INTERIM REPORT ON OPERATIONS
AT 30 SEPTEMBER 2017

GRUPPO MONDADORI

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 2017

Arnoldo Mondadori Editore S.p.A.

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MONDADORI GROUP HIGHLIGHTS IN 9M17

(Euro/millions)	9M17	9M16	*Var. %**
Mondadori Group			
Revenue	**924.7**	**935.3**	***(1.1%)***
Adjusted EBITDA	**75.2**	**76.1**	***(1.3%)***
% on revenue	*8.1%*	*8.1%*	
EBITDA	**79.3**	**70.3**	***12.9%***
% on revenue	*8.6%*	*7.5%*	
EBIT	**55.1**	**48.0**	***14.9%***
% on revenue	*6.0%*	*5.1%*	
Net result	**31.2**	**17.9**	***74.8%***
Business Areas			
Revenue	**924.7**	**935.3**	***(1.1%)***
Books	385.3	355.5	*8.4%*
Retail	132.6	135.0	*(1.8%)*
Magazines Italy	216.2	234.8	*(7.9%)*
Magazines France	220.1	239.4	*(8.0%)*
Corporate & Shared Services	23.1	17.1	*35.3%*
Intercompany	*(52.7)*	*(46.5)*	*n.s.*
EBITDA	**79.3**	**70.3**	***12.9%***
Books	60.4	57.9	*4.4%*
Retail	(4.6)	(2.3)	*n.s.*
Magazines Italy	8.2	5.3	*53.6%*
Magazines France	18.2	19.4	*(6.0%)*
Corporate & Shared Services	(2.9)	(10.1)	*n.s.*
Balance Sheet			
Equity	345.5	309.8	*11.5%*
Net financial position	(256.0)	(329.0)	*(22.2%)*
Human Resources			
End-of-period headcount	3,053	3,330	*(8.3%)*

**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

ARNOLDO MONDADORI EDITORE S.P.A.

Books	Retail	Magazines	Magazines France	Other business
Mondadori Libri S.p.A. **100%**	Mondadori Retail S.p.A. **100%**	AdKaora S.r.l. **100%**	Mondadori France S.a.s. **100%**	Società Europea di Edizioni S.p.A. **36.89%**
Giulio Einaudi Editore S.p.A. **100%**		Mondadori International Business S.r.l. **100%**		Monradio S.r.l. **20%**
Edizioni EL S.r.l. **50%**		Mondadori UK Ltd **100%** (in liquidation)		
Sperling & Kupfer Editori S.p.A. 100%		Attica Publications S.A. **41.98%**		
Edizioni Piemme S.p.A. **100%**		Press-di S.r.l. **100%**		
Mondadori Education S.p.A. **100%**		Mondadori Scienza S.p.A. **100%**		
Mondadori Electa S.p.A. **100%**		Inthera S.p.A. **100%**		
Rizzoli Libri S.p.A. **99.99%**		Press-di Abbonamenti S.p.A. **100%**		
Mach 2 Libri S.p.A. **44.91%**		Mediamond S.p.A. **50%**		
		Mondadori Seec (Beijing) Advertising Co.Ltd **50%**		

Legenda:

Subsidiaries

Associates

MONDADORI GROUP
ORGANIZATION CHART

Marina
Berlusconi*

Ernesto
Mauri*

Federico
Angrisano

Communications and Media Relations

Oddone
Pozzi*

Group Finance, Procurement and IT Systems

Daniele
Sacco

Group Human Resources and Organization

Enrico Selva
Coddè

Trade Books

Antonio
Porro

Educational

Pierluigi
Bernasconi

Retail

Carlo
Mandelli

Magazines Italy

Carmine
Perna

Magazines France

**Members of the Board of Directors*
At the date of approval of this Financial Report (November 2017)

DIRECTORS' REPORT ON OPERATIONS AT 30 SEPTEMBER 2017

In 9M17, on a like-for-like consolidation basis with Rizzoli Libri versus 2016[1], the Group confirmed its operational improvement, posting an **approximately 9% increase in adjusted EBITDA** and continuing on its path to **achieve the targets** set for the whole year, despite the lower-than-expected magazine market trend, mitigated however by greater operational efficiency and by the implementation of cost-cutting measures.

The **LTM cash flow from ordinary operations[2]** amounted to approximately **52 million euro**, continuing the positive performance of cash generated by the Group's businesses which, along with the extraordinary transactions involving the strategic rationalization of the portfolio of activities, **improved the Net Financial Position** versus 9M16 (from -329 million euro to -256 million euro).

Net profit in 9M17 (**+31.2 million euro**) **improved by over 13 million euro** versus 30 September 2016, due also to the contribution of a number of positive extraordinary items.

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

o Books

- in the **Trade Books** Area, the market grew by **+2.3%** versus 9M16; the Mondadori Group retained its **leadership** position, placing 6 titles in the top 10 best-selling books in terms of value, holding a **28.4% market share**, besides winning the **2017 Strega Prize** with *Le otto montagne* by Paolo Cognetti (Einaudi) and the **2017 Campiello Prize** with *L'arminuta* by D. Pietrantonio (Einaudi); Einaudi is also the publisher in Italy of Kazuo Ishiguro, winner of the 2017 Nobel Prize in Literature;
- in the **Educational Books** Area, the school textbooks segment retained its **leadership**, with a market share steady at approximately **24%**, while Mondadori Electa posted a strong increase, both in the management of museums and in the publisher's activity.

At 30 September 2017, the market share of **Mondadori Retail** in the Books segment (**80% of revenue**) stood at **15.3%**, **up** versus 14.5% at 30 September 2016.[3]

o Magazines

In **Italy**, in an adverse market in terms of circulation, Mondadori retained its **leadership**, increasing its share to reach **31.8%[4]**. In 9M17, in line with the selective strategy on the development of the product portfolio to sustain revenue and optimize editorial costs, Mondadori launched two new publications - *Giallo Zafferano* and *SPY* - which continue to receive a favourable response from the public.
With an audience of **15.8 million unique users/month**[5], Mondadori was, once again, **Italy's top traditional publisher also in the digital business** and, thanks to the contribution of Banzai Media

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[1] April - June.
[2] *LTM: last twelve months*
[3] Source: GFK, September 2017 (figures in terms of market value)
[4] Internal source: Press-di, cumulative figures at August 2017 (newsstands + subscriptions in terms of value)
[5] Source: Audiweb, January-August 2017 average figure

activities, in a basically shrinking advertising market in the first 8 months of the year, increased advertising sales by **approximately 13%**.

Magazines France's circulation figures declined, though outperforming the relevant market trend, driven by the stronger performance of the subscriptions channel.
The **digital readers** (web, mobile & tablet) of Mondadori France magazines reached **11.2 million unique users**[6]**.**

[6] Source: Nielsen, January-July 2017 average figure

CONSOLIDATED FINANCIAL HIGHLIGHTS IN 9M17

Euro/millions	9M 2017	% growth on revenue	9M 2016	% growth on revenue	Var. %
Revenue from sales and services	**924.7**	*100.0%*	**935.3**	*100.0%*	***-1.1%***
Cost of sold items	282.3	*30.5%*	293.3	*31.4%*	*-3.8%*
Variable costs	314.7	*34.0%*	316.2	*33.8%*	*-0.5%*
Fixed costs	74.1	*8.0%*	71.9	*7.7%*	*3.0%*
Cost of personnel*	173.9	*18.8%*	175.7	*18.8%*	*-1.0%*
Other costs/(income)	2.1	*0.2%*	2.0	*0.2%*	*2.2%*
Result - associates	-2.5	*-0.3%*	0.0	*0.0%*	*n.s.*
Adjusted EBITDA	***75.2***	***8.1%***	***76.1***	***8.1%***	***-1.3%***
Restructuring costs	-5.0		-3.9		*28.1%*
Positive/(negative) extraordinary items	9.1		-2.0		*n.s.*
EBITDA	**79.3**	***8.6%***	**70.3**	***7.5%***	***12.9%***
Amortization, depreciation and impairment	24.2	*2.6%*	22.3	*2.4%*	*8.6%*
EBIT	**55.1**	***6.0%***	**48.0**	***5.1%***	***14.9%***
Net financial income (costs)	-10.2	*-1.1%*	-12.7	*-1.4%*	*-19.6%*
Income (costs) from other investments	0.0	*0.0%*	0.0		
Result before tax for the period	**44.9**	***4.9%***	**35.3**	***3.8%***	***27.2%***
Income tax	11.8	*1.3%*	16.2	*1.7%*	*-27.3%*
Minority shareholders' result	1.9	*0.2%*	1.9	*0.2%*	*-0.9%*
Result from continuing operations	**31.2**	***3.4%***	**17.2**	***1.8%***	***81.9%***
Result from discontinued operations	0.0	*0.0%*	0.7	*0.1%*	*n.s.*
Net result	**31.2**	***3.4%***	**17.9**	***1.9%***	***74.8%***

The nine months of 2017 at Group level include the contribution as from 1 January of:

i) Rizzoli Libri, which was outside the scope of consolidation in 1Q16;

ii) Banzai Media activities, consolidated as from 1 June 2016 and merged by incorporation into 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 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, the definition of which is explained in the section "Glossary of terms and alternative performance measures used".

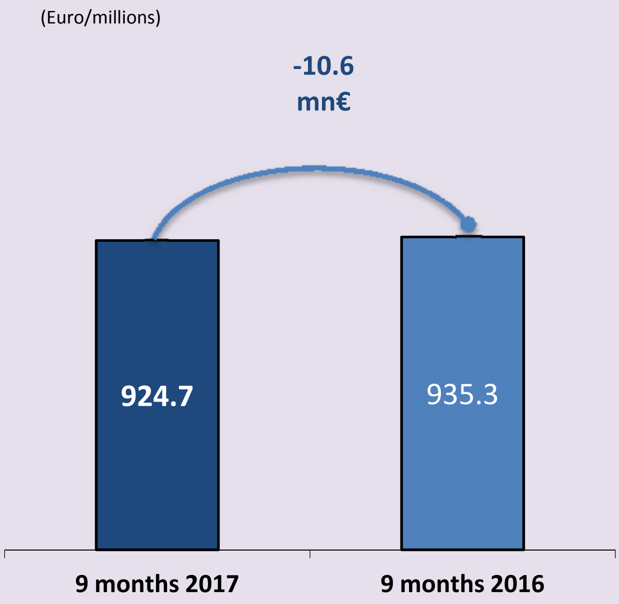
**Cost of personnel includes, as from 1 January 2017, costs for collaborations and temporary employment. Accordingly, the prior year's cost of personnel has been reclassified for comparative purposes.*

INCOME STATEMENT

REVENUE

Consolidated revenue in 9M17 amounted to approximately **925 million euro**, down slightly (-1.1%) versus the prior year, due mainly to the performance of the Magazines areas, affected by the acceleration of the negative trends of the markets, and to the targeted reduction in revenue from Consumer Electronics products in the Retail Area carried out in the first part of the year.

