INTERIM MANAGEMENT STATEMENT AT 31 MARCH 2019

GRUPPO MONDADORI

ARNOLDO MONDADORI EDITORE S.p.A.

Share capital € 67,979,168.40

Registered Office in Milan
Administrative Offices in Segrate (Milan)

INTERIM MANAGEMENT STATEMENT
AT 31 MARCH 2019

Arnoldo Mondadori Editore S.p.A.

CONTENTS

MONDADORI GROUP HIGHLIGHTS IN FIRST QUARTER 2019

(Euro/millions)	1Q 2019 (IFRS 16)	1Q 2019 (no IFRS 16)	1Q 2018	*Chg. LFL***
Mondadori Group*				
Revenue	**166.8**	**166.8**	**177.7**	***(6%)***
Adjusted EBITDA	**1.7**	**(2.2)**	**(2.8)**	***0.5***
% on revenue	*1.0%*	*(1.3%)*	*(1.6%)*	
EBITDA	**1.1**	**(2.8)**	**(6.2)**	***3.3***
% on revenue	*0.7%*	*(1.7%)*	*(3.5%)*	
EBIT	**(7.2)**	**7.6**	**(11.2)**	***3.6***
% on revenue	*(4.3%)*	*(4.5%)*	*(6.3%)*	
Adjusted result from continuing operations	**(8.4)**	**(8.4)**	**(13.4)**	***5.0***
Net result	**(3.5)**	**(3.5)**	**(13.6)**	***10.1***
Business Areas*				
Revenue	**166.8**	**166.8**	**177.7**	***(6%)***
Books	70.2	70.2	73.6	*(5%)*
Retail	41.3	41.3	43.2	*(4%)*
Magazines Italy	63.0	63.0	70.1	*(10%)*
Corporate & Shared Services	9.5	9.5	8.8	*8%*
Intercompany	*(17.2)*	*(17.2)*	*(17.7)*	*(3%)*
EBIT	**(7.2)**	**7.6**	**(11.2)**	***3.6***
Books	(2.8)	(2.8)	(3.8)	*1.0*
Retail	(3.2)	(3.2)	(2.9)	*(0.3)*
Magazines Italy	1.0	1.0	(1.8)	*2.8*
Corporate & Shared Services	(2.3)	(2.5)	(2.5)	*0.0*
Intercompany	-	-	*(0.2)*	*0.2*
Balance Sheet				
Equity	**168.6**	**332.0**	**332.0**	***(49%)***
Net Financial Position	**(286.4)**	**(179.3)**	**(221.9)**	***19%***
Human Resources				
End-of-period headcount (incl. MF)		2,824	3,035	*(7%)*
End-of-period headcount (excl. MF)		2,111	2,283	*(8%)*

** Comparative scope for continuing operations. See Note on page 11 of this Statement.*
*** Changes in this report were calculated on amounts expressed in thousands of Euro.*

COMPOSITION OF CORPORATE BODIES

*Board of Directors**

Chairman
Marina Berlusconi

CEO
Ernesto Mauri

Directors
Pier Silvio Berlusconi
Paolo Ainio
Elena Biffi**
Francesco Currò
Patrizia Michela Giangualano**
Martina Forneron Mondadori**
Danilo Pellegrino
Roberto Poli
Oddone Pozzi
Angelo Renoldi**
Mario Resca
Cristina Rossello**

*Board of Statutory Auditors**

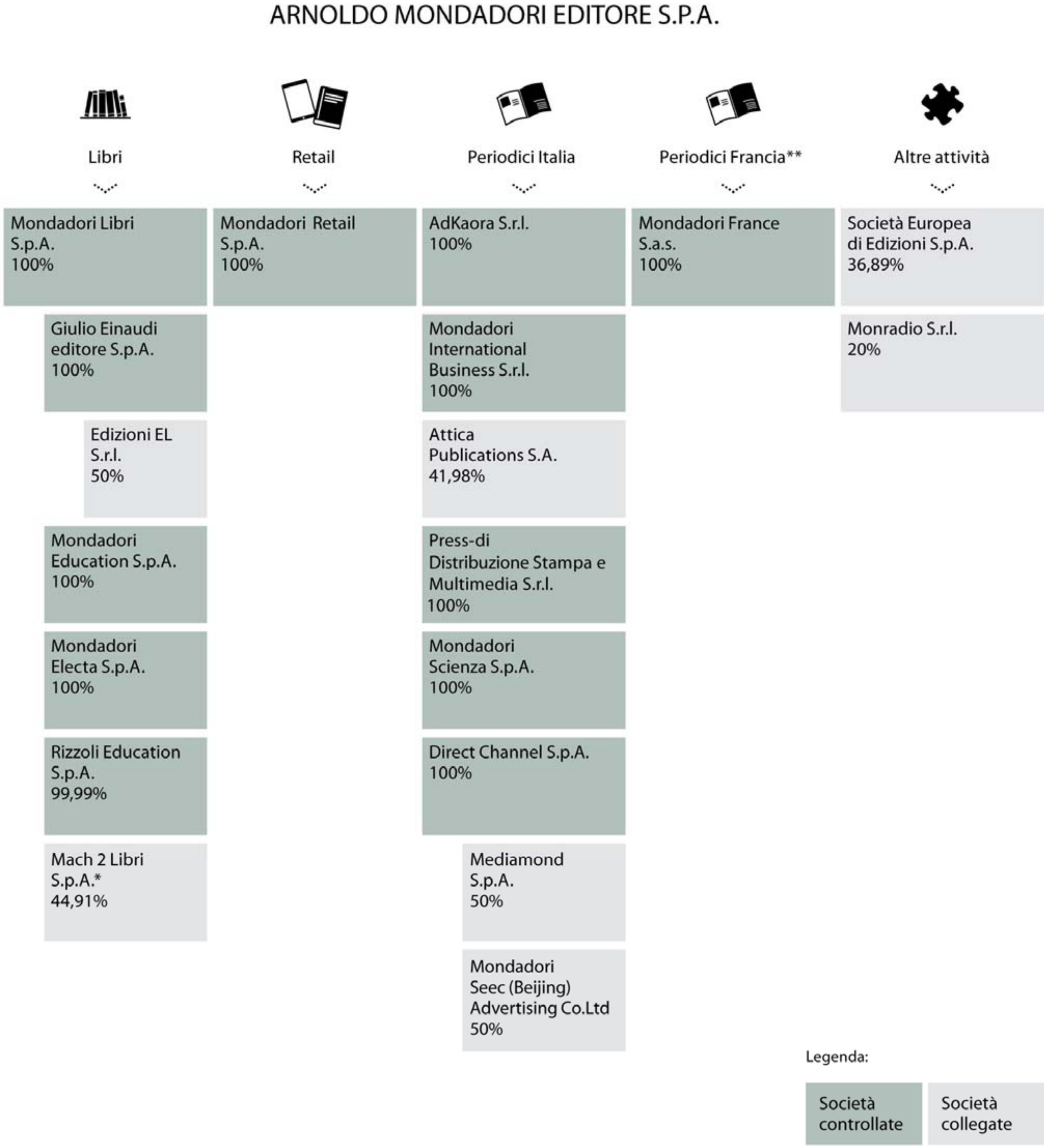
Chairman
Sara Fornasiero

Standing Auditors
Flavia Daunia Minutillo
Ezio Simonelli

Substitute Auditors
Mario Civetta
Annalisa Firmani
Francesco Vittadini

** The Board of Directors and the Board of Statutory Auditors currently in office were appointed by the Shareholders' Meeting of 24 April 2018*
*** Independent Director*

