

31 January 2017

Trading Update

The Quarto Group, Inc. ("Quarto" or "the Group"), the leading global illustrated book publisher, is pleased to provide the following trading update for the year ended 31 December 2016.

A resilient performance in the core publishing businesses means the Group expects to report profits in line with management expectations, excluding the impact of our Books & Gifts Direct (BGD) business referred to below.

This expected result comes against a difficult trading background in the UK in the final quarter and a tough comparative given the global success of colouring books in 2015. The diversity and quality within our portfolio have been key factors in this performance, and the businesses that we acquired during 2016 - Harvard Common Press and becker&mayer - have both been successfully integrated and have surpassed our performance expectations for the year. We have examined the useful lives of our published titles and have reflected the consistency of those lives across our portfolio of imprints. The benefit of this change, which will be included in the result for the year, reflects more accurately the pattern of our backlist revenue over an extended period and the inherent value of the intellectual property owned by the Group.

With a continued decline in performance in Books and Gifts Direct (BGD), the Board has reaffirmed that BGD is not a core business and negotiations with a potential acquiring group are ongoing. Heads of Terms have been signed and the deal is anticipated to close in the coming weeks. The proposed total consideration of A\$5.75m comprises A\$1.0m of cash consideration payable on completion, with a further A\$4.75m in interest-bearing loan notes which are repayable out of cash generated by the business, but with a long-stop date of 10 years. Assuming the transaction completes and the loan notes are repaid in full, this will result in a total writedown of approximately \$11.0m.

Net debt on 31 December 2016 was \$62.2m (2015: \$59.5m). The increase was a result of both poor trading within BGD as well as negative working capital timing movements in the final quarter, which we expect will reverse in the first quarter. However, due to the strong underlying performance of the business, the Board expects to recommend an increase in the company's final dividend.

The Group will report its preliminary results on 22 March 2017.

Marcus Leaver, CEO, commented:

"We performed resiliently in 2016, capitalising on our strengths and expanding our reach in challenging domestic and international markets. We made two

strategically important acquisitions, which are already contributing positively to the Group and have allowed us to celebrate our fortieth anniversary with our strongest publishing profits ever. We continue to invest in content with a portfolio of creative businesses underpinned by a scalable platform for organic and acquisitive growth. The anticipated disposal of BGD will allow us to focus more fully on the clear financial and operational improvements we require to fulfil our ambitions."

For further information please contact:

Quarto +44 (0) 20 7700 9002
Marcus Leaver, CEO
Michael Connole, CFO

Bell Pottinger +44 (0) 20 3772 2573
Elly Williamson

About The Quarto Group

The Quarto Group (LSE: QRT) is the leading global illustrated non-fiction book publisher and distribution group, whose mission is to make and sell great books that entertain, educate and enrich the lives of adults and children around the world.

Quarto creates and owns proprietary content, publishing books from a diverse portfolio of imprints that are creatively independent and expert in developing long-lasting content across specific niches of interest.

Quarto sells books across 45 countries and in 35 languages through a variety of traditional and non-traditional channels, while constantly looking for new ways to create and deliver content that people need.

Quarto employs over 400 talented people in the US, UK, Hong Kong, Australia and New Zealand. The group was founded in London in 1976. It is domiciled in the US and listed on the London Stock Exchange.

For more information, visit [quartoknows.com](https://www.quartoknows.com) or follow us on Twitter at [@TheQuartoGroup](https://twitter.com/TheQuartoGroup).