983	-	-	12,022	-	12,022
Reserve ex It. Law no. 413 of 30/12/1991	-	-	4,689	-	4,689
					16,711
Legal reserve	13,490	-	-	-	13,490
					13,490
Extraordinary reserve		114,520	-	-	114,520
IAS/IFRS application reserve	(8,821)	(10,545)	-	-	(19,366)
					108,644
Total reserves	**4,669**	**103,975**	**16,711**	**12,000**	**137,355**

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 art. 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.

14. Provisions

"Provisions", equal to euro 39,077 thousand (euro 52,547 thousand) is broken down here below.

Provisions (euro/000)	31/12/2013	Provisions	Utilisations	31/12/2014
Provision for bad debt	1,069			1,069
Provision for legal risks	19,228	300	2,373	17,155
Provision for INPGI contribution dispute	1,899			1,899
Provision for equity impairment exceeding cost	8,999	88	8,999	88
Provision for charges on advertising receivables	7,080	900	1,111	6,869
Provision for charges on subscription receivables	1,100	150	373	877
Provision for other charges	13,172	2,363	4,415	11,210
Total provisions	**52,547**	**3,801**	**17,271**	**39,077**

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)	31/12/2014	31/12/2013
Provision for post-employment benefits (TFR)	16,157	19,373
Provision for supplementary agents’ indemnity (FISC)	1,539	1,131
Provision for journalists (IFGP)	327	318
Total post-employment benefits	**18,023**	**20,822**

Changes in the period of reference are detailed below:

Post-employment benefits - Details (euro/000)	Post-employment benefits	FISC	IFGP	Total
Balance at 31/12/2013	**19,373**	**1,131**	**318**	**20,822**
Changes in 2014:				
- provisions	264	117	9	390
- utilisations	(3,725)	(256)		(3,981)
- disposals/acquisitions	(532)	470		(62)
- reversals				
- discounting	684	77		761
- other	93			93
Balance at 31/12/2014	**16,157**	**1,539**	**327**	**18,023**

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.
It should be noted that for both calculations a discounting rate based on the iBoxx benchmark, Corporate euro area, rating AA and with a 10+ duration was used.

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

Actuarial assumptions to measure TFR	31/12/2014	31/12/2013
Economic assumptions		
- increase in cost of living	from 0.6% to 1.5%	2.0%
- discounting rate	1.49%	3.17%
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	14.25%	14.16%
- retirement age	Applicable regulations	Applicable regulations

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 approximately euro 0.4 million.

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

Actuarial assumptions to measure FISC	**31/12/2014**	**31/12/2013**
Economic assumptions:		
- discounting rate	1.49%	3.17%
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 2014**	**FY 2013**
Cost of post-employment benefits allocated to supplementary pension plans	4,429	5,294
	4,429	**5,294**
Financial costs	541	804
Total cost of post-employment benefits	**4,970**	**6,098**

It should be noted that item "Current cost of employee 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 262,536 thousand (euro 394,828 thousand), is detailed and commented on below.

Non-current financial liabilities (euro/000)	**Actual interest rate**	**Expiry over 5 years**	**31/12/2014**	**31/12/2013**
Liabilities resulting from derivatives	-		1,723	16
Medium/long-term loans and borrowings	4.543%		260,813	394,812
Total non-current financial liabilities	**4.543%**		**262,536**	**394,828**

Item “Loans and borrowings” include the level of utilization of the loan contracts and, specifically:
- euro 43,747 thousand, the utilization of the bilateral loan contract stipulated with Intesa Sanpaolo, coming to maturity in December 2016;
- euro 47,319 thousand, the utilization of the loan stipulated with Mediobanca, coming to maturity in December 2017;
- euro 169,746 thousand, the amortised cost of the portion of the term loan stipulated with a pool of banks coming to maturity in 2016/2017/2018.

The significant reduction (euro 133,999 thousand) against the previous year reflects the remarkable improvement in cash flow and, consequently, the lower bank debt cost.

Liabilities in derivative instruments, equal to euro 1,723 thousand, include the fair value relative to the following:
- three Interest Rate Swap (IRS) floating to fix contracts of euro 90 million each, converting the floating rate (1-month Euribor) into fixed at 0.42%, with expiry on 31 December 2016, referring to the underlying portion of the Amortizing Term Loan stipulated with a pool of banks coming to maturity in 2016/2017/2018;
- 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 loan contract underwritten with Mediobanca.

“Payables due to banks and other financial liabilities” were equal to euro 178,640 thousand (euro 184,800 thousand) and include:

Payables due to banks and other financial liabilities (euro/000)	**31/12/2014**	**31/12/2013**
Payables due to banks	8,818	5,314
Payables due to associated companies	2,715	2,811
Financial payables due to subsidiaries	131,017	140,106
Short-term loans	35,000	35,000
Other financial liabilities	479	759
Accrued liabilities and deferred income	611	810
Total payables due to banks and other financial liabilities	**178,640**	**184,800**

Payables due to banks of euro 8,818 thousand (euro 5,314 thousand) include short-term current account overdraft payables.
Payables due to subsidiaries of euro 131,017 thousand (euro 140,106 thousand) and payables due to associated companies of euro 2,715 thousand (euro 2,811 thousand) 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.
Prepayments equal to euro 35,000 thousand (euro 35,000 thousand) include:
- euro 10,000 thousand regarding the use of the revolving portion of the bilateral loan contract stipulated with Intesa Sanpaolo, coming to maturity in December 2016;
- euro 10,000 thousand regarding the use of “Hot Money” lines;
- euro 15,000 thousand regarding the use of the Term Loan coming to maturity to January 2015, following the partial advance reimbursement envisaged by the contract.

Accrued liabilities and deferred income of euro 611 thousand (euro 810 thousand) were determined on an accrual basis and refer to short term loan interest rates.

The Company's comprehensive net financial position at 31 December 2014, shown in the table below, highlights a net debt of euro 143,740 thousand (euro 186,438 thousand).

Net debt (euro/000)		**31/12/2014**	**31/12/2013**
A	Cash	5	5
	- Bank deposits	10,038	52,971
	- Postal deposits	38	33
B	Other cash and cash equivalents	10,076	53,004
C	**Cash and cash equivalents and other financial assets (A+B)**	**10,081**	**53,009**
D	Securities held for trading		
	- Financial receivables due from subsidiaries	281,981	330,460
	- Financial receivables due from associated companies	501	1,596
	- Financial assets at fair value	-	-
	- Derivatives and other financial assets	4,871	8,126
E	Receivables and other current financial assets	287,353	340,182
F	**Current and non-current financial assets (D+E)**	**287,353**	**340,182**
G	Current payables due to banks	18,818	5,314
	- Bonds	-	-
	- Loans	-	-
	- Borrowings	25,611	35,809
H	Current portion of non-current debt	25,611	35,809
	- Financial payables due to subsidiaries	131,017	140,106
	- Financial payables due to associated companies	2,715	2,811
	- Derivatives and other financial liabilities	478	760
I	Other current financial liabilities	134,210	143,677
L	**Payables due to banks and other current financial liabilities (G+H+I)**	**178,639**	**184,800**
M	**Current and non-current net financial position (C+F-L)**	**118,795**	**208,391**
	- Bonds	-	-
	- Loans	-	-
	- Borrowings	260,812	394,813
N	Debt non-current portion	260,812	394,813
O	Other non-current financial liabilities	1,723	16
P	**Non-current net debt (N+O)**	**262,535**	**394,829**
Q	**Net debt (M-P)**	**(143,740)**	**(186,438)**

It should be noted that the Company's net financial position, determined pursuant to Consob recommendation, would be negative for euro 343,740 thousand (euro 386,668 thousand), 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 thousand.

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

The Company's income amounts are defined for fiscal purposes along with the corresponding tax amounts paid until 2009, except for the indications provided in note 28 "Commitments and potential liabilities".

In case of criminally relevant cases pursuant to art. 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 art. 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

"Other current liabilities", equal to euro 57,833 thousand (euro 57,481 thousand), is detailed and commented on below with the relevant changes:

Other current liabilities (euro/000)	**31/12/2014**	**31/12/2013**
Advances to customers	464	304
Tax payables	4,303	4,885
Cost of post-employment benefits allocated to supplementary pension plans	1,973	2,147
Payables due to welfare and social security entities	7,614	7,403
Other payables	42,363	41,022
Accrued liabilities and deferred income	827	1,418
Associated companies for transparent income	289	302
Total other current liabilities	**57,833**	**57,481**

Advances to customers of euro 464 thousand (euro 304 thousand) increased by euro 160 thousand against the previous year.
Tax payables of euro 4,303 thousand (euro 4,885 thousand) refer to IRPEF amounts on employee salaries and professional fees paid in January 2015.

Cost for post-employment benefits allocated to supplementary pension plans of euro 1,973 thousand (euro 2,147 thousand) refer to pension funds including also post-employment benefits paid in January 2015.

Payables due to welfare and social security entities of euro 7,614 thousand (euro 7,403 thousand) include euro 4,029 thousand (euro 4,382 thousand) for contributions on salaries relating to December and paid in January 2015; euro 3,585 thousand (euro 3,021 thousand) for contributions allocated for deferred salary items.

Other payables of euro 42,363 thousand (euro 41,022 thousand) are broken down as follows:

Other current liabilities - Other payables (euro/000)	**31/12/2014**	**31/12/2013**
Payroll and other amounts due to personnel	12,479	15,572
Payables due to authors and collaborators	17,096	22,710
Payables due to agents	579	509
Payables to directors and statutory auditors	2,968	1,763
Press-Di for pre-paid subscription fee collection	8,799	-
Other	442	468
Total other payables	**42,363**	**41,022**

Accrued liabilities and deferred income of euro 827 thousand (euro 1,418 thousand) were determined on an accrual basis and are broken down as follows:

Accrued liabilities and deferred income (euro/000)	**31/12/2014**	**31/12/2013**
Insurance, membership fees and other prepayments	450	609
Total accrued liabilities	**450**	**609**
Revenues from advertising per issue for magazines in 2014	377	435
Other	-	374
Total deferred income	**377**	**809**
Total accrued liabilities and deferred income	**827**	**1.418**

19. Trade payables

Item “Trade payables” is detailed and commented on here below:

Trade payables (euro/000)	**31/12/2014**	**31/12/2013**
Payables due to suppliers	101,082	101,235
Payables due to subsidiaries	29,838	37,434
Payables due to associated companies	9,589	4,723
Payables due to parent company	24	49
Total trade payables	**140,533**	**143,441**

Payables due to suppliers amount to euro 101,082 thousand (euro 101,235 thousand) and include payables for the purchase of fixed assets for a total of euro 619 thousand (euro 738 thousand).