MONDADORI GROUP STRUCTURE



** Put into liquidation.*
*** Assets held for sale.*

As at 31 March 2019

MONDADORI GROUP ORGANIZATION CHART

Marina Berlusconi
Presidente

Ernesto Mauri
Amministratore Delegato

Federico Angrisano	**Direttore Comunicazione e media relations**
Daniele Sacco	**Direttore centrale Risorse umane e organizzazione di Gruppo**
Oddone Pozzi	**Direttore centrale Finanza, acquisti e sistemi informativi di Gruppo**
Enrico Selva Coddè	**Amministratore Delegato di Mondadori Libri S.p.A. Area Trade**
Antonio Porro	**Vicepresidente e Amministratore Delegato di Mondadori Libri S.p.A.**
Pierluigi Bernasconi	**Amministratore Delegato di Mondadori Retail S.p.A.**
Carlo Mandelli	**Direttore generale Periodici Italia**
Andrea Santagata	**Chief Innovation Officer**
Carmine Perna	**Direttore generale Mondadori France**

**Members of the Board of Directors*

As at 31 March 2019

DIRECTORS' REPORT ON OPERATIONS AT 31 MARCH 2019

CONSOLIDATED FINANCIAL HIGHLIGHTS OF FIRST QUARTER 2019

€mn	1Q19		1Q18		% change
NET REVENUE	**166.8**	***100.0%***	**177.7**	***100.0%***	***(6.1%)***
INDUSTRIAL COST OF PRODUCT	57.5	*34.5%*	58.9	*33.1%*	*(2.3%)*
VARIABLE PRODUCT COSTS	23.7	*14.2%*	27.0	*15.2%*	*(12.0%)*
OTHER VARIABLE COSTS	29.9	*17.9%*	32.8	*18.5%*	*(8.9%)*
STRUCTURAL COSTS	14.6	*8.8%*	15.0	*6.7%*	*(2.8%)*
EXTENDED LABOUR COST	39.4	*23.6%*	43.2	*24.3%*	*(9.0%)*
OTHER EXPENSE AND (INCOME)	(0.1)	*(0.1%)*	(0.2)	*(0.1%)*	*(60.0%)*
(ADJUSTED) EBITDA	**1.7**	***1.0%***	**1.0**	***0.6%***	***68.5%***
RESTRUCTURING COSTS	0.6	*0.3%*	3.2	*1.8%*	*(82.2%)*
NEGATIVE (POSITIVE) EXTRAORDINARY ITEMS	0.0	*0.0%*	0.1	*0.1%*	*(98.9%)*
EBITDA	**1.1**	***0.7%***	**(2.4)**	***(1.3%)***	***n.s.***
AMORTIZATION AND DEPRECIATION	4.7	*2.8%*	5.0	*2.8%*	*(5.8%)*
AMORTIZATION AND DEPRECIATION IFRS16	3.6	*2.2%*	3.5	*2.0%*	*2.8%*
EBIT	**(7.2)**	***(4.3%)***	**(10.9)**	***(6.2%)***	***33.7%***
FINANCIAL EXPENSE AND (INCOME)	(0.1)	*(0.1%)*	0.6	*0.3%*	*n.s.*
FINANCIAL EXPENSE IFRS16	0.3	*0.2%*	0.3	*0.1%*	*26.9%*
EXPENSE AND (INCOME) FROM INVESTMENTS	1.8	*1.1%*	2.8	*1.6%*	*(36.2%)*
EBT	**(9.2)**	***(5.5%)***	**(14.6)**	***(8.2%)***	***36.9%***
TAX EXPENSE AND (INCOME)	(1.4)	*(0.8%)*	(1.9)	*(1.1%)*	*(28.4%)*
NON-CONTROLLING INTERESTS	**0.5**	***0.3%***	**0.7**	***0.4%***	***(24.1%)***
RESULT FROM CONTINUING OPERATIONS	**(8.4)**	***(5.0%)***	**(13.4)**	***(7.6%)***	***37.4%***
RESULT FROM DISCONTINUED OPERATIONS	**4.9**	***3.0%***	**(0.1)**	***(0.1%)***	***n.s.***
NET RESULT	**(3.5)**	***(2.1%)***	**(13.6)**	***(7.6%)***	***74.5%***

(ADJUSTED) EBITDA EXCLUDING IFRS16	***(2.2)***	***(1.3%)***	***(2.8)***	***(1.6%)***	***19.1%***
EBITDA EXCLUDING IFRS16	***(2.8)***	***(1.7%)***	***(6.2)***	***(3.5%)***	***54.1%***
EBIT EXCLUDING IFRS16	***(7.6)***	***(4.5%)***	***(11.2)***	***(6.3%)***	***32.4%***
EBT EXCLUDING IFRS16	***(9.2)***	***(5.5%)***	***(14.6)***	***(8.2%)***	***36.9%***

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

*** In 2019, 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 € 0.7 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 document (equal to € 5.6 million in 1Q 2019 and € 0.7 million in 1Q 2018), prepared in accordance with IFRS international accounting standards.

To enable a like-for-like comparison, 2018 figures have been restated accordingly.

*As of 1 January 2019, the Group has adopted the new **IFRS 16 - Leases**.*

*The new standard provides a **new definition of lease** (**operating leases**) and introduces a **criterion based on the control (right of use)** of an asset to distinguish leases from service contracts, the differences lying in the:*

- *identification of the asset,*
- *right to replace the asset,*
- *right to essentially receive all the financial benefits arising from the use of the asset and*
- *right to control the use of the asset underlying the contract.*

*The standard introduces a single lessee accounting model, by which **an asset under an operating lease is recognized in assets with an offsetting financial liability**.*

***P/L will no longer record lease payments** as operating/general costs, **rather the depreciation of the booked asset** and the financial expense implicit in the lease payment.*

An exception to this accounting model are leases regarding low-value assets and those with a term of 12 months or less.

ALTERNATIVE PERFORMANCE MEASURES

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".

INCOME STATEMENT

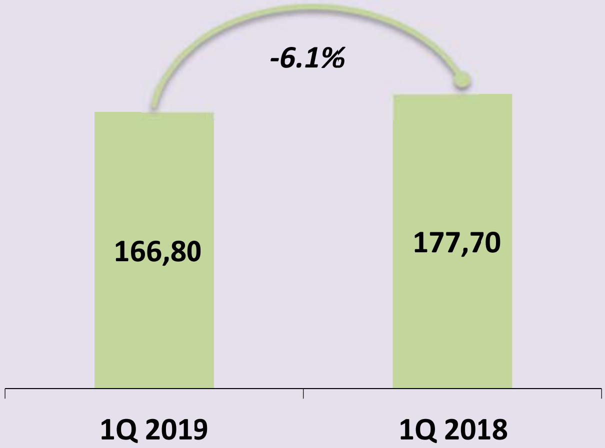
REVENUE

Consolidated revenue in first quarter 2019 came to **€ 166.8 million (versus € 177.7 million in the same period of the prior year)**, due partly to the change in the consolidation scope of Magazines Italy following the sale of Inthera S.p.A. and *Panorama* (€ 5.6 million).

In the **Books** Area, revenue in the quarter fell by 5%, due to the different scheduling of the publishing plan.

The **Retail** Area saw revenue decline, due to the unfriendly schedule which, in 2019, did not include in the quarter sales made during the Easter holidays, as in 2018.

On a like-for-like basis, **Magazines Italy** revenue fell by -2.5%.



