



**INTERIM REPORT
ON OPERATIONS
AT 30 SEPTEMBER 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 30 SEPTEMBER 2016**

Arnoldo Mondadori Editore S.p.A.

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**MONDADORI GROUP
HIGHLIGHTS IN 9M16**

(Euro/millions)	9M16	9M16 like-for-like basis*	9M15	Var. %*
Mondadori Group				
Revenue	935.3	815.0	818.3	14.3%
Adjusted EBITDA	76.1	59.3	48.0	58.7%
% EBITDA on revenue	8.1%	7.3%	5.9%	
% EBITDA on revenue	70.3	53.7	48.8	44.0%
% EBITDA on revenue	7.5%	6.6%	6.0%	
EBIT	48.0	37.0	30.0	60.1%
% EBIT on revenue	5.1%	4.5%	3.7%	
Net result from continuing operations	17.9	11.0	(2.8)	n.s.
Business Areas				
Revenue	935.3	815.0	818.3	14.3%
Books	355.5	237.4	233.2	52.5%
Magazines Italy	234.9	227.7	233.0	0.8%
Magazines France	239.3	239.3	246.8	(3.0%)
Retail	135.0	133.3	131.9	2.4%
Corporate e Shared Services	17.1	17.1	17.1	(0.1)%
Intercompany	(46.5)	(39.8)	(43.6)	6.8%
Adjusted EBITDA	76.1	59.3	48.0	58.7%
Books	58.6	42.0	35.5	65.1%
Magazines Italy	6.9	6.5	1.7	n.s.
Magazines France	21.3	21.3	22.1	(3.8%)
Retail	(2.7)	(2.5)	(3.1)	13.2%
Corporate and Shared Services	(8.0)	(8.0)	(8.2)	3.2%
Balance sheet				
		30 Sept. 2016	30 Sept. 2015	Var.
Equity		309.8	285.0	24.8
Net financial position		(329.0)	(243.5)	(85.5)
Human Resources				
End-of-period headcount		3,330	3,090	240

* Changes in this report were calculated on amounts expressed in euro thousands. The like-for-like basis is net of the consolidation of Rizzoli Libri (as from 1 April) and Banzai Media (as from 1 June).

COMPOSITION OF CORPORATE BODIES

Board of Directors*

CHAIRMAN

Marina Berlusconi

CEO

Ernesto Mauri

DIRECTORS

Pier Silvio Berlusconi

Paolo Ainiò

Pasquale Cannatelli

Alfredo Messina

Martina Forneron Mondadori**

Danilo Pellegrino

Roberto Poli

Oddone Pozzi

Angelo Renoldi**

Mario Resca

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Cristina Rossello**

Marco Spadacini**

Board of Statutory Auditors*

CHAIRMAN

Ferdinando Superti Furga

STANDING AUDITORS

Francesco Antonio Giampaolo

Flavia Daunia Minutillo

SUBSTITUTE AUDITORS

Annalisa Firmani

Ezio Maria Simonelli

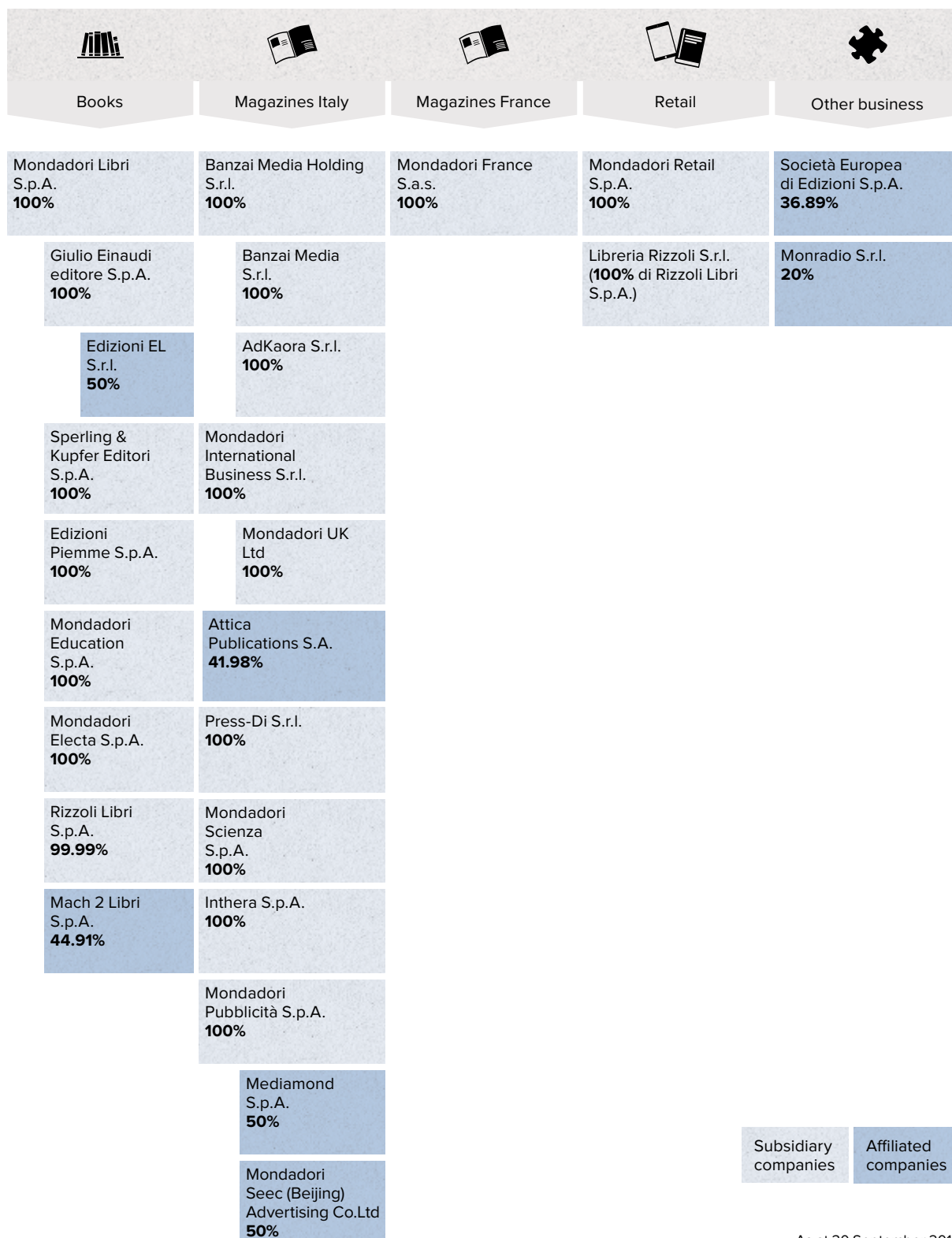
Francesco Vittadini

* 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.



Subsidiary companies Affiliated companies



**Directors' Report
on Operations
at 30 September 2016**

In 9M16, Mondadori Group reported a rather encouraging performance: specifically, after almost four years, revenue kept steady - on a like-for-like basis - versus the prior year; these results, together with the upward trend of EBITDA for the eleventh consecutive quarter, helped improve the outlook for the full year.

Additionally, 2016 marked the transition to the **new phase** of the **Group's development**, as a result of the consolidation of the recent acquisitions **Rizzoli Libri** and **Banzai Media**, a major step made to strengthen the leadership position in the Group's strategic businesses. These acquisitions helped accelerate the growth process of the Company, **increasing revenue by over 14% in 9M16**.

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

• Books

- in the **Trade Books** Area, in a market that steadily accelerated its growth trend in 9M16 (+2.3%)¹, the Group retained its leadership, achieving a **market share of approximately 28%**, thanks also to the contribution of the Rizzoli Libri brands (net of the brands disposed and to be disposed of); at 30 September 2016, the market share of Mondadori Retail in the Books channel (78% of revenue) increased to **13.9%**¹;

• Magazines

- In **Italy**, in a persistently adverse market in terms of circulation - down by 8.3% in the newsstand channel and by 8.2% in the subscription channel² - Mondadori retained its **leadership** with a **31.8%** market share², by preserving the publishing quality of its titles. The traditional magazine advertising market fell by 3.6%³ in the first 8 months of the year, while digital sales lost 1.6%. In **France** too, the magazines market showed a bearish trend in advertising sales, down by 6.3%⁴, and in circulation, down by 5.3% in the newsstand channel⁵.

¹ Source: GFK, September 2016 (figures in terms of market value)

² PressDi internal source: figures in terms of value (August 2016)

³ Source: Nielsen (August 2016)

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

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

CONSOLIDATED FINANCIAL HIGHLIGHTS IN 9M16

(euro/millions)	9M16	% growth on revenue	9M16 like-for- like basis	% growth on revenue	9M15	% growth on revenue	Var. % like-for- like basis
Revenue from sales and services	935.3	100.0%	815.0	100.0%	818.3	100.0%	-0.4%
Cost of sold items	376.3	40.2%	311.1	38.2%	314.3	38.4%	-1.0%
Variable costs	227.5	24.3%	202.6	24.9%	208.1	25.4%	-2.6%
Fixed costs	86.2	9.2%	82.2	10.1%	86.3	10.6%	-4.8%
Cost of personnel	170.1	18.2%	158.4	19.4%	159.8	19.5%	-0.9%
Other costs/(income)	-1.0	-0.1%	1.2	0.2%	0.2	0.0%	521.8%
Result - associates	0.0	0.0%	-0.1	0.0%	-1.6	-0.2%	-96.3%
EBITDA net of non-recurring items	76.1	8.1%	59.3	7.3%	48.0	5.9%	23.7%
Restructuring costs	-3.9		-3.7		-6.6		-43.7%
Positive/(negative) extraordinary items	-2.0		-2.0		7.4		n.s.
EBITDA	70.3	7.5%	53.7	6.6%	48.8	6.0%	9.9%
Amortization, depreciation and impairment	22.3	2.4%	16.7	2.0%	18.8	2.3%	-11.5%
EBIT	48.0	5.1%	37.0	4.5%	30.0	3.7%	23.4%
Net financial income (costs)	-12.7	-1.4%	-12.5	-1.5%	-13.7	-1.7%	-9.2%
Income (costs) from other investments	0.0	0.0%	0.0	0.0%	-0.1		
Profit before taxes for the period	35.3	3.8%	24.5	3.0%	16.1	2.0%	52.1%
Income tax	16.2	1.7%	11.6	1.4%	7.7	0.9%	50.3%
Minority shareholders' result	1.9	0.2%	1.9	0.2%	1.8	0.2%	4.9%
Result from continuing operations	17.2	1.8%	11.0	1.4%	6.6	0.8%	67.2%
Result from discontinued operations	0.7	0.1%	0.0	0.0%	-9.4	-1.2%	
Net result	17.9	1.9%	11.0	1.4%	-2.8	-0.3%	n.s.

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The results at 30 September 2016 include the effects of the consolidation of the acquisitions acquired companies Rizzoli Libri (Books) and Banzai Media (Magazines Italy), consolidated as from 1 April and 1 June 2016 respectively; additionally, for the sake of comparison, the reporting period's results are shown on a like-for-like basis, excluding the above extraordinary transactions, offering greater relevance to percentage changes.

