GRUPPO MONDADORI

PRESS RELEASE

BoD APPROVES RESULTS AT 31 DECEMBER 2018

The results of the 2018 financial report have been prepared in accordance with IFRS 5, showing Magazines France amounts under "Adjusted result from discontinued operations" [1]

Targets set for the year achieved:

- **further operating and financial consolidation**
- **greater focus on the more profitable core businesses**

Results in line with forecasts:

- **Consolidated net revenue from continuing operations € 891.1 million: -8.1% versus € 970.1 million in 2017;**

- **Adjusted EBITDA[2] from continuing operations € 90.1 million: +6.6% versus € 84.5 million in 2017;**

- **Adjusted net profit from continuing operations € 20.3 million as forecast (€ -6.9 million versus 2017 due to higher restructuring costs).**
  As a result of the fair value adjustment of French operations, amounting to € -200.1 million, the figure at 31.12.2018 drops to € -177.1 million versus € 30.4 million at 31.12.2017

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- **Group net financial position improves by approximately 22% to reach € -147.2 million versus € -189.2 million in 2017**

TARGETS FOR CONTINUING OPERATIONS IN 2019

- **Slight drop in revenue**
- **Single-digit growth of adjusted EBITDA**
- **Strong improvement of net result (forecast at € 30-35 million)**
- **Cash flow from ordinary operations forecast at approximately € 45 million, creating sustainable conditions for a possible return in the future to the dividend**

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PROPOSED REVOCATION AND GRANTING OF POWERS TO THE BOARD OF DIRECTORS PURSUANT TO ARTICLES 2443 AND 2420 TER OF THE ITALIAN CIVIL CODE

Segrate, 14 March 2019 - 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

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[1] In 2018, the "Adjusted result from discontinued operations" included the net result of Mondadori France in the current year, together with the recognition of the fair value adjustment of assets being sold, to reflect the negotiations in progress, previously measured at value in use. This item also includes the financial expense held by the Parent Company, but attributable to Mondadori France and charged to the latter under the intercompany loan agreement (approximately € 3 million). The "Adjusted result from continuing operations" and the "Adjusted result from discontinued operations" therefore differ by this amount from the amounts of the statements attached to this Report (equal to € -192.4 million in 2018 and € 12.6 million in 2017), prepared in accordance with IFRS international accounting standards.
To enable a like-for-like comparison, 2017 figures have been restated 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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Company and Group consolidated financial statements at 31 December 2018 presented by CEO Ernesto Mauri.

PERFORMANCE AT 31 DECEMBER 2018

In 2018, the Mondadori Group achieved the targets set: on the one hand, further **operating and financial consolidation** and, on the other, the launch of a **new strategic repositioning phase**, with the revision of the portfolio of activities in the Magazines Italy Area and the start of the disposal of Magazines France, enabling the Group to place **greater focus on the more profitable core businesses**.
The results achieved in the year, **in line with the targets set**, also confirm the Group's leadership in its segments of operation.

Consolidated net revenue in 2018 amounted to **€ 891.1 million**, down by 8.1% versus € 970.1 million in 2017.

Consolidated adjusted EBITDA increased by more than € 5 million to reach **€ 90.1 million** versus € 84.5 million in 2017. Specifically:

- the **Books** Area increased its contribution to reach **87% of Group EBITDA** (from 83%), **with margins** of approximately **19%** on revenue and an **11% increase** versus 2017, due mainly to the Educational Area.
- the **Retail** Area increased adjusted EBITDA to reach € 1.4 million versus € 0.7 million.
- the **Magazines Italy** Area recorded adjusted EBITDA of € 11.9 million, down by approximately € 3 million versus the prior year.

The Group's EBITDA margin in 2018 **rose to 10.1%** of consolidated revenue (from 8.7%), confirming the significant **improvement in operating efficiency**.
The percentage on revenue of goods sold, variable costs and overheads was reduced as a result of ongoing measures to improve efficiency and contain costs across all the areas.

Additionally, the reduction in cost of personnel continued (-6.7% versus the prior year; approximately
-5.7% on a like-for-like basis[3]: at 31.12.2018, **employees**, considering continuing operations, were **2,132**, down by 6.2% versus 2,275 at 31 December 2017, as a result of the disposal of Inthera and *Panorama*, and of the continued efficiency actions on each business area of the Group.

Reported **EBITDA** fell by € 9.2 million to € 77.5 million versus € 86.7 million in 2017.
Overall, non-recurring expense increased by approximately € 14 million versus the prior year, due to business restructuring of approximately € 10 million and lower extraordinary income versus 2017.

