MONDADORI

Press release

Disclosure pursuant to Consob Resolution No. 11971 of 14 May 1999 and subsequent amendments

The Board of Directors approved the half year report at 30.06.2015 [1]

- **CONSOLIDATED NET REVENUES: EURO 517.1 MILLION, -4.8% AGAINST EURO 543.3 MILLION OF 30.06.2014**

- **EBITDA BEFORE NON-RECURRING ITEMS: EURO 23.8 MILLION, UP 32% AGAINST EURO 18.1 MILLION OF 30.06.2014**

- **TOTAL CONSOLIDATED EBITDA: EURO 19 MILLION, UP 7.9% AGAINST EURO 17.6 MILLION OF 30.06.2014**

- **CONSOLIDATED NET RESULT FROM CONTINUING OPERATIONS (EXCLUDING DISCONTINUED OPERATIONS IN THE RADIO BUSINESS AREA): EURO -3.4 MILLION, REMARKABLY UP AGAINST EURO -8.6 MILLION OF 30.06.2014**

- **NET FINANCIAL POSITION: EURO -326.5 MILLION, UP AGAINST EURO -368.9 MILLION OF 30.06.2014**

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IMPROVED RESULTS FROM OPERATIONS IN ALL OF THE GROUP'S BUSINESS AREAS AND FOCUS ON THE STRATEGIC RATIONALIZATION OF THE OPERATIONS PORTFOLIO

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EBITDA INCREASE ESTIMATES CONFIRMED FOR 2015; EXPECTED IMPROVEMENT IN NET FINANCIAL POSITION AGAINST END OF 2014

Segrate, 28 July 2015 - The Board of Directors of Arnoldo Mondadori Editore S.p.A., held on today's date, examined and approved the half year financial report at 30 June 2015 presented by the CEO Ernesto Mauri.

GROUP PERFORMANCE AT 30 JUNE 2015

In the first half year period of 2015 **net consolidated revenues** amounted to **euro 517.1 million**, down 4.8% against euro 543.3 million of the same period in 2014. A progressive improvement (-3.3%) was recorded in the second quarter against the performance of the first quarter (-6.2%).

EBITDA before non-recurring items registered **an increase** of **32%,** from euro 18.1 million in the first half of 2014 to **euro 23.8 million** this year, with a percentage on revenues rising from 3.3% to 4.6%; **consolidated EBITDA** improved by 7.9%, totalling **euro 19 million** vs. euro 17.6 million of 30 June 2014. The recovery of profitability is even more significant net of non-recurring items (which had a negative impact on the result for approximately euro 5 million, mainly due to restructuring costs).

This performance is the result of a rigorous management policy. In particular:

- the majority of the business areas posted reduced incidence of the cost of goods sold, specifically the Book Area and the Retail Area, due to a more effective management of operating processes and to a targeted pricing policy;
- the rising incidence of variable costs on revenues is mainly attributable to the Magazines France Area and is referred to increased mail tariffs for subscriptions;

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[1] *In view of the possible disposal of 80% of the share capital of Monradio S.r.l. and in compliance with IFRS 5 ("Non current assets held for sale"), the Group's radio business was qualified as "discontinued operations" and as such it was recorded in the tables at 30.06.2015. As a result, in the income statement of the first half year of 2015 and, for the sake of comparison, of the first half year of 2014, the results achieved in the radio business area in the relevant period were classified under "Results from discontinued operations". On the other hand, the financial charges of Monradio S.r.l. are included among the Group's net financial expenses for the period, since the relevant net debt at 30 June 2015 is still consolidated.*

- the reduction in fixed costs is higher than the drop in revenues and was also reached through the implementation of a cost containment policy for third party services and rents;
- employee headcount at the end of the half year period was down by 144 people (-4.5%) against the first half year of 2014, due to the ongoing review of the organizational structures; cost of personnel consequently dropped by 4.6% against the previous year, essentially in line on revenues (20.9%).