This item also includes:

- trade payables due to Fininvest Group companies totalling euro 720 thousand (euro 5,048 thousand), of which the most significant refer to Publitalia ‘80 S.p.A. for euro 388 thousand (euro 3,942 thousand), RTI S.p.A. for euro 297 thousand (euro 1,084 thousand) and other minor payables for a total of euro 35 thousand (euro 22 thousand).

Payables due to associated companies refer to trade transactions performed at standard market conditions.

Trade payables due to subsidiaries of euro 29,838 thousand (euro 37,434 thousand) and trade payables due to associated companies of euro 9,589 thousand (euro 4,723 thousand) refer to trade transactions performed at standard market conditions.

The breakdown by company and the changes against the previous year are specified in Annex D1. Information by geographical area is provided in the relevant separate section.

It should be noted that no trade payables are due over 5 years and that the average payment period in 2014 equalled 127.2 days (128.8 days in 2013); in addition it should also be highlighted that supplier payment conditions have been re-defined.

(Intercompany trade transactions in 2014 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 2014**	**FY 2013**	**Var. %**
Revenues from the sale of goods:			
- books	201,328	205,776	(1.02%)
- magazines/publications	159,796	183,832	(13.07%)
- magazines/subscriptions	18,335	21,999	(16.66%)
- corporate and other business:			
Reproduction rights	5,603	4,117	(21.16%)
Commercial items and special initiatives	1,304	928	40.52%
Sub-products and scrap material	1,119	1,160	(3.53%)
Revenues from the sale of services:			
- advertising services	73,402	76,971	(4.64%)
- corporate and other business:			
On-line revenues, content deal and website management	-	81	-
Other services, consulting and assistance	33,991	30,433	11.69%
Total revenues	**494,878**	**525,297**	**(5.79%)**

The decrease in the revenues from the sale of magazines/publications of euro 24,036 thousand is mainly due to the performance of the market of reference, which resulted in plummeting sales in 2014.
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**	**2014**	**2013**
Italian domestic market	195,302	177,563	4,153	108,564	485,582	516,366
Other EU countries	4,896	356	1,058	731	7,041	5,646
USA	82	39	222	-	343	1,217
Switzerland	941	20	66	100	1,127	1,519
Other countries	107	153	104	421	785	549
Total	**201,328**	**178,131**	**5,603**	**109,816**	**494,878**	**525,297**

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 2014**	**FY 2013**
Paper for special initiatives	22,259	28
Production material	5	32
Total cost of raw and ancillary materials	**22,264**	**60**
Goods for re-sale	122,945	119,027
Consumption and maintenance materials	2,404	824
Total cost of consumption materials and goods	**125,349**	**119,851**
Total cost of raw, ancillary, consumption materials and goods	**147,613**	**119,911**

22. Cost of services

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

Cost of services (euro/000)	FY 2014	FY 2013
Rights and royalties	52,979	62,250
Third party collaborations	20,015	23,583
Consultancy services	10,868	11,522
Commissions	3,602	2,978
Third party graphical processing:		
- print, packaging and other	76,332	84,034
- paper	23,291	42,070
Transport and shipping	21,778	24,078
Advertising services	24,631	27,544
Other services	18,380	9,699
Travel and other expense reimbursements	1,814	2,171
Maintenance	1,328	2,213
Postal costs and telephone	968	1,604
Utilities (electricity, gas, water)	1,912	2,147
Catering and cleaning services	2,888	3,473
Market research	1,415	1,878
Insurance	1,043	1,222
Subscription management	5,207	7,709
Press agency	548	424
Rental expense	3,124	7,759
Rental of vehicles and other	2,052	1,820
Data processing fees and other	833	1,314
Fees for company boards:		
- Chairman and Board of Directors	4,011	3,250
- Board of Statutory Auditors	172	205
Total cost of services	**279,191**	**324,947**

In 2014 third party leased assets (rents, rentals of vehicles, data processing fees) were reclassified under other costs (income) for services. In order to make data comparable with those of the previous year, 2013 data were also reclassified.

23. Cost of personnel

This item is detailed and commented on here below:

Cost of personnel (euro/000)	FY 2014	FY 2013
Salaries and wages	63,589	70,932
Stock options		
Social security charges	20,560	20,483
Post-employment benefits, retirement indemnity and supplementary pension scheme plans	6,915	26,860
Provision/utilisation for risks for personnel re-organization	(2,519)	1,880
Total cost of personnel	**88,545**	**120,155**

Cost of personnel by category is broken down here below:

(euro/000)	FY 2014	FY 2013
Executives	17,332	27,610
White collars and managers	33,562	36,505
Journalists	34,183	52,729
Blue collars	3,468	3,311
Total	**88,545**	**120,155**

At 31 December 2014 the Company had 1,029 employees, 104 employees less than in the previous year.

Employees	Actual 31/12/2014	Actual 31/12/2013	Average FY 2014	Average FY 2013
Executives	63	70	64	72
Journalists	280	317	302	344
White collars and managers	596	664	605	666
Blue collars	90	82	89	85
Total	**1.029**	**1.133**	**1.060**	**1.167**

In the year of reference the average number of employees was 1,060 units (1,167 in 2013).

Information about stock option plans

With reference to the stock option plans applied by Arnoldo Mondadori Editore S.p.A. for the three-year 2009-2010-2011 time spans, the table below summarises the situation of the options assigned and still to be exercised at 31 December 2014 with indication of the prices and relevant exercise period.

Stock option	2009	2010
In circulation at 01/01/2014	1,100,000	720,000
- assigned during the year	-	-
- cancelled during the year	-	-
- exercised during the year	-	-
- expired during the year	-	-
In circulation at 31/12/2014	1,100,000	720,000
Exercise term	16/10/2012-16/10/2015	22/07/2013-21/07/2016
Exercise price in euro	3,4196	2,4693
Exercisable at 31/12/2014	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)	0.83	1.58
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 2014	FY 2013
Other revenues and income	(20,645)	(22,261)
Various operating costs	(3,534)	26,455
Total other (income) cost	**(24,179)**	**4,194**

In 2014 third party leased assets (rents, rentals of vehicles, data processing fees) were reclassified under other costs (income) for services. In order to make data comparable with those of the previous year, 2013 data were also reclassified.

"Other revenues and income", equal to euro 20,645 thousand (euro 22,261 thousand), include:

Other (income) cost - Other revenues and income (euro/000)	FY 2014	FY 2013
Capital gains and contingent assets	(762)	(294)
Supplier rebates and paper contributions	(614)	(1,235)
Third party expense reimbursements:		
- expense recovered from development, distribution, marketing activities	(4,247)	(5,096)
- expense recovered from advertising development	(1,007)	(1,242)
- labour costs recovered from temporary employees	(2,686)	(4,779)
- other	(3,183)	(6,432)
Other (promotions, rents, publishing facilities)	(8,146)	(3,183)
Total other revenues and income	**(20,645)**	**(22,261)**

"Other operating costs", equal to euro (3,534) thousand (euro 26,455 thousand), include:

Other (income) cost - Other operating costs (euro/000)	Esercizio 2014	Esercizio 2013
Compensation, settlements and allowances	3,049	3,211
Bad debt	7,397	1,685
Contributions and grants	449	490
Information material	534	606
Entertainment expenses	1,067	1,235
Other expenses	1,575	1,795
Capital loss and contingent losses	130	140
Provision for bad debt	1,576	5,925
Provision for legal risks	300	4,540
Provision for other risks	1,332	12,345
(Utilisation) provision for bad debt	(7,877)	(1,685)
(Utilisation) provision for legal risks	(2,373)	(687)
(Utilisation) provision for other risks	(11,383)	(4,022)
Council tax	286	247
Other taxes and duties	404	630
Total other operating costs	**(3,534)**	**26,455**

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 revenues (costs)

This item with the expense amount equal to euro 7,902 thousand (cost equal to euro 8,820 thousand), includes:

Financial revenues (costs) (euro/000)	**FY 2014**	**FY 2013**
Interest from banks and post offices	17	533
Interest from associated companies	195	42
Interest from subsidiaries	15,273	12,749
Financial income from derivatives	213	715
Other interest and financial income	250	1,991
Total interest and other financial revenues	**15,948**	**16,030**
Interest to banks and post offices	(93)	(143)
Interest due to associated companies	(10)	(3)
Interest to subsidiaries	(322)	(71)
Interest due to parent companies	-	-
Financial costs from derivatives	(792)	(9,767)
Other financial costs for discounting assets/liabilities	(541)	(804)
Other interest paid and financial costs	(22,045)	(14,554)
Total interest expense and other financial costs	**(23,803)**	**(25,342)**
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 revenues (cost) from security management	**0**	**514**
Realised currency gains	(38)	(22)
Unrealised currency gains	(9)	-
Total revenues (loss) on currency transactions	**(47)**	**(22)**
Total financial income (costs)	**(7,902)**	**(8,820)**

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. Revenues (costs) from investments

This item is detailed and commented on below:

Revenues (costs) from investments (euro/000)	**FY 2014**	**FY 2013**
Dividends	20,588	500
Impairment loss	(28,171)	(268,138)
Capital gain/loss from transfer/liquidation	-	-
Total Revenues (costs) from investments	**(7,583)**	**(267,638)**

Dividends collected in the period are broken down below:

(euro/000)	FY 2014	FY 2013
Subsidiaries:		
Press-Di Distribuzione Stampa e Multimedia S.r.l.	-	-
Giulio Einaudi editore S.p.A.	5,060	-
Mondadori Education S.p.A.	14,994	-
Cemit Interactive Media S.p.A.	-	-
Edizioni Piemme S.p.A.	-	-
Sperling & Kupfer S.p.A.	-	-
Total subsidiaries	**20,054**	**0**
Associated companies:		
Gruner + Jahr/Mondadori S.p.A.	-	-
Harlequin Mondadori S.p.A.	450	500
Mondadori Independent Media LLC	84	-
Mach 2 Libri S.p.A.	-	-
Total associated companies	**534**	**500**
Total dividends	**20,588**	**500**

