



**INTERIM REPORT
ON OPERATIONS
AT 31 MARCH 2017**

ARNOLDO MONDADORI EDITORE S.p.A.

Share Capital Euro 67,979,168.40

Registered Office in Milan
Administrative Offices in Segrate (Milan)

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

CONTENTS

Mondadori Group Highlights in 1Q17	7
Composition of Corporate Bodies	8
Mondadori Group Organization	9
Mondadori Group Organization Chart	10
DIRECTORS' REPORT ON MONDADORI GROUP OPERATIONS IN 1Q17	
Main Elements in Mondadori Business Areas	11
Consolidated Financial Highlights in 1Q17	13
Income Statement	14
Financial Results	19
Performance by Business Area	20
Financial Position	34
Personnel	37
Significant Events in the Reporting Period	39
Significant Events after the Reporting Period	39
Other Information	40
Glossary of Terms and Alternative Performance Measures Used	41
Business Outlook	42
CONSOLIDATED BALANCE SHEET AND INCOME STATEMENT	
Consolidated Balance Sheet	44
Consolidated Income Statement	46
Consolidated Comprehensive Income Statement	47

**MONDADORI GROUP
HIGHLIGHTS IN 1Q17**

(Euro/millions)	1Q17	1Q17 excluding Rizzoli Libri *	1Q16	Var. %*
Mondadori Group				
Revenue	261.1	240.1	254.8	2.5%
Adjusted EBITDA	3.5	11.0	10.1	n.s.
<i>% adjusted EBITDA on revenue</i>	<i>1.3%</i>	<i>4.6%</i>	<i>4.0%</i>	
EBITDA	1.8	9.3	8.5	n.s.
<i>% EBITDA on revenue</i>	<i>0.7%</i>	<i>3.9%</i>	<i>3.4%</i>	
EBIT	(6.1)	2.7	3.1	n.s.
<i>% EBIT on revenue</i>	<i>2.3%</i>	<i>1.1%</i>	<i>1.2%</i>	
Net result	(9.2)	(1.6)	(1.8)	n.s.

Business Areas				
Revenue	261.1	240.1	254.8	2.5%
Books	80.3	59.7	63.4	26.6%
Retail	42.9	42.9	44.4	(3.5%)
Magazines Italy	72.2	72.2	78.4	(8.0%)
Magazines France	72.4	72.4	77.1	(6.2%)
Corporate & Shared Services	7.5	7.5	5.4	40.6%
Intercompany	(14.1)	(14.5)	(14.0)	1.0%
Adjusted EBITDA	3.5	11.0	10.1	n.s.
Books	(3.0)	4.5	4.1	n.s.
Retail	(2.1)	(2.1)	(1.8)	n.s.
Magazines Italy	6.6	6.6	6.4	2.9%
Magazines France	3.6	3.6	4.3	(17.4%)
Corporate & Shared Services	(1.5)	(1.5)	(2.9)	n.s.

Balance Sheet	31 Mar. 2017	31 Mar. 2016	Var. %
Equity	309.2	292.9	5.6%
Net financial position	286.2	224.9	27.3%

Human Resources	31 Mar. 2017	31 Mar. 2016	
End-of-period headcount	3,214	3,000	7.1%

* 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

Paolo Ainio

Alfredo Messina

Martina Forneron Mondadori**

Danilo Pellegrino

Roberto Poli

Oddone Pozzi

Angelo Renoldi**

Mario Resca

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

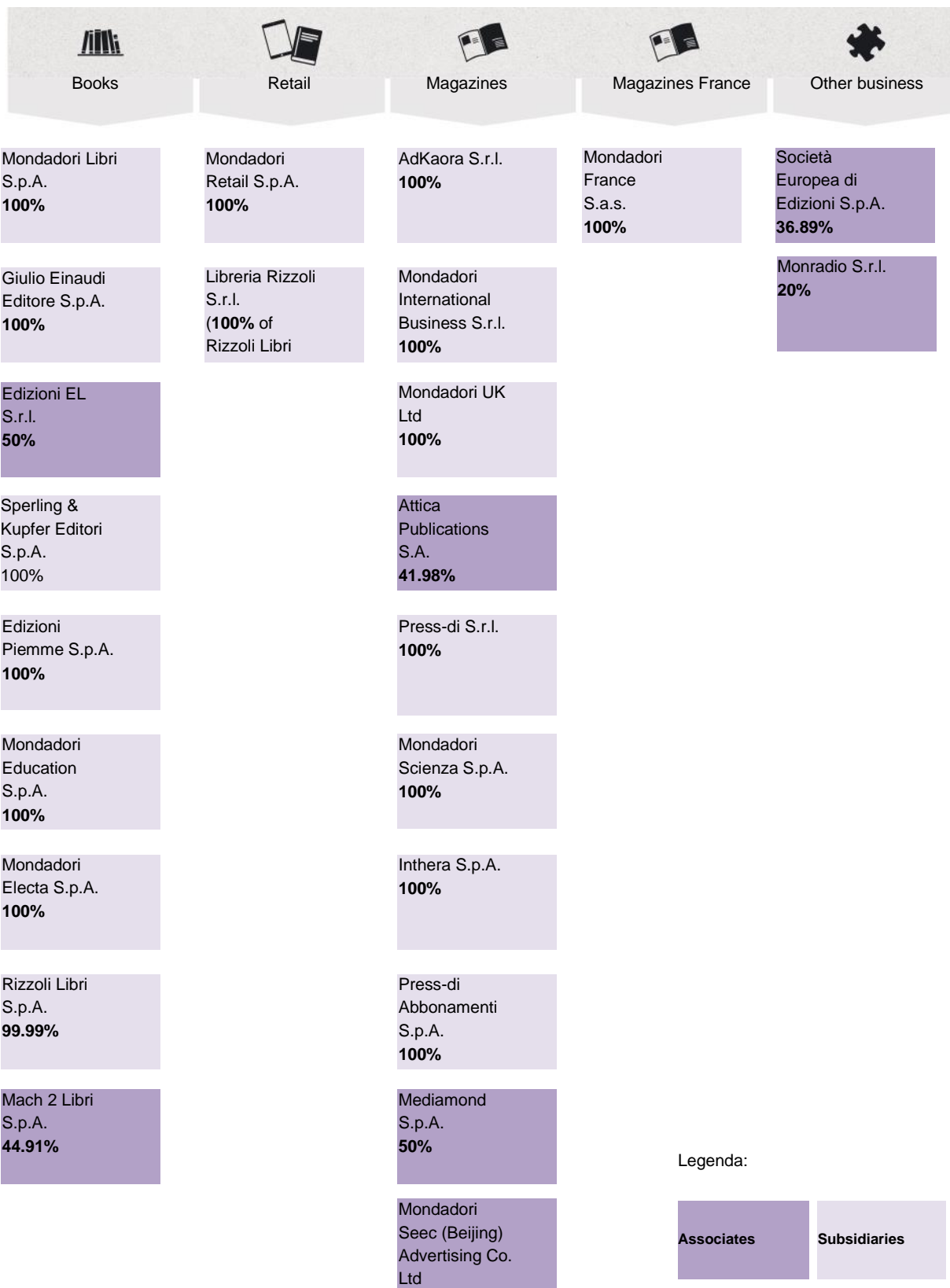
** The Board of Directors and the Board of Statutory Auditors currently in office were appointed by the Shareholders' Meeting of 23 April 2015*

