# INTERIM REPORT ON OPERATIONS AT 31 MARCH 2015

# ARNOLDO MONDADORI EDITORE S.p.A.

**Share Capital Euro 67,979,168.40**

Legal Offices in Milan
Administrative Offices in Segrate (Milan)

# INTERIM REPORT
# ON OPERATIONS
# AT 31 MARCH 2015

**Arnoldo Mondadori Editore S.p.A.**

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# MONDADORI GROUP'S HIGHLIGHTS IN THE FIRST QUARTER OF 2015

| (euro/millions) | Q1 2015 | Q1 2014 | Var.* |
|---|---|---|---|
| **Mondadori Group** | | | |
| **Revenues** | **251,7** | **268,3** | **(6.2%)** |
| **EBITDA before non-recurring items** | **7,5** | **5,0** | **48.8%** |
| *% EBITDA on revenues* | *3,0%* | *1,9%* | |
| **EBITDA** | **5,9** | **5,6** | **4.7%** |
| *% EBITDA on revenues* | *2,3%* | *2,1%* | |
| **EBIT** | **0,7** | **0,1** | **n.s.** |
| *% EBIT on revenues* | *0,3%* | *0,0%* | |
| **Net result** | **(4,7)** | **(6,4)** | **27.2%** |
| **Business Areas** | | | |
| **Revenues** | **251.7** | **268.3** | **(6.2%)** |
| Books | 55.8 | 56.8 | (1.8%) |
| Magazines Italy | 74.6 | 84.7 | (11.9%) |
| Magazines France | 79.9 | 81.7 | (2.2%) |
| Retail | 44.0 | 47.2 | (6.8%) |
| Radio | 2.9 | 2.6 | 9.5% |
| Other business, Corporate and Digital Innovation | 8.8 | 7.5 | 17.4% |
| Intercompany | (14.3) | (12.2) | n.s. |
| **EBITDA** | **5.9** | **5.6** | **4.7%** |
| Books | 0.3 | 1.3 | (77.7%) |
| Magazines Italy | 6.3 | 6.9 | (9.2%) |
| Magazines France | 4.8 | 5.2 | (7.2%) |
| Retail | (1.9) | (3.7) | 48.8% |
| Radio | (1.1) | (1.2) | 6.8% |
| Other business, Corporate and Digital Innovation | (3.0) | (3.3) | 9.2% |
| Intercompany | 0.5 | 0.4 | n.s. |
| **Balance Sheet** | **31 March 2015** | **31 March 2014** | |
| Shareholders' equity | 285.2 | 253.2 | |
| Net financial position | (319.2) | (396.5) | 19.5% |
| **Human Resources** | | | |
| End-of-year headcount | 3,083 | 3,270 | (5.7%) |

* Changes in this report were calculated on amounts expressed in euro thousands.

# COMPOSITION OF CORPORATE BODIES

## Board of Directors*

**THE CHAIRMAN**
Marina Berlusconi

**CEO**
Ernesto Mauri

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



## Board of Statutory Auditors*

**CHIEF STATUTORY AUDITOR**
Ferdinando Superti Furga

**STANDING STATUTORY AUDITORS**
Francesco Antonio Giampaolo
Flavia Daunia Minutillo

**SUBSTITUTE STATUTORY AUDITORS**
Annalisa Firmani
Ezio Maria Simonelli
Francesco Vittadini

* The Board of Directors and the Board of Statutory Auditors currently holding office were appointed by the Shareholders' Meeting of 23 April 2015

** Independent Director

# MONDADORI GROUP ORGANIZATION

## ARNOLDO MONDADORI EDITORE S.P.A.

### Book

- Mondadori Libri S.p.A. **100%**
  - Giulio Einaudi editore S.p.A. **100%**
    - Edizioni EL S.r.l. **50%**
  - Sperling & Kupfer Editori S.p.A. **100%**
  - Edizioni Piemme S.p.A. **100%**
  - Mondadori Electa S.p.A. **100%**
  - Mondadori Education S.p.A. **100%**
  - Harlequin Mondadori S.p.A. **50%**
  - Mach 2 Libri S.p.A. **34,91%**

### Magazines

- Mondadori International Business S.r.l. **100%**
  - Mondadori UK Ltd **92,13%**
- Attica Publications S.A. **41,98%**
- Mondadori Independent Media LLC **50%**
- Press-Di S.r.l. **100%**
- Gruner + Jahr/ Mondadori S.p.A. **50%**
- Mondadori Pubblicità S.p.A. **100%**
  - Mediamond S.p.A. **50%**
  - Mondadori Seec (Beijing) Advertising Co.Ltd **50%**

### Advertising

- Mondadori France S.A.S. **100%**

### Retail

- Mondadori Direct S.p.A. **100%**

### Radio

- Monradio S.r.l. **100%**

### Others

- Cemit Interactive Media S.p.A. **100%**
- Kiver S.r.l. **75,22%**
- Società Europea di Edizioni S.p.A. **36,89%**

**Legend:**

Subsidiary companies | Associated companies

# Directors' Report on Operations at 31 March 2015

The international macroeconomic scenario in the first quarter of 2015 showed moderate signs of a global economic recovery, with an upswing in some countries that only partially compensated the slowdown registered in others. In the last few months the economic recovery in Europe slowed down, as did the growth rate in emerging countries. In particular, the downturn in Brazil, China, Russia and Turkey was rather heavy.

In Italy, after three consecutive quarters in the red, business levels appear to have stabilized in the fourth quarter. Data referred to the first months of 2015 confirmed that the trough has been reached and that we can expect a new phase of moderate recovery [1].
2015 GDP projections range from 0.4% to 0.7% for Italy (approximately 1% for the Eurozone). Unemployment is expected to decrease compared to last year (2015 projections are for 12.3% against 12.6% in 2014) [2].

In **France**, 2015 GDP growth is projected to range from 0.9% to 1.1%, while the unemployment rate is expected to remain essentially stable against the previous year at approximately 10.5% [3].



## MAIN ELEMENTS OF MONDADORI GROUP'S AREAS OF ACTIVITY IN THE PERIOD OF REFERENCE AGAINST MARKET PERFORMANCE:

- **Italy**
  - In the **Books** Area, Trade Books posted a reduction in the first quarter of 2015 (-2.9%, GFK at March); the Group has essentially maintained its market share (24.9% against 25.1% of the first quarter of 2014), confirming its leadership;

  - also in the **Magazines Italy** Area, despite the negative trend recorded in the market both in terms of circulation - down by 6.4% (internal source, newsstand channel at February) – and sales from advertising – down by 6.2% (source: Nielsen at February) - Mondadori confirmed its leadership with a 32.1% market share in circulation (34.1% at February 2014).

- **France**
  the magazines market showed a bearish trend both in terms of sales from advertising, down 7.7% (source: Kantar Media, data at February) and circulation, which fell by 6.5% in newsstands (internal source, data at March). The **Magazines France** Area, despite the penalizing comparison with the corresponding quarter in the previous year, which was positively influenced by the extraordinary scoop on Hollande by *Closer*, posted a substantially steady revenue performance from circulation (-1.3%), which accounts for 75% of the total for the Area. Digital activities grew (+21%) against the first quarter of 2014.

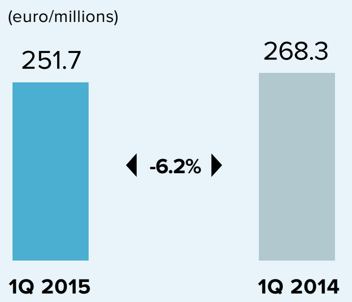
[1] Documento di Economia e Finanza, 2015
[2] Source: IMF; Economic Bulletin- Bank of Italy, January2015; Documento di Economia e Finanza, 2015
[3] Source: Eurostat

