GRUPPO MONDADORI

PRESS RELEASE

BoD APPROVES RESULTS AT 30 SEPTEMBER 2019[1]

The results of the Interim Management Statement at 30 September 2019 have been prepared showing Magazines France in the item "Adjusted result from discontinued operations"[2]

- **Consolidated revenue steady at € 658.9 million versus € 658.5 million at 30.09.2018;**
- **Adjusted EBITDA (before IFRS 16) € 71.3 million: approximately +13% versus € 62.8 million at 30.09.2018;**
- **EBITDA (before IFRS 16) up sharply to € 66.3 million: +25% versus € 53 million at 30.09.2018;**
- **Adjusted net result from continuing operations of € 25.4 million: improving by over 60% versus € 15.8 million at 30.09.2018;**
- **Group net result € +23.1 million versus € -181.5 million at 30 September 2018, which had included the impact from the fair value adjustment of Mondadori France of approximately € -200 million;**
- **Group net financial position (before IFRS 16) € -110.4 million: improving in the 12 months by approximately € 99 million as a result of the steady generation of cash flow from ordinary operations**

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TARGETS FOR CONTINUING OPERATIONS IN 2019 CONFIRMED

- **Revenue down slightly (steady on a like-for-like basis);**
- **Single-digit growth of adjusted EBITDA (before IFRS 16);**
- **Strong growth (before IFRS 16) of net result (forecast in the range of € 30-35 million);**
- **Cash flow from ordinary operations forecast at approximately € 45 million, paving the way for the distribution of a dividend**

Segrate, 13 November 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 30 September 2019 presented by CEO Ernesto Mauri.

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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" includes the net result recorded by Mondadori France in the current year, together with the recognition of the fair value adjustment of the discontinued group. 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 € 1.6 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 € 0.4 million in 9M 2019 and € -193.3 million in 9M 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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HIGHLIGHTS OF FIRST NINE MONTHS OF 2019

In the first nine months of 2019, the Mondadori Group recorded **basically steady revenue** and an **approximately 13% increase in adjusted EBITDA from continuing operations** before IFRS 16 **to € 71.3 million**, **overshooting the planned targets.**
Actions continued, in fact**, to be taken to improve operations in the Books Area** and to **reduce costs**, as well as to **strengthen the Digital component of Magazines Italy;** additionally, the reporting period saw the disposal of Mondadori France.
The first nine months of the year recorded **significantly lower restructuring and reorganization costs** than in the same period of 2018, due to the planned reduction and different timing of the **divestment of non-strategic businesses and the reorganization of Group activities**.
This performance (marked also by temporary benefits), together with the **extended positive cash generation from ordinary operations**, paves the way to the **achievement of the targets** set and disclosed for the entire financial year 2019.

GROUP PERFORMANCE AT 30.09.2019

Consolidated revenue came to **€ 658.9 million** versus € 658.5 million in the prior year, despite the change in the consolidation scope of the Magazines Italy Area following the disposal of Inthera S.p.A. and *Panorama* **(+1.5% on a like-for-like basis**).

As mentioned above, **adjusted EBITDA before IFRS 16** amounted to **€ 71.3 million, up by € 8.6 million** (+13% approximately) versus the prior year (€ 62.8 million), with a percentage on revenue increasing from 9.5% to 10.8%.
IFRS 16 adjusted EBITDA amounted to € 83.4 million (IFRS 16 impact of € +12 million).

Consolidated EBITDA before IFRS 16, amounting to **€ 66.3 million** versus € 53 million at 30.09.2018, was **up sharply** (+25%) versus the prior year. The result includes the increase in adjusted EBITDA and strong reductions in restructuring costs recorded in the period.
IFRS 16 EBITDA amounted to € 78.4 million (IFRS 16 impact of € +12 million).

EBIT before IFRS 16 improved significantly to **€ 49.2 million** versus € 37.5 million at 30.09.2018, as a result of the dynamics of the above components (includes amortization, depreciation and write-downs of € 17.1 million). IFRS 16 amortization and depreciation amounted to € 11.1 million.
IFRS 16 EBIT amounted to € 50.2 million (includes the IFRS 16 impact of € +1 million).

