

BoD APPROVES INTERIM REPORT AT 31.03.2016

- **Consolidated net revenue up by 2.2%**, rebounding strongly versus previous quarters: **254.8 million euro** at 31 March 2016 versus 249.2 million euro in 1Q15
- **Consolidated EBITDA +22.1%: 8.5 million euro** at 31 March 2016 versus 7 million euro at 31 March 2015
- **Group net result from continuing operations recovers sharply**: -1.8 million euro at 31 March 2016, **improving by over 50%** versus -3.7 million euro at 31 March 2015
- **Group net financial position drops significantly**: -224.9 million euro versus -319.2 million euro at 31 March 2015

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Outlook for the current year:

- **Revenue up by 14%** versus 2015;
- Operating **EBITDA increasing by 30%**;
- **The net financial position**, including the effects of the Rizzoli Libri and Banzai Media Holding transactions and the planned disposals, in accordance with the provisions of the Antitrust Authority, is expected **to increase** versus end 2015, with a NFP/EBITDA ratio of around 3.5x/3.6x, much lower than the bank covenant of 4.5x

Segrate, 12 May 2016 - Today, the meeting of the Board of Directors of Arnoldo Mondadori Editore S.p.A., chaired by Marina Berlusconi, reviewed and approved the Interim Report at 31 March 2016 presented by CEO Ernesto Mauri.

GROUP PERFORMANCE AT 31 MARCH 2016

Mondadori Group enjoyed a **rather positive start to the year**, even more rewarding if considering the persisting volatile macroeconomic environment.

Specifically, after almost four years, **revenue grew versus the prior year** (before the foregoing acquisitions), a performance which confirmed, along with the **improvement in EBITDA for the ninth consecutive quarter**, the success of the measures adopted over the past two years, paving the way to accomplishing the targets set for the full year and to the new phase of the Group's development.

In 1Q16, **consolidated net revenue** amounted to **254.8 million euro, up by 2.2%** versus 249.2 million euro in 1Q15, rebounding strongly versus previous quarters (+0.8% on a like-for-like basis, including revenue from the Mondadori Scienza magazines¹).

EBITDA before non-recurring items rose by 15.3% to **10.1 million euro** from 8.8 million euro in 1Q15, with a percentage on revenue up from 3.5% to 4%. The consolidation of Mondadori Scienza as of 1 July 2015 resulted in a negative contribution in the quarter of 0.1 million euro.

Consolidated EBITDA improved by 22.1%, settling at **8.5 million euro** versus 7 million euro in 1Q15, a performance that, thanks also to lower restructuring costs and fewer extraordinary items,

¹ Consolidated as from 1 July 2015 following the acquisition by Mondadori of 50% of the Gruner+Jahr/Mondadori S.p.A. joint venture, today Mondadori Scienza S.p.A.



confirms the Group's efficiency gains from the industrial and organizational review actions launched and implemented over the past two years.

Consolidated EBIT in 1Q16 amounted to **3.1 million euro**, improving by approximately **45%** versus 2.1 million euro in 1Q15, thanks to the abovementioned growth in EBITDA, despite the increase in depreciation and amortization (5.4 million euro versus 4.9 million euro at 31 March 2015).

Consolidated result before taxes amounted to -0.5 million euro versus -2.4 million euro at 31 March 2015; in 1Q16, financial costs amounted to 3.6 million euro, **decreasing sharply (-19%)** versus 4.4 million euro in 1Q15, as a result of the reduced average net debt in the period and average total cost of debt. Tax costs in the period came to 0.9 million euro, basically in line with 1Q15 (0.8 million euro).

Consolidated net result from continuing operations, after minority interest, amounted to -1.8 million euro, **improving by over 50%** versus the loss of 3.7 million euro at 31 March 2015. The **Group's net result** at 31 March 2016, net of the result from discontinued operations of the Radio Area (-1 million euro in 1Q15), amounted to -1.8 million euro, improving by 2.9 million euro versus 1Q15.

The **Group's net financial position** at 31 March 2016 came to **-224.9 million euro**, improving **significantly** versus -319.2 million euro at 31 March 2015, as a result of the Group's twelve-month cash generation from ordinary operations (48.4 million euro) and extraordinary operations (45.9 million euro).

At 31 March 2016, **cash flow from operations** in the last twelve months came to a positive 71.7 million euro; cash flow from ordinary operations (after outlays for financial charges and taxes for the period) came to **48.4 million euro**, continuing the rising trend of the six previous quarters. **Cash flow from extraordinary operations** came to a positive **45.9 million euro**, due mainly to the cash-inflow from the disposals completed over the past 12 months, amounting to 58.4 million euro, relating to the transfer of 80% of Monradio (September 2015), of 50% of the Harlequin Mondadori joint venture (September 2015), and of a property in Rome (December 2015).