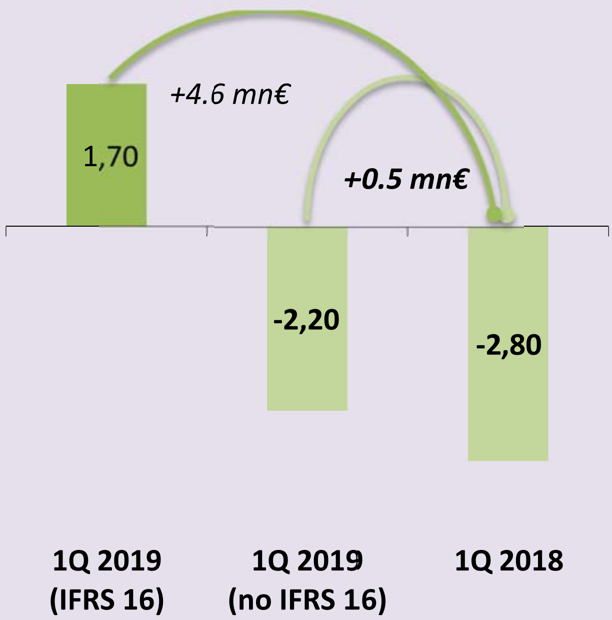
Revenue by Business Area			
(Euro/millions)	**March 2019**	**March 2018**	***% change***
Books	70.2	73.6	*(4.6%)*
Retail	41.3	43.2	*(4.4%)*
Magazines Italy	63.0	70.1	*(10.2%)*
Corporate & Shared Services	9.5	8.8	*7.9%*
Total aggregate revenue	**184.0**	**195.8**	***(6.0%)***
Intercompany revenue	(17.2)	(18.1)	*(5.0%)*
Total consolidated revenue	**166.8**	**177.7**	***(6.1%)***

EBITDA

Adjusted EBITDA (no IFRS 16) for the period under review amounted to € -2.2 million, **up by € +0.5 million** versus the prior year (€ -2.8 million) - with a percentage on revenue increasing from **-1.6% to -1.3%** and with different trends reported by the various businesses:

- the **Books** Area **improved** in the period, despite the temporary drop in revenue;
- the **Retail** Area, as for revenue, was affected by the timing this year of Easter holidays;
- the **Magazines Italy** Area **improved** versus 2018, as a result of the sale of Inthera and *Panorama*, of the actions aimed at reducing operating and structural costs, and the ongoing improvement of the digital area.

IFRS 16 adjusted EBITDA amounted to € 1.7 million and includes the IFRS 16 impact of € +3.9 million.

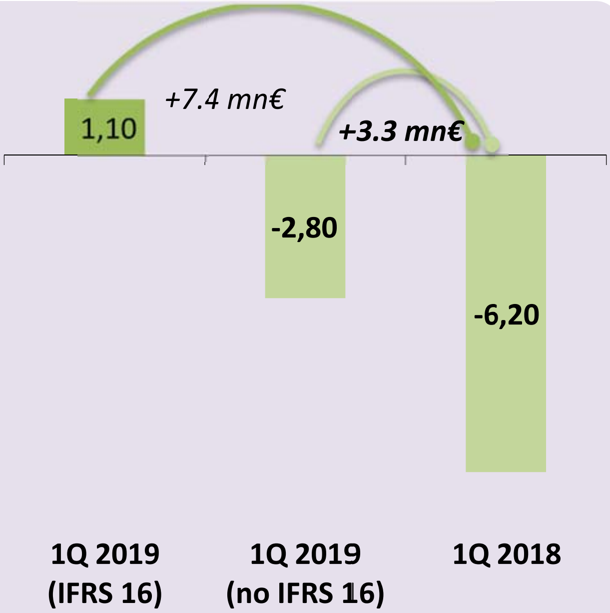


ADJUSTED EBITDA by business segment			
(Euro/millions)	**1Q19 (IFRS16)**	**1Q19 (no IFRS16)**	**1Q18 (no IFRS16)**
Books	(0.2)	(0.4)	(0.7)
Retail	(0.5)	(2.5)	(1.9)
Magazines Italy	2.6	2.6	2.1
Corporate	(0.3)	(2.0)	(2.0)
Intercompany	0.0	0.0	(0.2)
Total ADJUSTED EBITDA	**1.7**	**(2.2)**	**(2.8)**

Consolidated EBITDA (no IFRS 16) increased versus the prior year, from € -6.2 million to € -2.8 million.

The improvement includes the increase in adjusted EBITDA and strong reductions in restructuring costs recorded in the quarter.

IFRS 16 EBITDA amounted to € 1.1 million and includes the IFRS 16 impact of € +3.9 million.



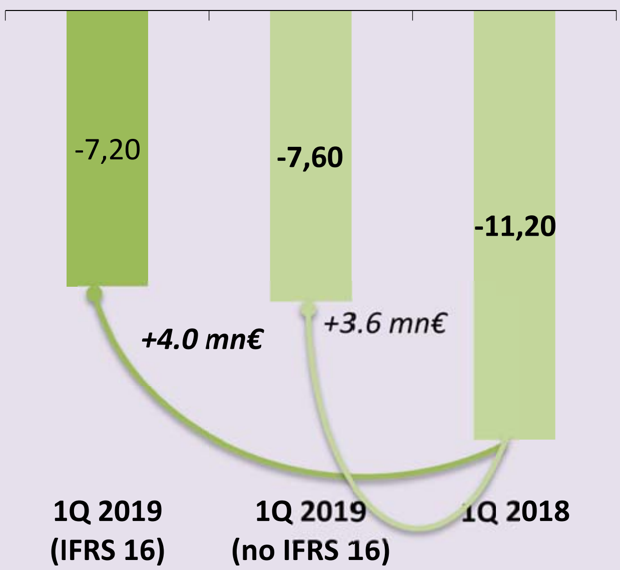
EBITDA by business segment			
(Euro/millions)	**1Q19 (IFRS16)**	**1Q19 (no IFRS16)**	**1Q18 (no IFRS16)**
Books	(0.3)	(0.6)	(1.0)
Retail	(0.6)	(2.6)	(2.1)
Magazines Italy	2.3	2.3	(0.8)
Corporate	(0.3)	(2.0)	(2.1)
Intercompany	0.0	0.0	(0.2)
Total EBITDA	**1.1**	**(2.8)**	**(6.2)**

EBIT

EBIT (no IFRS 16) amounted to € -7.6 million at 31 March 2019, **improving sharply** versus € -11.2 million at 31 March 2018, as a result of the dynamics of the above components, and includes amortization, depreciation and write-downs of € 4.7 million, slightly lower than the prior year.

IFRS 16 amortization and depreciation amounted to € 3.6 million.

IFRS 16 EBIT amounted to € -7.2 million and includes the IFRS 16 impact of € +0.4 million.



EBIT by business segment			
(Euro/millions)	**1Q19 (IFRS16)**	**1Q19 (no IFRS16)**	**1Q18 (no IFRS16)**
Books	(2.8)	(2.8)	(3.8)
Retail	(3.2)	(3.2)	(2.9)
Magazines Italy	1.0	1.0	(1.8)
Corporate	(2.3)	(2.5)	(2.5)
Intercompany	0.0	0.0	(0.2)
Total EBITDA	**(7.2)**	**(7.6)**	**(11.2)**

ADJUSTED NET RESULT FROM CONTINUING OPERATIONS

The **consolidated result before tax** came to € -9.2 million, **improving sharply** versus € -14.6 million and includes:

- the sharp decrease in financial expense (from € -0.6 million to € +0.1 million), as a result of an average interest rate lower than the prior year (from 1.3% to 1.0%), and of a lower average net debt;
- a positive effect of € 0.5 million from the reimbursement of a substitute tax paid in prior years under the loan agreement;
- improved performance by associates (consolidated at equity), from € -2.8 million to € -1.8 million.

The total tax burden for the period was **€ -1.4 million** versus € -1.9 million in 2018.

The **taxable result**, net of the result of associates, **improved** by approximately 37% versus the prior year.

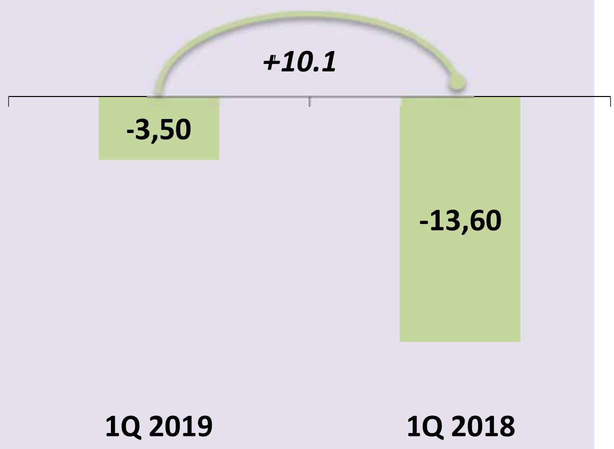
The **adjusted net result from continuing operations improved** too by € +5 million and amounted to € -8.4 million versus € -13.4 million at 31 March 2018.