# CONSOLIDATED FINANCIAL HIGHLIGHTS FOR THE FIRST QUARTER OF 2015

| **Consolidated income statement** (euro/millions) | **Q1 2015** | **% on revenues** | **Q1 2014** | **% on revenues** | **Var.%** |
|---|---|---|---|---|---|
| **Revenues from sales and services** | **251.7** | | **268.3** | | **(6.2%)** |
| Cost of sold items | 99.7 | *39.6%* | 112.8 | *42.0%* | (11.7%) |
| Variable costs | 49.8 | *19.8%* | 51.8 | *19.3%* | (3.8%) |
| Fixed costs | 41.5 | *16.5%* | 44.9 | *16.7%* | (7.4%) |
| Cost of personnel | 54.2 | *21.5%* | 58.1 | *21.7%* | (6.7%) |
| Other costs / (revenues) | (2.5) | *(1.0%)* | (5.4) | *(2.0%)* | (53.4%) |
| Result - subsidiaries | (1.5) | *(0.6%)* | (1.2) | *(0.4%)* | (30.2%) |
| **EBITDA net of non-recurring items** | **7.5** | | **5.0** | | **48.8%** |
| *% EBITDA on revenues* | *3.0%* | | *1.9%* | | |
| Restructuring costs | (3.0) | *(1.2%)* | (1.8) | *(0.7%)* | 67.8% |
| (Positive)/negative extraordinary items | 1.5 | *0.6%* | 2.4 | *0.9%* | (39.2%) |
| **EBITDA** | **5.9** | | **5.6** | | **4.7%** |
| *% EBITDA on revenues* | *2.3%* | | *2.1%* | | |
| Amortization and impairment loss | 5.2 | | 5.5 | | (7.2%) |
| **EBIT** | **0.7** | | **0.1** | | **n.s.** |
| *% EBIT on revenues* | *0.3%* | | *0.0%* | | |
| Net financial revenues (costs) | (4.4) | *(1.8%)* | (6.0) | *(2.2%)* | (25.0%) |
| Revenues (costs) from other investments | (0.1) | | - | | n.s. |
| **Profit before taxes for the period** | **(3.8)** | | **(5.9)** | | **34.6%** |
| *% on revenues* | *(1.5%)* | | *(2.2%)* | | |
| Income tax | 0.4 | *0.2%* | 0.1 | *0.1%* | n.s. |
| Minority shareholders' profit | 0.5 | *0.2%* | 0.4 | *0.2%* | n.s. |
| **Net result** | **(4.7)** | | **(6.4)** | | **27.2%** |
| *% on revenues* | *(1.9%)* | | *(2.4%)* | | |

# ECONOMIC RESULTS

## REVENUES



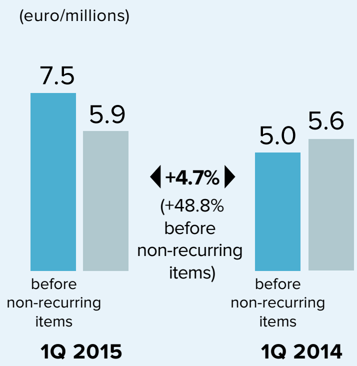

In the fourth quarter of 2015 **consolidated net revenues** totalled euro 251.7 million, **down 6.2%** against euro 268.3 million in the corresponding period of 2014.

| **Revenues by sector of activity** (euro/millions) | **Q1 2015** | **Q1 2014** | **Var.%** |
|---|---|---|---|
| Books | 55.8 | 56.8 | (1.8%) |
| Magazines Italy | 74.6 | 84.7 | (11.9%) |
| Magazines France | 79.9 | 81.7 | (2.2%) |
| Retail | 44.0 | 47.2 | (6.8%) |
| Radio | 2.9 | 2.6 | 9.5% |
| Other business, Corporate and Digital Innovation | 8.8 | 7.5 | 17.4% |
| **Total aggregate revenues** | **266.0** | **280.5** | **(5.2%)** |
| Intercompany revenues | (14.3) | (12.2) | n.s. |
| **Total consolidated revenues** | **251.7** | **268.3** | **(6.2%)** |

| **Revenues by geographic area** (euro/millions) | **Q1 2015** | **Q1 2014** | **Var.%** |
|---|---|---|---|
| Italy | 167.1 | 182.1 | (8.2%) |
| France | 75.3 | 77.3 | (2.6%) |
| Other EU countries | 7.7 | 7.6 | 1.3% |
| USA | 0.2 | 0.2 | - |
| Other countries | 1.4 | 1.1 | 27.3% |
| **Total consolidated revenues** | **251.7** | **268.3** | **(6.2%)** |

## EBITDA

**EBITDA** grew by 4.7% in the period, reaching euro 5.9 million against euro 5.6 million recorded at 31 March 2014. The recovery of profitability is even more significant net of non-recurring items (which had a negative impact on the result for the quarter for approximately euro 1.5 million, mainly due to restructuring costs): EBITDA before non-recurring items registered **growth by over 48%**, going from euro 5.0 million of the first quarter of 2014 to euro 7.5 million of the first quarter of 2015, with a percentage incidence rising from 1.9% to 3.0% of revenues.
This performance is the result of a dedicated management policy that resulted in a reduction of the main cost items.

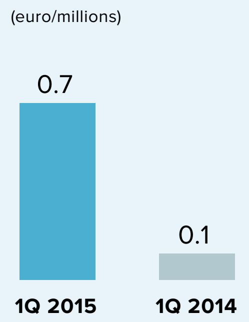



In particular:
- the impact of costs on sold items dropped from 42% to 39.6% of revenues (down by 11.7% against the first quarter of 2014), posting a better performance in the majority of the business areas - and specifically in the Books Area - as a result of a more effective management of operating processes, and, also in the Retail Area;
- the incidence of variable costs on revenues rose from 18.8% to 19.3% (against the first quarter of 2014 in which a 3.8% reduction was recorded). This increase is mainly attributable to the Magazines France Area and is referred to increased mail tariffs for subscriptions as well as some investments in promotions developed in the quarter of reference;
- the reduction in fixed costs is essentially in line with the reduction in revenues and was obtained through the implementation of a cost containment policy for third party services and rents;
- employee headcount at 31 March 2015 was down by 187 people (-5.7%) against the first quarter of the previous year, due to the ongoing revision of the organizational structures; cost of personnel consequently dropped by 6.7%, reducing its incidence on revenues from 21.7% to 21.5%.

The result obtained confirms, with a remarkable acceleration, the improved efficiency of the Group, resulting from the actions undertaken in the last two years, aimed at re-defining the industrial structure and organization.

| **EBITDA by sector of activity** (euro/millions) | **Q1 2015** | **Q1 2014** | **Var.** |
|---|---|---|---|
| Books | 0.3 | 1.3 | (1.0) |
| Magazines Italy | 6.3 | 6.9 | (0.6) |
| Magazines France | 4.8 | 5.2 | (0.4) |
| Retail | (1.9) | (3.7) | 1.8 |
| Radio | (1.1) | (1.2) | 0.1 |
| Other business, Corporate and Digital Innovation | (3.0) | (3.3) | 0.3 |
| Intercompany | 0.5 | 0.4 | 0.1 |
| **Total EBITDA** | **5.9** | **5.6** | **0.3** |

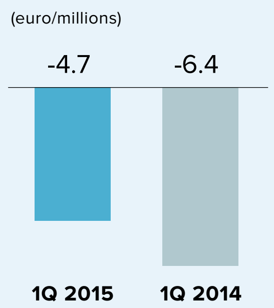
## EBIT




In the first quarter of 2015 **consolidated EBIT amounted to euro 0.7 million**, up against euro 0.1 million posted in the same period of the previous year, as a result of increased EBITDA and reduced amortization and depreciation.
EBIT also includes amortization and depreciation of intangible assets for euro 3.2 million (euro 3.2 million at 31 March 2014) and tangible assets for euro 2.0 million (euro 2.3 million at 31 March 2014).

| **Consolidated EBIT by sector of activity** (euro/millions) | **Q1 2015** | **Q1 2014** | **Var.** |
|---|---|---|---|
| Books | (0.6) | 0.7 | (1.3) |
| Magazines Italy | 6.2 | 6.8 | (0.6) |
| Magazines France | 2.0 | 2.4 | (0.4) |
| Retail | (2.6) | (4.9) | 2.3 |
| Radio | (1.4) | (1.5) | 0.1 |
| Other business, Corporate and Digital Innovation | (3.4) | (3.8) | 0.4 |
| Intercompany | 0.5 | 0.4 | 0.1 |
| **Total EBIT** | **0.7** | **0.1** | **0.6** |

## NET RESULT




**Consolidated profit before taxes** is negative for euro 3.8 million against euro -5.9 million at 31 March 2014; in the first quarter of 2015, **financial costs** amounted to comprehensively euro 4.4 million, **considerably down** against euro 6 million of the same period of the previous year, as a result of reduced net debt for the period and lower average cost.
Tax costs in the period totalled euro 0.4 million (euro 0.1 million in the first quarter of 2014).
**Consolidated net result**, after minority interest, was **negative for euro 4.7 million**, up against a loss of euro 6.4 million registered at 31 March 2014.