Consolidated profit before tax was € 41.5 million, **increasing sharply versus** € 25.6 million in the first nine months of 2018. It includes:
- the significant reduction in financial expense, as a result of lower average net debt;
- improved performance by associates (consolidated at equity), from € -9.9 million to € -5.3 million in the same period of 2018.

The **adjusted net result from continuing operations** amounted to € **25.4 million**, **up more than 60%** versus € 15.8 million at 30 September 2018.
Considering the net result of discontinued operations, the Group's net result came to **€ 23.1 million** versus € -181.5 million in 2018, which had included the impact from the fair value adjustment of Mondadori France of approximately € -200 million.

The **Group's net financial position before IFRS 16** stood at **€ -110.4 million**, **improving by approximately € 99 million** versus € 209.3 million at 30 September 2018, as a result of the ongoing generation of cash flow from ordinary operations of continuing operations of € 52.5 million. The IFRS 16

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Group **net financial position** stood at € -209.5 million.

At 30 September 2019, with regard to continuing operations, **Group employees** amounted to 2,092 units, down by -5% versus 2,203 units at 30 September 2018, as a result of the disposal of *Panorama,* of efficiency gains in the individual corporate areas, and excluding the employees of Mondadori France.

CONSOLIDATED FINANCIAL HIGHLIGHTS IN THIRD QUARTER 2019

Consolidated revenue came to **€ 279 million**, **up by 4.2%** versus € 267.7 million at 30.09.2018, despite the effect of the change in the consolidation scope of Magazines Italy resulting from the disposal of *Panorama*.

Specifically, in the period revenue from Books increased by approximately +13% (partly temporary), while the Retail Area dropped by approximately -2%; the Magazines Italy Area fell by 7.3%, on a like-for-like basis, as a result of the dynamics of the relevant markets.

Adjusted EBITDA before IFRS 16 amounted to **€ 57.6 million**, **improving by 14%** versus the prior year (€ 50.7 million), with different trends reported by the various businesses:

- in line with the revenue trend, the **Books Area grew** as a result of the positive performance of both the Trade and Education areas;
- the Retail Area fell versus 3° quarter 2018;
- the Magazines Italy Area grew despite the declining market trend, as a result of the disposals that took place, of the **ongoing improvement of the digital area and of the actions aimed at reducing operating and structural costs**.

IFRS 16 adjusted EBITDA amounted to **€ 61.6 million** (IFRS 16 impact of approximately € 4 million). Consolidated EBITDA before IFRS 16 was up sharply, amounting to € 53.7 million versus € 49.5 million of the prior year.

BUSINESS OUTLOOK

In the first nine months of 2019, the Mondadori Group continued on the path of **strategic repositioning** and **focus** on its core businesses of **Books** and **Retail** and on **Magazines** with greater potential for multimedia development, completing the disposal of Mondadori France and moving ahead with the finalization of the disposal of five magazines.
In line with the outlined strategy and in light of the relevant context, including the performance in the first nine months, the operating targets for **2019**, based on the current scope, allow the Group to confirm, at a consolidated level, **a slight decrease in revenue** (steady on a like-for-like basis following years of decline) and a **single-digit growth** of **adjusted EBITDA no 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 around **€ 45 million**, paving the way for the distribution of a dividend in 2020.

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PERFORMANCE OF BUSINESS AREAS

- ***BOOKS***

In the first nine months of the year, the Trade Books market **grew by 4.6%** versus the first nine months of the prior year[3]. The Mondadori Group retains its leadership position with a total **25.7% market share** and places **seven titles in the ranking of the twenty best-selling books** in terms of value.

In the period under review, **revenue** from the Books Area amounted to € **366 million, up by 7.5%** versus € 340.3 million in the first nine months of 2018, as a result of the good performance of both Trade (**+9.3%**) and Educational (**+7.7%**).