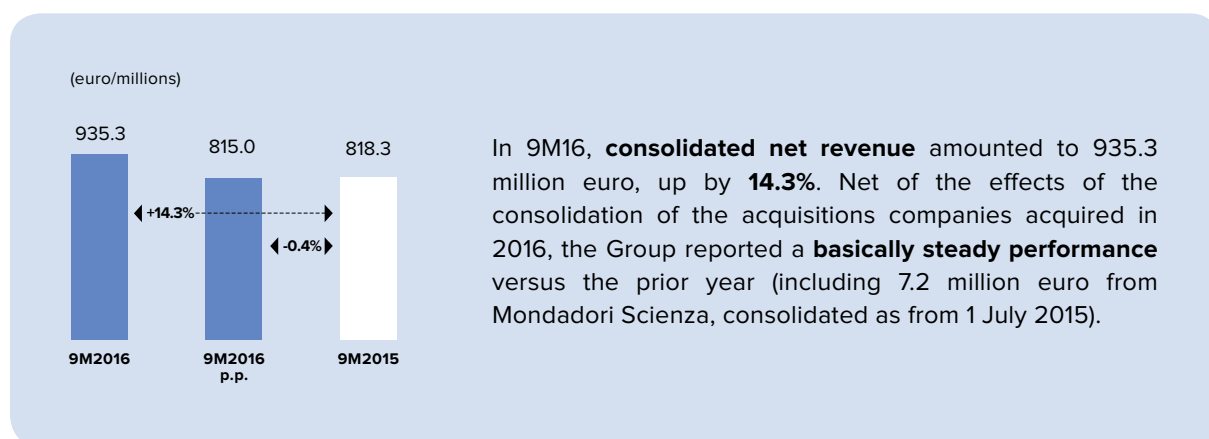
As a result of the transfer of Monradio S.r.l., completed on 30 September 2015, the results achieved in 9M the first nine months of 2015 by the radio business were classified under "Result from discontinued operations", in accordance with IFRS 5 ("Non-current assets held for sale").

ALTERNATIVE PERFORMANCE MEASURES

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

ECONOMIC RESULTS

REVENUE



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Revenue by Business Area (euro/millions)	9M16	9M16 like-for-like basis	9M15	Var. %	Var. % like-for-like basis
Books	355.5	237.4			1.8%
Magazines Italy	234.9	227.7	233.0	0.8%	(2.3%)
Magazines France	239.3	239.3	246.8	(3.0%)	(3.0%)
Retail	135.0	133.3	131.9	2.4%	1.1%
Corporate & Shared Services	17.1	17.1	17.1	(0.1%)	(0.1%)
Total aggregate revenue	981.8	854.8	861.9	13.9%	(0.8%)
Intercompany revenue	(46.5)	(39.8)	(43.6)	6.8%	(8.7%)
Total consolidated revenue	935.3	815.0	818.3	14.3%	(0.4%)

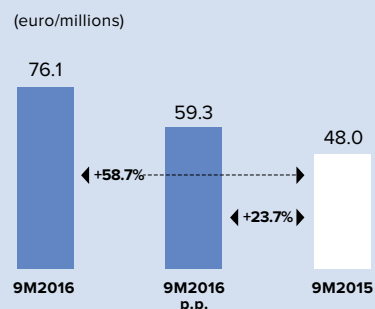
Revenue by geographical area (euro/millions)	9M16	9M16	Var. %
Italy	664.6	555.3	19.7%
France	234.7	231.7	1.3%
Other EU countries	17.2	26.3	(34.8%)
Other extra EU countries	18.8	5.0	277.8%
Total consolidated revenue	935.3	818.3	14.3%

EBITDA

Consolidated adjusted EBITDA grew by 59%, thanks also to the positive contribution of the acquisitions companies acquired in 2016, of Rizzoli Libri (16.5 million euro) in particular.

The **Books Area increased by 65%**, while **Magazines Italy tripled its performance**. The **Retail Area**, despite the negative impact (from the seasonality of the Rizzoli bookstore in Milan), **improved by over 13%**.

On a like-for-like basis, **the growth is 23.7%**, with a percentage on revenue increasing from 5.9% to 7.3%.



This performance was the result of a constant and focused management policy, launched and successfully implemented in all of the Group's business areas; Books (+18.2%) and Magazines Italy (from 1.7 million euro to 6.5 million euro) performed strongly.

Specifically:

- the percentage of the cost of sold items and variable costs, as a whole, improved by 0.7% on a like-for-like basis;

- the 4.8% decrease in fixed costs brought a 0.5% reduction on revenue on a like-for-like basis, achieved through ongoing containment of costs across all corporate areas;
- headcount at the end of the period on a like-for-like basis was down by 5.8% versus 30 September 2015. Cost of personnel in 9M16 (net of Mondadori Scienza, consolidated on 1 July 2015) dropped by a further 2.4%, as a result of the ongoing reorganization process implemented both in Italy and France.

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Adjusted EBITDA by Business Area (euro/millions)	9M16	9M16 like-for-like basis	9M15	Var. %	Var. % like-for-like basis
Books	58.6	42.0	35.5	65.1%	18.2%
Magazines Italy	6.9	6.5	1.7	313.3%	292.4%
Magazines France	21.3	21.3	22.1	(3.8%)	(3.8%)
Retail	(2.7)	(2.5)	(3.1)	13.2%	20.4%
Corporate & Shared Services	(8.0)	(8.0)	(8.2)	3.2%	3.2%
Total consolidated adjusted EBITDA	76.1	59.3	48.0	58.7%	23.7%

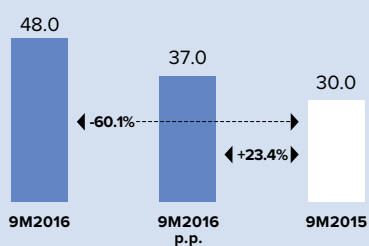
Consolidated EBITDA was up by **44%**, including the result of Rizzoli Libri and Banzai Media (an overall 16.6 million euro), **reaching 70.3 million euro**. On a like-for-like basis, the **increase amounts to approximately 10%** (from 48.8 million euro to 53.7 million euro), confirming the Group's strong and constant **efficiency gains** from its ability to stabilize revenue and thanks to the industrial and organizational review actions launched and implemented over the past three years, despite the benefits felt in 3Q15 from the capital gain of 7.6 million euro arising from the disposal of the Harlequin/Mondadori JV (Books Area).

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EBITDA by Business Area (euro/millions)	9M16	9M16 like-for-like basis	9M15	Var. %	Var. % like-for-like basis
Books	57.9	41.2	39.6	46.2%	4.2%
Magazines Italy	5.4	5.2	0.8	589.4%	563.4%
Magazines France	19.4	19.4	20.0	(3.1%)	(3.1%)
Retail	(2.3)	(2.1)	(2.8)	16.7%	24.7%
Corporate & Shared Services	(10.1)	(10.1)	(8.8)	(14.4%)	(14.4%)
Total consolidated EBITDA	70.3	53.7	48.8	44.0%	9.9%

EBIT

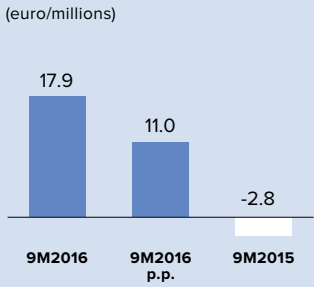
(euro/millions)



Consolidated EBIT in 9M16 amounted to **48.0 million euro**, including amortization and depreciation of 5.2 million euro relating to Rizzoli Libri; on a like-for-like basis, EBIT amounted to **37.0 million euro, improving by 23.4%** versus 30.0 million euro in 9M15, also as a result of the decrease in amortization, depreciation and impairment losses by 16.7 million euro versus 18.8 million euro at 30 September 2015, which included the impairment of 4 million euro of the interest held in the Greek Attica Publications subsidiary (Magazines Italy area).

EBIT by Business Area (euro/millions)	9M16	9M16 like-for-like basis	9M15	Var. %	Var. % like-for-like basis
Books	49.3	37.8	37.0	33.2%	2.1%
Magazines Italy	4.3	4.4	(3.5)	n.s.	n.s.
Magazines France	10.6	10.6	11.5	(7.4%)	(7.4%)
Retail	(5.0)	(4.6)	(4.9)	2.2%	(5.3%)
Corporate & Shared Services	(11.3)	(11.3)	(10.2)	(10.5%)	(10.5%)
Total consolidated EBIT	48.0	37.0	30.0	60.1%	23.4%

NET RESULT



The **consolidated result before taxes** amounted to **35.3 million euro**, or to 24.5 million euro on a like-for-like basis, **rising sharply (+52.1%)** versus 16.1 million euro in 9M15, thanks also to the contribution of **financial costs** (12.5 million euro), which **decreased steeply (-9.2%)** as a result of the **reduction in the average debt rate** from the renegotiation of the loan agreement made at end 2015 (from 3.72% to 3.05%), and of a **lower average debt** in the period, despite the acquisitions made in 2016.

The **Group consolidated net result** amounted to **17.9 million euro**, **improving by over 20 million euro** versus -2.8 million euro at 30 September 2015, while on a like-for-like basis, the **net result came to a positive 11.0 million euro**.

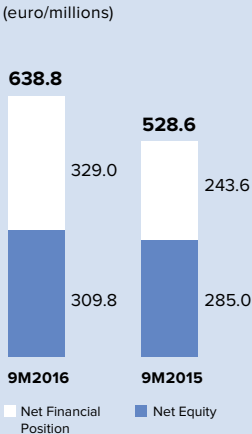
FINANCIAL RESULTS

NET INVESTED CAPITAL

The **Group net invested capital** at 30 September 2016 came to 638.8 million euro, up versus 528.6 million euro at 30 September 2015 (495.0 million euro at end 2015), as a result of the increase in net working capital and in fixed assets, resulting from the consolidation of the acquisitionsred companies, mitigated by the increase in provisions and by the reduction in assets held for sale.

On a like-for-like basis, the **Group net working capital dropped sharply** from 7.2 million euro at 30 September 2015 to -29.3 million euro, as a result of an improved collection of trade receivables and a more effective management of the relevant items.

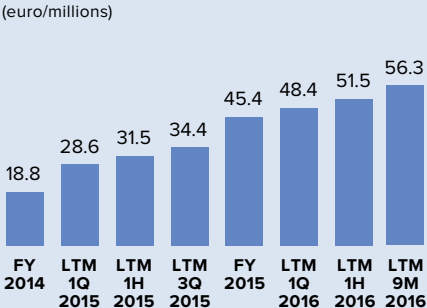
The **Group net financial position** at 30 September 2016 came to **-329.0 million euro** versus **-243.6 million euro** at 30 September 2015, as a result of the Group’s significant cash generation in the last 12 months, which allowed net investments in acquisitions of **135.7 million euro**.



CASH FLOW FROM LTM - ORDINARY

At 30 September 2016, **cash flow from operations** - on a like-for-like basis - in the last twelve months came to a **positive 83.9 million euro**, while **ordinary cash flow** (after outlays for financial costs and taxes for the period) came to **56.3 million euro**, continuing the **upward trend** of the seven previous quarters. Including the contribution from recent acquisitions, **cash flow from ordinary operations** in the last twelve months amounted to **53.3 million euro**.