Consolidated EBIT in the year amounted to € 51.2 million, dropping by 15.2% versus € 60.4 million in 2017, as a result of the abovementioned decrease in EBITDA; amortization, depreciation and impairment amounted to € 26.2 million, in line with the prior year.

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

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The **consolidated result before tax** came to a positive figure of approximately € 35.2 million and included:

- the **sharp drop in financial expense** (from € 7 million to € 2.9 million), as a result of an **average interest rate that has more than halved** versus the prior year (from 2.72% to 0.93%), and of a **lower average net debt**;
- a negative performance by associates (consolidated at equity), down from € -4 million to € -13.2 million, due in particular to Mach2 Libri, active in the distribution of books in the Large Retailers channel and put into liquidation in 2018.

Adjusted net profit from continuing operations[4] amounted to **€ 20.3 million** versus € 27.2 million in 2017. Mondadori France recorded net revenue of € 305.6 million in the period, down by 7.5%, and an adjusted EBITDA of € 26.1 million, in line versus the prior year.

An adjustment was made in the year to the fair value of the assets being sold, to reflect the negotiations in progress, previously measured at value in use, amounting to € 200.1 million.
Accordingly, the adjusted net result from discontinued operations came to € -195.5 million, including a net profit of € 2.6 million from Mondadori France (€ 3.3 million in 2017).
The Group's net result, following the fair value adjustment of French assets, came to € -177.1 million versus € +30.4 million in 2017.

The **Group's net financial position** at 31 December 2018 stood at **€ -147.2 million, improving by approximately 22%** versus € -189.2 million at 31 December 2017, thanks mainly to **cash generated from ordinary operations** of continuing operations of **€ 52.1 million**.
In 2018 the debt/adjusted EBITDA ratio was 1.6x.

CONSOLIDATED FINANCIAL RESULTS FOR FOURTH QUARTER 2018

Consolidated revenue in fourth quarter 2018 amounted to **€ 233 million**, down by 11.4% versus € 263.1 million in the same quarter of 2017.

Adjusted EBITDA grew by 15% in the last quarter of the year to reach **€ 27.3 million** versus € 23.7 million in fourth quarter 2017, driven by the **improved operating performance of school textbooks and by Magazines Italy.**

Consolidated EBITDA came to € 24.5 million, **up by 4%** versus € 23.5 million in the same quarter of the prior year, thanks to the abovementioned performance of the Books Area and

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[4] In 2018, the "Adjusted result from discontinued operations" included the net result of Mondadori France in the current year, together with the recognition of the fair value adjustment of assets being sold, to reflect the negotiations in progress, previously measured at value in use. This item also includes the financial expense held by the Parent Company, but attributable to Mondadori France and charged to the latter under the intercompany loan agreement (approximately € 3 million). The "Adjusted result from continuing operations" and the "Adjusted result from discontinued operations" therefore differ by this amount from the amounts of the statements attached to this Report (equal to € -192.4 million in 2018 and € 12.6 million in 2017), prepared in accordance with IFRS international accounting standards.
To enable a like-for-like comparison, 2017 figures have been restated accordingly.

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the non-recurring income from the disposal of an owned property, partly mitigated by non-recurring expense recorded mainly in the Magazines Italy Area.
Amortization, depreciation and impairment, amounting to € 10.7 million, were in line with fourth quarter 2017.
Financial expense, as in prior quarters, benefited from lower debt costs and lower average debt versus the prior year.

Adjusted net profit from continuing operations came to **€ 4.5 million**, **up sharply** from € 1.7 million in fourth quarter 2017.

BUSINESS OUTLOOK[5]

The Group will continue its **strategic repositioning** and **further focus on the more profitable core businesses**, in particular by consolidating its leadership in the Books Area, completing the sale of Mondadori France and identifying new areas of development.
In line with the outlined strategy and in light of the current relevant context, the operating targets for **2019**, based on the current scope, allow the Group to estimate, at a consolidated level, **a slight decrease in revenue** and a **single-digit growth** of adjusted EBITDA versus 2018.
The net result from continuing operations in 2019 is expected to be significantly higher than last year (in the € 30-35 million range).
Cash flow from ordinary operations in 2019 is forecast at around € **45 million**, **creating sustainable conditions for a possible return in the future to the dividend.**

PERFORMANCE OF BUSINESS AREAS

- ***BOOKS***

In 2018, the national Trade books market recorded a slight decline (-1.1% in terms of value versus the prior year[6], after the sharp increase of +6.1% in 2017).