Adjusted EBITDA before IFRS 16 amounted to **€ 77.6 million, up** versus € 68 million in the same period of the prior year, as a result of the increase in revenue and the ongoing improvement of operations. **IFRS 16 adjusted EBITDA** amounted to € 78.6 million (the impact of IFRS 16 was € 1 million).

Reported EBITDA before IFRS 16 amounted to **€ 77.1 million**, **improving** versus € 66.8 million reported at 30 September 2018. **IFRS 16 reported EBITDA** amounted to € 78.1 million and includes an impact of € +1 million.

- ***RETAIL***

In the first nine months of 2019, Mondadori Retail generated revenue of **€ 126.6 million**, down by 2.1% versus € 129.3 million of the same period of the prior year.
In the **Books** segment, the **relevant market** for the Area (approximately 82% of revenue[4]) with a **13.2% market share, Mondadori Retail** recorded a performance of -0.7% (on a like-for-like basis -1.1%).

The analysis by channel shows the following:

- a basic stability of direct bookstores (on a like-for-like basis -1.6%);
- in the Megastores, an approximately 12.7% drop (on a like-for-like basis -10.7%), due mainly to the decline in sales of consumer electronics;
- in franchised bookstores, a performance in line with the prior year (on a like-for-like basis -1.2%);
- in e-commerce a +2% growth;
- in the bookclub, a decrease of approximately 4% versus the prior year.

Adjusted EBITDA before IFRS 16 amounted to € -5.2 million versus € -3.4 million at 30 September 2018: the deterioration is due mainly to the decrease in revenue on a like-for-like basis and to the higher inventory write-down of consumer electronics products.
IFRS 16 adjusted EBITDA came to € +0.8 million and includes the IFRS 16 impact of € +6 million.

Reported EBITDA before IFRS 16 amounted to **€ -5.5 million**, down versus € -3.7 million at 30 September 2018. **IFRS 16 reported EBITDA** amounted to € +0.5 million and includes an impact of € +6 million.

[3] *Source: GFK, September 2019 (figures in terms of market value). As of May 2019, GFK has expanded its coverage panel by increasing the survey of e-commerce players; as a result, the overall market value and the YoY deviations have been restated pro-forma and the details by channel have been reviewed by merging book chains and e-commerce.*
[4] *Product revenue excluding the bookclub*

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- ***MAGAZINES ITALY***

In the first nine months of 2019, the Italian advertising market reported a **growth in the digital channel (+2.1%) and a fall in magazines** (**-15.2%**)[5]. **Circulation** also declined (-12.3%), with a slowdown in both the newsstands and subscriptions channels.

In this context, the **Mondadori Group**'s **market share** stood at **28.6%**, steady on a like-for-like basis (excluding the disposal of *Panorama*)[6]. The **Group** also retained its position as **Italy's leading digital publisher**, with a **73% reach and 28.2 million unique users in the month**[7].

In the first nine months of 2019, **revenue** in the Magazines Italy Area came to **€ 191.2 million** versus € 216.1 million at 30.09.2018 (-5% net of the disposals of Inthera and *Panorama*). Specifically:

- revenue from **circulation** and related to **add-on products** was down by -14.1% versus the same period of the prior year, affected also by the disposal of *Panorama* (-8.5% on a like-for-like basis);
- **advertising** revenue *(print + digital*) recorded an overall drop of -7.7% versus the first nine months of 2018 (-2% net of the disposal of *Panorama*): the digital component **grew by** approximately **+18%**, thanks also to the contribution of AdKaora, an agency specializing in proximity marketing solutions; print advertising sales fell by -19.5% (approximately -13% excluding *Panorama* in the nine months of 2018, in line with the market trend). The percentage of digital revenue on the total rose to **approximately 41%** (from 32% in the first nine months of 2018);
- **distribution activities and other revenue** in the nine months fell by -8.7% versus the prior year, due to the disposal of Inthera S.p.A. (+2.6% excluding Inthera in the nine months 2018).