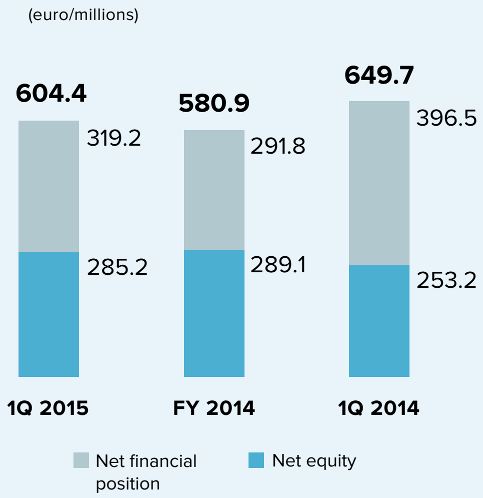
# FINANCIAL RESULTS

## NET INVESTED CAPITAL

The **Group net invested capital** at 31 March 2015 totalled euro 604.4 million, **down** from euro 649.7 million at 31 March 2014 (euro 580.9 million at 31 December 2004).

The **Group net working capital decreased** from euro 70.9 million at 31 March 2014 to euro 33.2 million at 31 March 2015 as a result of a more efficient management of inventory and improved trade receivables collection activities.

The **Group's net financial position** at 31 March 2015 was equal to **euro -319.2 million** against **euro -291.8 million** at 31 December 2014, but **considerably up** considering the seasonal effects typical of the business, against **euro -396.5 million** posted at 31 March 2014, as a result of the Group's significant cash generation in the past twelve months.

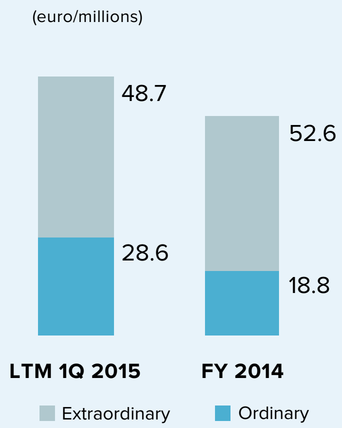





## *CASH FLOW FROM LTM*

At 31 March 2015, **cash flow from operations** in the last twelve months is **positive for euro 56.6 million** (euro 47.2 million at 31 December 2014); **cash flow** deriving from **operations** (after outlays relative to financial charges and taxes for the period) is **equal to euro 28.6 million**, continuing the **rising trend** registered in the two previous quarters (euro 18.8 million at 31 December 2014 and euro 9.8 million at 30 September 2014).

**Cash flow from extraordinary operations** was **positive for euro 48.7 million** (euro 52.6 million in 2014) despite outlays for restructuring costs (euro 18.0 million) and is mainly attributed to the increase in the Company's capital (June 2014) and capital gain deriving from the transfer of an asset in the retail area (December 2014).



# ECONOMIC PERFORMANCE BY AREA OF ACTIVITY

# ECONOMIC PERFORMANCE BY AREA OF ACTIVITY

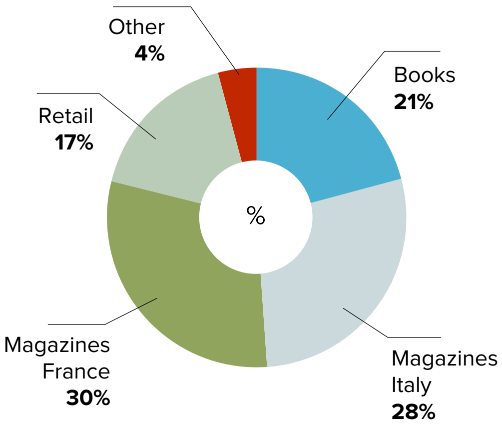
| (euro/millions) | Total revenues | | EBITDA before non-recurring items | | EBITDA | | Amortisation and impairment | | EBIT | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Q1 2015 | Q1 2014 | Q1 2015 | Q1 2014 | Q1 2015 | Q1 2014 | Q1 2015 | Q1 2014 | Q1 2015 | Q1 2014 |
| Books | 55.8 | 56.8 | 2.7 | 1.4 | 0.3 | 1.3 | 0.8 | 0.5 | (0.6) | 0.7 |
| Magazines Italy | 74.6 | 84.7 | 6.5 | 6.0 | 6.3 | 6.9 | 0.1 | 0.1 | 6.2 | 6.8 |
| Magazines France | 79.9 | 81.7 | 4.7 | 5.8 | 4.8 | 5.2 | 2.8 | 2.8 | 2.0 | 2.4 |
| Retail | 44.0 | 47.2 | (1.9) | (3.4) | (1.9) | (3.7) | 0.7 | 1.2 | (2.6) | (4.9) |
| Radio | 2.9 | 2.6 | (1.3) | (1.2) | (1.1) | (1.2) | 0.3 | 0.3 | (1.4) | (1.5) |
| Other business, Corporate and Digital Innovation | 8.8 | 7.5 | (3.7) | (4.0) | (3.0) | (3.3) | 0.5 | 0.6 | (3.4) | (3.8) |
| Adjustments and cancellations | (14.3) | (12.2) | 0.5 | 0.4 | 0.5 | 0.4 | | | 0.5 | 0.4 |
| **TOTAL** | **251.7** | **268.3** | **7.5** | **5.0** | **5.9** | **5.6** | **5.2** | **5.5** | **0.7** | **0.1** |

The above breakdown of economic results by sector of activity reflects the system used by the management to compare Group performance according to IFRS 8. In this respect, following the transfer of the business unit to Mediamond SpA relating to advertising sales in magazines and radio stations, it was deemed appropriate to include the Advertising Area activities in the Magazines Italy Area starting from 2015.

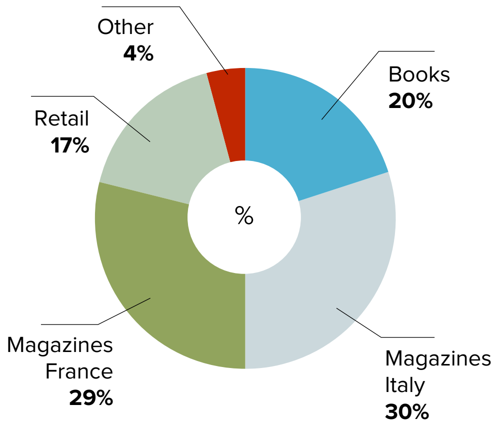


## REVENUES

**1Q 2015**




**1Q 2014**



## BOOKS

As of 1 January 2015, the newly established **Mondadori Libri** SpA is the key company for all Group activities in the Books Area.
Mondadori Group is Italy's market leader in the **Trade Books** Area with 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 SpA, Italy's third largest player in the Italian school textbook market, and in the sector of art and illustrated books and provision of services for the management of museum concessions and the organisation and management of exhibitions and cultural events with Mondadori Electa SpA, Italy's most prominent publisher in the sector of art and illustrated books.

### Market performance

The Trade Books market continued to post a negative performance, with a 2.9% reduction; the only segment showing an uptrend is Fiction, which is up 4.7%. With reference to sales channels, e-commerce posted a 1.5% growth and accounts for more than 15% of the total of the market; large retailers, which instead account for a share of approximately 14%, posted a downturn equal to -8.5%, contributing to the market total with a share of approximately 14%. Book chains and independent bookstores recorded a more mitigated reduction against the first quarter of 2014, corresponding to -1.9% and -3.5% respectively.
In this context, Mondadori Group confirmed its leadership position in the Trade Books Area with a 24.9% market share, essentially in line with the same period of the previous year (25.1% in the first quarter of 2014). In the period the Group had 4 titles in the ranking of the top 10 bestselling books.
In the period of reference, the *Education* segment was characterized by the seasonal effects of the school textbook business, whose revenues are typically generated in the second half of the year.



