GRUPPO MONDADORI

PRESS RELEASE

BoD APPROVES INTERIM MANAGEMENT STATEMENT AT 31.03.2018[1]

- **Consolidated revenue € 253.4 million: -6.7% versus € 271.6 million at 31.03.2017**

- **Adjusted EBITDA[2] € 0.5 million versus € 4 million at 31.03.2017**

- **Net result € -13.6 million versus € -9.2 million at 31.03.2017**

- **Net financial position € -221.9 million: improving by 22.5% versus € -286.2 million at 31.03.2017 as a result of the Group's positive cash generation from ordinary operations**

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2018 TARGETS

- **Consolidated revenue slightly down;**
- **Adjusted EBITDA basically steady;**
- **Profit down due to less positive non-recurring items;**
- **Cash flow from ordinary operations: forecast at around € 55-60 million, improving from previous € 50 million estimate**

Segrate, 15 May 2018 - Today, the meeting of the Board of Directors of Arnoldo Mondadori Editore S.p.A., chaired by Marina Berlusconi, reviewed and approved the Interim Management Statement at 31 March 2018 presented by CEO Ernesto Mauri.

GROUP PERFORMANCE IN FIRST QUARTER 2018

The Group's performance in first quarter 2018 was affected by the trends of the relevant markets: growth of books on the one hand, a continuing decline in magazines on the other.
Consolidated revenue amounted to approximately **€ 253.4 million**, down by 6.7% versus € 271.6 million in the prior year, **due mainly to the performance of the Magazines areas**, affected by the **acceleration of the negative trends of the relevant markets**, in terms of both circulation and advertising, and by a different timing of a number of initiatives. **Revenue from the Books Area grew by 1%,** driven in particular by the positive performance of the Educational area.

Adjusted EBITDA in first quarter 2018 amounted to **€ 0.5 million** (versus € 4 million in first quarter 2017) - the drop referring to Magazines Italy (down by € 4.4 million) where the ongoing actions to cut operating and structural costs only partly mitigated the decline in revenue triggered by the trend of the traditional markets.

[1] Beginning from 1 January 2018 (and to provide a consistent presentation, also for 2017), the Group has adopted the new IFRS 15 - Revenue from Contracts with Customers - revenue recognition standard, which applies to all contracts stipulated with customers, with the exception of those that fall within the scope of application of other IAS/IFRS standards such as leases, insurance contracts and financial instruments. The new IFRS 15 presents revenue and costs differently, with no effect on EBITDA. Beginning from 2018, the result generated by associates (consolidated at equity), previously classified in adjusted EBITDA, is shown under EBIT; for consistency, 2017 has been reclassified accordingly.

[2] This document, in addition to the statements and conventional financial measures required by IFRS, presents a number of reclassified statements and alternative performance measures in order to better evaluate the operating and financial performance of the Group, the definition of which is explained in the section "Glossary of terms and alternative performance measures used".

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Additionally, the different timing of a number of initiatives (related mainly to events) versus the prior year increased the decline even further. The **Books** Area, instead, reported a **sharp rise**, thanks to further operating efficiencies arising from the integration of Rizzoli Libri, and to lower logistics costs following the outsourcing process completed in 2017.

Consolidated EBITDA (down from € 2.3 million to € -3 million) reflects the operating drop, amplified by higher restructuring costs in the quarter versus the same period of 2017, attributable again to the performance of Magazines Italy.

Consolidated EBIT at 31 March 2018 came to € -10.7 million versus € -5.6 million at 31 March 2017, and includes amortization, depreciation and impairment losses of € 7.7 million, down versus € 8 million in the prior year.

The **consolidated result before taxes** came to € -14.9 million versus € -9.5 million at 31 March 2017, and included:

- the **sharp drop in financial charges** (from € 3.4 million to € 1.5 million), as a result of an **average interest rate that has more than halved** versus the prior year (**from 4.86% to 2.19%**), and of a **lower average net debt**;
- a negative performance by associates (consolidated at equity), down from € -0.5 million to € -2.8 million, due in particular to Mach2 Libri, active in the distribution of books in the Large Retailers channel and put into liquidation on 15 March 2018.

