



**INTERIM REPORT
ON OPERATIONS
AT 31 MARCH 2016**

ARNOLDO MONDADORI EDITORE S.p.A.

Share Capital Euro 67,979,168.40

Registered Office in Milan
Administrative Offices in Segrate (Milan)

**INTERIM REPORT
ON OPERATIONS
AT 31 MARCH 2016**

Arnoldo Mondadori Editore S.p.A.

CONTENTS

Mondadori Group highlights in 1Q16	9
Composition of corporate bodies	10
Mondadori Group Organization	11
DIRECTORS' REPORT ON OPERATIONS AT 31 MARCH 2016	
Consolidated financial highlights in 1Q16	15
Performance by Business Area	23
- Books	24
- Magazines Italy	28
- Magazines France	30
- Retail	32
- Corporate and Shared Services	34
Financial position	35
Personnel	39
Significant events in the reporting period	41
Significant events after the reporting period	42
Other information	43
Outlook for the year	44
CONSOLIDATED BALANCE SHEET AND INCOME STATEMENT	
Consolidated balance sheet	48
Consolidated income statement	50
Consolidated comprehensive income statement	51

MONDADORI GROUP HIGHLIGHTS IN 1Q16

(euro/million)	1Q16	1Q15	Var. %*
Mondadori Group			
Revenue	254.8	249.2	2.2%
EBITDA before non-recurring items	10.1	8.8	15.3%
% EBITDA on revenue	4.0%	3.5%	
EBITDA	8.5	7.0	22.1%
% EBITDA on revenue	3.4%	2.8%	
EBIT	3.1	2.1	44.7%
% EBIT on revenue	1.2%	0.9%	
Net result from continuing operations	(1.8)	(3.7)	n.s.
Business Areas			
Revenue	254.8	249.2	2.2%
Books	63.4	56.0	13.3%
Magazines Italy	78.5	77.9	0.8%
Magazines France	77.1	79.9	(3.5%)
Retail	44.4	44.1	0.8%
Corporate and Shared Services	5.4	5.8	(7.2%)
Intercompany	(14.0)	(14.4)	(2.5%)
EBITDA before non-recurring items	10.1	8.8	15.3%
Books	4.1	2.7	54.6%
Magazines Italy	6.8	6.2	10.6%
Magazines France	4.3	4.7	(8.4%)
Retail	(1.8)	(1.9)	4.2%
Corporate and Shared Services	(3.3)	(2.9)	(15.8%)
Balance Sheet			
	31 Mar. 2016	31 Mar. 2015	Var. %*
Equity	292.8	285.2	2.7%
Net financial position	224.9	319.2	(29.5%)
Human Resources			
End-of-period headcount	3,000	3,083	(2.7%)

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

COMPOSITION OF CORPORATE BODIES

Board of Directors*

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

10

Angelo Renoldi**

Mario Resca

Cristina Rossello**

Marco Spadacini**

Board of Statutory Auditors*

CHAIRMAN

Ferdinando Superti Furga

CHAIRMAN

Francesco Antonio Giampaolo

Flavia Daunia Minutillo

SUBSTITUTE AUDITORS

Annalisa Firmani

Ezio Maria Simonelli

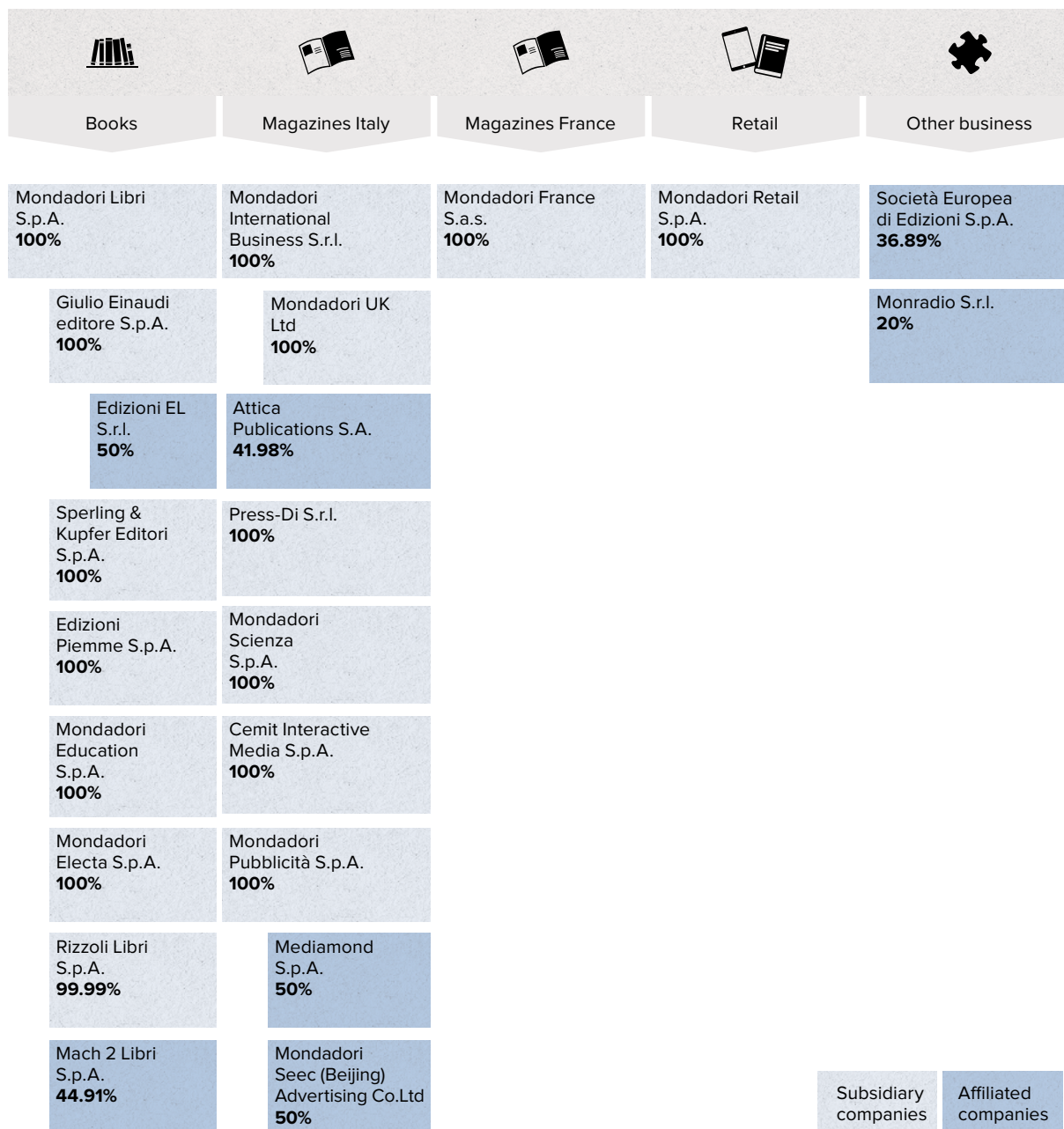
Francesco Vittadini

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

** Independent Director

MONDADORI GROUP ORGANIZATION

ARNOLDO MONDADORI EDITORE S.P.A.





**Directors' Report
on Operations
at 31 March 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 ninth consecutive quarter, the success of the measures adopted over the past two years, paving the way to accomplishing the targets set for the full year, and marking the transition to the new phase of the Group's development.

MAIN ELEMENTS OF MONDADORI GROUP'S BUSINESS AREAS IN THE REPORTING PERIOD AGAINST THE PERFORMANCE OF THE RELEVANT MARKETS:

• Italy

- in the **Trade Books** Area, in a market that grew moderately (+0.5%)¹ in 1Q16, confirming the flat trend reported in 2015, the Group retained its leadership, despite the slight drop in its share (22.9% versus 24.0% at March 2015), as a result of the selective publishing policy, implemented also through cuts in new titles (-12% versus 1Q15);

- likewise, in the **Magazines Italy** Area, in a persistently adverse market in terms of circulation - down by 9.4%² - Mondadori retained its leadership with a 32.7% market share², **up slightly** from 32.3% in 2015, preserving the publishing quality of its titles. The traditional advertising market fell by 4.6%, while digital sales rose by 2.2%³ : in this context, advertising sales on Mondadori brands declined by an overall 1.8% in the quarter under review (-3.8% on a like-for-like basis).

• France

the magazines market showed a bearish trend in terms of advertising sales, down by 2.0%, a more modest drop versus previous quarters⁴, and of circulation, down by -5.6% at newsstands⁵.