*** Independent Director*

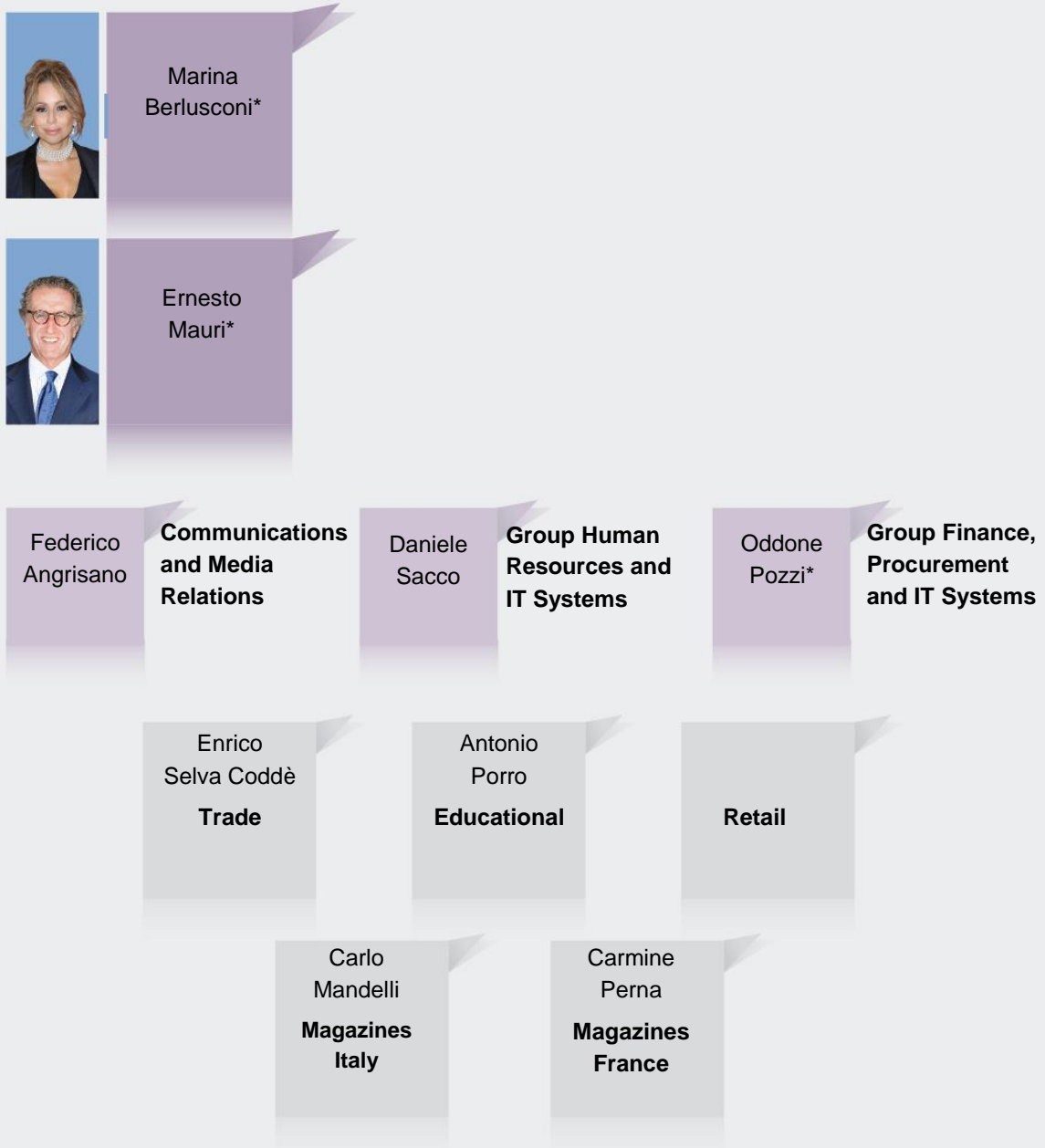
MONDADORI GROUP ORGANIZATION

MONDADORI*

ARNOLDO MONDADORI EDITORE S.P.A.



MONDADORI GROUP ORGANIZATION CHART



DIRECTORS' REPORT ON OPERATIONS AT 31 MARCH 2017

In 1Q17, the Group continued - excluding the effects of the acquisition of Rizzoli Libri - on the path of operational improvement that had started in prior years, reporting an **8.3% increase in adjusted EBITDA** and a further progress in LTM cash flow from ordinary operations, which reached 51 million euro.

The consolidation of Rizzoli Libri drove **revenue up by 2.5%** versus the prior year. EBITDA of the overall scope has little bearing on the performance of the entire year since the negative contribution of Rizzoli Libri (outside the scope in 1Q16) is attributable to the seasonal nature of the Education business, which includes in the first quarter costs for the creation of editorial content, as well as expenses to promote the campaign on school textbooks adoption, while revenue is typically recorded in the second and third quarters of the year.

MAIN ELEMENTS OF THE MONDADORI GROUP'S BUSINESS AREAS IN THE REPORTING PERIOD

o Books

In the **Trade Books** Area, in a market that continues in the first quarter the steady trend of 1Q16 (-0.4%), the Group maintains its **leadership** with the presence of 4 titles in the top 10 best-selling books of the first three months of the year; in the **Educational Books** Area, Mondadori Electa achieved a positive performance in museum management activities.

At 31 March 2017, the market share of **Mondadori Retail** in the Books channel (79% of revenue) stood at **14.6%** (14.5% at 31 March 2016).¹

o Magazines

In **Italy**, in a continually adverse market in terms of circulation, Mondadori retained its **leadership** with a **32.7 % share**². With an audience of 16.6 million unique users/month, Mondadori is **Italy's top publisher in the digital business** and, thanks to the contribution of Banzai Media activities, in a basically shrinking advertising market in the first two months of the year³, it increased advertising revenue by over 9%.

Magazines France's circulation figures improved versus the relevant market trend.⁹ The **digital readers** (web, mobile & tablet) of Mondadori France magazines reached **11.9 million unique users**⁴, **up by approximately +3%** versus 1Q16.

¹ Source: GFK, March 2017 (figures in terms of market value)

² Internal source: Press-Di, cumulative figures at February 2017 (newsstands + subscriptions in terms of value)

³ Source: Nielsen, cumulative figures at February 2017

⁴ Source: Mediametrie Netratings - Nielsen, January-February 2017 average figure

CONSOLIDATED FINANCIAL HIGHLIGHTS IN 1Q17

Euro/millions	1Q17	% on revenue	1Q17 excluding Rizzoli Libri	% on revenue	1Q16	% on revenue	Var. %	Var. % excluding Rizz. Libri
Revenue from sales and services	261.1	100.0%	240.1	100.0%	254.8	100.0%	2.5%	-5.8%
Cost of sold items	80.3	30.8%	70.4	29.3%	80.3	31.5%	0.1%	-12.4%
Variable costs	91.3	35.0%	82.0	34.2%	87.2	34.2%	4.7%	-5.9%
Fixed costs	28.5	10.9%	23.9	10.0%	23.6	9.3%	20.9%	1.4%
Cost of personnel*	61.8	23.7%	57.1	23.8%	55.9	22.0%	10.4%	2.1%
Other costs/(income)	-4.8	-1.8%	-4.7	-2.0%	-3.1	-1.2%	n.m.	n.m.
Result - associates	-0.5	-0.2%	-0.4	-0.2%	-0.7	-0.3%	n.m.	n.m.
Adjusted EBITDA	3.5	1.3%	11.0	4.6%	10.1	4.0%	-65.3%	8.3%
Restructuring costs	-1.4		-1.4		-1.6		-9.0%	-9.0%
Non-ordinary items	-0.3		-0.3		0.0		n.m.	n.m.
EBITDA	1.8	0.7%	9.3	3.9%	8.5	3.4%	-78.6%	8.8%
Amortization, depreciation and impairment	8.0	3.0%	6.5	2.7%	5.5	2.1%	46.1%	20.1%
EBIT	-6.1	-2.3%	2.7	1.1%	3.1	1.2%	n.m.	-11.3%
Net financial income (costs)	-3.4	-1.3%	-2.5	-1.0%	-3.6	-1.4%	-6.0%	-31.0%
Income (costs) from other investments	0.0	0.0%	0.0	0.0%	0.0			
Profit before taxes for the period	-9.5	-3.7%	0.3	0.1%	-0.5	-0.2%	n.m.	n.m.
Income tax	-1.0	-0.4%	1.3	0.5%	0.9	0.4%	n.m.	39.4%
Minority shareholders' result	0.6	0.2%	0.6	0.2%	0.4	0.2%	52.4%	52.6%
Net result	-9.2	-3.5%	-1.6	-0.7%	-1.8	-0.7%	n.m.	n.m.

The column "1Q17 excluding Rizzoli Libri" includes the Group's income statement net of the contribution of Rizzoli Libri activities, which was outside the scope of consolidation in 1Q16. This scope includes, instead, the contribution of Banzai Media, merged by incorporation in the parent Arnoldo Mondadori Editore S.p.A., with accounting effects as from 1 January 2017.

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".

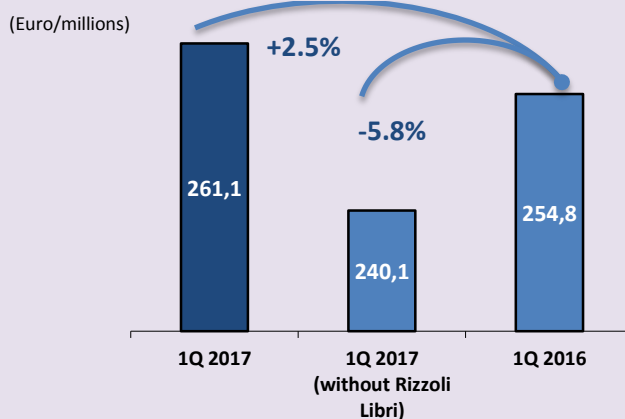
* Cost of personnel includes, as from 1 January 2017, costs for collaborations. Accordingly, last year's cost of personnel has been reclassified for comparative purposes.