The **net result** came to € -13.6 million versus € -9.2 million at 31 March 2017.

The Group's **net financial position** at 31 March 2018 stood at **€ -221.9 million**, **improving by 22.5%** versus € -286.2 million at 31 March 2017, as a result of the Group's positive **cash generation from ordinary operations** of **€ 64.9 million**.

At 31 March 2018, **cash flow from operations** in the last twelve months came to a positive **€ 85.3 million**; **cash flow** from **ordinary operations** (after outlays for financial charges, management of investments and taxes for the period) came to **€ 64.9 million**, confirming the path of **improvement of the Group's business and financial performance**.
The **cash flow from extraordinary operations came to € -0.7 million**.

At 31 March 2018, Group employees amounted to **3,035 units**, **down by 5.6%** versus 3,214 units at 31 March 2017, as a result of the disposal of the logistics activities in May 2017, and of the ongoing restructuring and efficiency improvement measures involving each of the Group’s business areas. Net of the outsourcing of logistics, **the drop would amount to 2.6%**.

BUSINESS OUTLOOK
In light of the current relevant context and the results achieved in the first months of the year, the forecasts on 2018, on a like-for-like basis, previously disclosed to the market, can be reasonably confirmed: **a slight drop in consolidated revenue**; **adjusted EBITDA basically steady**; **profit** down versus 2017, which had included positive non-recurring items, and **cash flow from ordinary operations** forecast in a range between € 55-60 million, **improving** from the previous forecast of € 50 million.

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BUSINESS AREAS

- ***BOOKS***

The Trade Books market in the first three months of the year grew by +4.1%[3], due also to the time gap of the Easter holidays from the corresponding period of 2017. At April, the market grew by approximately 1%.

Against this backdrop, Mondadori Libri retained its **market leadership** position with an overall **27.7%** share in Trade[4].
In the period under review, the Group holds the top three positions in the **ten bestselling books** in terms of value, and has placed a total of **eight titles** in the ranking: *Quando tutto inizia* by Fabio Volo (Mondadori); *Storie della buonanotte per bambine ribelli 2* by Francesca Cavallo and Elena Favilli (Mondadori); *Origin* by Dan Brown (Mondadori); *Il morso della reclusa* by Fred Vargas (Einaudi); *Storie della buonanotte per bambine ribelli* by Francesca Cavallo and Elena Favilli (Mondadori); *Darker. Cinquanta sfumature di nero raccontate da Christian* by E. L. James (Mondadori); *Sono sempre io* by Jojo Mojes (Mondadori) and *La grande truffa* by John Grisham (Mondadori).

Revenue in first quarter 2018 amounted to **€ 73.4 million**, **up by 1%** versus € 72.6 million in the same period of 2017, driven by the positive performance of school textbooks in the Educational Area and by the management and organization of Mondadori Electa exhibitions.
In **Trade**, revenue in the first three months fell by 7% versus the same period last year, due mainly to the continued strategy of selective production of new titles, aimed at increasing profitability, and to the drop affecting the Large Retailers channel where the Group holds a significant market share.

Adjusted EBITDA of the Books Area came to **€ -0.8 million**, **improving significantly** versus € -2.9 million in the same period last year, as a result of further operating efficiencies arising from the integration of Rizzoli Libri, of the management streamlining process undertaken in recent years, relating in particular to the reduction in published titles and relating average number of copies, and of lower logistics costs following the outsourcing process completed in 2017.
EBITDA amounted to **€ -1 million**, confirming the above growth versus the prior year (€ -3.1 million at 31 March 2017).

