GRUPPO MONDADORI

PRESS RELEASE

BoD APPROVES RESULTS AT 31 MARCH 2019[1]

The results of the Interim Management Statement at 31 March 2019 have been prepared showing Magazines France amounts under "Adjusted result from discontinued operations"[2]

- **Consolidated revenue € 166.8 million versus € 177.7 million at 31 March 2018;**
- **Adjusted EBITDA (before IFRS 16) improves by € 0.5 million reaching € -2.2 million at 31 March 2019;**
- **EBITDA (before IFRS 16) increases by € 3.3 million reaching € -2.8 million at 31 March 2019;**
- **Adjusted net result from continuing operations improves by € 5 million reaching € -8.4 million at 31 March 2019;**
- **Group result improves strongly by € 10.1 million reaching € -3.5 million at 31 March 2019;**

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- **Group net financial position (before IFRS 16) improves in the 12 months by € 42.6 million as a result of the steady generation of cash flow from ordinary operations amounting to € -179.3 million**

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TARGETS FOR CONTINUING OPERATIONS IN 2019 CONFIRMED

- **Slight drop in revenue;**
- **Single-digit growth of adjusted EBITDA (before IFRS 16);**
- **Strong growth in net result (forecast in the range of € 30-35 million);**
- **Cash flow from ordinary operations forecast at approximately € 45 million, creating sustainable conditions for a possible future return to a dividend**

Segrate, 15 May 2019 - Today, the meeting of the Board of Directors of Arnoldo Mondadori Editore S.p.A., chaired by Marina Berlusconi, reviewed and approved the Interim Management Statement at 31 March 2019 presented by CEO Ernesto Mauri.

PERFORMANCE AT 31 MARCH 2019

Consolidated revenue in first quarter 2019 came to **€ 166.8 million** versus € 177.7 million in the prior year, partly as a result of the change in the scope of consolidation (€ 5.6 million) of the Magazines Italy area (-3.1% on a like-for-like basis).

[1] 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, the right to replace the asset, the right to essentially receive all the financial benefits arising from the use of the asset, and the 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.

[2] 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.

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Adjusted EBITDA[3] (before IFRS 16) came to € -2.2 million, **up by approximately € 0.5 million** versus € -2.8 million in the prior year.
IFRS 16 adjusted EBITDA came to € 1.7 million and includes the IFRS 16 impact of € +3.9 million.

Consolidated EBITDA (before IFRS 16) **increased by approximately € 3.3 million** versus the prior year, from € -6.2 million to € -2.8 million. The improvement includes the growth 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.

EBIT (before IFRS 16) **improved significantly** to € -7.6 million 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.

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

- the **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%), 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) of € 1 million.

The **adjusted net result from continuing operations improved significantly (€ +5 million**) and amounted to € -8.4 million versus € -13.4 million at 31 March 2018.
Mondadori France generated net revenue for the period of € 67.6 million (€ 75.6 million in first quarter 2018) and adjusted EBITDA of € 2 million (€ 3.3 million in first quarter 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 by € 10.1 million**.

At 31 March 2019, **the net financial position** (before IFRS 16) stood at € -179.3 million, a **sharp improvement of € 42.6 million**, as a result mainly of **cash generated from ordinary operations** of continuing operations of **€ 50.9 million**.
The **IFRS 16 net financial position** stood at € -286.4 million and includes the IFRS 16 impact of € -107.1 million.
At 31 March 2019, with regard to continuing operations, **Group employees** amounted to **2,111 units**, down by approximately 8% versus 2,283 units at March 2018, as a result of the sale of Inthera S.p.A., of *Panorama* and of efficiency gains in the individual business areas, and net of the 713 units of Mondadori France.

[3] 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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Cost of personnel[4] amounted to € 39.4 million, down by approximately 9% versus the same period of 2018.

BUSINESS OUTLOOK[5]

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 before IFRS 16** 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.**

PERFORMANCE OF BUSINESS AREAS

- ***BOOKS***

In the first quarter of the year, the Trade Books market grew by 0.8%[6], despite the comparison with first quarter 2018, which had included the positive effects of Easter sales.

The Mondadori Group retained its **market leadership position** in the period, **with an overall 25% Trade share**.

Revenue from the Books Area amounted to **€ 70.2 million** (-4.6% versus € 73.6 million in first quarter 2018), as a result of the different scheduling of the publishing plan.
Revenue from the Education Area was in line with last year.

Adjusted EBITDA (before 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 (before IFRS 16) amounted to € -0.6 million, **improving** versus € -1 million at 31 March 2018.
IFRS 16 reported EBITDA amounted to € -0.3 million and includes an impact of € +0.2 million.

- ***RETAIL***

In the first quarter of the year, the Retail Area recorded revenue of **€ 41.3 million** (€ -4.4% versus € 43.2 million at 31 March 2018), due partly to the unfriendly schedule which, in 1° quarter 2019, did not include sales made during the Easter holidays, as in 2018.