INCOME STATEMENT

REVENUE

In 1Q17, consolidated revenue amounted to 261.1 million euro, **up by 2.5%.**

Net of the contribution of Rizzoli Libri, Group revenue dropped by 5.8% versus 1Q16, due mainly to the performance of all the business areas.



Revenue by Business Area

(Euro/millions)

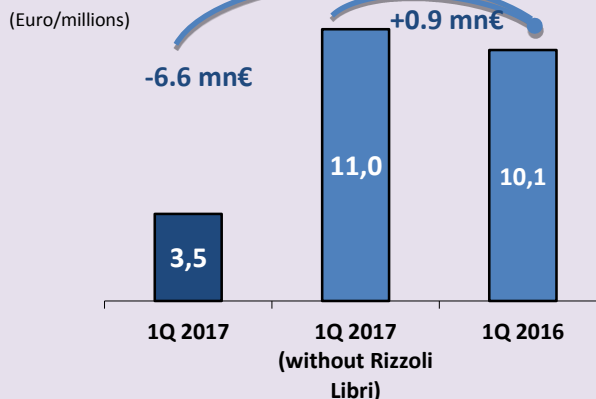
	1Q 2017	1Q 2017 (without Rizzoli Libri)	1Q 2016	Var. %	Var. % (without Rizzoli Libri)
Books	80.3	59.7	63.4	26.6%	(5.9%)
Retail	42.9	42.9	44.4	(3.5%)	(3.5%)
Magazines Italy	72.2	72.2	78.4	(8.0%)	(8.0%)
Magazines France	72.4	72.4	77.1	(6.2%)	(6.2%)
Corporate & Shared Services	7.5	7.5	5.4	40.6%	40.6%
Total aggregate revenue	275.2	254.6	268.8	2.4%	(5.3%)
Intercompany revenue	(14.1)	(14.5)	(14.0)	1.0%	
Total consolidated revenue	261.1	240.1	254.8	2.5%	(5.8%)

EBITDA

Excluding Rizzoli Libri, the Group's adjusted EBITDA grew by 8.3%, with a percentage on revenue increasing from 4.0% to 4.6% - especially in the Books (+8.2%) and Magazines Italy areas (from 6.4 million euro to 6.6 million euro).

Consolidated performance followed the pattern of the past two years.

Including the result of Rizzoli Libri, EBITDA amounted to 3.5 million euro, as a result of the negative contribution of -7.4 million euro in 1Q17, attributable to the seasonal nature of the Education business, which includes in the first quarter costs for the creation of editorial content, as well as expenses to promote the campaign on school textbooks adoption, while revenue is typically recorded in the second and third quarters of the year.



Adjusted EBITDA by Business Area

(Euro/millions)

	1Q 2017	1Q 2017 (without Rizzoli Libri)	1Q 2016	Var. %
Books	(3.0)	4.5	4.1	n.s.
Retail	(2.1)	(2.1)	(1.8)	n.s.
Magazines Italy	6.6	6.6	6.4	2.9%
Magazines France	3.6	3.6	4.3	(17.4%)
Corporate & Shared Services	(1.5)	(1.5)	(2.9)	n.s.
Total Adjusted EBITDA	3.5	11.0	10.1	n.s.

Consolidated EBITDA, excluding Rizzoli Libri, **improved by approximately 9%** (from 8.5 million euro to 9.3 million euro), confirming the Group's continued efficiency recovery.

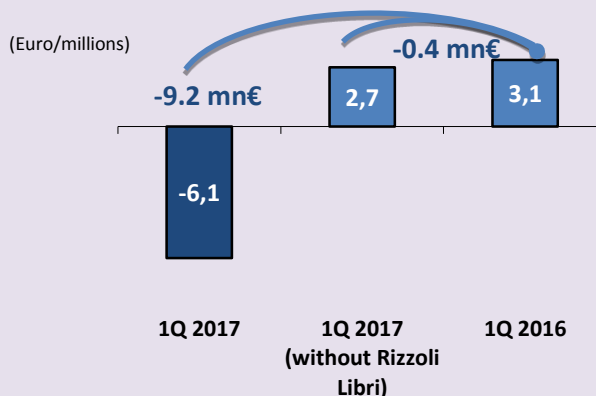
Consolidated reported EBITDA came to 1.8 million euro.

EBITDA by Business Area <i>(Euro/millions)</i>	1Q 2017	1Q 2017 (without Rizzoli Libri)	1Q 2016	Var. %
Books	(3.3)	4.2	4.0	n.s.
Retail	(2.9)	(2.9)	(1.8)	n.s.
Magazines Italy	6.5	6.5	6.3	4.1%
Magazines France	3.0	3.0	3.7	(20.3%)
Corporate & Shared Services	(1.5)	(1.5)	(3.7)	n.s.
Total EBITDA	1.8	9.3	8.5	n.s.

EBIT

Consolidated EBIT in 1Q17 amounted to -6.1 million euro and includes amortization, depreciation and impairment of 8 million euro, up versus 5.5 million euro in 1Q16; the item includes the amortization of Banzai Media goodwill (0.5 million euro) and the amortization of capitalized expenses of the Rizzoli Libri school business (1.1 million euro).

Excluding the contribution of Rizzoli Libri, EBIT came to 2.7 million euro.



EBIT by Business Area

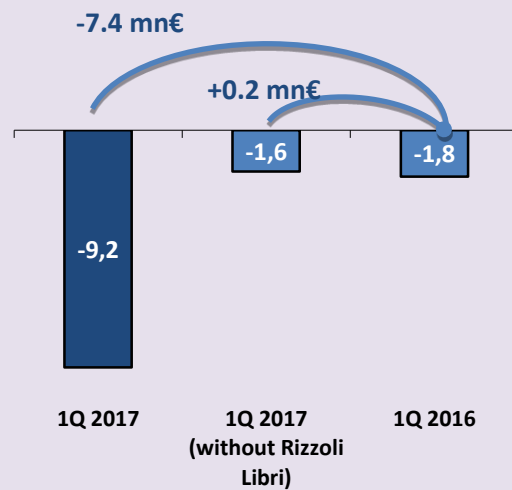
(Euro/millions)	1Q 2017	1Q 2017 (without Rizzoli Libri)	1Q 2016	Var. %
Books	(6.0)	2.9	2.9	n.s.
Retail	(3.8)	(3.8)	(2.6)	n.s.
Magazines Italy	5.6	5.6	6.0	(8.2%)
Magazines France	0.0	0.0	0.8	n.s.
Corporate & Shared Services	(1.9)	(1.9)	(4.0)	n.s.
Total EBIT	(6.1)	2.7	3.1	n.s.

NET RESULT

The consolidated result before taxes came to -9.5 million euro and includes financial costs of 3.4 million euro, down versus the prior year, despite an increase in average net debt of approximately 50 million euro following the outlays for the acquisition of Rizzoli Libri, for a more efficient use of the Group's credit lines. Accordingly, the net result came to -9.2 million euro.

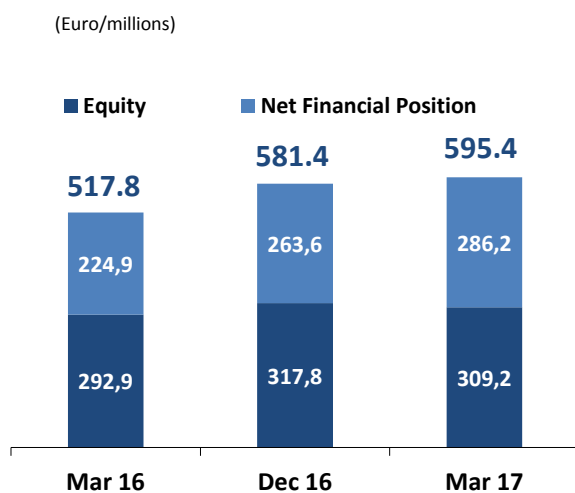
Excluding Rizzoli Libri, financial costs dropped by 31% (from 3.6 million euro to 2.5 million euro), producing a **net result** of -1.6 million euro, **improving** versus -1.8 million euro at 31 March 2016.