NET RESULT

Mondadori France generated net revenue of € 67.6 million in the period (€ 75.6 million in 1Q 2018) and adjusted EBITDA of € 2.0 million (€ 3.3 million in 1Q 2018).

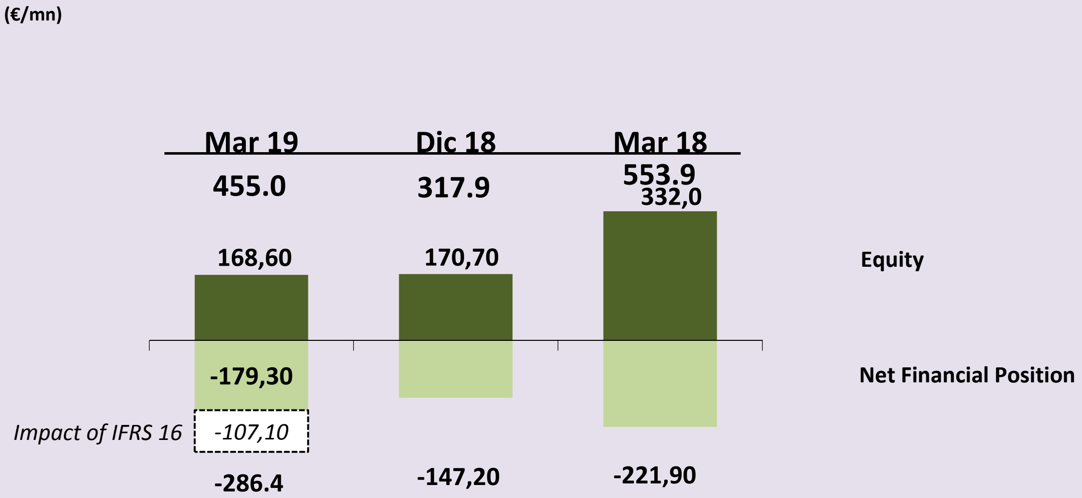
The **net result from discontinued operations came to a positive € 4.9 million** and includes the positive effect of the fair value adjustment of Mondadori France at 31 March 2019 of € 5.8 million.

The **Group's net result** was € -3.5 million, **improving strongly** versus € -13.6 million at 31 March 2018.



FINANCIAL RESULTS

NET INVESTED CAPITAL



The **Group's net invested capital** at 31 March amounted to **€ 455.0 million**, down versus € 553.9 million in the prior year.

The decrease is attributable to:

- the effects of operations amounting to approximately € -12 million,
- the recognition of property, plant and equipment pursuant to IFRS 16 of € +107 million, and
- the fair value adjustment of the Mondadori France asset sold in third quarter 2018 (€ -194.3 million at 31 March 2019).

The NFP (no IFRS 16) stood at € **-179.3 million** at 31 March 2019, **down by approximately 19%** versus € -221.9 million at 31 March 2018.

IFRS 16 NFP stood at **€ -286.4 million** and includes the IFRS 16 impact of € -107.1 million.

PERFORMANCE BY BUSINESS AREA

(Euro/millions)	REVENUE		ADJUSTED EBITDA			EBITDA			AMORTIZATION, DEPRECIATION AND IMPAIRMENT			EBIT		
	1Q19	1Q18	1Q19 (IFRS16)	1Q19 (no IFRS16)	1Q18 (no IFRS16)	1Q19 (IFRS16)	1Q19 (no IFRS16)	1Q18 (no IFRS16)	1Q19 (IFRS16)	1Q19 (no IFRS16)	1Q18 (no IFRS16)	1Q19 (IFRS16)	1Q19 (no IFRS16)	1Q18 (no IFRS16)
Books	70.2	73.6	(0.2)	(0.4)	(0.7)	(0.3)	(0.6)	(1.0)	(2.5)	(2.2)	(2.8)	(2.8)	(2.8)	(3.8)
Retail	41.3	43.2	(0.5)	(2.5)	(1.9)	(0.6)	(2.6)	(2.1)	(2.6)	(0.7)	(0.8)	(3.2)	(3.2)	(2.9)
Magazines Italy	63.0	70.1	2.6	2.6	2.1	2.3	2.3	(0.8)	(1.3)	(1.3)	(1.0)	1.0	1.0	(1.8)
Corporate & Shared Services	9.5	8.8	(0.3)	(2.0)	(2.0)	(0.3)	(2.0)	(2.1)	(2.0)	(0.5)	(0.4)	(2.3)	(2.5)	(2.5)
Total aggregate revenue	**184.0**	**195.8**	**1.7**	**0.0**	**(2.5)**	**1.1**	**0.0**	**(5.9)**	**(8.4)**	**(4.7)**	**(5.0)**	**(7.2)**	**0.0**	**(11.0)**
Intercompany revenue	(17.2)	(18.1)	0.0	(2.0)	(0.2)	0.0	(2.0)	(0.2)	0.0	0.0	0.0	0.0	(2.5)	(0.2)
TOTAL	**166.8**	**177.7**	**1.7**	**(2.2)**	**(2.8)**	**1.1**	**(2.8)**	**(6.2)**	**(8.4)**	**(4.7)**	**(5.0)**	**(7.2)**	**(7.6)**	**(11.2)**

The breakdown of performance by business area reflects the system used by Management to oversee Group performance, in accordance with IFRS 8.

BOOKS

Mondadori Libri S.p.A. is the company at the head of all Group activities in the Books Area.

The Mondadori Group is Italy's market leader in the **Trade Books** Area: the publishing products that traditionally make up the core business are fiction, non-fiction, and books for young readers, both in print and electronic format.
The Mondadori Group operates under various publishing brands: Mondadori, Giulio Einaudi editore, Piemme, Sperling & Kupfer, Rizzoli, BUR, Fabbri Editori and Rizzoli Lizard.

In the **Educational** segment, the Group is present in the Italian school textbooks, legal, professional and university publishing market, in art and illustrated books publishing, in the management of museum concessions and in the organization of exhibitions and cultural events.

The Mondadori Group covers the **school textbooks** segment through Mondadori Education and Rizzoli Education, who produce textbooks, courses, teaching tools and multimedia content for every school level, from primary school to the first and second-level secondary schools.

Under the Electa brand, it publishes Art, Kids and Architecture books, including exhibition catalogues, museum guides and sponsor books; under the Mondadori brand, it publishes Illustrated Books, Miscellaneous, Non-Fiction and Tourist Guides; under the Rizzoli brand, it publishes fashion, luxury, photography and sponsor books.

The Group is also active in the United States through Rizzoli International Publications under the Rizzoli, Rizzoli New York and Universe brands and Rizzoli Electa.

Relevant market performance

In the first quarter, the **Trade Books** market **grew** versus the first quarter of the prior year (**+0.8%**)[1], despite the fact that the positive effects of Easter sales were felt in the 2° quarter, unlike in 2018 when such effects were seen in the 1° quarter.

Sales channels performed as follows:

- **bookstore chains** (approximately 43% of the total market) **grew by +0.8%**;
- **independent bookstores** (approximately 24% of the market) fell by -2.6%;
- **e-commerce** increased by **+10.6%**, making for approximately 26% of the total market;
- **large retailers** continued the downward trend witnessed over the past few quarters, dropping by -17.3%, representing approximately 7% of the market.

As for **products**, ***hardcovers*** (approximately 83% of the market at 31 March) closed the first quarter **up by +1.2%** versus the same period of the prior year, while ***paperbacks*** dropped by -1.4%.

[1] Source: GFK, March 2019 (figures in terms of market value)

Trade Market Shares	31 March 2019	31 March 2018
Mondadori Group	**25.0%**	**27.7%**
GeMS Group	10.7%	11.8%
Giunti Group	8.6%	8.9%
Feltrinelli	5.6%	5.0%
Other	50.1%	46.6%

Source: GFK, March 2019 (figures in terms of market value)

The Mondadori Group retains its market leadership position with an **overall 25.0% share** (27.7% at 31 March 2018).