Adjusted EBITDA before IFRS 16 amounted to **€ 5.4 million**, **up** versus the same period of the prior year (€ 4.1 million), as a result of the **actions aimed at reducing operating and structural costs**, of the **ongoing improvement in the digital area**, and the positive effects of the sale of Inthera S.p.A. and *Panorama*. **IFRS 16 adjusted EBITDA** amounted to € 5.5 million.

Reported EBITDA before IFRS 16 amounted to **€ 2.5 million, improving sharply** versus € -3 million at 30 September 2018, as a result of lower restructuring costs. **IFRS 16 reported EBITDA** amounted to € 2.6 million.

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TRANSFER TO A SINGLE COMPANY OF ALL THE ACTIVITIES INVOLVING THE MAGAZINES ITALY AREA

Today's meeting of the Board of Directors also approved the transfer - effective from 1 January 2020 - of the Magazines business unit to a wholly-owned single company, where all the activities regarding magazine titles and the websites of Arnoldo Mondadori Editore S.p.A., as well as the investments in the Magazines Area, will be transferred.

The transaction brings no change to the overall profile of the Group's activities or basic operating

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[5] *Source: Nielsen, cumulative figures at September 2019*
[6] *Internal source: Press-Di, cumulative figures at August 2019 (newsstands + subscriptions) in terms of value*
[7] *Source: comScore survey, August*

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features, but completes an organization that is focused more on the peculiarities of the individual businesses, as was the case for the Retail and Books areas.
The setup is also more functional to the achievement of strategic opportunities and partnerships.

The transfer will be made on the basis of book values, with no impact on the consolidated financial statements.

The transaction is excluded from the application of the "Regulations containing provisions on transactions with related parties", adopted by CONSOB with resolution no. 17221 of 12 March 2010, as well as the procedures adopted by Arnoldo Mondadori Editore S.p.A. on the matter, as it is a transaction with a subsidiary in respect of which the interests of other related parties of the Company cannot be considered significant (according to the criteria set out in the abovementioned procedures).

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

On 23 October, the Group announced that it had received a binding offer for the acquisition of magazines *Confidenze*, *Cucina Moderna*, *Sale&Pepe*, *Starbene* and *Tustyle* by La Verità S.r.l.. The Board of Directors has resolved to authorize CEO Ernesto Mauri to implement all the actions aimed at reviewing and finalizing the transaction, in line with the announced strategy of focusing on the core businesses of Books, Retail and Magazines with greater potential for multimedia development. The offer is valid until 31 December 2019 and envisages the creation of a NewCo, whose interest will be 75% held by La Verità S.r.l. and 25% by Arnoldo Mondadori Editore S.p.A.; the offer also includes an earn-out in favour of the shareholder Arnoldo Mondadori Editore S.p.A. and put/call mechanisms in favour of shareholders. The activities relating to the 5 titles in question recorded revenue of € 22.4 million in 2018.
In accordance with the provisions of law, the procedure with the trade unions has been put into effect.

Following the authorization given by the Shareholders' Meeting of 17 April 2019, on 10 June Arnoldo Mondadori Editore S.p.A. launched a share buyback programme. Following the transactions carried out so far and disclosed to the market in accordance with current legislation, the Company holds, to date, no. 2,641,203 treasury shares, equal to 1.010% of the share capital and 0.659% of the total voting rights.

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The documentation relating to the presentation of the results at 30 September 2019, is made available through the authorized storage mechanism 1Info (www.1info.it) and in the Investors section of the Company website www.mondadori.it.

The Interim Management Statement at 30 September 2019 approved by the Board will be available at the Company's registered office, on the authorized storage mechanism 1Info (www.1info.it) and on www.mondadori.it (Investors section) by today's date.

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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 - III quarter;
4. Group cash flow;
5. Glossary of terms and alternative performance measures used.