¹ Source: GFK, market value (March 2016)

² Internal source, newsstand channel in terms of value (February 2016)

³ Source: Nielsen (February 2016)

⁴ Source: Kantar Media, figures in terms of value (February 2016)

⁵ Internal source, figures at March (excluding the extraordinary edition of *Charlie Hebdo* in February 2015)

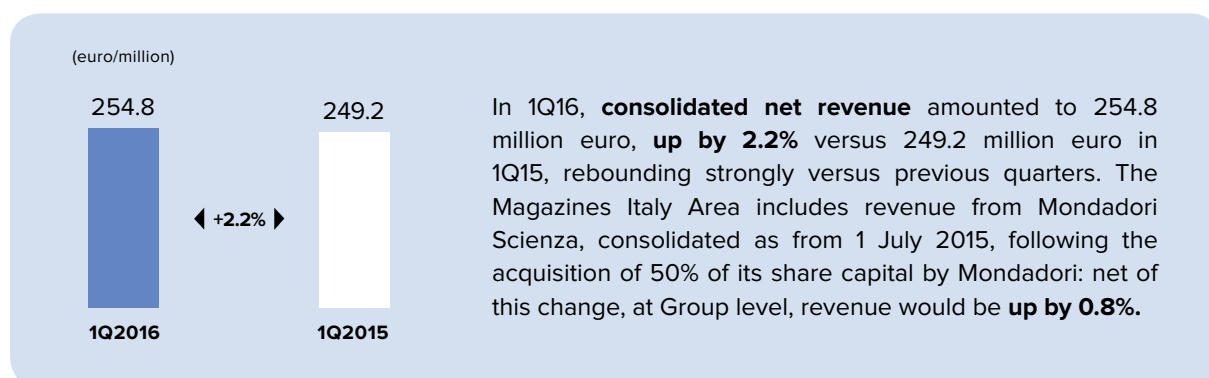
CONSOLIDATED FINANCIAL HIGHLIGHTS IN 1Q16

Consolidated income statement (Euro/million)	1Q 2016	Inc. %	1Q 2015	Inc. %	Var. %
Net Revenues	254.8	100.0%	249.2	100.0%	2.2%
COGS	101.6	39.9%	97.4	39.1%	4.3%
Variable costs	61.1	24.0%	60.9	24.4%	0.5%
Fixed costs	28.7	11.3%	29.6	11.9%	-2.9%
Personnel cost	53.3	20.9%	53.7	21.5%	-0.7%
Other expenses/(income)	-0.8	-0.3%	-2.6	-1.1%	-68.5%
Associates	-0.7	-0.3%	-1.5	-0.6%	53.5%
EBITDA before non recurring items	10.1	4.0%	8.8	3.5%	15.3%
Restructuring costs	-1.6		-3.0		-48.3%
Positive /(negative) non recurring items	0.0		1.3		n.s.
EBITDA	8.5	3.4%	7.0	2.8%	22.1%
D&A	5.4	2.1%	4.9	2.0%	12.1%
EBIT	3.1	1.2%	2.1	0.9%	44.7%
Net Financials	-3.6	-1.4%	-4.4	-1.8%	-18.6%
Other income/(charges) from associates	0.0	0.0%	-0.1		n.s.
Pre-Tax Result	-0.5	-0.2%	-2.4	-1.0%	78.6%
Income taxes	0.9	0.4%	0.8	0.3%	10.9%
Minorities	0.4	0.2%	0.5	0.2%	-16.1%
Result from continuing operations	-1.8	-0.7%	-3.7	-1.5%	51.2%
Result from discontinued operations	0.0	0.0%	-1.0	-0.4%	n.s.
Net Revenues	-1.8	-0.7%	-4.7	-1.9%	61.4%

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

ECONOMIC RESULTS

REVENUE



16

Revenue by Business Area (euro/million)	1Q16	1Q15	Var. %
Books	63.4	56.0	13.3%
Magazines Italy	78.5	77.9	0.8%
Magazines France	77.1	79.9	(3.5%)
Retail	44.4	44.1	0.8%
Corporate and Shared Services	5.4	5.8	(7.2%)
Total aggregate revenue	268.8	263.6	2.0%
Intercompany revenue	(14.0)	(14.4)	(2.5%)
Total consolidated revenue	254.8	249.2	2.2%

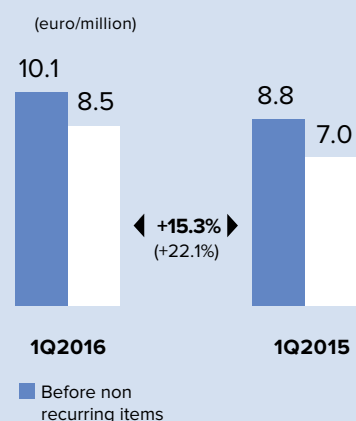
Revenue by geographical area (euro/million)	1Q16	1Q15	Var. %
Italy	172.4	164.7	4.7%
France	73.6	75.3	(2.2%)
Other EU countries	7.4	7.7	(4.3%)
Other extra EU countries	1.4	1.5	(12.3%)
Total consolidated revenue	254.8	249.2	2.2%

EBITDA

EBITDA before non-recurring items rose by 15.3%, from 8.8 million euro in 1Q15 to 10.1 million euro this year, with a percentage on revenue up from 3.5% to 4.0%.

The consolidation of Mondadori Scienza as of 1 July 2015 resulted in a negative contribution in the quarter of 0.1 million euro.

This performance was the result of a constant and focused management policy, launched and successfully implemented.



Specifically:

- the percentage of the cost of sold items and variable costs, as a whole, reported a slight increase (+0.4%) due exclusively to the product mix;
- the -2.9% reduction in fixed costs (from 11.9% to 11.3% of revenue in 1Q16) was higher than the

drop in revenue, and was achieved through ongoing reduction in costs across all corporate areas;

- headcount at the end of the period was down by 2.7% versus 1Q15 (-3.9% on a like-for-like basis), as a result of the ongoing reorganization process implemented both in Italy and France.

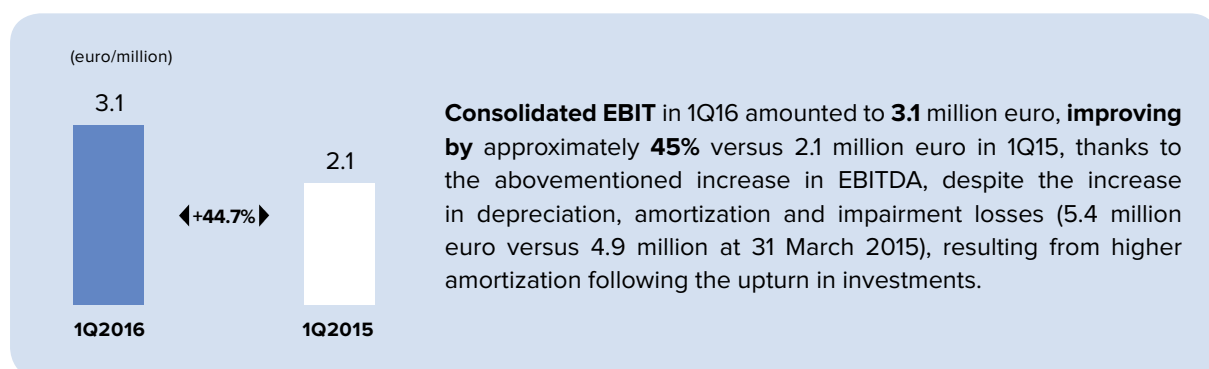
17

Consolidated EBITDA by Business Area before non-recurring items (euro/million)	1Q16	1Q15	Var.
Books	4.1	2.7	1.5
Magazines Italy	6.8	6.2	0.7
Magazines France	4.3	4.7	(0.4)
Retail	(1.8)	(1.9)	0.1
Corporate and Shared Services	(3.3)	(2.9)	(0.5)
Total EBITDA	10.1	8.8	1.3

Consolidated EBITDA improved by 22.1% in the period under review, settling at **8.5 million euro** versus 7.0 million euro in 1Q15, more than tangible proof, also as a result of lower restructuring costs and fewer positive extraordinary items, of the **Group's efficiency gains** from the industrial and organizational review actions launched and implemented over the past two years.