In the Books Area, revenue in 9M17 **increased by 8.4%**, driven by the positive performance of both the Trade and Educational areas, amplified by the different consolidation period of Rizzoli Libri (present only from 2Q16).

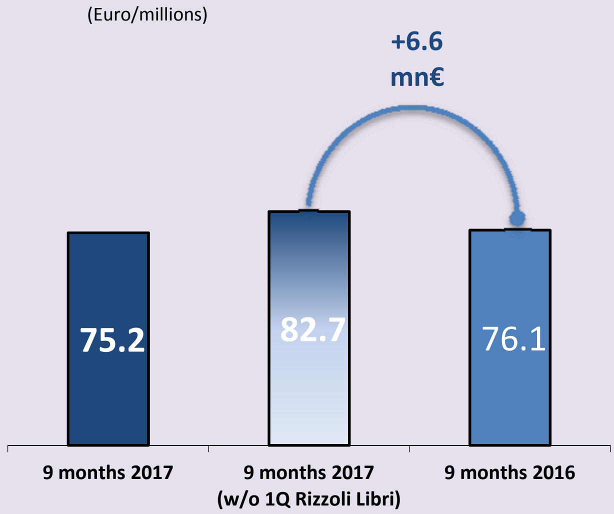


Revenue by Business Area *(Euro/millions)*	**9M17**	**9M16**	***Var. %***
Books	385.3	355.5	*8.4%*
Retail	132.6	135.0	*(1.8%)*
Magazines Italy	216.2	234.8	*(7.9%)*
Magazines France	220.1	239.4	*(8.0%)*
Corporate & Shared Services	23.1	17.1	*35.3%*
Total aggregate revenue	**977.4**	**981.7**	***(0.4%)***
Intercompany revenue	(52.7)	(46.5)	*13.4%*
Total consolidated revenue	**924.7**	**935.3**	***(1.1%)***

EBITDA

On a like-for-like consolidation basis with Rizzoli Libri (from the second quarter), **adjusted EBITDA grew by 8.6%** (from 76.1 million euro to 82.7 million euro), with a percentage on revenue **increasing from 8.1% to 9.1%** - especially in the Books (from 58.7 million euro to 68.1 million euro, net of Rizzoli Libri's first quarter) and Magazines Italy areas (+24%).

Including the result of Rizzoli Libri as from 1 January, adjusted EBITDA amounted to **75.2 million euro**, as a result of the negative contribution of -7.5 million euro in 1Q17, attributable to the seasonal nature of the Education business, which includes in the first quarter expenses to promote the campaign on school textbooks adoption.



Adjusted EBITDA by Business Area *(Euro/millions)*	**9M17**	**9M16**	***Var.***	***Var. %***
Books	60.6	58.7	*2.0*	*3.4%*
Retail	(3.9)	(2.7)	*(1.2)*	*n.s.*
Magazines Italy	8.5	6.9	*1.6*	*23.9%*
Magazines France	16.8	21.3	*(4.5)*	*(21.0%)*
Corporate & Shared Services	(6.8)	(8.0)	*1.1*	*n.s.*
Total EBITDA before non-recurring items	**75.2**	**76.1**	***(1.0)***	***(1.3%)***

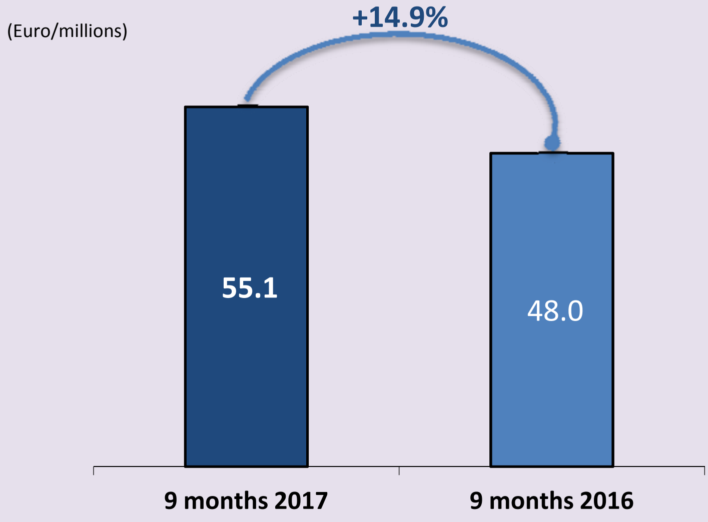
Consolidated EBITDA **improved by approximately 13%** (from 70.3 million euro to 79.3 million euro), driven by the gains from the disposal of certain assets in the second quarter of the year (4.2 million euro from the disposal of a property in Corporate & Shared Services, and 4.3 million euro from the disposal of *NaturaBuy* in Magazines France).

Consolidated EBITDA by Business Area

(Euro/millions)	**9M17**	**9M16**	***Var.***	***Var. %***
Books	60.4	57.9	*2.5*	*4.4%*
Retail	(4.6)	(2.3)	*(2.3)*	*n.s.*
Magazines Italy	8.2	5.3	*2.9*	*53.6%*
Magazines France	18.2	19.4	*(1.2)*	*(6.0%)*
Corporate & Shared Services	(2.9)	(10.1)	*7.2*	*n.s.*
Total EBITDA	**79.3**	**70.3**	***9.0***	***12.9%***

EBIT

Consolidated EBIT in 9M17 amounted to 55.1 million euro, **up by approximately 15%** versus 30 September 2016, and includes amortization, depreciation and impairment of 24 million euro, up by approximately 2 million euro in 9M16 from the impact of the amortization of Banzai Media intangible assets (1.8 million euro) and the amortization of capitalized expenses of the Rizzoli Libri school business (3.0 million euro).



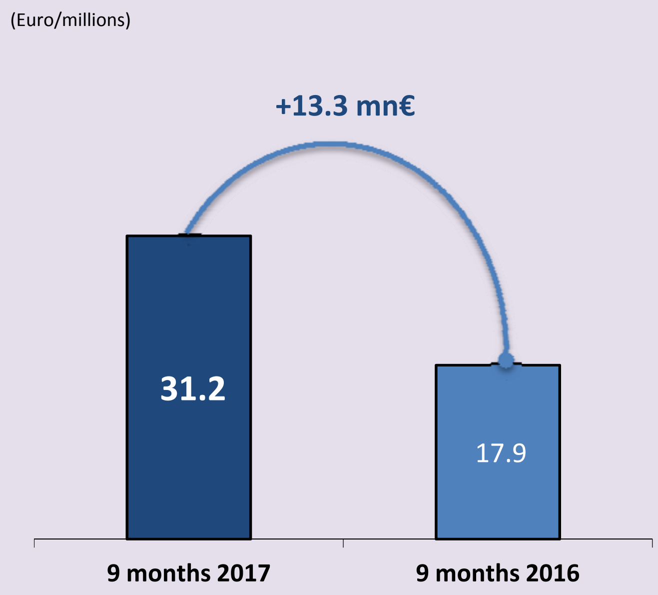
Consolidated EBIT by Business Area				
(Euro/millions)	**9M17**	**9M16**	***Var.***	***Var. %***
Books	52.0	49.3	*2.6*	*5.4%*
Retail	(7.4)	(5.0)	*(2.4)*	*n.s.*
Magazines Italy	5.2	4.2	*1.0*	*23.2%*
Magazines France	9.4	10.6	*(1.2)*	*(11.4%)*
Corporate & Shared Services	(4.1)	(11.2)	*7.1*	*n.s.*
Total EBIT	**55.1**	**48.0**	***7.1***	***14.9%***

NET RESULT

Consolidated profit before tax came to 44.9 million euro and includes financial costs of 10.2 million euro, down versus the prior year (12.7 million euro), as a result of a **lower average net debt** and an **average interest rate reduced by approximately 50 bps**.

The overall tax burden in the period amounted to 11.8 million euro (16.2 million euro in 2016), benefiting from the adjustment of deferred tax of Mondadori France of 3.8 million euro following the reduction in the rate introduced by the 2017 Budget Law (no. 2016-1917) from 34.4% to 28.9% starting from 2019.

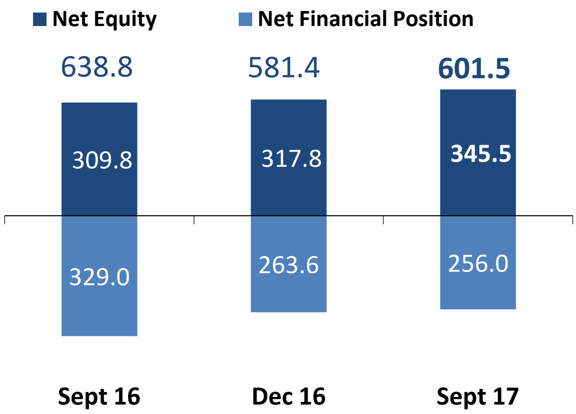
Accordingly, profit amounted to +31.2 million euro, **improving by over 13 million euro** versus 30 September 2016 (**+75%**).



FINANCIAL RESULTS

NET INVESTED CAPITAL

(Euro/millions)



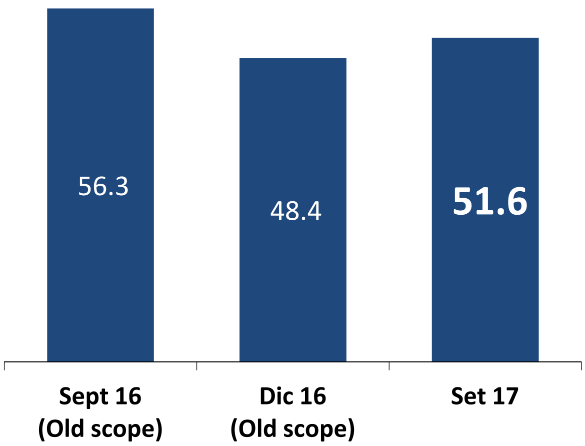
The **Group's net invested capital** at 30 September 2017 amounted to **601.5 million euro**, **down** from 638.8 million euro at 30 September 2016 (581.4 million euro at end 2016), as a result of the effective management of the Net Working Capital, and of the disposal of the Bompiani business unit.

At 30 September 2017, the **Group's net working capital** - net of provisions - **decreased** versus 30 September 2016, due basically to the exposure of the net assets of Rizzoli Libri to the respective current amounts, as previously reflected at 31 December 2016, as part of the purchase price allocation process.

The **Group's net financial position** at 30 September 2017 stood at **-256.0 million euro, improving by approximately 73 million euro** versus -329 million euro at 30 September 2016, as a result of the **positive cash generation from ordinary operations of approximately 52 million euro**, and the Group's extraordinary transactions in the last twelve months, which generated 21.3 million euro.

