

## BoD APPROVES INTERIM REPORT ON OPERATIONS AT 31.03.2017

- Consolidated revenue 261.1 million euro: +2.5% versus 254.8 million euro at 31.03.2016; -5.8% excluding Rizzoli Libri
  - Adjusted EBITDA<sup>1</sup>: +8.3% excluding Rizzoli Libri; due to the seasonal nature of Rizzoli's school textbooks business, 3.5 million euro versus 10.1 million euro at 31.03.2016
  - Net result: excluding Rizzoli Libri, improving to -1.6 million euro; due to the seasonal nature of Rizzoli's school textbooks business, -9.2 million euro versus -1.8 million euro at 31.03.2016;
- Net financial position: -286.2 million euro versus -224.9 million euro at 31.03.2016 due to the acquisitions made in 2016; (-263.6 million euro at end 2016)

§

## 2017 TARGETS CONFIRMED

- Revenue basically steady;
- “High-single digit” growth in adjusted EBITDA;
  - 30% improvement in net profit;
- Net debt down with debt/adjusted EBITDA ratio at 2.2/2x.

Segrate, 11 May 2017 - Today, the meeting of the Board of Directors of Arnoldo Mondadori Editore S.p.A., chaired by Marina Berlusconi, reviewed and approved the Interim Report on Operations at 31 March 2017 presented by CEO Ernesto Mauri.

### GROUP PERFORMANCE IN 1Q17

In 1Q17, the Mondadori 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.

<sup>1</sup> EBITDA adjusted is gross operating profit net of income and expenses of a non-ordinary nature (Glossary: Annex 4).

The Mondadori Group **consolidated revenue** in 1Q17 amounted to **261.1 million euro**, up by 2.5% versus 254.8 million euro in 1Q16; excluding the contribution of Rizzoli Libri, Group revenue dropped by 5.8%, due mainly to the performance of all the business areas.

On a comparable basis<sup>2</sup>, **adjusted EBITDA** grew by **8.3%** - with a percentage on revenue increasing from 4% 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 2 years.

Including the result of Rizzoli Libri, EBITDA amounted to **3.5 million euro**, as a result, as mentioned, of the negative contribution of -7.4 million euro, attributable to the typical seasonal nature of the Education business in the first quarter of the year.

Consolidated EBITDA, On a comparable basis, **improved by approximately 9% (from 8.5 million euro to 9.3 million euro)** confirming the Group's continued efficiency recovery. **Consolidated EBITDA** came to **1.8 million euro**.

**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).

On a comparable basis, **EBIT** amounted to a **positive 2.7 million euro**.

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.

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 (-263.6 million euro in 2016).

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 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 (130.4 million euro), restructuring costs (approximately 17 million euro), and cash-ins from prior-years' taxes (21 million euro).

At 31 March 2017, Group employees amounted to 3,214 units, up (+7.1%) following the extraordinary transactions made over the last 12 months; net of these transactions, Group employees would be down by -5%.

---

<sup>2</sup> On a comparable basis excludes the contribution of Rizzoli Libri, 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.

**Mondadori Group Media Relations**

+39 02 7542.3159 - [pressoffice@mondadori.it](mailto:pressoffice@mondadori.it) - [mondadori.it](http://mondadori.it)

[mondadori](#) [mondadori](#) [GruppoMondadori](#) [gruppomondadori](#) [mondadori.it/feed](#)

## 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 figures<sup>3</sup> 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.

## BUSINESS AREAS

### • BOOKS

The Trade Books Area of Mondadori Libri was once again **market leader** in the first quarter, increasing its overall share to **28%** following the acquisition of the Rizzoli Libri brands (Rizzoli, BUR and Fabbri Editori)<sup>4</sup>.

In the period under review, 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).

In 1Q17, the Area's **revenue** amounted to **80.3 million euro**, up by an **overall 26.6%** versus 63.4 million euro in 1Q16, as a result of the consolidation of Rizzoli Libri:

- **Trade revenue grew by 15.9%** versus 1Q16 (Rizzoli Libri contributed 8.6 million euro);
- **Educational revenue** was marked, as mentioned, by the seasonal factors of the school textbooks business; despite that, the segment's revenue, on a like-for-like basis, **increased by 12.2%** versus 1Q16; doubling, including Rizzoli Libri;
- 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.

On a like-for-like basis, Mondadori Libri's **adjusted EBITDA increased by 8.2%** to 4.5 million euro versus 1Q16 (4.1 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 mentioned typical seasonality factors of the school textbooks business. **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 million euro at 31 March 2016).

### • RETAIL

In 1Q17, the Retail Area achieved revenue of **42.9 million euro**, down by 3.5% versus 44.4 million euro in 1Q16.

The analysis by channel in the reporting period shows the following: a 1.6% drop by Megastores, due mainly to the shrinking sales in Consumer Electronics; an 8% drop by direct bookstores; a negative performance of Franchised Bookstores down by 8.8%; an approximately 43% increase in the online segment, driven by the sales from the government's “Culture Bonus” for 18 year olds (“18app”).