BUSINESS AREAS

• BOOKS

In 1Q16, Mondadori Group retained its **leadership position** with a **22.9%** share of the **trade market** (*GfK, March 2016*).

In the period under review, the Books Area posted revenue of **63.4 million euro**, rising sharply **(+13.3%)** versus 56 million euro in 1Q15.

Specifically, the Trade Area **grew by 16.9%**, driven by the ongoing positive trend in the sales of titles launched in late 2015, and by the enthusiastic response from the public of the new titles distributed during the year, as proven by the sales charts: in the first three months of the year, the Group held the top three positions in the ranking of the best-selling titles in terms of copies, and boasted 5 titles in the 10 top best-selling books.

Revenue from Educational books **improved by 17.7%** versus 1Q15, driven by the growth of Mondadori Electa.

EBITDA, net of non-recurring items, surged (over 50%) versus 1Q15 to settle at **4.1 million euro**, driven by the increase in revenue from the targeted publishing policy, which also led to a cut in new titles produced, and from greater efficiency in managing operating processes, achieved following the deep organizational and product review implemented since 2015 in the Trade segment.

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• **MAGAZINES ITALY**

In 1Q16, Mondadori Group retained its **leadership position in the magazine market**, with a **32.7%** share (Internal source: Press-di, at February 2016).

In the period under review, revenue from the Magazines Italy Area amounted to **78.5 million euro, up by 0.8%** versus 77.9 million euro in 1Q15 (-3.7% on a like-for-like basis).

Specifically:

- *circulation revenue* grew by 3.7%, due mainly to the contribution of the consolidation of the Mondadori Scienza titles;
- *revenue from add-on products* dropped by 1.8% versus 1Q15;
- *revenue from advertising sales* was basically in line with 1Q15 (-0.3%);
Traffic data showed an overall audience rate of 8.9 million unique users (*Audiweb, February 2016*) versus 6.9 million in February 2015 (+29%).
- *distribution and revenue towards third publishers* rose slightly (+1.4%) versus 1Q15, thanks to the ongoing commitment to developing third-publisher portfolios;
- *international activities* achieved revenue of 2.8 million euro, basically in line with 1Q15 (2.8 million euro);
- *revenue from digital marketing services* (3.3 million euro), transferred to Magazines Italy on 1 January 2016², grew by 5.2%, as a result of the gradual expansion of the range of offers that had started in 2015.

EBITDA for the Magazines Italy Area, net of non-recurring items, improved considerably by approximately 11%, rising from 6.2 million euro to **6.8 million euro, driven by the positive revenue trend after a long chain of negative quarters**, and by the effective review of the publishing structure and of promotional activities, implemented while retaining the traditional focus on the publishing quality of the titles. The quarter saw a significant reduction in industrial costs, achieved also as a result of the renegotiation of printing contracts.

• **MAGAZINES FRANCE**

In 1Q16, Mondadori increased its **market share in France to 10.3%** (*Kantar Media, figures in terms of volume at February 2016*), **confirming its position as the second-largest player in the magazine advertising market**.

In the reporting period, revenue from **Mondadori France** amounted to **77.1 million euro**, down by 3.5% versus 79.9 million euro in 1Q15 (on a like-for-like basis in terms of publications, revenue would show a drop of 2%, basically confirming the -1.9% of 2015).

Specifically:

- *circulation revenue* (making for 74% of the total) lost 3.4% versus 1Q15: revenue from subscriptions (53% of circulation revenue) was basically steady (-0.2%, +0.6% on a like-for-like basis), partly offsetting the drop by the newsstand channel (-7.5%), confirming the opportunity to continue investments in this channel;
- *advertising revenue* edged down by an overall 0.7% versus 1Q15, as a result of the positive trend in digital revenue, which increased by over 20% (accounting for approximately 20% of the total), offsetting almost entirely the drop in print advertising (-6.9%).

The total number of readers of Mondadori France magazines reached 9.9 million unique users (*Médiamétrie Netratings, February 2016*), up by approximately 13% versus the same period of 2015.

²On 1 January 2016, following reorganization, Digital Marketing Services were transferred to Magazines Italy (previously included in Other Business, Corporate and Digital Innovation); accordingly, the Area's income statement has been reclassified, for information sake, also in the same quarter of 2015



EBITDA, net of non-recurring items, came to **4.3 million euro**, down by 8.4 % versus 1Q15, due mainly to M&A costs (0.4 million euro). In keeping with the positive performance of 2015, digital activities enjoyed positive margins in 1Q16, increasing versus 1Q15.