- ***RETAIL***

In the first three months of the year, the Retail Area posted revenue of **€ 43.2 million**, **up by 0.9%** versus the same quarter of the prior year (€ 42.9 million), with **Books growing by 3.6%** (approximately 82% of total revenue), thanks also to the friendly schedule which in 2018 included sales made during the Easter holidays.

The analysis by channel shows the following:

- a 4% increase by directly-managed bookstores, driven by the positive performance of Books (+2.5% on a like-for-like basis in terms of stores);
- a 7% drop by Megastores, due not only to the shrinking sales in Consumer Electronics, but also to the closure of the Palermo and San Pietro all'Orto stores (+5%, considering the sale of books alone, on a like-for-like basis in terms of stores);
- a 5% increase by Franchised bookstores;
- a **10% growth** by the online channel;
- a drop by the book clubs, in line with last year's trend.

[3] Source: GFK, March 2018, figures in terms of value
[4] Source: GFK, March 2018, figures in terms of value

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In the first three months of the current year, Mondadori Retail **improved its adjusted EBITDA to reach € -1.9 million** versus € -2.1 million at 31 March 2017, driven by the first results of the rationalization project regarding directly-managed stores, despite the targeted reduction in consumer electronics product sales.
EBITDA came to € -2.1 million, rebounding sharply versus the three months of 2017 (€ -2.9 million), as a result of lower restructuring costs.

- ***MAGAZINES ITALY***

In the first quarter of the year, the magazine market in Italy fell sharply both in terms of circulation[5], with particular regard to the sale of add-on products, and of advertising[6].

Against this backdrop, revenue from Magazines Italy amounted to **€ 70.2 million**, **down by 13.6%** versus € 81.2 million in the same period of 2017. Specifically:
- circulation revenue lost 8.4%, performing slightly better than the relevant market (newsstands and subscriptions);
- advertising revenue (print + web) fell by 11.6%; web advertising sales were steady versus first quarter 2017, while print sales also reflect the different timing of a number of initiatives linked to local-based events (the *Panorama d'Italia* tour in particular);
- revenue from add-on products dropped sharply (approximately -30%) versus the same period of 2017;
- Press-Di distribution and revenue towards third parties was basically steady versus the prior year (-0.8%).

The Mondadori Group retains its market leadership position in the period, **with a 30.8% share** in terms of value[7]. The unique audience reached **17.6 million users/month**[8], **up by 7%** versus first quarter 2017, making the Mondadori Group, once again, Italy's top traditional publisher also in the digital business.

Adjusted EBITDA in the **Magazines Italy** Area closed with a **negative trend** at € 2.1 million versus € 6.6 million in first quarter 2017, due mainly to the drop in revenue triggered by the trend of the relevant markets, only partly alleviated by the ongoing cost actions, and to the different planning of a number of initiatives. The digital area continued to improve and confirmed the increase in adjusted EBITDA also in the reporting period.
The Area's **reported EBITDA** (€ -0.8 million from € 6.5 million) deteriorated further, due to the higher restructuring costs in the period from the necessary accelerated structural reduction process.

- ***MAGAZINES FRANCE***

In first quarter 2018, revenue from Mondadori France amounted to **€ 75.6 million**, down by 6.3% versus € 80.7 million in the same period of 2017.
Specifically:
- circulation revenue (75% of the total) posted a **-**6.6% drop versus the previous year;
- advertising revenue was down by an overall -9.2% versus the same period of 2017: print (86% of total advertising revenue), fell by 6.2%, less than the relevant market trend**[9]**.