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Annex 1

Consolidated balance sheet

	Sept. 19	Dec. 18	Sept. 18	C19 vs C18
Trade receivables	264.0	219.0	259.9	*1.6%*
Inventory	133.0	122.3	132.7	*0.2%*
Trade payables	(343.0)	(333.4)	(352.3)	*-2.6%*
Other assets (liabilities)	51.2	46.1	63.0	*-18.7%*
NWC	105.2	54.1	103.3	*1.9%*
Intangible assets	223.5	226.7	224.3	*-0.4%*
Property, plant and equipment	17.1	19.1	21.8	*-21.5%*
Property, plant and equipment IFRS 16	97.8			
Investments	28.7	32.3	36.5	*-21.5%*
NET FIXED ASSETS	367.1	278.2	282.7	*29.9%*
Provisions and post-employment benefits	(96.8)	(103.3)	(107.5)	*-10.0%*
Discontinued assets/liabilities	0.0	89.1	94.8	*-100.0%*
NET INVESTED CAPITAL	**375.5**	**317.9**	**373.2**	***0.6%***
Share capital	68.0	68.0	68.0	*0.0%*
Reserves	74.9	251.1	249.2	*-70.0%*
Profit (loss) for the period	23.1	(177.1)	(181.5)	*n.s.*
GROUP EQUITY	165.9	142.0	135.7	*22.3%*
Share capital and reserves attributable to non-controlling interests (fr	0.0	28.7	28.2	*-100.0%*
TOTAL EQUITY	165.9	170.7	163.9	*1.2%*
NET FINANCIAL POSITION	110.4	147.2	209.3	*-47.2%*
NET FINANCIAL POSITION IFRS 16	99.1			
TOTAL EQUITY	**375.5**	**317.9**	**373.2**	***0.6%***

