

BoD APPROVES HALF-YEAR FINANCIAL REPORT AT 30 JUNE 2016¹

- Consolidated net revenue: +1.1% on a like-for-like basis versus 1H15; including the effects of the consolidation of *Rizzoli Libri* and *Banzai Media*, consolidated net revenue 562.6 million euro: +8.6% versus 1H15
- Consolidated EBITDA: +24% on a like-for-like basis versus 1H15; including *Rizzoli Libri* and *Banzai Media*, consolidated EBITDA 22.5 million euro: +18.7% versus 1H15
- Group consolidated positive net result of 0.2 million euro on a like-for-like basis versus -12.2 million euro in 1H15; -3.8 million euro including *Rizzoli Libri* and *Banzai Media*
- Group net financial position -374.8 million euro versus -326.5 million euro at 30 June 2015 as a result of the significant cash generation despite net investments of over 150 million euro for the acquisition of *Rizzoli Libri* and *Banzai Media*

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CURRENT YEAR PROJECTIONS

(including *Rizzoli Libri* for 9 months and *Banzai Media* for 7 months):

- Revenue to increase by approximately 14% versus 2015;
- Adjusted EBITDA² to improve by approximately 30%;
- Net financial position expected with a NFP/EBITDA ratio of about 3.5x, lower than the bank covenant of 4.5x

Segrate, 28 July 2016 - Today, the meeting of the Board of Directors of Arnoldo Mondadori Editore S.p.A., chaired by Marina Berlusconi, reviewed and approved the Half-Year Financial Report at 30 June 2016, presented by CEO Ernesto Mauri.

GROUP PERFORMANCE AT 30 JUNE 2016

In 2016, the Mondadori Group enjoyed a **rather positive start to the year**, even more rewarding if one considers the persisting volatile macroeconomic environment.

Specifically, after almost four years, **revenue grew** versus the prior year, a performance which confirms, along with the **improvement in EBITDA** for the tenth 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 marking the transition to the new phase of the Group's development.

¹ The results at 30 June 2016 include the effects of the consolidation of the acquired companies *Rizzoli Libri* and *Banzai Media*, consolidated as from 1 April and 1 June 2016 respectively; for the sake of comparison, the half-year results are also shown on a like-for-like basis, excluding the above extraordinary transactions, offering greater relevance to percentage changes.

² This document, in addition to the statements and conventional financial indicators required by IFRS, presents a number of reclassified statements and alternative performance measures in order to better evaluate the operating and financial performance of the Group, the definition of which is explained in Annex 5 "Glossary of terms and alternative performance measures used".



2Q16 saw the **consolidation** of *Rizzoli Libri* and *Banzai Media*, a major step in strengthening the **leadership position in the Group's strategic businesses**, accelerating the growth process of the Company.

These acquisitions helped strengthen the already positive performance of revenue in 1H16, which **increased by 8.6%**.

In 1H16, **consolidated net revenue** amounted to **562.6 million euro**, as mentioned, **up by 8.6%**. Net of the effects of the consolidation of the companies acquired in 2016, the Group reported a **1.1% increase**.

Adjusted EBITDA amounted to **26.7 million euro, improving by 11.9%** versus 23.8 million euro in 1H15. On a like-for-like basis, **the growth is 15.9%**, with a percentage on revenue increasing from 4.6% to 5.3%. This performance was the result of a constant and focused management policy successfully implemented in all of the Group's business areas.

Consolidated EBITDA came to **22.5 million euro** versus 19 million euro in 1H15, **up by 18.7%**, including the result of *Rizzoli Libri* (-1.5 million euro) and *Banzai Media* (+0.6 million euro). On a like-for-like basis, the increase amounts to **24%**: a result that confirms the Group's strong efficiency gains from its ability to stabilize revenue and the industrial and organizational review actions launched and implemented over the past two years.