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



CONSOLIDATED FINANCIAL HIGHLIGHTS IN 3Q16

(euro/millions)	3Q16	% growth on revenue	3Q16 like-for- like basis	% growth on revenue	3Q15	% growth on revenue	Var. % like- for-like basis
Revenue from sales and services	372.7	100.0%	291.4	100.0%	300.4	100.0%	-3.0%
Cost of sold items	151.1	40.5%	111.2	38.2%	114.9	38.3%	-3.2%
Variable costs	90.0	24.1%	72.1	24.7%	78.0	26.0%	-7.6%
Fixed costs	28.0	7.5%	26.6	9.1%	28.9	9.6%	-8.0%
Cost of personnel	55.5	14.9%	49.5	17.0%	51.5	17.1%	-3.9%
Other costs/(income)	-1.0	-0.3%	0.4	0.1%	2.1	0.7%	-80.2%
Result - associates	0.3	0.1%	0.1	0.0%	-0.7	-0.2%	n.s.
EBITDA net of non-recurring items	49.5	13.3%	31.7	10.9%	24.2	8.0%	31.4%
Restructuring costs	-1.5		-1.4		-1.6		-11.6%
Positive/(negative) extraordinary items	-0.2		-0.2		7.3		n.s.
EBITDA	47.8	12.8%	30.2	10.4%	29.9	9.9%	1.0%
Amortization, depreciation and impairment	8.2	2.2%	5.6	1.9%	9.1	3.0%	-38.5%
EBIT	39.5	10.6%	24.6	8.4%	20.8	6.9%	18.4%
Net financial income (costs)	-4.8	-1.3%	-4.6	-1.6%	-5.2	-1.7%	-10.5%
Income (costs) from other investments	0.0	0.0%	0.0	0.0%	0.0		
Profit before taxes for the period	34.8	9.3%	19.9	6.8%	15.6	5.2%	28.0%
Income tax	13.1	3.5%	8.4	2.9%	4.9	1.6%	70.3%
Minority shareholders' result	0.7	0.2%	0.7	0.2%	0.7	0.2%	3.3%
Result from continuing operations	20.9	5.6%	10.8	3.7%	10.0	3.3%	8.8%
Result from discontinued operations	0.7	0.2%	0.0	0.0%	-0.6	-0.2%	n.s.
Net result	21.6	5.8%	10.8	3.7%	9.4	3.1%	15.5%

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The results in 3Q16 include the effects of the consolidation of the acquisitions acquired companies Rizzoli Libri and Banzai Media Holding, consolidated as from 1 April and 1 June 2016 respectively; additionally, for the sake of comparison, the quarterly results are shown on a like-for-like basis, excluding the above extraordinary transactions, offering greater relevance to percentage changes.

Following the transfer of Monradio S.r.l., completed on 30 September 2015, the results achieved in 3Q15 by the radio business were classified under "Result from discontinued operations", in accordance with IFRS 5 ("Non-current assets held for sale").

In 3Q16, **consolidated net revenue** amounted to 372.7 million, **up by 24.1%** versus 300.4 million euro in 3Q15, and down by 3% on a like-for-like basis, due mainly to the scheduling of the editorial plan of the Books Area.

Revenue by Business Area (euro/millions)	3Q16	3Q16 like-for-like basis	3Q15	Var. %	Var. % like-for-like basis
Books	185.3	103.9	109.8	68.8%	(5.4%)
Magazines Italy	73.8	69.5	73.7	0.2%	(5.6%)
Magazines France	79.0	79.0	80.2	(1.5%)	(1.5%)
Retail	46.8	46.1	46.0	1.8%	0.2%
Corporate & Shared Services	5.7	5.7	5.7	(0.3%)	(0.3%)
Total aggregate revenue	390.6	304.1	315.4	23.9%	(3.6%)
Intercompany revenue	(17.9)	(12.8)	(15.0)	19.4%	(14.8%)
Total consolidated revenue	372.7	291.4	300.4	24.1%	(3.0%)

Adjusted EBITDA doubled in 3Q16, reaching 49.5 million euro versus 24.2 million euro in 3Q15; on a like-for-like basis, the figure **increased by 31.4%** to 31.7 million euro.

Adjusted EBITDA by Business Area (euro/millions)	3Q16	3Q16 like-for-like basis	3Q15	Var. %	Var. % like-for-like basis
Books	49.1	31.0	27.0	82.0%	14.7%
Magazines Italy	(3.3)	(3.0)	(6.6)	n.s.	n.s.
Magazines France	5.8	5.8	6.0	(4.0%)	(4.0%)
Retail	0.4	0.6	0.1	n.s.	n.s.
Corporate & Shared Services	(2.5)	(2.5)	(2.4)	n.s.	n.s.
Total consolidated adjusted EBITDA	49.5	31.7	24.2	104.9%	31.4%

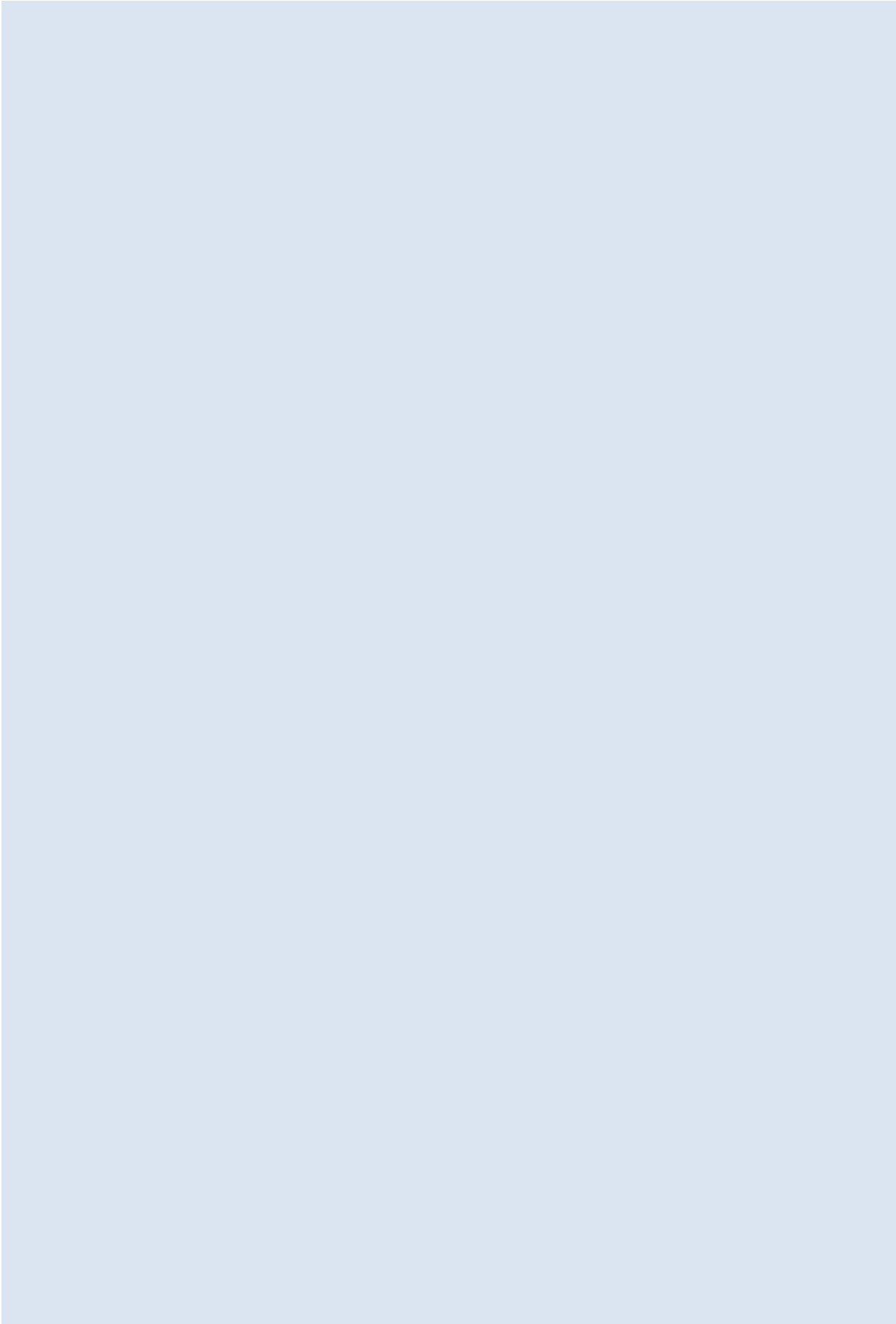
Including non-recurring items, the margin confirmed the improvement (+60% and +1% on a like-for-like basis), albeit to a lesser extent since the figure in 3Q15 had benefited from the capital gain of 7.6 million euro arising from the disposal of the Harlequin/Mondadori JV (Books Area).

EBITDA by Business Area (euro/millions)	3Q16	3Q16 like-for-like basis	3Q15	Var. %	Var. % like-for-like basis
Books	48.7	30.6	34.3	41.9%	(11.0%)
Magazines Italy	(4.3)	(3.8)	(6.7)	36.1%	42.7%
Magazines France	5.2	5.2	5.6	(7.0%)	(7.0%)
Retail	0.8	1.0	0.1	n.s.	n.s.
Corporate & Shared Services	(2.7)	(2.7)	(3.4)	20.9%	20.9%
Total consolidated EBITDA	47.8	30.2	29.9	60.0%	1.0%

Consolidated EBIT on a like-for-like basis amounted to 24.6 million euro, **up by 18.4%** versus 3Q15 (20.8 million euro), and came to 39.5 million euro, including the consolidation of the acquisitions, specifically the effects of amortization and depreciation relating to Rizzoli Libri (5.2 million euro).

The **consolidated result before taxes** came to a positive 19.9 million euro on a like-for-like basis versus 15.6 million euro in the prior year (+28.0%); considering the discontinuity from the new acquisitions, the result before taxes amounts to 34.8 million euro; financial costs amounted to 4.8 million euro versus 5.2 million euro in the prior year.

The **consolidated net result**, after minority shareholders, on a like-for-like basis, came to a **positive 10.8 million euro** versus 9.4 million euro in 3Q15 (15.5%); considering the new scope, the result reaches **21.6 million euro, more than double the figure** of the prior year.



PERFORMANCE BY BUSINESS AREA

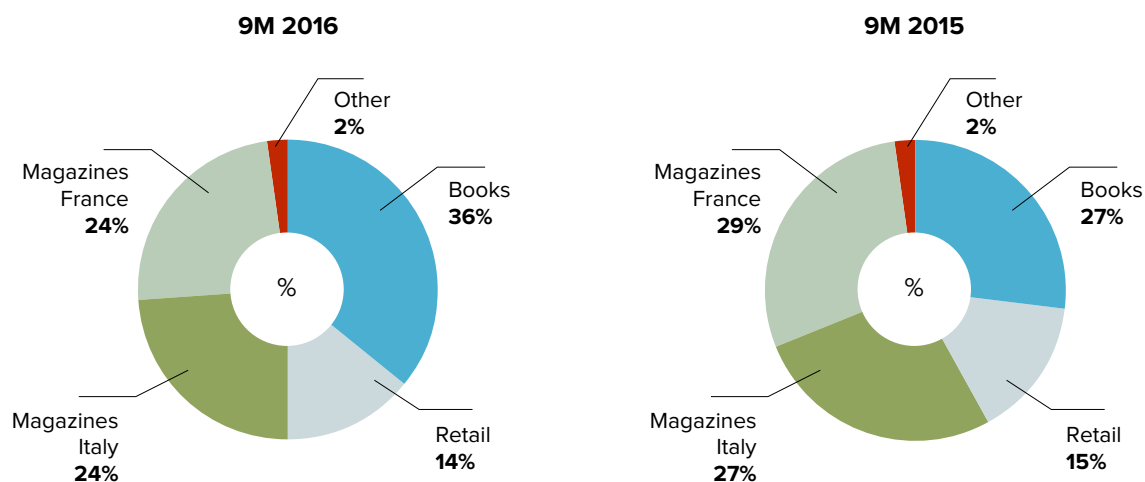
PERFORMANCE BY BUSINESS AREA

(euro/millions)	Revenue			Adjusted EBITDA			EBITDA			Amortization, depreciation and impairment			EBIT		
	9M16	9M16 like-for-like basis	9M15	9M16	9M16 like-for-like basis	9M15	9M16	9M16 like-for-like basis	9M15	9M16	9M16 like-for-like basis	9M15	9M16	9M16 like-for-like basis	9M15
	Books	355.5	237.4	233.2	58.6	42.0	35.5	57.9	41.2	39.6	8.5	3.4	2.6	49.3	37.8
Magazines Italy	234.9	227.7	233.0	6.9	6.5	1.7	5.4	5.2	0.8	1.1	0.7	4.2	4.3	4.4	(3.5)
Magazines France	239.3	239.3	246.8	21.3	21.3	22.1	19.4	19.4	20.0	8.8	8.8	8.5	10.6	10.6	11.5
Retail	135.0	133.3	131.9	(2.7)	(2.5)	(3.1)	(2.3)	(2.1)	(2.8)	2.7	2.6	2.1	(5.0)	(4.6)	(4.9)
Corporate & Shared Services	17.1	17.1	17.1	(8.4)	(8.4)	(9.9)	(10.6)	(10.6)	(10.5)	1.1	1.1	1.3	(11.7)	(11.7)	(11.8)
Adjustments and cancellations	(46.6)	(39.8)	(43.6)	0.5	0.5	1.6	0.5	0.5	1.6				0.5	0.5	1.6
TOTAL	935.3	815.0	818.3	76.1	59.3	48.0	70.3	53.7	48.8	22.3	16.7	18.8	48.0	37.0	30.0

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

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REVENUE



BOOKS



Mondadori Libri S.p.A. is 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: the publishing products that traditionally make up the core business are fiction, non-fiction, and books for young readers, both in print and electronic format; Mondadori Group operates under various publishing brands: Mondadori, Giulio Einaudi Editore, Piemme, Sperling & Kupfer (including with Frassinelli), along with the Rizzoli Libri brands (Rizzoli, BUR, Fabbri Editori and Rizzoli Lizard).

