GRUPPO MONDADORI

PRESS RELEASE

BoD APPROVES RESULTS AT 31 DECEMBER 2017[1]

Results in line with expectations:

- **Consolidated net revenue 1,268.3 million euro: +0.4% versus 2016; dropping slightly on a pro-forma basis[2] (-0.9%)**
- **Adjusted EBITDA 106.3 million euro: -2.2 million euro versus 2016 (+6.3% pro-forma)**
- **EBITDA 101.1 million euro: +7.5% versus 2016 (+16.8% pro-forma)**
- **Net profit 30.4 million euro: +35% versus 2016**
- **Net financial position -189.2 million euro, improving by approximately 74.4 million euro, with debt/EBITDA ratio at 1.8x (versus 2.4x in 2016)**

CURRENT YEAR PROJECTIONS

- **Revenue slightly down**
- **Adjusted EBITDA basically steady**
- **Net profit down due to less non-recurring positive items**
- **Cash flow from ordinary operations forecast at around 50 million euro**

2019 PLAN

- **Revenue trend in line with 2018 projections**
- **Adjusted EBITDA up at around 110 million euro**
- **Net profit above 30 million euro**
- **Net financial position below -150 million euro (with debt/adjusted EBITDA ratio at approximately 1.3x)**

Segrate, 13 March 2018 - Today, the meeting of the Board of Directors of Arnoldo Mondadori Editore S.p.A., chaired by Marina Berlusconi, reviewed and approved the draft Parent Company and Group consolidated financial statements at 31 December 2017 presented by CEO Ernesto Mauri.

2017 HIGHLIGHTS

2017 was a year in which the Mondadori Group **consolidated the goals achieved** in the preceding three-year period, on the **path of strategic redefinition of its activities** and of **further operating and financial improvement**, while continuing to push strongly on efficiency measures consistent with the relevant market trends and **strengthening its leadership across all business areas**.

---

[1] 2017 at Group level includes the contribution as from 1 January of Rizzoli Libri (outside the scope of consolidation in 1Q16) and Banzai Media activities (consolidated as from 1 June 2016 and merged by incorporation into the Parent Company, with accounting effects as from 1 January 2017).

[2] On a like-for-like consolidation basis with Rizzoli Libri as from 1 January 2016, revenue of 1,280 million euro and adjusted EBITDA of 100 million euro.

GRUPPO

The results achieved were in line with the expectations disclosed to the market:

- **revenue** was basically steady versus 2016 (-0.9% on a pro-forma basis);
- **adjusted EBITDA grew** by **6.3%** (versus 100 million euro pro-forma in 2016), with **margins on revenue of 8.4%**, up from 7.8% and with a higher contribution of Books to Group profitability (approximately 70% of total);
- **net profit increased by 35%** versus 2016;
- **cash flow from ordinary operations** stood at **68.7 million euro**, producing an **approximately 28% reduction in net debt** and a debt/adjusted EBITDA ratio of **1.8x** (versus 2.4x in 2016).

Additionally, at year end, a **new** (five-year) **loan agreement** was concluded for a total of 450 million euro, setting **better financial conditions** in terms of lower average debt cost and a new duration.

PERFORMANCE AT 31 DECEMBER 2017

In 2017, **consolidated net revenue** amounted to **1,268.3 million euro**, **up by 0.4%** versus 1,263.3 million euro in 2016, but down by 0.9% versus the pro-forma figure of 2016.
The Group's areas showed a different revenue pattern: a **+10% increase by Books** (due also to the different consolidation period), outperforming the relevant markets; an overall 7% drop by Magazines, attributable to the downturn of the circulation and advertising markets.

In 2017, **consolidated adjusted EBITDA was up by 6.3%** (on a pro-forma basis), reaching **106.3 million euro**.
The **Books Area** contributed **approximately 70% to Group EBITDA**, with **margins on revenue of 14%** and a **12% increase** on a like-for-like consolidation basis with Rizzoli Libri.
Magazines Italy continued its **upswing in profit**, with adjusted EBITDA of 15.4 million euro, **up by 47.3%** versus the prior year.
Magazines France, instead, saw its profit margins drop from 10% to 8.5%, managing to only partly alleviate the effects of the sharp decline of the markets.

EBITDA, on a pro-forma basis, **grew for the fourth consecutive year**, increasing margins to reach **8.4%** of **consolidated revenue**, a growth that confirms the **improvement in operating efficiency**, benefiting also from the integration synergies of the companies acquired in 2016.
On a like-for-like consolidation scope, the impact on revenue of the cost of goods sold, variable costs and structural costs, decreased as a result of the ongoing cost-curbing measures adopted across all business areas; even stronger benefits came from the cost of personnel, which amounted to 3.7% versus the prior year (approximately -2% on a like-for-like basis[3]).

Employees at 31 December 2017 were **3,026**, **down by 7.2%** versus 31 December 2016 (approximately -4% on a like-for-like basis), as a result of the ongoing reorganization process implemented both in Italy and in France.

EBITDA grew by 7.5% to reach 101.1 million euro from 94 million euro in 2016 (**+16.8% on a pro-forma basis)**. 2017 benefited from net positive not ordinary items of 8.3 million euro related to the gains from the disposal of certain assets in the second quarter of the year, while recording restructuring costs of 12.3 million euro.

[3] Net of the effects of the outsourcing of logistics activities.

Mondadori Group Media Relations
+39 02 7542.3159 - pressoffice@mondadori.it - mondadori.it
mondadori   mondadori   GruppoMondadori   gruppomondadori   mondadori.it/feed

Arnoldo Mondadori Editore S.p.A. - Registered Office: Via Bianca di Savoia 12 - 20122 Milan
Tax Code and Registration Number 07012130584 - REA number Mi-1192794 -VAT Number 08386600152
Registry of producers of Electrical and Electronic Equipment N: IT09120000006483 - Registry of producers of Batteries and Accumulators N.: IT10010P00002054 - Share capital € 67,979,168.40 paid-up.