Against this backdrop, the Mondadori Group, considering all its publishers, boasts a **market leadership** position, **with a 27.4% share** and **4 titles in the top 10 bestsellers of the year**.

The Mondadori Group **retained its leadership** of the school textbooks market with an overall **22.9% share**, adoptions-wise[7,].
In 2018, the segment grew moderately overall, up by approximately 1% in the primary and lower secondary segment, and was steady in the upper secondary segment[8.]

In 2018, **revenue** from the Area amounted to € **450.4 million**, down by **6.7%** versus € 483 million in the prior year. Specifically:

- Trade fell by 13%, as a result of the comparison with 2017, marked by the strong concentration of bestsellers, and of the decline of the Large Retailers channel;
- the Educational Area reported a positive performance across all the activities of the publishers (-0.5%);

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5 Before application of IFRS 16
6 Source: GFK, December 2018 (in terms of value)
7 Source: ESAIE, 2018 (adopted sections)
8 Source: Databank, 2018

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- distribution activities fell (-17.7%), due mainly to the reduction in current contracts.

Adjusted EBITDA of the Books Area amounted to **€ 84.7 million**, **up by 11%** versus 2017. 2018 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 across all segments, which allowed the Group to achieve **profitability of approximately 19%**.

Reported EBITDA amounted to **€ 82.9 million, up by approximately 9%** versus € 76.2 million in 2017.

- ***RETAIL***

In 2018, the Group continued to implement strategic actions to align the organization and the sales channels to the developments of the market, working to gradually revise the network of stores and its formats.

In the Books segment (making for **80% of store revenue**), Mondadori Retail's **market share** stood at **14.4%**.

In 2018, the Retail Area achieved **revenue** of **€ 191.8 million**, down by 3.4% versus € 198.5 million in the prior year, as a result of:

- the decline of the relevant market for books;
- a targeted reduction in revenue from consumer electronics;
- the streamlining of the direct sales network launched in second half 2017.

The analysis by channel shows the following:

- **a 0.9% growth of directly-managed bookstores** (-2.9% on a like-for-like basis in terms of stores);
- a **growth of franchised bookstores** (+0.9%; -0.4% on a like-for-like basis in terms of stores);
- a 10.9% drop in Megastores (-4.4% on a like-for-like basis in terms of stores);
- a decline in the online sector (-9.3% due to the delayed implementation of the decree on the "18app" Culture Bonus);
- a 9% drop by the Bookclub, in line with the decline seen in prior years.

In 2018, Mondadori Retail recorded an **adjusted EBITDA** of € 1.4 million, **up** versus € 0.7 million in 2017, thanks to the cost cutting measures through the sale of non-profitable stores.

EBITDA, which includes non-recurring expense of approximately € 1.4 million, came to breakeven.

- ***MAGAZINES ITALY***

In Italy, the magazines market in 2018 witnessed a continued drop in advertising in the print, circulation and add-on sales segments.

The Magazines Italy Area generated **total revenue** of **€ 287 million** in 2018, down by 12% versus € 326.1 million in 2017. On a like-for-like basis (the disposal of Inthera and the weekly *Panorama*), the drop would be 9.1%. Specifically:

- **circulation revenue** was down by 11.1%. In the newsstands and subscriptions channels, the Group retained its **market leadership with a share in terms of value of 30.7%.**

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- total **advertising revenue** (print + web) was down by approximately 5%: the print segment fell by approximately 10% (on a like-for-like basis, the trend was in line with the market's -9%); the digital segment **grew by** approximately **8%**, thanks to the positive performance of advertising sales in the food and wellness & beauty segments.
  Gross digital advertising revenue accounted for approximately **32% of total revenue** (27% in the prior year).
- **revenue from add-on products** was down sharply (approximately -21%) versus 2017.

The Mondadori Group was once again **Italy's top digital publisher**, with a unique audience rated by Comscore of close to 30 million unique users per month (in December 28.9 million, up by 11% versus December last year), with an annual 2018 average up by 17% versus 2017[9].

Adjusted EBITDA of the Magazines Italy Area amounted to **€ 11.9 million** (€ 14.8 million in 2017, due to the fall in print revenue, partly offset by the positive performance of digital operations of € 5.7 million versus € 2.2 million in the prior year).

The Area's **reported EBITDA** amounted to € -0.2 million versus € +12.1 million in 2017, as a result mainly of higher restructuring costs recorded in the period from the necessary accelerated structural reorganization and cost reduction process, and of the loss generated by disposals.