In the **Educational** segment, the Group is also present in the Italian school textbook, legal, professional and university publishing market through the publications of Mondadori Education and of the Rizzoli Libri brands (such as Fabbri, Etas, La Nuova Italia, Sansoni, and Tramontana), and in art and illustrated book publishing, management of museum concessions, and organization of exhibitions and cultural events through Mondadori Electa and Rizzoli Illustrati.

Following the acquisition of Rizzoli Libri, the Group is also active in the United States through Rizzoli International Publications under with the Rizzoli, Rizzoli NewYork and Universe brands.

Relevant market performance

In 9M16, the Trade Books market **grew by +2.3%** versus 9M15⁶, confirming the positive signs reported

in the first half of the current year.

Looking at the sales channels⁶:

- bookstore chains and independent bookstores (which jointly make for approximately 71% of the total market) reported mixed trends, the former up by +4.9%, the latter down by -1.1%;
- e-commerce increased by 17.0%, making for 17% of the total market;
- large retailers continued the sharp drop, with a further -13.1%, making for 12% of the total market.

As for products, hardcovers (which make for 81% of the market) **increased by 3.0%**, while paperbacks, despite dropping by 0.6% in 9M16, **grew by 1.7%** in 3Q16.

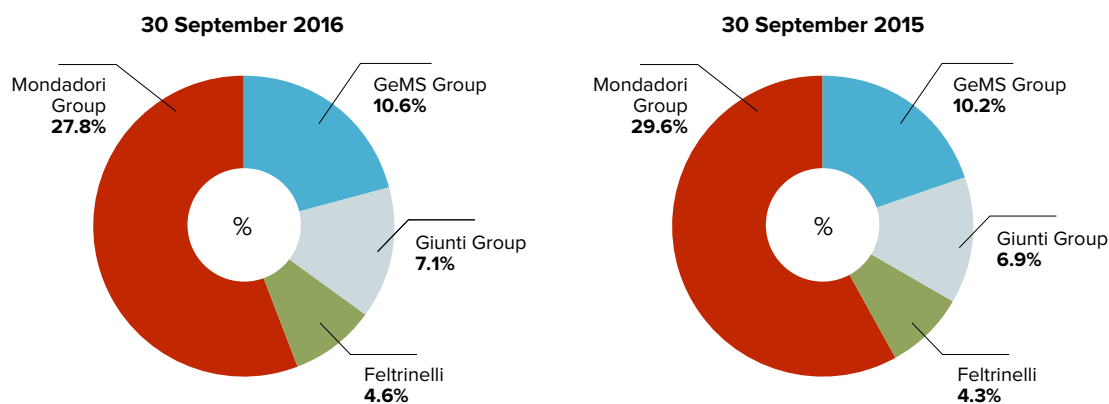
The Trade Books Area of Mondadori Libri was once again market leader, boasting a **22.8%** share (24.1% at 30 September 2015)⁶; following the acquisition of the Rizzoli Libri brands (Rizzoli, BUR and Fabbri Editori), the Group increased its overall market share to **27.8%** at 30 September 2016. In 9M16, the Group held three out of the top five positions in the ranking of the best-selling titles in terms of copies (including *Il nome di Dio è misericordia* by the Pope for Piemme in third place, *La ragazza del treno* by Paula Hawkins for Piemme in fourth place, and *Io prima di te* by Jojo Moyes in fifth place).

In 2016, the Group clinched the three most prestigious national literary awards:

- the Campiello for *La prima verità* by Simona Vinci (Einaudi);
- the Strega for *La scuola cattolica* by Edoardo Albinati (Rizzoli);
- the Bancarella for *La ragazza di fronte* by Margherita Oggero (Mondadori).

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MARKET SHARE

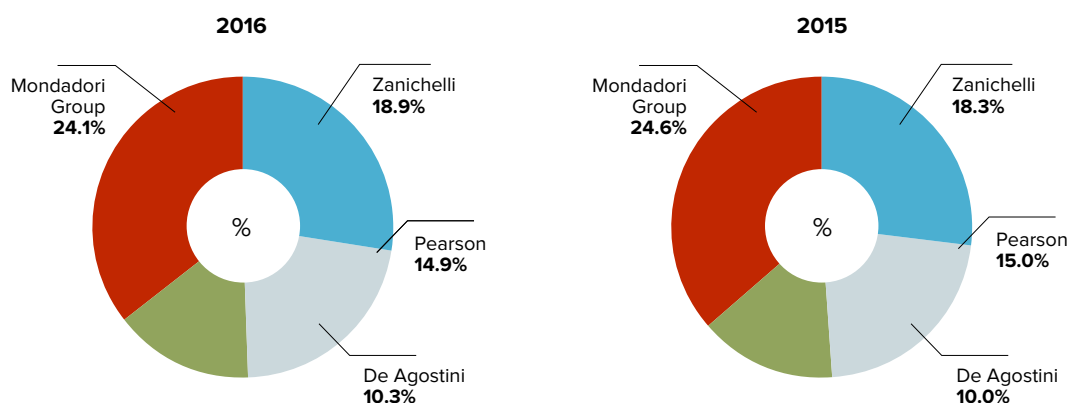


⁶ Source: GfK, September 2016 (figures in terms of market value)

In the Educational segment, Mondadori was, once again, the third largest player on the market; following the integration of Rizzoli Education, the

Group increased its share of the textbook adoptions market in 2016 to **24.1%**, becoming the **leading player in the school textbook segment in Italy**.

MARKET SHARE



Performance of the Books Area

Books (euro/millions)	9M16	9M16 like-for-like basis	9M15	Var. %	Var. % like-for-like basis
Revenue	355.5	237.4	233.2	52.5%	1.8%
Adjusted EBITDA	58.6	42.0	35.5	65.1%	18.2%
EBITDA	57.9	41.2	39.6	46.2%	4.2%
EBIT	49.3	37.8	37.0	33.2%	2.1%

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Revenue

Books (euro/millions)	9M16	9M15	Var. %
Mondadori Trade	120.6	104.2	15.7%
Rizzoli Trade	35.4		
Mondadori Electa	34.3	34.0	0.9%
Mondadori Education	64.9	62.7	3.4%
Mondadori Educational	99.0	96.6	2.5%
Rizzoli Education	70.0		
Rizzoli International Pub.	13.0		
Distribution and other revenue - Third publishers	17.4	32.3	(46.1%)
Total consolidated revenue	355.5	233.2	52.5%
Total revenue on a like-for-like basis	237.4	233.2	1.8%

In 9M16, **revenue** amounted to 355.5 million euro, up by **52.5%**, as a result of the consolidation of Rizzoli Libri as from 1 April 2016, or **+1.8%** on a like-for-like basis versus 9M15:

• **Revenue from Trade Books:** on a like-for-like basis, in 9M16 the Trade Books Area revenue **increased by 15.7%** versus 9M15, as a result of the positive performance of sales from the titles launched between the end of 2015 and the first half of the current year.

In the Hardcover segment, the four publishers reported highly positive sales performances:

Mondadori: *Io prima di te* and *Dopo di te* by Jojo Moyes were the titles with the highest number of copies distributed in the reporting period, followed by *Succede*, the first novel by “youtuber” Sofia Viscardi. Third in terms of copies distributed came *Noli me tangere* by Andrea Camilleri;

Piemme: *Il nome di Dio è misericordia*, the book by Pope Francis, with 350,000 copies distributed, became one of the most interesting titles of the year in Italy, while *la Ragazza del treno* by Paula Hawkins, the best-selling international psychological thriller, confirmed the remarkable performance of 2015, with 500,000 copies distributed;

Sperling & Kupfer: *Before*, sequel of the highly successful series *After* by Anna Todd, was the publisher’s main title, along with *Nei tuoi occhi* by US writer Nicholas Sparks, followed in 3Q16 by *Dieci e lode*, the latest novel by Sveva Casati Modignani;

Einaudi: *Serenata senza nome* by Maurizio De Giovanni, *Passeggeri notturni*, the latest work by Gianrico Carofiglio and *Mio fratello rincorre i dinosauri* by Giacomo Mazzariol were the top titles among the various success publications in 9M16. Additionally, *La prima verità* by Simona Vinci won the Campiello 2016 award.

In the **Paperback** segment, against a basically steady relevant market, the Group increased distribution figures by approximately 11% versus 9M15, thanks to the initiatives in May to relaunch the *Oscar Mondadori* catalogue, to the good performance of the Tascabili Einaudi, and to the project to sell two catalogue titles at the price of 15 euro (*Operazione Bravo*).

In the April-September period, **Rizzoli Trade** reported revenue of 35.4 million euro. *Benedetta tutto l’anno*, the latest success by Benedetta Parodi, released in September, and *La scuola cattolica* by Edoardo Albinati (winner of the Strega 2016), followed by *La dieta smartfood* by Eliana Liotta were the top sales performers.

- **Revenue from Education:** in 9M16, Mondadori Group revenue in this segment **increased by 2.5%** versus 9M15.

Mondadori Education achieved **revenue of 64.8 million euro**, up by **3.4%** versus 9M15, due mainly to the improved performance of adoptions versus 2015, and partly to a different timing of supplies requested by a number of clients. In the primary school segment, Mondadori Education posted a slight drop all in all in terms of adoptions, but a positive performance in adoptions in first-level secondary schools, in the wake of last year’s positive trend. Second-level secondary schools rebounded versus the prior year, with a slight increase in adoptions. The sales percentage of digital books was irrelevant in the period as it was in 2015.

Mondadori Electa achieved **revenue of 34.3 million euro** in 9M16, basically in line with the prior year, as a result of the positive performance reported in the **management and organization of exhibitions** (revenue up by 1%): specifically, the segment continued developing the exhibitions in Milan and Mantua (Museo del 900 in Milan and Palazzo Ducale in Mantua). Electa also won the tender for the long-term management of the bookstore and of merchandising activities at the Milan Triennale. As for the **publication of books and catalogues**, revenue kept steady versus 9M15, thanks to the upward trend in the Trade segment, driven by the positive results of *youtubers*, such as *Youdream* by Alberico De Giglio, *Tutta colpa del denaro* by Dexter, and *Lo volevo veramente* by Anthony di Francesco, which offset the downturn reported by other publishing lines (Tourist Guides in particular).