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Annex 2

Consolidated income statement

€mn	9M19		9M18		% change	9M19 NO IFRS		9M18 NO IFRS		% change NO IFRS
NET REVENUE	**658.9**	*100.0%*	**658.5**	*100.0%*	***0.1%***	**658.9**	*100.0%*	**658.5**	*100.0%*	***0.1%***
INDUSTRIAL PRODUCT COST	206.0	*31.3%*	208.4	*31.6%*	*(1.1%)*	206.0	*31.3%*	208.4	*31.6%*	*(1.1%)*
VARIABLE PRODUCT COSTS	86.2	*13.1%*	88.0	*13.4%*	*(2.0%)*	86.2	*13.1%*	88.0	*13.4%*	*(2.0%)*
OTHER VARIABLE COSTS	127.5	*19.4%*	126.9	*19.3%*	*0.5%*	127.5	*19.4%*	126.9	*19.3%*	*0.5%*
STRUCTURAL COSTS	41.4	*6.3%*	40.9	*6.2%*	*1.3%*	53.5	*8.1%*	52.7	*8.0%*	*1.6%*
EXTENDED LABOUR COST	114.7	*17.4%*	120.5	*18.3%*	*(4.8%)*	114.7	*17.4%*	120.5	*18.3%*	*(4.8%)*
OTHER EXPENSE AND (INCOME)	-0.3	*(0.0%)*	-0.8	*(0.1%)*	*n.s.*	-0.3	*(0.0%)*	-0.8	*(0.1%)*	*n.s.*
(ADJUSTED) EBITDA	**83.4**	*12.7%*	**74.6**	*11.3%*	***11.8%***	**71.3**	*10.8%*	**62.8**	*9.5%*	***13.6%***
RESTRUCTURING COSTS	3.0	*0.5%*	6.0	*0.9%*	*(50.2%)*	3.0	*0.5%*	6.0	*0.9%*	*(50.2%)*
NEGATIVE (POSITIVE) EXTRAORDINARY ITEMS	2.0	*0.3%*	3.8	*0.6%*	*(46.5%)*	2.0	*0.3%*	3.8	*0.6%*	*(46.5%)*
EBITDA	**78.4**	*11.9%*	**64.8**	*9.8%*	***21.0%***	**66.3**	*10.1%*	**53.0**	*8.0%*	***25.1%***
AMORTIZATION AND DEPRECIATION	17.1	*2.6%*	15.5	*2.4%*	*10.3%*	17.1	*2.6%*	15.5	*2.4%*	*10.3%*
AMORTIZATION AND DEPRECIATION IFRS16	11.1	*1.7%*	10.7	*1.6%*	*3.9%*	0.0	*0.0%*	0.0	*0.0%*	*126.1%*
EBIT	**50.2**	*7.6%*	**38.6**	*5.9%*	***30.0%***	**49.2**	*7.5%*	**37.5**	*5.7%*	***31.1%***
FINANCIAL EXPENSE AND (INCOME)	0.6	*0.1%*	2.1	*0.3%*	*(69.4%)*	0.6	*0.1%*	2.1	*0.3%*	*(69.4%)*
FINANCIAL EXPENSE IFRS16	1.7	*0.3%*	1.1	*0.2%*	*57.1%*	-0.1	*(0.0%)*	0.0	*(0.0%)*	*n.s.*
FINANCIAL EXPENSE (INCOME) FROM SECURITIES	1.0	*0.2%*	0.0	*0.0%*	*n.s.*	1.0	*0.2%*	0.0	*0.0%*	*n.s.*
EXPENSE AND (INCOME) FROM INVESTMENTS	5.3	*0.8%*	9.9	*1.5%*	*(46.0%)*	5.3	*0.8%*	9.9	*1.5%*	*(46.0%)*
EBT	**41.5**	*6.3%*	**25.6**	*3.9%*	***62.3%***	**42.3**	*6.4%*	**25.6**	*3.9%*	***65.4%***
TAX EXPENSE AND (INCOME)	16.1	*2.4%*	9.8	*1.5%*	*64.6%*	16.1	*2.4%*	9.8	*1.5%*	*64.6%*
RESULT FROM CONTINUING OPERATIONS	**25.4**	*3.9%*	**15.8**	*2.4%*	***60.8%***	**26.2**	*4.0%*	**15.8**	*2.4%*	***65.9%***
ADJUSTED RESULT FROM DISCONTINUED OPE	**-1.1**	*(0.2%)*	**-195.7**	*(29.7%)*	***(99.4%)***	**-1.1**	*(0.2%)*	**-195.7**	*(29.7%)*	***(99.4%)***
NON-CONTROLLING INTERESTS	**-1.2**	*(0.2%)*	**-1.6**	*(0.2%)*	***(24.1%)***	**-1.2**	*(0.2%)*	**-1.6**	*(0.2%)*	***(24.1%)***
NET RESULT	**23.1**	*3.5%*	**-181.5**	*(27.6%)*	***n.s.***	**23.9**	*3.6%*	**-181.5**	*(27.6%)*	***n.s.***

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

*** In 2019, the "Adjusted result from discontinued operations" includes the net result recorded by Mondadori France in the current year, together with the recognition of the fair value adjustment of the discontinued group. 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 € 1.6 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 € 0.4 million in 9M 2019 and € -193.3 million in 9M 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