Consolidated EBIT in the year **amounted to 61.5 million euro**, **improving** by approximately **2%** versus 60 million euro in 2016, as a result of the abovementioned increased EBITDA, despite the increase in amortization, depreciation and impairment.

Consolidated profit before tax came to a positive 47.5 million euro, **up by approximately 12%** versus 42.3 million euro in 2016; **financial costs** in 2017 amounted to 14 million euro versus 17 million euro in 2016, down by 21% as a result of the **reduction in the average interest rate of over 60 bps and of a lower average net debt**.

Overall tax costs in the period under review amounted to 14.3 million euro, down versus 18 million euro in 2016, benefiting from the positive adjustment of deferred tax of Mondadori France of 6.3 million euro.

Group profit at 31 December 2017 amounted to **30.4 million euro**, **up by 35%** versus 22.5 million euro in 2016.

The **Group's net financial position** at 31 December 2017 stood at **-189.2 million euro**, **down by approximately 28% versus -263.6 million euro** at 31 December 2016, as a result of the Group's positive **cash generation from ordinary operations** of **68.7 million euro**.

Not ordinary cash flow came to a **positive 5.6 million euro**, and includes disposals of 12.6 million euro, restructuring costs of approximately 14 million euro, and cash-ins from prior-years' tax of 6.8 million euro.

CONSOLIDATED FINANCIAL HIGHLIGHTS IN 4Q17

Consolidated revenue in 4Q17 amounted to **343.5 million euro**, **up by 4.7%** versus 328.1 million euro in 4Q16, driven by the growth of Books; Retail too posted a positive 4Q17, with revenue from the Book product rising by +8.2%, thanks to the market performance (sell-out of the bestseller titles published in the third quarter) of Books (+11.9%). Magazines continued the downward revenue trend, in line with the relevant markets, but with a more modest decline in Italy, thanks to the **over 10% growth in the digital revenue of the properties.**

Adjusted EBITDA fell slightly in the last quarter of the year, closing at **31.1 million euro** versus 32.3 million Euro in 4Q16, due mainly to the Books Area, as a result of the benefits in 4Q16 from the adjustment of the provision for bad debts (approximately 3.5 million euro) regarding the positions of a number of clients whose receivables had been cashed in, and to an adverse product mix of revenue. The Magazines areas, instead, reported a strong upswing in Italy, which more than offset the downward trend seen in France.
Consolidated EBITDA amounted to 21.8 million euro, down versus 23.8 million euro in 4Q16, as a result also of extraordinary/restructuring costs incurred by Magazines France in 4Q16, which include the remediation costs for the current offices, allocated on an accrual basis in 2017.
Amortization, depreciation and impairment increased versus 4Q16, as a result mainly of the write-down of 2.9 million euro of the investment in the associate publisher of *Il Giornale*.
Financial costs, as in prior quarters, benefited from lower debt costs and lower average debt versus the prior year.
The weight of tax in the last quarter was affected by the impact of the write-downs of non-fiscally deductible investments.
Accordingly, the net result came to -0.8 million euro (versus +4.7 million in 4Q16).

Mondadori Group Media Relations
+39 02 7542.3159 - pressoffice@mondadori.it - mondadori.it
mondadori mondadori GruppoMondadori gruppomondadori mondadori.it/feed

OUTLOOK

The Group will continue on the path of **strategic repositioning** and **focus on its core businesses**, specifically on consolidating its **leadership** in the **Books Area**, on **developing the digital area** of Magazines Italy, and on **expanding the franchised channel** in the Retail Area.
In line with the above strategy and in light of the current relevant context, the plan sets operational targets which, based on the current scope, allow the Group to estimate a **slight decrease in consolidated revenue in 2018** and a **basically steady adjusted EBITDA** versus 2017.
Net profit for the year 2018 is expected to drop versus the prior year, which had included non-recurring positive items of approximately 7 million euro (net of tax).
Cash flow from ordinary operations in 2018 is forecast at around 50 million euro.

On a like-for-like basis, forecasts **for 2019** indicate the same trend in revenue seen in 2018, a growth in adjusted **EBITDA to reach approximately 110 million euro**, a **net profit above 30 million euro**, **ordinary cash flow above 50 million euro**, and **a net financial position lower than -150 million euro** (with a net debt/adjusted EBITDA ratio of approximately 1.3x).
The forecast for 2019 updates the estimates disclosed to the market on the approval of the 2016 results.
Due to the sharp reduction in net debt and to the expected cash flows, the Group is well-positioned to consider development opportunities in its core strategic businesses, also through external growth.

PERFORMANCE OF BUSINESS AREAS

- ***BOOKS***

In the trade books market, which grew by 5.4% in 2017 versus 2016, the Mondadori Group retained its leadership position with a **28.7%**[4] market share, and with **8 of its books appearing in the top 10 bestselling titles of the year** (in terms of value): *Origin,* by Dan Brown (Mondadori); *Storie della buonanotte per bambine ribelli*, by Francesca Cavallo and Elena Favilli (Mondadori); *La colonna di Fuoco,* by Ken Follett (Mondadori); *Quando tutto inizia,* by Fabio Volo (Mondadori); *Le otto montagne,* by Paolo Cognetti (Einaudi), winner of the 2017 Strega Prize; *L'arte di essere fragili*, by Alessandro D'Avenia (Mondadori); *Dentro l'acqua,* by Paula Hawkins (Piemme); *L'arminuta,* by Donatella Di Pietrantonio (Einaudi), winner of the Campiello Prize.
Additionally in the year under review, the 2017 Nobel Prize in Literature went to Kazuo Ishiguro**,** whose works are translated and published in Italy by Einaudi.
In 2017, the Mondadori Group also retained its leadership position in the **school textbooks market**, with a **23.7%** share, adoptions-wise.[5]

Revenue from the Books Area amounted to **523.9 million euro**, **up by 10.3%** versus 475.1 million euro in 2016, due also to the different consolidation period of Rizzoli Libri versus the prior year.
All areas grew: **+12.3% Trade**, due also to the effects of the different consolidation scope versus 2016 and to the publication of a number of bestsellers in the second half of the year; **+10.4% Educational**, which did not include the first quarter of Rizzoli Libri in 2016 and as a result of the good performance of school textbooks and *Mondadori Electa* (+16.8%); +2.2% distribution activities.

