



## Board of Directors approves consolidated quarterly report at 30 September 2016

Milan - 14 November 2016 - The Board of Directors of Class Editori SpA met today and approved the consolidated results for the first nine months of the year.

### **Operating performance**

Revenues for the first nine months of 2016 amounted to 48.89 million euro, compared with 54.23 million euro in the same period of the prior year. Advertising revenues were 5.4% lower than in the comparative period of 2015, but were 3% higher on a consistent basis considering the same media and number of issues. Television channels achieved advertising growth of 8.8%, led by a 19.4% rise at Class CNBC. The advertising revenues of magazines eased by 1% (+12.9% adjusting for the number of issues) due to the introduction of special formats, such as Capital #1, Class Digital Experience Week and Gentleman Le Icone del XXI Secolo - Icons of the 21st Century. This highlights the ability of the Publishing House to launch new initiatives that are well received by the market. Website advertising revenues outperformed, rising 3.3% in the first nine months compared with a 2.2% contraction by the market as a whole. This reflected a 20% jump in revenues in September, following a reorganisation of the way digital advertising is sold. The reduced advertising revenues of daily newspapers reflected the contraction in national commercial advertising and limited activity in the financial markets in terms of new listings and privatisations (resulting in lower revenues from legally-required financial advertising). There was also a decline in other legal advertising revenues, in part influenced by the delayed reaction of contractors to the renewed requirement to advertise their public tenders and auctions. The deferral of investment projects by the banking system and delays in the renegotiation of existing contracts resulted in lower revenues from the sale of news and information services during the first nine months of the year; this said, there were no examples of the services provided by the Publishing House being replaced by competing services.

The efforts made to contain personnel costs and the cost of services, which commenced in 2015 and continued throughout the first nine months of 2016, resulted in savings of 4.4 million euro, while investment in the special initiatives mentioned earlier resulted in additional costs of 1.5 million euro. Operating costs for the first nine months of 2016 amounted to 56.70 million euro, compared with 59.62 million euro in the same period of the prior year (-4.9%).

Lower revenues caused by the market conditions described above led to a gross operating result (EBITDA) of -7.81 million euro (-5.38 million euro in the first nine months of 2015). Net non-core income totalled 4.03 million euro (-0.53 million euro in the period to 30 September 2015). This amount includes income of 4.10 million euro earned by Class China eCommerce, representing part of the contractual minimum for the first year of the agreement signed with CCIGMall. Depreciation/amortisation and write-downs amounted to 6.17 million euro (5.90 million euro in the first nine months of the prior year). The operating loss (EBIT) for the first nine months of 2016 was 9.95 million euro (11.81 million euro in the period to 30 September 2015). The net result for the first nine months of 2016 was -12.76 million euro, compared with -14.57 million euro in the same period of the prior year; net of non-controlling interests, the result attributable to the owners of the parent was -13.80 million euro (-14.71 million euro in the comparative period of 2015).

At 30 September 2016, the net debt of the Publishing House amounts to 64.1 million euro, compared with 65.5 million euro at 30 June 2016 and 60.9 million euro at 31 December 2015.

### **Performance during the third quarter of 2016**

Revenues in the third quarter of 2016 amounted to 12.86 million euro (15.36 million euro in the third quarter of 2015), while operating costs were 10.5% lower. EBIT for the third quarter was -1.02 million euro (-5.62 million euro in the same period of 2015), while the net result was -1.85 million euro (-6.56 million euro in the comparative period of last year); net of non-controlling interests, the result attributable to the owners of the parent was -3.33 million euro (-6.54 million euro in the same period of 2015).



### **Significant economic-financial events in the first nine months of 2016**

The latest official Nielsen data for advertising revenues during the first nine months of 2016 highlights a rise of 2.5% compared with the same period in 2015. Excluding generalist TV stations from this increase, as the Publishing House is not present in that segment, the market actually contracted by about 3.5%. However, considering the sectors in which the Publishing House is most active, financial advertising in newspapers fell by 14.1% during the period (source: FCP/FIEG September 2016), while legal advertising declined by 9.5%. Overall, on-line advertising revenues were 2.2% lower than in the same period of 2015, while there was a 7.8% reduction in browser-based advertising (source: FCP/Assointernet September 2016).

As certified by the actual Analytics data for digital system traffic, activity on the website of Milano Finanza grew by 29.5% on an annualised basis during the first nine months of the year, with an average of 117,361 unique users (90,630 in the first nine months of 2015). At the time of preparing this report, Audiweb had not yet released the latest data inclusive of September and indicated, with reference to all the websites of the Publishing House, an average of 100,836 daily unique users and 693 thousand daily page visits (source: AudiWeb Database) during the first eight months of 2016.