Rizzoli Education

Rizzoli Education achieved **revenue of 70.0 million euro** in the six-month consolidation period. Regarding the different school levels, Rizzoli Education reported a positive performance in both primary and first-level secondary schools, while revenue generated by second-level secondary schools dropped, as well as overall extra-curricular production. The reporting period saw an improvement in sales in the adoptions segment of proprietary catalogues, but a drop in revenue from the sale of third publishers’ products, specifically, Oxford University Press in the extracurricular segment.

Rizzoli International Publications: revenue generated in the April-September period by the US publisher, which operates in the high-end illustrated

book market, came to **13.0 million euro**, including revenue from the Rizzoli bookstore in New York.

- **Mondadori revenue from activities carried out on behalf of Third Publishers:** revenue generated by circulation activities and other services provided in favour of Third Publishers, amounting to **17.4 million euro**, was down by approximately 15 million euro versus 9M15, due mainly to the conclusion of the cooperation agreement with Harper Collins, following the disposal (September 2015) by Mondadori Libri of its interest in Harlequin/Mondadori.

E-book

Revenue from the download of Mondadori e-books was **basically steady** versus 2015, with digital sales accounting for **6.2%** of total Trade books. The best performances in terms of downloads in 9M16 came from *Io prima di te* and *Dopo di te* by Jojo Moyes and *La ragazza del treno* by Paula Hawkins. At 30 September 2016, the e-book catalogue included more than 12,000 titles.

In the six-month consolidation period, Rizzoli Trade digital sales accounted for **5.1%** of the total.

EBITDA

On a like-for-like basis, **Mondadori Libri's adjusted EBITDA surged by approximately 18%** versus 9M15 (35.5 million euro) to **42.0 million euro**, driven by the (partly temporary) increase in revenue from the targeted publishing policy and by the ongoing optimization of the operating processes implemented in the Trade segment, which helped slash the percentage of costs of goods sold on revenue. Concurrently, the cost containment policy aimed at cutting fixed costs and discretionary expenses continued and resulted in improved profit margins, ending at 30 September 2016 at almost 18% (15.2% in 9M15).

In the six-month consolidation period (April-September), **Rizzoli Libri** contributed **16.6 million euro** to the reported EBITDA of the Books Area, mainly as a result of the positive performance of the schools segment.

Total adjusted EBITDA, including the effects of the consolidation of Rizzoli Libri, amounted to **58.6 million euro** (+65.1%).

Reported EBITDA in the Area amounted to **57.9 million euro** versus 39.6 million euro at 30 September 2015, which included the capital gain of 7.6 million euro from the disposal of the interest held in the Harlequin Mondadori JV, partly offset in the reporting period by lower restructuring costs versus the prior year.

MAGAZINES



Mondadori is **Italy's** leading publisher by market share (31.8%⁷ at end August) and number of magazines (26), and ranks third in **France** (with a portfolio of 31 magazines). It has gradually expanded its presence in the sector, 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 has developed websites and portals that enable it to reach out to a larger number of Mondadori readers, by leveraging on the relevant brands.

Thanks to the acquisition of Banzai's media business in June this year, Mondadori has become Italy's leading digital publisher: by adding the audience acquired from Banzai (171 million unique users⁸), which includes established websites on the Italian market such as *PianetaDonna*, *Giallo Zafferano*, *Studenti.it* and *Mypersonaltrainer*, Mondadori has achieved leadership in the women, food, and health & wellness vertical segments, strategic areas which allow the Group to integrate and expand the multi-channel offering of the brands already in its portfolio, and to benefit from the complementarity of the vertical segments of the two companies.

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 Mondadori Group and independent publishers. In 2016, 60% of revenue came from independent publishers, such as: 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 also has an **international** presence, operating directly, through joint ventures or through licensing agreements with international publishers: there are 35 editions of Mondadori magazines (25 for *Grazia International Network*).

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

⁸ Audiweb View figures – total audience December 2015

MAGAZINES ITALY



Relevant market performance

Relevant markets in 9M16 reported a general downward trend. In August:

- the advertising market grew by an overall 3.2%, driven by the positive performance of TV (+7.8%) and Radio (+1.3%); magazines (-3.6%), dailies (-5.4%) and the Internet (-1.6%) fell⁹;
- the magazine circulation market dropped by 8.3% (-8.3% in the newsstand channel and -8.2% in the

subscription channel)¹⁰. In this context, Mondadori retained its leadership with a **31.8%** market share (32.4% at August 2015)¹⁰;

- in the add-ons market, in 9M16, magazines lost 12.4%, while dailies fell by 2.0%: the combination of these two performances shows an overall drop of 6.7%.

Performance of Magazines Italy¹¹

Magazines Italy (Euro/millions)	9M16	9M16 like-for-like basis	9M15	Var. %	Var. % like-for-like basis
Revenue	234.9	227.7	233.0	0.8%	(2.3%)
Adjusted EBITDA	6.9	6.5	1.7	313.3%	292.4%
EBITDA	5.4	5.2	0.8	589.4%	563.4%
EBIT	4.3	4.4	(3.5)	n.s.	n.s.

On 1 January 2016, following reorganization, Digital Marketing Service activities and the central unit focused on the digital business of the Mondadori brands were transferred to Magazines Italy (previously included in Other Business, Corporate and Digital Innovation); the Area's income statement was reclassified, for information sake, also in 9M15.

Revenue

Revenue from the Magazines Italy Area amounted to **234.9 million** euro, **up by 0.8%** (-2.3% on a like-for-like basis, net of the effects of the acquisition of Banzai Media, consolidated as from 1 June 2016).

Revenue Magazines Italy (Euro/millions)	9M16	9M15	Var. %
Circulation	88.0	90.2	(2.4%)
Advertising	52.4	53.8	(2.6%)
Add-on sales	41.6	41.6	(0.1%)
Distribution and revenue towards third publishers	23.8	24.0	(0.8%)
Other revenue	22.0	23.5	(6.6%)
Total revenue on a like-for-like basis	227.7	233.0	(2.3%)
Banzai Media	7.2		
Total revenue	234.9	233.0	0.8%

⁹ Source: Nielsen, cumulative figures at August 2016

¹⁰ Internal source: Press-di, cumulative figures at August 2016 (newsstands + subscriptions in terms of cover price)

¹¹ Starting this year, Inthera's Digital Marketing Service activities have been included in the Magazines Italy Area

- Circulation revenue **lost 2.4%**; on a like-for-like basis of titles, the drop was basically in line with the relevant market trend in both the newsstand and subscription channels.
- Revenue from **advertising** sales fell by **2.6%**; print advertising sales in Italy dropped by 4.0% (in line with the market's -3.6%¹²); sales on **websites increased by 0.6%** and outperformed the relevant market trend (-1.6%¹²), with the contribution of the consolidation of Mondadori Scienza properties (Nostrofiglio.it and Focus.it).
- Revenue from **add-on products** (DVDs, CDs, books and gadgets), sold in attachment to Mondadori magazines, **was steady** versus 9M15, thanks to the positive contribution of the home-video business (50% of total), which offset the drop in gadgets and music CDs.
- Regarding **distribution and revenue towards third parties**, despite the drop in copies sold reported by ADS in the Newsstand/Large Retailer channel in the first eight months of 2016, with a 9% drop in newspapers and 12% in magazines, and -7% in newspapers and -18% for magazines in the Subscription channel, in 9M16 the Area's performance was in line with the prior year, thanks to the ongoing commitment to developing third-publisher portfolios.
- Other revenue includes:
 - **International operations**, which achieved revenue of 4.3 million euro in the reporting period (down from the 5.3 million euro reported in 9M15), as a result of the drop in licensing activities caused by the deteriorated international market environment and the negative effect of the exchange rates of the British and Chinese currencies; e-commerce activities relating to the *Graziashop* platform were transferred from July under a license agreement to a leading player on the UK market. On 5 April, Mondadori disposed of its interest in *Grazia Russia*¹³, which continues to be published under a long-term license agreement.
 - revenue from **Digital Marketing Service** activities (8.7 million euro) **grew by approximately 2%**, as a result of the gradual expansion of the offering that had started in 2015.

In 9M16, **Banzai Media** (consolidated as from June) contributed approximately 7.2 million euro to the Area's revenue. Following the acquisition, Mondadori has gained a digital audience of **16.6 million unique users/month**, becoming the leading Italian digital publisher.

EBITDA

Adjusted EBITDA in the **Magazines Italy** Area **improved significantly** on a like-for-like basis, rising from 1.7 million euro to **6.5 million euro**, driven by the effective review of the publishing structure, implemented while retaining the traditional focus on the publishing quality of the titles. The reporting period also saw a sharp drop in industrial costs, achieved also as a result of the renegotiation of printing contracts. The increase is even sharper including the contribution of approximately 0.3 million euro from Banzai Media, consolidated as from June (the consolidated months coincide with a period of the year that is seasonally less significant in terms of profitability).

The Area **EBITDA** more than confirmed the **growth trend**, increasing by **over 4 million euro** on a like-for-like basis (from 0.8 million euro to 5.1 million euro), despite the higher amount of negative non-recurring items; including the consolidation of Banzai Media, reported EBITDA came to **5.4 million euro**.

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 Russia*), whose overall contribution in the reporting period came to a positive **0.9 million euro** (1.2 million euro in 9M15, including the results of the associate Mondadori Scienza, fully consolidated in 2016);
- the Mediamond joint venture, whose pro-rata result in 9M16 came to **-0.9 million euro** (-1.3 million euro at 30 September 2015).

¹² Source: Nielsen, cumulative figures at August 2016

¹³ 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 period under review, Mondadori France's relevant markets continued to decline:

- sales in the newsstand channel dropped (-5.3% at August, excluding the extraordinary edition of *Charlie Hebdo*)¹⁴;
- in advertising sales (-6.3% at June).¹⁵

Performance of Magazines France

Magazines France (Euro/millions)	9M16	9M15	Var. %
Revenue	239.3	246.8	(3.0%)
Adjusted EBITDA	21.3	22.1	(3.8%)
EBITDA	19.4	20.0	(3.1%)
EBIT	10.6	11.5	(7.4%)

Revenue

In 9M16, **revenue** from Mondadori France amounted to 239.3 million euro, down by 3% versus 9M15.

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Revenue Magazines France (Euro/millions)	9M16	9M15	Var. %
Circulation	173.8	178.0	(2.4%)
Advertising	54.2	56.8	(4.6%)
Other revenue	11.3	11.9	(5.4%)
Total revenue	239.3	246.8	(3.0%)

¹⁴ Internal source, figure at August 2016

¹⁵ Source: Kantar Media, figure at June 2016

Revenue from **circulation**, accounting for approximately 75% of the total, posted a slight downturn of 2.4% versus the prior year:

- sales revenue in the **subscription** channel was **basically stable**, 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 revenue** in 9M16, representing the major and most growing contribution to revenue of the area;
- revenue from the **newsstand** channel fell by 6.1%, basically in line with the relevant market trend. These performances were achieved thanks to focus on publishing quality and innovation. In the reporting period, Mondadori France launched various brand extensions, some of which in the car segment, 2 special quarterly editions *Pleine Vie Expert* and *Pleine Vie Pratique*, 2 monthly puzzle game magazines (supplements of *Télé-Star Jeux* and *Slam*), and *Grazia Hommes*, male version of weekly *Grazia*. 21 new editions were launched versus 9M15, a trend that will further accelerate in the final part of the year. To conclude, *Télé-Star*, *Science & Vie Guerres & Histoire*, *L'Ami des Jardins*, *Nous Deux* and *Top Santé* benefited from a renewed publishing mix.

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Advertising revenue fell by 4.6% versus 9M15, but performance differed between offline and online components: **digital advertising** was **up by approximately 22%**, accounting for about 20% of total advertising revenue, **halving the drop in traditional print advertising** (-8.9%).