CASH FLOW FROM LTM

(€/mn)



At 30 September 2017, **cash flow from operations** in the last twelve months came to a positive **76.6 million euro**; **cash flow** from **ordinary operations** (after outlays for financial charges and tax for the period) came to **51.6 million euro**.

Cash flow from extraordinary operations came to a positive 21.3 million euro, as a result of:

- disposals for a total of 30.6 million euro;

- restructuring costs of approximately 15 million euro;

- cash-ins from prior-years' tax of 5.8 million euro.

CONSOLIDATED FINANCIAL HIGHLIGHTS IN 3Q17

The two periods under review are comparable considering the consolidation scope of Rizzoli Libri and Banzai Media activities.

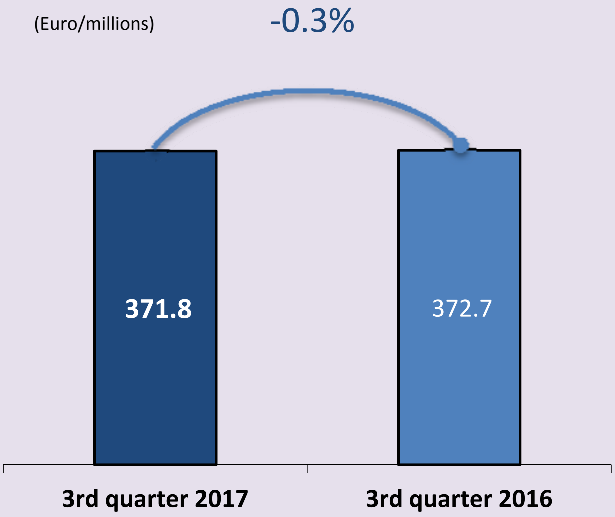
Euro/millions	3Q 2017	% growth on revenue	3Q 2016	% growth on revenue	Var. %
Revenue from sales and services	**371.8**	*100.0%*	**372.7**	*100.0%*	***-0.3%***
Cost of sold items	115.0	*30.9%*	117.0	*31.4%*	*-1.7%*
Variable costs	119.6	*32.2%*	121.5	*32.6%*	*-1.6%*
Fixed costs	22.7	*6.1%*	23.5	*6.3%*	*-3.2%*
Cost of personnel*	54.1	*14.5%*	57.7	*15.5%*	*-6.3%*
Other costs/(income)	4.9	*1.3%*	3.8	*1.0%*	*26.1%*
Result - associates	-1.9	*-0.5%*	0.3	*0.1%*	*n.s.*
Adjusted EBITDA	***53.6***	***14.4%***	***49.5***	***13.3%***	***8.3%***
Restructuring costs	-2.1		-1.5		*39.8%*
Positive/(negative) extraordinary items	0.6		-0.2		*n.s.*
EBITDA	**52.0**	***14.0%***	**47.8**	***12.8%***	***8.9%***
Amortization, depreciation and impairment	8.1	*2.2%*	8.2	*2.2%*	*-1.2%*
EBIT	**43.9**	***11.8%***	**39.5**	***10.6%***	***11.0%***
Net financial income (costs)	-3.1	*-0.8%*	-4.8	*-1.3%*	*-35.8%*
Income (costs) from other investments	0.0	*0.0%*	0.0		
Result before tax for the period	**40.8**	***11.0%***	**34.8**	***9.3%***	***17.5%***
Income tax	13.4	*3.6%*	13.1	*3.5%*	*2.2%*
Minority shareholders' result	0.6	*0.2%*	0.7	*0.2%*	*-18.6%*
Result from continuing operations	**26.9**	***7.2%***	**20.9**	***5.6%***	***28.2%***
Result from discontinued operations	0.0	*0.0%*	0.7	*0.2%*	*n.s.*
Net result	**26.9**	***7.2%***	**21.6**	***5.8%***	***24.1%***

ALTERNATIVE PERFORMANCE MEASURES

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, the definition of which is explained in the section "Glossary of terms and alternative performance measures used".

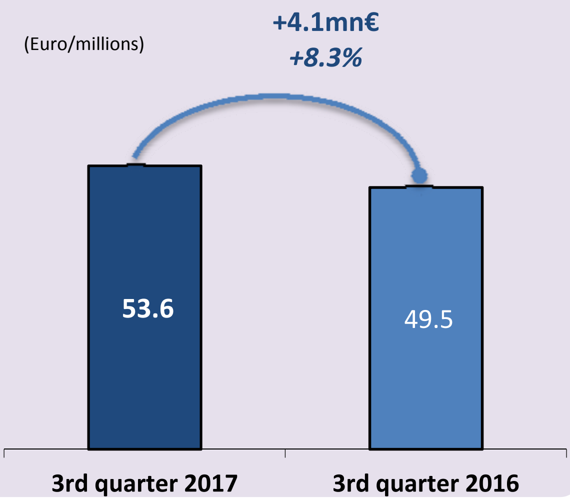
**Cost of personnel includes, as from 1 January 2017, costs for collaborations and temporary employment. Accordingly, the prior year's cost of personnel has been reclassified for comparative purposes.*

In 3Q17, **consolidated revenue** amounted to **371.8 million euro**, basically **in line with 3Q16**. A performance achieved thanks mainly to the publication in September in the Books Area of the bestsellers by Ken Follett (*La colonna di fuoco*) and Dan Brown (*Origin*).
The Retail Area also increased revenue versus the prior year, driven by the promotional activities launched in the quarter.
Revenue from magazines both in Italy and France continued the downward trend witnessed in prior quarters.



Revenue by Business Area *(Euro/millions)*	**3Q17**	**3Q16**	***Var. %***
Books	197.4	185.3	*6.5%*
Retail	48.0	46.8	*2.5%*
Magazines Italy	68.1	73.8	*(7.7%)*
Magazines France	72.0	79.0	*(8.9%)*
Corporate & Shared Services	7.9	5.7	*39.8%*
Total aggregate revenue	**393.4**	**390.6**	***0.7%***
Intercompany revenue	(21.6)	(17.9)	*20.8%*
Total consolidated revenue	**371.8**	**372.7**	***(0.3%)***

Adjusted EBITDA grew by 6.5% in the quarter, driven by the revenue trend (**+12%**) of the Books Area and by the implementation of ongoing cost-cutting measures in other business areas, confirming the Group's continued efficiency recovery.



Adjusted EBITDA by Business Area

(Euro/millions)	**3Q17**	**3Q16**	***Var.***	***Var. %***
Books	55.0	49.1	*5.8*	*11.9%*
Retail	(0.2)	0.4	*(0.6)*	*n.s.*
Magazines Italy	(3.4)	(3.7)	*0.3*	*n.s.*
Magazines France	4.3	5.8	*(1.5)*	*(25.5%)*
Corporate & Shared Services	(2.1)	(2.2)	*0.0*	*n.s.*
Total EBITDA before non-recurring items	**53.6**	**49.5**	***4.1***	***8.3%***

Consolidated EBITDA, including extraordinary items, confirmed the growth trend.

Consolidated EBITDA by Business Area				
(Euro/millions)	**3Q17**	**3Q16**	***Var.***	***Var. %***
Books	54.8	48.7	*6.1*	*12.5%*
Retail	0.3	0.8	*(0.5)*	*(59.2%)*
Magazines Italy	(3.5)	(4.7)	*1.1*	*n.s.*
Magazines France	2.6	5.2	*(2.6)*	*(50.7%)*
Corporate & Shared Services	(2.2)	(2.3)	*0.1*	*n.s.*
Total EBITDA	**52.0**	**47.8**	***4.3***	***8.9%***

Consolidated EBIT amounted to 43.9 million euro, **up by 11%** versus the prior year, while **consolidated profit before tax** came to a positive 40.8 million euro, **up by 17.5%**, benefiting also from the lower financial costs of approximately 1.7 million euro in the quarter.

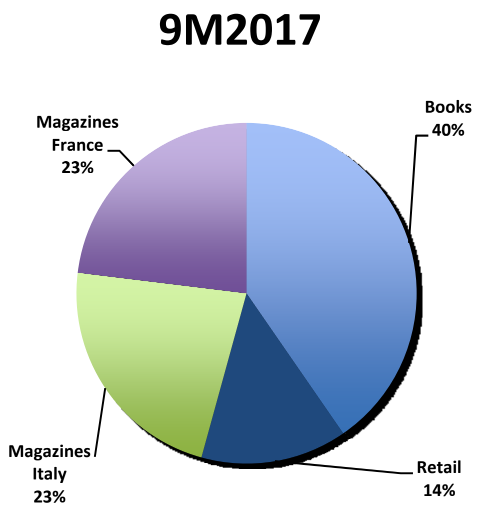
Consolidated net profit, after minority shareholders, **came to approximately 27 million euro**, **up by 24.1%** versus 30 September 2016.

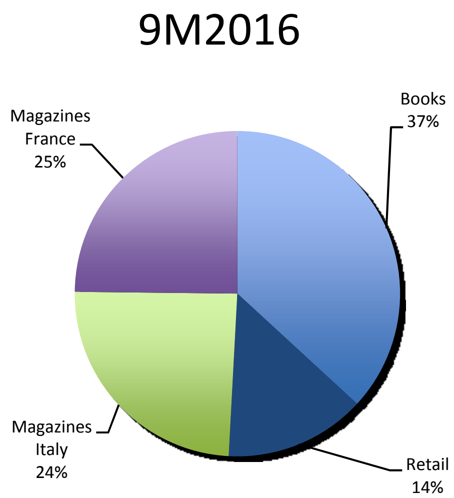
PERFORMANCE BY BUSINESS AREA

(Euro/millions)	Revenue		Adjusted EBITDA		EBITDA		Amortization, depreciation and impairment		EBIT	
	9M17	9M16	9M17	9M16	9M17	9M16	9M17	9M16	9M17	9M16
Books	385.3	355.5	60.6	58.7	60.4	57.9	8.4	20.1	52.0	49.3
Retail	132.6	135.0	(3.9)	(2.7)	(4.6)	(2.3)	2.7	2.7	(7.4)	(5.0)
Magazines Italy	216.2	234.8	8.5	6.9	8.2	5.3	3.0	1.1	5.2	4.2
Magazines France	220.1	239.4	16.8	21.3	18.2	19.4	8.8	8.8	9.4	10.6
Corporate & Shared Services	23.1	17.1	(6.8)	(8.0)	(2.9)	(10.1)	1.2	1.1	(4.1)	(11.2)
Adjustments and cancellations	(52.7)	(46.5)								
TOTAL	**924.7**	**935.3**	**75.2**	**76.1**	**79.3**	**70.3**	**24.2**	**33.8**	**55.1**	**48.0**

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





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 9M17, the **Trade Books** market grew by **+2.3%** versus 9M16[7].