[4] Source GFK, December 2017

[5] Source: AIE, 2017 (adopted sections)

Mondadori Group Media Relations
+39 02 7542.3159 - pressoffice@mondadori.it - mondadori.it
mondadori mondadori GruppoMondadori gruppomondadori mondadori.it/feed

Adjusted EBITDA of the Books Area amounted to **74.3 million euro** which, on a like-for-like consolidation basis with Rizzoli Libri, **would be up by approximately 12**% versus 2016, despite a more negative contribution from the associate Mach2 Libri in 2017 (down by -1.8 million euro versus 2016).
2017 saw efforts continue on implementing the management policy focused on a **targeted editorial planning** in the Trade segment and on the ongoing **optimization of operating processes**, which allowed the Group to keep **profitability** above **14%**.
The Area's **EBITDA** amounted to 74.5 million euro, **up by 3%** versus 72.3 million euro in 2016, which included certain non-recurring charges amounting to approximately 2.3 million euro from the acquisition of Rizzoli Libri.

- ***RETAIL***

In the Retail Area, the Group continued to implement its strategy to align the organization and all the sales channels to the developments of the market; the Books segment continued to grow in 2017, with actions aimed at gradually reviewing the network and the sales proposition: in Books (80% of store revenue), the Mondadori Retail market share stood at 15%[6], up versus 14.9% in 2016.
In 2017, the **Retail Area** achieved **revenue** of **198.5 million euro**, basically in line (-0.5%) with 199.6 million euro reported in the prior year, despite the upward trend of the Book product, offset by the targeted reduction in revenue from consumer electronics products implemented from the first half of the year.
In the fourth quarter, revenue grew by 2% versus the prior year, driven by the promotional activities launched, with a **sharp increase by 8.2% reported by Books**.

The analysis by channel shows the following:
- **a 1.3% increase by directly-managed bookstores** (+2.5% on a like-for-like basis in terms of stores);
- the positive trend (+0.9%) of **franchised bookstores** (-1.5% on a like-for-like basis in terms of stores);
- the drop by Megastores (-8.3%), due to the shrinking sales in consumer electronics and to the closure of the store in Palermo; **Books** performed well (**+1.2%**);
- an **over 36% increase** in the online segment, driven by the positive performance of sales related to the government's "Culture Bonus" for 18 year olds ("18app");
- a lower drop by the Bookclub than in prior years.

In 2017, Mondadori Retail achieved **adjusted EBITDA** of **0.7 million euro**, deteriorating versus 1.8 million euro in 2016, as a result of the temporary decline in margins from the franchised channel, affected by a number of promotional campaigns whose benefits are expected to be felt starting from next year, of the structural decline in sales volumes in the book club channel, and of the costs associated with the targeted reduction in the sales of consumer electronics products.
EBITDA stood at **0.6 million euro** (1.4 million euro in 2016) and includes higher restructuring costs (1.5 million euro) and a number of not recurrent positive items (including key money from the closure of two stores).

- ***MAGAZINES ITALY***

[6] Source GFK, December 2017

Mondadori Group Media Relations
+39 02 7542.3159 - pressoffice@mondadori.it - mondadori.it
mondadori mondadori GruppoMondadori gruppomondadori mondadori.it/feed

In 2017, Magazines Italy's **revenue amounted to 290.7 million**, down by 6.4% versus 310.6 million euro in 2016.
Specifically:

- **Circulation revenue** (newsstands + subscriptions) lost 4.2%, but outperformed the relevant market[7], thanks mainly to the performance of the TV magazine *Tv Sorrisi e Canzoni* and to the launch of the magazines *GialloZafferano* and *Spy*
  The **Mondadori Group retained its market leadership position** in the period, **with a share, in terms of value, increasing to 31.8%**, up versus 30.8% in 2016.
- **total advertising revenue** (print + web) grew by 1.8%; **gross advertising sales in Italy increased by 7.5%** versus 2016, driven by the contribution of Banzai Media activities: the trend of **print advertising sales**, on a like-for-like basis of titles and barter deals for goods, was basically in line (-5.8%) with the relevant market[8], while **digital revenue** grew by 27%, accounting for 27% of the total;
- **revenue from add-on products** dropped sharply (-24.4%) versus 2016, in line with the market trend throughout the year[9];
- **distribution and revenue towards third publishers** dropped by 2.8% versus the prior year, outperforming by far the relevant market trend[10] thanks to the ongoing commitment to developing third-publisher portfolios distributed both in the channel and through subscriptions.

In 2017, Mondadori retained its position as Italy's top digital publisher, reaching a **total unique audience of 16.2 million/month**[11], a position corroborated by comScore surveys, which reported in December 2017 an audience of **24.2 million unique users/month.**
Digital revenue reached an **overall 38 million euro**, up by **approximately 16%** versus the prior year.

Adjusted EBITDA in the **Magazines Italy Area improved sharply by 47.3%**, rising from 10.5 million euro in 2016 to **15.4 million euro**, driven not only by the benefits of the digital business achieved with the combination of Banzai Media's teams and products, but also by the print activities, which offset the drop triggered by the trend of the markets, with ongoing process optimization actions and containment of editorial and overhead costs.
The Area's **EBITDA improved further**, closing at 12.8 million euro (3.6 million euro in 2016), thanks also to lower restructuring costs.