The impairment loss of euro 28,171 thousand (euro 268,138 thousand) 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)	Esercizio 2014	Esercizio 2013
Coverage of losses	57,351	22,623
Capital reduction and reserves / impairment on interest	-	34,651
	57,351	57,274
Provision for losses / impairment loss:		
- provisions	19,093	266,373
- utilisations	(48,273)	(55,509)
	(29,180)	210,864
Other	-	-
Total	**28,171**	**268,138**

27. Income tax

"Income tax" amounted to euro 758 thousand (euro 11,823 thousand). The main components for the financial years ended at 31 December 2013 and 2014 are illustrated in the table below:

Income tax (euro/000)	FY 2014	FY 2013
IRES tax on income for the period	(10,483)	(13,604)
IRAP for the period	2,112	2,547
Total current taxes	**(8,371)**	**(11,057)**
Deferred/(pre-paid) taxes for IRES	5,824	(910)
Deferred/(pre-paid) taxes for IRAP	289	144
Total deferred/(pre-paid) taxes	**6,113**	**(766)**
Fund provision for tax disputes	1,500	-
Total income taxes	**(758)**	**(11,823)**

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 10,483 thousand, 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 2014			FY 2013		
	Pre-tax result	Tax amount	Current tax rate	Pre-tax result	Tax amount	Current tax rate
Theoretical IRES tax amount	(13,646)	(3,753)	27.50%	(326,794)	(89,868)	27.50%
Theoretical IRAP tax amount		(532)	3.90%		(12,745)	3.90%
Total theoretical tax amount / rate	**(13,646)**	**(4,285)**	**31.40%**	**(326,794)**	**(102,613)**	**31.40%**
Actual IRES tax amount	(13,646)	(3,148)	23.07%			4.44%
Actual IRAP tax amount		2,391	(17.52%)			(0.82%)
Total actual tax amount / rate	**(13,646)**	**(757)**	**5.55%**	**(326,794)**	**(11,824)**	**3.62%**
Theoretical tax amount / rate	**(13,646)**	**(4,285)**	**31.40%**	**(326,794)**	**(102,613)**	**31.40%**
Effect relating to dividends	(19,581)	(5,385)	39.46%	(500)	(138)	0.04%
Effect relating to provision on investment impairment	28,171	7,748	(56.78%)	268,138	73,738	(22.56%)
Net effect relating to other permanent differences for IRES	6,890	1,895	(13.89%)	12,480	3,432	(1.05%)
Effect relating to a different taxable amount for IRAP (cost of personnel, collaborations, financial and extraordinary cost/income, bad debt)	74,974	2,924	(21.43%)	395,769	15,435	(4.72%)
Other	(13,283)	(3,654)	26.78%	(6,097)	(1,678)	0.51%
Actual tax amount / rate		**(757)**	**5.55%**		**(11,824)**	**3.62%**

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 31/12/2014	Total 31/12/2013
Guarantees, sureties, endorsements:				
- in favour of subsidiaries:	48,362		48,362	57,947
- in favour of associated companies:	-		-	705
- in favour of other enterprises:	28,758		28,758	52,644
	77,120		**77,120**	**111,296**
Other commitments	-		-	532
Total	**77,120**		**77,120**	**111,828**

Guarantees, sureties, endorsements:

- ***in favour of subsidiaries***: euro 48,362 thousand (euro 57,947 thousand) 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 thousand 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 0 thousand (euro 705 thousand) 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 28,758 thousand (euro 52,644 thousand) 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 5,364 thousand;
  - to the Gaming Monopoly Authority for euro 261 thousand;
  - to the Lombardy Regional Inland Revenue Office for VAT reimbursements for euro 22,610 thousand;
  - to other entities and enterprises for a total of euro 523 thousand.

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 withholding taxes for a total of euro 186 thousand 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:
  - for the tax assessments relative to 1996 and 1998 the Provincial Tax Commission rejected the appeal filed by the Company, pending the terms for a second appeal;
  - 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 thousand 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 thousand plus applicable ancillary charges by means of a tax assessment, in relation to interest paid on a loan stock stated in 2004. Against such assessment proceedings have been filed with the Court of Cassation.

For the above indicated potential liabilities, as confirmed by tax advisors, it is not probable that the Company shall lose the cases and, therefore, no provisions for risks and charges were allocated in 2011.

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 2014 relative to the company restructuring following the filing of the status of crisis of the Magazines Area with a negative result amounting to euro 6,010 thousand.

The afore described transactions, net of the relevant tax effect, generated a negative impact on 2014 for a total of euro 4,357 thousand.

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 2013 and 2014.

31. 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 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 Company'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 Company exposure to interest rate risk mainly refers to long-term loans, and, in particular: bilateral credit lines granted by Intesa Sanpaolo, the bullet loan coming to maturity in December 2017 granted by Mediobanca and the new loan granted by a pool of banks in November 2013.

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)**	**Revenue (cost)**
2014	(112.0)	1%	(1.1)
2013	(80.6)	1%	(0.8)
2014	(112.0)	(0.2%)	0.2
2013	(80.6)	(0.2%)	0.2

While identifying potential impact correlated to positive and negative interest rate variations, floating-rate loans (short-term credit lines) 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 basis points (+100/-20 basis points in 2013);
- 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.

In 2014 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 irrelevant economic impact, considering the low level of average exposure in 2013 and 2014.

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 credit lines.

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 2014 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 (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	101.2						101.2
Medium/long-term intercompany loans							
Medium/long-term borrowings	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**			**821.1**

Liquidity risk (euro/million)	Analysis of maturity periods at 31/12/2014						
	< 6 months	6 - 12 months	1-2 years	2-5 years	5-10 years	> 10 years	Total
Trade payables	101.1						101.1
Medium/long-term intercompany loans							
Medium/long-term borrowings	22.1	7.0	153.9	141.1			324.1
Other financial liabilities:							
- committed lines							
- uncommitted lines	10.0	10.1					20.1
Other liabilities	22.4						22.4
Intercompany payables	182.3						182.3
Total	**337.9**	**17.1**	**153.9**	**141.1**			**650.0**
Derivatives on rate risk	0.3	0.4	0.7	0.3			1.7
Total exposure	**338.2**	**17.5**	**154.6**	**141.4**			**651.7**

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 credit lines are reported in the first column.

For the purpose of meeting liquidity requirements, the Company relies on credit lines 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.
A special case of 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)	**31/12/2014**	**31/12/2013**
Deposits	10.1	53.0
Receivables and loans:		
- trade receivables and other current financial assets	209.4	273.6
- trade receivables and other non-current financial assets	212.9	212.6
- Guarantees	-	-
Total maximum exposure to credit risk	**432.4**	**539.2**

As to trade receivables, the table below illustrates the Company's exposure to credit risk by geographical area and business unit:

(euro/million)	**Credit risk concentration**			
	31/12/2014	**31/12/2013**	**% 31/12/2014**	**% 31/12/2013**
By business area:				
Books	104.1	89.6	79.6%	61.9%
Magazines	18.8	50.8	14.4%	35.1%
Other	7.9	4.3	6.0%	3.0%
Total	**130.8**	**144.7**	**100.0%**	**100.0%**
By geographical area:				
Italy	129.1	142.9	98.7%	98.8%
Other countries	1.7	1.8	1.3%	1.2%
Total	**130.8**	**144.7**	**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 credit line. 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 and 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 and 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 credit lines, 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.

(euro/million)	Classification							
	Book value						Fair value	
	Total		of which current		of which non-current			
	31/12/2014	31/12/2013	31/12/2014	31/12/2013	31/12/2014	31/12/2013	31/12/2014	31/12/2013
Receivables and loans:								
- cash and cash equivalents	10.1	53.0	10.1	53.0			10.1	53.0
- trade receivables	74.9	48.4	74.9	48.2		0.2	74.9	48.4
- other financial assets	5.2	7.9	4.9	7.9	0.3		5.2	7.9
- receivables due from subsidiaries, associated companies	334.7	418.9	122.7	206.9	212.0	212.0	334.7	418.9
Held-for-sale financial assets (investments)	0.2	0.2	0.2	0.2			0.2	0.2
Cash flow hedges		0.2				0.2		0.2
Total financial assets	**425.1**	**528.6**	**207.9**	**263.2**	**212.3**	**212.4**	**425.1**	**528.6**
Financial liabilities at amortized cost:								
- trade payables	101.1	101.2	101.1	101.2			101.1	101.2
- payables due to banks and other financial liabilities	328.1	457.0	67.3	62.2	260.8	394.8	319.7	525.8
- receivables due from subsidiaries, associated companies	182.3	185.1	182.3	185.1			182.3	185.1
Cash flow hedges	1.7						1.7	
Total financial liabilities	**613.2**	**743.3**	**350.7**	**348.5**	**260.8**	**394.8**	**604.8**	**812.1**

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.

(euro/million)	Income and loss from financial instruments	
	FY 2014	**FY 2013**
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
- intercompany receivables	15,5	12,8
- other financial assets	0,2	1,9
Total income	**15,7**	**15,2**
Net loss on derivative instruments	0,6	9,1
Net loss on financial liabilities, loans and receivables		
Interest due on financial liabilities not valued at fair value:		
- deposits	0,1	0,1
- borrowings	18,2	10,4
- intercompany payables	0,3	0,1
- other	3,8	3,6
Losses from financial instrument impairment:		
- trade receivables	7,4	5,9
Total expenses	**30,4**	**29,2**
Total	**(14,7)**	**(14,0)**

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 afore mentioned fair value.

Financial assets/ liabilities (euro/000)	**Fair value at 31/12/2013**	**Fair value hierarchy**	**Valuation method and main inputs**
Interest rate swap	(1,723)	Livel 2	Discounted cash flow Projected flows are discounted based on the forward rate curve expected at year end and on the contractual fixing rates, also taking the counterparty default risk into account.
Investments in other companies	164	Livel 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 2014 (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 2014**
Auditing	Deloitte & Touche S.p.A.	342.3
Certification	Deloitte & Touche S.p.A.(1)	177.7
Total		**520.0**

(1) Attività di Accertamento Diffusione Stampa (circulation auditing). Auditing of the Company financial statements, tax returns and report drafted pursuant to article 2441 of the Italian Civil Code and the Finance Consolidation Act.

Supplementary tables

Attached is the table containing the information on the Company’s receivables and payables broken down by geographical area (Annex H).