The monthly averages identified by Audiweb were 839 thousand unique users and 21.1 million page visits. This information cannot be compared with the first eight months of 2015 on a consistent basis, due to the new panel weights for the analysis of census data introduced by Audiweb in April, as well as to the change in the scope of the website data aggregated by the Publishing House. As stated in the past, these Audiweb numbers are entirely inconsistent with the objective data recorded by the Analytics systems, as shown by the traffic data identified by Analytics just for the Milano Finanza website.

The number of readers following the news from the websites in real time on Twitter now exceeds 93 thousand for MF/Milano Finanza and 33 thousand for ItaliaOggi, an associated company.

The printed and digital versions of Milano Finanza achieved an average circulation of about 70 thousand copies during the first nine months (73 thousand on average in 2015), while Class achieved 40 thousand copies (40 thousand on average in 2015) and Capital achieved 41 thousand copies (43 thousand on average in 2015).

### **Subsequent events and outlook for operations**

Italian economic conditions are not expected to improve in the coming months. The Publishing House is continuing its strategy of cutting costs in all sectors and, on the revenue front, has launched a series of new events, such as the first Milan Global Summit for Savings and Investment, organised to mark the 30th anniversary of MF/Milano Finanza and the 15th anniversary of Class CNBC, as well as special events for the world of marketing and the professions, to mark the 25th anniversary of ItaliaOggi. Work also continues on the internal reorganisation designed to boost market share in the digital advertising area. This involves establishing an organisation dedicated to the integration of the sales network, in order to strengthen the digital advertising components and the revenues from digital news stands via programmatic advertising. The plan envisages the development of strategic partnerships with market operators, increasing the on-line advertising investment made by existing customers and the development of both digital publishing and the sale of on-line content. All this, together with the new investment carried out during the first nine months of the year, may reasonably be expected to offset the stagnation of the traditional advertising market.

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Pursuant to art. 154 bis, para. 2, of the Consolidated Finance Law, the Executive responsible for preparing corporate accounting documents, Gianluca Fagiolo, confirms that the accounting information included in this release agrees with the documentary records, books and accounting entries.

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**Consolidated statement of comprehensive income for the period ended 30 September 2016**

<i>(thousands of euro)</i>		
<b>INCOME STATEMENT</b>	<b>30/09/2016</b>	<b>30/09/2015</b>
<b>REVENUES</b>		
Revenues from sales	46,116	50,939
Other operating income	2,774	3,295
<b>Total revenues</b>	<b>48,890</b>	<b>54,234</b>
<b>COSTS</b>		
Operating costs	(56,703)	(59,618)
<b>Gross operating result - Ebitda</b>	<b>(7,813)</b>	<b>(5,384)</b>
Net non-core income/(charges)	4,034	(528)
Depreciation, amortisation and writedowns	(6,168)	(5,896)
<b>Operating result - EBIT</b>	<b>(9,947)</b>	<b>(11,808)</b>
Financial income (charges), net	(2,817)	(2,757)
<b>Net result</b>	<b>(12,764)</b>	<b>(14,565)</b>
Net (profit) loss attributable to NCI	(1,037)	(149)
<b>Result attributable to the owners of the parent</b>	<b>(13,801)</b>	<b>(14,714)</b>



Consolidated statement of comprehensive income for the third quarter of 2016

<i>(thousands of euro)</i>		
<b>INCOME STATEMENT</b>	<b>IIIrd Quarter</b>	<b>IIIrd Quarter</b>
	2016	2015
<b>REVENUES</b>		
Revenues from sales	12,398	14,881
Other operating income	466	480
<b>Total revenues</b>	<b>12,864</b>	<b>15,361</b>
<b>COSTS</b>		
Operating costs	(16,464)	(18,391)
<b>Gross operating result - Ebitda</b>	<b>(3,600)</b>	<b>(3,030)</b>
Net non-core income/(charges)	4,464	(424)
Depreciation, amortisation and writedowns	(1,880)	(2,168)
<b>Operating result - EBIT</b>	<b>(1,016)</b>	<b>(5,622)</b>
Financial income (charges), net	(835)	(942)
<b>Net result</b>	<b>(1,851)</b>	<b>(6,564)</b>
Net (profit) loss attributable to NCI	(1,480)	27
<b>Result attributable to owners of the parent</b>	<b>(3,331)</b>	<b>(6,537)</b>

Consolidated net financial position at 30 September 2016

€ (thousands)	30/09/2016	31/12/2015	Change 2016/2015	Change %
Liquid funds	2,980	9,168	(6,188)	(67.5)
Current financial receivables	11,906	7,906	4,000	50.6
Non-current financial payables	(76,510)	(90)	(76,420)	n.s.
Current financial payables	(2,511)	(77,881)	75,370	96.8
<b>Net financial position</b>	<b>(64,135)</b>	<b>(60,897)</b>	<b>(3,238)</b>	<b>(5.3)</b>

The consolidated quarterly report at 30 September 2016 will be made available to the public on the Publishing House's website, [www.classeditori.it](http://www.classeditori.it).