Quarter after quarter, this result confirms the **greater efficiency** achieved by the Group **across all business areas**, especially in the **Books** and **Magazines Italy Areas**, as a result of the industrial and organizational review implemented over the last two years.

In the first half year of 2015, **consolidated EBIT** amounted to **euro 9.2 million**, **up 32%** against euro 7 million posted in the same period of 2014, as a result of the above-mentioned increased EBITDA and reduced amortization and depreciation.

Consolidated profit before taxes is positive for **euro 0.6 million** against euro -5.3 million at 30 June 2014; in the first half year of 2015, **financial costs** amounted to comprehensively euro 8.5 million, **considerably down** against euro 12.3 million of the same period in 2014, as a result of reduced average net debt for the period and average total cost.
Taxes in the period totalled euro 2.8 million (euro 2.1 million in the first half year of 2014).

Consolidated net result from continuing operations, after minority interest, was **negative for euro 3.4 million**, **remarkably up** against the euro 8.6 million loss registered at 30 June 2014.
The result from discontinued operations in the first half year of 2015, negative for euro 8.8 million, includes the same-period result of the Radio business area (up from euro -2.5 million at 30 June 2014 to euro -1.8 million) as well as depreciation of Monradio operations in order to bring their value in line with the fair value resulting from the offer received on 30 June 2015 by R.T.I. S.p.A.

The **Group's net financial position** at 30 June 2015 was equal to **euro -326.5 million**, **up** against **euro -368.9 million** of 30 June 2014 as a result of the significant Group's cash generation - especially from operations - over the last twelve months; the comparison with the value at 31 December 2014 (euro -291.8 million) includes the effects of the seasonal fluctuations typical of the business.

At 30 June 2015, **cash flow from operations** in the last twelve months is **positive for euro 59.6 million**; ordinary **cash flow** (after cash-out relative to financial charges and taxes for the period) is **equal to euro 31.5 million,** continuing the **rising trend** registered in the four previous quarters.
Cash flow from extraordinary operations is **positive** for **euro 10.9 million** despite cash-out for restructuring actions, and results from the capital gain deriving from the disposal of an asset in the Retail Area and from the collection of tax receivables accrued in previous years.

BUSINESS AREAS

- ***BOOKS***

In the first six months of 2015, the *Trade Books* area continued the trend already shown in the first quarter, down 2.7% vs. 30 June 2014 (source: GFK, value in June).
In this context, Mondadori Group confirmed its position as **market leader with a 24.4% market share**.

During the period, the Group has 4 titles in the ranking of the 10 top bestsellers books and was awarded the *Strega Prize 2015* with *La ferocia* written by Nicola Lagioia (Einaudi) and the *Strega Giovani Prize 2015* with *Chi manda le onde* written by Fabio Genovesi (Mondadori).

In the first six months of 2015, Mondadori Group's **Books Area** recorded revenues for **euro 123 million,** down by 4.3% against euro 128.5 million of the same period of 2014.

Revenues from the *Trade Books* registered a higher decline than the market, influenced by a selective publishing policy aimed at increasing profitability. Mondadori's positive performance in the second quarter benefited from the distribution of *Grey*, the new novel by E.L. James, which continues the *Fifty shades of grey* trilogy: launched on July 3rd in 500,000 copies, *Grey* is already an outstanding bestseller, with over 200,000 copies sold in the first two weeks.

Revenues from the download of *e-books* rose by 18.6% against the first six-months of 2014, with a 6.1% share of digital sales on the total revenues of *Trade Books* (4.7% at 30 June 2014).

In the first six months of 2015, revenues from _Educational Books_ grew by **12.4%** against the same period of 2014. The Education segment is characterized by the seasonal effects of the school textbook business, whose revenues are typically generated in the second half of the year.

EBITDA in the Books Area, net of non-recurring items, despite dropping revenues (-4.3%), posted a **significant increase (+65.8%)** from euro 5.1 to **8.5 million** as a result of a more effective management of operating processes deriving from the radical restructuring process implemented in the *Trade Area*. Concurrently, the actions aimed at reducing fixed costs and cost of personnel continued.
Reported EBITDA, including a higher incidence of restructuring costs compared to last year (euro 3.2 million in 2015 against 0.5 million in 2014), which were concentrated in the first part of 2015, is equal to **euro 5.2 million**, up by approximately **12%** against the same period of 2014 (euro 4.7 million).