Consolidated EBIT in 1H16 amounted to **8.5 million euro**, including amortization and depreciation of 3 million euro relating to *Rizzoli Libri*; on a like-for-like basis, EBIT amounted to **12.4 million euro, improving by 34.7%** versus 9.2 million euro in 1H15, despite the increase in amortization, depreciation and impairment losses (11.1 million euro versus 9.7 million euro at 30 June 2015), resulting from higher amortization following the upturn in investments.

The **consolidated result before taxes** amounted to **0.6 million euro**, or to 4.6 million euro on a like-for-like basis, a sharp increase versus 0.6 million euro in 1H15, thanks also to the contribution of **financial costs**, which amounted to 7.8 million euro, **decreasing sharply (-8.4%)** as a result of the reduced average net debt in the period and average total cost of debt.

The **Group consolidated net result** amounted to -3.8 million euro, **improving strongly** versus -12.2 million euro at 30 June 2015, while on a like-for-like basis, the **net result came to a positive 0.2 million euro**.

Fixed-term or permanent staff employed by the Group at 30 June 2016 amounted to 3,404 units; the figure includes 438 resources coming from the acquisition of *Rizzoli Libri* and *Banzai Media*; on a like-for-like basis, Group staff would be down by 2.5%.

The **Group net financial position** at 30 June 2016 came to -374.8 million euro **versus -326.5 million euro** at 30 June 2015, as a result of the Group's significant cash generation, including of an extraordinary nature, over the past 12 months, which allowed net investments in acquisitions of **157.3 million euro**. At 30 June 2016, **cash flow from operations** in the last twelve months, on a like-for-like basis, came to a **positive 79.4 million euro**, while **cash flow from ordinary operations** (after outlays for financial costs and taxes for the period) came to **51.5 million euro**, continuing the **rising trend** seen in the seven previous quarters.

Including the effects of *Rizzoli Libri* and *Banzai Media*, the overall cash flow from ordinary operations amounted to 42.8 million euro, lower than the figure on a like-for-like basis, owing to the seasonal performance of the *Rizzoli Libri* business in 2Q16.

This performance was the result of constant and effective monitoring, and the ability to act and manage all of the economic and financial variables typical of all of the Group's business areas.

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OUTLOOK FOR THE YEAR

In light of the positive performance of the Group in the first half of the year and considering the integrations in progress, the forecasts previously announced on a like-for-like basis for the current year can be reasonably confirmed (basically steady revenue versus 2015 and a "high-single digit" growth in adjusted EBITDA, with a resulting increase in profit margins).

Including the effects of the consolidation of *Rizzoli Libri* (for 9 months) and of *Banzai Media* (for 7 months), **revenue is expected to grow by approximately 14%** versus 2015, while **adjusted EBITDA is expected to increase by approximately 30%**. The **net financial position is expected to increase** versus the figure at 31 December 2015, with a NFP/EBITDA ratio of about 3.5x, lower than the bank covenant of 4.5x.

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CO-OPTATION OF A DIRECTOR

At today's meeting, the Board of Directors took note of the resignation, for professional reasons, of non-executive director Bruno Ermolli, also member of the Remuneration and Appointment Committee.

Accordingly, the Board of Directors, pursuant to art. 2386 of the Italian Civil Code, and to art. 17.6 of the company by-laws, approved the appointment by cooptation of Paolo Ainio, who will remain in office until the next Shareholders' Meeting.

At the same meeting, the Board of Directors, in accordance with the provisions of the Corporate Governance Code issued by Borsa Italiana S.p.A., approved the reintegration of the Remuneration and Appointment Committee, by appointing non-executive director Alfredo Messina, who replaces director Bruno Ermolli.

Mention should be made that director Bruno Ermolli, at the date of his resignation, holds no equity interest in the Company.

The *curriculum vitae* of director Paolo Ainio, who qualifies as a non-executive director, in accordance with the provisions of the Corporate Governance Code issued by Borsa Italiana S.p.A., is available on the Company's website www.mondadori.it, Governance section.