(Euro/millions)



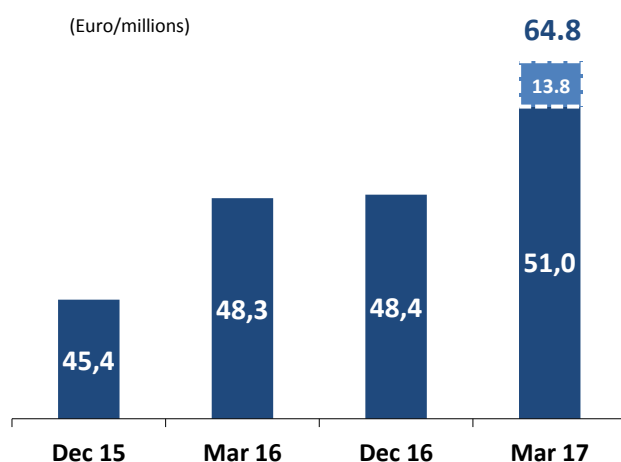
FINANCIAL RESULTS

NET INVESTED CAPITAL



The **Group net invested capital** amounted to **595.4 million euro** at 31 March 2017, **increasing** versus 517.8 million euro at 31 March 2016 (581.4 million euro at 31 December 2016), as a result of the acquisitions made in 2016.

CASH FLOW FROM LTM



At 31 March 2017, **cash flow from operations** in the last twelve months came to a **positive 96 million euro** (76.6 million euro excluding Rizzoli Libri); **cash flow from ordinary operations** (after outlays for financial charges

At 31 March 2017, the **Group net working capital** increased by approximately 34 million euro, attributable mainly to Rizzoli Libri and consistent with the balance sheet dynamics of the business, despite the efficient management of the relating items. **Net fixed assets** amounted to 686 million euro, basically in line with the figure at end 2016, and up versus March 2016 by approximately 60 million euro, due to the acquired companies.

The **Group's net financial position** at 31 March 2017 came to **-286.2 million euro** versus **-224.9 million euro** at 31 March 2016, as a result of cash outlays by the Group for extraordinary transactions in the last twelve months (-126.1 million euro), despite the positive cash generation from ordinary operations of approximately 65 million euro.

and taxes for the period) came to **64.8 million euro**; excluding Rizzoli Libri, cash flow from ordinary operations amounted to **51 million euro**, **improving** versus 48.4 million euro at 31 December 2016.

Cash flow from extraordinary operations came to **-126.1 million euro** as a result of:

- capital expenditure net of disposals of 130.4 million euro;
- restructuring costs of approximately 17 million euro;
- cash-ins from prior-years' taxes totaling 21 million euro.

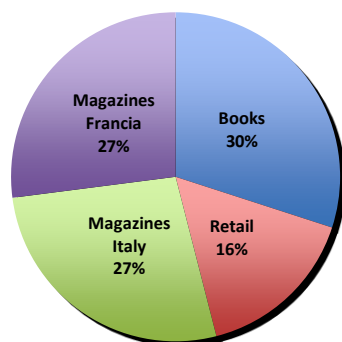
PERFORMANCE BY BUSINESS AREA

(Euro/millions)	Revenue			Adjusted EBITDA			EBITDA			Amortization, depreciation and impairment			EBIT		
	1Q17	1Q17 (excluding Rizzoli L.)	1Q16	1Q17	1Q17 (excluding Rizzoli L.)	1Q16	1Q17	1Q17 (excluding Rizzoli L.)	1Q16	1Q17	1Q17 (excluding Rizzoli L.)	1Q16	1Q17	1Q17 (excluding Rizzoli L.)	1Q16
Books	80.3	59.7	63.4	(3.0)	4.5	4.1	(3.3)	4.2	4.0	2.7	1.3	1.1	(6.0)	2.9	2.9
Retail	42.9	42.9	44.4	(2.1)	(2.1)	(1.8)	(2.9)	(2.9)	(1.8)	0.9	0.9	0.8	(3.8)	(3.8)	(2.6)
Magazines Italy	72.2	72.2	78.4	6.6	6.6	6.4	6.5	6.5	6.3	1.0	1.0	0.2	5.6	5.6	6.0
Magazines France	72.4	72.4	77.1	3.6	3.6	4.3	3.0	3.0	3.7	2.9	2.9	2.9	0.0	0.0	0.8
Corporate & Shared Services	7.5	7.5	5.4	(7.0)	(7.0)	(7.7)	(2.2)	(2.2)	(4.1)	0.4	0.4	0.4	(2.6)	(2.6)	(4.4)
Adjustments and cancellations	(14.1)	(14.5)	(14.0)	5.5	5.5	4.9	0.7	0.7	0.4				0.7	0.7	0.4
TOTAL	261.1	240.1	254.8	3.5	11.0	10.1	1.8	9.3	8.5	8.0	6.5	5.5	(6.1)	2.7	3.1

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

REVENUE BY BUSINESS AREA

1Q2017



1Q2016



BOOKS

Mondadori Libri S.p.A. is the company at the head of all Group activities in the Books Area.

The 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; the 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 textbooks, 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 the Rizzoli, Rizzoli New York and Universe brands.

Relevant market performance

In 1Q17, the Trade Books market fell by 0.4% versus 1Q16.⁵

Sales channels¹ continued, to a greater extent, the trends seen in 2016:

- bookstore chains and independent bookstores (which jointly make for approximately 70% of the total market) reported mixed trends, the former up by +0.2%, the latter down by -7.3%;
- e-commerce increased by 23.7%, making for 21% of the total market;
- large retailers continued the sharp drop, down by a further -20.3%, making for 9% of the total market.

As for products, hardcovers (which make for 82% of the market) **increased by 0.5%**, while paperbacks continued to fall, losing 4.0% in the first three months.

The Trade Books Area of Mondadori Libri was once again market leader, increasing its overall share to **28.0%** following the acquisition of the Rizzoli Libri brands (Rizzoli, BUR and Fabbri Editori). In 1Q17, the Group held the first two positions in the ranking of the best-selling titles in terms of value (*Storie della buonanotte per bambine ribelli. 100 vite di donne straordinarie* by F. Cavallo and E. Favilli and *L'arte di essere fragili. Come Leopardi può salvarti la vita* by A. D'Avenia), and put 4 titles in the first ten (*Il labirinto degli spiriti* by C. R. Zafòn in sixth place and *La ragazza del treno* by P. Hawkins in seventh).

⁵ Source: GFK, March 2017 (figures in terms of market value)

Trade Market Shares

Trade Market	31 March 2017	31 March 2016
Mondadori Libri	22.5%	22.9%
Rizzoli Libri	5.5%	6.1%
Total Mondadori Group	28.0%	29.0%
GeMS Group	10.4%	9.8%
Giunti Group	8.1%	9.2%
Feltrinelli	4.3%	4.5%
Other	49.2%	47.5%

Source: GFK, figures at March 2017 (market value)

In 1Q17, the Educational segment was marked by the seasonal effects of the school textbooks business; as a result, the relevant market shares are still unavailable at 31 March 2017.

Performance of the Books Area

Books (Euro/millions)	1Q17	1Q17 excluding Rizzoli Libri	1Q16	Var. % excluding Rizzoli Libri	Var. %
Revenue	80.3	59.7	63.4	(5.9%)	26.6%
Adjusted EBITDA	(3.0)	4.5	4.1	8.2%	n.s.
EBITDA	(3.3)	4.2	4.0	4.1%	n.s.
EBIT	(6.0)	2.9	2.9	0.0%	n.s.

Revenue

(Euro/millions)	1Q17	1Q16	Var. %*
Trade Books Revenue			
Mondadori Trade	42.8	44.4	(3.5%)
Rizzoli Trade	8.6		
Total TRADE	51.5	44.4	15.9%
Rizzoli Education	2.2		
Mondadori Education	2.2	2.1	7.3%
Total EDUCATION	4.4	2.1	114.4%
Mondadori Electa	8.5	7.5	13.5%
Rizzoli International Publications	5.6		
Total EDUCATIONAL	18.5	9.5	93.9%
Distribution and other services	10.7	9.5	13.0%
Total consolidated revenue	80.3	63.4	26.6%
Total consolidated revenue excluding Rizzoli Libri	59.7	63.4	(5.9%)

In 1Q17, **revenue** amounted to 80.3 million euro, up by **26.6%** versus 1Q16, as a result of the consolidation of Rizzoli Libri:

- **Trade Books Revenue:** revenue from the Area in 1Q17 **grew by 15.9%** versus 1Q16; the increase is also explained by the consolidation of Rizzoli Libri, outside the scope in 1Q16, which contributed 8.6 million euro to revenue.