### Andamento economico dell'Area Libri

| (euro/millions) | 31 March 2015 | 31March 2014 | Var.% |
|---|---|---|---|
| Revenues | 55.8 | 56.8 | (1.8%) |
| *EBITDA before non-recurring items* | *2.7* | *1.4* | *87.8%* |
| **EBITDA** | **0.3** | **1.3** | **(77.7%)** |

[4] Fonte: GFK, dati a valore

## Revenues

| **Books** (euro/millions) | **31 March 2015** | **31 March 2014** | **Var.%** |
|---|---|---|---|
| Edizioni Mondadori | 19.5 | 18.2 | 7.3% |
| Giulio Einaudi editore | 7.4 | 9.8 | (25.1%) |
| Edizioni Piemme | 6.9 | 7.7 | (9.9%) |
| Sperling & Kupfer | 4.2 | 5.6 | (24.3% |
| **Trade Books** | **38.0** | **41.3** | **(7.9%)** |
| Mondadori Electa | 5.5 | 5.7 | (3.7%) |
| Mondadori Education | 1.9 | 1.4 | 29.5% |
| **Educational Books** | **7.4** | **7.1** | **3.0%** |
| Third publishers' distribution | 7.1 | 6.8 | 4.9% |
| Other revenues | 3.3 | 1.6 | n.s. |
| **Total consolidated revenues** | **55.8** | **56.8** | **(1.8%)** |

**Revenues** in the first quarter of 2015 showed a 1.8% reduction against the same period of last year:

- **Revenues from the Trade Books Area:** the revenue trend in the first three months of 2014 was influenced by the aforementioned market conditions, especially in the large retailer channel, and also by a selective publishing policy aimed at increasing profitability. Einaudi's result was influenced by the lower sales generated by the promotional campaigns on the I *Tascabili* line compared to the previous year, when the line was subject to restyling. The digital area continues to grow: revenues from the download of e-books rose by 23% against the same period of 2014, with a 4.5% share of digital sales on the total revenues of the Trade Books Area (3.6% at 31 March 2014).

  In the first quarter of 2015 **Edizioni Mondadori** posted revenues up 7% with a consolidated first player positioning in the market with a 12.3% share, also as a result of the publication of the special edition of the first volume of *Cinquanta sfumature di grigio* by E.L. James, concurrently with the release of the corresponding movie, which climbed to the top of the ranking in the period, followed by the seventh and eighth position of the other two volumes. Andrea Camilleri's *La relazione* ranks ninth on the bestseller list.
  In the first quarter of 2015 **Einaudi** confirmed its third position in Italy with a 5.1% market share, as a result of the positive trend recorded in the hardcover segment, despite the reduction in the paperback segment, penalized by the comparison with the previous year which featured the launch of the I *Tascabili* restyled line.
  In the first three months of 2015, **Edizioni Piemme** recorded a reduction in revenues equal to approximately 10% compared to the previous year and in the market share, which reached 3.8%; the first three months of 2014 were positively influenced by the performance of the bestselling books by Michael Connelly (*Il quinto testimone*) and Khaled Hosseini (*E l'eco rispose*).
  In the period, **Sperling&Kupfer** posted dropping revenues and a reduction in the market share of 2.7%, despite the long-lasting success of *Storia di una ladra di libri* by Markus Zusak, which ranked fifth on the bestseller list for the quarter. In the corresponding period of the previous year, performance was positively influenced by *Doctor Sleep*, the awaited book by Stephen King, followed by *Shining*, published in January 2014.

- **Revenues from Education:** in the first three months of 2015 the Group recorded growing revenues in this segment by 4.2% compared to the same period of last year.

  **Mondadori Education** generated revenues for euro 1.9 million (euro 1.4 million at 31 March 2014): as usual, in the first three months of the year, characterized by the typical seasonal performance of the school textbook business, revenues generated are not significant against the total for the year.

**Mondadori Electa** recorded revenues for euro 5.5 million (euro 5.7 million in the first quarter of 2014), down by 3.5% as a result of the reduction posted in the activities that relate to the publication of art books, books of architecture, on order and illustrated, while activities relating to the management of museum concessions showed a performance essentially in line with the previous year thanks to the positive results recorded at the archaeological sites in Rome and Naples. Activities relating to the organization of exhibitions and the associated books (bookshop) were penalized by the limited number of events, essentially due to a different scheduling of the exhibitions in 2015 because of the presence of Expo, and therefore more concentrated in the second part of the year.

- **Revenues from logistics activities:** revenues from logistics activities carried out on behalf of third publishers, equal to euro 7.1 million, showed an upward trend, up 4.9% against the same period of the previous year.

EBITDA

**EBITDA**, net of non-recurring items, despite dropping revenues (-1.8%), **posted an increase from euro 1.4 to euro 2.7 million** as a result of a more effective management of operating processes deriving from the radical restructuring process completed in the Trade Area. Concurrently, the actions aimed at reducing fixed costs and cost of personnel continued.

**Comprehensive EBITDA** for the Trade Area dropped from euro 1.3 million in the first quarter of 2014 to euro 0.3 million as a result of a greater incidence of restructuring costs (euro 2.3 million in 2015 against euro 0.2 million in 2014), which were concentrated in the first part of the year.

## MAGAZINES

Mondadori is Italy's leading publisher in the sector by market share (32.1%[5] at February) and number of magazines (23) and one of the most important in Europe. It has consolidated its presence in the sector over time, covering different segments of activity.
In addition to the publication of weekly and monthly magazines sold at newsstands, in digital version and by subscription, the Group also focuses on the sector of add-on sales and designated websites and portals that enable it to reach a larger number of Mondadori readers by exploiting the relevant brands.
Through the subsidiary Press-Di Distribuzione Stampa and Multimedia, the Group distributes its own magazines and third party magazines at the national level.
Mondadori is also present at the international level:

- in **France**, through Mondadori France, France's third publisher in terms of circulation and second in terms of sales from advertising, with a portfolio of 29 magazines;
- in other **foreign countries**, Mondadori is present directly through joint ventures or through licensing agreements with international publishers: there are 43 international editions of Mondadori magazines (*Grazia International Network accounts for 24 of them and Il mio Papa 10*).

## MAGAZINES ITALY

### Market performance

The first months of 2015 were characterized by a bearish trend for all the markets of reference, though the reduction was less impacting compared to the same period of the past year. At February:

- revenues from advertising sales dropped comprehensively by 5.2%, with Magazines and Internet down by 6.2% and 5.3%[6], respectively;
- revenues from magazines sales in the newsstand channel, essentially steady in terms of number of copies sold, declined by 6.4% as a result of dropping average prices. In this context, Mondadori confirmed its leadership with a 32.1% market share (down from 34.1% against February 2014);
- revenues from add-on sales were characterized by a growing number of dailies sold (+13.8%), which limited the reduction to 3%, while Magazines continued to post substantial reductions (-16.3%)[7].



### Economic performance of Magazines Italy[8]

| (euro/millions) | 31 March 2015 | 31 March 2014 | Var.% |
|---|---|---|---|
| Revenues | 74.6 | 84.7 | (11.9%) |
| *EBITDA before non-recurring items* | *6.5* | *6.0* | *9.5%* |
| **EBITDA** | **6.3** | **6.9** | **(9.2%)** |

[5] Internal source, data at February
[6] Source: Nielsen, data at February
[7] Internal source: PressDi, data at February
[8] Starting from the previous year the activities of the Advertising Area have been included in the Magazines Italy Area.

### Revenues

Magazines Italy posted **revenues** for a total of euro 74.6 million, down 11.9% (11.2% on a like-for-like basis, taking into account the magazines transferred).

| **Magazines Italy** (euro/millions) | **31 March 2015** | **31 March 2014** | **Var.%** |
|---|---|---|---|
| Circulation | 31.3 | 35.3 | (11.3%) |
| Advertising | 17.2 | 18.3 | (5.6%) |
| Add-on sales | 16.1 | 19.2 | (15.9%) |
| Other revenues | 10.0 | 12.0 | (16.9% |
| **Total revenues** | **74.6** | **84.7** | **(11.9%)** |

In particular:

- revenues from **circulation** dropped by 11.3% (-9.8% on a like for like basis) due to the combined effect of the reduction in
  - the subscription channel, which in the first part of 2014 reflected the positive impact of promotions, which were reduced in the second part of the year;
  - and in the newsstand channel, equal to 9.2% (-4.3% net of fewer on-pack activities)[9],

  both resulting, in addition to the performance of the market of reference, from an accurate policy in the selection of the most profitable promotional initiatives.
- Revenues from **sales from traditional advertising** dropped by 5.7% (-5.1% on a like-for-like basis), while the market average was down 6.2% (at February); revenues from **sales of advertising on websites** (-5.1%) were essentially in line with the average market trend (-5.3% at February), except for the positive performance posted by Grazia (+9.3% against the first quarter of 2014). Traffic data show an overall audience rate equal to 18.4 million single browsers with a 25% growth against the same period of the previous year, net of the partnership of the *Donna Moderna* network, whose performance was slack;
- revenues from **add-on products** (DVDs, CDs, books and gadgets) sold in attachment to Mondadori magazines dropped by 15.9% against the same period of 2014 as a result of the rationalization process implemented, which targeted increased project profitability and a different scheduling, which is expected to be more concentrated in the second part of the year.

**International activities** include:

- Mondadori International Business Srl, managing the licensing contracts and sales from advertising generated by Italian investors on Mondadori magazines published worldwide;
- Mondadori UK, owner of the www.Graziashop.com fashion e-commerce platform;

in the quarter revenues were essentially in line with those of the previous year (+0.2%).