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PERFORMANCE OF GROUP BUSINESS AREAS AT 30 JUNE 2016

• **BOOKS**

In 1H16, the Italian **Trade Books market grew by +2.6%** versus 1H15 (*GFK, June 2016; figures in terms of market value*). Against this backdrop, the Trade Books Area of Mondadori Libri was once again market leader, boasting a 22.9% share; following the acquisition of the Trade Books brands of *Rizzoli Libri* (Rizzoli, BUR and Fabbri Editori), the Group increased its overall Trade Books **market share**, reaching **28.8%** (at 30 June 2016).

In the period under review, **revenue from the Books Area of the Group** amounted to **170.1 million euro**, up by **37.9%** versus 123.4 million euro in 1H15, as a result of the consolidation of *Rizzoli Libri* (with total revenue in the April/May 2016 period amounting to 36.6 million euro from the activities relating to trade, educational and Rizzoli International Publications, which operates in the high-end illustrated books market and through the activities of the Rizzoli Bookstore located in New York).

On a like-for-like basis, revenue from the Books Area of the Group increased by **+8.2%** versus 1H15.

Regarding the Trade Books Area on a like-for-like basis in 1H16 (net of the contribution of *Rizzoli Libri*), revenue amounted to 85.6 million euro, **increasing by 14.3%** versus 1H15, as a result of the positive performance of sales from the titles launched between the end of 2015 and the first half of the current year.

The Educational Area revenue **grew by 17%** on a like-for-like basis versus 1H15, as a result of supplies provided in advance in the school textbooks segment and of the positive performance of museum

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management activities.

Mondadori Libri's **adjusted EBITDA surged by over 29%** on a like-for-like basis versus 1H15 to settle at 11 million euro, driven by the increase in revenue from the targeted publishing policy, by the remarkable success of the new titles published, and by the ongoing optimization of the operating processes implemented since 2015 in the Trade segment.

EBITDA on a like-for-like basis came to **10.7 million euro**, doubling the result of 1H15 (5.2 million euro), thanks also to lower restructuring costs versus 1H15.

In the consolidation quarter (April-June 2016), **Rizzoli Libri** contributed negatively - 1.5 million euro - to the reported EBITDA of the Books Area, due mainly to the Educational Area's seasonal performance, which generates most of its revenue in the second half of the year.

Reported EBITDA of the Books Area of the Group, including the effects of the consolidation of Rizzoli Libri, amounted to **9.1 million euro (+74.2%** versus 1H15).

- **MAGAZINES ITALY**

In 1H16, Mondadori Group retained its **leadership position in the magazines market**, with a **32.1%** share (*Internal source: Press-di, figures in terms of value at May, newsstands + subscriptions*).

In the period under review, revenue from the **Magazines Italy Area** amounted to **161.1 million euro³**, **up by 1.1%** versus 159.4 million euro in 1H15 (-0.8% on a like-for-like basis, net of the effects of the acquisition of *Banzai Media*).

Specifically:

- circulation revenue grew by 0.8%, due also to the contribution of the Mondadori Scienza titles;
- revenue from advertising sales dropped by 2%; print advertising sales of Magazines Italy lost 4%, in line with the market's -3.6% (*Nielsen; cumulative figures at May*); sales on **websites increased by 4.7%**, outperforming the relevant market (-1.9%: *Audiweb; cumulative figures at May*). Overall, in the period under review (print+web), advertising sales on Mondadori brands in Italy were down by 2.7%.

Traffic data of Mondadori websites showed an overall audience rate of 8.4 million unique users (*Audiweb, cumulative figures at May*) versus 7.2 million at May 2015 (+16% on January-May average);

- revenue from add-on products sold in attachment to Mondadori magazines rose by 1.7% versus 1H15;
- distribution and revenue towards third publishers was in line with 1H15, thanks to the ongoing commitment to developing third-publisher portfolios;
- international operations achieved revenue of 3 million euro, down from the 3.5 million euro reported in 1H15, following the drop in licensing activities due to the deteriorated international macroeconomic environment and the negative effect of British and Chinese exchange rates;
- revenue from Digital Marketing Service activities (6.2 million euro) grew by 2%, as a result of the gradual expansion of the portfolio of solutions that had started last year.