The analysis of revenue by channel shows in particular:

[4] Cost of enlarged personnel includes costs for collaborations and temporary employment
[5] Before application of IFRS 16.
[6] Source: GFK, March 2019 (figures in terms of market value)

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- a +0.6% growth in direct bookstores, as a result of the opening of two new stores (on a like-for-like basis in terms of stores: -5.2%);
- megastores (approximately -16%), due mainly to the drop in Consumer Electronics sales (on a like-for-like basis in terms of stores: -14.6%);
- a slight drop by franchised bookstores (-1.7%; on a like-for-like basis in terms of stores -3.1%);
- online channel (-7.5%);
- a slight drop by the clubs versus the prior year.

In first quarter 2019, **adjusted EBITDA** (before IFRS 16) was € -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 came to € -0.5 million and includes the IFRS 16 impact of approximately € +2 million.

Reported EBITDA (before IFRS 16) amounted to € -2.6 million 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.

- ***<u>MAGAZINES ITALY</u>***

The Italian magazines market contracted both in terms of advertising (-13.1%[7]) and circulation (-13.5%[8]).

In first quarter 2019, revenue generated by the Magazines Italy Area came to **€ 63 million**: -10.2% versus € 70.1 million in first quarter 2018 **(-2.5% net of the disposals of Inthera and *Panorama*)**.
Specifically:

- the performance of **circulation revenue** (-18%) was affected by the sale of *Panorama* (-12.6% on a like-for-like basis). The Group's **market share** in terms of value in the period was **28.4%**[9].
- regarding total print + web **advertising revenue** (-10%), the digital segment recorded a **growth** of approximately **10%** (-20.7% in print sales; -15.8% excluding *Panorama* also in 1° quarter 2018).
  The percentage of digital revenue on the total increased to 42% (versus 35% in first quarter 2018);
- **revenue from add-on products grew by +7.4%** versus first quarter 2018 (+19% excluding *Panorama* in 1° quarter 2018);
- the performance of **distribution activities and other revenue** (-7.8% versus the prior year) was affected by the sale of Inthera S.p.A. (+10% on a like-for-like basis).

The Mondadori Group retained its position as **Italy's leading digital publisher,** with a **reach of 75%** and **29.5 million unique users** in the quarter[10].

Adjusted EBITDA (before IFRS 16) from Magazines Italy amounted to a positive € 2.6 million, **increasing** versus the same period of the prior year (€ 2.1 million), as a result of the **ongoing improvement in the digital area and actions aimed at reducing operating and structural costs**.

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[7] Source: Nielsen, cumulative market figures at March 2019: magazines -13.1%; +3% digital.
[8] Internal source: Press-Di, cumulative figures in terms of value at February 2019 (newsstands + subscriptions).
[9] Internal source: Press-Di, cumulative figures in terms of value at February 2019 (newsstands + subscriptions)
[10] Source: comScore, January - March 2019

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IFRS 16 adjusted EBITDA amounted to € 2.6 million.

Reported EBITDA (before IFRS 16) amounted to a positive € 2.3 million, **an improvement** 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)***

In first quarter 2019, revenue from Mondadori France amounted to **€ 67.6 million** versus € 75.6 million in first quarter 2018.
Specifically:

- **circulation revenue** (80% of total) fell by 5.9% versus the prior year, with newsstand sales down by -7.1% and subscriptions by -4.6%;
- **total advertising revenue** *(print+digital*) fell by 18.2% versus the same period of 2018, with the print segment (87% of total) down by -17.3%.

Adjusted EBITDA amounted to € 2 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.

SIGNIFICANT EVENTS AFTER FIRST QUARTER 2019

On 19 April 2019, following the procedure to inform and negotiate with the French trade unions as set out by law, Arnoldo Mondadori Editore S.p.A. signed an agreement for the sale of its subsidiary Mondadori France S.A.S. to Reworld Media S.A..
As a result of the deal, Mondadori will hold from an 8% to 9% interest in the share capital of Reworld Media S.A..

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The documentation relating to the **presentation of the results at 31 March 2019**, is made available through the authorized storage mechanism 1Info (www.1info.it) and in the Investors section of the Company's website www.mondadori.it.

The **Interim Management Statement at 31 March 2019** will be made available at the Company's registered office, on the authorized storage mechanism (www.1Info.it) and in the Investors section of the Company's website www.mondadori.it by the end of today.

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PUBLICATION OF THE MINUTES OF THE SHAREHOLDERS' MEETING AND BYLAWS

Arnoldo Mondadori Editore S.p.A. announces that the minutes of the Ordinary and Extraordinary Shareholders' Meeting of 17 April 2019, together with the amended version of the Bylaws, are available at the Company's registered office, at the authorized storage mechanism(www.1info.it) and on the Company's website www.mondadori.it (*Governance* section).

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

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

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<u>Annex 1</u>
Consolidated balance sheet

	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 assets	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**

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<u>Annex 2</u>

Consolidated income statement

€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.

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Annex 3
Group cash flow

€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)**

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Annex 4
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): Net result for the period before income tax, other financial income and expense, depreciation, amortization 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 amount 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.

Mondadori Group Media Relations
+39 02 7542.3159 - pressoffice@mondadori.it - mondadori.it
mondadori mondadori GruppoMondadori gruppomondadori mondadori.it/fee