Mondadori International Business activities in the quarter included:

- the launch of Grazia Turkey (weekly), completed in March, which increased the number of Grazia's international editions to 24;
- the launch of the first international edition of *Il mio Papa* in Germany (with circulation also in the German-speaking Switzerland, Austria and Liechtenstein). In April, the Polish edition of *Il mio Papa* was also launched, increasing the number of the international editions of the magazine to 10 in just a few months.

Mondadori UK continued activities regarding the fine-tuning of top selected products to be offered to the Grazia global community (17 million readers and 14 million single users per month) and to the fashion-fond female audience through the *Graziashop.com* platform.

Mondadori also holds foreign subsidiaries consolidated at equity:

[9] Internal source: PressDi, data at March

- Attica Publications, leading publisher in Greece both for magazines (18 magazines) and radio stations, which, after a positive performance posted in 2014, experienced a downturn in the first months of 2015 due to the macroeconomic context, which had an impact on the advertising sales market;
- Mondadori Seec Advertising, the exclusive advertising agency for the Chinese edition of *Grazia*, which posted a positive performance in the first three months of 2015;
- In the first three months of 2015 Grazia Russia posted a sharp decline against the same period of the previous year as a result of the political situation in the country, which negatively affected advertising sales.

The overall contribution of Mondadori Group's shareholdings in foreign subsidiaries was negative but improving against the same period of the previous year by approximately euro 0.4 million (from euro -1.0 million to euro -0.6 million).

### EBITDA

**EBITDA**, net of non-recurring items, posted **an increase of over 9%** (from euro 6.0 million to euro 6.5 million) as a result of the effective actions undertaken for the restructuring of the editorial and operative functions, despite the significant revenue reduction resulting from the market conditions and the rigorous project selection policy.

**Comprehensive EBITDA** dropped by 9.2%, going from euro 6.9 million to euro 6.3 million as a result of non-recurring income totalling approximately euro 1 million deriving from the transfer transaction of the business unit to Mediamond in the first quarter of 2014.

## MAGAZINES FRANCE

### Market performance

In the period, the market of reference for Mondadori France continued to post reductions:
- in sales in the newsstand channel (-6.5% at March)[10];
- and in sales of advertising spaces (-7.7% at February)[11].

### Economic performance of Magazines France

| (euro/millions) | 31 March 2015 | 31 March 2014 | Var.% |
|---|---|---|---|
| Revenues | 79.9 | 81.7 | (2.2%) |
| *EBITDA before non-recurring items* | *4.7* | *5.8* | *(18.7%)* |
| **EBITDA** | **4.8** | **5.2** | **(7.2%)** |

#### Revenues

In the first three months of 2015, revenues from Mondadori France equalled euro 79.9 million, down 2.2% against the same period in the previous year.



The reduction in traditional activities was equal to 3.0%, while digital activities grew by over 21% (approximately 4% of total revenues) as a result of the development of the digital activities of the properties (+22%) and Natura Buy activities (+17%).

**The total number of readers** of Mondadori France magazines reached 8.6 million single users[12], up 27% against the average audience rate of 2014, also as a result of the progressive digitalization of the editorial teams which enabled the daily production of new content in parallel both for both offline and online magazines.

Revenues from **circulation**, accounting for approximately 75% of the total, posted a slight downturn equal to 1.3%;
- revenues from the newsstand channel dropped by 7.7%, less than the market of reference; the comparison with the first quarter of 2014 reflects the extraordinary performance deriving from the publication by Closer of the “Hollande scoop” in January 2014;
- revenues from the subscription channel were instead up by 0.4%.

Revenues from **advertising sales** were down 9.6% against the same period of the previous year, but showing a different performance between offline and online products: the growth in digital

| **Magazines France** (Euro/milioni) | 31 March 2015 | 31 March 2014 | Var.% |
|---|---|---|---|
| Circulation | 58.8 | 59.6 | (1.3%) |
| Advertising | 17.0 | 18.8 | (9.6%) |
| Other revenues | 4.1 | 3.3 | 21.8% |
| **Total revenues** | **79.9** | **81.7** | **(2.2%)** |

[10] Internal source, data at March.
[11] Source: Kantar Media, data at February.
[12] Source: Nielsen, January-February 2015 average data.

advertising which, in the period of reference, exceeded 26% as a result of an increased audience and now represents more than 14% of the total advertising revenues, partially offset the drop in traditional offline advertising (-13.8%, -7.3% data at February for market comparison purposes).

### EBITDA

**EBITDA**, net of non-recurring items, **was down by euro 1.1 million** (from euro 5.8 million to euro 4.7 million) against the same period of the previous year, which benefited from the “Hollande scoop” published by *Closer*.

Mondadori France has in any case continued the process for the rationalization of structures and the implementation of the policy targeting editorial cost containment. These actions are expected to be extended through 2015 with a view to further adjusting the organization to the changes that have occurred in the market, limiting also the impact of the increased postage fees associated with the management of subscriptions and of some promotional investments.

**Comprehensive EBITDA**, equal to euro 4.8 million, was down by 7.2% (from euro 5.2 million) against the first quarter of 2014.

## RETAIL

The Mondadori Group operates in Italy with a network of approximately 600 bookshops composed of directly managed bookshops, franchised bookshops, multicenters and Mondadori Points, in addition to web channels and bookclubs.

### Market performance

#### Books

The market of reference for the Retail Area is books (77% of revenues)[13] that, although still negative, showed signs for recovery against the previous year.

#### Non-book

The markets of reference in the "non-book" sector posted different performances according to the product categories:

- in Entertainment, a positive performance was recorded in the January-February period, especially in the sales of music products;
- Consumer Electronics bucked the trend in the first two months of 2015, though with a high volatility among the different product categories: tablets and e-readers recorded a double-digit reduction, while telephony products confirmed the positive trend of the last months of 2014. Comprehensively, Consumer Electronics posted a 5% growth compared to the previous year.

### Economic performance of the Retail Area

#### Revenues

In the first three months of 2015, the Retail Area posted revenues down by 6.8% against the same period of the previous year, also as a result of the transfer completed in 2014 of the flagship store located in corso Vittorio Emanuele in Milan.

Total Store revenues by type of product are broken down as follows:

- books are predominating, accounting for 77% of the total and outperforming the market of reference by approximately 1 percentage point;
- non-book revenues - specifically consumer electronics - recorded signs of recovery after two weak years, as a result of the actions undertaken in the field of organization, assortment and promotions.

The analysis by channel highlighted the following:

- the positive performance of directly managed bookstores;
- as to franchised bookstores, Books were essentially in line, while the Non-Book sector was slightly down;
- net of the transfer of the flagship store of corso Vittorio Emanuele in Milan, books in megastores recorded a positive performance, while consumer electronics products recovered;
- growth in the online channel, with particular reference to books, which posted a positive delta of over 10% against the market (+12% against +1.5% registered by the market)[14];
- Bookclubs performed in line with the structural reduction expected in the medium term development plan.

| (euro/millions) | 31 March 2015 | 31 March 2014 | Var.% |
|---|---|---|---|
| Revenues | 44.0 | 47.2 | (6.8%) |
| *EBITDA before non-recurring items* | *(1.9)* | *(3.4)* | *44.1%* |
| **EBITDA** | **(1.9)** | **(3.7)** | **48.8%** |

[13] Revenues: Total Stores
[14] Source: GFK

| **Revenues - Retail** (euro/millions) | **31 March 2015** | **31 March 2014** | **Var.%** |
|---|---|---|---|
| Direct bookstores | 6.9 | 6.7 | 4.0% |
| Franchised bookstores | 17.9 | 18.5 | (3.2%) |
| Megastores | 11.3 | 13.2 | (14.5%) |
| Online | 2.8 | 2.5 | 12.0% |
| **Total Stores** | **38.9** | **40.9** | **(4.7%)** |
| Bookclubs | 5.1 | 6.0 | (13.5%) |
| Other | 0 | 0.3 | n.s. |
| **Total revenues** | **44.0** | **47.2** | **(6.8%)** |

## EBITDA

In the period Mondadori Retail posted **EBITDA**, net of non-recurring items, equal to euro -1.9 million, **sharply up** against euro -3.4 million for the corresponding period in 2014. This result derives from two main elements:

- an increased product margin in the Books category and in the Consumer Electronics category;
- lower incidence of promotions and a significant reduction in personnel costs and overhead.

This increase, compared to the first three months of 2014, was visible in the majority of the sales channels.

**Comprehensive EBITDA** improved remarkably against the same period of the previous year, when restructuring costs amounted to euro 0.3 million.