For the Board of Directors
The Chairman
Marina Berlusconi

Annexes

ANNEX A:
TABLE OF INVESTMENTS

Description (euro/000)	Legal offices	Share capital	Shareholders' equity	Profit (loss) in fy 2014
SUBSIDIARIES:				
Cemit Interactive Media S.p.A.	S.Mauro Torinese (TO)	3,835	7,837	(1,033)
Edizioni Piemme S.p.A.	Milan	567	14,536	(290)
Giulio Einaudi editore S.p.A.	Torino	23,920	38,979	5,297
Glaming S.r.l. (in liquidation)	Milan	20	284	150
Kiver S.r.l.	Milan	93	1,350	(1,028)
Mondadori Retail S.p.A.	Milan	2,700	4,156	113
Mondadori Education S.p.A.	Milan	10,608	41,421	10,179
Mondadori Electa S.p.A.	Milan	1,594	8,717	3,999
Mondadori International Business S.r.l.	Milan	2,800	3,376	577
Mondadori Libri S.p.A.	Milan	50		
Mondadori France S.a.s.	Montrouge	50,000	199,422	(7,912)
Mondadori Pubblicità S.p.A.	Milan	3,120	4,625	(2,503)
Monradio S.r.l.	Milan	3,030	7,200	(14,259)
Press-Di Distribuzione Stampa e Multimedia S.r.l.	Milan	1,095	9,773	2,368
Sperling & Kupfer Editori S.p.A.	Milan	1,556	2,843	1,067
Sporting Club Verona S.r.l.	Milan	100	83	(254)
Total				
ASSOCIATED COMPANIES:				
ACI-Mondadori S.p.A. (in liquidation)	Milan	590	1,565	(1,388)
Gruner + Jahr/Mondadori S.p.A.	Milan	2,600	4,403	(1,918)
Harlequin Mondadori S.p.A.	Milan	258	711	1,050
Mach 2 Libri S.p.A.	Peschiera Borromeo (MI)	646	9,360	(1,094)
Società Europea di Edizioni S.p.A.	Milan	2,529	6,326	(3,775)
Attica Publications S.A.	Athens	4,590	14,541	530
Mondadori Independent Media LLC (*)	Moscow	92,232	68,193	10,703
Total				
OTHER COMPANIES:				
Consorzio Edicola Italiana	Milan	60	-	
Consuledit Società consortile ar.l. (in liquidation)	Milan	20	40	
Editrice Portoria S.p.A. (bankruptcy)	Milan	364	300	
Immobiliare Editori Giornali S.r.l.	Rome	830	5,890	
Soc. Editrice Il Mulino S.p.A.	Bologna	1,175	1,685	
Total				
Total direct equity investments				

(a) Net equity at 31/12/1999
(b) Net equity at 31/12/2013
(*) 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.

Total shareholders' equity		% of interest	Net equity of competence	Balance sheet values			
				Acquisition/ Incorporation	Shareholders' payments	Impairment loss provision	Total
6,804		100.00%	6,804	15,601		(8,571)	7,030
14,246		100.00%	14,246	25,106		(11,040)	14,066
44,276		100.00%	44,276	28,490			28,490
434		100.00%	434	274	478	(468)	284
322		75.22%	242	224			224
4,269		100.00%	4,269	3,561	492	(189)	3,864
51,600		100.00%	51,600	56,217			56,217
12,716		100.00%	12,716	6,333			6,333
3,953		100.00%	3,953	2,800			2,800
		100.00%	-	50			50
191,510		100.00%	191,510	260,000		(186,866)	73,134
2,122		100.00%	2,122	2,451	2,086	(2,413)	2,124
(7,059)		100.00%	(7,059)	16,799	3,320	(6,494)	13,625
12,141		100.00%	12,141	1,095			1,095
3,910		100.00%	3,910	10,367		(7,613)	2,754
(171)		100.00%	(171)	100		(100)	0
			340,993	**429,468**	**6,376**	**(223,754)**	**212,090**
177		50.00%	89	540	725	(683)	582
2,485	(b)	50.00%	1,243	1,203			1,203
1,761		50.00%	881	402			402
8,266		34.91%	2,886	3,118		(9)	3,109
2,551	(b)	36.90%	941	933	931	(4)	1,860
15,071	(b)	41.98%	6,327	43,287		(24,247)	19,040
78,896	(b)	50.00%	39,448	5,501		(5,199)	302
			6,038	**54,984**	**1,656**	**(30,142)**	**26,498**
-		16.67%	-	10			10
40		9.56%	4	1			1
300	(a)	16.78%	50	61		(61)	0
5,890		7.88%	464	52			52
1,685		7.05%	119	101			101
			637	**225**	**0**	**(61)**	**164**
			347,669	**484,677**	**8,032**	**(253,957)**	**238,752**

ANNEX B1: LIST OF THE MAIN INDIRECTLY OWNED SUBSIDIARIES AND ASSOCIATED COMPANIES AT 31 DECEMBER 2014

Description (Values in currency/000)	**Legal offices**		**Share capital**	**Shareholders' equity**
SUBSIDIARIES:				
Electa S.r.l.	Milan	Euro	20	213
EMAS "Editions Mondadori Axel Springer" S.n.c.	France	Euro	152	152
Mondadori France S.a.s.	Montrouge	Euro	50,000	199,422
Mondadori Magazines France S.a.s.	Montrouge	Euro	60,557	349,530
NaturaBuy S.a.s.	Montrouge	Euro	9	1,064
Total				
ASSOCIATED COMPANIES:				
Companies belonging to the Attica Group:				
Airlink S.A.	Athens	Euro	801	
Argos S.A.	Athens	Euro	2,910	
Attica Publications S.A.	Athens	Euro	4,590	
Attica Media Bulgaria Ltd	Sophia	Lev	155	
Attica Media Serbia Ltd	Belgrade	Euro	1,659	
Attica-Imako Media Ltd	Bucarest	Ron	700	
Civico Ltd	Cyprus	US$	2	
E-One S.A. (in liquidation)	Athens	Euro	339	
Ennalaktikes Publications S.A. (in liquidation)	Athens	Euro	487	
HRS Ltd	Athens	Euro	18	
International Radio Networks Holdings S.A.	Luxembourg	Euro	2,507	
International Radio Networks S.A.	Athens	Euro	380	
Ionikes Publishing S.A.	Athens	Euro	1,374	
Lampsi Publishing Radio & Radio Enterprises S.A.	Athens	Euro	3,251	
Attica Media Romania Ltd (former PBR Publication Ltd)	Bucarest	Ron	1	
Radio Zita	Thessaloniki	Euro	746	
Tilerama S.A.	Athens	Euro	1,467	
(Attica consolidated figures) (b)	Athens	Euro	4,590	2,409
Campania Arte S.c.ar.l.	Rome	Euro	100	100
Consorzio Covar (in liquidation)	Rome	Euro	15	7
Consorzio Forma	Pisa	Euro	4	3
Edizioni EL S.r.l.	Trieste	Euro	620	6,379
Mach 2 Press S.r.l. (*)	Peschiera Borromeo(MI)	Euro	200	1,187
Mediamond S.p.A.	Milan	Euro	2,400	3,934
Mondadori Independent Media LLC (b)	Moscow	Ruble	92,232	68,193
Mondadori Seec (Beijing) Advertising Co. Ltd (b)	Beijing	Cny	40,000	11,897
Selcon S.r.l.	Milan	Euro	21	945
Venezia Accademia Società per i servizi museali S.c.ar.l.	Venice	Euro	10	10
Venezia Musei Società per i servizi museali S.c.ar.l. (in liquidation)	Venice	Euro	10	22
Total				

(a) Exchange rates: US$ Euro 1.3362; Cny Euro 9.835; Rub Euro 40.820
(b) At 31/12/2013
(*) Not approved

Income (loss) in fy 2014	Total shareholders' equity	Group interest	Net equity of competence denominated in currency	Net equity of competence In euro ([a])
(2)	211	100.00%	211	211
6,333	6,485	50.00%	3,243	3,243
(7,912)	191,510	100.00%	191,510	191,510
12,849	362,379	100.00%	362,379	362,379
532	1,596	60.00%	958	958
				558,300
		41.98%		
		2.75%		
		41.98%		
		28.90%		
		38.18%		
		20.99%		
		41.98%		
		10.50%		
		20.57%		
		41.98%		
		41.98%		
		41.85%		
		27.92%		
		41.98%		
		41.98%		
		20.99%		
		20.99%		
1,228	3,637	41.98%		
	100	22.00%	22	22
	7	25.00%	2	2
	3	25.00%	1	1
	6,379	50.00%	3,190	3,190
(311)	876	46.98%	412	412
(1,278)	2,656	50.00%	1,328	1,328
10,703	78,896	50.00%	39,448	966
27,487	39,384	50.00%	19,692	2,002
	945	25.60%	242	242
	10	25.00%	3	3
	22	34.00%	7	7
				8,174

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.