In the **Hardcover** segment, the five main publishers performed as follows:

- **Mondadori:** the top bestsellers were *Storie della buonanotte per bambine ribelli. 100 vite di donne straordinarie* by F. Cavallo and E. Favilli, *L'arte di essere fragili. Come Leopardi può salvarti la vita* by A. D'Avenia and *Nessuno come noi* by A. Bianchini; *La grande via* by F. Berrino was the most significant new non-fiction title;
- **Einaudi:** *Sete*, the new book by Jo Nesbo, one of the world's most famed crime novelists, *Intrigo italiano* by C. Lucarelli, *Le otto montagne* by P. Cognetti and *Nel guscio* by I. McEwan, were the main titles of the first quarter;
- **Piemme:** *Il Passaggio* by M. Connelly and *Una perfetta sconosciuta* by A. Burke were the most interesting titles of the first quarter, while *la Ragazza del treno* by Paula Hawkins, a best-selling international thriller published in 2015, continued its successful streak; in the Children's Books segment, the series with the character *Geronimo Stilton* were the most significant titles of the Publisher;
- **Sperling & Kupfer:** Anna Todd's new books (*Nothing more* and *Nothing more 2*) were the Publisher's main titles of the first quarter, along with *L'appartamento* by D. Steel;
- **Rizzoli:** the main titles in the first three months included *Da dove la vita è perfetta* by S. Avallone and *L'Italia non c'è più* by G. Pansa; additionally, for the release of the children's film *Fallen*, the quarter under review enjoyed significant sales volumes in the Children's Area, driven by Lauren Kate's series.

In the **Paperback** segment, in a declining relevant market, the Group **grew by 15.7%** versus 1Q16, as a result of the consolidation of Rizzoli. Even on a like-for-like basis, the Group **outperformed the market**, propelled by the good performance of the Tascabili Einaudi.

- **Educational Books Revenue:** in the first quarter, the Educational segment was marked by the seasonal effects of the school textbooks business, whose revenue is typically generated in the second and third quarters of the year.

Despite that, in 1Q17 the segment's revenue, on a like-for-like basis, **increased by 12.2%** versus 1Q16, doubling overall revenue, including the consolidation of Rizzoli Libri.

- **Mondadori Education** achieved revenue of 2.2 million euro, up by **7.3%** versus 1Q16.
- **Rizzoli Education** achieved revenue of 2.2 million euro in the quarter.

The school textbooks business reported **overall revenue of 4.4 million euro** versus 2.1 million euro in 1Q16.

- **Mondadori Electa** achieved **revenue of 8.5 million euro** in 1Q17, **up by 13.5%** versus the prior year, as a result of the positive performance reported in both activities:

- regarding the **management and organization of exhibitions**, the quarter under review saw:

- the growth of tourist flows in Rome (Colosseum);
- the start of exhibitions at the Capodimonte Museum in Naples;
- the awarding of the management of the Venice Biennial bookshop for a further four years;

- as for the **publication of books and catalogues**, the Company reported a positive performance of the *web star* series (thanks especially to the steady performance of *Mates* and the launch of new titles), the first book of the *coach star* series (Montemagno) and the children's series *Cube Kid*.

- **Rizzoli International Publications** achieved revenue of **5.6 million euro** in the quarter, including sales 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 **10.7 million euro**, was up by 13% versus 1Q16, as a result of the consolidation of Rizzoli Libri.

E-book

Revenue from the download of e-books **increased by 16.6%**, accounting for **5.6%** of revenue, attributable to the consolidation of the share of digital sales of Rizzoli Libri. On a like-for-like basis, revenue from e-books fell by 5.6%.

The top digital titles in the first quarter were *Il passaggio* by M. Connelly, *La ragazza del treno* by P. Hawkins (both published by Piemme), *Intrigo italiano* by C. Lucarelli and *Pane* by M. De Giovanni (Einaudi), *Il labirinto degli spiriti* by C. R. Zafon and *L'arte di essere fragili* by A. D'Avenia (Mondadori).

In the first quarter, the Mondadori Group, on a like-for-like basis, published 361 new digital titles, bringing the total number of titles held in the digital catalogue to approximately 11,900, in addition to the 4,600 titles of the Rizzoli Libri digital catalogue.

EBITDA

On a like-for-like basis, **Mondadori Libri's adjusted EBITDA increased by approximately 8%** versus 1Q16 (4.1 million euro) to **4.5 million euro**, driven also by the good performance of Electa.

Rizzoli Libri had a negative impact of -7.4 million euro in the quarter on the Books Area's EBITDA, as a result of the typical seasonality factors of the school textbooks business, which includes in the first quarter costs for the creation of editorial content, as well as expenses to promote the campaign on school textbooks adoption, while revenue is recorded in the second and third quarters of the year.

Reported EBITDA, including the effects of the consolidation of Rizzoli Libri, amounted to **-3.3 million euro** (4.2 million euro on a like-for-like basis versus 4.0 million euro at 31 March 2016).

RETAIL

The Mondadori Group operates in Italy with a network of approximately 580 bookshops composed of directly managed bookshops, megastores, franchised bookshops (including under the *Mondadori Point* sign), and shop-in-shops (50), in addition to the web channels (www.mondadoristore.it, www.rizzolilibri.it) and book clubs.

Following the acquisition of Rizzoli Libri, the Retail network now includes the established bookstore in Galleria Vittorio Emanuele, Milan.

Relevant market performance

The relevant market for the Retail Area is books (79% of revenue⁶), which was basically steady (-0.4%⁷) versus the prior year.

In the period under review, the **market share** of Mondadori Retail in the Books stood at **14.6%**, in line with 14.5% at 31 March 2016.

Mondadori Retail network trend

STORES	Dec. 2016	Var. 12M16	Mar. 2017
Megastores	11		11
Directly-managed bookstores	20		20
Franchised bookstores	547	-4	543
TOTAL	578	-4	574

Performance of the Retail Area

Retail (Euro/millions)	1Q17	1Q16	Var. %
Revenue	42.9	44.4	(3.5%)
Adjusted EBITDA	(2.1)	(1.8)	n.s.
EBITDA	(2.9)	(1.8)	n.s.
EBIT	(3.8)	(2.6)	n.s.

⁶ Store revenue

⁷ Source: GFK, March 2017 (figures in terms of market value)

Revenue

In the first three months of the year, the Retail Area posted **revenue of 42.9 million euro**, down by 3.5% versus 1Q16, which had benefited from a favourable calendar (one day more - February 29 - and the Easter holidays in March 2016).

(Euro/millions)			
Retail	1Q17	1Q16	Var. %
Megastores	11.2	11.4	(1.6%)
Directly-managed bookstores	6.3	6.9	(8.0%)
Franchised bookstores	17.4	19.1	(8.8%)
Online	3.6	2.5	42.9%
Stores	38.5	39.9	(3.4%)
Book clubs and other	4.3	4.5	(4.3%)
Total revenue	42.9	44.4	(3.5%)

Revenue from **Stores** fell by 3.4% versus 1Q16.

By type of product:

- Books were the predominant product category, making for **79% of the total**, and outperformed the relevant market by **approximately +0.4 percentage points**⁸, 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 negative trend in the Impulse (stationery and toys), Media and Consumer Electronics categories.

The analysis by channel shows the following:

- a 1.6% drop by Megastores, due mainly to the shrinking sales in Consumer Electronics;
- an 8.0% drop by direct bookstores (-5.8% on a like-for-like basis in terms of stores);
- a negative performance in the reporting period of Franchised Bookstores (-8.8%, or -8.6% on a like-for-like basis in terms of stores);
- an approximately 43.0% increase in the online segment, driven mainly by the positive performance of sales related to the government’s “Culture Bonus” for 18 year olds (“18app”).⁹

EBITDA

In 1Q17, Mondadori Retail’s **adjusted EBITDA** came to **-2.1 million euro**, deteriorating versus -1.8 million euro reported in 1Q16, due also to the negative contribution of the Rizzoli bookstore.

Reported EBITDA came to **-2.9 million euro** (-1.8 million euro in 1Q16), as a result of restructuring costs (0.8 million euro).

⁸ Source: GFK, March 2017 (figures in terms of value)

⁹ Bonus earmarked in the 2016 Stability Law (Law no. 208 of 28 December 2015) for young people who turned eighteen in 2016, amounting to €500, usable until 31 December 2017 to buy: tickets for cinema, theatre and live performances; books and visits to museums and exhibitions.

MAGAZINES ITALY

Relevant market performance

Relevant markets in the first months of 2017 reported a general downward trend.

At February:

- the advertising market dropped by 2.3%, the downturn involving the whole range of media, newspapers in particular (-9.7%); magazines (-6.4%) and the Internet (-2.9%) fell¹⁰.
- the magazine circulation market dropped by 12.2%, both channels (newsstands and subscriptions) following the same downward pattern¹¹; in this context, Mondadori retained its **market leadership** with a **32.7%** share (32.3% at February 2016)¹¹;
- revenue from add-on sales in the first two months of the year plummeted versus the same period of 2016: magazines shrank by approximately 20%, while newspapers tumbled by -32%.