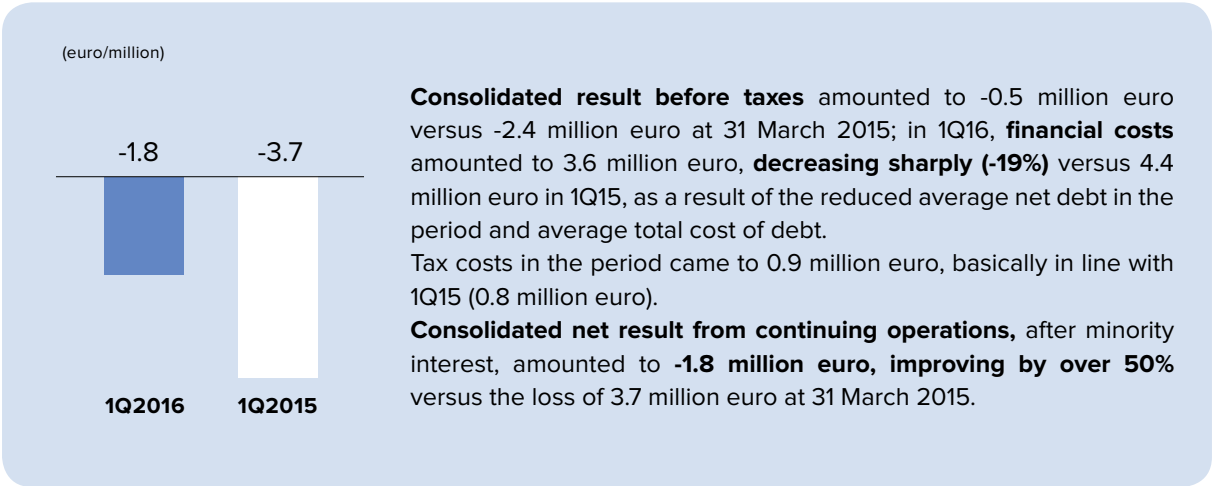
Consolidated EBITDA by Business Area (euro/million)	1Q16	1Q15	Var.
Books	4.0	0.3	3.8
Magazines Italy	6.7	5.9	0.8
Magazines France	3.7	4.8	(1.1)
Retail	(1.8)	(1.9)	0.1
Corporate and Shared Services	(4.1)	(2.1)	(2.0)
Total EBITDA	8.5	7.0	1.5

EBIT



Consolidated EBIT by Business Area (euro/million)	1Q16	1Q15	Var.
Books	2.9	(0.6)	3.5
Magazines Italy	6.5	5.8	0.7
Magazines France	0.8	2.0	(1.2)
Retail	(2.6)	(2.6)	(0.1)
Corporate and Shared Services	(4.5)	(2.5)	(2.0)
Total EBIT	3.1	2.1	1.0

PROFIT FROM CONTINUING OPERATIONS



20

NET RESULT

The Group's net result at 31 March 2016, net of the result from discontinued operations of the Radio

Area (-1 million euro in 1Q15), amounted to -1.8 million euro, **up by euro 2.9 million** versus 1Q15.

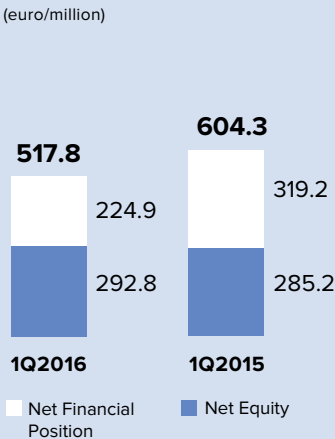
FINANCIAL RESULTS

NET INVESTED CAPITAL

The **Group net invested capital** at 31 March 2016 amounted to 517.8 million euro, **decreasing sharply** versus 604.3 million euro at 31 March 2015 (495.0 million euro at 31 December 2015), as a result of the wide range of actions implemented.

At 31 March 2016, the **Group net working capital** (net of the radio business) **dropped** from 28.9 million euro at 31 March 2015 to -10 million euro, as a result of an improved collection of trade receivables and a more effective management of the relevant items.

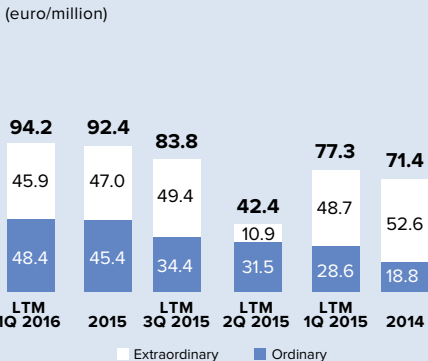
The **Group net financial position** at 31 March 2016 came to **-224.9 million euro, improving significantly** versus **-319.2 million euro** at 31 March 2015, as a result of the Group’s twelve-month cash generation, deriving from both ordinary operations (48.4 million euro) and extraordinary operations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



LTM CASH FLOW

At 31 March 2016, **cash flow from operations** in the last twelve months came to a **positive 71.7 million euro; cash flow from ordinary operations** (after outlays for financial charges and taxes for the period) came to **48.4 million euro**, continuing the **rising trend** of the six previous quarters (LTM: 45.4 million euro at December 2015, 34.4 euro million at September 2015, 31.5 million euro at June 2015 and 18.8 million euro at December 2014).

Cash flow from extraordinary operations came to a **positive 45.9 million euro**, due mainly to the cash-ins from the disposals completed over the past 12 months, amounting to 58.4 million euro, relating to the transfer of 80% of Monradio (September 2015), of 50% of the Harlequin Mondadori JV (September 2015), and of a property in Rome (December 2015).



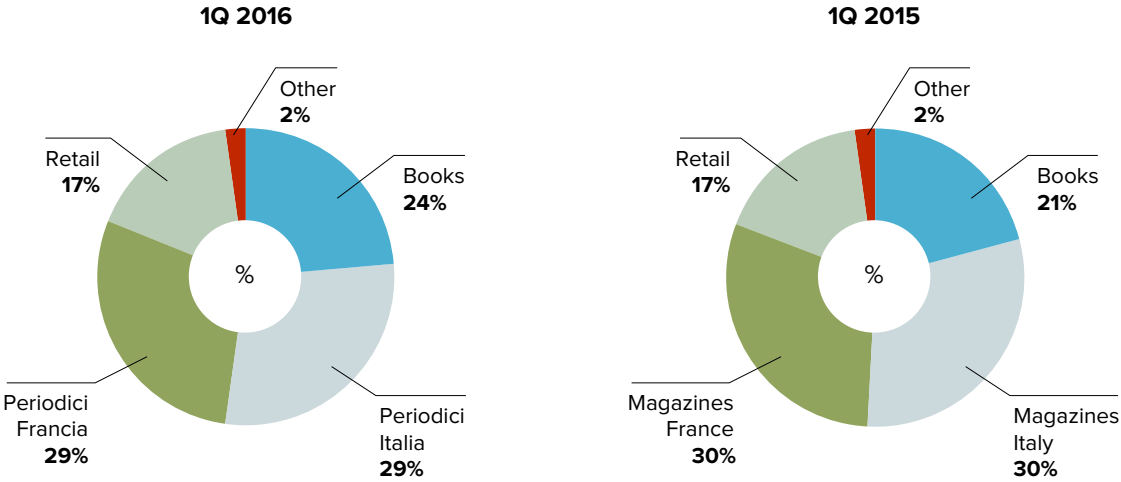
PERFORMANCE BY BUSINESS AREA

PERFORMANCE BY BUSINESS AREA

(Euro/million)	Revenues		EBITDA before non-recurring		EBITDA		Depreciation & Amortization		EBIT	
	1Q 2016	1Q 2015	1Q 2016	1Q 2015	1Q 2016	1Q 2015	1Q 2016	1Q 2015	1Q 2016	1Q 2015
Books	63.4	56.0	4.1	2.7	4.0	0.3	1.1	0.8	2.9	(0.6)
Magazines Italy	78.5	77.9	6.8	6.2	6.7	5.9	0.2	0.1	6.5	5.8
Magazines France	77.1	79.9	4.3	4.7	3.7	4.8	2.9	2.8	0.8	2.0
Retail	44.4	44.1	(1.8)	(1.9)	(1.8)	(1.9)	0.8	0.7	(2.6)	(2.6)
Corporate & Shared Services	5.4	5.8	(3.3)	(2.9)	(4.1)	(2.1)	0.4	0.4	(4.5)	(2.5)
Adjustments	(14.0)	(14.4)								
TOTAL	254.8	249.2	10.1	8.8	8.5	7.0	5.4	4.9	3.1	2.1

The breakdown of performance by business area reflects the system used by Management to oversee Group performance, in accordance with IFRS 8.

REVENUES



BOOKS



In 2015, **Mondadori Libri** S.p.A. became the company at the head of all Group activities in the Books Area.

Mondadori Group is Italy's market leader in the **Trade Books** Area through four publishers: Mondadori, Giulio Einaudi, Piemme and Sperling & Kupfer (the latter also includes the Frassinelli brand).

The Group is present in the **Educational** segment with Mondadori Education, Italy's third largest player in the school textbooks market, and in the provision of services for the management of museum concessions and the organization and management of exhibitions and cultural events across the country.

Relevant market performance

In 1Q16, the Trade Books market grew by +0.5% versus 1Q15⁶, confirming the upturn reported in the final part of 2015.