<u>Sales channels</u> continued the trends seen in the last quarters:

- <u>bookstore chains and independent bookstores</u> (which jointly make for approximately 70% of the total market) **dropped by 1.8 percentage points** (**-2.5%**), referring entirely to the independent bookstores (-4.1%); conversely, the bookstore chains reported a slight increase (+1.9%);
- <u>e-commerce</u> increased by **+24.6%**, making for 20.3% of the total market;
- <u>large retailers</u> continued the downward trend witnessed over the past few quarters, dropping by **-14.2%** (versus the market's 9.3% from 11.1% in 2016).

As for <u>products</u>, <u>hardcovers</u> (which make for approximately 81.4% of the market at 30 September) increased by **+3.1%**, while paperbacks continued to fall, losing 1%.

The Trade Books Area of Mondadori Libri was, once again, market leader, boasting an overall **28.4%** share.

[7] Source: GFK, September 2017 (figures in terms of market value)

Trade Market Shares

	30 September 2017	30 September 2016
Mondadori Libri	23.1%	22.8%
Rizzoli Libri	5.3%	5.8%
Total Mondadori Group	**28.4%**	**28.6%**
GeMS Group	10.4%	10.7%
Giunti Group	8.2%	8.8%
Feltrinelli	4.8%	4.6%
Other	48.2%	47.3%

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

The Group holds the first position and a total of **6 positions in the ranking of the ten best-selling titles** in terms of value (k€):

#	Title	Author	Publisher
1	***Storie della buonanotte per bambine ribelli. 100 vite di donne straordinarie.***	**Cavallo Francesca, Favilli Elena**	**MONDADORI**
2	*La rete di protezione*	Camilleri Andrea	SELLERIO EDITORE PALERMO
3	***Le otto montagne***	**Cognetti Paolo**	**EINAUDI**
4	***L' arte di essere fragili. Come Leopardi può salvarti la vita***	**D'Avenia Alessandro**	**MONDADORI**
5	***La colonna di fuoco***	**Follett Ken**	**MONDADORI**
6	***Dentro l'acqua***	**Hawkins Paula**	**PIEMME**
7	*L' ultimo faraone*	Smith Wilbur	LONGANESI
8	***Tredici***	**Asher Jay**	**MONDADORI**
9	*L' ordine del tempo*	Rovelli Carlo	ADELPHI
10	*La strega*	Läckberg Camilla	MARSILIO

Source: GFK, September 2017 (ranking in terms of cover value)

With Einaudi, the Group won the Strega Prize for *Le otto montagne* by Paolo Cognetti (last year with Rizzoli), and, for the second consecutive year, the Campiello Prize for *L'Arminuta* by D. Di Pietrantonio. Kazuo Ishiguro, winner of the 2017 Nobel Prize in Literature, is also published in Italy by Einaudi.

In the school textbooks segment, Mondadori held an approximately **24%** share, adoptions-wise, in 2017, basically in line with 2016, retaining its market leadership position.

Education Market Shares

	2017	2016
Mondadori Education	12.6%	12.5%
Rizzoli Education	11.2%	11.5%
Total Mondadori Group	**23.8%**	**24.0%**
Zanichelli	21.5%	21.2%
Pearson	14.2%	15.1%
DeAgostini	10.5%	10.3%
Other	30.0%	29.4%

Source: AIE, 2017 (adopted sections)

Performance of the Books Area

Revenue

Books *(Euro/millions)*	**9M17**	**9M16**	***Var.***	***Var. %***
Revenue	385.3	355.5	*29.8*	*8.4%*
Adjusted EBITDA	60.6	58.7	*2.0*	*3.4%*
EBITDA	60.4	57.9	*2.5*	*4.4%*
EBIT	52.0	49.3	*2.6*	*5.4%*

(Euro/millions) **Books Revenue**	**9M17**	**9M16**	***Var. %***
Mondadori Libri	126.0	122.2	*3.1%*
Rizzoli Libri	26.3	24.0	*9.6%*
Total TRADE	**152.3**	**146.2**	***4.2%***
Mondadori Education	66.1	64.9	*1.8%*
Rizzoli Education	71.0	70.0	*1.4%*
Total EDUCATION	**137.1**	**134.9**	***1.6%***
Mondadori Electa	40.0	34.3	*16.6%*
Rizzoli International Publications	19.9	13.0	*53.1%*
Total EDUCATIONAL	**197.0**	**182.2**	***8.1%***
Distribution and other services	35.8	27.1	*37.6%*
Total consolidated revenue	**385.3**	**355.5**	***8.4%***

Revenue in 9M17 amounted to **385.3 million euro**, **up by 8.4%** overall versus 9M16, driven by the positive performance of both the Trade and Educational areas, amplified by the different consolidation period of Rizzoli Libri (present only from 2Q16).

- **Trade Books Revenue**: revenue generated by the Trade Area (152.3 million euro) **grew by 4.2%** versus 9M16; the publishers falling in the original scope of Mondadori increased by 3.1%, as a result of the publication and distribution in September of the bestsellers *La colonna di Fuoco* by Ken Follett and *Origin* by Dan Brown; the increase achieved by Rizzoli Libri is, instead, attributable to the different consolidation period versus 2016.

  In the **Hardcover** segment, the Group's five publishers released the following titles:

  - **For Mondadori**, the top bestsellers were:
    - *Storie della buonanotte per bambine ribelli. 100 vite di donne straordinarie* by F. Cavallo and E. Favilli, firmly at the top of the rankings at September 2017;
    - *L' arte di essere fragili. Come Leopardi può salvarti la vita* by A. D'Avenia; and
    - *Tredici* by J. Asher.

- For **Einaudi**, in addition to *Le otto montagne* by P. Cognetti – winner of the 2017 Strega Prize – and *L'Arminuta* by D. Di Pietrantonio – winner of the 2017 Campiello Prize:
    - S*ete*, by J. Nesbo, one of the world's most famed crime writers;
    - *Rondini d'inverno* by M. De Giovanni;
    - *Divorziare con stile* by D. De Silva; and
    - *Mio fratello rincorre i dinosauri* by G. Mazzariol.
- For **Piemme**, in addition to the enduring success in 2017 of *La ragazza del treno*, available also in paperback, *Dentro l'acqua,* the new book by P. Hawkins, released at the beginning of June, has become one of the best-selling titles on the market; another blockbuster was *Il passaggio*, the new book by M. Connelly;
- For **Sperling & Kupfer**, the main titles were:
    - the new book by N. Sparks *La vita in due*;
    - the new titles by A. Todd *Nothing less*;
    - *L'appartamento by* D. Steel; and
    - the *Paper Prince* series by E. Watt.
- For **Rizzoli**, the main new titles included:
    - *E allora baciami* by R. Emmanuelli;
    - *Da dove la vita è perfetta* by S. Avallone;
    - *Esercizi di memoria* by A. Camilleri;
    - *I guardiani* by Maurizio De Giovanni; and
    - *Il mio viaggio tra i vinti* by G. Pansa.

    Mention should also be made of *Le ricette della felicità* by B. Parodi.

In the **Paperback** segment*,* including BUR in the consolidation scope, the Group posted a moderate increase, despite the slight decline of this market segment.

- **Revenue from Education**: in 9M17, the segment saw revenue **grow by 8.1%** versus 9M16 (197 million euro).
    - **Mondadori Education** achieved revenue of 66.1 million euro, **up by 1.8%** versus 9M16.

      In the primary school segment, Mondadori Education posted a slight drop all in all in terms of adoptions, while the positive performance in adoptions in the first-level secondary school segment, higher than the prior year, strengthened the positive trend that had started two years ago, as a result of the positive results of the new titles, the sharp increase in last year's titles, and the resilience of the catalogue.

      Regarding the second-level secondary school segment, Mondadori Education delivered a basically steady performance, adoptions-wise.
    - **Rizzoli Education** - consolidated in 2Q16 - achieved revenue of 71 million euro in the reporting period, in line with the prior year.
      In the primary school segment, Rizzoli Education retained its leadership position, driven by the good performance of textbooks under the Fabbri trademark, which offset the slight drop of Oxford University Press books.

Regarding the first-level secondary school segment, Rizzoli Education continues to be a top player, especially in the field of humanities and the English language.
As for second-level secondary school, the segment achieved good results, especially for English language textbooks.

The school textbooks business reported **overall revenue of 137.1 million euro**, **up by 1.6%** versus 134.9 million euro in 9M16.

- **Mondadori Electa** achieved **revenue of 40 million euro** in 9M17, **a sharp rise by 16.6%** versus the prior year, as a result of the positive performance reported in both activities:

  - **management and organization of exhibitions**: the period under review reported a positive performance, specifically:

    - a growth in archeology activities in Rome (in terms of services and visitors);
    - a growth in exhibitions in Naples and Pompeii. Specifically, the project involving the *Picasso Parade* exhibition, a joint partnership with Pompeii and the Capodimonte Museum, in an international project promoted by Musée Picasso in Paris;
    - the awarding of the management of the Venice Biennial bookshop for bookstore and merchandising services for a further four years (2017-2020);

  - **publication of books and catalogues:** the Company reported a positive performance of the *web star* series (thanks especially to the steady performance of *Mates,* over 130 thousand copies sold since release - and the launch of new titles), the first book of the *coach star* series (Montemagno) and the children's series *Cube Kid*. The market share increased overall from 0.8% to 1.2% at 30 September 2017.

    April 2017 marked the start of international development, with the first titles published on the US market, distributed by Rizzoli International Publications.

- **Rizzoli International Publications** posted revenue of **19.9 million euro** in 9M17, including the sales of the Rizzoli Bookstore in New York, up versus 13 million euro in 9M16, as a result of the different consolidation period and of the positive trend of the publishing schedule both in USA and the UK. Revenue in 2017 includes approximately 2 million euro from the former joint venture Skira Rizzoli Publications, active in the US art catalogues market, as a result of the merger by incorporation into Rizzoli Int. Publications, which took place in August.

* **Revenue from distribution and services on behalf of Third Publishers**: revenue amounted to **35.8 million euro**, up by 37.6% versus 9M16, as a result of the different consolidation period of Rizzoli Libri.

E-book

Revenue from the download of e-books **rose by 2.3%**, making for **6.1%** of total publishing revenue.

The top digital titles in 9M17 were:

- *Dentro l’acqua* by P. Hawkins (Piemme),
- *La colonna di fuoco* by K. Follett (Mondadori),
- *Le Otto montagne* by P. Cognetti, and
- *Sete* by J. Nesbo (Einaudi).

Mondadori Libri’s digital catalogue counts approximately 12,400 titles, in addition to the over 4,900 titles of Rizzoli Libri’s digital catalogue.

EBITDA

Adjusted EBITDA of the Books Area came to **60.6 million euro**; net of the loss reported in the first quarter by Rizzoli Libri, attributable to the typical seasonal nature of the school textbooks business, adjusted EBITDA would amount to approximately 68 million euro, **up by approximately 16%** versus 9M16 (58.7 million euro), as a result of the positive trend of revenue achieved by the Trade segment and by Electa, and of the progress in the integration process of Rizzoli Libri and the resulting synergies.