- ***MAGAZINES FRANCE***

In a shrinking market (advertising and circulation-wise), Mondadori France achieved revenue of **297.4 million euro**, down by 7.5% (-7% on a like-for-like basis[12]) versus 321.7 million euro in 2016. Specifically:

- **circulation revenue** (74% of the total) dropped by 4.9%, losing less than the market thanks to the performance of the subscriptions channel.[13] Revenue from the sale of digital copies

[7] -10.6% Internal source Press-di, December 2017
[8] -6.2% Source Nielsen, December 2017
[9] -21.9% Source Nielsen, December 2017
[10] Source ADS, December 2017
[11] Source Audiweb, December 2017
[12] Net of NaturaBuy, sold in May 2017
[13] - 6.1%; Source Kantar Media, January-December 2017

Mondadori Group Media Relations
+39 02 7542.3159 - pressoffice@mondadori.it - mondadori.it
mondadori mondadori GruppoMondadori gruppomondadori mondadori.it/feed

doubled versus 2016, driven by the new partnerships with the main French telco players, to offer Mondadori France brands to their subscriber base.

- **advertising revenue** (print+web) dropped by 17.1%. **Print advertising revenue** (90% of the total) fell by 11.8% versus the prior year, in line with the relevant market trend[14].
  Against this backdrop, Mondadori France retained its position as second top player in the magazine advertising market, with its share steady at 11.1% versus the prior year; **digital advertising revenue** saw a bigger decline versus the prior year, as a result of the discontinuity from the internalization of mobile/video advertising sales.

The **digital readers** of Mondadori France were over **12.1 million unique users**[15], with six brands topping the one million mark of unique users.

Adjusted EBITDA in 2017 came to **26 million euro** versus 33.2 million euro in the prior year. The drop is mainly attributable to the downturn in print and digital advertising revenue, affected also by the increase in circulation expenses. Adjusted EBITDA was also affected by the increase in rental costs for the offices (1.4 million euro) and by the deconsolidation of *Naturabuy* (1.1 million euro).
EBITDA amounted to 18.4 million euro, down from 30.8 million euro in 2016, as a result of higher restructuring costs in 2017 (7.1 million euro versus 2.3 million euro in 2016) from the new voluntary staff departure plan announced in December - whose benefits will be felt in 2018 - and of extraordinary costs for the remediation of the current offices, allocated on an accrual basis in 2017 and amounting to 3.1 million euro, despite the gain of 4.3 million euro from the disposal of *NaturaBuy* in May 2017 (3.3 million euro net of relating charges).

PERFORMANCE OF ARNOLDO MONDADORI EDITORE S.P.A.

In the current year, given the significant differences between cost and equity of investments as a result of retained earnings, the Board of Directors deemed it appropriate to change the measurement method of investments in subsidiaries and associates.
Following this change in the accounting standard,[16] consolidated and Parent Company equity are now in line and amount to 315.8 million euro at 31 December 2017; the Parent Company income statement shows the same net result as the consolidated side of **30.4 million euro**, up versus the figure on a like-for-like basis in 2016 (22.5 million euro).

§

The Board of Directors of Arnoldo Mondadori Editore S.p.A. has called the **Annual General Meeting** on **Tuesday 24 April 2018** in first call.

§

PROPOSED RENEWAL OF THE AUTHORIZATION TO PURCHASE AND SELL TREASURY SHARES

Following the expiry of the preceding authorization resolved upon by the Shareholders' Meeting on 27 April 2017, with the approval of the financial statements at 31 December 2017, the Board of Directors will propose to the next Shareholders' Meeting the renewal of the authorization to purchase and sell treasury shares with the aim of retaining the applicability of law provisions in the

[14] -10.8%; Source Kantar Media, January-December 2017

[15] Source Nielsen, October 2017

16 The publication of the amendment to IAS 27 (Equity Method in Separate Financial Statements), has, in fact, introduced the option of adopting the equity method for measuring investments in separate financial statements

Mondadori Group Media Relations
+39 02 7542.3159 - pressoffice@mondadori.it - mondadori.it
mondadori mondadori GruppoMondadori gruppomondadori mondadori.it/feed

GRUPPO

matter of any additional re-purchase plans and, consequently, of seizing any investment and operational opportunities involving treasury shares.

Here below are the main elements of the proposal made by the Board of Directors:

- **Motivations**

The motivations underlying the request for the authorization to purchase and sell treasury shares refer to the opportunity to attribute to the Board of Directors the power to:

- to use the treasury shares purchased as consideration in the acquisition of interests as part of the Company's investment policy;
- to use the treasury shares purchased in the exercise of option rights, including conversion rights, deriving from financial instruments issued by the Company, its subsidiaries or third parties, and to use the treasury shares for lending, exchange or transfer transactions or to support extraordinary transactions on the Company's capital or financing transactions implying the allocation or sale of treasury shares;
- to undertake any investments, directly or through intermediaries, including for the purpose of containing abnormal movements in share prices, stabilizing share trading and prices, supporting the liquidity of the share on the market, in order to foster the regular conduct of trading beyond normal fluctuations related to market performance, without prejudice in any case to compliance with applicable statutory provisions;
- to rely on investment or divestment opportunities, if considered strategic by the Company, also in relation to available liquidity;
- to sell treasury shares as part of share-based incentive plans pursuant to art. 114-bis of the TUF, and of plans for the free allocation of shares to Shareholders.

- **Duration**

The authorization to purchase treasury shares is requested to last until the approval of the financial statements for the year ending 31 December 2018, while the authorization to sell is requested to last for an unlimited period.

- **Maximum number of purchasable treasury shares**

The renewed authorization will enable the Company to reach the cap of 10% of its share capital, also considering the shares held directly and indirectly from time to time, in line with the previous authorization.

- **Criteria for purchasing treasury shares and indication of the minimum and maximum purchasing cap**

Purchases shall be made on regulated markets pursuant to the combined provisions of art. 132 of Legislative Decree no. 58/1998, of art. 5 of Regulation (EU) 596/2014, (ii) of art. 144-bis of the Issuer Regulation, (iii) of the EU and national legislation on market abuse, and (iv) of Accepted Practices.
Specifically, purchases shall be made on regulated markets, according to operating criteria which do not allow the direct combination of the purchase negotiation proposals with pre-determined sale negotiation proposals.