- **RETAIL**

In 1Q16, the Retail Area revenue rose to **44.4 million euro**, up by +0.8% versus 44.1 million euro in 1Q15, thanks mainly to the growth of the franchised channel (+3.7% on a like-for-like basis), to direct bookstores (+4.5% on a like-for-like basis) and to the basically steady performance of Megastores, which more than offset the structural decline of the book clubs (-10.4%) and the drop in the online segment (-10.1%), due primarily to the reduction in special offers designed to improve profitability.

In 1Q16, Mondadori Retail **EBITDA, net of non-recurring items**, came to -1.8 million euro, improving slightly versus -1.9 million euro in 1Q15.

OUTLOOK FOR THE YEAR

The Group's positive performance in the first quarter confirmed the expectations previously announced on a like-for-like basis; including the effects of the completion of the Rizzoli Libri transaction (consolidated as from 1 April 2016), and of the agreement on the acquisition of Banzai Media Holding (the contribution of which will be included basically in the second part of the year), it is reasonable to expect for the current year **a growth of around 14% in revenue** versus 2015 and of **approximately 30% in operating EBITDA**.

These estimates include the expected synergies in the current year from the integration of Rizzoli Libri, but exclude the contribution of Marsilio Editori and the Bompiani BU, which will be disposed of within the established deadlines, therefore not consolidated, in accordance with the provisions of the Antitrust Authority on 23 March 2016.

The net financial position, including the effects of both extraordinary transactions and of the planned disposals, is expected to increase versus 31 December 2015, with a NFP/EBITDA ratio of around 3.5x/3.6x, lower than the bank covenant of 4.5x.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

CLOSING OF THE ACQUISITION OF RCS LIBRI

As previously disclosed to the market on 14 April 2016, Mondadori Group, following the go-ahead from the relevant Authorities, completed the acquisition of RCS Libri S.p.A. (today Rizzoli Libri S.p.A.) through its subsidiary Mondadori Libri S.p.A., in execution of the agreement signed and disclosed to the market on 4 October 2015. The scope of the transaction includes the entire equity interest (99.99%) held by RCS MediaGroup S.p.A. in RCS Libri S.p.A., including the underlying subsidiaries, and the exclusive ownership of all the trademarks in the books segment, including Rizzoli. The price of the transaction, which incorporates certain contractual adjustments, is 127.1 million euro, settled in cash through a dedicated credit line made available to the Group.

Under specific contractual clauses, the price may be subject to adjustments of up to +/-5 million euro, if certain financial targets are met in 2015, as resulting in the 2015 financial statements of RCS Libri S.p.A., which will be determined and disclosed in accordance with the contractual agreements. The agreement also provides for an earn-out of up to 2.5 million euro to RCS MediaGroup S.p.A., based on the achievement in 2017 of specific results in the Books Area of Mondadori Group.

AGREEMENT ON THE ACQUISITION OF BANZAI MEDIA HOLDING

As previously disclosed to the market on 10 May 2016, Arnoldo Mondadori Editore S.p.A., following the meeting of the Board of Directors chaired by Marina Berlusconi, signed an agreement with Banzai S.p.A. on the acquisition of Banzai Media Holding S.r.l., the vertical content division of the Banzai Group.

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The transaction provides Banzai Media Holding an enterprise value of 45 million euro, split up into a fixed component of 41 million euro and an earn-out of 4 million euro.

The acquisition price at closing - net of an estimated net normalized financial debt of 16.4 million euro (including financial payables to the parent Banzai S.p.A. and 3.3 million euro for deferred price components related to certain investments) - is 24.6 million euro. The earn-out will be paid to Banzai S.p.A. if certain established results for the 2016-2018 three-year period are met.

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Mention should be made that, following entry into force of Legislative Decree no. 25 of 15 February 2016, which implemented the latest European regulations on transparency requirements, the previous disclosure obligations of quarterly results to the market no longer apply. The interim report on operations of Arnoldo Mondadori Editore S.p.A. at 31 March 2016, and the following ones, are, therefore, to be considered prepared on a voluntary basis by the Company.

The interim report on operations at 31 March 2016 will be made available at the Company's registered office, on the authorized storage device (www.1Info.it) and on www.mondadori.it (Investor Relations section), within the time limits previously provided by law. The documentation relating to the presentation of the results at 31 March 2016, will be made available through the authorized storage mechanism 1Info (www.1info.it) and in the Investor Relations section of the Company's website www.mondadori.it.