The Group holds **2 positions in the ranking of the ten best-selling titles** in terms of value in the first quarter:

#	Title	Author	Publisher
1	*Rien ne va plus*	Antonio Manzini	SELLERIO EDITORE PALERMO
2	***La versione di Fenoglio***	**Gianrico Carofiglio**	**EINAUDI**
3	*La ragazza della luna. Le sette sorelle*	Lucinda Riley	GIUNTI EDITORE
4	*La guerra dei Courtney*	Wilbur Smith, David Churchill	HARPERCOLLINS ITALIA
5	***#valespo***	**Valerio Mazzei, Sespo**	**MONDADORI ELECTA**
6	*L'amica geniale*	Elena Ferrante	E/O
7	*Storia del nuovo cognome. L'amica geniale*	Elena Ferrante	E/O
8	*Storia di chi fugge e di chi resta. L'amica geniale*	Elena Ferrante	E/O
9	*Storia della bambina perduta. L'amica geniale*	Elena Ferrante	E/O
10	*L'isola dell'abbandono*	Chiara Gamberale	FELTRINELLI

Source: GFK, March 2019 (ranking in terms of cover value)

Education Market Shares

In the first quarter, the Education segment is marked by the seasonal effects of the school textbooks business; the relevant market shares are still unavailable at 31 March 2019.

Performance of the Books Area

Books *(Euro/millions)*	**1Q19 (IFRS16)**	**1Q19 (no IFRS16)**	**1Q18 (no IFRS16)**	***Change LFL***
Revenue	70.2	70.2	73.6	
Adj. EBITDA	(0.2)	(0.4)	(0.7)	*0.4*
EBITDA	(0.3)	(0.6)	(1.0)	*0.4*
EBIT	(2.8)	(2.8)	(3.8)	*1.0*

Revenue

(Euro/millions) **Books Revenue**	**1Q 2019**	**1Q 2018**	***% change***
Total TRADE	**45.7**	**48.5**	***(5.8%)***
Education	5.6	5.6	*0.0%*
Mondadori Electa	10.3	11.3	*(8.8%)*
Rizzoli International Publications	6.5	5.6	*13.9%*
Intercompany	*(0.2)*	*(0.3)*	*(33.3%)*
Total EDUCATIONAL	**22.2**	**22.2**	***0.0%***
Distribution and other services	2.3	2.6	*(11.5%)*
Total revenue	**70.2**	**73.6**	***(4.6%)***

Revenue in first quarter 2019 amounted to **€ 70.2 million** (€ 73.6 million in 1Q 2018), as a result of the expected decline in the Trade Area due to the different scheduling of the publishing plan.

- **Trade Books**: revenue in the first quarter amounted to € 45.7 million (€ 48.5 million in 1Q 2018), due mainly to the mentioned different scheduling of the publishing plan.

- **Educational Books***:* in first quarter 2019, the area recorded revenue of € 22.2 million, in line with the same period of 2018.

  - **Education**: the school textbooks business reported overall **revenue of € 5.6 million**, in line with the same period of the prior year.

  - **Mondadori Electa**: in first quarter 2019, **revenue totaled € 10.3 million** versus € 11.3 million in the prior year, as a result in particular of a different mix of activities linked to the management and organization of exhibitions.

  - **Rizzoli International Publications** reported **revenue of € 6.5 million** in the quarter **(+13.9%** versus first quarter 2018), comprising retail sales from the Rizzoli Bookstore in New York, driven by the positive performance in sales of back-list titles and a more relevant publishing programme for new titles in 2019, including sponsor titles.

EBITDA

Adjusted EBITDA (**no IFRS 16**) in the Books Area amounted to € -0.4 million, **improving** versus the same period of the prior year (€ -0.7 million), as a result of the ongoing improvement in operations.

IFRS 16 adjusted EBITDA amounted to € -0.2 million and includes the IFRS 16 impact of approximately € +0.2 million.

Reported EBITDA (**no IFRS 16**) amounted to **€ -0.6 million**, **improving** versus € -1.0 million at 31 March 2018.

IFRS 16 reported EBITDA amounted to € -0.3 million and includes an impact of € +0.2 million.

RETAIL

The Mondadori Group operates in Italy with a network of approximately 580 bookshops composed of directly-managed bookstores, megastores, franchised bookshops (including under the *Mondadori Point* sign), in addition to the web channel (www.mondadoristore.it) and book clubs.

Relevant market performance

The relevant market for the Retail Area is **books** (**approximately 81% of revenue**[2]), which **grew slightly in the quarter** (**+0.8%**) versus the prior year.[3]

In the period under review, the **market share** of Mondadori Retail in the Books stood at **13.5%** (14.0% at 31 March 2018).

Mondadori Retail network trend

STORES	Mar. 2019	Dec. 2018	Mar. 2018	*Chg. yoy*
Megastores	7	7	7	-
Directly-managed bookstores	24	24	23	*+1*
Franchised bookstores	551	564	553	*-2*
TOTAL	**582**	**595**	**583**	***-1***

Performance of the Retail Area

Retail *(Euro/millions)*	1Q19 (IFRS16)	1Q19 (no IFRS16)	1Q18 (no IFRS16)	*Change LFL*
Revenue	41.3	41.3	43.2	
Adj. EBITDA	(0.5)	(2.5)	(1.9)	*(0.6)*
EBITDA	(0.6)	(2.6)	(2.1)	*(0.5)*
EBIT	(3.2)	(3.2)	(2.9)	*(0.4)*

[2] Store revenue on a like-for-like basis
[3] Source: GFK, March 2019 (figures in terms of market value)

Revenue

In the first quarter, the Retail Area recorded revenue of € 41.3 million versus € 43.2 million in 1Q 2018, with a decrease in the Book segment of -4.6%, due also to the unfriendly schedule which, in 2019, did not include sales during the Easter holidays as in 1Q 2018, and to the continued lower emphasis placed on the Consumer Electronics segment.

(Euro/millions) **Retail**	**1Q 2019**	**1Q 2018**	***% change***
Directly-managed bookstores	7.8	7.8	*0.6%*
Megastores	7.8	9.3	*(16.4%)*
Franchised bookstores	18.0	18.4	*(1.7%)*
Online	3.7	4.0	*(7.5%)*
Stores	**37.3**	**39.5**	***(5.6%)***
Book clubs and other	4.0	3.8	*33.3%*
Total revenue	**41.3**	**43.2**	***(4.4%)***

The analysis by **channel** shows the following:

- a **0.6% increase** in direct bookstores, as a result of the opening of two new stores (Roma Valle Aurelia in April 2018 and Taranto in September 2018);
  on a like-for-like basis in terms of stores, the performance was -5.2%;
- an approximately -16% drop by Megastores, due mainly to the shrinking sales of Consumer Electronics;
  on a like-for-like basis in terms of stores, the performance was -14.6%;
  the Book segment fell by -4.6%.
- a slight drop by -1.7% of Franchised Bookstores (on a like-for-like basis in terms of stores -3.1%);
- a decrease by the online segment (-7.5%);
- a slight fall by the *Clubs* channel versus the prior year.

EBITDA

In the first quarter, Mondadori Retail reported an **adjusted EBITDA (no IFRS 16)** of € -2.5 million versus € -1.9 million at 31 March 2018.
The performance is due partly to the unfriendly schedule which, in 1° quarter 2019, did not include sales made during the Easter holidays.

IFRS 16 adjusted EBITDA amounted to € -0.5 million and includes the IFRS 16 impact of approximately € +2.0 million.

Reported EBITDA (**no IFRS 16**) amounted to **€ -2.6 million**, deteriorating versus € -2.1 million at 31 March 2018.

IFRS 16 reported EBITDA amounted to € -0.6 million and includes an impact of approximately € +2.0 million.

MAGAZINES ITALY

Relevant market performance

The relevant markets performed as follows in first quarter 2019.

- The **advertising market** in March dropped by an overall -3.5%, with the **Digital channel** alone bucking the trend **(+3.0%**);
  magazines fell by -13.1%, newspapers dropped by -12.2%, TV lost -2.7% while radio was basically steady (+0.4%)[4].