## RADIO

The Mondadori Group is present in the national radio market through *R101* radio station.

### Market performance

Revenues from advertising sales in Italy recorded a 5.2 reduction[15] in the January-February period of 2015.
After a 1.8% reduction posted in 2014, the Radio Area started 2015 positively with 0.4% growth in the month of January and a 9.6% increase in February, strengthening the uptrend with an aggregate +5.2% in the two first months against the same period of the previous year.

### Economic performance in the Radio Area

| (euro/millions) | 31 March 2015 | 31 March 2014 | Var.% |
|---|---|---|---|
| Revenues | 2.9 | 2.6 | 9.5% |
| *EBITDA before non-recurring items* | *(1.3)* | *(1.2)* | *(12.4%)* |
| **EBITDA** | **(1.1)** | **(1.2)** | **6.8%** |



#### Revenues

In the first three months of 2015, R101, though recording lower revenues from advertising sales than in 2014 (gross revenues at -4.8%) and penalized by the last audience rate trend surveys, posted an uptrend in comprehensive **revenues**. In fact, including revenues from the TV channel launched in June 2014, growth in the first quarter of 2015 was equal to 9.5%.

#### EBITDA

**EBITDA, net of non-recurring items**, was negative for euro 1.3 million (euro 1.2 million in the first quarter of 2014), reflecting higher costs of promotion for the television channel, which were compensated by the cost reduction actions implemented in the technical and artistic area.
**EBITDA** also benefited from the positive contribution deriving from the transfer of a broadcasting station for euro 0.2 million.

[15] Source: Nielsen, data at February

# OTHER BUSINESS, CORPORATE AND DIGITAL INNOVATION

## Other business

Other business includes the results from Digital Marketing Service (Cemit and Kiver) and the equity investment in Società Europea di Edizione SpA, publisher of the *Il Giornale* daily newspaper.
The Digital Marketing Service area is characterized by the progressive integration between the traditional direct marketing activities performed by Cemit with the digital competencies of Kiver, a marketing agency specialized in the development of digital promotion, branding initiatives and interactive advertising, acquired in December 2014, in order to increase its integrated offering to better respond to the requests of increasingly demanding customers interested in innovative digital marketing solutions.
In this context, in the first quarter the segment posted revenues of euro 3.1 million, down from euro 3.4 million in 2014, as a result of the postponement of a few jobs relative to Cemit traditional activities, only partially compensated by the launch of digital and multimedia products.
EBITDA was negative for euro 0.3 million, in line with the first quarter of 2014.
**Società Europea di Edizioni:** in the first three months of 2015, the publisher of the *Il Giornale* daily turned in a positive performance, including euro 0.8 million in favour of Mondadori, against a loss of euro 0.5 million recorded in the same period of 2014 as a result of an extraordinary transaction regarding the transfer of a portal.

## Corporate and Digital Innovation

The **Corporate** segment includes – besides the Group's 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.

**Digital Innovation:** the structure of this Area, which became operational at the end of 2013, is mainly concentrated on identifying non-traditional diversification opportunities with the objective of supporting all Group Areas in developing new business and strengthening the Group's presence in the digital market.
In the first quarter of 2015, technological actions were implemented, targeting a broader development of the Group's publishing content and an increase in the commercial offering (in particular properties in Italy), as well as an adjustment of user management platforms and contacts in the context of the CRM system.
The overall costs of the **Corporate and Digital Innovation** Area show a downtrend against the previous year equal to euro 0.5 million (approximately -3%), despite investments targeting a progressive strengthening of the Digital operating structure.

# FINANCIAL POSITION

In the first quarter of 2015, the implementation of Quantitative Easing measures by the ECB led to a reduction of both yields and interest rates.

In this context, 3-month Euribor was further reduced, reaching an average value in the quarter equal to 4.6 base points; the average cost of the Mondadori Group's debt, relative to the rate component, in the same period, was equal to **3.77%,** against 4.22% in the first quarter of 2014.

**Mondadori Group's financial position at 31 March 2015 showed a deficit of euro 319.2 million, improving significantly from euro -396.5 million at March 2014.**

| **Net financial position** (euro/million) | **31 March 2015** | **31 March 2014** | **31 December 2014** |
|---|---|---|---|
| Cash and cash equivalents | 7.8 | 19.4 | 13.0 |
| Assets (liabilities) from derivative instruments | (1.7) | (0.5) | (1.7) |
| Other financial assets (liabilities): | (19.2) | (40.4) | (7.4) |
| Loans (short and medium/long term) | (306.1) | (375.0) | (295.7) |
| **Net financial position** | **(319.2)** | **(396.5)** | **(291.8)** |

The overall credit lines available to the Group at 31 March 2015 amounted to euro 755.4 million, of which euro 555.0 committed.
The Group's short-term loans, totalling euro 200.4 million, used for euro 51.2 million at 31 March 2014, included overdraft credit lines on current accounts, advances subject to collection and "hot money" flows.
The main medium-long term loans at 31 March 2014 are:

| Medium/ long-term loans (euro/millions) | Bank pool | | Intesa SanPaolo | | Mediobanca | | Total | of which: unutilized | of which: with interest rate hedge |
|---|---|---|---|---|---|---|---|---|---|
| Term Loan | 172.5 | (1) | 45.0 | (3) | 47.5 | (2) | **265.0** | - | 133.8 |
| Revolving Facility | 90.0 | (4) | 150.0 | (3) | 50.0 | (2) | **290.0** | 280.0 | - |
| **Total loans** | **262.5** | | **195.0** | | **97.5** | | **555.0** | **280.0** | **133.8** |

(1) instalments of equal amount coming to maturity in December 2016 and December 2017
(2) coming due in December 2017
(3) coming due in December 2016
(4) coming due in December 2018

Cash flow is detailed below:

| ***Cash flow*** (euro/millions) | 31 March 2015 | 31 March 2014 | LTM |
|---|---|---|---|
| **Initial net financial position** | **(291.8)** | **(363.2)** | **(396.5)** |
| Ebitda before non-recurring items | 7.4 | 5.0 | 64.1 |
| Equity investments | (0.3) | 1.4 | (4.9) |
| Net working capital and fund provisions | (22.1) | (31.3) | 9.0 |
| (Investments) Disposals | (2.6) | (2.4) | (11.6) |
| **Cash flow from operations** | **(17.6)** | **(27.3)** | **56.6** |
| Financial costs | (4.4) | (5.9) | (21.5) |
| Current taxes - paid | (1.9) | (0.8) | (6.5) |
| **Ordinary cash flow from operations** | **(23.9)** | **(34.0)** | **28.6** |
| Collection (payment) of taxes of previous years | 2.0 | 4.7 | 12.6 |
| Restructuring costs | (6.8) | (9.0) | (18.0) |
| (Acquisitions)/transfers, non-recurring items | 1.3 | 5.0 | 23.0 |
| Share placement | - | - | 31.1 |
| **Non-operating cash flow** | **(3.5)** | **0.7** | **48.7** |
| **Total cash flow** | **(27.4)** | **(33.3)** | **77.3** |
| **Final net financial position** | **(319.2)** | **(396.5)** | **(319.2)** |

**Cash flow from operations, which in the last twelve months generated euro 56.6 million**, is attributable to the positive performance of operations net of equity investments (euro 59.2 million) and net working capital (including provisions), generating cash flows for euro 9.0 million as a result of an increasing focus on the management of stocks and receivables. In the last twelve months capital expenditure increased: in the Educational Area investments were made in the development of new publishing products (euro 3.4 million) for the new Mondadori France offices, including, among others, plant modernization works (euro 3.4 million) and in the Retail Area for improvement work in the stores (euro 1.4 million) and the purchase of software and office automation systems (euro 1.3 million).

**Cash flow from ordinary operations**, including outlays relative to taxes and financial costs, was positive for euro 28.6 million, confirming the improving trend of cash flow generation of the last twelve months, measured in December 2014 (euro 18.8 million) and in September 2014 (euro 9.8 million).

**Non-operating cash flow** was **positive for euro 48.7 million** despite outlays attributable to restructuring costs (euro 18.0 million) as a result of the share capital increase (euro 31.1 million), the partial collection of the tax receivables (VAT and IRES for IRAP reimbursement), accrued from the previous financial years (euro 12.6 million) and the net balance generated by asset acquisitions and disposals, including the impact of the transfer of the multicenter located in Corso Vittorio Emanuele in Milan for a total of euro 25 million.

These items resulted in **LTM cash flow generation equal to euro 77.3 million** with a consequent equivalent reduction in debt.