In the reporting period, Mondadori France was once again second top player in the magazine advertising market, with a market share of 10.6%¹⁶.

Digital activities (approximately 5% of total revenue) grew by an overall **14.8%**, propelled by the development of the properties, in addition to the positive performance of *NaturaBuy* (+29%).

The web audience of Mondadori France magazines totaled **8.9 million** unique users¹⁷, **up by approximately 9%** versus 9M15, propelled by the increase reported by *Télé-Star* (+27%), *Grazia* (+21%) and *Biba* (+43%).

The total number of mobile readers of Mondadori France magazines reached **4.3 million** unique users¹⁸, +45% versus 2015.

Specifically, *Closer* and *Auto-Plus* benefited in

3Q16 from the release of new websites and from the publication of editorial content on Facebook instant articles.

In 9M16, Mondadori France also explored opportunities for business **diversification**, including the development of a partnership with AB Group for the launch of a TV adaptation of *Science & Vie*, on air in France and in Africa starting from the end of March, and of a new TV theme channel *Mon Science & Vie Junior*, launched in February 2016.

The *TV Catch-up* service now available on *Télé-Star* (website and mobile app) and *Télé-Poche* (website) moves in the same direction.

EBITDA

Adjusted EBITDA came to **21.3 million euro**, down by 3.8% versus 9M15, due mainly to M&A costs managed in the period (0.7 million euro). Mondadori France continued to focus on editorial and overhead cost containment to counter the lingering weakness of the relevant markets, 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 of publishing activities. **Digital activities** continued to enjoy **positively growing margins** in 9M16 versus the loss in 9M15.

Reported EBITDA, amounting to **19.4 million euro**, was down by 3.1% versus 20.0 million euro in 9M15, as a result of the abovementioned M&A costs and of restructuring costs of approximately 1.9 million euro (2.1 million euro in 9M15), arising from the voluntary redundancy plan launched in 2015.

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

¹⁷ Source: Mediametrie Netratings - Nielsen, January-August 2016 average figure

¹⁸ Source: Mediametrie Netratings - Nielsen, January-July 2016 average figure

RETAIL



Mondadori Group operates in Italy with a network of approximately 570 bookshops composed of directly managed bookshops, megastores, franchised bookshops, Mondadori Points and shop-in-shops (49), in addition to web channels (www.mondadoristore.it) and book clubs.

Relevant market performance

Books

The relevant market for the Retail Area is books (78% of revenue¹⁹), which showed positive signs in the reporting period, increasing by 2.3%²⁰ versus the prior year. The **market share** of Mondadori Retail in the Books segment **increased to 13.9%** (from 13.7% at 30 September 2015).

Mondadori Retail network trend

STORES	Sept. 2015	Dec. 2015	Var. 9M16	Sept. 2016
Megastore	9	9	+1	10
Direct bookstore	19	20	-1	19
Franchised bookstore	521	548	-10	538
TOTAL	549	577	-10	567

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Following the acquisition of Rizzoli Libri, the Retail network now includes the established bookstore in Galleria Vittorio Emanuele, Milan, and the e-commerce site www.rizzolilibri.it, while the New York bookstore is part of the Books Area, supporting the sales of high-end illustrated books on the US market.

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

Retail (Euro/millions)	9M16	9M16 like-for-like basis	9M15	Var. %	Var. % like-for-like basis
Revenue	135.0	133.3	131.9	2.4%	1.1%
Adjusted EBITDA	(2.7)	(2.5)	(3.1)	13.2%	20.4%
EBITDA	(2.3)	(2.1)	(2.8)	16.7%	24.7%
EBIT	(5.0)	(4.6)	(4.9)	2.2%	(5.3%)

¹⁹ Store revenue

²⁰ Source: GFK, September 2016 (figures in terms of market value)

Revenue - Retail (Euro/millions)	9M16	9M15	Var. %
<i>Megastores</i>	34.1	32.8	3.8%
<i>Direct bookstores</i>	20.0	20.4	(1.7%)
<i>Franchised bookstores</i>	58.2	56.3	3.3%
<i>Online</i>	7.6	7.4	2.2%
Stores	119.9	116.9	2.6%
<i>Book clubs and other</i>	13.5	14.9	(9.4%)
Librerie Rizzoli	1.7		
Total revenue	135.0	131.9	2.4%
Total revenue on a like-for-like basis	133.3	131.9	1.1%

Revenue

In 9M16, the Retail Area revenue - on a like-for-like basis - **increased by 1.1%** versus 9M15, thanks mainly to the growth of the Franchised Bookstores channel and of Megastores, which more than offset the structural decline of the Book Clubs.

As of 1 April 2016, following the consolidation of the acquisition of Rizzoli Libri, activities relating to Librerie Rizzoli have been absorbed by the Retail Area; as a result, in 9M16, the Area increased revenue by an overall **2.4%**.

Store revenue was **up by 2.6%** on a like-for-like basis versus 9M15. By type of product:

- books were the predominant product category, making for **78% of the total**, and outperformed the relevant market by **approximately 2.2 percentage points**²¹, a result that confirms the effectiveness of the actions undertaken in terms of product penetration and assortment and in terms of communication, promotion campaigns and sales force training;
- non-book revenue reported a positive trend in the Impulse (+4.6%, stationery and toys) and Media (+9.6%) categories, as a result of the organization of musical events in the network, while the Consumer Electronics category fell (-3.4%).

The analysis by channel shows the following:

- a growth in Megastores (+3.8%), driven by the openings of Milano San Pietro all'Orto (June 2015) and Arese (April 2016) (-4.3% on a like-for-like basis in terms of stores);
- a slight drop of 1.7% reported by direct Bookstores, following the relocation of a store to a smaller space inside the same mall in Rome, and the

closure of Milano Limbiate (+3.4% on a like-for-like basis in terms of stores);

- a positive performance in the reporting period of Franchised Bookstores (+3.3%), steady versus the prior year on a like-for-like basis in terms of stores (+0.2%);
- a 2.2% increase in the online segment, driven especially by the positive performance of school textbooks;
- for book clubs, a trend in line with the structural decline forecast in the medium-term development plan (-9.4%).

EBITDA

In 9M16, Mondadori Retail **adjusted EBITDA**, on a like-for-like basis, came to **-2.5 million euro**, **improving** versus -3.1 million euro in 9M15 (-2.7 million euro, including the result of Librerie Rizzoli in the April-September six-month consolidation period).

A result achieved through cost-curbing measures involving stores and central functions, which more than offset the effects arising from the structural decline of the book clubs channel.

Reported EBITDA came to **-2.1 million euro** (-2.3 million euro including the result of Librerie Rizzoli; -2.8 million euro in 9M15), as a result of a number of positive extraordinary items (0.4 million euro).

²¹ Source: GFK, September 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.

On 1 January 2016, following reorganization, Digital Marketing Service activities and the central unit focused on the digital business of the Mondadori brands were transferred to Magazines Italy (previously included in Corporate and Digital Innovation); the Area's income statement was therefore reclassified, for information sake, also in 9M15.

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 Mondadori Group, came to -0.3 million euro in 9M16, while the results of the company in 9M15 had been reclassified under "Assets held for sale".

Società Europea di Edizioni: in 9M16, the publisher of *Il Giornale* posted an operating breakeven before extraordinary items versus a loss of 1.1 million euro in 9M15, as a result of ongoing cost reduction.

Overall, **Corporate & Shared Services adjusted EBITDA** came to -8.0 million euro, improving versus -8.2 million euro in 9M15; including non-recurring items, EBITDA came to -10.1 million euro versus -8.8 million euro in 9M15, as a result of certain costs incurred for extraordinary transactions (Rizzoli Libri and Banzai Media) completed in 2016, and of a capital gain (1.3 million euro) recognized in 2015 by the publisher of *Il Giornale*.

FINANCIAL POSITION

The interest rate component of the average cost of Mondadori Group's debt was **3.04%** at 30 September 2016 versus 3.70% in 9M15.

The overall credit lines available to the Group at 30 September 2016 amounted to 700.6 million euro, of which 500.7 million euro committed. The decrease in committed lines versus the prior quarter (-13.9 million euro) is explained by the repayment of part of the A1 and A2 lines following the disposal of Marsilio Editori (8.9 million euro) and the cancellation of part of the A2 line (5.0

million euro), not drawn down, and initially meant to cover the acquisition of RCS Libri.

The Group's short-term loans, totaling 199.9 million euro, 2.7 million euro of which drawn down at 30 September, included overdraft credit lines on current accounts, advances subject to collection and "hot money" flows.

At 30 September 2016, the **500.7 million euro** pool consisted of:

(Euro/millions)	Bank pool	of which: unutilized	of which: with interest rate hedge
Term Loan A1 (Refinancing)	226.7 (1)	-	150.0
Term Loan A2 (Line for acquisition of RCS Libri)	124.0 (2)		
Revolving Facility B	100.0 (3)	100.0	-
Acquisition Line C	50.0 (4)	13.8	
Total loans	500.7	113.8	150.0

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Maturity date	2016	2017	2018	2019	2020
1	€6.3 million	€18.8 million	€25.1 million	€25.1 million	€151.5 million
2	€3.4 million	€10.2 million	€13.6 million	€13.6 million	€83.2 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

Net financial position (Euro/millions)	30 September 2016	30 September 2015	31 December 2015
Cash and cash equivalents	65.4	24.2	30.7
Assets (liabilities) from derivative instruments	(2.6)	(1.4)	(0.0)
Other financial assets (liabilities)	(10.5)	(4.5)	(3.4)
Loans (short and medium/long term)	(381.4)	(262.0)	(226.6)
Net financial position	(329.0)	(243.6)	(199.4)

The Group's net financial position and the relating cash flow in the reporting period are detailed below:

Cash flow (Euro/millions)	Sept. 16		Sept. 15	LTM	
	Like-for-like basis	Total		Like-for-like basis	Total
NFP beginning of period		(199.4)	(291.8)		(243.6)
EBITDA before non-recurring items	59.3	76.1	48.0	84.4	101.1
Effect of shareholdings/dividends	(4.2)	(4.3)	(3.7)	(4.2)	(4.3)
NWC + provision variation	(11.1)	(24.3)	(11.8)	15.0	1.7
CAPEX	(6.0)	(8.8)	(8.3)	(11.2)	(14.0)
Cash flow from operations	38.1	38.6	24.2	83.9	84.4
Financial costs	(9.3)	(12.7)	(13.7)	(13.2)	(16.6)
Taxes	(10.7)	(10.8)	(3.2)	(14.4)	(14.5)
Cash flow from ordinary operations	18.2	15.1	7.3	56.3	53.3
Restructuring costs		(10.8)	(14.4)		(17.7)
Extraordinary tax amounts / prior years		15.1	8.4		14.7
Asset acquisition /disposal		(148.9)	46.9		(135.7)
Cash flow from extraordinary operations		(144.7)	40.9		(138.7)
Total Cash Flow		(129.6)	48.2		(85.4)
NFP end of period		(329.0)	(243.6)		(329.0)

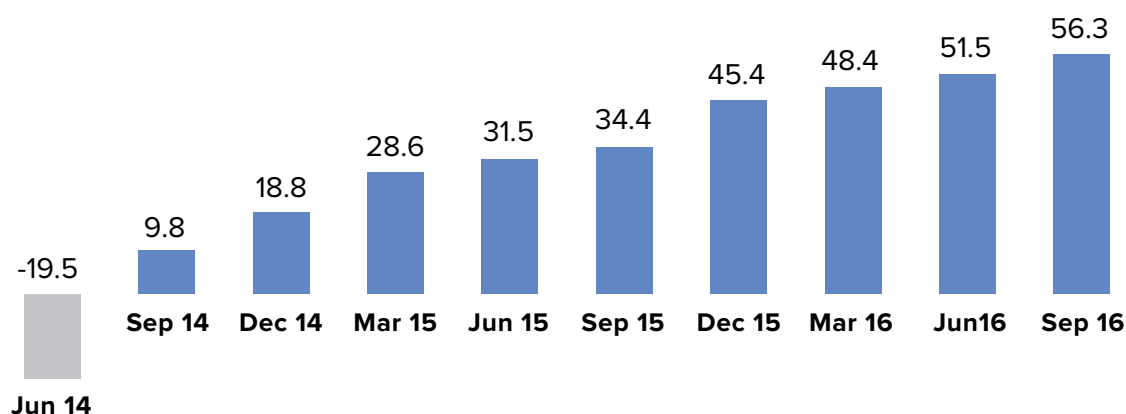
The **net financial position** increased by 85.4 million euro versus 9M15 and by 129.6 million euro versus 31 December 2015.