COMPANY NAME		SHARE CAPITAL	% OWNED	OWNERSHIP MODE
ACI-Mondadori S.p.A. in liquidation (Italy)	Euro	590,290	50%	direct
Aranova Freedom Soc. Cons. ar.l. (Italy)	Euro	19,200	16.67%	indirect
Campania Arte S.c.ar.l. (Italy)	Euro	100,000	22%	indirect
Cemit Interactive Media S.p.A. (Italy)	Euro	3,835,000	100%	direct
Club Dab Italy Società consortile per azioni (Italy)	Euro	240,000	12.50%	indirect
Editrice Portoria S.p.A. in bankruptcy (Italy)	Euro	364,000	16.786%	direct
Edizioni EL S.r.l. (Italy)	Euro	620,000	50%	indirect
Edizioni Piemme S.p.A. (Italy)	Euro	566,661	100%	direct
Electa S.r.l. (Italy)	Euro	20,000	100%	indirect
Giulio Einaudi editore S.p.A. (Italy)	Euro	23,920,000	100%	direct
Glaming S.r.l. in liquidation (Italy)	Euro	20,000	100%	direct
Gruner + Jahr/Mondadori S.p.A. (Italy)	Euro	2,600,000	50%	direct
Harlequin Mondadori S.p.A. (Italy)	Euro	258,250	50%	direct
Mach 2 Libri S.p.A. (Italy)	Euro	646,250	34.91%	direct
				indirect
Mach 2 Press S.r.l. (Italy)	Euro	200,000	40%	indirect
MDM Milano Distribuzione Media S.r.l. (Italy)	Euro	611,765	17%	indirect
Mediamond S.p.A. (Italy)	Euro	2,400,000	50%	indirect
Mondadori Retail S.p.A. (Italy)	Euro	2,700,000	100%	direct
Mondadori Education S.p.A. (Italy)	Euro	10,608,000	100%	direct
Mondadori Electa S.p.A. (Italy)	Euro	1,593,735	100%	direct
Mondadori International Business S.r.l. (Italy)	Euro	2,800,000	100%	direct
Mondadori Pubblicità S.p.A. (Italy)	Euro	3,120,000	100%	direct
Monradio S.r.l. (Italy)	Euro	3,030,000	100%	direct
Press-Di Distribuzione Stampa e Multimedia S.r.l. (Italy)	Euro	1,095,000	100%	direct
Società Europea di Edizioni S.p.A. (Italy)	Euro	2,528,875	36.89838%	direct
Sperling & Kupfer Editori S.p.A. (Italy)	Euro	1,555,800	100%	direct
Sporting Club Verona S.r.l. - Società Sportiva Dilettantistica (Italy)	Euro	100,000	100%	direct
Venezia Accademia Società per i servizi museali S.c.ar.l. (Italy)	Euro	10,000	25%	indirect
Venezia Musei Società per i servizi museali S.c.ar.l. (in liquidation)	Euro	10,000	34%	indirect
Attica Publications S.A. (Greece)	Euro	4,590,000	41.987%	direct
Editions Mondadori Axel Springer S.n.c. (France)	Euro	152,500	50%	indirect
EMAS Digital S.a.s. (France)	Euro	20,675,400	50%	indirect
Mondadori France S.a.s. (France) (former AME France S.ar.l.)	Euro	50,000,000	100%	direct
Mondadori Independent Media LLC (Russia)	Ruble	92,232,160	50%	direct
Mondadori Magazines France S.a.s. (France)	Euro	60,557,458	100%	indirect
Mondadori Seec (Beijing) Advertising Co. Ltd	Cny	40,000,000	50%	indirect
Mondadori UK Limited (UK)	Gbp	2,895.19	92.135%	indirect
NaturaBuy S.a.s. (France)	Euro	9,150	60%	indirect
Kiver S.r.l. (Italy)	Euro	93,177	75.22%	direct
Milano Cultura S.c.ar.l. (Italy)	Euro	40,000	50%	indirect
Mondadori Libri S.p.A. (Italy)	Euro	50,000	100%	direct

At 31 December 2014

HOLDER	% OWNED	LEGAL OFFICES	TAX CODE	DATE OF INCORPORATION
Arnoldo Mondadori Editore S.p.A.	50%	Milan - via Bianca di Savoia 12	13277400159	17/11/2000
Monradio S.r.l.	16.67%	Bologna, via Guinizzelli 3	02532501208	24/01/2005
Mondadori Electa S.p.A	22%	Rome - via Tunisi 4	09086401008	18/07/2006
Arnoldo Mondadori Editore S.p.A.	100%	Turin - corso Giulio Cesare 268	04742700018	13/12/1984
Monradio S.r.l.	12.5%	Milan - Foro Bonaparte 71	97174850152	01/02/1996
Arnoldo Mondadori Editore S.p.A.	16.786%	Milan - via Chiossetto 1	02305160158	26/03/1975
Giulio Einaudi editore S.p.A.	50%	Trieste - San Dorligo della Valle - via J. Ressel 5	00627340326	07/05/1984
Arnoldo Mondadori Editore S.p.A.	100%	Milan - via Bianca di Savoia 12	00798930053	29/09/1982
Mondadori Electa S.p.A.	100%	Milan - via Bianca di Savoia 12	07136630964	08/09/2010
Arnoldo Mondadori Editore S.p.A.	100%	Turin - via U. Biancamano 2	08367150151	03/06/1986
Arnoldo Mondadori Editore S.p.A.	100%	Milan - via Bianca di Savoia 12	07428570969	21/04/2011
Arnoldo Mondadori Editore S.p.A.	50%	Milan - via Luisa Battistotti Sassi 11/A	09440000157	19/09/1988
Arnoldo Mondadori Editore S.p.A.	50%	Milan - via Marco D'Aviano 2	05946780151	15/10/1980
Arnoldo Mondadori Editore S.p.A.	30.91%	Peschiera Borromeo (MI) - via Galileo Galilei 1	03782990158	06/05/1983
Sperling & Kupfer Editore S.p.A.	4%			
Press-Di Distribuzione Stampa e Multimedia S.r.l.	40%	Peschiera Borromeo (MI) - via Galileo Galilei 1	07014150960	
Press-Di Distribuzione Stampa e Multimedia S.r.l.	17%	Milan - via Carlo Cazzaniga 19	10463540152	27/04/2010
Mondadori Pubblicità S.p.A.	50%	Milan - via Bianca di Savoia 12	06703540960	02/10/1991
Arnoldo Mondadori Editore S.p.A.	100%	Milan - via Bianca di Savoia 12	00212560239	30/07/2009
Arnoldo Mondadori Editore S.p.A.	100%	Milan - via Bianca di Savoia 12	03261490969	19/11/1946
Arnoldo Mondadori Editore S.p.A.	100%	Milan - via Trentacoste 7	01829090123	01/10/2001
Arnoldo Mondadori Editore S.p.A.	100%	Milan - via Bianca di Savoia 12	08009080964	23/02/1989
Arnoldo Mondadori Editore S.p.A.	100%	Milan - via Bianca di Savoia 12	08696660151	29/10/2012
Arnoldo Mondadori Editore S.p.A.	100%	Milan - via Bianca di Savoia 12	04571350968	12/02/1987
Arnoldo Mondadori Editore S.p.A.	100%	Milan - via Bianca di Savoia 12	03864370964	15/10/2004
Arnoldo Mondadori Editore S.p.A	36.89838%	Milan - via G. Negri 4	01790590150	19/02/2003
Arnoldo Mondadori Editore S.p.A.	100%	Milan - via Bianca di Savoia 12	00802780155	27/02/1974
Arnoldo Mondadori Editore S.p.A.	100%	Milan - via Bianca di Savoia 12	07231600961	03/11/1927
Mondadori Electa S.p.A.	25%	Venice - via L. Einaudi 74	03808820272	03/12/2010
Mondadori Electa S.p.A.	34%	Venice - via L. Einaudi 74	03534350271	11/01/2008
Arnoldo Mondadori Editore S.p.A.	41.987%	Greece - Athens - Maroussi, 40 Kifissias Avenue		01/08/1994
Mondadori France S.a.s.	50%	France - Montrouge Cedex - 8, rue François Ory		09/12/1999
Mondadori France S.a.s.	50%	France - Montrouge Cedex - 8, rue François Ory		13/09/2011
Arnoldo Mondadori Editore S.p.A.	100%	France - Montrouge Cedex - 8, rue François Ory		23/06/2004
Arnoldo Mondadori Editore S.p.A.	50%	Russia - Moscow - 3, Bldg. 1, Polkovaya Str.		26/12/2007
Mondadori France S.a.s.	100%	France - Montrouge Cedex - 8, rue François Ory		30/03/2004
Mondadori Pubblicità S.p.A.	50%	China - Beijing - Chaoyang District - Fan Li Plaza, 22, Chaowai Avenue, Level 10, Room B2		04/06/2008
Mondadori International Business S.r.l.	92.135%	United Kingdom - London 10 Salisbury Square - St. Bride's House		18/03/2010
Mondadori France S.a.s.	60%	France - Montrouge Cedex - 8, rue François Ory		25/04/2007
Arnoldo Mondadori Editore S.p.A.	75.22%	Milan - via Bianca di Savoia 12	04237910965	30/01/2004
Mondadori Electa S.p.A.	50%	Milan - via Monte Rosa 91	08795350969	26/09/2014
Arnoldo Mondadori Editore S.p.A.	100%	Milan - via Bianca di Savoia 12	08856650968	02/12/2014

RELATED PARTIES
ANNEX C1: RECEIVABLES DUE FROM SUBSIDIARIES AND ASSOCIATED COMPANIES AT 31 DECEMBER 2014

Current account transactions and financial receivables (euro/000)	**31/12/2014**	**31/12/2013**
Subsidiaries:		
Edizioni Piemme S.p.A.	1,062	2,099
Giulio Einaudi editore S.p.A.	2,581	-
Mondadori France S.a.s.	200,074	202,759
Mondadori International Business S.r.l.	1,129	45
Mondadori Pubblicità S.p.A.	11,202	27,007
Mondadori Retail S.p.A.	23,727	57,337
Monradio S.r.l.	40,919	35,721
Press-Di Distribuzione Stampa e Multimedia S.r.l.	27	31
Sperling & Kupfer Editori S.p.A.	1,260	5,461
Associated companies:		
ACI-Mondadori S.p.A.	-	1,096
Attica Publications S.A.	500	500
Other companies for amounts lower than euro 52,000 (*)	1	-
Total	**282,482**	**332,056**
% of incidence	**98.3%**	**97.6%**

Trade transactions (euro/000)	31/12/2014	31/12/2013
Subsidiaries:		
Cemit Interactive Media S.p.A.	345	193
Edizioni Piemme S.p.A.	1,665	1,321
Giulio Einaudi editore S.p.A.	2,706	3,105
Glaming S.r.l.	-	1
Mondadori Education S.p.A.	1,383	1,144
Mondadori Electa S.p.A.	711	612
Mondadori France S.a.s.	96	-
Mondadori International Business S.r.l.	275	504
Mondadori Magazines France S.a.s.	190	106
Mondadori Pubblicità S.p.A.	3,607	38,287
Mondadori Retail S.p.A.	7,691	8,106
Monradio S.r.l.	329	584
Mondadori Iniziative Editoriali S.p.A.	-	583
Press-Di Distribuzione Stampa e Multimedia S.r.l.	1,491	12,143
Sperling & Kupfer Editori S.p.A.	1,430	1,212
Associated companies:		
ACI-Mondadori S.p.A. (in liquidation)	38	143
Attica Publications S.A.	6	7
Edizioni EL S.r.l.	367	355
Gruner + Jahr/Mondadori S.p.A.	39	177
Harlequin Mondadori S.p.A.	76	94
Mach 2 Libri S.p.A.	19,927	19,563
Mediamond S.p.A.	9,837	134
Mondadori Independent Media LLC	3	3
Società Europea di Edizioni S.p.A.	15	-
Parent company:		
Fininvest S.p.A.	29	31
Affiliated companies:		
Fininvest Gestione Servizi S.p.A.	2	5
Milan A.C. S.p.A.		22
RTI S.p.A.	130	97
Milan Entertainment S.r.l.		1
Taodue S.r.l.		-
Mediobanca S.p.A.	917	148
Other companies for amounts lower than euro 52,000 (*)		-
Total	**53,305**	**88,681**
% of incidence	**40.8%**	**61.3%**

Tax receivables	31/12/2014	31/12/2013
Parent company:		
Fininvest S.p.A.	15,710	22,644
Total	**15,710**	**22,644**

(*) The amounts of the previous year also include receivables due from companies transferred during 2014.