- ***MAGAZINES FRANCE (discontinued operations)***

In 2018, Mondadori France's relevant markets continued the downturn in newsstands sales (-7.1%)[10] and in print advertising sales (-10.8%)[11]: **Mondadori France retained its position as one of the top players in the magazines market**, with an 11% share[12].

In this shrinking market, Mondadori France recorded **revenue** of **€ 305.6 million**, down by -7.5% versus € 330.4 million in 2017. Specifically:
- **Circulation revenue** (77% of the total) was down by approximately 6% versus 2017;
- **Advertising revenue** (print + web) dropped by approximately 7% versus 2017: the print segment (88% of total advertising revenue) was down by approximately 7% versus 2017; the digital segment fell by 11.2% versus the market's -0.5%.

Adjusted EBITDA in 2018 amounted to **€ 26.1 million** versus € 26 million in the prior year.
Reported EBITDA amounted to € 23.1 million, up versus € 18.4 million in 2017 (which included significant restructuring costs).

[9] Source: Comscore, December 2018
10 Source: Mondadori France + Presstalis, December 2018 (in terms of value)
11 Source: Net Index, December 2018 (in terms of value)
12 Source: Kantar Media, December 2018 (in terms of volume)

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PERFORMANCE OF ARNOLDO MONDADORI EDITORE S.P.A.

The Parent Company's income statement at 31 December 2018 shows the same net result as in the consolidated financial statements, with a loss of € 177.1 million, due to the fact that the Company has opted to use the equity method to measure its investments in the separate financial statements.

Revenue amounted to € 256.6 million, down versus € 282.3 million in the prior year, due mainly to the reduction in print operations in the Magazines Italy Area.
Revenue from the digital operations of the Magazines Italy Area, on the other hand, increased thanks to the positive results from advertising sales. The Parent Company also comprises revenue from services provided to other Group companies, equal to € 35.3 million.

Adjusted EBITDA declined slightly from € +0.3 million to € -0.4 million, as a result mainly of the decline in the margins from print operations in the Magazines Italy Area, offset by a sharp rise in digital operations.

2018 benefited from net positive extraordinary items of € 2.6 million, attributable mainly to the disposal of the Sporting property complex in Verona, but was affected by higher restructuring costs in the Magazines Italy Area (€ +7.2 million versus 2017).

The disposal of the subsidiary Mondadori France and the consequent adjustment of the book value to fair value led to the recognition of expense from discontinued operations; the net result of the Company, therefore, closes with a loss of € 177.1 million (same as in the consolidated financial statements); the Board of Directors has decided to propose the Shareholders' Meeting to fully cover the loss for the year.

SIGNIFICANT EVENTS AFTER YEAR-END

On 11 February 2019, Andrea Santagata was appointed Chief Innovation Officer, reporting directly to CEO Ernesto Mauri. This new position was created with the aim of further investing in the development and formulation of digital and transformation strategies for all the Group's activities.

Arnoldo Mondadori Editore S.p.A. signed a put option that guarantees the right to sell its subsidiary Mondadori France S.A.S. to Reworld Media S.A. in accordance with the terms disclosed to the market on 18 February 2019.

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The Board of Directors of Arnoldo Mondadori Editore S.p.A. has convened the ordinary and extraordinary Shareholders' Meeting in first call on Wednesday 17 April 2019 to approve the financial statements for the year ended 31 December 2018.

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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 24 April 2018, with the approval of the financial statements at 31 December 2018, 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 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 2019, 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 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.

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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.
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. 1,346,703 treasury shares, equal to 0.515% 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 applicable regulations.

PROPOSED ADOPTION OF A 2019-2021 PERFORMANCE SHARE PLAN
The Board resolved, on a proposal from the Remuneration and Appointments Committee, and in keeping with the introduction of the performance share approved last year for the medium/long-term remuneration of executive directors and executives with strategic responsibilities, to submit to the approval of the Ordinary Shareholders' Meeting, the adoption of a 2019-2021 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 Company managers who have an employment and/or directorship relationship with the Company or with its subsidiaries on the granting date 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 2019 to 2021.
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.

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For details on the proposed adoption of the 2019-2021 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 applicable regulations.

PROPOSED REVOCATION AND GRANTING OF POWERS TO THE BOARD OF DIRECTORS PURSUANT TO ARTICLES 2443 AND 2420 TER OF THE ITALIAN CIVIL CODE

The Board of Directors will propose the Shareholders' Meeting, called on 17 April 2019, also in extraordinary session, to adopt the resolutions referred to in articles 2443 and 2420 ter of the Italian Civil Code, relating to the granting of powers to the Board of Directors to increase the share capital and issue convertible bonds.