³ On 1 January 2016, following reorganization, Digital Marketing Services were transferred to Magazines Italy (previously included in Other Business, Corporate and Digital Innovation); the Area's income statement has been reclassified, for information sake, also in the same half-year period of 2015.

In 1H16, *Banzai Media* contributed approximately 2.9 million euro to the Magazines Italy Area's revenue (in June): with the acquisition of an audience of 16.4 million unique users (*Audiweb, average figures at May 2016*), Mondadori becomes the leading Italian digital publisher.

Adjusted EBITDA in the **Magazines Italy** Area **improved considerably** on a like-for-like basis (approximately **+13%**), rising from 8.8 million euro to **9.9 million euro**, driven 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 half-year period saw a significant reduction in industrial costs, achieved also as a result of the renegotiation of printing contracts. Including the contribution of *Banzai Media*, the **increase** in the period is **20.4%**.

Reported EBITDA in the Area more than confirmed the **growth trend** in 1H16, increasing by **17%** on a like-for-like basis, and by **25%** (including the consolidation of *Banzai Media*), thanks to the above measures and to lower restructuring costs.

• **MAGAZINES FRANCE**

In 1H16, revenue from **Mondadori France** amounted to **160.3 million euro**, down by 3.8% versus 166.6 million euro in 1H15. Specifically:

- circulation revenue (making for approximately 75 of the total) lost 2.8% versus 1H15: revenue from subscriptions (53% of circulation revenue) was basically steady, partly offsetting the drop by the newsstand channel (-6.3%) and confirming the opportunity to continue investments in this channel;
- advertising revenue was down by 5.8% versus 1H15, but performance differed between offline (-10.9%) and online (18% of total advertising revenue) products, which reported a **27% increase**.

The number of readers of Mondadori France magazines totaled 9.8 million unique users (*Médiamétrie Netratings – Nielsen; average figure January/May 2016*), **up by approximately 19%** versus 1H15, also as a result of the gradual digitization of the editorial teams.

Adjusted EBITDA came to **15.5 million euro**, down by 3.8% versus 1H15, due mainly to M&A costs (0.6 million euro) incurred in the period. In keeping with the positive performance of 2015, **digital activities** enjoyed **positive margins** in 1H16 versus the loss in 1H15.

Reported EBITDA, amounting to 14.2 million euro, dropped slightly versus 14.4 million in 1H15, as a result of the abovementioned M&A costs and of higher restructuring costs of approximately 0.3 million euro, arising from the voluntary redundancy plan launched in 2015, which has already produced benefits.

• **RETAIL**

In 1H16, the Retail Area achieved **revenue of 88.2 million euro**, improving by **2.8%** versus 85.9 million euro in 1H15.

As of 1 April 2016, following the consolidation of the acquisition of Rizzoli Libri, Librerie Rizzoli activities, relating to the long-standing bookstore in Galleria Vittorio Emanuele, Milan, and to the rizzolilibri.it ecommerce site, have been absorbed by the Retail Area. Accordingly, on a like-for-like basis, the Retail Area grew by **1.6%**, thanks mainly to the growth of the Franchised channel (+5.2%) and the Megastores (+3.8%), which more than offset the structural decline of the Book Clubs (-8.8%).

In 1H16, Mondadori Retail **adjusted EBITDA**, on a like-for-like basis, came to **-3 million euro**, **improving** versus -3.2 million euro in 1H15 (-3.1 million euro, including the result of Librerie Rizzoli in 2Q16). A result achieved through cost-curbing measures for stores and central functions, which determined a lower percentage of personnel costs and overheads, and more than offset the reduction in the product margin arising from the different product mix/channel, related also to the effects of the structural decline of the book clubs channel.

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Reported EBITDA came to **-3 million euro** (-3.1 million euro including the result of Librerie Rizzoli; -2.8 million euro in 1H15 as a result of positive extraordinary items).