**Cash flow from operations** in the first quarter of 2015 showed an improvement compared to the value recorded in the same period of 2014 as a result of positive net working capital management.

In terms of **cash flow from ordinary operations**, the gap widened as a result of lower financial costs despite higher outlays for taxes.

**Non-operating cash flow** was down against the first quarter of 2014 as a result of the higher impact of the transfer of the business unit of Mondadori Pubblicità SpA and collections of direct and indirect taxes relative to previous years.

| **Consolidated balance sheet** (euro/million) | **31 March 2015** | **31 March 2014** | **Var.%** | **31 December 2014** |
|---|---|---|---|---|
| Net trade receivables | 254.1 | 266.0 | (4.5%) | 268.7 |
| Inventory | 116.7 | 122.6 | (4.9%) | 108.4 |
| Trade payables and payables due to authors, workers and agents | (337.9) | (336.4) | 0.4% | (347.4) |
| Other assets/ (liabilities) | 0.3 | 18.7 | (98.4%) | (11.1) |
| **Net working capital** | **33.2** | **70.9** | **(53.2%)** | **18.6** |
| Intangible assets | 600.8 | 619.1 | (3.0%) | 601.6 |
| Purchase of properties, plant and equipment | 35.6 | 41.9 | (15.0%) | 37.1 |
| Investments: | 40.0 | 37.9 | 5.4% | 39.6 |
| **Fixed invested capital** | **676.4** | **698.9** | **(3.2%)** | **678.3** |
| Provisions | (59.2) | (73.3) | (19.3%) | (69.1) |
| Post-employment benefits | (46.0) | (46.8) | (1.6%) | (46.8) |
| **Net invested capital** | **604.4** | **649.7** | **(7.0%)** | **580.9** |
| Share capital | 68.0 | 64.1 | 6.1% | 68.0 |
| Minority shareholders' reserves and net equity | 221.9 | 195.5 | 13.5% | 220.5 |
| Net result | (4.7) | (6.4) | 27.2% | 0.6 |
| **Shareholders' equity** | **285.2** | **253.2** | **12.6%** | **289.1** |
| Net financial position | 319.2 | 396.5 | (19.5%) | 291.8 |
| **Minority shareholders' equity** | **319.2** | **396.5** | **(19.5%)** | **291.8** |
| **Total shareholders' equity** | **604.4** | **649.7** | **(7.0%)** | **580.9** |

At 31 March 2015, net working capital was up 53.2% as a result of:

- reduced trade receivables also reflecting revenue performance;
- reduced inventory, more efficient stock management actions in the Retail Area and the transfer of the megastore of Corso Vittorio Emanuele in Milan;
- partial collection of tax receivables (VAT and IRES for IRAP reimbursement), accrued in the previous years (euro 12.6 million);
- lower advance payments made to authors (approximately euro 6.0 million).

Trade payables, in line with the values of the first quarter of 2014, recorded a sharp reduction in the overdue component.

The fixed invested capital, equal to euro 676.4 million at 31 March 2015, was down by euro 22.5 million against the same period of the previous year also as a result of the transfer of the megastore of Corso Vittorio Emanuele in the Retail Area and for the remaining part as a result of amortization of intangible assets with a finite useful life and depreciation of tangible assets.

Provisions were down by approximately euro 14 million as a result of the use of the risk provisions for restructuring costs.

The Group's net invested capital, equal to euro 604.4 million at 31 March 2015, showed a 7% decline against the previous twelve months, which resulted, together with the capital increase transaction, in a significant reduction of the Group's debt.

# PERSONNEL

## HUMAN RESOURCES

Employees with a fixed-term or permanent labour contract employed by the Group companies at 31 March 2015 totalled 3,083 people, down 5.7% against the previous twelve months, equal to 187 people (3,270 employees at 31 March 2014).

On a like-for-like basis and considering the acquisition of Kiver and the establishment of Mondadori UK, both completed in 2014, the reduction in headcount totals 217 people, corresponding to -6.6%. Cost of personnel in the same period, net of the acquisitions and extraordinary costs, dropped by euro 4.2 million (-7.2%).

The values reflect the result of a fixed cost containment policy started in the past years and still in progress, which led to the implementation of restructuring plans and process and people enhancement projects, including, among others and besides the completion of the early retirement plan for the graphical-editorial staff, targeted actions in the Magazines Area with the management plan of 87 redundant journalists, still underway, the rationalization of Mondadori Retail stores and the measures implemented by Mondadori France, which resulted in a 3% headcount reduction in the past year.

The establishment of Mondadori Libri SpA, a spin-off of Arnoldo Mondadori Editore SpA's Books Area, resulted in a headcount reduction by 197 people in the latter company and an increased value in subsidiaries. The project has significant strategic relevance for the potential that the Mondadori Group can express in the Italian market of books and is characterized by the launch, also in this context, starting from February 2015, of a series of re-organization measures and operational actions targeting an improvement in the development of synergies between the various publishers as well as overall efficiency.

The following table provides a detailed breakdown of Group personnel at 31 March 2015:

| **Personnel** | **31/03/2015** | **31/03/2014** |
|---|---:|---:|
| Arnoldo Mondadori Editore SpA | | |
| - Managers, journalists, office staff | 821 | 995 |
| - Blue collars | 5 | 82 |
| | **826** | **1,077** |
| Italian subsidiaries: | | |
| - Managers, journalists, office staff | 1,248 | 1,225 |
| - Blue collars | 104 | 48 |
| | **1,352** | **1,273** |
| Foreign subsidiaries: | | |
| - Managers, journalists, office staff | 905 | 920 |
| - Blue collars | - | - |
| | **905** | **920** |
| **Total** | **3,083** | **3,270** |

| Personnel by sector of activity | 31/03/2015 | 31/03/2014 |
|---|---|---|
| Books | 553 | 566 |
| Magazines Italy | 614 | 656 |
| Magazines France | 883 | 918 |
| Retail | 558 | 640 |
| Radio | 28 | 26 |
| Digital Marketing Service | 71 | 67 |
| Digital Innovation | 28 | 19 |
| Corporate | 348 | 378 |
| **Total** | **3,083** | **3,270** |

# RELEVANT EVENTS OCCURRED IN THE PERIOD

## APPOINTMENTS TO THE BOARD OF DIRECTORS OF MONDADORI LIBRI SPA

On **21 January 2015** the Board of Directors of Mondadori Libri SpA 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 SpA for the Trade area and Antonio Porro was confirmed Managing Director of the Educational area. Gian Arturo Ferrari, Deputy Chairman of Mondadori Libri SpA, 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 SPA

On **18 February 2015** upon request made by CONSOB the Company informed that RCS MediaGroup SpA had been subjected to a non-binding expression of interest relative to a possible acquisition transaction of the entire interest owned by RCS MediaGroup SpA in RCS Libri SpA 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 SpA 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.

# SIGNIFICANT EVENTS AFTER CLOSURE

## SHAREHOLDERS' MEETING 2015: APPOINTMENTS OF THE NEW CORPORATE BODIES AND RELEVANT RESOLUTIONS

On **23 April 2015**, in addition to approving the financial statements of Arnoldo Mondadori Editore SpA at 31 December 2014 and renewing the authorization to the purchase and disposal of treasury shares, the Shareholders' Meeting appointed a new Board of Directors composed as follows: Marina Berlusconi (Chairman), Ernesto Mauri, Pier Silvio Berlusconi, Oddone Maria Pozzi, Pasquale Cannatelli, Bruno Ermolli, Roberto Poli, Danilo Pellegrino, Alfredo Messina, Martina Forneron Mondadori, Marco Spadacini, Angelo Renoldi, Mario Resca and Cristina Rossello.

The Shareholders' Meeting appointed a new Board of Auditors, composed of the following members: Ferdinando Superti Furga (Chief Statutory Auditor), Francesco Antonio Giampaolo e Flavia Daunia Minutillo (Standing Statutory Auditors); Francesco Vittadini, Annalisa Firmani and Ezio Maria Simonelli (Substitute Statutory Auditors).

Both corporate bodies, which will remain in office for three financial years, i.e. until the Shareholders' Meeting called for the approval of the Group's financial statements at 31 December 2017, were appointed based on the only slate presented for the Meeting, filed by Fininvest SpA, the majority shareholder.
The Board of Directors confirmed Ernesto Mauri as CEO, vesting him with the relevant powers of management. The following committees were also appointed:
- Control and Risk Committee: Angelo Renoldi (Chairman), Marco Spadacini and Cristina Rossello;
- Remuneration and Appointment Committee: Marco Spadacini (Chairman), Bruno Ermolli and Cristina Rossello;
- Committee for Related Parties Transactions: Angelo Renoldi (Chairman), Cristina Rossello and Marco Spadacini.