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5 -9.3% in terms of value (Internal source: Press-Di, cumulative figures at February 2018 newsstands + subscriptions)
6 -11% (Source: Nielsen, cumulative figures at March 2018)
7 Internal source: Press-Di, cumulative figures at March 2018 newsstands + subscriptions
8 Source: Audiweb, January-February 2018 average figure
9 (-9.9%. Kantar Media, cumulative figures in terms of value at February)

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Adjusted EBITDA came to € **3.3 million**, down from € 3.6 million in the first three months last year. Net of the contribution in first quarter 2017 of *NaturaBuy* (sold in May 2017), the result was basically steady, thanks to the effective actions launched in 2017 to contain industrial costs, and to the reorganization of the advertising and digital teams that started to produce benefits, fully offsetting the decline in revenue triggered by the trend of the markets.
Reported EBITDA amounted to **€ 3.2 million**, up by approximately 7% versus first quarter 2017, as a result of lower restructuring costs incurred.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

As announced on 24 April 2018, the Ordinary Shareholders' Meeting appointed the Board of Directors, composed of 14 members, and the Board of Statutory Auditors, who will remain in office for three years until the approval of the financial statements for the year ending 31 December 2020.

On 2 May 2018, an agreement was concluded on the transfer to HCI Holding of 100% of the share capital of Inthera S.p.A., specialized in strategy, planning and development of content & data driven marketing solutions, CRM, database analysis and management.

The Board of Directors of Arnoldo Mondadori Editore meeting today also reviewed the binding offers received from European Network on the acquisition of the weeklies *Tustyle* and *Confidenze*. The Board concurrently resolved to authorize the CEO to carry out the activities for completing the transaction, which falls into the repeatedly announced strategy of focusing the product portfolio on core brands with greater profitability and multi-channel development potential.

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The documentation relating to the **presentation of the results at 31 March 2018**, is made available through the authorized storage mechanism 1Info (www.1info.it) and in the Investors section of the Company's website www.mondadori.it.

The **Interim Management Statement at 31 March 2018** will be made available at the Company's registered office, on the authorized storage mechanism (www.1Info.it) and in the Investors section of the Company's website www.mondadori.it by the end of today.

PUBLICATION OF THE MINUTES OF THE SHAREHOLDERS' MEETING

Arnoldo Mondadori Editore S.p.A. informs that the minutes of the Ordinary Shareholders' Meeting held on 24 April 2018 are available at the Company's registered office, on the authorized storage mechanism (www.1info.it) and in the Governance section of the Company's website www.mondadori.it.

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The Financial Reporting Manager - Oddone Pozzi - hereby declares, pursuant to art. 154 bis, par. 2, of the Consolidated Finance Law, that the accounting information contained herein corresponds to the Company's records, books and accounting entries.

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

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Annex 1
Consolidated balance sheet

	March 18	Dec. 17	March 17
Trade receivables	246.8	298.0	247.4
Inventory	138.2	127.6	151.4
Trade payables	(370.8)	(416.3)	(378.6)
Other assets/ (liabilities)	1.5	(12.1)	3.7
NWC	15.8	(2.8)	23.9
Intangible assets	594.6	593.0	611.8
Property, plant and equipment	25.6	26.9	31.7
Investments	37.3	38.0	42.5
NET FIXED ASSETS	657.5	657.9	686.0
Provisions and post-employment benefits	(119.4)	(120.6)	(114.5)
NET INVESTED CAPITAL	**553.9**	**534.6**	**595.4**
Share capital	68.0	68.0	68.0
Reserves	247.4	246.9	219.3
Profit (loss) for the period	(13.6)	30.4	(9.2)
Minorities equity and reserves	30.2	0.0	31.1
EQUITY	332.0	345.3	309.2
NET FINANCIAL POSITION (DEBT)	221.9	189.2	286.2
TOTAL EQUITY	**553.9**	**534.6**	**595.4**