In 1Q17, Mondadori Retail's **adjusted EBITDA** came to -2.1 million euro, deteriorating versus

<sup>3</sup> 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.

<sup>4</sup> Source: GFK, March 2017 (sell-out figures in terms of market value)

#### Mondadori Group Media Relations

+39 02 7542.3159 - [pressoffice@mondadori.it](mailto:pressoffice@mondadori.it) - [mondadori.it](http://mondadori.it)

[twitter mondadori](#) [in mondadori](#) [f GruppoMondadori](#) [gruppomondadori](#) [mondadori.it/feed](#)

-1.8 million euro reported in 1Q16, due also to the negative contribution of the Rizzoli bookstore. **EBITDA** came to -2.9 million euro (-1.8 million euro in 1Q16), as a result of restructuring costs (0.8 million euro).

- **MAGAZINES ITALY**

In 1Q17, the Mondadori Group retained its **leadership position in the magazine market**, with a **32.7%** circulation share in terms of value<sup>5</sup>.

Revenue from Magazines Italy amounted to **72.2 million euro**<sup>6</sup>, down by 8% versus 78.4 million euro in 1Q16. Specifically:

- circulation revenue fell (-10.7%), basically in line with the relevant market trend<sup>7</sup> 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** in Italy to approximately **26% of the total**; considering print advertising sales in Italy alone (on a like-for-like basis of titles and barter deals for goods), the performance (-5.6%) is in line with the market trend at February<sup>8</sup>;
- revenue from add-on products fell sharply, in line with the segment's trend, versus 1Q16, which had benefited from the strong performance of a number of Home-Video and CD products;
- distribution and revenue towards third publishers managed by Press-Di dropped at a more moderate pace (-4.1%) than the market<sup>9</sup>, thanks to the ongoing commitment to developing third-publisher portfolios.

In 1Q17, the Mondadori Group reached a **unique audience of 16.6 million users/month**<sup>10</sup> versus 8.9 million/month in February 2016 (up by 4% versus end 2016), also retaining its position as **Italy's leading digital publisher**. 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 regarding Group brands, March saw the start of the first brand extension initiative with the launch of the monthly magazine *Giallo Zafferano*.

**Adjusted EBITDA improved** by approximately **3%**, rising from 6.4 million euro to **6.6 million euro**, driven mainly by the benefits from the integration of the teams and digital products acquired from Banzai Media. The Area's **EBITDA** confirmed the **growth trend** (increasing from 6.3 million euro to 6.5 million euro).

- **MAGAZINES FRANCE**

In 1Q17, **revenue** from Mondadori France amounted to **72.4 million euro**, down by 6.2% versus 77.1 million euro in 1Q16:

- circulation revenue (76% of the total) lost 3.7% versus 1Q16: specifically, the subscription channel (54% of circulation revenue) dropped by 2.5%; the newsstand

<sup>5</sup> Internal source: Press-di, cumulative figures at February 2017 (newsstands + subscriptions in terms of cover price)

<sup>6</sup> 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 as from 1 January 2017 - and the integration of its digital activities, the scope acquired in 2016 is no longer recognized in 2017.

<sup>7</sup> -12.2%. Internal source: Press-di, cumulative figures at February 2017 (newsstands + subscriptions in terms of cover price)

<sup>8</sup> -6.4% Source: Nielsen, cumulative figures at February 2017

<sup>9</sup> Source: ADS, figures in terms of copies, February 2017

<sup>10</sup> Source: Audiweb, at February 2017

**Mondadori Group Media Relations**

+39 02 7542.3159 - [pressoffice@mondadori.it](mailto:pressoffice@mondadori.it) - [mondadori.it](http://mondadori.it)

[mondadori](#) [mondadori](#) [GruppoMondadori](#) [gruppomondadori](#) [mondadori.it/feed](#)

channel (-3.9%) outperformed the relevant market trend<sup>11</sup>. In 1Q17, Mondadori France launched *Mellow*, a new women's lifestyle monthly.

- advertising revenue (print+digital) was down by 12.7% versus 1Q16, due mainly to the digital business (making for 17% of total advertising revenue).

In the reporting period, Mondadori France's **market share** stood at **10.2%**<sup>12</sup>, making it the third top player on the magazine advertising market.

The **digital readers** (web, mobile & tablet) of Mondadori France magazines reached **11.9 million unique users**<sup>13</sup>, up by approximately **+3%** versus 1Q16.

**Adjusted EBITDA** came to **3.6 million euro**, down versus 4.3 million euro in 1Q16. The drop is mainly attributable to the downturn in advertising revenue generated by the Digital Area.

**EBITDA**, amounting to 3 million euro, was down by 20.3% versus 3.7 million euro in 1Q16.

### **SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD**

On **28 April 2017**, 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. for the amount of 0.5 million euro. Additionally, the agreement envisages 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; and 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.

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 2017**, the Mondadori Group announced that its subsidiary Mondadori France, following the purchase of the 20% minority interest in the share capital, had completed 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 disposal of 100% of NaturaBuy amounts to 12.2 million euro, based on an enterprise value of 10.5 million euro. 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).