- ***MAGAZINES ITALY***

In Italy, despite the negative scenario recorded in the market in terms of both circulation – down by 6.5% (internal source, newsstand channel, in May) – and sales from advertising – down by 3.6% (source: Nielsen, in May) – Mondadori confirmed its position as **market leader with a 32.3% market share in circulation**.

Overall revenues of the **Magazines Italy Area** amounted to **euro 153 million**, down by 6.1% (-5.7% on a like-for-like basis, considering magazines sold in March 2014), against euro 162.9 million in the first six months last year.

More specifically, revenues from circulation decreased by 7.6% (-6.8% on a like-for-like basis), however showing a significant recovery in the second quarter compared to first-quarter data.
The drop results from the combined effect of the reference market performance and of the rigorous policy adopted in the selection of the most profitable promotional initiatives.

Revenues from advertising sales in the *print* segment dropped by 6.3% (-6% on a like-for-like basis), while *web* advertising (-0.7%) performed better than the reference market trend (-2.2% source: Nielsen, in May), posting a +2.5% growth in the second quarter of the year, also thanks to the positive results of Grazia.it (+7.3% against the first six months of 2014). On the whole and on a like-for-like basis, sales from advertising on Mondadori (print + web) brands dropped by 5.6% during the same period.

Revenues from add-on products decreased by 10.6% against the first six months of 2014 as a result of rationalization actions aimed at support profitability, even if they post a progressive recovery vs. the first quarter of 2015.

EBITDA of the Magazines Italy Area, net of non-recurring items, posted a **remarkable improvement**, up **28.6%** (from euro 8.2 million to **euro 10.5 million**) as a result of the effective review of the publishing and operating organization as well as of promotional activities, despite the downward revenue trend determined by market conditions and by project selection policies.
Reported EBITDA confirmed the growth trend, rising from euro 9.1 to **9.8 million** as a result of the above-mentioned actions and of the progressive recovery of advertising sales, even if the first half year of 2014 benefited from non-recurring items amounting to approximately euro 1 million, deriving from the contribution to Mediamond.

Traffic data show an overall audience rate equal to 6.7 million unique users with a 41% growth against the same period of the previous year (source: Audiweb, in May), also thanks to the performance of Grazia.it (+38%) and Panorama.it (+11%).

- ***MAGAZINES FRANCE***

In France, the magazines market showed a downward trend, both in advertising sales (-10.9% in May, source Kantar Media) and in circulation, which is down 5.2% in the newsstand channel (in May, internal source, excluding the extraordinary edition of *Charlie Hebdo* in February, which influenced the French magazines market in the first half year).

In the first six months of 2015, revenues from **Mondadori France** equalled **euro 166.6 million**, down 2% against euro 169.9 million in the same period in 2014, essentially confirming the trend of the first quarter.

Revenues from circulation (approximately 75% of total revenues) recorded a slight decline (-1.9%) against the previous year. In particular:
- the newsstand channel recorded a 7.3% reduction; the comparison with 2014 results is affected by the exceptional performance of January 2014, resulting from the publication of the “Hollande scoop” on

Closer; net of such exceptionality, revenues from circulation dropped by **-5,2%, in line with the reference market**;
- on the other hand, the subscription channel posted a **0.6% growth**, partly off-setting the newsstand channel decline.

Revenues from <u>advertising sales</u> (*print* + *web*) were down 5.2% against the same period of 2014, but performance differed between offline and online products: digital advertising (14% of total advertising revenues) **grew over 23%**, partially offsetting the drop in traditional *print* advertising (-8.5%), performing better than the reference market.
Mondadori is confirmed as second top player in the magazine advertising market, with a market share (in volume) of 10.3%.