The minimum and maximum purchase price would be determined under the same conditions established by the preceding Shareholders’ Meeting authorizations, i.e. at a minimum unit price not lower than the official Stock Exchange price of the day preceding the purchase transaction, reduced by 20%, and a maximum not higher than the official Stock Exchange price of the day preceding the purchase transaction, increased by 10%.
In terms of daily prices and volumes, the purchase transactions would be completed in compliance with the conditions established in art. 3 of the Delegated Regulation (EU) 2016/1052.

Mondadori Group Media Relations
+39 02 7542.3159 - pressoffice@mondadori.it - mondadori.it
mondadori   mondadori   GruppoMondadori   gruppomondadori   mondadori.it/feed

Arnoldo Mondadori Editore S.p.A. - Registered Office: Via Bianca di Savoia 12 - 20122 Milan
Tax Code and Registration Number 07012130584 - REA number Mi-1192794 -VAT Number 08386600152
Registry of producers of Electrical and Electronic Equipment N: IT09120000006483 - Registry of producers of Batteries and Accumulators N.: IT10010P00002054 - Share capital € 67,979,168.40 paid-up.

Purchases instrumental in (a) the support to market liquidity and (b) the purchase of treasury shares to build a so-called "treasury shares" portfolio, shall also be made in accordance with the conditions provided by market practices, under the combined provisions of art. 180, par. 1, lett. C) of the TUF and of art. 13 of (EU) Regulation 596/2014.

With regard to the sale of treasury shares, the Board of Directors resolved to propose to the Shareholders' Meeting to sell the shares in any appropriate manner in the interest of the Company, for purposes which include the sale on regulated markets, the exercise of option rights, including conversion rights, deriving from financial instruments issued by the Company or third parties, support to incentive plans approved by the Shareholders' Meeting, and as consideration for the acquisition of equity interests as part of the Company's investment policy.

To date, Arnoldo Mondadori Editore S.p.A. holds a total of no. 920,000 treasury shares, equal to 0.352% of the share capital.

For further information on the proposed authorization for the purchase and sale of treasury shares, reference should be made to the Directors' Explanatory Report, which will be published within the time limits and in the manner prescribed by current laws and regulations.

PROPOSED ADOPTION OF A 2018-2020 PERFORMANCE SHARE PLAN

The Board resolved, on a proposal from the Remuneration and Appointments Committee, and consistent with the introduction of the performance share plan approved last year for the medium/long-term remuneration of executive directors and key management personnel, to submit to the approval of the Ordinary Shareholders' Meeting, the adoption of a 2018-2020 Performance Share Plan, in accordance with art. 114-bis of Legislative Decree no. 58 of 24 February 1998, intended for the Chief Executive Officer, the CFO - Executive Director and a number of managers chosen by the Company who have an employment and/or directorship relationship with the Company or with its Subsidiaries on the date of the Granting of the Shares.

With the adoption of the Plan, the Company aims to encourage Management to improve medium to long-term performance, in terms of both industrial performance and growth in the value of the Company.

The Plan envisages the right for beneficiaries to receive a bonus in the form of Company shares, subject to the achievement of specific targets set and measured at the end of the three-year performance period from 2018 to 2020.
These targets are structured to include both shareholder remuneration indicators and management indicators functional to raising the share value, ensuring maximum alignment of Management remuneration and the creation of value for the Company.

For details on the proposed adoption of the 2018-2020 Performance Share Plan, the beneficiaries and the main characteristics of the Regulations of the Plan, reference should be made to the Information Document drawn up by the governing body, pursuant to art. 84-bis and annex 3A of the Issuer Regulation, and to the explanatory report, which will be published within the time limits and in the manner prescribed by current laws and regulations.

CONSOLIDATED NON-FINANCIAL STATEMENT PURSUANT TO LEGISLATIVE DECREE 254/2016

Mondadori Group Media Relations
+39 02 7542.3159 - pressoffice@mondadori.it - mondadori.it
mondadori   mondadori   GruppoMondadori   gruppomondadori   mondadori.it/feed

Arnoldo Mondadori Editore S.p.A. - Registered Office: Via Bianca di Savoia 12 - 20122 Milan
Tax Code and Registration Number 07012130584 - REA number Mi-1192794 -VAT Number 08386600152
Registry of producers of Electrical and Electronic Equipment N: IT09120000006483 - Registry of producers of Batteries and Accumulators N.: IT10010P00002054 - Share capital € 67,979,168.40 paid-up.

Under Legislative Decree 254/2016, the Board of Directors' 2017 Report on Operations of the Mondadori Group is also composed of the Consolidated Non-Financial Statement, a qualitative-quantitative description of the non-financial performance of the Company, associated with environmental, social, and staff-related issues, as well as those regarding respect for human rights, and the fight against active and passive corruption, which are relevant given the activities and characteristics of the Company.

§

The 2017 results, approved on today's date by the Board of Directors, will be presented by the Mondadori Group Management to the financial community today, 3:30 PM, at the Mondadori Megastore in piazza Duomo, Milan.

The corresponding documentation will be made available on 1Info atwww.1info.it, www.borsaitaliana.it and www.mondadori.it (Investors).

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.

§

CHANGE IN THE 2018 CORPORATE EVENTS CALENDAR

The meeting of the Board of Directors called to approve the Interim Report on Operations at 31 March 2018, previously scheduled on 10 May 2018, has been put back to **Tuesday 15 May 2018**. The presentation of the results to analysts will be held on the same day.