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Annex 2

Consolidated income statement

Euro/millions	1Q 2018	*% growth on revenue*	1Q 2017	*% growth on revenue*	*Var. %*
Revenue from sales and services	**253.4**	***100.0%***	**271.6**	***100.0%***	***-6.7%***
Cost of sold items	69.0	*27.2%*	71.9	*26.5%*	*-4.0%*
Variable costs	105.8	*41.7%*	111.1	*40.9%*	*-4.8%*
Fixed costs	24.2	*9.5%*	28.5	*10.5%*	*-15.2%*
Cost of personnel	58.0	*22.9%*	60.9	*22.4%*	*-4.8%*
Other costs/(income)	-4.1	*-1.6%*	-4.8	*-1.8%*	*-15.8%*
Adjusted EBITDA	***0.5***	***0.2%***	***4.0***	***1.5%***	***-87.3%***
Restructuring costs	-3.4		-1.4		*n.s.*
Positive/(negative) extraordinary items	-0.1		-0.3		*-48.2%*
EBITDA	**-3.0**	***-1.2%***	**2.3**	***0.9%***	***n.s.***
Amortization, depreciation and impairment	7.7	*3.0%*	8.0	*2.9%*	*-3.6%*
EBIT	**-10.7**	***-4.2%***	**-5.6**	***-2.1%***	***n.s.***
Net financial income (costs)	-1.5	*-0.6%*	-3.4	*-1.3%*	*-56.6%*
Result - associates	-2.8	*-1.1%*	-0.5	*-0.2%*	*n.s.*
Income (costs) from other investments	0.0	*0.0%*	0.0	*0.0%*	
Result before taxes for the period	**-14.9**	***-5.9%***	**-9.5**	***-3.5%***	***n.s.***
Income taxes	-2.1	*-0.8%*	-1.0	*-0.4%*	*n.s.*
Result attributable to non-controlling interests	0.7	*0.3%*	0.6	*0.2%*	*21.2%*
Result from continuing operations	**-13.6**	***-5.4%***	**-9.2**	***-3.4%***	***n.s.***
Result from discontinued operations	0.0	*0.0%*	0.0	*0.0%*	
Net result	**-13.6**	***-5.4%***	**-9.2**	***-3.4%***	***n.s.***

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Annex 3
Group cash flow

LTM (€mn)	March 18	Dec. 17
NFP beginning of period	**(286.2)**	**(263.6)**
Adjusted EBITDA	107.0	110.5
Dividends minorities	(3.3)	(3.3)
Change in NWC + provision	(1.1)	3.3
CAPEX	(17.3)	(17.2)
Cash flow from operations	85.3	93.4
Financial costs	(12.1)	(14.0)
Management of investments in associates	(1.8)	(3.1)
Taxes	(6.5)	(7.6)
Cash flow from ordinary operations	**64.9**	**68.7**
Restructuring costs	(12.5)	(13.8)
Extraordinary tax amounts / prior years	0.9	6.8
Acquisition/disposal of assets	10.9	12.6
Cash flow from extraordinary operations	(0.7)	5.6
Total Cash Flow	64.3	74.3
NFP end of period	**(221.9)**	**(189.2)**

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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, taxes, 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:
(i) income and expenses from restructuring, reorganization and business combinations;
(ii) clearly identified income and expenses not directly related to the ordinary course of business;
(iii) as well as any income and expenses from non-recurring events and transactions as set out in Consob communication DEM6064293 of 28/07/2006.

With regard to adjusted EBITDA in first quarter 2017, the following items were excluded from EBITDA:
a) restructuring costs for a total of € 1.4 million, included in "Cost of personnel" in the income statement;
b) income and expenses of a non-ordinary nature for a total of € 0.3 million, included in "Cost of services" of € 0.2 million and in "Other (income) cost" for the remaining € 0.1 million in the income statement.

With regard to adjusted EBITDA in first quarter 2018, the following items were excluded from EBITDA:
a) restructuring costs for a total of € 3.4 million, included in "Cost of personnel" in the income statement;
b) income of a non-ordinary nature for a total of € 0.1 million, included in "Cost of services" in the income statement.

Operating profit (**EBIT**): net result for the period before income taxes, 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).

Cash flow from ordinary operations: cash flow from operations as explained above, net of financial expenses, taxes paid in the period, and income/expenses from investments in associates.

LTM cash flow from ordinary operations: 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.

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