RELATED PARTIES
ANNEX C2: INTERCOMPANY TRANSACTIONS IN 2014

Related parties (euro/000)	Revenues from sales and services	Other income	Financial income	Income from investments	Total
Parent company:					
Fininvest S.p.A.	5	79			84
Subsidiaries:					
Ame Publishing Ltd					0
Arnoweb S.A.					0
Cemit Interactive Media S.p.A.	812	165			977
Diana S.a.s.					0
Edizioni Piemme S.p.A.	2,432	2,172	21		4,625
Excelsior Publications S.a.s.					0
Mondadori Education S.p.A.	3,493	573		14,994	19,060
Giulio Einaudi editore S.p.A.	3,557	1,962		5,060	10,579
Glaming S.r.l.					0
Mondadori Electa S.p.A.	1,655	662			2,317
Mondadori France S.a.s.			10,873		10,873
Mondadori International S.p.A.					0
Mondadori International Business S.r.l.	498	370	34		902
Mondadori Iniziative Editoriali S.p.A.					0
Mondadori Magazines France S.a.s.	528				528
Mondadori Pubblicità S.p.A.	6,542	942	582		8,066
Mondadori Retail S.p.A.	39,742	2,305	1,884		43,931
Press-Di Distribuzione Stampa e Multimedia S.r.l.	186,903	1,203			188,106
Prisco Spain S.A.					0
Monradio S.r.l.	504	228	1,716		2,448
Sperling & Kupfer Editori S.p.A.	2,243	1,919	164		4,326
Sporting Club Verona S.r.l.		1			1
Sub-total	**248,909**	**12,502**	**15,274**	**20,054**	**296,739**

Related parties (euro/000)	Revenues from sales and services	Other income	Financial income	Income from investments	Total
Associated companies:					
ACI-Mondadori S.p.A.	118	35	38		191
Agenzia Lombarda Distrib.Giornali e Riviste S.r.l.					0
Attica Media Publications S.A.			26		26
Edizioni EL S.r.l.	855				855
Gruner + Jahr/Mondadori S.p.A.	43	22			65
Harlequin Mondadori S.p.A.	123	77		450	650
Hearst Mondadori Editoriale S.r.l.					0
Mach 2 Libri S.p.A.	17,061	13	1		17,075
Mediamond S.p.A.	68,932	1,681	130		70,743
Mondadori Independent Media LLC				84	84
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.	13				13
Sub-total	**87,145**	**1,828**	**195**	**534**	**89,702**
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.	2				2
Il Teatro Manzoni S.p.A.					0
Milan A.C. S.p.A.					0
Mediaset S.p.A.					0
Media Shopping S.p.A.					0
Mediobanca S.p.A.					0
Medusa Film S.p.A.					0
Publitalia '80 S.p.A.					0
RTI Reti Televisive Italiane S.p.A.	239				239
Taodue S.r.l.					0
Videotime S.p.A.					0
Sub-total	**241**	**0**	**0**	**0**	**241**
Total	**336,300**	**14,409**	**15,469**	**20,588**	**386,766**
% of incidence	**67.96%**	**69.79%**	**96.99%**	**100.00%**	**68.50%**

RELATED PARTIES
ANNEX D1: PAYABLES DUE TO PARENT COMPANY, SUBSIDIARIES AND ASSOCIATED COMPANIES AT 31 DECEMBER 2014

Current account transactions and financial payables (euro/000)	**31/12/2014**	**31/12/2013**
Subsidiaries:		
Cemit Interactive Media S.p.A.	8,142	7,999
Edizioni Piemme S.p.A.	2,748	-
Electa S.r.l.	202	203
Mondadori Education S.p.A.	50,978	56,746
Mondadori Electa S.p.A.	13,238	9,848
Giulio Einaudi editore S.p.A.	31,029	24,110
Glaming S.r.l.	469	460
Mondadori France S.a.s.	4,013	-
Mondadori Iniziative Editoriali S.p.A.	-	724
Mondadori International S.p.A.		-
Mondadori International Business S.r.l.		-
Sperling & Kupfer Editori S.p.A.	3	-
Press-Di Distribuzione Stampa e Multimedia S.r.l.	19,729	39,119
Sporting Club Verona S.r.l.	466	897
Associated companies:		
ACI-Mondadori S.p.A.	100	
Gruner + Jahr/Mondadori S.p.A.	22	6
Harlequin Mondadori S.p.A.	2,593	2,563
Mach 2 Libri S.p.A.		-
Mediamond S.p.A.		242
Parent company:		
Fininvest S.p.A.	-	-
Affiliated companies:		
Mediobanca S.p.A.	47,506	70,069
Other companies for amounts lower than euro 52,000 (*)	-	-
Total	**181,238**	**212,986**
% of incidence	**41.1%**	**36.7%**

Trade transactions (euro/000)	31/12/2014	31/12/2013
Subsidiaries:		
Cemit Interactive Media S.p.A.	10	(78)
Edizioni Piemme S.p.A.	7,831	8,680
Mondadori Education S.p.A.		130
Giulio Einaudi editore S.p.A.	10,170	13,495
Glaming S.r.l.		24
Mondadori Electa S.p.A.	2,977	2,498
Mondadori Education S.p.A.	122	-
Mondadori International Business S.r.l.	16	5
Mondadori Magazines France S.a.s.	7	9
Mondadori Pubblicità S.p.A.	358	3,096
Mondadori Retail S.p.A.	354	446
Monradio S.r.l.		19
Mondadori Iniziative Editoriali S.p.A.		49
Press-Di Distribuzione Stampa e Multimedia S.r.l.	12,346	4,582
Sperling & Kupfer Editori S.p.A.	4,427	4,478
Sporting Club Verona S.r.l.	18	-
Associated companies:		
ACI-Mondadori S.p.A. (in liquidation)	2	-
Attica Media Bulgaria Ltd	-	-
Edizioni EL S.r.l.	4,169	4,400
Gruner + Jahr/Mondadori S.p.A.	-	103
Harlequin Mondadori S.p.A.	308	114
Mach 2 Libri S.p.A.	75	103
Mediamond S.p.A.	5,033	2
Mondadori Seec Advertising Co. Ltd		
Società Europea di Edizioni S.p.A.	2	1
Parent company:		
Fininvest S.p.A.	24	48
Affiliated companies:		
Alba Servizi Aerotrasporti S.p.A.	11	-
Digitalia 08 S.r.l.	16	8
The Space Cinema		-
Fininvest Gestione Servizi S.p.A.	20	
RTI S.p.A.	404	1,208
Publitalia '80 S.p.A.	1,207	3,942
Mediaset S.p.A.		-
Medusa Film S.p.A.	154	154
Milan Entertainment S.r.l.	1	22
Other related companies:		
Sin&rgetica	-	-
Sineris	-	-
Other companies for amounts lower than euro 52,000 (*)	-	-
Total	**50,062**	**47,538**
% of incidence	**35.6%**	**33.1%**

Tax payables	31/12/2014	31/12/2013
Parent company:		
Fininvest S.p.A.	-	-
Total	**0**	**0**

(*) The amounts of the previous year also include payables due to companies transferred during 2014.

RELATED PARTIES
ANNEX D2: INTERCOMPANY TRANSACTIONS IN 2014

Related parties (euro/000)	**Raw, ancillary, consumption materials and goods**	**Services**	**Other costs**	**Financial costs**	**Costs from investments**	**Total**
Parent company:						
Fininvest S.p.A.	0	70				70
Subsidiaries:						
Ame France S.a.s.						0
Ame Publishing Ltd						0
Arnoldo Mondadori Deutschland GmbH						0
Cemit Interactive Media S.p.A.		292		22	8,571	8,885
Diana S.a.s.						0
Edizioni Piemme S.p.A.	27,485	32		14	489	28,020
Electa S.r.l.						0
Giulio Einaudi editore S.p.A.	33,495	138		70		33,703
Glaming S.r.l.				1	-	1
Mondadori Electa S.p.A.	6,987	396	7	26		7,416
Mondadori Education S.p.A.		194		102		296
Mondadori France S.a.s.						0
Mondadori Franchising S.p.A.						0
Mondadori Iniziative Editoriali S.p.A.						0
Mondadori International S.p.A.						0
Mondadori International Business S.r.l.		144				144
Mondadori Magazines France S.a.s.		16				16
Mondadori Pubblicità S.p.A.	12	155	781		7,877	8,825
Mondadori Retail S.p.A.	275	468	78		3,613	4,434
Mondolibri S.p.A.						0
Press-Di Distribuzione Stampa e Multimedia S.r.l.		20,171	373	96		20,640
Monradio S.r.l.		20			6,486	6,506
Monradio Servizi S.r.l. (former Rock FM S.r.l.)						0
Sperling & Kupfer Editori S.p.A.	21,237	49				21,286
Sporting Club Verona S.r.l.				2	83	85
Sub-total	**89,491**	**22,075**	**1,239**	**333**	**27,119**	**140,257**