Performance of Magazines Italy

Magazines Italy <i>(Euro/millions)</i>	1Q17	1Q16	Var. %
Revenue	72.2	78.4	(8.0%)
Adjusted EBITDA	6.6	6.4	2.9%
EBITDA	6.5	6.3	4.1%
EBIT	5.6	6.0	(8.2%)

Following the merger by incorporation of Banzai Media S.r.l. in Arnoldo Mondadori Editore S.p.A. - concluded on 10 January 2017 and with accounting and tax effects from 1 January 2017 - and the integration of its digital activities, the scope acquired in 2016 is no longer recognized as from 2017.

Revenue

Magazines Italy posted **revenue of 72.2 million euro**, down by 8% versus 1Q16.

¹⁰ Source: Nielsen, cumulative figures at February 2017

¹¹ Internal source: Press-di, cumulative figures at February 2017 (newsstands + subscriptions in terms of cover price)

(Euro/millions)			
Magazines Italy	1Q17	1Q16	Var. %
Circulation	29.1	32.5	(10.7%)
Advertising	19.0	17.4	9.4%
Add-on sales	11.8	15.8	(25.3%)
Distribution and revenue towards third publishers	5.5	5.8	(4.1%)
Other revenue	6.7	6.9	(2.6%)
Total revenue	72.2	78.4	(8.0%)

- **Circulation** revenue **lost 10.7%**; the drop was basically in line with the relevant market trend in both the newsstand and subscription channels.
- **Advertising** revenue (print + web) **increased by 9.4%**, driven by the contribution of the consolidation of Banzai Media activities, bringing the percentage of **digital** revenue on the total to approximately **26%**.

Print advertising sales in Italy - on a like-for-like basis of titles and barter deals for goods - were in line (-5.6%) with the market trend;

- Revenue from **add-on products** (DVDs, CDs, books and gadgets), sold in attachment to Mondadori magazines, **dropped sharply** versus 1Q16, in line with the market trend. 1Q16 had benefited from the strong performance of Home-Video products (*Grandi Classici Disney*) and CDs (*Rolling Stones* and the *Pooh* series).
- Regarding **Press-Di distribution and revenue towards third parties**, against the 7% and 8% drop in copies sold in newspapers and magazines¹², respectively, in the first two months of 2017 in the Newsstand/Large Retailer channel, in 1Q17 the Area reported a more modest decline of approximately 4% versus the prior year, thanks to the ongoing commitment to developing third-publisher portfolios.
- Other revenue includes:
 - **international operations**, which generated revenue of 1.4 million euro in the reporting period (down versus 1.6 million euro in 1Q16), as a result of the drop in licensing activities caused by the deteriorated market environment (instability of the UK market in particular) and the negative effect of the exchange rates of the British and Chinese currencies. In the period under review, the *Grazia International Network* released a new edition in Pakistan, while the weekly *Il Mio Papa* was launched in Portugal.
 - revenue from **Digital Marketing Service** activities (3.0 million euro) dropped by approximately 7%, due to the different timeframe of orders with major customers.

The **Mondadori Group** reaches a **unique audience of 16.6 million users/month**¹³ versus 8.9 million/month in February 2016 (+4% versus December 2016), retaining its leadership as **Italy's leading digital publisher** in

¹² Source: ADS, figures in terms of copies, February 2017

¹³ Source: Audiweb, at February 2017

key vertical segments such as women, food, health&wellness. A position corroborated by comScore surveys, which reported a Group audience of **24.3 million unique users/month** at February 2017.

As part of the integration and development projects, March saw the start of the first brand extension initiative with the launch of the magazine *Giallo Zafferano* (monthly out on newsstands from 18 March).

EBITDA

Adjusted EBITDA in the **Magazines Italy** Area **improved by approximately 3%**, rising from 6.4 million euro to **6.6 million euro**, driven mainly by the benefits from the combination of Banzai Media and Mondadori's teams and digital products.

The Area's **reported EBITDA** confirmed the **growth trend**.

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

- several foreign subsidiaries (including Attica Publications and Mondadori Seec Advertising - exclusive agency for the sale of advertising spaces in the Chinese edition of *Grazia*), whose overall contribution in the period under review came to a positive **0.2 million euro** (0.3 million euro in 1Q16);
- the Mediamond joint venture, whose pro-rata result in 1Q17 came to **-0.2 million euro** (-0.6 million euro at 31 March 2016).

MAGAZINES FRANCE

Relevant market performance

In the period under review, Mondadori France's relevant markets continued to decline.

Performance of Magazines France

Magazines France

(Euro/millions)

	1Q17	1Q16	Var. %
Revenue	72.4	77.1	(6.2%)
Adjusted EBITDA	3.6	4.3	(17.4%)
EBITDA	3.0	3.7	(20.3%)
EBIT	0.0	0.8	n.s.

Revenue

In 1Q17, revenue from Mondadori France amounted to **72.4 million euro**, down by 6.2% versus 1Q16.

(Euro/millions)	1Q17	1Q16	Var. %
Magazines France			
Circulation	54.6	56.8	(3.7%)
Advertising	14.8	16.9	(12.7%)
Other revenue	3.0	3.4	(13.8%)
Total revenue	72.4	77.1	(6.2%)

Circulation revenue, accounting for approximately 76% of the total, fell by **-3.7%** versus the prior year:

- revenue from **subscriptions** fell by -2.5%, a sales channel that accounted for **54% of circulation revenue** in 1Q17, representing the major and most growing contribution to revenue of the Area;
- revenue from the **newsstand** channel fell by **-3.9%**, outperforming the relevant market trend (-8.1%).¹⁴

In 1Q17, Mondadori France launched a new women's lifestyle monthly, *Mellow*, in addition to a new brand extension of Closer.

Advertising revenue fell by -12.7% versus 1Q16 (and versus the market's -5.1% in January¹⁵); print advertising, down by approximately -9.3% in the reporting period, accounted for approximately 83% of total advertising revenue, while digital advertising represented the remaining approximately 17%.

In the reporting period, Mondadori France held a 10.2% share¹⁶, positioning itself as third top player on the magazine advertising market.

¹⁴ Internal source Mondadori France, figure at March 2017

¹⁶ Source: Kantar Media, cumulative figures in terms of volume at January 2017

Digital activities (approximately 4% of total revenue) fell by an overall 21.6%.

The **digital readers** (web, mobile & tablet) of Mondadori France magazines reached **11.9 million unique users**¹⁷, **up by approximately +3%** versus 1Q16.

EBITDA

Adjusted EBITDA came to **3.6 million euro**, down by -17.4% versus 1Q16. The drop is mainly attributable to the downturn in advertising revenue generated by the Digital Area.

Reported EBITDA, amounting to **3.0 million euro**, was down by 20.3% versus 3.7 million euro in 1Q16.

¹⁷ Source: Mediametrie Netratings - Nielsen, January-February 2017 average figure

CORPORATE & 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 1Q17, in line with the figure in 1Q16.

Società Europea di Edizioni: in 1Q17, the publisher of *Il Giornale* posted a negative performance of 0.2 million euro, in line with 1Q16.

Overall, adjusted EBITDA of the **Corporate & Shared Services** Area came to -1.5 million euro, **improving** versus -2.9 million euro in 1Q16. The improvement is explained by the change in the scope of the chargebacks to Group companies (+0.7 million euro in the quarter) and by greater cost efficiency.

Including non-ordinary items, reported EBITDA came to -1.5 million euro, **improving by over 2 million euro** versus -3.7 million euro in 1Q16, which included certain costs incurred for extraordinary transactions (Rizzoli Libri and Banzai Media) completed in 2016.

BALANCE SHEET

The overall credit lines available to the Group at 31 March 2017 amounted to **680.0 million euro**, of which 475.0 million euro committed. There were no changes in 1Q17.

The Group's (uncommitted) short-term loans, totaling 205.0 million euro, 0.2 million euro of which drawn down at 31 March, included overdraft credit lines on current accounts, advances subject to collection and "hot money" flows.

At 31 March 2017, the **475.0 million euro** pool consisted of:

(Euro/millions)	Bank pool		of which: unutilized	of which: with interest rate hedge
Term Loan A1 (Refinancing)	190.7	(1)	-	145.9
Term Loan A2 (Line for acquisition of RCS Libri)	104.3	(2)	-	
Revolving Facility B	100.0	(3)	100.0	-
Acquisition Line C	80.0	(4)	43.8	
Total loans	475.0		143.8	145.9

Maturity date	2017	2018	2019	2020
1	€ 16.1 million	€ 21.5 million	€ 21.5 million	€ 131.7 million
2	€ 8.8 million	€ 11.8 million	€ 11.8 million	€ 72.0 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 Mondadori Group's financial position at 31 March 2017 stood at **-286.2 million euro** versus **-263.6 million euro** at 31 December 2016.