- The magazines **circulation market** declined by 13.5% (with a slowdown in both newsstands and subscriptions channels);
  in this area, Mondadori's **market share stood at 28.4%**, down versus the prior year, as a result mainly of the sale of *Panorama*[5].
- The **add-ons market** in the first two months of the year fell by -5.6%[5].

Performance of Magazines Italy

Magazines Italy *(Euro/millions)*	**1Q19 (IFRS16)**	**1Q19 (no IFRS16)**	**1Q18 (no IFRS16)**	***Change LFL***
Revenue	63.0	63.0	70.1	
Adj. EBITDA	2.6	2.6	2.1	*0.5*
EBITDA	2.3	2.3	(0.8)	*3.0*
EBIT	1.0	1.0	(1.8)	*2.8*

Revenue

The Magazines Italy Area recorded **revenue of € 63.0 million** (€ 70.1 million in 1Q 2018).
Net of the disposal of Inthera (May 2018) and *Panorama* (November 2018), the **drop was -2.5%**.

[4] Source: Nielsen, cumulative figures at March 2019
[5] Internal source: Press-Di, cumulative figures at February 2019 (newsstands + subscriptions) in terms of value

(Euro/millions) **Magazines Italy**	**1Q 2019**	**1Q 2018**	***% change***
Circulation	24.3	29.6	*(18.0%)*
Add-on sales	11.8	11.0	*7.4%*
Advertising	15.2	16.9	*(10.0%)*
Distribution/Other revenue	11.7	12.7	*(7.8%)*
Total revenue	**63,0**	**70,1**	***(10.2%)***

- **Circulation** revenue (newsstands + subscriptions) was down by -18.0%, affected by the sale of *Panorama* (net of which, the decline was -12.6%).
- **Advertising** revenue *(print +digital*) was down by -10.0%;
  digital advertising revenue **grew by approximately 10%** versus first quarter 2018, while print advertising sales fell by -20.7% (-15.8% excluding *Panorama* in 1° quarter 2018).
  The percentage of digital revenue on the total increased to **42%** (from 35% in first quarter 2018).
- Revenue from **add-on products** (DVDs, CDs, books and gadgets), sold in attachment to Mondadori magazines, **grew by 7.4%** versus the same period of 2018 (+19.0% excluding *Panorama* in 1° quarter 2018), the best-selling books and CDs categories in particular.
- **Distribution activities and other revenue** in the first quarter fell by -7.8% versus the prior year, due to the sale of Inthera S.p.A. (+10% excluding Inthera in 1° quarter 2018).

The **Mondadori Group** retained its position as Italy's **top digital publisher** in the latest *comscore* survey in March, ranking third place overall, with *a reach* of 75% and 29.1 million unique users (29.5 million average unique users in the quarter)[6].

[6] Source: comScore, Jan.–Mar. 2019

EBITDA

Adjusted EBITDA (**no IFRS 16**) from Magazines Italy came to € 2.6 million, **improving** versus the same period of the prior year (€ 2.1 million), as a result of the sale of Inthera S.p.A. and *Panorama*, the ongoing improvement in the **digital** area and actions aimed at reducing operating and structural costs.

IFRS 16 adjusted EBITDA amounted to € 2.6 million.

Reported EBITDA (**no IFRS 16**) amounted to **€ 2.3 million**, **improving** versus € -0.8 million at 31 March 2018, as a result of lower restructuring costs.

IFRS 16 reported EBITDA amounted to € 2.3 million.

MAGAZINES FRANCE (DISCONTINUED OPERATIONS)

Relevant market performance

In the period under review, Mondadori France's relevant markets continued to decline versus the prior year:

- in sales in the newsstands channel (**-9.9%** at February)[7];
- in print advertising sales (**-10.8%** at December)[8].

Performance of Magazines France

Revenue

In first quarter 2019, revenue from Mondadori France amounted to **€ 67.6 million (**€ 75.6 million in 1Q 2018).

(Euro/millions)	1Q 2019	1Q 2018	% change
Circulation	54.9	58.3	*(5.9%)*
Advertising	11.0	13.4	*(18.2%)*
Other revenue	1.8	3.9	*(53.8%)*
Total revenue	**67.6**	**75.6**	***(10.6%)***

Circulation revenue, accounting for approximately 80% of the total, fell by -5.9% versus the prior year; revenue from the **newsstands channel** decreased by -7.1%, while the **subscriptions channel** lost -4.6%.
Advertising revenue fell by an overall -18.2% versus the same period of 2018; print advertising, accounting for 87% of total advertising revenue, dropped by -17.3% in the reporting period.

Other revenue decreased by approximately -54% versus first quarter 2018, specifically:

- other print revenue, which includes mail order and add-on sales, fell by approximately 52%;
- other digital revenue (mainly revenue from digital copies and apps) fell by approximately 58%.

EBITDA

Adjusted EBITDA amounted to **€ 2.0 million** versus € 3.3 million in the first quarter of the prior year.
Reported EBITDA amounted to **€ 2.1 million** versus € 3.2 million in first quarter 2018.

[7] Source: Mondadori France + Presstalis, figure at February 2019
[8] Source: Net Index, cumulative figures in terms of value at December 2018

CORPORATE & SHARED SERVICES

The ***Corporate & Shared Services*** segment includes - besides the Group's top management organizations - the Shared Services functions providing services to Group companies and the different business areas.
These services are mainly associated with activities regarding: Administration, Management Control and Planning, Treasury and Finance, Purchasing, IT, Human Resources, Logistics, Legal and Corporate Affairs, and External and Institutional Relations.
Revenue consists mainly of services provided to subsidiaries and associates.

Adjusted EBITDA of the Corporate & Shared Services Area came to a negative € -2.0 million (€ -2.0 million in 1° quarter 2018).
Including non-ordinary items, **EBITDA** amounted to € -2.0 million versus € -2.1 million in 2018.

The Area also includes the results of the minority interests in Monradio S.r.l. and Società Europea di Edizioni S.p.A., publisher of the daily *Il Giornale*.

BALANCE SHEET

The Mondadori Group's NFP (no IFRS 16) at 31 March 2019 stood at € -179.3 million, improving by € 42.6 million versus € -221.9 million at March 2018.

The increase versus € -147.2 million at December 2018, on the other hand, is due entirely to the seasonal nature typical of the Group's segments of operation.

Net financial position *(Euro/millions)*	**2019.03**	**2018.03**	**2018.12**
Cash and cash equivalents	68.7	45.7	82.4
Assets (liabilities) from derivative financial instruments	(1.0)	(0.3)	(0.8)
Other financial assets (liabilities)	(8.8)	(8.3)	(1.0)
Loans (short and medium/long term)	(242.0)	(265.2)	(231.8)
Held-for-sale financial assets (liabilities)	3.8	6.3	3.9
Net financial position excluding IFRS16	**(179.3)**	**(221.9)**	**(147.2)**
Financial payables IFRS16	(107.1)	0.0	0.0
Total net financial position	**(286.4)**	**(221.9)**	**(147.2)**

IFRS 16 NFP stood at **€ -286.4 million** and includes the IFRS 16 impact of € -107.1 million.

The overall credit lines available to the Group at 31 March 2019 amounted to € 636.9 million, of which € 435.0 committed.

The Group's short-term loans, totaling € 201.9 million, € 10.0 million of which drawn down at 31 March 2019, include overdraft credit lines on current accounts, advances subject to collection and "hot money" flows.

At 31 March, the € 435.0 million pool consisted of:

(Euro/millions)	Bank pool		of which: unutilized	of which: with interest rate hedge
Term Loan A	135.0	(1)	-	90.0
Term Loan B	100.0	(2)	-	75.0
RCF	100.0	(3)	100.0	-
Acquisition Line C	100.0	(4)	100.0	
Total loans	**435.0**		**200.0**	**165.0**

The average cost of the Mondadori Group debt, with regard to the interest rate component, was 1.01%, versus 1.26% in 2018, as a result of the improvement in the financial covenants (NFP/EBITDA) in 2017, whose effects were felt as from May 2018.