EBITDA, net of non-recurring items, is stable against last year, totalling **euro 16.1 million**, even if the first half year of 2014 benefited significantly from the “Hollande scoop” published in January by the magazine *Closer*.
Mondadori France has continued the process of rationalizing structures and containing editorial costs, and it will be extended through 2015 in order to further adjust the organization to market changes and to sustain profitability, also limiting the impact of the increased postage fees associated with subscriptions and of some promotional investments. **Reported EBITDA**, equal to **euro 14.4 million**, is down 5.7% against the first half year of 2014 (euro 15.3 million), due to higher restructuring costs.

The fall in traditional activities stopped at 3.5%, while diversification activities (about 8% of total revenues) grew by 18.2% mainly as a result of the development of <u>digital activities</u> (+18.6%), with special emphasis on the growth of advertising sales of the properties (+23.5%).
The total number of readers of Mondadori France magazines reached 8.3 million unique users, up approximately 19% against 2014, also as a result of the progressive digitalization of the editorial teams.

- **<u>RETAIL</u>**

In the first six months of 2015, the **Retail Area** posted revenues for **euro 85.7 million**, down 7.4% against euro 92.6 million of the same period last year (in line with the trend of the first quarter), mainly as a result of the disposal of the flagship store located in corso Vittorio Emanuele in Milano.

Books are the predominant product category (77% of the total) and outperform the reference market on a like-for-like basis by approximately 3 percentage points.
Revenue highlights from the single sales channels: direct bookstores are substantially stable (-0.6%); franchise bookstores are substantially stable in the books category, with a drop in the non-book sector; the book category in megastores (on a like-for-like basis) posted a positive performance and consumer electronics started to grow again; the online channel grew (+2.5%), especially for books, which outperformed the market by over 5 percentage points (+8.5% vs. +3.1% of the market); the trend in the book club segment is in line with the structural decline expected in the medium-term development plan (-13.5%).

EBITDA of Mondadori Retail, net of non-recurring items, totalled **euro -3.2 million**, **clearly up (+37.1%)**, against euro -5.1 million in the same period of 2014. This result derives from two main elements:
- the improved product margin, especially in the book category and in consumer electronics, achieved thanks to actions aimed at network and format review (during this half year, the new megastore was opened in via San Pietro all’Orto, in Milano, in June), promotion containment and well-studied product assortment;
- the extended implementation of cost reduction measures determined a lower incidence of promotional expenses and a significant reduction in personnel costs and overhead.

This increase, compared to the first six months of 2014, is visible in the majority of the sales channels. **Reported EBITDA** remarkably improved in the first half year period, from euro -5.5 million in the first six months of 2014, which included restructuring costs for euro 0.4 million, to **euro -2.8 million** of the same period this year.

- **<u>DIGITAL</u>**

In the first half year, total revenues from digital activities posted a 8% increase against 30 June 2014 (**euro 25.6 million** against euro 23.7 million at 30 June 2014). The incidence of digital activities on the Group's total revenues is 5%, against 4.4% in the first six months of last year.
The purely digital activities that cut across all business areas posted increased revenues by 12.1% against the first six months of 2014.
The digital marketing service activities posted revenues for euro 6.2 million, down from euro 6.4 million in 2014, as a result of the shift of some projects relative to Cemit traditional activities, only partially offset by the launch of digital and multimedia products.

OUTLOOK FULL YEAR 2015

During this half-year period, the Group carried on the process aimed at strategically rationalizing portfolio activities and some non-core assets disposal in order to further strengthen its competitive position in the core businesses and eventually exploit any upcoming opportunities. This strategy includes the already mentioned transfer of the majority interest of the Group's radio business.

Based on the Group's **positive performance** in these first six months, on the ongoing **optimization** of operating processes and cost structure, as well as on the **measures** aimed at **mitigating the downturn in revenues** due to the performance of the market, it is reasonable to confirm the 2015 projections of a **growing EBITDA** at Group level.