Net financial position (Euro/millions)	Euro/millions	Euro/millions	Euro/millions
	31 March 2017	31 March 2016	31 December 2016
Cash and cash equivalents	52.9	9.2	77.6
Assets (liabilities) from derivative instruments	(1.2)	(1.9)	(1.6)
Other financial assets (liabilities)	(11.3)	(5.3)	(13.4)
Loans (short and medium/long term)	(326.6)	(226.9)	(326.2)
Net financial position	(286.2)	(224.9)	(263.6)

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

(Euro/millions)	Mar.17		Mar.16	LTM	
	Total	Excluding Rizzoli Libri		Total	Excluding Rizzoli Libri
NFP beginning of period	-263.6		-199.4	-224.9	
EBITDA before non-recurring items	3.5	11.0	10.1	101.9	89.8
Effect of shareholdings/dividends	0.3	0.4	0.9	-5.3	-5.5
Change in NWC + provision	-15.1	-15.5	-22.3	19.9	7.5
CAPEX	-6.3	-5.2	-3.0	-20.5	-15.3
Cash flow from operations	-17.6	-9.3	-14.4	96.0	76.6
Financial costs	-3.4	-2.3	-3.6	-17.5	-12.1
Taxes	-1.4	-1.4	-1.4	-13.7	-13.5
Cash flow from ordinary operations	-22.4	-13.0	-19.4	64.8	51.0
Restructuring costs	-5.9		-4.1	-16.7	
Extraordinary tax amounts/prior years	5.5			21.0	
Acquisition / disposal of assets	0.2		-2.0	-130.4	
Cash flow from extraordinary operations	-0.2		-6.1	-126.1	
Total Cash Flow	-22.6		-25.5	-61.3	
NFP end of period	-286.2		-224.9	-286.2	

The **net financial position** increased by 61.3 million euro versus 1Q16 following the acquisitions made, and by 22.6 million euro versus 31 December 2016 due to seasonality factors.

Over the last twelve months, excluding the consolidation of Rizzoli Libri, the Group generated a cash flow of 76.6 million euro from operations, as a result of the positive performance of operations, net of non-ordinary items (89.8 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 7.5 million euro.

Cash flow from ordinary operations, including outflows for taxes and financial costs, came to a **positive 51.0 million euro**.

The **total cash flow from ordinary operations in the last 12 months**, including the effects of Rizzoli Libri, amounted to **64.8 million euro**, as a result of the positive performance of the acquired company's net working capital items.

Cash flow from extraordinary operations in the last twelve months came to -126.1 million euro and includes:

- outlays for restructuring costs of 16.7 million euro;
- collection of tax receivables (VAT and IRES for IRAP reimbursement) accrued in prior years (21.0 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 (Marsilio Editori in July 2016 and Bompiani in December 2016).

Ordinary and extraordinary items resulted in **overall cash-outs over the last twelve months of 61.3 million euro**, with net debt increasing to 286.2 million euro versus 224.9 million euro at 31 March 2016.

Regarding 1Q17, **cash flow from operations**, excluding Rizzoli Libri, **improved** by approximately **5.1 million euro** versus 1Q16, thanks mainly to the improved net working capital. **Cash flow from ordinary operations**, excluding Rizzoli Libri, also confirmed the above trend, as a result of the drop in financial costs resulting from the **lower average debt** in 1Q17 versus 2016.

Total cash flow from extraordinary operations, including Rizzoli Libri, came to -0.2 million euro (-6.1 million euro in 1Q16); the higher tax receivables collected offset the restructuring cash-outs.

Euro/millions	1Q17	2016	1Q16
Net receivables	250.5	300.1	241.9
Net inventory	151.4	143.4	108.5
Trade payables	-381.7	-416.4	-336.1
Other assets/(liabilities)	3.7	-14.6	-24.3
NWC and Provisions	23.9	12.5	-10.0
Intangible assets	611.8	612.2	550.9
Tangible assets	31.7	33.3	30.2
Investments	42.5	43.0	44.0
NET FIXED ASSETS	686.0	688.5	625.1
Provisions	-64.4	-68.6	-54.4
Post-employment benefits	-50.2	-51.0	-43.0
NET INVESTED CAPITAL	595.4	581.4	517.8
Share capital	68.0	68.0	68.0
Minority shareholders' reserves and equity	250.4	227.3	226.7
Net result	-9.2	22.5	-1.8
EQUITY	309.2	317.8	292.9
NFP	286.2	263.6	224.9
TOTAL EQUITY	595.4	581.4	517.8

Trend of key balance sheet figures:

- **trade receivables** dropped sharply versus the situation at 31 December, thanks to an effective collection management, to the seasonal nature of the school textbooks segment, and to the different publishing schedule in the Trade Books Area, which resulted in lower revenue in the last six months versus the March-September 2016 period. The increase versus 31 March 2016 is attributable to the acquisition of Rizzoli Libri and Banzai Media;
- **inventory** increased by approximately 8 million euro versus December, related to the Books Area, due also to the seasonal nature of the school textbooks business, which generally sees the creation

and publishing of new titles starting in the first quarter of the year. The increase versus 31 March 2016 is attributable to the changed consolidation scope, specifically to Rizzoli Libri;

- **trade payables** fell significantly versus 31 December 2016, due to payments in the quarter and lower payables owed to agents and authors as part of normal business activities. The increase versus 31 March 2016 is attributable to the changed consolidation scope, and would amount to 7.4 million euro on a like-for-like basis;
- **fixed assets, provisions and post-employment benefits** show no significant change versus December, while the increase versus March 2016 is attributable to the above-mentioned acquisitions.

PERSONNEL

Employees

Group employees with a fixed-term or permanent labour contract at 31 March 2017 amounted to **3,214 units**. The 7.1% increase in headcount versus March 2016 is due solely to the extraordinary transactions made over the last 12 months; net of these transactions, Group employees would be **down by -5.0%**.

Activities are still underway to integrate Rizzoli Libri and Banzai Media, acquired, respectively, in April and in June 2016. These acquisitions increased the headcount to date by approximately 364 units:

- 228 from Rizzoli Libri, 46 of whom from the US-based subsidiary Rizzoli International Publishing, in addition to 12 units absorbed by the Retail Area;
- 124 from Banzai Media, 106 of whom joined the workforce of Arnoldo Mondadori Editore S.p.A. in 2017, following the merger by incorporation of the subsidiary Banzai Media S.r.l. in Arnoldo Mondadori Editore S.p.A..

Group actual headcount at 31 March 2017:

Headcount by Business Area	31/03/2017	31/03/2016	Var. %
Books	523	529	(1.1%)
Magazines Italy	770	696	10.6%
Magazines France	799	835	(4.3%)
Retail	437	466	(6.2%)
Corporate, CRM and Shared Services	457	474	(3.6%)
Total excluding Rizzoli Libri	2,986	3,000	(0.5%)
Rizzoli Libri	228		
Total	3,214	3,000	7.1%

	31 March 2017	31 March 2016
Arnoldo Mondadori Editore S.p.A.:		
- Managers, journalists, office staff		
- Blue collars	930	813
	5	5
	935	818
Italian subsidiaries:		
- Managers, journalists, office staff	1,339	1,233
- Blue collars	95	99
	1,434	1,332
Foreign subsidiaries:		
- Managers, journalists, office staff	845	850
- Blue collars	-	-
	845	850
Total	3,214	3,000

The increase reported by Magazines Italy in the quarter reflects the inclusion of Banzai Media's resources post-merger, while the drop witnessed by the Retail and Shared Services areas is explained by the centralization of Mondadori Retail activities from Rimini to the Segrate HQ, which took place in 2Q16.

The cost of personnel¹⁸ amounted to 61.8 million euro in 1Q17, up by 13.3% versus 1Q16; excluding Rizzoli Libri, these costs show a more modest growth of 5.2% (approximately 3 million euro), attributable to Banzai Media's resources.

	31/03/2017	31/03/2016	Var. %
<i>Euro/millions</i>			
Cost of personnel (before restructuring) <i>excluding Rizzoli Libri</i>	57.4	54.5	5.2%
Cost of personnel (before restructuring)	61.8	54.5	13.3%

¹⁸ Cost of personnel includes, as from 1 January 2017, costs for collaborations. Accordingly, last year's cost of personnel has been reclassified for comparative purposes.