Annexes:

1. *Consolidated balance sheet;*
2. *Consolidated income statement;*
3. *Consolidated income statement - fourth quarter;*
4. *Group cash flow;*
5. *Arnoldo Mondadori Editore S.p.A. balance sheet;*
6. *Arnoldo Mondadori Editore S.p.A. income statement;*
7. *Arnoldo Mondadori Editore S.p.A. cash flow statement*
8. *Glossary of terms and alternative performance measures used.*

Mondadori Group Media Relations
+39 02 7542.3159 - pressoffice@mondadori.it - mondadori.it
mondadori mondadori GruppoMondadori gruppomondadori mondadori.it/feed

Arnoldo Mondadori Editore S.p.A. - Registered Office: Via Bianca di Savoia 12 - 20122 Milan
Tax Code and Registration Number 07012130584 - REA number Mi-1192794 -VAT Number 08386600152
Registry of producers of Electrical and Electronic Equipment N: IT09120000006483 - Registry of producers of Batteries and Accumulators N.: IT10010P00002054 - Share capital € 67,979,168.40 paid-up.

Annex 1
Consolidated balance sheet

(Euro/millions)	dic-17	dic-16	Var.
NET TRADE RECEIVABLES	298.0	298.7	(0.7)
INVENTORY	127.6	143.4	(15.8)
TRADE PAYABLES	(416.3)	(415.0)	(1.3)
OTHER ASSETS/(LIABILITIES)	(12.1)	(14.6)	2.6
NET WORKING CAPITAL	**(2.8)**	**12.5**	**(15.3)**
INTANGIBLE ASSETS	593.0	612.1	(19.1)
TANGIBLE ASSETS	26.9	33.3	(6.4)
INVESTMENTS	38.0	43.0	(5.0)
NET FIXED ASSETS	**657.9**	**688.5**	**(30.5)**
PROVISIONS	(73.1)	(68.6)	(4.5)
POST-EMPLOYMENT BENEFITS	(47.5)	(51.0)	3.5
NET INVESTED CAPITAL	**534.6**	**581.4**	**(46.8)**
Share capital	68.0	68.0	(0.0)
Reserves	246.9	227.3	19.6
Profit (loss) for the period	30.4	22.5	7.9
EQUITY	**345.3**	**317.8**	**27.5**
NET FINANCIAL POSITION	**189.2**	**263.6**	**(74.3)**
TOTAL EQUITY	**534.6**	**581.4**	**(46.8)**

Mondadori Group Media Relations
+39 02 7542.3159 - pressoffice@mondadori.it - mondadori.it
mondadori mondadori GruppoMondadori gruppomondadori mondadori.it/feed

Arnoldo Mondadori Editore S.p.A. - Registered Office: Via Bianca di Savoia 12 - 20122 Milan
Tax Code and Registration Number 07012130584 - REA number Mi-1192794 -VAT Number 08386600152
Registry of producers of Electrical and Electronic Equipment N: IT09120000006483 - Registry of producers of Batteries and Accumulators N.: IT10010P00002054 -
Share capital € 67,979,168.40 paid-up.

Annex 2

Consolidated income statement

Euro millions	2017	% growth on revenue	2016	% growth on revenue	Var. %
Revenue from sales and services	**1,268.3**	***100.0%***	**1,263.3**	***100.0%***	***0.4%***
Cost of sold items	401.5	*31.7%*	396.4	*31.4%*	*1.3%*
Variable costs	421.9	*33.3%*	415.4	*32.9%*	*1.6%*
Fixed costs	99.9	*7.9%*	102.4	*8.1%*	*-2.5%*
Cost of personnel*	231.9	*18.3%*	240.7	*19.1%*	*-3.7%*
Other costs/(income)	2.5	*0.2%*	0.5	*0.0%*	*n.s.*
Result - associates	-4.2	*-0.3%*	0.5	*0.0%*	*n.s.*
Adjusted EBITDA	***106.3***	***8.4%***	***108.5***	***8.6%***	***-2.0%***
Restructuring costs	-12.3		-10.8		*14.0%*
Not ordinary items	7.1		-3.7		*n.s.*
EBITDA	**101.1**	***8.0%***	**94.0**	***7.4%***	***7.5%***
Amortization, depreciation and impairment	39.6	*3.1%*	34.0	*2.7%*	*16.5%*
EBIT	**61.5**	***4.8%***	**60.0**	***4.8%***	***2.4%***
Net financial income (costs)	-14.0	*-1.1%*	-17.7	*-1.4%*	*-21.0%*
Income (costs) from other investments	0.0	*0.0%*	0.0	*0.0%*	
Result before tax for the period	**47.5**	***3.7%***	**42.3**	***3.3%***	***12.3%***
Income tax	14.5	*1.1%*	18.0	*1.4%*	*-19.1%*
Result attributable to minority interests	2.5	*0.2%*	2.7	*0.2%*	*-8.2%*
Result from continuing operations	**30.4**	***2.4%***	**21.6**	***1.7%***	***41.1%***
Result from discontinued operations	0.0	*0.0%*	1.0	*0.1%*	*n.s.*
Net result	**30.4**	***2.4%***	**22.5**	***1.8%***	***34.9%***

* 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

Mondadori Group Media Relations
+39 02 7542.3159 - pressoffice@mondadori.it - mondadori.it
mondadori mondadori GruppoMondadori gruppomondadori mondadori.it/feed

GRUPPO

Annex 3

Consolidated income statement - fourth quarter;