Consistently with the description above and notwithstanding the higher investments and possible changes in the Digital Area aimed at ensuring future development of the Group, the **net financial position** is also expected to improve against 2014 year end.

The documentation relating to the presentation of the first half-year period results is made available to the public on the authorized storage device 1info (www.1info.it) and on www.mondadori.it (Investor Relations section).

The Executive Manager responsible for drafting 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:

- *Consolidated balance sheet (Annex 1)*
- *Consolidated income statement (Annex 2)*
- *Consolidated income statement – second quarter (Annex 3)*
- *Group cash flow (Annex 4)*

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Annex 1

Consolidated balance sheet

(euro/million)	**30 June 2015**	**30 June 2014**	***Var.***	**31 December 2014**
Net trade receivables	260.1	278.1	*(18.0)*	263.1
Inventory	115.3	118.3	*(3.0)*	108.4
Trade payables	(351.9)	(359.5)	*7.6*	(343.3)
Other assets / (liabilities)	11.2	15.3	*(4.1)*	(14.8)
NET WORKING CAPITAL	**34.7**	**52.2**	***(17.5)***	**13.4**
Intangible assets	551.1	571.3	*(20.2)*	553.7
Tangible assets	31.0	35.3	*(4.3)*	32.4
Investments	39.9	37.3	*2.6*	39.5
NET FIXED ASSETS	**622.0**	**643.9**	***(21.9)***	**625.6**
Provisions	(53.4)	(61.3)	*7.9*	(68.4)
Post-employment benefits	(44.2)	(45.1)	*0.9*	(46.3)
Discontinued assets / (liabilities)	45.8	55.3	*(9.5)*	56.6
NET INVESTED CAPITAL	**604.9**	**645.0**	***(40.1)***	**580.9**
Share capital	68.0	68.0	-	68.0
Minority shareholders' reserves and net equity	222.6	219.2	*3.4*	220.5
Net result	(12.2)	(11.0)	*(1.2)*	0.6
SHAREHOLDERS' EQUITY	**278.4**	**276.1**	***2.3***	**289.1**
NET FINANCIAL POSITION	**326.5**	**368.9**	***(42.4)***	**291.8**
TOTAL SHAREHOLDERS' EQUITY	**604.9**	**645.0**	***(40.1)***	**580.9**

Annex 2

Consolidated income statement

(euro/million)	**First half of 2015**	***% Growth on revenues***	**First half of 2014**	***% growth on revenues***	**Var. %**
Revenues from sales and services	**517.1**	***100.0%***	**543.3**	***100.0%***	**(4.8%)**
Cost of sold items	203.5	*39.4%*	228.4	*42.0%*	(10.9%)
Variable costs	106.9	*20.7%*	103.7	*19.1%*	3.1%
Fixed costs	77.0	*14.9%*	81.4	*15.0%*	(5.4%)
Cost of personnel	108.3	*20.9%*	113.6	*20.9%*	(4.6%)
Other costs / (revenues)	(3.3)	*(0.6%)*	(3.4)	*(0.6%)*	(4.2%)
Associates	(0.9)	*(0.2%)*	(1.6)	*(0.3%)*	(43.0%)
EBITDA net of non-recurring items	**23.8**	***4.6%***	**18.1**	***3.3%***	**31.7%**
Restructuring costs	(5.0)		(3.0)		68.1%
(Positive)/negative extraordinary items	0.1		2.4		(95.5%)
EBITDA	**19.0**	***3.7%***	**17.6**	***3.2%***	**7.9%**
D&A	9.7	*1.9%*	10.6	*1.9%*	(8.0%)
EBIT	**9.2**	***1.8%***	**7.0**	***1.3%***	**31.9%**
Net financial revenues (costs)	(8.5)	*(1.7%)*	(12.3)	*(2.3%)*	(30.5%)
Revenues (costs) from other investments	(0.1)		-		n.s.
Profit before taxes for the period	**0.6**	***0.1%***	**(5.3)**	***(1.0%)***	**n.s.**
Income tax	2.8	*0.5%*	2.1	*0.4%*	n.s.
Minority shareholders' profit	1.1	*0.2%*	1.2	*0.2%*	n.s.
Result from continuing operations	**(3.4)**	***(0.6%)***	**(8.6)**	***(1.6%)***	**n.s.**
Result from discontinued operations	(8.8)	*(1.7%)*	(2.5)	*(0.5%)*	n.s.
Net result	**(12.2)**	***(2.4%)***	**(11.0)**	***(2.0%)***	**n.s.**