(1) Maturity dates: € 17.5 million December 2019, € 22.5 million December 2020, € 27.5 million December 2021, € 67.5 million December 2022
(2) Maturity dates: Bullet 30/6/2019,
(3) Bullet loan, coming to maturity in December 2022

(4) Bullet loan, coming to maturity in December 2022

The Group's **NFP** and the relating **LTM cash flow** are detailed below:

€mn	1Q 19 LTM	Dec. 18
NFP at beginning of period	**(221.9)**	**(189.2)**
Financial liabilities - application at 01.01.2019 of IFRS16	(110.8)	
Adjusted EBITDA IFRS16	3.7	
NFP at beginning of period IFRS 16	**(329.0)**	**(189.2)**
Adjusted EBITDA (no IFRS16)	90.7	90.1
Change in NWC and provisions	(12.0)	(3.8)
Capex	(18.2)	(20.0)
Cash flow from operations	60.6	66.3
Financial expense	(2.1)	(2.9)
Tax	(7.6)	(7.9)
Cash flow from ordinary operations assets held for sale	17.7	15.3
Cash flow from ordinary operations	**68.6**	**70.9**
Restructuring costs	(8.8)	(11.3)
Extraordinary tax amounts / prior years	(1.3)	(1.2)
Management of investments in associates	(3.7)	(3.5)
Acquisition/disposal of assets	(8.6)	(9.5)
Cash flow from extraordinary operations assets held for sale	(3.7)	(3.4)
Cash flow from non-ordinary operations	(26.1)	(28.9)
Total Cash Flow	42.6	42.0
NFP end of period	**(286.4)**	**(147.2)**
NFP end of period excl. IFRS 16	**(179.3)**	**(147.2)**

In the last twelve months, the Group's net financial position (no IFRS) improved by approximately € 42.6 million, with net financial debt decreasing to **€ 179.3 million** versus € 221.9 million at 31 March 2018.

Including the effect of the application of IFRS 16, the Group's NFP at 31 March 2019 amounted to € 286.4 million.

Cash generation in the last 12 months is structured as follows:

- **cash flow from ordinary operations came to a positive € 50.9 million, net of assets held for sale, and includes**:
- € 60.9 from operations in the context of continuing operations, deducting tax and financial expense totaling € 9.7 million;
- The performance of cash flow from operations is attributable to **operating income of € 90.7 million**, alleviated by investments of approximately € 18 million and by net working capital (including

provisions) of € -12.0 million, due mainly to the decline recorded by Magazines Italy - which has a structural negative NWC - as a result of the ongoing downturn in revenue and downsizing of activities.

- The cash flow from ordinary operations in the context of discontinued operations contributed € 17.7 million;
- **cash flow from non-ordinary operations came to approximately € -22 million**, net of the contribution from assets held for sale, and includes:
  - outlays for **restructuring costs** of approximately € 9 million;
  - financial outflows from the sale of Inthera and *Panorama*, respectively in May and November 2018, and the costs incurred for the liquidation of Mach2 Libri Spa;
  - recapitalization of the associate Società Europea di Edizioni S.p.A. for € 3.7 million.

To enable a like-for-like comparison, the statement of financial position figures at 31 March 2019 and 31 March 2018 have been reclassified to reflect the separate recognition of assets/liabilities of Mondadori France.

	March 19	Dec. 18	March 18
Trade receivables	187.3	219.0	204.1
Inventory	134.7	122.3	131.5
Trade payables	(291.4)	(333.4)	(320.3)
Other assets (liabilities)	42.9	46.1	52.4
NWC	73.5	54.1	67.7
Intangible assets	227.6	226.7	228.1
Property, plant and equipment	18.2	19.1	22.2
Property, plant and equipment IFRS 16	107.0		0.0
Investments	31.4	32.3	36.9
NET FIXED ASSETS	384.3	278.2	287.3
Provisions and post-employment benefits	(96.9)	(103.3)	(100.9)
Assets/liabilities held for sale	94.2	89.1	299.8
NET INVESTED CAPITAL	**455.1**	**317.9**	**553.9**
Share capital	68.0	68.0	68.0
Reserves	74.8	251.1	247.4
Profit (loss) for the year	(3.5)	(177.1)	(13.6)
Share capital and reserves attributable to non-controlling interests (from ass	29.3	28.7	30.2
EQUITY	168.6	170.7	332.0
NET FINANCIAL POSITION	179.3	147.2	221.9
NET FINANCIAL POSITION IFRS 16	107.1		
TOTAL EQUITY	**455.0**	**317.9**	**553.9**

PERSONNEL

Human resources

Group employees with a fixed-term or permanent labour contract, in the context of Group continuing operations, amounted to **2,111 units**, **down by approximately 8%** versus 2,283 in March 2018, as a result mainly of the sale of Inthera S.p.A. (May 2018), of *Panorama (*November 2018), and of the efficiency improvement measures involving each of the business areas, and excluding the 713 employees of Mondadori France (752 employees at 31 March 2018).

Group Employees at 31 March 2019:

Personnel	31 March 2019	31 March 2018
Arnoldo Mondadori Editore S.p.A.	914	990
Italian subsidiaries	1,143	1,246
Foreign subsidiaries	767	799
Total	**2,824**	**3,035**

Headcount by Business Area	31 March 2019	31 March 2018	*% change*
Books	636	637	*(0.2%)*
Retail	383	406	*(5.7%)*
Magazines Italy	660	776	*(14.9%)*
Corporate & Shared Services	432	464	*(6.9%)*
Total	**2,111**	**2,283**	***(7.5%)***
Magazines France	713	752	*(5.2%)*
Total	**2,824**	**3,035**	***(7.0%)***

In the **Books** Area, the number of employees was steady overall versus March 2018.

The decrease in the **Retail** Area reflects both structural efficiency and the effects of the closure of a number of stores.

The trend recorded by **Magazines Italy** reflects both the sale of Inthera S.p.A. (May 2018) and of *Panorama* (November 2018), net of which the drop would be approximately -4%.

The workforce in the ***Corporate & Shared Services*** Area decreased by approximately 7%.

Cost of personnel[9] in the first quarter amounted to € 39.4 million, **down by approximately 9%** versus the same period of 2018, as a result of the ongoing reduction in the workforce and of the sale of Inthera and *Panorama*.

Net of these transactions, the **organic decrease in labour costs** would be **approximately -3%**.

Euro/millions	**31 March 2019**	**31 March 2018**	***% change***
Cost of enlarged personnel (before restructuring)	**39.4**	43.2	*(9.0%)*

[9] *Cost of enlarged personnel includes costs for collaborations and temporary employment.*

SIGNIFICANT EVENTS IN THE REPORTING PERIOD

Appointment of Chief Innovation Officer

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

Signing of a put option for the disposal of Mondadori France to Reworld Media

On 18 February 2019, 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..

The value attributed to Mondadori France was € 70 million (cash free/debt free), plus an earn-out of € 5 million.
Under the terms for exercising the put option:

(i) 86% of the value of the investment (€ 60 million) will be paid in cash, € 50 million of which at the closing date, and € 10 million 24 months from the closing date; the deferred payment is not subject to any condition;
(ii) the remaining 14% of the value of Mondadori France S.A.S., for a nominal value of € 10 million, is paid through issue of new Reworld Media S.A. shares, to be subscribed by Arnoldo Mondadori Editore S.p.A. at a price equal to 112.5% of the average stock exchange price over the 20 days before the signing and, in any case, ranging from a floor of € 2.2 to a cap of € 2.9.

The transaction envisages a price adjustment mechanism linked to the achievement of pre-established targets relating to 2018 adjusted EBITDA and normalized net working capital at the closing date.
The earn-out to Arnoldo Mondadori Editore S.p.A. will be subject to the achievement by Reworld Media S.A., in its new setup, of certain operating results in 2020.

Under the terms for exercising the put option, Arnoldo Mondadori Editore S.p.A. is required to provide the buyer with the customary representations and warranties.

On completion of the transaction, which is part of a broader strategy to strengthen the Group's leadership in the books segment, the estimated improvement in the Mondadori Group's net financial position at closing date is approximately € 65 million.