Euro millions	4Q17	*% growth on revenue*	4Q16	*% growth on revenue*	*Var. %*
Revenue from sales and services	**343.5**	***100.0%***	**328.1**	***100.0%***	***4.7%***
Cost of sold items	119.2	*34.7%*	103.1	*31.4%*	*15.6%*
Variable costs	107.2	*31.2%*	99.2	*30.2%*	*8.1%*
Fixed costs	25.8	*7.5%*	30.5	*9.3%*	*-15.3%*
Cost of personnel*	58.0	*16.9%*	65.1	*19.8%*	*-10.9%*
Other costs/(income)	0.5	*0.1%*	-1.6	*-0.5%*	*n.s.*
Result - associates	-1.8	*-0.5%*	0.5	*0.1%*	*n.s.*
Adjusted EBITDA	***31.1***	***9.1%***	***32.3***	***9.8%***	***-3.7%***
Restructuring costs	-7.3		-6.9		*6.0%*
Not ordinary items	-2.0		-1.7		*21.9%*
EBITDA	**21.8**	***6.4%***	**23.8**	***7.2%***	***-8.3%***
Amortization, depreciation and impairment	15.5	*4.5%*	11.8	*3.6%*	*31.5%*
EBIT	**6.4**	***1.8%***	**12.0**	***3.7%***	***-47.2%***
Net financial income (costs)	-3.8	*-1.1%*	-5.0	*-1.5%*	*-24.6%*
Income (costs) from other investments	0.0	*0.0%*	0.0	*0.0%*	
Result before tax for the period	**2.6**	***0.7%***	**7.0**	***2.1%***	***-63.4%***
Income tax	2.7	*0.8%*	1.8	*0.5%*	*56.2%*
Result attributable to minority interests	0.6	*0.2%*	0.8	*0.3%*	*-24.5%*
Result from continuing operations	**-0.8**	***-0.2%***	**4.4**	***1.3%***	***n.s.***
Result from discontinued operations	0.0	*0.0%*	0.3	*0.1%*	*n.s.*
Net result	**-0.8**	***-0.2%***	**4.7**	***1.4%***	***n.s.***

* 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.

Mondadori Group Media Relations

+39 02 7542.3159 - pressoffice@mondadori.it - mondadori.it

mondadori mondadori GruppoMondadori gruppomondadori mondadori.it/feed

Arnoldo Mondadori Editore S.p.A. - Registered Office: Via Bianca di Savoia 12 - 20122 Milan
Tax Code and Registration Number 07012130584 - REA number Mi-1192794 -VAT Number 08386600152
Registry of producers of Electrical and Electronic Equipment N: IT09120000006483 - Registry of producers of Batteries and Accumulators N.: IT10010P00002054 - Share capital € 67,979,168.40 paid-up.

Annex 4
Group cash flow

(Euro/millions)	dic-17	dic-16
NFP beginning of period	**(263.6)**	**(199.4)**
Adjusted EBITDA	106.3	108.5
Effect of investments/dividends	(2.1)	(4.7)
Change in NWC + provision	5.7	12.7
CAPEX	(19.6)	(17.2)
Cash flow from operations	**90.3**	**99.3**
Financial costs	(14.0)	(17.7)
Tax	(7.6)	(13.8)
Cash flow from ordinary operations	**68.7**	**67.9**
Restructuring costs	(13.8)	(14.9)
Extraordinary tax amounts/prior years	6.8	15.5
Asset acquisition/disposal	12.6	(132.6)
Cash flow from extraordinary operatic	**5.6**	**(132.0)**
Total Cash Flow	**74.3**	**(64.2)**
NFP end of period	**(189.2)**	**(263.6)**

Mondadori Group Media Relations
+39 02 7542.3159 - pressoffice@mondadori.it - mondadori.it
mondadori mondadori GruppoMondadori gruppomondadori mondadori.it/feed

GRUPPO

Annex 5

Arnoldo Mondadori Editore S.p.A. balance sheet

Assets *(Euro millions)*	31/12/2017	Restated 31/12/2016	Restated 01/01/2016
Intangible assets	125.4	87.2	87.0
Investment property	2.8	2.9	3.0
Land and buildings	3.4	5.3	5.6
Plant and equipment	1.2	1.4	1.8
Other tangible assets	1.2	0.8	0.8
Property, plant and equipment	**5.8**	**7.6**	**8.2**
Investments	487.5	503.6	313.1
Non-current financial assets	165.0	178.6	200.0
Pre-paid tax assets	12.9	18.1	24.7
Other non-current assets	0.3	0.4	0.3
Total non-current assets	**799.7**	**798.3**	**636.3**
Tax receivables	26.0	27.2	33.4
Other current assets	4.3	4.9	4.6
Inventory	6.0	7.7	10.0
Trade receivables	50.5	39.9	29.0
Other current financial assets	90.0	100.4	116.1
Cash and cash equivalents	61.0	72.6	27.7
Total current assets	**237.9**	**252.7**	**220.8**
Assets held for sale or transferred	-	-	-
Total assets	**1,037.6**	**1,051.1**	**857.1**

(Euro millions)	31/12/2017	31/12/2016	01/01/2016
Share capital	68.0	68.0	68.0
Treasury shares	(1.7)	(0.1)	-
Other reserves and profit/(loss) carried forward	219.1	196.9	196.0
Profit (loss) for the year	30.4	22.5	-
Total equity	**315.8**	**287.3**	**264.0**
Provisions	33.1	33.4	34.5
Post-employment benefits	11.9	11.6	11.6
Non-current financial liabilities	232.8	302.9	220.4
Deferred tax liabilities	28.8	24.3	24.0
Other non-current liabilities	-	-	-
Total non-current liabilities	**306.6**	**372.2**	**290.5**
Income tax payables	-	-	-
Other current liabilities	47.9	46.0	42.2
Trade payables	75.3	72.5	80.6
Payables due to banks and other financial liabilities	292.1	273.0	179.9
Total current liabilities	**415.2**	**391.5**	**302.6**
Liabilities held for sale or transferred	-	-	-
Total liabilities	**1,037.6**	**1,051.1**	**857.1**

Mondadori Group Media Relations
+39 02 7542.3159 - pressoffice@mondadori.it - mondadori.it
mondadori mondadori GruppoMondadori gruppomondadori mondadori.it/feed

Arnoldo Mondadori Editore S.p.A. - Registered Office: Via Bianca di Savoia 12 - 20122 Milan
Tax Code and Registration Number 07012130584 - REA number Mi-1192794 -VAT Number 08386600152
Registry of producers of Electrical and Electronic Equipment N: IT09120000006483 - Registry of producers of Batteries and Accumulators N.: IT10010P00002054 - Share capital € 67,979,168.40 paid-up.