Looking at the sale channels⁶:

- bookstore chains and independent bookstores (which jointly make for approximately 71% of the

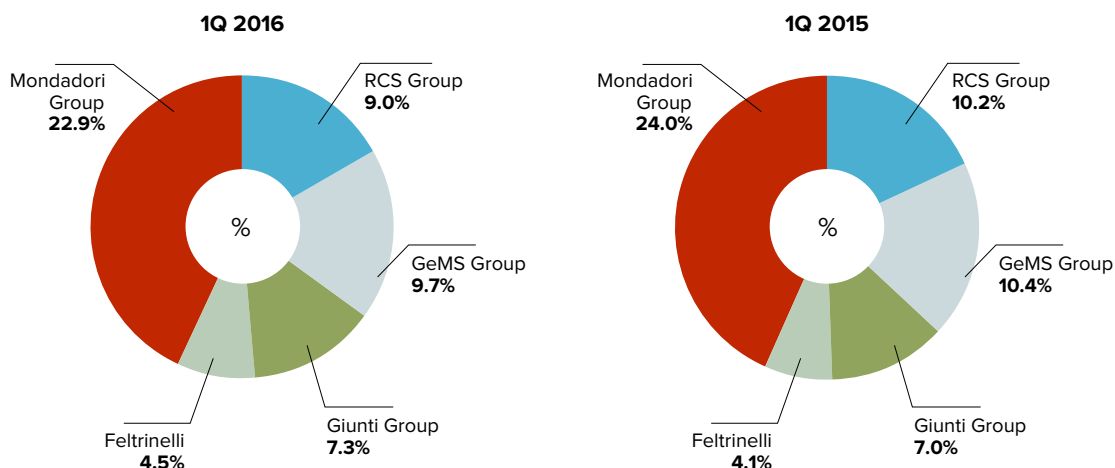
total market) reported mixed trends, the former up by +4.6%, the latter down by -3.3%;

- e-commerce continued to grow and rose by 8.2%, making for 17% of the total market;
- large retailers showed no upturn and confirmed a bearish trend with a further -10.8% drop, making for 12% of the total market.

As to products, hardcovers (which make for 82% of the market), increased by 2.2%, while paperbacks continued to fall, losing 6.4% in the quarter.

In the Trade Area, Mondadori Group confirmed its leadership position with a **22.9%** market share (24% at 31 March 2015)⁶. In the first three months of the year, the Group held the top three positions in the ranking of the best-selling titles in terms of copies (*Il nome di Dio è misericordia*, written by the Pope for Piemme, *È tutta vita* by Fabio Volo for Mondadori and *Nei tuoi occhi* by Nicholas Sparks for Sperling&Kupfer), and boasted 5 titles in the 10 top best-selling books (added to the previous titles, *Noli me tangere* by Andrea Camilleri for Mondadori, coming sixth, and *La ragazza del treno* by Paula Hawkins for Piemme, in ninth place).

TRADE BOOKS



⁶ Source: GFK, March 2016 (in terms of market value)

Performance of the Books

(euro/million)	1Q16	1Q15	Var. %
Revenue	63.4	56.0	13.3%
EBITDA before non-recurring items	4.1	2.7	54.6%
EBITDA	4.0	0.3	n.s.
EBIT	2.9	(0.6)	n.s.

Revenue

Books (euro/million)	1Q16	1Q15	Var. %
Trade Books	44.4	38.0	16.9%
Mondadori Electa	6.6	5.5	20.3%
Mondadori Education	2.1	1.9	10.1%
Educational Books	8.7	7.4	17.7%
Distribution and other revenue - Third publishers	10.4	10.6	-2.3%
Total consolidated revenue	63.4	56.0	13.3%

Revenue in 1Q16 rose sharply by an overall **13.3%** versus 1Q15:

- **Revenue from the Trade Books Area** grew by 16.9% in 1Q16, driven by the ongoing positive trend in the sales of titles launched in late 2015, and by the enthusiastic response from the public of the new titles distributed during the year, as proven by the sales charts. Specifically, the hardcover segment in 1Q16 reported a positive performance from all four publishers of:

- the book by Pope Francis *Il nome di Dio è misericordia*, published by **Piemme**, with approximately 350,000 copies distributed;
- for **Sperling & Kupfer**, *Nei tuoi occhi* by Nicholas Sparks and *Before*, by Anna Todd, the latest title of *After*, the highly successful series which has reached a total of over 1 million copies distributed since its launch in May 2015;
- the new novels by Andrea Camilleri *Noli me tangere*, and Sophie Kinsella *I love shopping a Las Vegas*, for **Mondadori**, as well as the debut in Italy of Garth Risk, the first-time US novelist with *Città in fiamme*, thirty weeks at the top of the US charts;
- for **Einaudi**, *Passeggeri notturni*, the new title by Gianrico Carofiglio and *Purity*, the new book by Jonathan Franzen.

Overall, the Paperback segment **grew by +2.4%** versus 1Q15, bucking the relevant market trend,

thanks mainly to the positive effects from the sale of two catalogue titles for the price of 15 euro, and to the initiatives related to the *Oscar Mondadori* series. Likewise, Einaudi outperformed the market, driven by a sales campaign on the entire catalogue launched in February.

- **Revenue from Educational Books:** in 1Q16, the Group increased revenue by 17.7% versus 1Q15.

Mondadori Education generated revenue of 2.1 million euro (1.9 million euro at 31 March 2015): the first three months of the year are typically marked by the seasonal performance of the school textbooks business, so the resulting revenue is not significant against the total for the year; in addition, the sales percentage of digital books is irrelevant in the period.

Mondadori Electa generated revenue of 6.6 million euro in 1Q16, **up by approximately 20%** versus the prior year, thanks especially to the increase in the area involving the **management and organization of exhibitions**, to the positive result of the exhibitions of *Giotto* at Palazzo Reale in Milan and of *Mito e natura* at the Archaeological Museum in Naples, and of museum services.

As part of the activities revolving around the **publication of books and catalogues**, the Company confirmed last year's revenue performance, growing in the bookstores channel, while books

on order followed a different schedule from last year's, which had included a larger number of publications in the first quarter.

Youdream by *youtuber* and first-time writer Alberico De Giglio, published earlier this year, scored good sales results and ranked thirtieth in the overall ranking, marking the birth of a new genre of novel dedicated to a growing audience of readers.

- **Revenue from activities carried out on behalf of Third Publishers:** revenue generated from circulation and other services for Third Publishers, amounting to 10.4 million euro, were basically in line with the figures in 1Q15, as no differences were reported in the period from volumes managed both for Group companies and for Third Publishers.

E-book

Revenue from the download of e-books **rose by 6.6%** versus 2015, with digital sales accounting for **5.4%** of total Trade.

The best performers in the quarter were the *After* series by Anna Todd, the new book by Nicholas Sparks *Nei tuoi occhi*, *La ragazza del treno* by Paula Hawkins and *È tutta vita* by Fabio Volo.

At 31 March 2016, the e-book catalogue included more than 10,200 titles.

EBITDA

EBITDA, net of non-recurring items, **surged by over 50%** versus 1Q15 to settle at **4.1 million euro**, driven by the increase in revenue from the targeted publishing policy and from greater efficiency in managing operating processes, achieved thanks to the deep organizational and product review implemented since 2015 in the Trade segment. Concurrently, the cost containment policy aimed at cutting fixed costs and discretionary expenses continued and resulted in improved profitability.

Reported EBITDA for the Area came to **4.0 million euro** (0.3 million euro in 1Q15), giving further proof of the efficiency gains, as a result of lower restructuring costs versus 1Q15.

MAGAZINES



Mondadori is Italy's leading publisher by market share (32.7%⁷ at end February) and number of magazines (28), and ranks third in **France** (with a portfolio of 31 magazines). It has expanded its presence in the sector over time, covering different segments of activity.

Since 1 July 2015, Mondadori has strengthened its leadership on the Italian magazines market, thanks to the inclusion in the portfolio of titles such as *Focus* (the most widely-read monthly in Italy), *Focus Storia*, *Focus Junior*, *Focus Pico*, *Geo* and *Wild*.

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 has developed websites and portals that enable it to reach out to a larger number of Mondadori readers, by leveraging on the relevant brands.

Through the subsidiary Press-Di Distribuzione Stampa e Multimedia, the Group distributes its own magazines and third-party newspapers at the

national level in the Newsstand, Large Retailer and Subscription channels. Press-Di is the second-largest national distributor in terms of market share in the Newsstand channel, and is leader in the Large Retailer and Subscription channels. The customer portfolio includes both publishers belonging to the Mondadori Group and independent publishers.

In 1Q16, 60% of revenue came from independent publishers. The main customers include: Bonelli, RBA, Panini-Disney and Sprea for magazines, and Libero, Il Giornale and Avvenire for newspapers in the Newsstand and Large Retailer channels; RCS, Panini - Disney, Condè Nast, and Hearst in the Subscription channel.

Mondadori is also present in **foreign countries** directly through joint ventures or through licensing agreements with international publishers: there are 42 editions of Mondadori magazines (*Grazia International Network* accounts for 24 of them and *Il mio Papa* for 9).

⁷ Internal source: Press-di, figure at February 2016

MAGAZINES ITALY



Relevant market performance

Relevant markets in the first months of 2016 reported a general downward trend. At February:

- the advertising market grew by an overall 3.7%, driven by the good performance of TV (+6.3%), Radio (+1.8%) and the Internet (+2.2%); magazines (-4.6%) and dailies (-1.5%) fell⁸;
- revenue from magazine sales in the newsstand channel declined by 9.4% (at February). In this context, Mondadori, whose circulation figures

in the **newsstand** channel fell less, by 8.1% (at February), thanks to ongoing focus on the publishing quality of its magazines, strengthened its leadership with a **32.7%** market share (32.3% at February 2015)⁹;

- in the add-ons market, in the first two months of the year, magazines lost 12.1%, while dailies gained 2.3%: the combination of these two performances shows an overall drop of 4.9%.