Specifically, the Board will propose the Shareholders' Meeting:

- the revocation, solely regarding the unexercised portion, of all the powers to increase the share capital and issue convertible bonds granted to the Board of Directors by the Extraordinary Shareholders' Meeting held on 30 April 2014;
- the granting of powers to the Board of Directors, pursuant to art. 2443 of the Italian Civil Code, to make a divisible increase in the share capital against payment, on one or more occasions, reserved with pre-emptive rights to the assignees, within a period of five years from the resolution date for a maximum nominal amount of € 75,000,000;
- the granting of powers to the Board of Directors, pursuant to article 2420-ter of the Italian Civil Code, to issue, on one or more occasions, bonds convertible into shares, for a maximum nominal amount of € 250,000,000, including, pursuant to article 2420-ter, par. 1, of the Italian Civil Code, the powers to correspondingly increase the share capital to service the conversion by issuing ordinary shares with the same characteristics as outstanding shares, for a maximum nominal amount of € 250,000,000, within a period of five years from the resolution date;
- the granting of powers to the Board of Directors, in accordance with art. 2443 of the Italian Civil Code, to make a divisible increase in the share capital against payment, on one or more occasions, within a period of five years from the resolution date, excluding pre-emptive rights in accordance with art. 2441, par. 4, second sentence, of the Italian Civil Code, by issuing ordinary shares up to 10% of the total amount of shares forming the share capital of Arnoldo Mondadori Editore at the date of any exercise of the powers and, in any case, for a nominal amount of up to € 20,000,000.

The proposed renewal and granting of powers is motivated by the expediency to maintain and grant the Board of Directors the general powers to implement, through faster and more streamlined procedures than the resolutions adopted by the Extraordinary Shareholders' Meeting, any capital transactions to strengthen the financial structure in support of the Group's development targets.

With particular regard to the powers that may be exercised for capital increases with the exclusion of pre-emptive rights up to a ceiling of 10% of the existing capital, mention should be made that the offer made to third parties may represent an effective tool to increase the free float and maintain appropriate liquidity of the share at any moment, or be functional to the participation of qualified investors in the share capital, while curbing the diluting effects for existing shareholders.

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For further information on the proposed revocation and granting of powers pursuant to articles 2443 and 2420 ter of the Italian Civil Code, reference should be made to the Directors' Explanatory Report, which will be published within the time limits and in the manner prescribed by applicable regulations.

IFRS 16 (LEASES)

The Mondadori Group will apply IFRS 16 (Leases) as from 1 January 2019. The new standard introduces a different system for recognizing leases for the lessee in the financial statements.

The main impacts on the Group's consolidated financial statements are estimated as follows:

- **Balance sheet at 1 January 2019**: recording of fixed assets and financial liabilities for approximately € 112 million;
- **Consolidated income statement in 2019:** as a result of the agreements in place at 1 January 2019, the consolidated income statement for 2019 is forecast to see an improvement in EBITDA of approximately € 16.4 million, an increase in amortization and depreciation of approximately € 15.1 million and an increase in financial expense of approximately € 2.5 million.

  The combination of the straight-line depreciation of "user rights on the asset" and the actual interest rate method applied to financial payables under IFRS 16 results in higher expense charged to the income statement in the opening years of the lease contract and lower expense in the final years.

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

Under Legislative Decree 254/2016, the Board of Directors' 2018 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.

With regard to 2018, the Mondadori Group has updated its materiality analysis, in accordance with the principles set out by the GRI Sustainability Reporting Standards (GRI Standards), including the "Media Sector Disclosures", defined in 2016 and 2014 respectively by the Global Reporting Initiative (GRI).

A new process was introduced with three main new features: the involvement of independent experts in the media and publishing segments; a comparison with the main European peers; an extension of the level of engagement towards the outside, involving suppliers of the main utilities and franchisees of the Mondadori Store bookstores.

§

The 2018 results, approved on today's date by the Board of Directors, will be presented by the Mondadori Group Management to the financial community today, at 4 PM, at the Mondadori Megastore in piazza Duomo, Milan.