Related parties (euro/000)	**Raw, ancillary, consumption materials and goods**	**Services**	**Other costs**	**Financial costs**	**Costs from investments**	**Total**
Affiliated companies:						
ACI-Mondadori S.p.A.		3			200	203
Artes Graficas Toledo S.A.						0
Attica Media Serbia Ltd						0
Attica Publications S.A.						0
Edizioni EL S.r.l.	5,851	1				5,852
Gruner + Jahr/Mondadori S.p.A.		7	1	2		10
Harlequin Mondadori S.p.A.	7,185			8		7,193
Hearst Mondadori Editoriale S.r.l.						0
Mach 2 Libri S.p.A.		79				79
Mediamond S.p.A.	3,011	3,468	732			7,211
Mondadori Independent Media LLC					852	852
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.			6		-	6
Sub-total	**16,047**	**3,558**	**739**	**10**	**1,052**	**21,406**
Fininvest group companies:						
Alba Servizi Aerotrasporti S.p.A.		11				11
Consorzio Campus Multimedia						0
Digitalia 08 S.r.l.						0
Il Teatro Manzoni S.p.A.						0
Fininvest Gestione Servizi S.p.A.		49				49
Mediaset S.p.A.						0
Mediobanca S.p.A.						0
Medusa Film S.p.A.						0
Medusa Video S.r.l.						0
Milan A.C. S.p.A.						0
Milan Entertainment S.r.l.		2				2
Digital 08 S.r.l.		91				91
Publitalia '80 S.p.A.		7,238				7,238
Radio e Reti S.r.l.						0
RTI Reti Televisive Italiane S.p.A.	(26)	707				681
Taodue S.r.l.						0
The Space Cinema 1 S.p.A.		6				6
Total	**(26)**	**8,104**	**0**	**0**	**0**	**8,078**
Other related parties:						
Sin&rgetica						0
Sineris						0
Sub-total	**0**	**0**	**0**	**0**	**0**	**0**
Total	**105,512**	**33,807**	**1,978**	**343**	**28,171**	**169,811**
% of incidence	**71.48%**	**12.11%**	**13.28%**	**1.44%**	**100.00%**	**22.69%**

ANNEX E: FINANCIAL HIGHLIGHTS OF SUBSIDIARIES DRAFTED IN COMPLIANCE WITH STATUTORY ACCOUNTING PRINCIPLES

(euro/000)	Monradio	Sporting Club Verona	Glaming (in liquidation)
Financial year at	**31/12/2014**	**31/12/2014**	**31/12/2014**
Balance sheet			
Assets			
Intangible assets	15,680	100	-
Tangible assets	4,608	43	-
Financial assets	134	-	-
Total fixed assets	**20,422**	**143**	**0**
Inventory	-	-	-
Trade receivables	5,593	543	-
Receivables due from Group companies	18	-	469
Other receivables	14,264	-	62
Financial assets (no fixed assets)	-	-	-
Cash and cash equivalents	-	1	7
Total current assets	**19,875**	**544**	**538**
Accrued income and deferred liabilities	138	7	-
Total assets	**40,435**	**694**	**538**
Liabilities			
Share capital	3,030	100	20
Reserves	851	(17)	-
Shareholders' payments	3,319	-	478
Adjustments from liquidation			(214)
Income (loss) in the period	(14,259)	(254)	150
Total Shareholders' equity	**(7,059)**	**(171)**	**434**
Provision for risks and charges	1,041	-	28
Post-employment benefits	478	69	-
Payables due to banks	-	-	-
Trade payables	3,304	432	10
Payables due to Group companies	41,248	-	-
Other payables	1,333	-	66
Accrued liabilities and deferred income	90	364	-
Total liabilities	**40,435**	**694**	**538**

(euro/000)	Monradio	Sporting Club Verona	Glaming (in liquidation)
Financial year	**2014**	**2014**	**2014**
Income statement			
Revenues from sales	11,687	1,612	-
Differences in inventory	-	-	-
Other revenues	358	143	176
Total value of production	**12,045**	**1,755**	**176**
Purchases and services	14,212	1,411	24
Personnel	1,771	450	-
Amortization, depreciation and impairment	12,830	30	-
Differences in raw materials and goods	-	-	-
Provisions	100	-	-
Other operating costs	320	108	3
Total cost of production	**29,233**	**1,999**	**27**
Revenues from investments	-	-	-
Financial revenues (costs)	(1,711)	2	1
Total financial revenues (costs)	**(1,711)**	**2**	**1**
Revaluations (impairment loss)	-	-	-
Extraordinary revenues (costs)	(2)		-
Pre-tax result	(18,901)	(242)	150
Income tax	(4,642)	12	-
Net income (loss) in the period	**(14,259)**	**(254)**	**150**

ANNEX E: FINANCIAL HIGHLIGHTS OF SUBSIDIARIES ACCORDING TO IAS INTERNATIONAL ACCOUNTING STANDARDS

(euro/000)	Cemit Interactive Media	Edizioni Piemme	Mondadori Education	Giulio Einaudi editore
Financial year at	**31/12/2014**	**31/12/2014**	**31/12/2014**	**31/12/2014**
Balance sheet				
Assets				
Intangible assets	-	519	28,196	11
Property investments	-	-	-	-
Property, plant and machinery	241	450	94	116
Investments	-	-	10	1,332
Non-current financial assets	-	-	-	-
Pre-paid tax assets	542	1,642	3,419	5,000
Other non-current assets	3	7	48	-
Total non-current assets	**786**	**2,618**	**31,767**	**6,459**
Tax receivables	243	1,485	424	355
Other current assets	206	7,581	582	10,592
Inventory	201	5,116	6,150	3,490
Trade receivables	5,370	8,762	7,467	16,644
Securities and other current financial assets	8,141	1,686	50,978	28,448
Cash and cash equivalents	8		45	38
Total current assets	**14,169**	**24,630**	**65,646**	**59,567**
Assets held for sale or transferred	-	-	-	-
Total assets	**14,955**	**27,248**	**97,413**	**66,026**
Liabilities				
Share capital	3,835	567	10,608	23,920
Reserves	4,002	13,969	30,813	15,059
Income (loss) for the period	(1,033)	(290)	10,179	5,297
Total Shareholders' equity	**6,804**	**14,246**	**51,600**	**44,276**
Provisions	383	450	5,882	2,396
Post-employment benefits	1,375	501	5,888	2,776
Non-current financial liabilities	-	-	-	-
Deferred tax liabilities	-	329	6,172	-
Other non-current liabilities	-	-	-	-
Total non-current liabilities	**1,758**	**1,280**	**17,942**	**5,172**
Income tax payables	-	-	3,588	2,032
Other current liabilities	2,098	7,288	14,862	10,127
Trade payables	4,295	4,433	9,330	4,417
Payables due to banks and other financial liabilities	-	1	91	2
Total current liabilities	**6,393**	**11,722**	**27,871**	**16,578**
Liabilities held for sale or transferred	-	-	-	-
Total liabilities	**14,955**	**27,248**	**97,413**	**66,026**

Mondadori Electa	Mondadori Pubblicità	Press-Di Distrib. Stampa e Multimedia	Mondadori Retail	Mondadori International Business	Sperling & Kupfer Editori	Kiver
31/12/2014	**31/12/2014**	**31/12/2014**	**31/12/2014**	**31/12/2014**	**31/12/2014**	**31/12/2014**
7	-	2	462	527	94	459
-	-	-	-	-	-	-
763	11	19	9,412	21	24	15
285	3,297	648	-	1,325	26	-
-	-	-	-	-	-	-
2,459	6,441	1,302	7,623	64	970	60
31	39	-	240	-	15	-
3,545	**9,788**	**1,971**	**17,737**	**1,937**	**1,129**	**534**
314	684	119	5,191	320	185	145
1,393	88	18,565	2,908	79	5,336	45
3,948	-	179	56,823	18	2,570	-
10,667	10,350	36,220	29,381	4,947	4,973	597
13,765	2,144	19,729	-	1,419	-	-
17	-	243	1,298	416		267
30,104	**13,266**	**75,055**	**95,601**	**7,199**	**13,064**	**1,054**
-	-	-	-	-	-	-
33,649	**23,054**	**77,026**	**113,338**	**9,136**	**14,193**	**1,588**
1,594	3,120	1,095	2,700	2,800	1,556	93
7,123	1,505	8,678	1,456	576	1,287	1,257
3,999	(2,503)	2,368	113	577	1,067	(1,028)
12,716	**2,122**	**12,141**	**4,269**	**3,953**	**3,910**	**322**
3,073	1,736	665	5,278	-	380	-
525	613	1,319	5,349	80	863	91
-	-	-	-	-	-	-
1	19	-	-	63	-	133
-	-	-	-	-	-	-
3,599	**2,368**	**1,984**	**10,627**	**143**	**1,243**	**224**
1,060	-	1,423	-	-	514	-
4,417	1,101	25,925	12,264	1,060	4,723	148
11,535	6,085	35,521	62,447	2,681	2,547	516
322	11,378	32	23,731	1,299	1,256	378
17,334	**18,564**	**62,901**	**98,442**	**5,040**	**9,040**	**1,042**
-	-	-	-	-	-	-
33,649	**23,054**	**77,026**	**113,338**	**9,136**	**14,193**	**1,588**

ANNEX E: FINANCIAL HIGHLIGHTS OF SUBSIDIARIES ACCORDING TO IAS INTERNATIONAL ACCOUNTING STANDARDS

(euro/000)	Cemit Interactive Media	Edizioni Piemme	Mondadori Education	Giulio Einaudi editore
Financial year	**2014**	**2014**	**2014**	**2014**
Income statement				
Revenues from sales and services	12,335	28,628	73,733	39,749
Inventory decrease (increase)	(90)	408	1,130	528
Purchase of raw, ancillary, consumption materials and goods	151	1,718	6,487	2,343
Purchases of services	8,943	23,806	41,658	22,690
Cost of personnel	4,764	2,710	8,141	5,958
Other costs (revenues)	(194)	130	75	803
Income from investments valued at equity	-	-	-	-
EBITDA	**(1,239)**	**(144)**	**16,242**	**7,427**
Depreciation of property, plant and machinery	76	49	71	57
Amortization of intangible assets	-	13	1,330	8
EBIT	**(1,315)**	**(206)**	**14,841**	**7,362**
Financial revenues (costs)	(20)	(27)	48	7
Income (costs) from investments	-	-	-	372
Pre-tax result	**(1,335)**	**(233)**	**14,889**	**7,741**
Income tax	(302)	57	4,710	2,444
Net result	**(1,033)**	**(290)**	**10,179**	**5,297**