EBITDA amounted to **60.4 million euro**, up by 4.4% versus the prior year (57.9 million euro at 30 September 2016).

RETAIL

The Mondadori Group operates in Italy with a network of approximately 580 bookshops composed of directly-managed bookstores, megastores, franchised bookshops (including under the *Mondadori Point* sign), and shop-in-shops (47), 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** (**80% of revenue**[8]), which grew (**+2.3%**) versus the prior year.[9]

In the period under review, the **market share** of Mondadori Retail in the Books segment stood at **15.3%**, **up** versus the prior year (14.5% at 30 September 2016).

Mondadori Retail network trend

STORES	Sept. 2016	Dec. 2016	*Var. 9M17*	Sept. 2017
Megastores	10	11	*-1*	10
Direct bookstores	19	20		20
Franchised bookstores	538	547		547
TOTAL	**567**	**578**	**-1**	**577**

Performance of the Retail Area

Retail *(Euro/millions)*	**9M17**	**9M16**	***Var.***	***Var. %***
Revenue	132.6	135.0	*(2.4)*	*(1.8%)*
Adjusted EBITDA	(3.9)	(2.7)	*(1.2)*	*46.6%*
EBITDA	(4.6)	(2.3)	*(2.3)*	*102.4%*
EBIT	(7.4)	(5.0)	*(2.4)*	*47.6%*

[8] Store revenue
[9] Source: GFK, September 2017 (figures in terms of market value)

Revenue

In 9M17, the Retail Area achieved revenue of 132.6 million euro, down by 1.8% versus 9M16, due also to the targeted reduction in revenue from Consumer Electronics products carried out in the first half of the current year. In the third quarter, revenue grew by 2.5% versus the prior year, driven by the promotional activities launched in the quarter.

(Euro/millions) **Retail**	**9M17**	**9M16**	***Var. %***
Megastores	33.3	35.6	(6.5%)
Directly-managed bookstores	19.9	20.1	(1.0%)
Franchised bookstores	57.3	58.2	(1.5%)
Online	10.3	7.6	35.5%
Stores	**120.8**	**121.5**	**(0.6%)**
Book clubs and other	11.8	13.5	(12.6%)
Total revenue	**132.6**	**135.0**	**(1.8%)**

Revenue from **Stores** fell by 0.6% versus 9M16.

By type of product:

- Books were the predominant product category, making for **80% of the total**, and outperformed the relevant market by **approximately 2.7 percentage points**[10], a result that confirms the effectiveness of the actions undertaken in terms of product penetration and assortment and in terms of communication and promotion campaigns;
- non-book revenue showed a positive trend in the Impulse category (+4.3% stationery and toys), a basically steady trend in the Media category, while Consumer Electronics continued to fall, due also to the space reduction strategy (approximately -22.1% versus 2016).

The analysis by channel shows the following:

- a 6.5% drop by Megastores, due not only to the shrinking sales in Consumer Electronics, but also to the closure of a store in Palermo in July 2017. **The Books category achieved a positive performance of 3.2%**;
- a 1.0% drop by directly-managed bookstores, also following closure of the Milano Limbiate store in May 2016 (+8.9% on a like-for-like basis in terms of stores);
- a negative performance in the reporting period of Franchised Bookstores (-1.5%, also on a like-for-like basis in terms of stores);

[10] Source: GFK, September 2017 (figures in terms of value)

- an approximately 35.5% increase in the online segment, driven by the positive performance of sales related to the government's "Culture Bonus" for 18 year olds ("18app")[11]*;*
- for book clubs, a trend in line with the structural decline forecast in the medium-term development plan.

EBITDA

Adjusted EBITDA of Mondadori Retail came to **-3.9 million euro** in 9M17, deteriorating versus -2.7 million euro reported in 9M16, as a result of the structural decline in sales volumes in the book clubs channel, and the temporary decline of the Franchised channel, affected by a number of promotional campaigns whose benefits are expected to be felt in the coming months.

EBITDA came to **-4.6 million euro** (-2.3 million euro in 9M16), as a result of higher restructuring costs (1.5 million euro).

[11] 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 euro, 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 8 months of 2017 reported a general downward trend.

- The advertising market dropped by -4.0%, the downturn involving the whole range of media, specifically: newspapers (-10.5%), magazines (-7.0%) and the Internet (-1.0%), while Radio was on the rise (+3.2%)[12]**.**
- The magazine circulation market dropped by 11.9%, affecting both the newsstands and subscriptions channels; in this context, Mondadori retained its **market leadership** with a **31.8%** share (31.1% at August 2016).[13]
- The add-ons market in the first 8 months of the year plummeted versus the same period of 2016: magazines shrank by -27.1%, while newspapers tumbled by -28.0%; Mondadori held steady to its market share.

Performance of Magazines Italy

Magazines Italy *(Euro/millions)*	**9M17**	**9M16**	***Var.***	***Var. %***
Revenue	216.2	234.8	*(18.5)*	*(7.9%)*
Adjusted EBITDA	8.5	6.9	*1.6*	*23.9%*
EBITDA	8.2	5.3	*2.9*	*53.6%*
EBIT	5.2	4.2	*1.0*	*23.2%*

Following the merger by incorporation of Banzai Media S.r.l. into 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 separately as from 2017.

[12] Source: Nielsen, cumulative figures at August 2017
[13] Internal source: Press-Di, cumulative figures at May 2017 (newsstands + subscriptions in terms of value)

Revenue

Magazines Italy posted **revenue of 216.2 million euro**, down by 7.9% versus 9M16, due also to the sharp drop in add-on sales.

(Euro/millions) **Magazines Italy**	**9M17**	**9M16**	***Var. %***
Circulation	81.5	85.9	*(5.1%)*
Advertising	61.3	60.5	*+1.4%*
Add-on sales	30.7	43.5	*(29.3%)*
Distribution and revenue towards third publishers	25.4	25.9	*(2.1%)*
Other revenue	17.4	19.0	*(8.7%)*
Total revenue	**216.2**	**234.8**	***(7.9%)***

- **Circulation** revenue (newsstands + subscriptions) lost 5.1%, less than the relevant market trend in both the newsstands and subscriptions channels. As part of the integration and development projects, March saw the start of the first brand extension initiative with the launch of the monthly magazine *Giallo Zafferano*, which achieved an average circulation of approximately 200 thousand copies. In June, in line with the selective strategy on the development of the product portfolio to sustain revenue and optimize editorial costs, Mondadori launched *Spy*, the new gossip weekly, which reached an average circulation of approximately 200 thousand copies in September.
- Advertising revenue (print + web) **increased by approximately 1.4%**; advertising sales in Italy, driven by the contribution of the consolidation of Banzai Media activities, were up by 13%, bringing the percentage of **digital revenue** on the total to approximately **28%**.
  Print advertising sales in Italy - on a like-for-like basis of titles and barter deals for goods - outperformed (-4.1%) the relevant market trend (-7.0% at August); digital advertising sales grew by 2% circa (on a pro-forma basis).
- Revenue from **add-on products** (DVDs, CDs, books and gadgets), sold in attachment to Mondadori magazines**, dropped sharply** (-29%) versus 9M16, in line with the market trend.
  9M16 saw 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 8% and 5% drop in copies sold in newspapers and magazines[14], respectively, in the opening months of 2017 in the Newsstand/Large Retailer channel, in the opening months, the Area reported a more modest decline of 2.1% versus the prior year, thanks to the ongoing commitment to developing third-publisher portfolios and to the increased amount of services provided.

[14] Source: ADS, figures in terms of copies, August 2017

- Other revenue includes:
    - **international operations**, which achieved revenue of 3.4 million euro in the reporting period, down from 4.3 million euro reported in 9M16, as a result of the drop in licensing activities caused by the deteriorated international market environment, and by exchange rate fluctuations, particularly for the UK. In the period under review, the *Grazia International Network* launched a new edition in Pakistan, while the magazine *Il Mio Papa* was launched in Spain, Portugal and the Philippines;
    - revenue from ***Digital Marketing Service*** activities (11.6 million euro) grew by approximately 15%, as a result of the contribution of the consolidation of Adkaora activities, acquired in the scope of Banzai Media.

The **Mondadori Group** reaches a **unique audience of 15.8 million users/month**[15], retaining its position as **Italy's top traditional publisher also in the digital business**, boasting a supremacy in key vertical segments such as women, food, health & wellness.
ComScore reported a Group audience of **21.9 million unique users/month** at August 2017.

EBITDA

Adjusted EBITDA in the **Magazines Italy** Area **improved by approximately 23.9%**, rising from 6.9 million euro to **8.5 million euro**, driven mainly by the benefits of the digital business achieved with the combination of Banzai Media and Mondadori's teams and digital products, while print activities reported a slight drop, almost offsetting the drop triggered by the trend of the markets, with ongoing optimization actions and containment of editorial and overhead costs.

The Area's **reported EBITDA improved** further by **53.6%**, closing at 8.2 million euro (5.3 million euro in 2016).

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

- 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 **1.1 million euro** (**0.9 million euro** in 9M16);
- the Mediamond joint venture, whose pro-rata result in 9M17 came to **-0.5 million euro**, improving versus 30 September 2016 (-0.9 million euro).

[15] Source: Audiweb, January-August 2017 average figure

MAGAZINES FRANCE

Relevant market performance

In the period under review, Mondadori France's relevant markets continued to decline versus the prior year:

- in sales in the newsstand channel (-6.8% at July)[16];

- in print advertising sales (-11.4% at August)[17]. In the reporting period, Mondadori France held a **10.7%** share[18], basically steady versus the prior year, retaining its position **as second top player on the magazine advertising market**;

- in digital advertising collection (-8% at June)[19].

Performance of Magazines France

Magazines France *(Euro/millions)*	**9M17**	**9M16**	***Var.***	***Var. %***
Revenue	220.1	239.4	*(19.3)*	*(8.0%)*
Adjusted EBITDA	16.8	21.3	*(4.5)*	*(21.0%)*
EBITDA	18.2	19.4	*(1.2)*	*(6.0%)*
EBIT	9.4	10.6	*(1.2)*	*(11.4%)*

Revenue

In 9M17, **revenue** from Mondadori France amounted to 220.1 million euro, down by 8.0% versus 9M16.

(Euro/millions)	**9M17**	**9M16**	***Var. %***
Circulation	165.1	173.8	*(5.0%)*
Advertising	44.2	54.2	*(18.5%)*
Other revenue	10.9	11.3	*(4.3%)*
Total revenue	**220.1**	**239.4**	***(8.0%)***

Circulation revenue, accounting for approximately 75% of the total, fell by **-5.0%** versus the prior year.