SIGNIFICANT EVENTS IN THE REPORTING PERIOD

On **10 January**, the Board of Directors concluded the merger by incorporation in Arnoldo Mondadori Editore S.p.A., with no share exchange, of the wholly-owned company Banzai Media S.r.l., in accordance with the previously approved merger plan. The merger took effect for statutory purposes as from 15 January 2017, and for accounting and tax purposes as from 1 January 2017.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

On **28 April**, the Mondadori Group concluded an agreement on the disposal of the business units involved in the logistics activities of Mondadori Libri and Mondadori Retail to CEVA Logistics Italia S.r.l..

The agreement marks a further step in the plan to focus on core businesses, including through the disposal of non-strategic assets, in a highly competitive market populated by international players. Among these players, following a tendering process, the Group chose CEVA Logistics Italia, already a provider of Rizzoli Libri distribution services, as its qualified partner.

The agreement will increase flexibility in managing logistics services and will reduce operating costs starting from 2018, guaranteeing the Mondadori Group and its customers high quality standards.

Additionally, the agreement envisages:

- the disposal of the logistics business units of Mondadori Libri and Mondadori Retail to CEVA Logistics Italia (a workforce of approximately 110 employees) for a consideration of 0.5 million euro;
- the disposal of the Verona-based site used for these activities to AKNO Trading S.r.l. (property company part of the AKNO Group, industrial partner of the CEVA Group) for a consideration of 6 million euro;
- the conclusion of an exclusive agreement for the supply by CEVA Logistics Italia of logistics services to the Mondadori Group's Books and Retail areas for a period of 9 years, which entails compliance with pre-set performance indicators and SLAs (Service Level Agreements), as well as improvement actions.

The disposal of the above business units and the supply of services took effect as from 1 May 2017.

The disposal of the site produced a gain (before taxes) of 4.2 million euro, already included in the guidance for 2017 (with no impact on estimated adjusted EBITDA which, by definition, excludes non-recurring income).

On **2 May**, the Mondadori Group announced the completion, through its subsidiary Mondadori France, following the purchase of the 20% minority interest in the share capital, of the disposal of 100% of NaturaBuy SAS; the marketplace of small ads and the purchase/sale of hunting, fishing and outdoor items was acquired by NextStage, a private equity fund based in Paris.

The transaction is in line with the Mondadori Group's plan to focus on core businesses, including through the disposal of non-strategic assets aimed at the development of the print and digital publishing brands held in its portfolio.

The disposal of 100% of NaturaBuy amounts to 12.2 million euro, based on an enterprise value of 10.5 million euro.

In 2016, NaturaBuy achieved revenue of 2.6 million euro and EBITDA of 1.5 million euro. The company was deconsolidated as from 1 May 2017.

The impact on the 2017 net financial position of Mondadori France amounts to 9.4 million euro, net of the purchase of the minority interest in NaturaBuy and the positive financial position of the company.

The disposal of this asset produced a gain before taxes of 4.3 million euro, strongly contributing to the achievement of the net profit and net financial position targets set in the guidance previously disclosed to the market, which could be revised in the current year (with no impact on estimated adjusted EBITDA which, by definition, excludes non-recurring income).

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.

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): 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: 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 is 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.

BUSINESS OUTLOOK

In light of the current relevant context and the Group's performance in the first quarter, it is reasonable to confirm the previously disclosed estimates for **2017** versus the 2016 pro-forma figures¹⁹ that indicate **steady revenue** and a "high single-digit" **growth of adjusted EBITDA**, with a resulting improvement in profit margins. Likewise, **net profit** for the year is confirmed to **rise sharply by approximately 30%**.

Net debt at end 2017 is estimated to **drop** versus 31 December 2016, with a debt/adjusted EBITDA ratio at 2.2/2x.

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



¹⁹ Pro-forma figures: consolidation of the companies acquired in 2016 (Rizzoli Libri and Banzai Media) assumed as from 1 January 2016; revenue of approximately 1,280 million euro and adjusted EBITDA of approximately 100 million euro.

**CONSOLIDATED
BALANCE SHEET**

**CONSOLIDATED INCOME STATEMENT AND
CONSOLIDATED COMPREHENSIVE INCOME STATEMENT**

CONSOLIDATED BALANCE SHEET

Assets (Euro/000)	31 March 2017	31 December 2016
Intangible assets	611,790	612,147
Property investments	2,910	2,937
Land and buildings	5,212	5,651
Plant and equipment	7,479	7,952
Other tangible assets	16,105	16,785
Property, plant and equipment	28,796	30,388
Investments booked at equity	42,054	42,538
Other investments	458	453
Total investments	42,512	42,991
Non-current financial assets	767	267
Pre-paid tax assets	80,689	81,212
Other non-current assets	2,835	3,333
Total non-current assets	770,299	773,275
Tax receivables	30,989	30,436
Other current assets	106,048	94,010
Inventory	151,415	143,437
Trade receivables	250,520	300,138
Stocks and other current financial assets	2,926	3,382
Cash and cash equivalents	52,858	77,590
Total current assets	594,756	648,993
Discontinued assets	-	-
Total assets	1,365,055	1,422,268

Liabilities (Euro/000)	31 March 2017	31 December 2016
Share capital	67,979	67,979
Share premium reserve	-	-
Treasury shares	(73)	(73)
Other reserves and profit/(loss) carried forward	219,380	196,873
Profit (loss) for the period	(9,167)	22,544
Group equity	278,119	287,323
Minority shareholders' equity and reserves	31,071	30,475
Total equity	309,190	317,798
Provisions	64,357	68,591
Post-employment benefits	50,184	50,989
Non-current financial liabilities	305,701	307,434
Deferred tax liabilities	74,033	75,028
Other non-current liabilities	-	-
Total non-current liabilities	494,275	502,042
Income tax payables	939	1,788
Other current liabilities	229,788	229,489
Trade payables	293,847	333,763
Payables due to banks and other financial liabilities	37,016	37,388
Total current liabilities	561,590	602,428
Discontinued liabilities	-	-
Total liabilities	1,365,055	1,422,268

CONSOLIDATED INCOME STATEMENT

(Euro/000)	31 March 2017	31 March 2016
Revenue from sales and services	261,113	254,793
Decrease (increase) in inventory	(8,157)	(208)
Cost of raw and ancillary materials, consumables and goods	51,168	46,936
Cost of services	161,569	148,281
Cost of personnel	57,908	52,715
Other (income) costs	(3,693)	(2,184)
Income (costs) from investments valued at equity	(492)	(705)
EBITDA	1,826	8,548
Depreciation and impairment loss on property, plant and equipment	1,779	1,596
Amortization and impairment loss on intangible assets	6,181	3,854
Impairment loss on investments valued at equity and other enterprises	-	-
EBIT	(6,134)	3,098
Financial income (costs)	(3,400)	(3,617)
Income (costs) from other investments	-	-
Result before taxes for the period	(9,534)	(519)
Income tax	(962)	898
Result from continuing operations	(8,572)	(1,417)
Result from discontinued operations	-	-
Net result	(8,572)	(1,417)
Attributable to:		
- Minority shareholders	595	391
- Parent Company's shareholders	(9,167)	(1,808)
Net earnings per share (in euro units)	(0.035)	(0.007)
Diluted net earnings per share (in euro units)	(0.035)	(0.007)

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

(Euro/000)	31 March 2017	31 March 2016
Net result	(8,572)	(1,417)
<i>Items reclassifiable to income statement</i>		
Profit (loss) deriving from the conversion of currency denominated financial statements of foreign companies	(405)	225
Other profit/(loss) from companies valued at equity	84	(160)
Effective part of profit (loss) on cash flow hedge instruments (cash flow hedge)	186	(1,838)
Profit (loss) from held-for-sale assets (fair value)	-	-
Tax impact on other profit (loss) reclassifiable to income statement	155	505
<i>Items reclassified to income statement</i>		
Profit (loss) on cash flow hedge instruments	99	270
Profit (loss) from held-for-sale assets (fair value)	-	-
Tax impact on other profit (loss) reclassifiable to income statement	(24)	(74)
<i>Items not reclassifiable to income statement</i>		
Actuarial profit (loss)	(91)	(34)
Tax impact on other profit (loss) not reclassifiable to income statement	6	6
Total other profit (loss) net of tax effect	10	(1,100)
Comprehensive result for the period	(8,562)	(2,517)
Attributable to:		
- Minority shareholders	595	391
- Parent Company's shareholders	(9,157)	(2,908)

For the Board of Directors

The Chairman

Marina Berlusconi