	Mondadori Electa	Mondadori Pubblicità	Press-Di Distrib. Stampa e Multimedia	Mondadori Retail	Mondadori International Business	Sperling & Kupfer Editori	Kiver
	2014	**2014**	**2014**	**2014**	**2014**	**2014**	**2014**
	40,601	11,301	58,031	211,202	10,601	22,831	2,312
	983	-	(3)	10,943	(18)	317	-
	4,382	-	1,747	125,163	17	1,745	1
	25,520	13,487	47,439	54,473	7,228	16,747	1,846
	3,950	2,656	4,254	23,880	2,158	2,061	882
	(549)	(2,481)	620	(12,176)	387	28	321
	-	-	-	-	-	-	-
	6,315	**(2,361)**	**3,974**	**8,919**	**829**	**1,933**	**(738)**
	418	451	10	3,521	10	18	12
	38	-	2	1,845	5	10	199
	5,859	**(2,812)**	**3,962**	**3,553**	**814**	**1,905**	**(949)**
	(4)	(588)	83	(1,762)	75	(201)	(31)
	(6)	-	-	-	-	-	-
	5,849	**(3,400)**	**4,045**	**1,791**	**889**	**1,704**	**(980)**
	1,850	(897)	1,677	1,678	312	637	48
	3,999	**(2,503)**	**2,368**	**113**	**577**	**1,067**	**(1,028)**

ANNEX F: FINANCIAL HIGHLIGHTS OF THE MAIN INDIRECTLY OWNED SUBSIDIARIES

(euro/000)	Mondadori France S.a.s.
Financial year at	**31/12/2014**
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	5,838
Inventory	-
Trade receivables	1,405
Securities and other current financial assets	-
Cash and cash equivalents	-
Total current assets	**7,243**
Assets held for sale or transferred	-
Total assets	**606,626**
Liabilities	
Share capital	50,000
Reserves	149,422
Income (loss) for the period	(7,912)
Total Shareholders' equity	**191,510**
Provisions	551
Post-employment benefits	-
Non-current financial liabilities	-
Deferred tax liabilities	-
Other non-current liabilities	-
Total non-current liabilities	**551**
Income tax payables	-
Other current liabilities	2,005
Trade payables	379
Payables due to banks and other financial liabilities	412,181
Total current liabilities	**414,565**
Liabilities held for sale or transferred	-
Total liabilities	**606,626**

(euro/000)	Mondadori France S.a.s.
Financial year	**2014**
Income statement	
Revenues from sales and services	3,357
Inventory decrease (increase)	-
Purchase of raw, ancillary, consumption materials and goods	-
Purchases of services	1,153
Cost of personnel	2,015
Other costs (revenues)	719
EBITDA	**(530)**
Depreciation of property, plant and machinery	-
Amortization of intangible assets	-
EBIT	**(530)**
Financial revenues (costs)	(11,649)
Income (costs) from investments	3,302
Pre-tax result	**(8,877)**
Income tax	(965)
Net result	**(7,912)**

ANNEX G: FINANCIAL HIGHLIGHTS OF ASSOCIATED COMPANIES

(euro/000)	ACI-Mondadori	Gruner+Jahr/Mondadori	Harlequin Mondadori	Mach 2 Libri	Società Europea di Edizioni
Financial year at	**31/12/2014**	**31/12/2013**	**31/12/2014**	**31/12/2014**	**31/12/2013**
Balance sheet					
Assets					
Due from shareholders	200				
Intangible assets		318	83	297	6,168
Tangible assets		49	20	154	577
Financial assets	-	60	510	188	738
Total fixed assets	**200**	**427**	**613**	**639**	**7,483**
Inventory		504	126	11,937	506
Trade receivables		7,170	2,009	41,915	15,325
Receivables due from Group companies			-	-	2,399
Other receivables	179	6,096	390	10,685	1,342
Financial assets (no fixed assets)	-	-	-	-	-
Cash and cash equivalents	25	234	1,245	1,354	38
Total current assets	**204**	**14,004**	**3,770**	**65,891**	**19,610**
Accrued income and deferred liabilities		177	268	108	1,855
Total assets	**404**	**14,608**	**4,651**	**66,638**	**28,948**
Liabilities					
Share capital	590	2,600	258	646	2,529
Reserves	(475)	1,803	453	8,714	3,797
Shareholders' payments	1,450	-	-	-	-
Income (loss) for the period	(1,388)	(1,918)	1,050	(1,094)	(3,775)
Total Shareholders' equity	**177**	**2,485**	**1,761**	**8,266**	**2,551**
Provisions for risks and charges	183	80	-	4,815	3,673
Post-employment benefits	-	1,381	741	407	4,627
Payables due to banks	-	-	-	7,203	7,294
Trade payables	-	5,217	1,353	21,878	6,140
Payables due to Group companies	38	-	-	22,858	7
Other payables	6	5,292	743	1,211	4,244
Accrued liabilities and deferred income	-	153	53	-	412
Total liabilities	**404**	**14,608**	**4,651**	**66,638**	**28,948**

(euro/000)	ACI-Mondadori	Gruner+Jahr/ Mondadori	Harlequin Mondadori	Mach 2 Libri	Società Europea di Edizioni
Financial year	**2014**	**2013**	**2014**	**2014**	**2013**
Income statement					
Revenues from sales	223	23,517	8,609	93,875	47,276
Inventory differences	(89)	(9)	(84)	-	
Other revenues	68	1,995	322	-	2,400
Total value of production	**202**	**25,503**	**8,847**	**93,875**	**49,676**
Purchases and services	571	15,923	5,346	85,307	30,508
Cost of personnel	772	8,259	1,812	2,571	18,202
Amortization, depreciation and impairment	1	252	-	523	1,759
Differences in inventory of raw materials and goods	-	126	-	1,458	635
Provisions	183	41	78	4,256	697
Other operating costs	27	967	43	116	1,424
Total cost of production	**1,554**	**25,568**	**7,279**	**94,231**	**53,225**
Revenues from investments	-	-	-	-	-
Financial revenues (costs)	(41)	19	14	(331)	(469)
Total financial revenues (costs)	**(41)**	**19**	**14**	**(331)**	**(469)**
Revaluations (impairment loss)	-	-	-	(257)	-
Extraordinary revenues (costs)	5	(1,062)	-	-	692
Pre-tax result	**(1,388)**	**(1,108)**	**1,582**	**(944)**	**(3,326)**
Income tax	-	810	532	150	449
Profit (loss) in the period	**(1,388)**	**(1,918)**	**1,050**	**(1,094)**	**(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							0
Pre-paid tax assets	18.665						18.665
Other non-current assets	10.806						10.806
Current assets							
Tax receivables	45.579						45.579
Other current assets	20.068	7.697	10.748	367	85	1.927	40.892
Trade receivables	129.120	1.135	29	378	6	122	130.790
Securities and other financial assets	86.853	500					87.353
Total receivables	**311.091**	**9.332**	**10.777**	**745**	**91**	**2.049**	**334.085**
Payables							
Non-current liabilities							
Non-current financial liabilities	262.536						262.536
Deferred tax liabilities	27.289						27.289
Other non-current liabilities							0
Current liabilities							
Income tax liabilities							0
Other current liabilities	50.348	7.167	171	110	3	34	57.833
Trade payables	139.532	502	263	129	5	102	140.533
Payables due to banks and other financial liabilities	174.627	4.013					178.640
Total payables	**654.332**	**11.682**	**434**	**239**	**8**	**136**	**666.831**

STATEMENT OF THE COMPANY'S FINANCIAL STATEMENTS

STATEMENT OF THE COMPANY'S FINANCIAL STATEMENTS PURSUANT TO ART. 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 Oddone Pozzi, in his capacity as Executive Manager responsible for the drafting of the corporate accounting documentation of Arnoldo Mondadori Editore S.p.A., also in compliance with the provisions set out in art. 154-*bis*, par. 3 and 4, of Italian Legislative Decree no. 58 of February 24, 1998, hereby declare:

   • the adequacy in relation to the Company'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 2014.

2. The valuation of the adequacy of the administrative and accounting procedures for the drafting of the Company's financial statements at 31 December 2014 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 2014:

   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.

12 March 2015

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

Statutory Auditors' report

STATUTORY AUDITORS' REPORT TO THE SHAREHOLDERS' MEETING CALLED FOR THE APPROVAL OF THE FINANCIAL STATEMENTS AT 31 DECEMBER 2014

Dear Shareholders,
in 2014 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 no. 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 no. 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 no. 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 no. 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 2014, 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 one director (Oddone Maria Pozzi) in replacement of the resigning director (Carlo Maria Vismara).

  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 2014 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 no. 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.
- The Company has essentially 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. On 31 March 2015 the independent auditing firm issued the reports on the Group's consolidated and the Company's financial statements and the same do not contain any event subject to disclosure;
  - the Board of Directors had no. 7 meetings and the Board of Auditors had no.13 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 2014 for a price of euro 55,000;
    - auditing of the Company's financial statements at 31 December 2014 for a price of euro 35,000;
    - audits for the underwriting of the tax returns for a price of euro 32,300 (of which euro 2,700 relative to the parent company) and euro 15,000 relative to the "approval of compliance" for VAT returns;
    - auditing report pursuant to article 2441 of the Italian Civil Code for a price of euro 70,000.
  - The company assigned to entities having ongoing relations with, and correlated to the independent auditing firm the following tasks:
    - 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 15,000.

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 2014, showing a loss of euro 12,888,013.64 nor of the proposal to cover said loss through the entire utilization of the “Share premium reserve” amounting to euro 12,000,000.00 and for the residual amount of euro 888,013.64 through the partial utilization of the Extraordinary Reserve allocated under “Other reserve and profit carried forward”, as proposed by the Board of Directors.
Lastly, we also remind that with the Shareholders’ Meeting called for the approval of the financial statements ended at 31 December 2014 the Company’s Board of Directors and Board of Auditors will expire and we therefore invite you to resolve thereupon.

Milan, 1 April 2015

For the Board of Auditors
The Chief Statutory Auditor
(Ferdinando Superti Furga)

INDEPENDENT AUDITORS' REPORT

Deloitte.

Deloitte & Touche S.p.A.
Via Tortona, 25
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AUDITORS' REPORT PURSUANT TO ART. 14 AND 16 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010

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, 2014, 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 April 7, 2014.

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, 2014, 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, 2014.

DELOITTE & TOUCHE S.p.A.

Signed by
Patrizia Arienti
Partner

Milan, Italy
March 31, 2015

This report has been translated into the English language solely for the convenience of international readers.

Deloitte.

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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, 2014, 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.

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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, 2014, 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.

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DELOITTE & TOUCHE S.p.A.

Signed by
Patrizia Arienti
Partner

March 31, 2015
Milan, Italy

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