Performance of Magazines Italy¹⁰

(euro/million)	1Q16	1Q15	Var. %
Revenue	78.5	77.9	0.8%
EBITDA before non-recurring items	6.8	6.2	10.6%
EBITDA	6.7	5.9	13.8%
EBIT	6.5	5.8	11.3%

28

Revenue

Revenue from the Magazines Italy area amounted to 78.5 million euro, **up by 0.8%** (-3.7% on a like-for-like basis, net of the acquisition of 50% of Gruner+Jahr/Mondadori, today Mondadori Scienza, completed on 1 July 2015).

On 1 January 2016, following reorganization,

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

Magazines Italy (euro/million)	1Q16	1Q15	Var. %
Circulation	29.6	28.6	3.7%
Advertising	17.2	17.2	(0.3%)
Add-on sales	15.8	16.1	(1.8%)
Distribution and revenue towards third publishers	8.8	8.7	1.4%
Other revenue	7.1	7.3	(2.9%)
Total revenue	78.5	77.9	0.8%

⁸ Source: Nielsen, cumulative figures at February 2016

⁹ Internal source: Press-di, figures at February 2016

¹⁰ Starting from this year, Cemit's Digital Marketing Services have been included in the Magazines Italy Area

- **Circulation** revenue rose by **3.7%**, benefiting mostly from the consolidation of Mondadori Scienza titles; on a like-for-like basis, the drop amounted to 9.0%, as a result of the negative performance in the newsstand channel brought by the relevant market trend, while the subscription channel improved versus previous quarters, settling at -6.3%.
- Revenue from **advertising** sales was basically in line with 1Q15 (-0.3%, -2.2% on a like-for-like basis); print advertising sales in Italy lost 3.3% (-4.7% on a like-for-like basis, in line with the market trend of -4.6%¹¹); sales on **websites increased by 15.9%**, or 7.3% on a like-for-like basis, outperforming the relevant market (+2.2%¹¹). Overall, revenue from advertising sales on Mondadori brands in Italy was down by 1.8% in the reporting period, or -3.8% on a like-for-like basis (in line with the trend throughout 2015).
Traffic data showed an overall **audience rate of 8.9 million unique users**¹² versus 6.9 million in February 2015 (+29%): specifically, the average figure in the first two months rose significantly versus the same period last year for Grazia.it (+16%), Salepepe.it (+101%) and Sorrisi e Canzoni Tv (+140%).
- Revenue from **add-on products** (DVDs, CDs, books and gadgets), sold in attachment to Mondadori magazines, dropped by 1.8% versus 1Q15 (-2.5% on a like-for-like basis). The positive trend of the home-video business offset the drop in music CDs.
- Regarding **distribution and revenue towards third publishers**, despite the decrease in copies sold reported by ADS in the Newsstand/Large Retailer channel for the first two months of 2016, with a 7% drop for newspapers and 12% for magazines, and -5% for newspapers and -11% for magazines in the Subscription channel, in 1Q16 the Area increased slightly (+1.4%) versus the prior year, thanks to the ongoing commitment to developing third-publisher portfolios.
- Other revenue includes:
 - **international operations**, which achieved revenue of 2.8 million euro in the reporting period, basically in line with 1Q15 (euro 2.8 million euro), comprising:
 - Mondadori International Business S.r.l., managing the licensing contracts and sales from advertising generated by Italian investors on Mondadori magazines published worldwide, posted steady revenue, overall, versus 1Q15.
 - Mondadori UK, owner of the fashion e-commerce platform www.Graziashop.com.

- revenue from **Digital Marketing Services** (3.3 million euro) grew by 5.2%, as a result of the gradual expansion of the offering that had started in 2015.

EBITDA

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

Reported EBITDA in the area confirmed the **growth trend** in 1Q16, increasing by almost **14%** (from 5.9 million euro to **6.7 million euro**), thanks to the above measures and to lower restructuring costs.

The result includes the contribution of a number of companies consolidated at equity:

- several foreign subsidiaries (including Attica Publications - leading publisher in Greece for magazines and radio stations, Mondadori Seec Advertising - exclusive agency for the sale of advertising spaces in the Chinese edition of *Grazia*, and *Grazia* Russia¹³), whose overall contribution over the period under review came to a positive 0.3 million euro, in line with 1Q15;
- the Mediamond joint venture, whose pro-rata result in 1Q16 was in line with 1Q15 (-0.6 million euro).

¹¹ Source: Nielsen, cumulative figures at February 2016

¹² Source: Audiweb, figure at February 2016

¹³ On 5 April, Mondadori sold its investment, in accordance with the legislation adopted in late 2014, which limits foreign ownership - whether direct or indirect - in a Russian company operating in the media industry to 20%.

MAGAZINES FRANCE



Relevant market performance

In the reporting period, Mondadori France's relevant markets continued to decline:

- in sales in the newsstand channel (-5.6% at March, excluding the extraordinary edition of *Charlie Hebdo*)¹⁴;

- and in advertising sales (-2.0% at February)¹⁵, albeit to a lesser extent versus 2015.

Performance of Magazines France

(euro/million)	1Q16	1Q15	Var. %
Revenue	77.1	79.9	(3.5%)
EBITDA before non-recurring items	4.3	4.7	(8.4%)
EBITDA	3.7	4.8	(22.4%)
EBIT	0.8	2.0	(58.3%)

Revenue

In 1Q16, **revenue** from Mondadori France amounted to 77.1 million euro, down by 3.5% versus 1Q15; on a like-for-like basis in terms of publications, revenue would show a drop of 2.0%, basically confirming the trend of 2015 (-1.9%).

Circulation revenue, accounting for approximately 74% of the total, fell by 3.4% versus the prior year (-2.1%

considering an equal amount of issues published):

- sales revenue in the **subscription** channel was basically stable (-0.2%), **increasing by 0.6%** on a like-for-like basis, partly offsetting the decline in the newsstand channel and confirming the strategic opportunity for further investments in this channel, which accounted for **53% of circulation**

30

Magazines France (euro/million)	1Q16	1Q15	Var. %
Circulation	56.8	58.8	(3.4%)
Advertising	16.9	17.0	(0.7%)
Other revenue	3.4	4.1	(16.6%)
Total revenue	77.1	79.9	(3.5%)

¹⁴ Source: internal, March 2016

¹⁵ Source: Kanton Media, February 2016

revenue in 1Q16, representing the major and most growing contribution to revenue of the area;

- revenue from the **newsstand** channel (43% of the total) fell by 7.5%, or 5.7% on a like-for-like basis, in line with the relevant market trend.

These positive performances were achieved through ongoing focus on publishing quality and innovation; in the period under review, Mondadori France launched the first of the many brand extensions planned in 2016 relating to *Auto-Plus* with *Crossovers & SUV*.

Advertising revenue dropped by 0.7% versus 1Q15, with dissimilar performance by offline and online products: **digital advertising was up by over 21%**, representing approximately 20% of total advertising revenue, **offsetting almost entirely the drop in print advertising** (-6.9%).

Traditional advertising on Mondadori magazines posted a 1.9% increase versus the 1.4% drop by the relevant market, which enabled the Group to increase its market share to 10.3% (9.9% in February 2015)¹⁶, confirming Mondadori France as second leading player in the magazine advertising market.

Diversification and digital activities (approximately 8% of total revenue) grew by an overall **17%**, propelled by the development of digital activities (+30.2%), with special emphasis on the growth of advertising sales of the properties (+21%), in addition to the positive performance of *NaturaBuy* (+44%).

The total number of readers of Mondadori France magazines reached **9.9 million** unique users¹⁷, **up by approximately 13%** versus the same two-month period of 2015, also as a result of the gradual digitization of the editorial teams, which enabled the daily production of new content in parallel for both offline and online magazines: *Closer* and *Télé-Star* readers, in particular, increased significantly by over 34%.

EBITDA

EBITDA, net of non-recurring items, came to **4.3 million euro**, down by 8.4% versus 1Q15, due mainly to M&A costs (0.4 million euro). Mondadori France continued to focus on editorial cost containment to counter the lingering weakness of the relevant markets. These actions are expected to continue through 2016 with a view to further adjusting the organization to market changes, while retaining the ability to make investments in quality and in the gradual digitization and diversification of publishing activities. In keeping with the positive performance of 2015, **digital activities** enjoyed **positive margins** in 1Q16, **increasing** versus 1Q15.

Reported EBITDA, amounting to 3.7 million euro, was down by 4.8% versus 1Q15, as a result of the abovementioned M&A costs and of higher restructuring costs of approximately 0.5 million euro, arising from the voluntary redundancy plan launched in 2015, which has already produced benefits.

¹⁶ Source: Kantar Media, figures in terms of volume at February 2016

¹⁷ Source: Nielsen, January-February 2016 average figure

RETAIL



Mondadori Group operates in Italy with a network of approximately 600 bookshops composed of directly managed bookshops, megastores, franchised bookshops, Mondadori Points and shop-in-shops (47), in addition to web channels (www.mondadoristore.it) and book clubs.