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

Annexes:

1. Consolidated balance sheet
2. Consolidated income statement
3. Group cash flow

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Annex 1
Consolidated financial situation

(euro/millions)	31.03.2016	31.03.2015 Radio, restated	Var.	31.12.2015
Net trade receivables	241.9	249.2	(7.3)	242.1
Inventory	108.5	116.7	(8.1)	108.2
Trade payables	(336.1)	(333.8)	(2.3)	(349.6)
Other assets/ (liabilities)	(24.3)	(3.2)	(21.1)	(30.5)
NET WORKING CAPITAL	(10.0)	28.9	(38.8)	(29.7)
Intangible assets	550.9	552.7	(1.7)	552.3
Tangible assets	30.2	31.1	(0.9)	31.2
Investments	44.0	39.9	4.1	44.9
NET FIXED ASSETS	625.2	623.7	1.5	628.5
Provisions	(54.4)	(58.7)	4.2	(59.7)
Post-employment benefits	(43.0)	(45.5)	2.5	(44.1)
Discontinued assets / (liabilities)	0.0	56.0	(56.0)	0.0
NET INVESTED CAPITAL	517.8	604.3	(86.6)	495.0
Share capital	68.0	68.0	-	68.0
Minority shareholders' reserves and equity	226.7	221.9	4.8	221.2
Net result	(1.8)	(4.7)	2.9	6.4
EQUITY	292.8	285.2	7.7	295.6
NET FINANCIAL POSITION	224.9	319.2	(94.2)	199.4
TOTAL EQUITY	517.8	604.3	(86.6)	495.0

Annex 2

Consolidated income statement

(euro/millions)	1Q16	% growth on revenue	1Q15	% growth on revenue	Var. %
Revenue from sales and services	254.8	100.0%	249.2	100.0%	2.2%
Cost of sold items	101.6	39.9%	97.4	39.1%	4.3%
Variable costs	61.1	24.0%	60.9	24.4%	0.5%
Fixed costs	28.7	11.3%	29.6	11.9%	(2.9%)
Cost of personnel	53.3	20.9%	53.7	21.5%	(0.7%)
Other costs/(income)	(0.8)	(0.3%)	(2.6)	(1.1%)	(68.5%)
Profit/(loss) from associates	(0.7)	(0.3%)	(1.5)	(0.6%)	53.5%
EBITDA					
net of non-recurring items	10.1	4.0%	8.8	3.5%	15.3%
Restructuring costs	(1.6)		(3.0)		(48.3%)
Positive/(negative) extraordinary items	-		1.3		n.s.
EBITDA	8.5	3.4%	7.0	2.8%	22.1%
Amortization, depreciation and impairment	5.4	2.1%	4.9	2.0%	12.1%
EBIT	3.1	1.2%	2.1	0.9%	44.7%
Net financial income (costs)	(3.6)	(1.4%)	(4.4)	(1.8%)	(18.6%)
Income (costs) from other investments	-		(0.1)		n.s.
Result before taxes for the period	(0.5)	(0.2%)	(2.4)	(1.0%)	78.6%
Income tax	0.9	0.4%	0.8	0.3%	10.9%
Minority shareholders' result	0.4	0.2%	0.5	0.2%	(16.1%)
Result from continuing operations	(1.8)	(0.7%)	(3.7)	(1.5%)	51.2%
Result from discontinued operations	-	(0.0%)	(1.0)	(0.4%)	n.s.
Net result	(1.8)	(0.7%)	(4.7)	(1.9%)	61.4%

Following the transfer of Monradio S.r.l., completed on 30 September 2015, the results achieved in the first three months of 2015 by the radio business were classified under "Result from discontinued operations", in accordance with IFRS 5 ("Non-current assets held for sale").

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Annex 3
Group cash flow

(euro/millions)	31.03.2016	31.03.2015	LTM
NFP beginning of period	(199.4)	(291.8)	(319.2)
EBITDA before non-recurring items	10.1	8.8	74.4
Effect of shareholdings/dividends	0.9	0.9	(3.9)
Variation net working capital and provisions	(22.3)	(23.1)	15.1
CAPEX	(3.0)	(2.6)	(13.9)
Cash flow from operations	(14.4)	(16.0)	71.7
Financial costs	(3.6)	(4.4)	(16.8)
Taxes	(1.4)	(1.9)	(6.5)
Ordinary cash flow from operations	(19.4)	(22.3)	48.4
Capital increase / (Dividends paid)	-	-	-
Restructuring costs	(4.1)	(6.8)	(18.5)
Extraordinary tax amounts / previous years	-	2.1	5.9
Asset acquisition /disposal	(2.0)	(0.3)	58.4
Extraordinary cash flow from operations	(6.1)	(5.0)	45.9
Total cash flow	(25.5)	(27.3)	94.2
NFP end of period	(224.9)	(319.2)	(224.9)