If the put option is exercised, the parties will sign a purchase and sale agreement envisaging completion of the transaction once the following conditions precedent are met:

- authorization by the Autorité de la Concurrence;

- approval of the reserved capital increase by the shareholders of Reworld Media;
- provision of a bank loan to Reworld Media.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

Agreement signed on sale of Mondadori France to Reworld Media

On **19 April 2019**, the Group announced that, following the procedure to inform and negotiate with the French trade unions as set out by law, it signed an agreement on the sale of its subsidiary Mondadori France S.A.S. to Reworld Media S.A..

As a result of the deal, Arnoldo Mondadori Editore S.p.A. will hold from an 8% to 9% interest in the share capital of Reworld Media S.A..

OTHER INFORMATION

Adhesion to the legislative simplification process adopted by CONSOB resolution No. 18079 of 20 January 2012. Disclosure pursuant to art. 70, par. 8, and art. 71, par. 1-bis, of CONSOB Regulation No. 11971/99 as subsequently amended

On and with effect from 13 November 2012, the Board of Directors of Arnoldo Mondadori Editore S.p.A., pursuant to art. 3 of CONSOB Resolution No. 18079 of January 20, 2012 and in relation to the provisions set out in art. 70, par. 8, and art. 71, par. 1-bis, of CONSOB Regulation No. 11971/1999, resolved to avail itself of the right to waive the obligation of disclosure envisaged by the aforementioned CONSOB Regulation on the occasion of significant transactions relating to mergers, spin-offs and capital increases through contribution of assets in nature, acquisitions and transfers.

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: net result for the period before income tax, other financial income and expense, amortization, depreciation and impairment of fixed assets. 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.

With regard to adjusted EBITDA in first quarter 2018, the following items were excluded from EBITDA:

Restructuring costs for a total amount of € 3.2 million, included in “cost of personnel” in the income statement;

Expense of a non-ordinary nature for a total of € 0.1 million, included mainly in “Cost of services”.

With regard to adjusted EBITDA in first quarter 2019, the following items were excluded from EBITDA:

a) restructuring costs for a total of € 0.6 million, included in “Cost of personnel” in the income statement.

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

Adjusted result from continuing operations: 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).

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

BUSINESS OUTLOOK

The Group will continue its **strategic repositioning and further focus on its 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, including the performance in the first quarter, the operating targets for **2019**, based on the current scope, allow the Group to confirm, at a consolidated level, **a slight decrease in revenue** and a **single-digit growth** of **adjusted EBITDA (no IFRS)** versus 2018.

The **net result from continuing operations** in 2019 is expected to be significantly higher than last year (in the range of € 30-35 million).

Cash flow from ordinary operations in 2019 is forecast at approximately € 45 million, creating sustainable conditions for a possible future return to a dividend.

For the Board of Directors
The Chairman
Marina Berlusconi

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 in this Interim Management Statement corresponds to the Company's accounting entries, books and results.

The Financial Reporting Manager
Oddone Pozzi

Consolidated Financial Statements at 31 March 2019

Consolidated balance sheet

Assets (Euro/thousands)	**31/03/2019**	**31/12/2018**
Intangible assets	**227,568**	**226,672**
Investment property	**-**	**-**
Land and buildings	109,105	2,593
Plant and equipment	2,982	3,082
Other tangible assets	13,169	13,460
Property, plant and equipment	**125,256**	**19,135**
Equity-accounted investees	30,949	31,820
Other investments	439	439
Total investments	**31,388**	**32,259**
Non-current financial assets	**500**	**500**
Pre-paid tax assets	**60,125**	**61,408**
Other non-current assets	**716**	**566**
Total non-current assets	**445,553**	**340,540**
Tax receivables	**14,683**	**24,630**
Other current assets	**88,181**	**83,878**
Inventory	**134,695**	**122,336**
Trade receivables	**187,251**	**219,031**
Other current financial assets	**2,715**	**7,861**
Cash and cash equivalents	**68,663**	**82,358**
Total current assets	**496,188**	**540,094**
Assets held for sale	**229,946**	**229,743**
Total assets	**1,171,687**	**1,110,377**

Consolidated balance sheet

Liabilities (Euro/thousands)	31/03/2019	31/12/2018
Share capital	**67,979**	**67,979**
Share premium reserve	**-**	**-**
Treasury shares	**(2,282)**	**(2,282)**
Other reserves and profit/(loss) carried forward	**77,056**	**253,411**
Profit (loss) for the year	**(3,462)**	**(177,133)**
Group equity	**139,291**	**141,975**
Share capital and reserves attributable to non-controlling interests	**29,270**	**28,724**
Total equity	**168,561**	**170,699**
Provisions	**63,671**	**69,826**
Post-employment benefits	**33,246**	**33,458**
Non-current financial liabilities	**304,602**	**115,055**
Deferred tax liabilities	**37,560**	**38,113**
Other non-current liabilities	**-**	**-**
Total non-current liabilities	**439,079**	**256,452**
Income tax payables	**13,401**	**15,292**
Other current liabilities	**123,889**	**123,322**
Trade payables	**237,402**	**281,040**
Payables to banks and other financial liabilities	**57,516**	**126,809**
Total current liabilities	**432,208**	**546,463**
Liabilities held for sale	**131,839**	**136,763**
Total liabilities	**1,171,687**	**1,110,377**

Consolidated income statement

(Euro/thousands)	**31 March 2019**	**31 March 2018**
Revenue from sales and services	**166,813**	**177,776**
Decrease (increase) in inventory	(11,215)	(10,947)
Cost of raw and ancillary materials, consumables and goods	37,719	37,141
Cost of services	104,813	118,027
Cost of personnel	36,838	43,147
Other (income) expense	(2,479)	(3,425)
EBITDA	**1,137**	**(6,167)**
Depreciation and impairment loss on property, plant and equipment	4,631	1,190
Amortization and impairment loss on intangible assets	3,753	3,840
Impairment loss on equity-accounted investees and other companies	-	-
EBIT	**(7,247)**	**(11,197)**
Financial expense (income)	868	1,470
Expense (income) from investments	1,777	2,787
Result before tax	**(9,891)**	**(15,454)**
Income tax	(1,362)	(1,901)
Result from continuing operations	**(8,529)**	**(13,553)**
Result from discontinued operations	5,615	717
Net result	**(2,914)**	**(12,836)**
Attributable to:		
- Non-controlling interests	**548**	**721**
- Parent Company shareholders	**(3,462)**	**(13,557)**
Earnings per share of continuing operations (expressed in Euro units)	(0.033)	(0.052)
Diluted earnings per share of continuing operations (expressed in Euro units)	(0.033)	(0.052)
Net earnings per share (in Euro units)	(0.013)	(0.052)
Diluted net earnings per share (in Euro units)	(0.013)	(0.052)

Consolidated comprehensive income statement

(Euro/thousands)	**31 March 2019**	**31 March 2018**
Net result	**(2,914)**	**(12,836)**
Items reclassifiable to income statement		
Profit (loss) from the conversion of currency denominated financial statements of foreign companies	415	(534)
Other profit (loss) from companies measured at equity	(18)	(50)
Effective part of profit (loss) on cash flow hedge instruments (cash flow hedge)	(260)	2
Profit (loss) from held-for-sale assets (fair value)	-	-
Tax effect on other profit (loss) reclassifiable to income statement	63	-
Items reclassified to income statement		
Profit (loss) on cash flow hedge instruments	49	74
Profit (loss) from held-for-sale assets (fair value)	-	-
Tax effect on other profit (loss) reclassified to income statement	(12)	(18)
Items not reclassifiable to income statement		
Actuarial profit (loss)	1	(49)
Tax effect on other profit (loss) not reclassifiable to income statement	-	8
Total other profit (loss) net of tax effect	238	(567)
Comprehensive result for the year	**(2,676)**	**(13,403)**
Attributable to:		
- Non-controlling interests	**547**	**721**
- Parent Company shareholders	**(3,223)**	**(14,124)**

For the Board of Directors
The Chairman
Marina Berlusconi