GRUPPO

Annex 6

Arnoldo Mondadori Editore S.p.A. income statement

(*Euro millions*)	2017	2016 Restated
Revenue from sales and services	**241.6**	**239.2**
Decrease (increase) in inventory	1.7	2.3
Cost of raw and ancillary materials, consumables and goods	25.8	29.4
Cost of services	147.4	151.0
Cost of personnel	76.0	73.0
Other (income) costs	(11.3)	(5.6)
EBITDA	**1.9**	**(10.8)**
Depreciation of property, plant and equipment	1.2	1.3
Amortization and impairment loss of intangible assets	3.7	0.5
EBIT	**(3.0)**	**(12.6)**
Financial income (costs)	(4.8)	(4.8)
Income (costs) from investments	40.1	39.6
Result before tax	**32.3**	**22.3**
Income tax	1.9	(0.3)
Result from continuing operations	**30.4**	**22.5**
Income (costs) from discontinued operations	-	-
Net result	**30.4**	**22.5**

Mondadori Group Media Relations
+39 02 7542.3159 - pressoffice@mondadori.it - mondadori.it
mondadori   mondadori   GruppoMondadori   gruppomondadori   mondadori.it/feed

Arnoldo Mondadori Editore S.p.A. - Registered Office: Via Bianca di Savoia 12 - 20122 Milan
Tax Code and Registration Number 07012130584 - REA number Mi-1192794 -VAT Number 08386600152
Registry of producers of Electrical and Electronic Equipment N: IT09120000006483 - Registry of producers of Batteries and Accumulators N.: IT10010P00002054 - Share capital € 67,979,168.40 paid-up.

GRUPPO

Annex 7

Arnoldo Mondadori Editore S.p.A. cash flow statement

(*Euro millions*)	31/12/2017	31/12/2016
Result for the year	30.4	22.5
Adjustments		
Amortization, depreciation and impairment	4.9	15.1
Income tax for the year	(0.0)	(2.7)
Stock options	0.4	-
Provisions and post-employment benefits	0.4	(0.7)
Gains (losses) from disposal of intangible assets, property plant and equipment and inves	(4.2)	(0.6)
(Income)/costs from measurement of investments at equity	(40.1)	(39.6)
Net financial costs (income) on loans and transactions with derivatives	11.8	14.3
Cash flow generation from operations	**3.7**	**8.3**
(Increase) decrease in trade receivables	(3.2)	(10.9)
(Increase) decrease in inventory	1.7	2.3
Increase (decrease) in trade payables	(0.5)	(6.9)
(Payment) cash-in from income tax	7.8	3.8
Increase (decrease) in provisions and post-employment benefits	(1.2)	(0.8)
Net difference for other assets/liabilities	(4.4)	15.8
Cash flow generated from (absorbed by) operations	**3.9**	**11.5**
Cash and cash equivalents contributed from merger	0.0	-
(Purchase) disposal of intangible assets	(5.2)	(1.1)
(Purchase) disposal of property, plant and equipment	5.0	(1.2)
(Purchase) disposal of investments	(6.5)	(163.8)
Income from investments - dividends	44.1	12.0
(Purchase) disposal of securities	-	-
Cash flow generated from (absorbed by) investing activities	**37.4**	**(154.2)**
Increase (decrease) in payables due to banks for loans	(81.2)	98.7
Variation in other financial assets - intercompany	10.4	15.8
Variation in other financial liabilities - intercompany	27.0	75.3
(Purchase) disposal of treasury shares	(1.6)	(0.1)
Net difference for other financial assets/liabilities	3.7	12.3
Cash-in of net financial income (payment of net financial costs) on loans and transactions	(11.1)	(14.4)
Dividends paid	-	-
Cash flow generated from (absorbed by) financing activities	**(52.8)**	**187.6**
Increase (decrease) in cash and cash equivalents	**(11.6)**	**44.9**
Cash and cash equivalents beginning of period	**72.6**	**27.7**
Cash and cash equivalents end of period	**61.0**	**72.6**

Mondadori Group Media Relations

+39 02 7542.3159 - pressoffice@mondadori.it - mondadori.it

mondadori mondadori GruppoMondadori gruppomondadori mondadori.it/feed

Arnoldo Mondadori Editore S.p.A. - Registered Office: Via Bianca di Savoia 12 - 20122 Milan
Tax Code and Registration Number 07012130584 - REA number Mi-1192794 -VAT Number 08386600152
Registry of producers of Electrical and Electronic Equipment N: IT09120000006483 - Registry of producers of Batteries and Accumulators N.: IT10010P00002054 -
Share capital € 67,979,168.40 paid-up.

Annex 8

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 measured 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:

- income and expenses from restructuring, reorganization and business combinations;
- clearly identified income and expenses not directly related to the ordinary course of business;
- 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 9M16, the following items were excluded from EBITDA:

a) restructuring costs for a total of 3.9 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 3.1 million euro, included in “cost of services” in the income statement;

c) income and expenses of a non-ordinary nature for a total of 1.1 million euro, included in “other income/(costs)” in the income statement.

With reference to adjusted EBITDA in 9M17, the following items were excluded from EBITDA:

a) restructuring costs for a total of 5.0 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, 4.3 million euro from the disposal of NaturaBuy and 0.7 million euro from the closure of a Retail store, included in “Other costs/(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 tax 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 - mondadori.it

mondadori mondadori GruppoMondadori gruppomondadori mondadori.it/feed

Arnoldo Mondadori Editore S.p.A. - Registered Office: Via Bianca di Savoia 12 - 20122 Milan
Tax Code and Registration Number 07012130584 - REA number Mi-1192794 -VAT Number 08386600152
Registry of producers of Electrical and Electronic Equipment N: IT09120000006483 - Registry of producers of Batteries and Accumulators N.: IT10010P00002054 - Share capital € 67,979,168.40 paid-up.