Over the last twelve months on a like-for-like basis, the Group generated a cash flow of 83.9 million euro from operations, as a result of the positive performance of operations, net of non-recurring items (84.9 million euro), and of the effective measures to increase the efficiency of net working capital (including provisions), which allowed the Group to generate a cash flow of 14.5 million euro.

Cash flow from ordinary operations on a like-for-like basis, including outflows relating to taxes and

financial costs, came to a **positive 56.3 million euro**, reporting, **for the ninth consecutive quarter**, an improvement in cash generation in the previous twelve months.

Including the effects of the newly-consolidated companies, the **overall cash flow from ordinary operations in the last 12 months** amounted to **53.3 million euro**, lower than the figure on a like-for-like basis since Rizzoli Libri's business, in the six-month consolidation period, is marked by the seasonal performance of the school textbooks segment, which reports higher cash-ins in the fourth quarter of the year.



Cash flow from extraordinary operations in the last twelve months came to -138.7 million euro and includes:

- cash-outs for restructuring costs of 17.7 million euro;
- partial collection of tax receivables (VAT and IRES for IRAP reimbursement) accrued in the prior years (+14.7 million euro);
- the financial impact from the acquisition of Rizzoli Libri and Banzai Media (with net investments of -127.1 million euro and -24.6 million euro, respectively), net of the consideration from the disposals made in the last twelve months (disposal of a property in Rome in December 2015, and of Marsilio Editori in July 2016).

Ordinary and extraordinary items resulted in **overall cash-outs in the last twelve months of 85.4 million euro**, with net debt increasing to 329 million euro versus 243.6 million euro at 30 September 2015.

Cash flow from operations on a like-for-like basis in 9M16 improved by approximately **14 million euro** versus 9M15, thanks to the improved EBIT and to lower investments (in the Retail Area in particular).

Cash flow from ordinary operations on a like-for-like basis also confirmed the above trend, due to the sharp drop in financial costs resulting from the **lower average debt** in 2016 versus 2015, and from the **renegotiation in late 2015 of interest rates**, while the tax burden increased versus 2015 as a result of the improved pre-tax results.

Total cash flow from extraordinary operations came to -144.7 million euro in 9M16, despite lower restructuring cash-outs, and higher tax receivables collected from the outlays for the acquisition of Rizzoli Libri and Banzai Media; in 9M15, the figure had come to a positive 48.2 million euro, as a result of the disposal of the investments in Monradio S.r.l. (80%) and the Harlequin/Mondadori JV.

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Balance sheet (Euro/millions)	30/09/2016	30/09/2015	31/12/2015
Net receivables	346.1	255.8	242.1
Net inventory	165.9	110.2	108.2
Trade payables	-444.6	-356.8	-349.6
Other assets/ (liabilities)	7.5	-2.0	-30.5
NET WORKING CAPITAL	74.9	7.2	-29.7
Intangible assets	599.9	556.6	552.3
Tangible assets	34.0	30.4	31.2
Investments	44.7	43.6	44.9
NET FIXED ASSETS	678.6	630.6	628.5
Provisions	-75.5	-63.6	-59.7
Post-employment benefits	-50.1	-45.5	-44.1
Discontinued assets / (liabilities)	10.9		
NET INVESTED CAPITAL	638.8	528.6	494.9
Share capital	68.0	68.0	68.0
Reserves	194.3	189.4	189.6
Minority shareholders' equity	29.7	30.4	31.5
Net result	18.4	-2.8	6.4
EQUITY	309.8	285.0	295.5
NFP	329.0	243.6	199.4
TOTAL EQUITY	638.8	528.6	494.9

Net working capital on a like-for-like basis at 30 September 2016:

€mn	Sept 16	Sept 15	Var.
Net receivables	250.0	255.8	-5.7
Net inventory	106.2	110.2	-4.0
Trade payables	-358.9	-356.8	-2.1
Other assets/ (liabilities)	-26.7	-2.0	-24.7
NET WORKING CAPITAL	-29.3	7.2	-36.5
Provisions	-56.6	-63.6	7.0
Post-employment benefits	-43.2	-45.5	2.3
Provisions	-99.8	-109.1	9.3
TOTAL	-128.6	-102.0	-27.2

On a like-for-like basis, net working capital (including provisions) confirmed the **strong improvement** of 27.2 million euro versus 9M15, as a result of:

- the reduction in trade receivables due to improved collection management (-5.7 million euro);
- the reduction in the value of stocks (-4.0 million euro);
- the increase in trade payables (2.1 million euro);
- the reduction in other assets/liabilities (24.7 million euro), due to lower advance payments made to authors (8.9 million euro), lower tax receivables (15.6 million euro) mainly from the collection of VAT receivables, and lower prepaid/deferred tax assets (2.9 million euro), also as a result of the regulatory changes that have reduced the IRES tax rate as from 2017.

Following the consolidation of Rizzoli Libri and Banzai Media, net working capital increased by 67.7 million euro (or 84.2 million euro including the change in provisions), in keeping with the typical structure of net working capital of the Company that operates in the Books Area.

Fixed invested capital came to 678.6 million euro at 30 September 2016, up from 630.6 million euro at 30 September 2015, as a result of the approximately 43 million euro increase in intangible assets from the consolidation of the acquisitions .

“Assets/Liabilities held for sale” in 2016 included the book values relating to Bompiani, to be disposed of as a result of the provisions issued by the Antitrust Authority. As disclosed to the market, Mondadori, through Rizzoli Libri, signed an agreement to transfer the Bompiani publishing unit to Giunti Editore.

The Group’s net invested capital, amounting to 638.8 million euro at 30 September 2016, accordingly grew by over 110 million euro versus 30 September 2015 (528.6 million euro).

PERSONNEL

HEADCOUNT AND COST OF PERSONNEL

Group employees with a fixed-term or permanent labour contract at 30 September 2016 amounted to **3,330 units**. The 7.8% increase in headcount versus September 2015 is due solely to the extraordinary transactions made over the last 12 months; net of these transactions, on a like-for-like basis, Group employees would be **down by 5.8%**. These figures include the contracts made permanent in the second half of 2015, taking advantage of the opportunities offered by the Jobs Act.

This trend, in addition to the ongoing efforts to achieve greater efficiency across all Group areas, is mainly ascribable to the closure of Retail's offices in Rimini and the following centralization of activities at the Segrate HQ, to the effects of the social plan launched at Mondadori France, to the restructuring plan to rationalize non-core assets following acquisition of the full control of Gruner und Jahr/Mondadori (today Mondadori Scienza) and, finally, to the transfer of Mondadori UK activities.

Activities are currently underway to integrate Rizzoli Libri and Banzai Media, acquired, respectively, in April and in June 2016. These recent acquisitions increased the headcount by approximately 419 units:

- 268 from Rizzoli Libri, 48 of whom from the US-based subsidiary Rizzoli International Publishing,
- 151 from Banzai Media.

Regarding Rizzoli Libri, the initial phase saw the completion of the macrostructure, with the organizational merger of the Trade and Educational/ Illustrated Books businesses, respectively with

the corresponding business areas of the Group, Mondadori Libri Trade and Mondadori Libri Education/Electa; the process coincided with the physical transfer completed in September of the entire Rizzoli Libri staff from the RCS MediaGroup HQ to the respective Mondadori offices of the Trade Area in Segrate and of the Education Area in Milan.

Regarding Banzai Media, in addition, also in this case, to the transfer of staff based in the Milan area to the new offices in Via San Marco, activities are underway to integrate the digital property business of Mondadori magazines with the organization managing Banzai websites.

On the union front, negotiations continued on the collective labour agreements involving journalists and the graphics industry, which expired more than six months ago, due to the management of complex modernizing and cost containment action taken on contractual formats considered by now to be obsolete.

The following table provides a detailed breakdown of Group personnel at 30 September 2016:

Personnel details	30 September 2016	30 September 2015
Arnoldo Mondadori Editore S.p.A.:		
- Managers, journalists, office staff	811	806
- Blue collars	5	5
	816	811
Italian subsidiaries:		
- Managers, journalists, office staff	1,550	1,302
- Blue collars	101	100
	1,651	1,402
Foreign subsidiaries:		
- Managers, journalists, office staff	863	877
- Blue collars	-	-
	863	877
Total	3,330	3,090

Personnel by Business Area	30/09/2016	30/09/2015	Var. %
Books*	580	564	2.8%
Magazines Italy	684	776	(11.9%)
Magazines France	814	852	(4.5%)
Retail	471	541	(12.9%)
Corporate and Shared Services*	362	357	1.4 %
Total on a like-for-like basis	2,911	3,090	(5.8%)
Total on a like-for-like basis	268		
Banzai Media**	151		
Total	3,330	3,090	7.8%

* At 30 September 2016, the Books Area includes 48 contracts made permanent (December 2015), while the Corporate and Shared Services Area includes resources transferred from Group companies/activities (16)

** The Area includes 18 resources seconded from 1 September 2016 to the associate Mediamond

The cost of personnel in 9M16 amounted to 170.1 million euro, up by 6.5% versus 9M15; on a like-for-like basis, the cost of personnel dropped by 0.8% (1.3 million euro); net of the contribution of Mondadori Scienza (consolidated as from 1 July 2015), the drop would amount to 2.4%.

Including restructuring costs incurred in the period, the cost of personnel increased by 4.6%.

(Euro/millions)	30/09/2016	30/09/2015	Var. %
Cost of personnel (before restructuring) on a like-for-like basis	158.5	159.8	(0.8%)
Cost of personnel (before restructuring)	170.1	159.8	+6.5%
Cost of personnel (including restructuring)	174.0	166.3	+4.6%

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".

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 127.1 million euro, settled in cash through a dedicated credit line made available to the Group.

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 **10 May 2016**, Mondadori Group announced it had signed an agreement with Banzai S.p.A., finalized on **8 June 2016**, on the acquisition of Banzai Media Holding S.r.l., the vertical content division of the Banzai Group.

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

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 users.²³

The transaction allows Mondadori Group 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 held in the 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 understandings with Banzai also include the opportunity to identify a number of Mondadori Retail stores to extend the Pick&Pay network of the Banzai Group.

On **26 July 2016**, Mondadori Group completed the disposal, through the subsidiary Rizzoli Libri S.p.A., of its 94.71% interest in the share capital of Marsilio Editori S.p.A. to GEM S.r.l..

The price of the transaction is 8.9 million euro, based on an Enterprise Value in line with the price of the acquisition of the interest, part of the Rizzoli Libri transaction completed last 14 April 2016; the amount includes an adjusted positive net financial position of 1.3 million euro.

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

The disposal of Marsilio Editori S.p.A. was completed in accordance with the remedies set out in the provision issued by the Antitrust Authority.

GEM S.r.l., a company operating in the publishing industry, headed by the De Michelis family, had held an interest in Marsilio Editori S.p.A. from 1985 to April 2016.