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SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

CLOSING OF THE DISPOSAL OF MARSILIO EDITORI S.P.A.

On 26 July 2016, Arnoldo Mondadori Editore S.p.A. completed the disposal, through its subsidiary Rizzoli Libri S.p.A., of its 94.71% interest in the share capital of Marsilio Editori S.p.A. to GEM S.r.l.. The amount cashed in from the transaction is 8.9 million euro, based on an enterprise value in line with the price of the acquisition of the interest, part of the Rizzoli Libri transaction completed last 14 April 2016; the amount includes an adjusted positive net financial position of 1.3 million euro.

The disposal of Marsilio Editori S.p.A. was completed in accordance with the remedies set out in the provision issued by the Antitrust Authority. GEM S.r.l., a company operating in the publishing industry, headed by the De Michelis family, had held an interest in Marsilio Editori S.p.A. from 1985 to April 2016.

Based on the 2016 budget, Marsilio Editori is expected to achieve revenue of approximately 9.4 million euro and EBITDA of 1 million euro.

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The documentation relating to the presentation of the results at 30 June 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. Consolidated income statement - second quarter
4. Group cash flow
5. Glossary of terms and alternative performance indicators used

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Annex 1
Consolidated balance sheet

Balance sheet			
€mn	30/06/2016	30/06/2015	31/12/2015
Net receivables	313,6	260,1	242,1
Net inventory	184,3	115,3	108,2
Trade payables	-435,5	-351,9	-349,6
Other assets/ (liabilities)	18,1	11,2	-30,5
NET WORKING CAPITAL	80,5	34,6	-29,7
Intangible assets	604,3	551,1	552,3
Tangible assets	35,3	31,0	31,2
Investments	44,5	39,9	44,9
NET FIXED ASSETS	684,2	622,1	628,5
Provisions	-67,1	-53,4	-59,7
Post-employment benefits	-50,7	-44,2	-44,1
Discontinued assets / (liabilities)	19,1	45,8	
NET INVESTED CAPITAL	666,0	604,9	494,9
Share capital	68,0	68,0	68,0
Reserves	194,4	189,7	189,6
Minority shareholders' equity	32,6	32,9	31,5
Net result	-3,8	-12,2	6,4
EQUITY	291,2	278,4	295,5
NFP	374,8	326,5	199,4
TOTAL EQUITY	666,0	604,9	494,9

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Annex 2

Consolidated income statement

(Euro/millions)	1H 2016	% growth on revenue	1H 2016 on a like-for-like basis	% growth on revenue	1H 2015	% growth on revenue	Var. % (*)
Revenue from sales and services	562,6	100,0%	523,6	100,0%	518,0	100,0%	1,1%
Cost of sold items	225,2	40,0%	199,9	38,2%	199,4	38,5%	0,3%
Variable costs	137,6	24,5%	130,5	24,9%	130,1	25,1%	0,4%
Fixed costs	58,2	10,4%	55,6	10,6%	57,4	11,1%	-3,2%
Cost of personnel	114,7	20,4%	108,9	20,8%	108,3	20,9%	0,6%
Other costs/(income)	0,0	0,0%	0,8	0,2%	-1,9	-0,4%	n.s.
Result - associates	-0,2	0,0%	-0,2	0,0%	-0,9	-0,2%	n.s.
Adjusted gross operating profit (Adjusted EBITDA)	26,7	4,7%	27,6	5,3%	23,8	4,6%	15,9%
Restructuring costs	-2,4		-2,3		-5,0		-53,7%
Positive/(negative) extraordinary items	-1,8		-1,8		0,1		n.s.
EBITDA	22,5	4,0%	23,5	4,5%	19,0	3,7%	24,0%
Amortization, depreciation and impairment	14,0	2,5%	11,1	2,1%	9,7	1,9%	13,8%
EBIT	8,5	1,5%	12,4	2,4%	9,2	1,8%	34,7%
Net financial income (costs)	-7,9	-1,4%	-7,8	-1,5%	-8,5	-1,7%	-8,4%
Income (costs) from other investments	0,0	0,0%	0,0	0,0%	-0,1		
Result before taxes for the period	0,6	0,1%	4,6	0,9%	0,6	0,1%	n.s.
Income tax	3,1	0,6%	3,2	0,6%	2,8	0,5%	15,2%
Minority shareholders' result	1,2	0,2%	1,2	0,2%	1,1	0,2%	5,9%
Result from continuing operations	-3,8	-0,7%	0,2	0,0%	-3,4	-0,7%	n.s.
Result from discontinued operations	0,0	0,0%	0,0	0,0%	-8,8	-1,7%	
Net result	-3,8	-0,7%	0,2	0,0%	-12,2	-2,4%	n.s.