Maria Pozzi confirmed Executive Manager responsible for the drafting of the corporate accounting documentation.

# OTHER INFORMATION

The interim report at 31 March 2015 was drafted pursuant to the IAS/IFRS accounting principles and the valuation criteria adopted are in line with those used at 31 December 2014.
The document provides the information and disclosures required by Article 154 ter, par. 5 of Italian Legislative Decree 58/1998.

For the purpose of comparing the accounting data contained in this document with those supplied in previous reports and providing consistent disclosures to the market, this interim report regarding the first quarter of 2015 is drawn up according to the same principles and criteria as those utilised for the previous quarterly reports.
Therefore, International accounting principle No.34, regarding interim financial reporting, was not applied.



***Adhesion to the legislative simplification process adopted by Consob resolution No. 18079 of January 20, 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 SpA, pursuant to Article 3 of Consob Resolution No. 18079 of January 20, 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-offs and capital increases through contribution of assets in nature, acquisitions and transfers.

# FORESEEABLE EVOLUTION

*Based on the Group's performance in the first months of 2015 and the* **optimization actions** targeted to operating processes and cost structure in all business areas as well as the **measures** aimed at **mitigating the downturn in revenues** resulting from the performance of the market, it is reasonable to confirm the 2015 projections of a **sustained growth in the Group's EBITDA** as already indicated in the presentation of the financial statements at 31 December 2014. In parallel, activities for a rigorous evaluation of the possible disposal of the Group's non-core assets are continued.

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.

For the Board of Directors
The Chairman
Marina Berlusconi



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 Interim Report corresponds to the Company's accounting entries, books and results.

The Executive Manager responsible
for the drafting of the corporate
accounting documentation
Oddone Pozzi

# Consolidated balance sheet

# Consolidated income statement and consolidated comprehensive income statement

# CONSOLIDATED BALANCE SHEET

| Assets<br>(euro/000) | 31 March<br>2015 | 31 December<br>2014 | 31 March<br>2014 |
|---|---|---|---|
| **Intangible assets** | **600,761** | **601,593** | **619,103** |
| **Property investments** | **3,107** | **3,133** | **3,155** |
| Land and buildings | 7,739 | 7,895 | 8,384 |
| Plant and equipment | 12,803 | 8,853 | 10,845 |
| Other tangible assets | 11,949 | 17,187 | 19,486 |
| **Property, plant and equipment** | **32,491** | **33,935** | **38,715** |
| Investments booked at equity | 39,550 | 39,201 | 37,486 |
| Other investments | 443 | 443 | 442 |
| **Total investments** | **39,993** | **39,644** | **37,928** |
| **Non-current financial assets** | **316** | **316** | **2,487** |
| **Pre-paid tax assets** | **79,835** | **78,882** | **52,676** |
| **Other non-current assets** | **1,737** | **1,848** | **29,069** |
| **Total non-current assets** | **758,240** | **759,351** | **783,133** |
| **Tax receivables** | **50,681** | **50,040** | **67,200** |
| **Other current assets** | **94,109** | **87,687** | **99,379** |
| **Inventory** | **116,660** | **108,365** | **122,635** |
| **Trade receivables** | **254,096** | **268,736** | **265,987** |
| **Stocks and other current financial assets** | **11,702** | **11,916** | **20,501** |
| **Cash and cash equivalents** | **7,836** | **12,966** | **19,366** |
| **Total current assets** | **535,084** | **539,710** | **595,068** |
| **Assets held for sale or transferred** | **-** | **-** | **-** |
| **Total assets** | **1,293,324** | **1,299,061** | **1,378,201** |

| Liabilities<br>(euro/000) | 31 March<br>2015 | 31 December<br>2014 | 31 March<br>2014 |
|---|---|---|---|
| **Shareholders’ equity** | **67,979** | **67,979** | **64,079** |
| **Share premium reserve** | **12,000** | **12,000** | **170,625** |
| **Treasury shares** | **-** | **-** | **(73,497)** |
| **Other reserves and results carried forward** | **177,612** | **176,706** | **66,040** |
| **Profit (loss) for the period** | **(4,687)** | **618** | **(6,434)** |
| **Group’s Shareholders’ equity** | **252,904** | **257,303** | **220,813** |
| **Minority shareholders’ equity and reserves** | **32,272** | **31,818** | **32,398** |
| **Total Shareholders' equity** | **285,176** | **289,121** | **253,211** |
| **Provisions** | **59,150** | **69,109** | **73,304** |
| **Post-employment benefits** | **46,031** | **46,709** | **46,771** |
| **Non-current financial liabilities** | **266,712** | **266,327** | **374,251** |
| **Deferred tax liabilities** | **82,065** | **81,657** | **77,441** |
| **Other non-current liabilities** | **-** | **-** | **-** |
| **Total non-current liabilities** | **453,958** | **463,802** | **571,767** |
| **Income tax payables** | **1,276** | **139** | **1,598** |
| **Other current liabilities** | **207,821** | **204,224** | **214,655** |
| **Trade payables** | **272,799** | **291,079** | **272,395** |
| **Payables due to banks and other financial liabilities** | **72,294** | **50,696** | **64,575** |
| **Total current liabilities** | **554,190** | **546,138** | **553,223** |
| **Liabilities held for sale or transferred** | **-** | **-** | **-** |
| **Total liabilities** | **1,293,324** | **1,299,061** | **1,378,201** |

# CONSOLIDATED INCOME STATEMENT

| (euro/000) | 31 March 2015 | 31 March 2014 |
|---|---|---|
| **Revenues from sales and services** | **251,682** | **268,338** |
| Decrease (increase) of inventory | (8,339) | (585) |
| Cost of raw, ancillary, consumption materials and goods | 49,465 | 45,538 |
| Cost of services | 154,933 | 169,426 |
| Cost of personnel | 57,277 | 59,285 |
| Other (income) cost | (7,817) | (12,687) |
| Revenues (costs) from investments valued at equity | (261) | (1,722) |
| **EBITDA** | **5,902** | **5,639** |
| Depreciation and impairment loss on property, plant and equipment | 1,953 | 2,353 |
| Amortisation and impairment loss on intangible assets | 3,206 | 3,206 |
| Impairment loss on investments valued at equity and other enterprises | - | - |
| **EBIT** | **743** | **80** |
| Financial income (cost) | (4,448) | (5,933) |
| Revenues (costs) from other investments | (125) | - |
| **Profit before taxes for the period** | **(3,830)** | **(5,853)** |
| Income tax | 391 | 137 |
| **Profit from operations** | **(4,221)** | **(5,990)** |
| Income (cost) from assets/liabilities held for sale or transferred | - | - |
| **Net result** | **(4,221)** | **(5,990)** |
| Attributable to: | | |
| **- Minority shareholders** | **466** | **444** |
| **- Parent Company's shareholders** | **(4,687)** | **(6,434)** |
| Net earnings per share (in euro units) | (0.018) | (0.028) |
| Diluted net earnings per share (in euro units) | (0.018) | (0.028) |

# CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

| (euro/000) | 31 March 2015 | 31 March 2014 |
|---|---|---|
| **Net result** | **(4,221)** | **(5,990)** |
| *Items reclassifiable to income statement* | | |
| Income (loss) deriving from the conversion of currency denominated financial statements of foreign companies | (161) | - |
| Other profit (loss) from companies valued at equity | 441 | (85) |
| Effective part of profit (loss) on cash flow hedge instruments (*cash flow hedge*) | (51) | (759) |
| Income (loss) deriving from held-for-sale assets (*fair value*) | - | - |
| Tax impact on other income (loss) reclassifiable to income statement | 14 | 218 |
| *Items reclassifiable to income statement* | | |
| Profit (loss) on cash flow hedge instruments | - | - |
| Income (loss) deriving from held-for-sale assets (*fair value*) | - | - |
| Tax impact on other income (loss) reclassifiable to income statement | - | - |
| *Items not reclassifiable to income statement* | | |
| Actuarial income/ (losses) | 55 | 56 |
| Tax impact on other income (loss) reclassifiable to income statement | (15) | (14) |
| **Total other profit (loss) net of tax effect** | **283** | **(584)** |
| **Comprehensive income for the period** | **(3,938)** | **(6,574)** |
| Attributable to: | | |
| **- Parent Company's shareholders** | **(4,392)** | **(7,018)** |
| **- Minority shareholders** | **454** | **444** |



For the Board of Directors
The Chairman
Marina Berlusconi

Graphic design and composition:

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