16 Internal source Mondadori France, figure at July 2017
17 Source: Kantar Media, cumulative figures in terms of volume at August 2017
18 Source: *Kantar Media, cumulative figures in terms of volume at July 2017*
19 Source: SRI, August 2017

In September, Mondadori France launched *Dr. Good*!, the new bi-monthly women's health magazine, which scored positive results both in circulation (over 100 thousand copies) and advertising.
Brand extension activities, carried out to sustain revenue, counted **33 special initiatives** in the reporting period.

Revenue from the sale of digital copies grew sharply in 9M17 versus 2016 (**+180%**), driven by the new partnerships with a number of French telco players to offer Mondadori France brands to their subscriber base.

Advertising revenue fell by an overall -18.5% versus 9M16; print advertising, down by -12.9% in the reporting period, basically in line with the relevant market, accounted for over approximately 85% of total advertising revenue.

The performance of digital advertising revenue in 9M17 was affected by the internalization of advertising sales related to the Mobile/Video segment, which led to a temporary drop in revenue.

The **digital readers** (web, mobile & tablet) of Mondadori France magazines reached **11.2 million unique users**[20], down by approximately -4% versus the average figure in 9M16.

EBITDA

Adjusted EBITDA came to **16.8 million euro**, down from 21.3 million euro in 9M16.
The drop is mainly attributable to the downturn in circulation revenue and in print and digital advertising revenue, affected by the increase in circulation expenses, not fully offset by cost reductions. Adjusted EBITDA was also affected by the increase in rental costs for the offices (1.1 million euro) and by the deconsolidation from 1 May of NaturaBuy: net of the latter two effects, **the decline in business would amount to approximately 3.0 million euro** in 9M17.

Reported EBITDA amounted to **18.2 million euro**, down by approximately 6% versus 9M16, driven by the positive contribution of the gain of 4.3 million euro from the disposal of NaturaBuy in May.

[20] Source: Nielsen , January-July 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 refers mainly to amounts billed to subsidiaries and associates as well as other entities using the above services.

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 -0.1 million euro in 9M17, basically in line with the figure in 9M16.

Società Europea di Edizioni: in 9M17, the publisher of *Il Giornale* posted a negative performance of 1.3 million euro versus the breakeven in 9M16.

Overall, adjusted EBITDA of the **Corporate & Shared Services** Area came to -6.8 million euro, **improving** versus -8.0 million euro in 9M16, thanks mainly to the change in the scope of the chargebacks to Group companies.

In 2016, the **Corporate & Shared Services** Area had absorbed the comparable activities of Rizzoli Libri and Banzai Media, acquired in 2016, without increasing staff and reducing the percentage of overall costs on revenue.

Including non-ordinary items, EBITDA came to -2.9 million euro, **improving by over 7 million euro** versus -10.1 million euro in 9M16 - which included certain costs incurred for extraordinary transactions (Rizzoli Libri and Banzai Media) completed in 2016 - as a result of the positive contribution of a gain of 4.2 million euro from the disposal of a property in Verona, aimed also at outsourcing logistics activities.

BALANCE SHEET

The 3-month Euribor remained in negative territory, dropping to a low of -0.332% in April, while the average at 30 September 2017 was -0.329%; the average cost of debt of the Mondadori Group on the interest rate component at 30 September 2017 was **2.97%** versus 3.10% in the same period of 2016.

The overall **credit lines** available to the Group at 30 September 2017 amounted to **695.2 million euro**, 470.6 million euro of which committed; the change in committed lines versus 30 June 2017 is explained by the reduction of 2.0 million euro, following a mandatory partial early repayment.

The Group's short-term loans, totaling 224.6 million euro, 16.4 million euro of which drawn down at 30 September, included overdraft credit lines on current accounts, advances subject to collection and "hot money" lines.

At 30 September, the **470.6 million euro pool** consisted of:

(Euro/millions)	Bank pool		of which: unutilized	of which: with interest rate hedge
Term Loan A1 (Refinancing)	187.9	(1)	-	145.9
Term Loan A2 (Line for acquisition of RCS Libri)	102.7	(2)	-	
Revolving Facility B	100.0	(3)	100.0	-
Acquisition Line C	80.0	(4)	43.8	
Total loans	**470.6**		**143.8**	**145.9**

Maturity date	2017	2018	2019	2020
1	€ 15.9 million	€ 21.2 million	€ 21.2 million	€ 129.6 million
2	€ 8.7 million	€ 11.6 million	€ 11.6 million	€ 70.8 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

The Mondadori Group's net financial position at 30 September 2017 stood at -256 million euro versus -329 million euro at September 2016 and -263.6 million euro at December 2016.

Net financial position (Euro/millions)	Euro/millions 30 September 2017	Euro/millions 30 September 2016	Euro/millions 31 December 2016
Cash and cash equivalents	88.1	65.4	77.6
Assets (liabilities) from derivative instruments	(1.1)	(2.6)	(1.6)
Other financial assets (liabilities)	(5.2)	(10.5)	(13.4)
Loans (short and medium/long term)	(337.9)	(381.4)	(326.2)
Net financial position	**(256.0)**	**(329.0)**	**(263.6)**

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

€mn	Sept. 17	Sept. 16	LTM
NFP beginning of period	**(263.6)**	**(199.4)**	**(329.0)**
Adjusted EBITDA	75.2	76.0	107.7
Shareholdings/dividends	(1.3)	(4.3)	(1.7)
Change in NWC + provision	(46.5)	(24.3)	(9.5)
CAPEX	(11.5)	(8.8)	(19.9)
Cash flow from operations	**16.0**	**38.6**	**76.6**
Financial costs	(10.2)	(12.7)	(15.2)
Taxes	(6.9)	(10.8)	(9.9)
Ordinary Cash Flow	**(1.1)**	**15.1**	**51.6**
Restructuring costs	(11.0)	(10.8)	(15.1)
Extraordinary tax amounts / prior years	5.4	15.1	5.8
Asset acquisition/disposals	14.3	(148.9)	30.6
Extraordinary Cash Flow	**8.7**	**(144.7)**	**21.3**
Total Cash Flow	**7.5**	**(129.6)**	**72.9**
NFP end of period	**(256.0)**	**(329.0)**	**(256.0)**

In the last twelve months, **the net financial position improved by approximately 73 million Euro**, with net debt decreasing to reach -**256 million euro** versus -329 million euro at 30 September 2016.

Cash generation in the last 12 months is structured as follows:

- **cash flow from ordinary operations** stood at **51.6 million euro**, 76.6 million euro of which from operations minus tax and financial costs of 25.1 million euro. Cash flow from operations benefited from the performance of operations net of non-ordinary items, which came to a positive 107.7 million euro, alleviated by net working capital requirements of 9.5 million euro (including provisions), and by capital expenditure of approximately 20 million euro;

- **cash flow from extraordinary operations came to 21.3 million euro** and included:

- the impact of approximately 31 million euro from the **disposal** of: i) Bompiani in December 2016, ii) *NaturaBuy* by Mondadori France, and the outsourcing of logistics activities, which included the disposal of the related property;
- cash-outs for **restructuring costs** of 15.1 million euro;
- collection of **tax receivables** accrued in prior years for a total of 5.8 million euro.

The **net financial position at 30 September 2017**, versus 31 December 2016, improved by 7.5 million euro, as a result of the mentioned disposal of a number of non-core assets, and despite the seasonal effects of a number of businesses, which produced outlays at the above date of approximately 1 million euro.

Trend of key balance sheet figures:

(€mn)	9M17	2016	9M16
Net receivables	332.4	300.1	342.7
Net inventory	145.2	143.4	165.9
Trade payables	(435.0)	(416.4)	(441.2)
Other assets/(liabilities)	10.2	(14.6)	7.5
NWC and Provisions	**52.8**	**12.5**	**74.9**
Intangible assets	598.0	612.1	599.9
Tangible assets	27.5	33.3	34.0
Investments	41.4	43.0	44.7
Net Fixed Assets	**666.8**	**688.5**	**678.6**
Provisions	(70.5)	(68.6)	(75.5)
Post-employment benefits	(47.5)	(51.0)	(50.1)
Discontinued assets / (liabilities)			10.9
NET INVESTED CAPITAL	**601.5**	**581.4**	**638.8**
Share Capital	68.0	68.0	68.0
Minority shareholders' reserves and equity	246.3	227.3	223.9
Net result	31.2	22.5	17.9
Equity	**345.5**	**317.8**	**309.8**
NFP	**256.0**	**263.6**	**329.0**
TOTAL EQUITY	**601.5**	**581.4**	**638.8**

- **receivables** were down by approximately 10 million euro versus 30 September 2016, in line with the revenue trend, while the increase versus 31 December is attributable to the seasonal nature of the Books segment;

- **inventory** was down by approximately 20.0 million euro versus 30 September 2016, referring mainly to the Books Area, as a result of the lower print runs and the different publishing schedule, which in 2017 saw the release of a number of bestsellers at the end of third quarter; the higher amount of inventory of school publications versus the end of 2016, attributable to the seasonal nature of business, was basically offset by the decrease in the value of stocks in the Retail segment, in line with the reduction of business in consumer electronics;

- **trade payables** fell versus 30 September 2016, due to lower purchase volumes, in line with the revenue trend, especially in the Magazines areas;
  the increase versus December 2016 is attributable mainly to the school textbooks segment, where part of the production costs and commissions accrued by the sales network in the third quarter have yet to be paid;

- **other assets/(liabilities)** were affected by the seasonal nature of a number of businesses;
  the increase was approximately 3 million euro versus September 2016, due mainly to:
    - lower liabilities for staff payables (6 million euro) and for magazine subscriptions (4 million euro);
    - lower deferred tax of Mondadori France, following the reduction in the local tax rate effective from 2019 (3.8 million euro);
    - lower tax receivables, as a result of IRES collected following the refund application made in prior years (5.8 million euro);
    - lower advances to authors (3 million euro);

  the increase was approximately 25 million euro versus December 2016, linked basically to the seasonal nature and due mainly to:
    - lower liabilities for staff payables (12 million euro), which sees payment of a double salary in December, and for magazine subscriptions (6.5 million euro);
    - lower deferred tax of Mondadori France, following the reduction in the local tax rate effective from 2019 (3.8 million euro);
    - lower tax receivables, as a result of IRES collected following the refund application made in prior years (5.8 million euro);
    - higher advances to authors (7 million euro);

- **fixed assets** were down by approximately 12 million euro versus September 2016, despite capital expenditures of approximately 20 million euro in the last twelve months, and by approximately 22 million euro versus December 2016, with capital expenditures of 11.5 million euro in 2017, as a result of:
    - the disposal of a property and relating plant and equipment, as part of the outsourcing of logistics activities (2.8 million euro);
    - the disposal of NaturaBuy at end April 2017 (5.8 million euro);
    - amortization and depreciation in the nine months (24.2 million euro).