* Percentage changes are computed on a like-for-like basis and on amounts in thousands of euro.

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Annex 3

Consolidated income statement - second quarter

(Euro/millions)	2Q 2016	% growth on revenue	2Q 2016 on a like for-like basis	% growth on revenue	2Q 2015	% growth on revenue	Var. % (*)
Revenue from sales and services	307,8	100,0%	268,8	100,0%	268,8	100,0%	0,0%
Cost of sold items	123,6	40,2%	98,4	36,6%	102,0	37,9%	-3,5%
Variable costs	76,3	24,8%	69,3	25,8%	69,2	25,8%	0,2%
Fixed costs	29,6	9,6%	26,9	10,0%	27,8	10,4%	-3,2%
Cost of personnel	61,4	19,9%	55,6	20,7%	54,6	20,3%	1,9%
Other costs/(income)	0,8	0,3%	1,7	0,6%	0,7	0,3%	136,8%
Result - associates	0,5	0,2%	0,5	0,2%	0,6	0,2%	-11,2%
Adjusted gross operating profit (Adjusted EBITDA)	16,5	5,4%	17,5	6,5%	15,0	5,6%	16,2%
Restructuring costs	-0,8		-0,7		-1,9		-62,2%
Positive/(negative) extraordinary items	-1,8		-1,8		-1,1		55,8%
EBITDA	14,0	4,5%	15,0	5,6%	12,0	4,4%	25,1%
Amortization, depreciation and impairment	8,6	2,8%	5,6	2,1%	4,9	1,8%	15,5%
EBIT	5,4	1,7%	9,3	3,5%	7,1	2,6%	31,7%
Net financial income (costs)	-4,3	-1,4%	-4,2	-1,6%	-4,1	-1,5%	2,7%
Income (costs) from other investments	0,0	0,0%	0,0	0,0%	0,0		
Result before taxes for the period	1,1	0,3%	5,1	1,9%	3,0	1,1%	71,6%
Income tax	2,2	0,7%	2,3	0,9%	2,0	0,7%	17,0%
Minority shareholders' result	0,8	0,3%	0,8	0,3%	0,7	0,2%	21,5%
Result from continuing operations	-2,0	-0,6%	2,0	0,7%	0,3	0,1%	n.s.
Result from discontinued operations	0,0	0,0%	0,0	0,0%	-7,8	-2,9%	
Net result	-2,0	-0,6%	2,0	0,7%	-7,5	-2,8%	n.s.

* Percentage changes are computed on a like-for-like basis and on amounts in thousands of euro.