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

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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. *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.*

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Annex 1
Consolidated balance sheet

	Dec. 18	Dec. 17
Trade receivables	219.0	254.1
Inventory	122.3	120.8
Trade payables	(333.4)	(368.0)
Other assets (liabilities)	46.1	46.4
NWC	54.1	53.3
Intangible assets	226.7	224.5
Property, plant and equipment	19.1	23.1
Investments	32.3	37.6
NET FIXED ASSETS	278.2	285.2
Provisions and post-employment benefits	(103.3)	(101.7)
Assets/liabilities held for sale	89.1	297.7
NET INVESTED CAPITAL	**317.9**	**534.6**
Share capital	68.0	68.0
Reserves	251.1	217.4
Profit (loss) for the year	(177.1)	30.4
Share capital and reserves attributable to non	28.7	29.5
EQUITY	170.7	345.3
NET FINANCIAL POSITION (DEBT)	147.2	189.2
TOTAL EQUITY	**317.9**	**534.6**

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Annex 2

Consolidated income statement

€ millions	2018	Percentage on revenue	2017	Percentage on revenue	Var. %
Revenue from sales and services	**891.1**	***100.0%***	**970.1**	***100.0%***	***-8.1%***
Cost of sold items	271.4	*30.5%*	302.4	*31.2%*	*-10.2%*
Variable costs	300.9	*33.8%*	330.9	*34.1%*	*-9.1%*
Fixed costs	69.1	*7.8%*	81.3	*8.4%*	*-15.0%*
Cost of personnel*	159.5	*17.9%*	171.0	*17.6%*	*-6.7%*
Adjusted EBITDA	***90.1***	***10.1%***	***84.5***	***8.7%***	***6.6%***
Restructuring costs	11.7		5.1		*n.s.*
Non-ordinary negative/(positive) items	0.9		-7.3		*n.s.*
EBITDA	**77.5**	***8.7%***	**86.7**	***8.9%***	***-10.6%***
Amortization, depreciation and impairment	26.2	*2.9%*	26.3	*2.7%*	*-0.2%*
EBIT	**51.2**	***5.8%***	**60.4**	***6.2%***	***-15.2%***
Net financial expense (income)	2.9	*0.3%*	7.0	*0.7%*	*-58.7%*
Expense (income) from associates	13.2	*1.5%*	4.0	*0.4%*	*n.s.*
Expense (income) from other investments	0.0	*0.0%*	0.0	*0.0%*	
Result before tax for the year	**35.2**	***4.0%***	**49.5**	***5.1%***	***-28.9%***
Income tax	14.9	*1.7%*	22.3	*2.3%*	*-33.4%*
Adjusted result from continuing operations**	**20.3**	***2.3%***	**27.2**	***2.8%***	***-25.2%***
Adjusted result from discontinued operations**	-195.5	*-21.9%*	5.8	*0.6%*	*n.s.*
Result attributable to non-controlling interests	2.0	*0.2%*	2.5	*0.3%*	*-21.6%*
Net result	**-177.1**	***-19.9%***	**30.4**	***3.1%***	***n.s.***

* Cost of personnel includes costs for collaborations and temporary employment.

** In 2018, the “Adjusted result from discontinued operations" included the net result of Mondadori France in the current year, together with the recognition of the fair value adjustment of assets being sold, to reflect the negotiations in progress, previously measured at value in use. This item also includes the financial expense held by the Parent Company, but attributable to Mondadori France and charged to the latter under the intercompany loan agreement (approximately € 3 million). The "Adjusted result from continuing operations" and the "Adjusted result from discontinued operations" therefore differ by this amount from the amounts of the statements attached to this Report (equal to € -192.4 million in 2018 and € 12.6 million in 2017), prepared in accordance with IFRS international accounting standards.

To enable a like-for-like comparison, 2017 figures have been restated accordingly.

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Annex 3
Consolidated income statement - fourth quarter

€ millions	4th Quarter 2018	*Percentage on revenue*	4th Quarter 2017	*Percentage on revenue*	*Var. %*
Revenue from sales and services	**233.0**	***100.0%***	**263.1**	***100.0%***	***-11.4%***
Cost of sold items	70.1	*30.1%*	88.8	*33.7%*	*-21.0%*
Variable costs	79.5	*34.1%*	85.0	*32.3%*	*-6.4%*
Fixed costs	17.2	*7.4%*	21.7	*8.2%*	*-20.7%*
Cost of personnel*	38.8	*16.7%*	43.9	*16.7%*	*-11.5%*
Adjusted EBITDA	***27.3***	***11.7%***	***23.7***	***9.0%***	***15.1%***
Restructuring costs	5.8		2.9		*97.5%*
Non-ordinary negative/(positive) items	-2.9		-2.7		*8.2%*
EBITDA	**24.5**	***10.5%***	**23.5**	***8.9%***	***4.1%***
Amortization, depreciation and impairment	10.7	*4.6%*	10.9	*4.2%*	*-1.7%*
EBIT	**13.7**	***5.9%***	**12.6**	***4.8%***	***9.2%***
Net financial expense (income)	0.8	*0.3%*	2.1	*0.8%*	*-61.8%*
Expense (income) from associates	3.3	*1.4%*	1.8	*0.7%*	*83.7%*
Expense (income) from other investments	0.0	*0.0%*	0.0	*0.0%*	
Result before tax for the year	**9.6**	***4.1%***	**8.7**	***3.3%***	***11.1%***
Income tax	5.1	*2.2%*	7.0	*2.7%*	*-26.9%*
Adjusted result from continuing operations**	**4.5**	***1.9%***	**1.7**	***0.6%***	***n.s.***
Adjusted result from discontinued operations**	0.2	*0.1%*	-1.9	*-0.7%*	*n.s.*
Result attributable to non-controlling interests	0.4	*0.2%*	0.6	*0.2%*	*-33.3%*
Net result	**4.3**	***1.9%***	**-0.8**	***-0.3%***	***n.s.***