- **provisions and post-employment benefits** dropped by 7.5 million euro versus 9M16, due mainly to the use of provisions for staff downsizing, the reduction in headcount and the disposal of the logistics business unit, which counted approximately 110 employees.
  The increase versus December 2016 is attributable to higher provisions for outstanding tax disputes and to new legal disputes.

Discontinued assets/(liabilities) at 30 September 2016 (10.9 million euro) included the book values of Bompiani, disposed of in December 2016 in accordance with the provisions issued by the Antitrust Authority following the acquisition of Rizzoli Libri.

INVESTOR RELATIONS

Arnoldo Mondadori Editore S.p.A. ordinary shares have been listed on the Milan Stock Exchange since 1982 (ISIN Code: IT0001469383).
The Mondadori share is listed in the following

- indexes of Borsa Italiana: FTSE Italia *All Share*, FTSE Italia *Star* and FTSE Italia *Small Cap*;
- Industry specific: FTSE Italia Servizi al consumo and FTSE Italia Media.

On 19 October, the Mondadori share moved from the FTSE Italia Small Cap index to the FTSE Italia Mid Cap index.

In 9M17, Mondadori's share traded at an average price of 1.68 euro (average market capitalization of 438.4 million euro).
On 29 September 2017, the Mondadori share recorded a **closing price of 2.02 euro**, with a **market capitalization of 528 million euro**.

Share price and share trading data	9M17
Closing price in euro on 29/09/2017	**2.02**
Average price	1.68
Maximum price (28/09)	2.05
Minimum price (02/01)	1.28
Average volume (thousands)	**567.5**
Maximum volume (03/01)	2,977.5
Minimum volume (30/05)	86.3
No. of ordinary shares (mn)*	**261,458,340**
Average market capitalization in euro millions*	438.4
Market capitalization at 29/09/2017 in euro millions	528.1

Source: Borsa Italiana

** Number of shares issued at 30 September 2017*

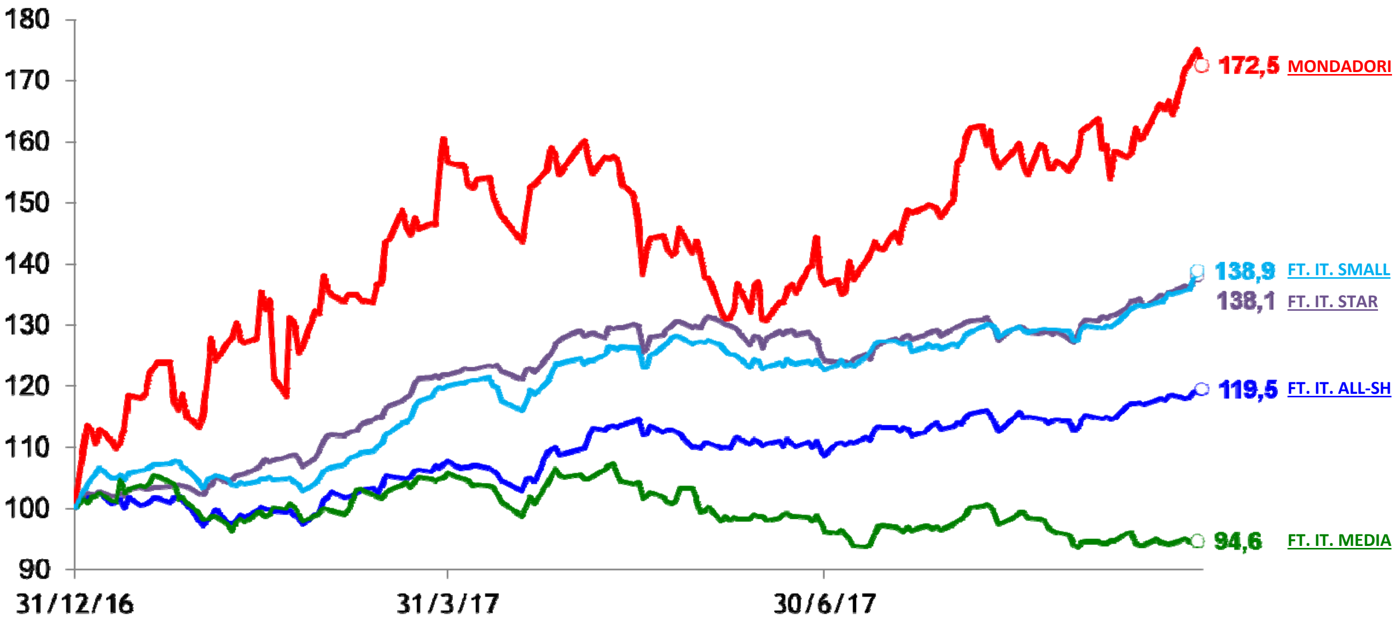
Shareholder base

At 30 September 2017, the Company's share capital amounts to Euro 67,979,168.40, equal to 261,458,340 ordinary shares with a par value of Euro 0.26 each.

At the same date, to the knowledge of the Company, based on the disclosures received pursuant to art. 120 of the Finance Consolidation Act and other available information, the Company ownership structure includes the following relevant equity investments (above 3%):

Shareholders	**Equity investment at 30/09/2017**
Fininvest S.p.A.	53.3%
Silchester International Investors Llp	11.5%

Mondadori share price performance against the main Italian SE indexes in 9M17



Source: Bloomberg

Mondadori share's performance at 29 September 2017 stood at **+72.5%**, outperforming the overall market (+19.5%), as well as the FTSE ITALIA STAR (+38.1%), FTSE Italia Small Cap (+38.9%) and FTSE Italia Media indexes (-5.4%).

At the same date, the 12-month performance stood at **+120.8%**.

PERSONNEL

Human resources

At 30 September 2017, Group employees with a fixed-term or permanent labour contract amounted to **3,053 units**, **down by 8.3%** versus 3,330 units at September 2016, as a result of the disposal of the logistics activities in May, as well as the ongoing restructuring and efficiency improvement measures involving each of the Group's business areas.

Group Employees at 30 September 2017:

Headcount by Business Area	30 September 2017	30 September 2016	Var. %
Books	649	785	*(17.3%)*
Magazines Italy	768	823	*(6.7%)*
Magazines France	767	814	*(5.8%)*
Retail	410	453	*(9.5%)*
Corporate & Shared Services	459	455	*0.9%*
Total	**3,053**	**3,330**	***(8.3%)***

	30 September 2017	30 September 2016
Arnoldo Mondadori Editore S.p.A.:		
- Managers, journalists, office staff	929	811
- Blue collars	5	5
	934	**816**
Italian subsidiaries:		
- Managers, journalists, office staff	1,295	1,550
- Blue collars	9	101
	1,304	**1,651**
Foreign subsidiaries:		
- Managers, journalists, office staff	815	863
- Blue collars	-	-
	815	**863**
Total	**3,053**	**3,330**

In the **Books** Area, the sharp drop versus 9M16 is attributable mainly to the disposal of Mondadori Libri's logistics business unit to CEVA Logistics Italia, with the resulting transfer of approximately 100 employees.

The approximately 7% reduction reported in the first half of the year by **Magazines Italy** reflects the efficiencies achieved from the rationalization measures on magazines. The segment continued implementing the status of crisis, with the introduction from 30 June 2017 of redundancy payments (CIGS) for the next 12 months.

The drop reported by **Retail** was equally affected by the disposal of logistics activities to CEVA Logistics Italia, which involved the transfer of approximately 10 employees, and the effects of the closure of a number of stores.

The **Corporate & Shared Services** Area saw an approximately 1% increase in headcount, following centralization of the non-outsourced logistics activities, the insourcing from RCS MediaGroup of the IT services, as well as the current insourcing of the administrative activities of Rizzoli Libri; net of these effects, headcount would be down by approximately 4%.

The cost of personnel[21] in 9M17 amounted to 174.7 million euro, down slightly (-0.6%) versus 9M16, which had seen the consolidation of Rizzoli Libri as from April and Banzai Media as from June, mitigated by the ongoing reduction in headcount and by the effects (from 1 May) of the transfer of approximately 110 resources in the outsourcing of logistics activities.

The cost of employees (including restructuring costs) in 9M17 amounted to 166.2 million euro, down slightly (-0.8%) versus 9M16.

	30/09/2017	**30/09/2016**	**Var. %**
Euro/millions			
Cost of enlarged personnel (before restructuring)	***173.9***	175.7	*-1.0%*
Cost of personnel (after restructuring)	***165.4***	167.5	*-1.2%*

[21] Cost of enlarged personnel includes, as from 1 January 2017, costs for collaborations and temporary employment. Accordingly, the prior 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 into 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.

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 tax) 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 came 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 tax 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).

On **26 June**, the Group announced the start of a share buy-back plan - under art. 5 of Regulation (EU) No. 596/2014 - on the Electronic Stock Market to provide the Company with 2.49 million shares to service the Incentive Plan named "2017 - 2019 Performance Share Plan" approved by the Shareholders' Meeting on 27 April 2017.

On **3 July**, the Company announced the purchase, in the period from 26 to 30 June, of **198,098 ordinary shares** (equal to 0.076% of the share capital) at an average unit price of Euro 1.6283, for a total amount of Euro 332,566.59.

On **10 July**, the Group announced the purchase, in the period from 3 to 7 July, of **38,902 ordinary shares** (equal to 0.015% of the share capital) at an average unit price of Euro 1.5906, for a total amount of Euro 61,876.25.

On **17 July**, the Group announced the purchase, in the period from 10 to 14 July, of a further **25,000 ordinary shares** (equal to 0.010% of the share capital) at an average unit price of Euro 1.6694, for a total amount of Euro 41,734.50.

On **24 July**, the Group announced the purchase, in the period from 17 to 21 July, of a further **29,500 ordinary shares** (equal to 0.0113% of the share capital) at an average unit price of Euro 1.7062, for a total amount of Euro 50,331.45.

On **31 July**, the Group announced the purchase, in the period from 24 to 28 July, of a further **29,000 ordinary shares** (equal to 0.011% of the share capital) at an average unit price of Euro 1.7385, for a total amount of Euro 50,415.80.

On **7 August**, the Group announced the purchase, in the period from 31 July to 4 August, of a further **26,500 ordinary shares** (equal to 0.010% of the share capital) at an average unit price of Euro 1.8224, for a total amount of Euro 48,293.50.

On **14 August**, the Group announced the purchase, in the period from 7 to 11 August, of a further **31,000 ordinary shares** (equal to 0.012% of the share capital) at an average unit price of Euro 1.8628, for a total amount of Euro 57,747.80.

On **21 August**, the Group announced the purchase, in the period from 14 to 18 August, of a further **23,000 ordinary shares** (equal to 0.009% of the share capital) at an average unit price of Euro 1.8476, for a total amount of Euro 42,493.80.