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Annex 4
Group cash flow

Group Cash Flow					
€mn	30/06/2016		30/06/2015	LTM (last twelve months)	
	Like-for-like basis	Total		Like-for-like basis	Total
NFP beginning of period		(199,4)	(291,8)		(326,5)
EBITDA before non-recurring items	27,6	26,7	23,8	76,8	75,9
Effect of shareholdings/dividends	(0,5)	(0,5)	1,4	(5,6)	(5,7)
NWC + provision variation	(23,0)	(27,8)	(28,3)	19,5	14,8
CAPEX	(5,3)	(7,2)	(7,5)	(11,3)	(13,2)
Cash flow from operations	(1,2)	(8,7)	(10,6)	79,4	71,8
Financial costs	(6,8)	(7,9)	(7,8)	(16,6)	(17,7)
Taxes	(9,5)	(9,5)	(5,1)	(11,3)	(11,3)
Cash flow from ordinary operations	(17,5)	(26,1)	(23,5)	51,5	42,8
Share capital increases/(Dividends paid)		0,0	0,0		0,0
Restructuring costs		(7,1)	(11,6)		(16,7)
Extraordinary tax amounts / previous years		15,1	2,2		20,9
Acquisitions/asset disposals		(157,3)	(1,8)		(95,3)
Cash flow from extraordinary operations		(149,3)	(11,2)		(91,1)
Total Cash Flow		(175,4)	(34,7)		(48,3)
NFP end of period		(374,8)	(326,5)		(374,8)

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Annex 5

Glossary of terms and alternative performance measures used

This document, in addition to the conventional statements and financial indicators required by IFRS, presents a number of reclassified statements and alternative performance indicators, in order to provide a better understanding of the operating and financial performance of the Group. These statements and indicators should not be considered as a replacement of those required by IFRS. With regard to these figures, in accordance with the recommendations contained in Consob Communication no. 6064293 of 28 July 2006, and in Consob communication no. 0092543 of 3 December 2015, as well as with the 2015/1415 ESMA guidelines on alternative performance indicators ("Non GAAP Measures"), explanations are given on the criteria adopted in their preparation and the relevant notes to the items appearing in the mandatory statements.

Specifically, the alternative indicators used include:

- **Gross Operating Profit (EBITDA):** net result for the period before income tax, other financial income and expenses, amortization, depreciation and impairment of fixed assets. The Group also provides information on the percentage of EBITDA on net sales. EBITDA measured by the Group allows operating results to be compared with those of other companies, net of any effects from financial and tax items, and of depreciation and amortization, which may vary from company to company for reasons unrelated to general operating performance;
- **Adjusted gross operating profit (adjusted EBITDA):** gross operating profit as explained above, net of income and expenses of a non-ordinary nature such as:
 - (i) income and expenses from restructuring, reorganization and business combinations;
 - (ii) clearly identified income and expenses not directly related to the ordinary course of business;
 - (iii) as well as any income and expenses from non-recurring events and transactions as set out in Consob communication DEM6064293 of 28/07/2006.With specific reference to adjusted EBITDA for the first half of 2016, the following items were excluded from EBITDA:
 - a) restructuring costs for a total of 2.4 million euro, included in "cost of personnel" in the income statement;
 - b) expenses related to acquisitions made during the year and charged to the income statement under IFRS 3 for a total of 2.7 million euro, included in "cost of services" in the income statement;
 - c) income and expenses of a non-ordinary nature attributable to settlement agreements and compensation for a total of 0.9 million euro, included in "other income/(costs)" in the income statement;
- **Operating profit (EBIT):** net result for the period before income tax, and other income and expenses;
- **Net invested capital:** the algebraic sum of Fixed Capital, which includes non-current assets and non-current liabilities (net of non-current financial liabilities included in the Net Financial Position) and Net Working Capital, which includes current assets (net of cash and cash equivalents and current financial assets included in the Net Financial Position), and current liabilities (net of current financial liabilities included in the Net Financial Position);
- **Cash flow from operations:** adjusted EBITDA, as explained above, plus or minus the decrease/(increase) in working capital in the period, minus capital expenditure (CAPEX/Investment) and income and expenses from equity investments;
- **Cash flow from ordinary operations:** cash flow from operations as explained above, net of financial expenses and taxes paid in the period;
- **LTM cash flow from ordinary operations:** cash flow from ordinary operations in the last twelve months;
- **Cash flow from extraordinary operations:** cash flow generated/used in transactions that are not considered ordinary, such as company restructuring and reorganization, share capital transactions and acquisitions/disposals.

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