* Cost of personnel includes costs for collaborations and temporary employment.
** In 2018, the “Adjusted result from discontinued operations" included the net result of Mondadori France in the current year, together with the recognition of the fair value adjustment of assets being sold, to reflect the negotiations in progress, previously measured at value in use. This item also includes the financial expense held by the Parent Company, but attributable to Mondadori France and charged to the latter under the intercompany loan agreement

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Annex 4
Group cash flow

(€mn)	Dec. 18	Dec. 17
NFP beginning of period	**(189.2)**	**(263.6)**
Adjusted EBITDA	90.1	84.5
Change in NWC + provisions	(3.8)	13.6
CAPEX	(20.0)	(18.7)
Cash flow from operations	66.3	79.4
Financial expense	(2.9)	(7.0)
Management of investments in associates	(3.5)	(1.8)
Tax	(7.9)	(3.2)
Cash flow from ordinary operations assets held for sale	15.3	1.4
Cash flow from ordinary operations	**67.4**	**68.7**
Restructuring costs	(11.3)	(8.8)
Extraordinary tax amounts / prior years	(1.2)	6.8
Acquisition/disposal of assets	(9.5)	3.8
Cash flow from extraordinary operations assets held for sale	(3.4)	3.8
Cash flow from non-ordinary operations	(25.4)	5.6
Total Cash Flow	42.0	74.3
NFP end of period	**(147.2)**	**(189.2)**

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Annex 5
Arnoldo Mondadori Editore S.p.A. balance sheet

Assets *(Euro millions)*	**31/12/2018**	**31/12/2017**
Intangible assets	128.9	125.4
Investment property	-	2.8
Land and buildings	2.6	3.4
Plant and equipment	0.8	1.2
Other tangible assets	2.0	1.2
Property, plant and equipment	**5.4**	**5.8**
Investments	404.7	491.1
Non-current financial assets	0.5	165.0
Pre-paid tax assets	6.5	12.9
Other non-current assets	0.3	0.3
Total non-current assets	**546.3**	**803.3**
Tax receivables	29.5	26.0
Other current assets	4.9	4.3
Inventory	5.1	6.0
Trade receivables	45.3	50.5
Other current financial assets	63.0	90.0
Cash and cash equivalents	76.8	61.0
Total current assets	**224.6**	**237.9**
Assets held for sale or transferred	64.1	-
Total assets	**835.0**	**1,041.3**

Liabilities *(Euro millions)*	**31/12/2018**	**31/12/2017**
Share capital	68.0	68.0
Treasury shares	(2.3)	(1.7)
Other reserves and profit/(loss) carried forward	253.4	219.1
Profit (loss) for the year	(177.1)	30.4
Total equity	**142.0**	**315.8**
Provisions	36.7	36.7
Post-employment benefits	10.7	11.9
Non-current financial liabilities	115.0	232.8
Deferred tax liabilities	28.3	28.8
Other non-current liabilities	-	-
Total non-current liabilities	**190.8**	**310.2**
Income tax payables	-	-
Other current liabilities	37.3	47.9
Trade payables	73.1	75.3
Payables to banks and other financial liabilities	391.8	292.1
Total current liabilities	**502.2**	**415.2**
Liabilities held for sale or transferred	-	-
Total liabilities	**835.0**	**1,041.3**