Annex 3

Consolidated income statement - second quarter

(euro/million)	**Q2 2015**	***% growth on revenues***	**Q2 2014**	***% growth on revenues***	**Var. %**
Revenues from sales and services	**268.3**	***100.0%***	**277.6**	***100.0%***	**(3.3%)**
Cost of sold items	104.1	*38.8%*	116.0	*41.8%*	(10.3%)
Variable costs	57.8	*21.5%*	52.3	*18.8%*	10.5%
Fixed costs	38.1	*14.2%*	39.0	*14.0%*	(2.1%)
Cost of personnel	54.6	*20.4%*	56.0	*20.2%*	(2.4%)
Other costs / (revenues)	(0.7)	*(0.3%)*	2.0	*0.7%*	n.s.
Associates	0.6	*0.2%*	(0.4)	*(0.2%)*	n.s.
EBITDA net of non-recurring items	**15.0**	***5.6%***	**11.9**	***4.3%***	**26.4%**
Restructuring costs	(1.9)		(1.2)		68.5%
(Positive)/negative extraordinary items	(1.1)		-		n.s.
EBITDA	**12.0**	***4.5%***	**10.7**	***3.9%***	**11.2%**
D&A	4.9	*1.8%*	5.3	*1.9%*	(9.1%)
EBIT	**7.1**	***2.6%***	**5.4**	***1.9%***	**31.3%**
Net financial revenues (costs)	(4.1)	*(1.5%)*	(6.4)	*(2.3%)*	(35.5%)
Revenues (costs) from other investments	-		-		**-**
Profit before taxes for the period	**3.0**	***1.1%***	**(1.0)**	***(0.3%)***	**n.s.**
Income tax	2.0	*0.7%*	1.5	*0.6%*	29.4%
Minority shareholders' profit	0.6	*0.2%*	0.8	*0.3%*	(14.0%)
Result from continuing operations	**0.4**	***0.1%***	**(3.3)**	***(1.2%)***	**n.s.**
Result from discontinued operations	(7.8)	*2.9%*	(1.3)	*(0.5%)*	n.s.
Net result	**(7.5)**	***(2.8%)***	**(4.6)**	***(1.7%)***	**n.s.**

Annex 4

Group cash flow statement

(euro/million)	30 June 2015	30 June 2014	LTM
Starting net financial position	**(291.8)**	**(363.2)**	**(368.9)**
EBITDA before non-recurring items	23.8	18.1	72.1
Associates	1.4	(1.6)	(0.2)
Variation net working capital and provisions	(28.3)	(34.0)	5.9
CAPEX	(7.5)	(4.0)	(14.6)
Cash flow from operations - Radio business	-	(1.5)	(3.6)
Cash flow from operations	**(10.6)**	**(23.0)**	**59.6**
Financial costs	(7.8)	(12.3)	(17.6)
Taxes	(5.1)	0.5	(11.0)
Financial charges and taxes - Radio business	1.3	-	0.5
Ordinary cash flow from operations	**(22.2)**	**(34.8)**	**31.5**
Capital increase / (dividends paid)	-	31.2	-
Restructuring costs	(11.6)	(14.2)	(17.7)
Tax receivables / previous years	2.2	4.7	12.7
Asset acquisitions	-	(2.9)	(1.0)
Asset disposals	(3.1)	10.3	16.9
Extraordinary cash flow from operations	**(12.5)**	**29.1**	**10.9**
Total cash flow	**(34.7)**	**(5.7)**	**42.4**
Net financial position	**(326.5)**	**(368.9)**	**(326.5)**