Relevant market performance

Books

The relevant market for the Retail Area is books (76% of revenue¹⁸), which showed signs of recovery in the quarter, improving by 0.5%¹⁹ versus the prior year. In the period under review, the market share of Mondadori Retail in the Books channel **increased to 15.8%** (from 15.3% at 31 March 2015).

Non-book

The relevant markets of the non-book segment showed mixed results depending on the product, reporting a drop of 4.2%²⁰ in the large retailer segment versus 1Q15; broadly speaking, consumer electronics grew by 2.5% in the first two months of the year, while showing a high degree of volatility among the different product categories: tablets and e-readers posted a double-digit drop, while mobile PCs and telephony products confirmed the positive trend of 2015. In the first two months of 2016, the entertainment segment continued its upward trend versus the previous year, with a 6.0% increase, driven by the recovery in the sales of music media and games.

Mondadori Retail network trend

STORES	March 2015	Dec. 2015	Var. 1Q16	March 2016
Megastores	8	9	0	9
Direct bookstores	20	20	0	20
Franchised bookstores	528	548	-7	541
TOTAL	556	577		570

32

April saw the opening of the tenth Megastore in the new Arese mall, the largest in Italy and one of the biggest in Europe.

Performance of the Retail Area

(euro/million)	1Q16	1Q15	Var. %
Revenue	44.4	44.1	0.8%
EBITDA before non-recurring items	(1.8)	(1.9)	4.2%
EBITDA	(1.8)	(1.9)	3.7%
EBIT	(2.6)	(2.6)	(2.5%)

¹⁸ Store revenue

¹⁹ Source: GFK, March 2016 (in terms of market value)

²⁰ Source: Nielsen, February 2016

Revenue - Retail (euro/million)	1Q16	1Q15	Var. %
<i>Megastores</i>	11.4	11.3	0.5%
<i>Direct bookstores</i>	6.9	7.0	(1.2%)
<i>Franchised bookstores</i>	19.1	17.9	6.6%
<i>Online</i>	2.5	2.8	(10.1%)
Stores	39.9	39.0	2.2%
<i>Book clubs and other</i>	4.5	5.1	(10.4%)
Total revenue	44.4	44.1	0.8%

Revenue

In 1Q16, the Retail Area revenue rose by 0.8%, **increasing slightly** versus 1Q15, due mainly to the growth of the Franchised Bookstores channel and the basically steady performance of Megastores, which more than offset the structural decline of the Book Clubs.

The **Store** revenue composition - **+2.2** versus 1Q15 - by product category is as follows:

- Books were the predominant product category, making for 76.1% of the total, and outperformed the relevant market by approximately 1.3 percentage points²¹, a result that confirms the effectiveness of the actions undertaken in terms of product penetration and assortment and, also, in terms of communication, promotion campaigns and sales force training;
- non-book revenue reported a positive trend in the Impulse (stationery and toys) and Media categories, as a result of the organization of musical events in the network, while the Consumer Electronics category fell, due mainly to aggressive promotional campaigns by competition.

The analysis by channel shows the following:

- the basic stability of Megastores, also in the Books category (-3.9% on a like-for-like basis);
- the 4.5% growth of direct Bookstores on a like-for-like basis, which comes to a slight drop of 1.2% following the relocation of a store to a smaller space inside the same mall in Rome;

- a positive performance in the quarter of Franchised Bookstores, confirmed also on a like-for-like basis (+3.7%), and in the Books category (+4.3%);
- a 10.1% drop in the online segment, due primarily to the reduction in special offers designed to improve profitability;
- for book clubs, a trend in line with the structural decline forecast in the medium-term development plan (-10.4%).

EBITDA

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

A result achieved through cost-curbing measures for stores and central functions, which determined a lower percentage of promotional expenses, 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. In this context, ongoing rationalization action is taken to preserve profitability.

Reported EBITDA came to **-1.8 million euro** (-1.9 million euro in 1Q15), with no non-recurring items reported in the period.

²¹ Source: GFK, March 2016 (figures in terms of value)

CORPORATE AND SHARED SERVICES



The **Corporate & Shared Services** 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: Administration, Management Control and Planning, Treasury and Finance, IT, Human Resources, Legal and Corporate Affairs, and External and Institutional Relations.

Revenue is mainly referred to amounts billed to subsidiaries and associates as well as other entities using the services described above.

Also included are the results of the minority interests in Monradio S.r.l. (20%) and Società Europea di Edizioni S.p.A., publisher of the daily *Il Giornale*.

Monradio: the results of R101, 80% of which was sold to R.T.I. S.p.A. on 30 September 2015, for the share attributable to the Mondadori Group, came to -0.2 million euro in 1Q16.

Società Europea di Edizioni: in 1Q16, the publisher of *Il Giornale* posted a negative performance of 0.2 million euro for the share attributable to Mondadori, versus a loss of 0.5 million euro reported in 1Q15.

Overall, **Corporate & Shared Services** EBITDA, before non-recurring charges, came to -3.3 million euro versus -2.9 million in 1Q15, as a result of M&A-related costs; including non-recurring items, EBITDA came to -4.1 million euro versus -2.1 million euro in 1Q15, due to higher restructuring costs and a capital gain (1.3 million euro) recognized in 2015 by the publisher of *Il Giornale*.

FINANCIAL POSITION

Mondadori Group's financial position showed a net debt at 31 March 2016 of -224.9 million euro, **improving significantly** versus -319.2 million euro at March 2015 (-199.4 million euro at 31 December 2015).

Net financial position (Euro/million)	31 March 2016	31 March 2015	31 December 2015
Cash and cash equivalents	9.2	7.8	30.7
Assets (liabilities) from derivative instruments	(1.9)	(1.7)	(0.0)
Other financial assets (liabilities)	(5.3)	(19.2)	(3.4)
Loans (short and medium/long term)	(226.9)	(306.1)	(226.6)
Net financial position	(224.9)	(319.2)	(199.4)

The overall credit lines available to the Group at 31 March 2016 amounted to 708.2 million euro, of which 515.0 million euro committed.

The Group's short-term loans, totaling 193.1 million euro, 2.7 million euro of which drawn down at 31 March, included overdraft credit lines on current accounts, advances subject to collection and "hot money" flows.

The average cost of Mondadori Group's debt in 1Q16, relating to the rate component, corresponded to **3.06%** versus 3.77% in 1Q15.

At 31 March 2016, the 515.0 million euro pool consisted of:

(euro/million)	Bank pool	of which: unutilized	of which: with interest rate hedge
Term Loan A1 (Refinancing)	232.5 (1)	-	150.0
Term Loan A2 (Line for acquisition of RCS Libri)	132.5 (2)	132.5	-
Revolving Facility B	100.0 (3)	100.0	-
Acquisition Line C	50.0 (4)	50.0	-
Total loans	515.0	282.5	150.0

Maturity date	2016	2017	2018	2019	2020
1	€ 6.4 million	€ 19.1 million	€ 25.5 million	€ 25.5 million	€ 156.0 million
2	€ 3.6 million	€ 10.9 million	€ 14.5 million	€ 14.5 million	€ 89.0 million
3					Bullet loan, maturity December
4					Bullet loan coming to maturity in December, increasable up to 105.0 million euro, with concurrent reduction of A1 or A2 lines for the amount in excess of 50 million euro

The Group's cash flow in the reporting period is detailed below:

36

Group Cash Flow (euro/million)	31-Mar-16	31-Mar-15	LTM
NFP beginning of period	(199.4)	(291.8)	(319.2)
EBITDA before non-recurring items	10.1	8.8	74.4
Effect of shareholdings/dividends	0.9	0.9	(3.9)
NWC + provision variation	(22.3)	(23.1)	15.1
CAPEX	(3.0)	(2.6)	(13.9)
Cash flow from operations	(14.4)	(16.0)	71.7
Financial costs	(3.6)	(4.4)	(16.8)
Taxes	(1.4)	(1.9)	(6.5)
Cash flow from ordinary operations	(19.4)	(22.3)	48.4
Capital increase / (Dividends paid)	0.0	0.0	0.0
Restructuring costs	(4.1)	(6.8)	(18.5)
Extraordinary tax amounts / previous years	0.0	2.1	5.9
Acquisition / disposal of assets	(2.0)	(0.3)	58.4
Cash flow from extraordinary operations	(6.1)	(5.0)	45.9
Total Cash Flow	(25.5)	(27.3)	94.2
NFP end of period	(224.9)	(319.2)	(224.9)

The comparative figures of 1Q15 and of the last twelve months have been duly revised in light of the transfer of the interest in Monradio on 30 September 2015; the cash generation impact from the radio business, including the relevant financial costs and taxes, was booked under Acquisition / disposal of assets.

Over the last twelve months, the Group generated a cash flow of 71.7 million euro from operations, as a result of the positive performance of operations, net of non-recurring items (74.4 million euro), and of the effective measures to improve net working capital (including provisions), which allowed the

Group to generate a cash flow of 15.1 million euro. The performance includes the increase in capital expenditure: in the Educational Area for the development of new publishing products (4.0 million euro), in the Retail Area for improvement work in the stores and new openings (6.2 million euro), for plant work (4.1 million euro) at the new Mondadori France HQ (2.5 million euro), and for the payment of dividends by EMAS to third-party shareholders.