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Annex 6

Arnoldo Mondadori Editore S.p.A. income statement

(Euro millions)	2018	2017
Revenue from sales and services	**256.6**	**282.3**
Decrease (increase) in inventory	1.0	1.7
Cost of raw and ancillary materials, consumables and goods	22.1	25.8
Cost of services	167.6	188.2
Cost of personnel *	82.2	76.0
Other (income) expense	(9.2)	(11.3)
EBITDA	**(7.0)**	**1.9**
Depreciation of property, plant and equipment	1.2	1.2
Amortization and impairment loss of intangible assets	3.9	3.7
EBIT	**(12.1)**	**(3.0)**
Financial income (expense)	(1.3)	(4.7)
Income (expense) from investments	30.4	36.8
Result before tax	**17.0**	**29.1**
Income tax	(3.3)	1.9
Adjusted result from continuing operations **	**20.3**	**27.2**
Adjusted result from discontinued operations **	(197.5)	3.2
Net result	**(177.1)**	**30.4**

* Cost of personnel includes costs for collaborations and temporary employment.

** In 2018, the “Adjusted result from discontinued operations" included the net result of Mondadori France in the current year, together with the recognition of the fair value adjustment of assets being sold, to reflect the negotiations in progress, previously measured at value in use. This item also includes the financial expense held by the Parent Company, but attributable to Mondadori France and charged to the latter under the intercompany loan agreement (approximately € 3 million). The "Adjusted result from continuing operations" and the "Adjusted result from discontinued operations" therefore differ by this amount from the amounts of the statements attached to this Report (equal to € -194.3 million in 2018 and € 10.1 million in 2017), prepared in accordance with IFRS international accounting standards.

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Annex 7
Arnoldo Mondadori Editore S.p.A. cash flow statement

(Euro millions)	31/12/2018	31/12/2017
Result for the year	(177.1)	30.4
Adjustments		
Amortization, depreciation and impairment	5.1	4.9
Income tax for the year	(3.3)	(0.0)
Stock options	0.9	0.4
Provisions and post-employment benefits	(1.6)	0.4
Gains (losses) from disposal of intangible assets, property plant and equipme	(1.9)	(4.2)
(Income)/expense from measurement of investments at equity	(33.0)	(40.1)
Net financial expense (income) on loans and transactions with derivatives	4.8	11.8
Other non-monetary adjustments to discontinued operations	194.3	(10.1)
Cash flow generation from operations	**(11.7)**	**(6.4)**
(Increase) decrease in trade receivables	5.4	(3.2)
(Increase) decrease in inventory	1.0	1.7
Increase (decrease) in trade payables	(2.6)	(0.5)
(Payment) cash-in from income tax	7.6	7.8
Increase (decrease) in provisions and post-employment benefits	(1.1)	(1.2)
Net difference for other assets/liabilities	(15.3)	(4.4)
Cash flow generated from (absorbed by) operations	**(16.8)**	**(6.3)**
Cash and cash equivalents contributed from merger	-	0.0
(Purchase) disposal of intangible assets	(6.6)	(5.2)
(Purchase) disposal of property, plant and equipment	5.6	5.0
(Purchase) disposal of investments	(4.8)	(6.5)
Income from investments - dividends	35.1	44.1
(Purchase) disposal of securities	-	-
Cash flow generated from (absorbed by) investing activities	**29.4**	**37.4**
Increase (decrease) in payables to banks for loans	(15.0)	(81.2)
Change in other financial assets - intercompany	12.7	(6.1)
Change in other financial liabilities - intercompany	(4.2)	27.0
(Purchase) disposal of treasury shares	(0.6)	(1.6)
Net difference for other financial assets/liabilities	3.4	13.9
Cash-in of net financial income (payment of net financial expense) on loans an	(6.7)	(17.9)
Cash flow generated from (absorbed by) discontinued operations	13.6	23.3
Dividends paid	-	-
Cash flow generated from (absorbed by) financing activities	**3.2**	**(42.7)**
Increase (decrease) in cash and cash equivalents	**15.8**	**(11.6)**
Cash and cash equivalents beginning of period	**61.0**	**72.6**
Cash and cash equivalents end of period	**76.8**	**61.0**

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Annex 8

Glossary of terms and alternative performance measures used

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 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 expense of a non-ordinary nature such as:

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

Operating profit (**EBIT**): net result for the period before income tax, and other financial income and expense.

Adjusted result from continuing operations: the net result of the Group, excluding the contribution of Mondadori France and the financial expense charged to the subsidiary.

Adjusted result from discontinued operations: the net result of Mondadori France in the current year, together with the recognition of the fair value adjustment of assets being sold, previously measured at value in use. This item also includes the financial expense held by the Parent Company, but attributable to Mondadori France and charged to the latter under the intercompany loan agreement.

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 expense from equity investments.

Cash flow from ordinary operations: cash flow from operations as explained above, net of financial expense and tax paid in the period.

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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