### §

*The documentation relating to the presentation of the results at 31 March 2017, is made available through the authorized storage mechanism 1Info ([www.1info.it](http://www.1info.it)) and in the Investors section of the Company's website [www.mondadori.it](http://www.mondadori.it).*






<sup>11</sup> -8.1%: Internal source Mondadori France, figure at March 2017

<sup>12</sup> Source: Kantar Media, figures in terms of volume at January 2017

<sup>13</sup> Source: Mediametrie Netratings - Nielsen, January-February 2017 average figure

#### **Mondadori Group Media Relations**

+39 02 7542.3159 - [pressoffice@mondadori.it](mailto:pressoffice@mondadori.it) - [mondadori.it](http://mondadori.it)

 [mondadori](https://twitter.com/mondadori)  [mondadori](https://www.linkedin.com/company/mondadori)  [GruppoMondadori](https://www.facebook.com/GruppoMondadori)  [gruppomondadori](https://www.instagram.com/gruppomondadori)  [mondadori.it/feed](http://mondadori.it/feed)



*The Interim Report on Operations at 31 March 2017 will be made available at the Company's registered office, on the authorized storage mechanism ([www.1Info.it](http://www.1Info.it)) and in the Investors section of the Company's website [www.mondadori.it](http://www.mondadori.it) by the end of today.*

§






*The Executive Manager responsible for the drafting of the corporate accounting documentation, Oddone Pozzi, hereby declares, pursuant to Art. 154 bis, par. 2, of the Finance Consolidation Act, that the accounting documentation contained in this press release corresponds to the Company's accounting entries, books and results.*

Annexes:

1. Consolidated balance sheet
2. Consolidated income statement
3. Group cash flow
4. Glossary of terms and alternative performance measures used

**Mondadori Group Media Relations**

+39 02 7542.3159 - [pressoffice@mondadori.it](mailto:pressoffice@mondadori.it) - [mondadori.it](http://mondadori.it)

 [mondadori](https://twitter.com/mondadori)  [mondadori](https://www.linkedin.com/company/mondadori)  [GruppoMondadori](https://www.facebook.com/GruppoMondadori)  [gruppomondadori](https://www.instagram.com/gruppomondadori)  [mondadori.it/feed](http://mondadori.it/feed)

Annex 1  
Consolidated balance sheet

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
<b>NWC and Provisions</b>	<b>23.9</b>	<b>12.5</b>	<b>-10.0</b>
Intangible assets	611.8	612.2	550.9
Tangible assets	31.7	33.3	30.2
Investments	42.5	43.0	44.0
<b>NET FIXED ASSETS</b>	<b>686.0</b>	<b>688.5</b>	<b>625.1</b>
Provisions	-64.4	-68.6	-54.4
Post-employment benefits	-50.2	-51.0	-43.0
<b>NET INVESTED CAPITAL</b>	<b>595.4</b>	<b>581.4</b>	<b>517.8</b>
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
<b>EQUITY</b>	<b>309.2</b>	<b>317.8</b>	<b>292.9</b>
NFP	286.2	263.6	224.9
<b>TOTAL EQUITY</b>	<b>595.4</b>	<b>581.4</b>	<b>517.8</b>

**Mondadori Group Media Relations**

+39 02 7542.3159 - [pressoffice@mondadori.it](mailto:pressoffice@mondadori.it) - [mondadori.it](http://mondadori.it)

[mondadori](#)
[mondadori](#)
[GruppoMondadori](#)
[gruppomondadori](#)
[mondadori.it/feed](#)





### Annex 3 Group cash flow

(Euro/millions)	Mar.17		Mar.16	LTM	
	Total	Excluding Rizzoli Libri		Total	Excluding Rizzoli Libri
<b>NFP beginning of period</b>	<b>-263.6</b>		<b>-199.4</b>	<b>-224.9</b>	
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 operatio	-0.2		-6.1	-126.1	
Total Cash Flow	-22.6		-25.5	-61.3	
<b>NFP end of period</b>	<b>-286.2</b>		<b>-224.88</b>	<b>-286.2</b>	

#### Mondadori Group Media Relations

+39 02 7542.3159 - [pressoffice@mondadori.it](mailto:pressoffice@mondadori.it) - [mondadori.it](http://mondadori.it)

[mondadori](https://www.twitter.com/mondadori)
[mondadori](https://www.linkedin.com/company/mondadori)
[GruppoMondadori](https://www.facebook.com/GruppoMondadori)
[gruppomondadori](https://www.instagram.com/gruppomondadori)
[mondadori.it/feed](https://www.rss.com/mondadori.it/feed)

#### Annex 4

#### **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.

#### **Mondadori Group Media Relations**

+39 02 7542.3159 - [pressoffice@mondadori.it](mailto:pressoffice@mondadori.it) - [mondadori.it](http://mondadori.it)

 [mondadori](https://twitter.com/mondadori)  [mondadori](https://www.linkedin.com/company/mondadori)  [GruppoMondadori](https://www.facebook.com/GruppoMondadori)  [gruppomondadori](https://www.instagram.com/gruppomondadori)  [mondadori.it/feed](http://mondadori.it/feed)