Cash flow from ordinary operations, including outflows relating to taxes and financial costs, came to a **positive 48.4 million euro**, reporting, for the seventh consecutive quarter, an improvement in cash generation in the previous twelve months.

Cash flow from extraordinary operations came to a positive 45.9 million euro, despite cash-out for restructuring costs (18.5 million euro), and was attributable to the capital gain from the disposals completed over the past twelve months, relating to the disposals of 80% of Monradio, of 50% of the Harlequin Mondadori joint venture, and of a property

in Rome, and to the partial collection of tax receivables (VAT and IRES on IRAP refund application) accrued in the previous years (5.9 million euro).

These items resulted in an overall **cash flow generation of 94.2 million euro over the last twelve months**, with a resulting equal reduction in debt.

Cash flow from operations in 1Q16 improved versus 1Q15, despite increased investments made mainly in the Educational Area, as a result of positive operations and improved net working capital and provisions.

Cash flow from ordinary operations also confirmed the above trend, due mainly to the sharp drop in financial costs resulting from the lower average debt in 1Q16 versus 2015, and from the renegotiation in late 2015 of interest rates.

Cash flow from extraordinary operations dropped versus the figure at 31 March 2015, despite lower restructuring cash-out, due to the non-collection of tax receivables, recognized instead in 1Q15.

Consolidated balance sheet (Euro/million)	31.03.2016	31.03.2015 Radio restated	Delta	31.12.2015
Trade receivables	241.9	249.2	(7.3)	242.1
Inventory	108.5	116.7	(8.1)	108.2
Trade payables	(336.1)	(333.8)	(2.3)	(349.6)
Other assets/(liabilities)	(24.3)	(3.2)	(21.1)	(30.5)
NWC	(10.0)	28.9	(38.8)	(29.7)
Intangible assets	550.9	552.7	(1.7)	552.3
Tangible assets	30.2	31.1	(0.9)	31.2
Investments	44.0	39.9	4.1	44.9
FIXED INVESTED CAPITAL	625.2	623.7	1.5	628.5
Provisions	(54.4)	(58.7)	4.2	(59.7)
Indemnity severances	(43.0)	(45.5)	2.5	(44.1)
Assets/(Liabilities) of discontinued operations	0.0	56.0	(56.0)	0.0
NET INVESTED CAPITAL	517.8	604.3	(86.6)	495.0
Share capital	68.0	68.0	0.0	68.0
Reserves and Minorities	226.7	221.9	4.8	221.2
Net Result	(1.8)	(4.7)	2.9	6.4
SHAREHOLDERS' EQUITY	292.8	285.2	7.7	295.6
NFP	224.9	319.2	(94.2)	199.4
NET INVESTED CAPITAL	517.8	604.3	(86.6)	495.0

At 31 March 2016, **net working capital improved significantly** versus 1Q15, as a result of:

- reduced trade receivables due to improved collection management;
- the containment of the value of stocks;
- the increase in other net liabilities (10 million euro), due to lower advance payments made to authors, higher tax payables (3.4 million euro) arisen in 2015 and unpaid to date, and to lower deferred tax assets (9.4 million euro), partly as a result of the regulatory changes that have reduced the IRES tax rate effective from 2017.

Fixed invested capital, amounting to 625.2 euro million at 31 March 2016, was basically in line with the prior year, despite the increased value of investments resulting from the reclassification of Monradio as an associate (9 million euro).

The Group's net invested capital, amounting to 517.8 million euro at 31 March 2016, accordingly fell sharply by approximately 86 million euro versus 31 March 2015 (604.3 million euro), as a result of improved working capital management (38.8 million euro) and of the transfer of the radio business.

PERSONNEL

HEADCOUNT AND COST OF PERSONNEL

Employees with a fixed-term or permanent labour contract employed by the Group companies at 31 March 2016 totaled **3,000** people, **down by 2.7%** versus 3,083 people at 31 March 2015.

The last 12 months were marked by extraordinary transactions, such as the transfer of the control of Monradio, the acquisition of the control of Gruner & Jahr/Mondadori (now Mondadori Scienza), and the transfer of a number of operational functions from Mondadori Pubblicità to Mediamond, Mediaset Group's advertising sales agency. Net of the effects of these changes in the scope, staff downsizing would amount to **-3.9%**.

These figures include contracts made permanent (48), signed in November and December last year, in order to take advantage of the significant reductions in social security contributions under the Jobs Act.

The results stem from the reorganization and restructuring measures adopted; in an ongoing process of reorganization and reduction of fixed costs, these measures have gradually brought efficiency to the operating structures of the Group companies.

The Group implemented the project to centralize Retail activities, following transfer of the Rimini offices and restructuring of Mondadori Scienza, after the acquisition of its control, in order to avoid the duplication of organizational structures, as well as the important social plan regarding the subsidiary Mondadori France, which led in the first three months of the year to a reduction of 48 employees versus the prior year.

The Group's actual personnel data at 31 March 2016, broken down by company and business area, are listed below:

Personnel	31/03/2016	31/03/2015	31/12/2015
Arnoldo Mondadori Editore S.p.A.:			
- Managers, journalists, office staff	813	821	813
- Blue collars	5	5	5
	818	826	818
Italian subsidiaries:			
- Managers, journalists, office staff	1,233	1,248	1,282
- Blue collars	99	104	100
	1,332	1,352	1,382
Foreign subsidiaries:			
- Managers, journalists, office staff	850	905	876
- Blue collars	-	-	-
	850	905	876
Total	3,000	3,083	3,076

Personnel by Business Area	31/03/2016	31/03/2015	Var. %
Books*	573	553	3.6%
Magazines Italy	634	687	(7.7%)
Magazines France	835	883	(5.4%)
Retail	518	558	(7.2%)
Corporate and Shared Services*	375	374	0.3%
Total on a like-for-like basis	2,935	3,055	(3.9%)
Radio		28	
Mondadori Scienza (former G+J/Mondadori)	65		
Total	3,000	3,083	(2.7%)

* At 31 March 2016, the Books Area included 48 contracts made permanent, while the Corporate and Shared Services Area included resources transferred from Group companies/activities

40

(euro/million)	31/03/2016	31/03/2015	Var. %
Cost of personnel (before restructuring)	53.3	53.7	(0.7%)
Cost of personnel (before restructuring) on a like-for-like basis	52.0	53.2	(2.3%)
Cost of personnel (including restructuring)	54.9	56.7	(3.3%)

The cost of personnel in 1Q16 amounted to 53.3 million euro, down by 0.7% versus 1Q15; the reduction amounted to 3.3% (-1.9 million euro), including restructuring costs. Similarly, cost of personnel before restructuring dropped by 2.3% (-1.2 million euro) on a like-for-like basis.

SIGNIFICANT EVENTS IN THE REPORTING PERIOD

On **22 January 2016**, the Antitrust Authority announced the opening of an investigation into the acquisition of RCS Libri.

On **17 March 2016**, the Company announced it had submitted an offer to Banzai S.p.A. for the acquisition of Banzai Media Holding (Vertical Content Division), and had obtained an exclusive negotiation period until 30 April 2016.

On **23 March 2016**, the Antitrust Authority announced the closure of the investigation into the acquisition of RCS Libri, with a conditional authorization requiring:

- the disposal of the Bompiani publishing house and of the equity interest in Marsilio to acquirers approved in advance by the Authority;
- behavioural measures to encourage competition in the publishing and distribution of books;
 - waiver of option, preference and pre-emption provisions in agreements with authors, signed or to be signed by Mondadori and RCS Libri, relating to both Italian and foreign fiction and non-fiction works (with the exclusion of Marsilio, Sonzogno and Bompiani);

- the e-book catalogue to be made available to those sales platforms who may so request;
- the catalogue to be made available to active/potential players in the distribution of miscellaneous books to large retailers;
- constraints to ensure the presence and visibility of third-publishers' books in the Mondadori sales network;
- financial support amounting to 225,000 euro for the organization and management of the next three editions of the "Più Libri più Liberi" Fair;
- non-damaging contractual conditions applied to independent bookstores and chains;
- donation of books to schools and public libraries, juvenile prisons and hospitals;
- continuation and development of "In libreria per la classe", a project hinged upon activities and workshops at libraries "to teach the pleasure of reading";
- disclosure to the Antitrust Authority of actions taken for the "effective and full implementation of the measures set forth".

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

On **14 April 2016**, Mondadori Group, following the go-ahead from the relevant Authorities, completed the acquisition of RCS Libri through its subsidiary Mondadori Libri S.p.A., in execution of the agreement signed and disclosed to the market on 4 October 2015.

The scope of the transaction includes the entire equity interest (99.99%) held by RCS MediaGroup S.p.A. in RCS Libri S.p.A., including the underlying subsidiaries, and the exclusive ownership of all the trademarks in the books segment, including Rizzoli. The price of the transaction, which incorporates certain contractual adjustments, is 1271 million euro, settled in cash through a dedicated credit line made available to the Group.