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

²³ Audiweb View figures – total audience December 2015

On **29 September 2016**, Mondadori Group announced that its subsidiary Rizzoli Libri S.p.A. had signed an agreement to transfer the Bompiani publishing unit to Giunti Editore S.p.A.

The total price of the transaction amounts to 16.5 million euro, 5.3 million euro of which related to assets transferred to the buyer.

Forecasts for 2016 on the scope subject to transfer indicate revenue of 15.3 million euro and a normalized EBITDA of approximately 1.3 million euro; Bompiani's share of the trade market at 30 June 2016 stands at 1.8% (GFK).

The transfer of Bompiani is made in accordance with the remedies set out in the Provision issued by the Antitrust Authority, as part of the acquisition of Rizzoli Libri completed on 14 April 2016; finalization of the transaction is subject to prior approval by the Antitrust Authority.

Giunti Editore S.p.A., a time-honoured publisher based in Florence, which traces its roots back to 1841, is the parent company of one of the leading publishing groups in Italy; in 2015, with the publishers and the chain of 190 bookstores operating under the Giunti al Punto trademark, it achieved consolidated revenue of 198 million euro. On the same date, the Board of Directors also approved the plan on the merger by incorporation of the subsidiary Banzai Media S.r.l. into Arnoldo Mondadori Editore S.p.A., prepared pursuant to art. 2501-ter and art. 2505, par. 1, of the Italian Civil Code, concurrently approved also by the Board of Directors of Banzai Media S.r.l.

The transaction aims to achieve the full integration of Banzai Media activities with the digital properties of Magazines Italy. The value of Banzai Media's brands will, instead, remain separate and distinct. The merger will give birth to a unified product range with the potential to present itself as a leader to both advertisers and users, improving time to market and sharing the wealth of mutual assets and know-how, leveraging on more streamlined business processes.

The merger plan was filed with the Company Registry of Milan, pursuant to 2501-ter, par. 3, of the Italian Civil Code.

The merger is covered by the exemption from the application of Consob Regulation no. 17221/2010 and subsequent amendments regarding transactions with related parties, since the transaction is performed through a subsidiary with no significant interests of other related parties of Arnoldo Mondadori Editore, based on the criteria set out in the Procedures for Transactions with Related Parties of Arnoldo Mondadori Editore S.p.A. As this is an incorporation of a wholly-owned company pursuant to art. 2505 of the Italian Civil Code, the decision on the merger will be adopted (i) for Arnoldo Mondadori Editore by its Board of Directors, pursuant to art. 2505, par. 2, of the Italian Civil Code, and to art. 23 of the by-laws, and (ii) for Banzai Media by its Shareholders' Meeting.

The merger is scheduled by 15 January 2017; for accounting and tax purposes, it will take effect from 1 January 2017.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

On 18 October 2016, as part of the plan on the merger by incorporation of the subsidiary Banzai Media S.r.l. into Arnoldo Mondadori Editore S.p.A., a merger deed was concluded (effective from 31 October 2016) between Banzai Media Holding S.r.l., MyTrainerCommunity S.r.l., Banzai Direct S.r.l., Bobo Software S.r.l. in Banzai Media S.r.l..

OTHER INFORMATION

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.

GLOSSARY OF TERMS AND ALTERNATIVE PERFORMANCE MEASURES USED

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

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Specifically, the alternative measures used include:

Gross Operating Profit (EBITDA): EBITDA, or gross operating profit, is equal to earnings before interest, tax, depreciation and amortization. The Group also provides information on the percentage of EBITDA on net sales. EBITDA computed by the Group allows operating results to be compared with those of other companies, net of any effects from financial and tax items, and of depreciation and amortization, which may vary from company to company for reasons unrelated to general operating performance

Adjusted gross operating profit (adjusted EBITDA) is gross operating profit as explained above, net of income and expenses of a non-ordinary nature such as

- (i) income and expenses from restructuring, reorganization and business combinations;
- (ii) clearly identified income and expenses not directly related to the ordinary course of business;
- (iii) as well as any income and expenses from non-recurring events and transactions as set out in Consob communication DEM6064293 of 28/07/2006.

Operating profit (EBIT): net result for the period before income tax, and other income and expenses.

Net invested capital is equal to the algebraic sum of Fixed Capital, which includes non-current assets and non-current liabilities (net of non-current financial liabilities included in the Net Financial Position) and Net Working Capital, which includes current assets (net of cash and cash equivalents and current financial assets included in the Net Financial Position), and current liabilities (net of current financial liabilities included in the Net Financial Position).

Cash flow from operations: adjusted EBITDA, as explained above, plus or minus the decrease/ (increase) in working capital in the period, minus capital expenditure (CAPEX/Investment) and income and expenses from equity investments.

Cash flow from ordinary operations is cash flow from operations as explained above, net of financial expenses and taxes paid in the period.

LTM cash flow from ordinary operations: cash flow from ordinary operations in the last twelve months.

Cash flow from extraordinary operations: cash flow generated/used in transactions that are not considered ordinary, such as company restructuring and reorganization, share capital transactions and acquisitions/disposals.

OUTLOOK FOR THE YEAR

In light of the Group's performance and of the results of the acquisitions, the forecasts previously announced on **revenue** can be reasonably **confirmed**

- including the effects of the consolidation of **Rizzoli Libri** (for 9 months) and of **Banzai Media** (for 7 months): **up by approximately 14%** versus 2015;
 - **on a like-for-like basis: basically steady** versus 2015;
- while it is reasonable to **increase the expected estimate** of **adjusted EBITDA** for year-end
- including the effects of the consolidation of **Rizzoli Libri** and of **Banzai Media: up by approximately 35%** (from the previous +30% forecast);
 - **on a like-for-like basis: a “double-digit” growth** (versus the previous high single-digit forecast), with a resulting increase in profitability.

The **net financial position** is expected to improve versus the previous forecast (3.5x), with a **NFP/EBITDA** ratio of about **3.3x**, lower than the bank covenant for the year of 4.5x.

For the Board of Directors
The Chairman
Marina Berlusconi

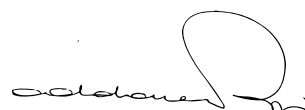
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The Executive Manager responsible for the drafting of the corporate accounting documentation - Oddone Pozzi - hereby declares, pursuant to art. 154 bis, par. 2, of the Consolidated Finance Law, that the accounting documentation contained in this Interim 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 income
statement - third quarter**

CONSOLIDATED BALANCE SHEET

Assets (Euro/000)	30/09/2016	31/12/2015
Intangible assets	599,873	552,340
Property investments	2,963	3,028
Land and buildings	5,748	6,032
Plant and equipment	8,126	9,028
Other tangible assets	17,145	13,148
Property, plant and equipment	31,019	28,208
Investments booked at equity	44,258	44,457
Other investments	453	443
Total investments	44,711	44,900
Non-current financial assets	793	293
Pre-paid tax assets	76,491	62,076
Other non-current assets	3,580	1,466
Total non-current assets	759,430	692,311
Tax receivables	32,393	39,814
Other current assets	115,354	77,650
Inventory	165,861	108,221
Trade receivables	346,094	242,121
Other current financial assets	4,634	2,700
Cash and cash equivalents	65,433	30,684
Total current assets	729,769	501,190
Assets held for sale	12,246	-
Total assets	1,501,445	1,193,501

Liabilities (Euro/000)	30/09/2016	31/12/2015
Share capital	67,979	67,979
Share premium reserve	-	-
Treasury shares	-	-
Other reserves and profit/(loss) carried forward	194,267	189,643
Profit (loss) for the period	17,871	6,365
Group equity	280,117	263,987
Minority shareholders' equity and reserves	29,678	31,522
Total equity	309,795	295,509
Provisions	75,486	58,559
Post-employment benefits	50,061	44,076
Non-current financial liabilities	378,623	222,553
Deferred tax liabilities	72,820	67,969
Other non-current liabilities	-	-
Total non-current liabilities	576,990	393,157
Income tax payables	10,600	5,446
Other current liabilities	237,714	196,237
Trade payables	343,826	292,610
Payables due to banks and other financial liabilities	21,218	10,542
Total current liabilities	613,358	504,835
Liabilities held for sale	1,302	-
Total liabilities	1,501,445	1,193,501

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CONSOLIDATED INCOME STATEMENT

(Euro/000)	30/09/2016	30/09/2015
Revenue from sales and services	935,257	818,347
Decrease (increase) in inventory	4,587	(1,545)
Cost of raw and ancillary materials, consumables and goods	171,041	153,241
Cost of services	513,278	454,744
Cost of personnel	174,019	166,342
Other (income) costs	1,928	3,846
Income (costs) from investments valued at equity	(146)	7,084
EBITDA	70,258	48,803
Depreciation and impairment loss on property, plant and equipment	5,516	5,059
Amortization and impairment loss on intangible assets	16,748	9,762
Impairment loss on investments valued at equity and other enterprises	-	4,000
EBIT	47,994	29,982
Financial income (costs)	(12,679)	(13,739)
Income (costs) from other investments	-	(125)
Result before taxes for the period	35,315	16,118
Income tax	16,242	7,713
Result from continuing operations	19,073	8,405
Result from discontinued operations	700	(9,411)
Net result	19,773	(1,006)
Attributable to:		
- Minority shareholders	1,901	1,811
- Parent Company's shareholders	17,871	(2,817)
Net earnings per share (in euro units)	0,07	(0,01)
Diluted net earnings per share (in euro units)	0,07	(0,01)

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CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

(Euro/000)	30/09/2016	30/09/2016
Net result	19,773	(1,006)
<i>Items reclassifiable to income statement</i>		
Profit (loss) deriving from the conversion of currency denominated financial statements of foreign companies	806	(130)
Other profit/(loss) from companies valued at equity	172	98
Effective part of profit (loss) on cash flow hedge instruments (cash flow hedge)	(996)	386
Income (loss) deriving from held-for-sale assets (fair value)	-	-
Tax impact on other profit (loss) reclassifiable to income statement	274	(106)
<i>Items reclassified to income statement</i>		
Profit (loss) on cash flow hedge instruments	(764)	-
Income (loss) deriving from held-for-sale assets (fair value)	-	-
Tax impact on other profit (loss) reclassifiable to income statement	210	-
<i>Items not reclassifiable to income statement</i>		
Actuarial profit/(loss)	(1,205)	(45)
Tax impact on other profit (loss) not reclassifiable to income statement	217	12
Total other profit (loss) net of tax effect	(1,286)	215
Comprehensive result for the period	18,487	(791)
Attributable to:		
- Parent Company's shareholders	16,586	(2,582)
- Minority shareholders	1,901	1,791

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For the Board of Directors
The Chairman
Marina Berlusconi



CONSOLIDATED INCOME STATEMENT – THIRD QUARTER

(Euro/000)	3Q16	3Q15
Revenue from sales and services	372,702	300,354
Decrease (increase) in inventory	18,138	5,418
Cost of raw and ancillary materials, consumables and goods	57,119	57,627
Cost of services	189,397	155,381
Cost of personnel	56,999	53,050
Other (income) costs	3,572	6,328
Income (costs) from investments valued at equity	278	7,301
EBITDA	47,755	29,851
Depreciation and impairment loss on property, plant and equipment	1,963	1,748
Amortization and impairment loss on intangible assets	6,268	3,350
Impairment loss on investments valued at equity and other enterprises	-	4,000
EBIT	39,524	20,753
Financial income (costs)	(4,764)	(5,191)
Income (costs) from other investments	-	-
Result before taxes for the period	34,760	15,562
Income tax	13,109	4,918
Result from continuing operations	21,651	10,644
Result from discontinued operations	700	(578)
Net result	22,351	10,066
Attributable to:		
- Minority shareholders	706	682
- Parent Company's shareholders	21,645	9,384

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For the Board of Directors
The Chairman
Marina Berlusconi



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