On **28 August**, the Group announced the purchase, in the period from 21 to 25 August, of a further **27,000 ordinary shares** (equal to 0.010% of the share capital) at an average unit price of Euro 1.8473, for a total amount of Euro 49,876.40.

On **4 September**, the Group announced the purchase, in the period from 28 August to 1 September, of a further **32,000 ordinary shares** (equal to 0.012% of the share capital) at an average unit price of Euro 1.8369, for a total amount of Euro 58,779.65.

On **11 September**, the Group announced the purchase, in the period from 4 to 8 September, of a further **35,000 ordinary shares** (equal to 0.013% of the share capital) at an average unit price of Euro 1.8502, for a total amount of Euro 64,758.50.

On **18 September**, the Group announced the purchase, in the period from 11 to 15 September, of a further **27,000 ordinary shares** (equal to 0.010% of the share capital) at an average unit price of Euro 1.8735, for a total amount of Euro 50,583.90.

On **25 September**, the Group announced the purchase, in the period from 18 to 22 September, of a further **26,000 ordinary shares** (equal to 0.010% of the share capital) at an average unit price of Euro 1.9396, for a total amount of Euro 50,430.76.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

On **2 October**, the Company announced the purchase, in the period from 25 to 29 September, of **25,000 ordinary shares** (equal to 0.010% of the share capital) at an average unit price of Euro 2.0191, for a total amount of Euro 50,478.50.

On **9 October**, the Group announced the purchase, in the period from 2 to 6 October, of a further **25,000 ordinary shares** (equal to 0.010% of the share capital) at an average unit price of Euro 2.0184, for a total amount of Euro 50,461.00.

On **16 October**, the Group announced the purchase, in the period from 9 to 13 October, of a further **18,000 ordinary shares** (equal to 0.007% of the share capital) at an average unit price of Euro 2.0951, for a total amount of Euro 37,712.30.

On **23 October**, the Group announced the purchase, in the period from 16 to 20 October, of a further **23,000 ordinary shares** (equal to 0.009% of the share capital) at an average unit price of Euro 2.4028, for a total amount of Euro 55,263.90.

On **30 October**, the Group announced the purchase, in the period from 23 to 27 October, of a further **23,000 ordinary shares** (equal to 0.009% of the share capital) at an average unit price of Euro 2.2127, for a total amount of Euro 55,263.90.

On **6 November**, the Group announced the purchase, in the period from 30 October to 3 November, of a further **18,000 ordinary shares** (equal to 0.007% of the share capital) at an average unit price of Euro 2.2243, for a total amount of Euro 40,036.70.

Following the purchases made so far, Arnoldo Mondadori Editore S.p.A. holds to date no. **760,000 treasury shares**, equal to **0.291%** of the share capital (including the 80,000 shares purchased in the period from 30 November to 2 December 2016, as per disclosure to the market on 6 December 2016).

On **19 October**, the Mondadori share moved from the FTSE Italia Small Cap index to the FTSE Italia Mid Cap index.

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.

With reference to adjusted EBITDA in the first half of 2016, the following items were excluded from EBITDA:

a) restructuring costs for a total of 2.4 million euro, included in “cost of personnel” in the income statement;

b) expenses related to acquisitions made during the year and charged to the income statement under IFRS 3 for a total of 2.7 million euro, included in “cost of services” in the income statement;

c) income and expenses of a non-ordinary nature attributable to settlement agreements and compensation for a total of 0.9 million euro, included in “other income/(costs)” in the income statement.

With reference to adjusted EBITDA in the first half of 2017, the following items were excluded from EBITDA:

a) restructuring costs for a total of 2.9 million euro, included in “cost of personnel” in the income statement;

b) income of a non-ordinary nature attributable to gains from the disposal of assets: 4.2 million euro from the disposal of the former logistics property and 4.3 million euro from the disposal of NaturaBuy, included in Other cost/(income) in the income statement.

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

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

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

Cash flow from ordinary operations 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 trend of the markets and the Group's performance in the first nine months, it is reasonable to estimate for **2017** - versus the 2016 pro-forma figures[22] - **a slight drop in revenue** and a "**high single-digit" growth of adjusted EBITDA**, with a resulting improvement in profit margins and a sharp increase of approximately **30%** in **net profit**.

Net debt at end 2017 is likewise confirmed at a debt/adjusted EBITDA ratio **below 2.0x**.

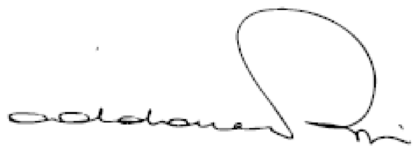
For the Board of Directors

The Chairman

Marina Berlusconi

The Financial Reporting Manager - 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 Financial Reporting Manager
Oddone Pozzi



[22] Pro-forma figures: consolidation of 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

INCOME STATEMENT AND
CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

CONSOLIDATED INCOME STATEMENT - THIRD QUARTER

CONSOLIDATED BALANCE SHEET

Assets (Euro/thousands)	**30/09/2017**	**31/12/2016**
Intangible assets	**597,962**	**612,147**
Property investments	**2,858**	**2,937**
Land and buildings	3,437	5,651
Plant and equipment	6,137	7,952
Other tangible assets	15,025	16,785
Property, plant and equipment	**24,599**	**30,388**
Investments booked at equity	40,449	42,538
Other investments	902	453
Total investments	**41,351**	**42,991**
Non-current financial assets	**1,788**	**267**
Pre-paid tax assets	**81,789**	**81,212**
Other non-current assets	**2,094**	**3,333**
Total non-current assets	**752,441**	**773,275**
Tax receivables	**27,016**	**30,436**
Other current assets	**105,291**	**93,181**
Inventory	**145,227**	**143,437**
Trade receivables	**332,425**	**298,737**
Other current financial assets	**4,533**	**3,382**
Cash and cash equivalents	**88,114**	**77,590**
Total current assets	**702,606**	**646,763**
Assets held for sale	**-**	**-**
Total assets	**1,455,047**	**1,420,038**

Liabilities (Euro/thousands)	30/09/2017	31/12/2016
Share capital	**67,979**	**67,979**
Share premium reserve	**-**	**-**
Treasury shares	**(1,055)**	**(73)**
Other reserves and profit/(loss) carried forward	**218,474**	**196,873**
Profit (loss) for the period	**31,232**	**22,544**
Group equity	**316,630**	**287,323**
Minority shareholders’ equity and reserves	**28,846**	**30,475**
Total equity	**345,476**	**317,798**
Provisions	**70,546**	**68,591**
Post-employment benefits	**47,497**	**50,989**
Non-current financial liabilities	**326,895**	**307,434**
Deferred tax liabilities	**67,900**	**75,028**
Other non-current liabilities	**-**	**-**
Total non-current liabilities	**512,838**	**502,042**
Income tax payables	**16,463**	**1,788**
Other current liabilities	**223,765**	**228,660**
Trade payables	**332,918**	**332,362**
Payables due to banks and other financial liabilities	**23,587**	**37,388**
Total current liabilities	**596,733**	**600,198**
Liabilities held for sale	**-**	**-**
Total liabilities	**1,455,047**	**1,420,038**

CONSOLIDATED INCOME STATEMENT

(Euro/thousands)	30/09/2017	30/09/2016
Revenue from sales and services	**924,737**	**935,251**
Decrease (increase) in inventory	(1,960)	6,542
Cost of raw and ancillary materials, consumables and goods	173,817	174,556
Cost of services	509,327	510,865
Cost of personnel	165,445	167,480
Other (income) costs	(3,356)	5,404
Income (costs) from investments booked at equity	(2,161)	(146)
EBITDA	**79,303**	**70,258**
Depreciation and impairment loss on property, plant and equipment	5,291	5,516
Amortization and impairment loss on intangible assets	18,887	16,748
Impairment loss on investments booked at equity and other enterprises	-	-
EBIT	**55,125**	**47,994**
Financial income (costs)	(10,198)	(12,679)
Income (costs) from other investments	-	-
Result before tax	**44,927**	**35,315**
Income tax	11,811	16,242
Result from continuing operations	**33,116**	**19,073**
Result from discontinued operations		700
Net result	**33,116**	**19,773**
Attributable to:		
- Minority shareholders	**1,884**	**1,901**
- Parent Company’s shareholders	**31,232**	**17,871**
Net earnings per share (in euro units)	0.12	0.07
Diluted net earnings per share (in euro units)	0.12	0.07

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

(Euro/thousands)	- 30/09/2017	- 30/09/2016
Net result	**33,116**	**19,773**
Items reclassifiable to income statement		
Profit (loss) deriving from the conversion of currency denominated financial statements of foreign companies	(2,448)	806
Other profit (loss) from companies measured at equity	(46)	172
Effective part of profit (loss) on cash flow hedge instruments (cash flow hedge)	556	(996)
Profit (loss) from held-for-sale assets (fair value)	-	-
Tax impact on other profit (loss) reclassifiable to income statement	(133)	274
Items reclassified to income statement		
Profit (loss) on cash flow hedge instruments	300	(764)
Profit (loss) from held-for-sale assets (fair value)	-	-
Tax impact on other profit (loss) reclassifiable to income statement	(72)	210
Items not reclassifiable to income statement		
Actuarial profit (loss)	320	(1,205)
Tax impact on other profit (loss) not reclassifiable to income statement	(85)	217
Total other profit (loss) net of tax effect	(1,608)	(1,286)
Comprehensive result for the period	**31,508**	**18,487**
Attributable to:		
- Parent Company's shareholders	**29,624**	**16,586**
- Minority shareholders	**1,884**	**1,901**

For the Board of Directors

The Chairman

Marina Berlusconi

CONSOLIDATED INCOME STATEMENT - THIRD QUARTER

(Euro/thousands)	**3Q17**	**3Q16**
Revenue from sales and services	**371,765**	**372,735**
Decrease (increase) in inventory	15,196	20,087
Cost of raw and ancillary materials, consumables and goods	59,513	58,247
Cost of services	185,792	186,598
Cost of personnel	51,855	55,187
Other (income) costs	5,498	5,144
Income (costs) from investments booked at equity	(1,893)	278
EBITDA	**52,018**	**47,750**
Depreciation and impairment loss on property, plant and equipment	1,764	1,963
Amortization and impairment loss on intangible assets	6,370	6,266
Impairment loss on investments booked at equity and other enterprises	-	-
EBIT	**43,884**	**39,521**
Financial income (costs)	(3,059)	(4,765)
Income (costs) from other investments	-	-
Result before tax	**40,825**	**34,756**
Income tax	13,394	13,105
Result from continuing operations	**27,431**	**21,651**
Result from discontinued operations	-	700
Net result	**27,431**	**22,351**
Attributable to:		
- Minority shareholders	**574**	**706**
- Parent Company’s shareholders	**26,857**	**21,645**

For the Board of Directors

The Chairman

Marina Berlusconi