42

The net financial position of the scope at 31 March 2016 shows a positive figure (cash) of approximately 29 million euro, reduced in April following the cash-out of approximately 9 million euro for the purchase of a 43.71% interest in Marsilio Editori S.p.A. (increasing the total investment to 94.71%), while at closing, it shows an estimated positive net financial position of approximately 16 million euro.

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

This scope, consolidated as from 1 April 2016, achieved in 2015 the following pro-forma figures: revenue of 225 million euro and EBITDA before non-recurring costs of 13.6 million euro.

Under the authorization of the Antitrust Authority, as part of the remedies set out therein, Mondadori will dispose of Marsilio Editori S.p.A. and of the business unit of the Bompiani publisher.

Following completion of the transaction, RCS Libri S.p.A. changed its name to Rizzoli Libri S.p.A.. The members of the new Board of Directors of the company are: Ernesto Mauri (Chairman), Paolo Mieli, Antonio Porro, Oddone Pozzi and Enrico Selva Coddè.

Specifically, Enrico Selva Coddè, Managing Director of the Trade Area of Mondadori Libri S.p.A., will head the Trade Area of Rizzoli Libri S.p.A., while Antonio Porro, Managing Director of the Educational Area of Mondadori Libri S.p.A., will head the Educational books and International Illustrated books areas of the company.

On May 9, 2016, Arnaldo Mondadori Editore S.p.A. signed an agreement with Banzai S.p.A. on the acquisition of Banzai Media Holding S.r.l., the vertical content division of the Banzai Group.

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

The acquisition price at closing - net of an estimated net normalized financial debt of 16.4 million euro (including financial payables to the parent Banzai S.p.A. and 3.3 million euro for deferred price components related to previous acquisitions) - is 24.6 million euro.

The earn-out will be paid to Banzai S.p.A. if certain established results for the 2016-2018 three-year period are met.

Under the agreement, advertising spaces will be available for Banzai S.p.A. in a three-year period, with an estimated benefit of about 7 million euro.

OTHER INFORMATION

In 2015, the acquired scope, which excludes the news segment²², posted revenue of 24 million euro and EBITDA (before non-recurring items) of 4 million euro, with 17.1 million unique users²³.

The transaction allows the Mondadori Group, led by CEO Ernesto Mauri, to become the leading Italian digital publisher and to benefit from the complementarity of the vertical segments of the two companies.

By adding to the over 8.9 million active unique users the audience acquired from Banzai - which includes established websites on the Italian market such as PianetaDonna, Giallo Zafferano, Studenti.it and Mypersonaltrainer - Mondadori will achieve leadership in the women, food, and health & wellness vertical segments, strategic areas which allow the integration and expansion of the multi-channel offering of the brands already in portfolio, with significant growth potential also through product innovation and brand extension initiatives. The extensive know-how and solid technological expertise of Banzai Media Holding, complemented with the brand value and the high-quality publishing content of Mondadori, will enable the Group to step up the development process in the digital segment. Additionally, the combination will allow audience profiling into specific targets, offering greater monetization opportunities.

The agreement with Banzai also includes the opportunity to identify a number of Mondadori Retail stores to extend the Pick&Pay network of the Banzai Group.

The acquisition of Banzai Media Holding, which provides the customary representations and warranties in favour of the acquiror, will be settled by using existing credit lines and completed in the first half of 2016.

Adhesion to the legislative simplification process adopted by Consob resolution No. 18079 of 20 January 2012. Disclosure pursuant to art. 70, par. 8, and art. 71, par. 1-bis, of Consob Regulation No. 11971/99 as subsequently amended

On and with effect from 13 November 2012, the Board of Directors of Arnoldo Mondadori Editore S.p.A., pursuant to art. 3 of Consob Resolution No. 18079 of January 20, 2012 and in relation to the provisions set out in art. 70, par. 8, and art. 71, par. 1-bis, of Consob Regulation No. 11971/1999, resolved to avail itself of the right to waive the obligation of disclosure envisaged by the aforementioned Consob Regulation on the occasion of significant transactions relating to mergers, spin-offs and capital increases through contribution of assets in nature, acquisitions and transfers.

²² Composed of the investment in Il Post S.r.l. and the Giornalettismo website BU.

²³ Audiweb View figures – total audience December 2015.

OUTLOOK FOR THE YEAR

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

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

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

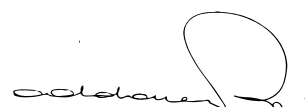
44

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 Consolidated Finance Law, 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 (euro/000)	31 March 2016	31 December 2015
Intangible assets	550,938	552,340
Property investments	3,007	3,028
Land and buildings	5,935	6,032
Plant and equipment	8,501	9,028
Other tangible assets	12,768	13,148
Property, plant and equipment	27,204	28,208
Investments booked at equity	43,591	44,457
Other investments	453	443
Total investments	44,044	44,900
Non-current financial assets	293	293
Deferred tax assets	60,748	62,076
Other non-current assets	1,158	1,466
Total non-current assets	687,392	692,311
Tax receivables	41,398	39,814
Other current assets	81,413	77,650
Inventory	108,526	108,221
Trade receivables	241,938	242,121
Stocks and other current financial assets	4,398	2,700
Cash and cash equivalents	9,242	30,684
Total current assets	486,915	501,190
Discontinued assets	-	-
Total assets	1,174,307	1,193,501

48

Liabilities (euro/000)	31 March 2016	31 December 2015
Share capital	67,979	67,979
Share premium reserve	-	-
Treasury shares	-	-
Other reserves and profit/(loss) carried forward	194,751	189,643
Profit (loss) for the period	(1,808)	6,365
Group equity	260,922	263,987
Minority shareholders' equity and reserves	31,913	31,522
Total equity	292,835	295,509
Provisions	54,448	58,559
Post-employment benefits	43,009	44,076
Non-current financial liabilities	224,726	222,553
Deferred tax liabilities	67,196	67,969
Other non-current liabilities	-	-
Total non-current liabilities	389,379	393,157
Income tax payables	5,159	5,446
Other current liabilities	200,623	196,237
Trade payables	272,176	292,610
Payables due to banks and other financial liabilities	14,135	10,542
Total current liabilities	492,093	504,835
Discontinued liabilities	-	-
Total liabilities	1,174,307	1,193,501

CONSOLIDATED INCOME STATEMENT

(euro/000)	31 March 2016	31 March 2015 (*)
Revenue from sales and services	254,785	249,237
Decrease (increase) of inventory	(213)	(8,339)
Cost of raw and ancillary materials, consumables and goods	45,645	49,024
Cost of services	148,031	149,507
Cost of personnel	54,868	56,732
Other (income) costs	(2,796)	(4,948)
Income (costs) from investments valued at equity	(705)	(261)
EBITDA	8,545	7,000
Depreciation and impairment loss on property, plant and equipment	1,595	1,660
Amortization and impairment loss on intangible assets	3,854	3,200
Impairment loss on investments valued at equity and other enterprises	-	-
EBIT	3,096	2,140
Financial income (costs)	(3,617)	(4,444)
Income (costs) from other investments	-	(125)
Result before taxes for the period	(521)	(2,429)
Income tax	896	808
Result from continuing operations	(1,417)	(3,237)
Result from discontinued operations	-	(984)
Net result	(1,417)	(4,221)
Attributable to:		
- Minority shareholders	391	466
- Parent Company shareholders	(1,808)	(4,687)
Net earnings per share (in euro units)	(0.007)	(0.018)
Diluted net earnings per share (in euro units)	(0.007)	(0.018)

(*) Figures at 31 March 2015 reclassified under IFRS 5 Discontinued Operations.

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

(euro/000)	31 March 2016	31 March 2015
Net result	(1,417)	(4,221)
<i>Items reclassifiable to income statement</i>		
Profit (loss) from the conversion of currency denominated financial statements of foreign companies	225	(161)
Other profit (loss) from companies valued at equity	(160)	441
Effective part of profit (loss) on cash flow hedge instruments (cash flow hedge)	(1,838)	(51)
Profit (loss) from held-for-sale assets (fair value)	-	-
Tax impact on other profit (loss) reclassifiable to income statement	505	14
<i>Items reclassified to income statement</i>		
Profit (loss) on cash flow hedge instruments	270	-
Profit (loss) from held-for-sale assets (fair value)	-	-
Tax impact on other profit (loss) reclassified to income statement	(74)	-
<i>Items not reclassifiable to income statement</i>		
Actuarial profit/(loss)	(34)	55
Tax impact on other profit (loss) not reclassifiable to income statement	6	(15)
Total other profit (loss) net of tax effect	(1,100)	283
Comprehensive result for the period	(2,517)	(3,938)
Attributable to:		
- Parent Company shareholders	(2,908)	(4,392)
- Minority shareholders	391	454

51

For the Board of Directors
The Chairman
Marina Berlusconi



Graphic design and composition:



MERCURIO_{GP}
www.mercuriogp.eu