Consolidated income statement - III quarter

€mn	3Q19		3Q18		% change	3Q19 NO IFRS		3Q18 NO IFRS		% change NO IFRS
NET REVENUE	**279.0**	*100.0%*	**267.7**	*100.0%*	*4.2%*	**279.0**	*100.0%*	**267.7**	*100.0%*	*4.2%*
INDUSTRIAL PRODUCT COST	84.2	*30.2%*	83.4	*31.2%*	*1.0%*	84.2	*30.2%*	83.4	*31.2%*	*1.0%*
VARIABLE PRODUCT COSTS	31.6	*11.3%*	29.1	*10.9%*	*8.5%*	31.6	*11.3%*	29.1	*10.9%*	*8.5%*
OTHER VARIABLE COSTS	53.0	*19.0%*	51.7	*19.3%*	*2.5%*	53.0	*19.0%*	51.7	*19.3%*	*2.5%*
STRUCTURAL COSTS	13.7	*4.9%*	13.5	*5.0%*	*1.6%*	17.7	*6.3%*	17.5	*6.5%*	*1.3%*
EXTENDED LABOUR COST	35.4	*12.7%*	35.6	*13.3%*	*(0.4%)*	35.4	*12.7%*	35.6	*13.3%*	*(0.4%)*
OTHER EXPENSE AND (INCOME)	-0.5	*(0.2%)*	-0.2	*(0.1%)*	*n.s.*	-0.5	*(0.2%)*	-0.2	*(0.1%)*	*n.s.*
(ADJUSTED) EBITDA	**61.6**	*22.1%*	**54.7**	*20.4%*	*12.7%*	**57.6**	*20.6%*	**50.7**	*18.9%*	*13.7%*
RESTRUCTURING COSTS	1.8	*0.7%*	0.6	*0.2%*	*223.4%*	1.8	*0.7%*	0.6	*0.2%*	*223.4%*
NEGATIVE (POSITIVE) EXTRAORDINARY ITEMS	2.0	*0.7%*	0.7	*0.2%*	*199.2%*	2.0	*0.7%*	0.7	*0.2%*	*199.2%*
EBITDA	**57.8**	*20.7%*	**53.4**	*20.0%*	*8.2%*	**53.7**	*19.3%*	**49.5**	*18.5%*	*8.8%*
AMORTIZATION AND DEPRECIATION	6.0	*2.2%*	5.3	*2.0%*	*12.9%*	6.0	*2.2%*	5.3	*2.0%*	*12.9%*
AMORTIZATION AND DEPRECIATION IFRS16	3.7	*1.3%*	3.6	*1.3%*	*4.5%*	0.0	*0.0%*	0.0	*(0.0%)*	*(137.2%)*
EBIT	**48.0**	*17.2%*	**44.5**	*16.6%*	*7.9%*	**47.7**	*17.1%*	**44.1**	*16.5%*	*8.2%*
FINANCIAL EXPENSE AND (INCOME)	1.0	*0.4%*	0.7	*0.3%*	*41.2%*	1.0	*0.4%*	0.7	*0.3%*	*41.2%*
FINANCIAL EXPENSE IFRS16	0.7	*0.2%*	0.4	*0.2%*	*n.s.*	0.0	*(0.0%)*	0.0	*0.0%*	*n.s.*
FINANCIAL EXPENSE (INCOME) FROM SECURITIES	1.0	*0.4%*	0.0	*0.0%*	*n.s.*	1.0	*0.4%*	0.0	*0.0%*	*n.s.*
EXPENSE AND (INCOME) FROM INVESTMENTS	2.3	*0.8%*	1.7	*0.6%*	*35.2%*	2.3	*0.8%*	1.7	*0.6%*	*35.2%*
EBT	**43.0**	*15.4%*	**41.7**	*15.6%*	*3.2%*	**43.5**	*15.6%*	**41.7**	*15.6%*	*4.2%*
TAX EXPENSE AND (INCOME)	13.1	*4.7%*	12.3	*4.6%*	*6.4%*	13.1	*4.7%*	12.3	*4.6%*	*6.4%*
RESULT FROM CONTINUING OPERATIONS	**30.0**	*10.7%*	**29.4**	*11.0%*	*1.9%*	**30.4**	*10.9%*	**29.4**	*11.0%*	*3.2%*
ADJUSTED RESULT FROM DISCONTINUED OPE	**-5.0**	*(1.8%)*	**-197.9**	*(73.9%)*	*(97.5%)*	**-5.0**	*(1.8%)*	**-197.9**	*(73.9%)*	*(97.5%)*
NON-CONTROLLING INTERESTS	**0.0**	*(0.0%)*	**-0.5**	*(0.2%)*	*n.s.*	**0.0**	*(0.0%)*	**-0.5**	*(0.2%)*	*n.s.*
NET RESULT	**25.0**	*8.9%*	**-169.0**	*(63.1%)*	*n.s.*	**25.4**	*9.1%*	**-169.0**	*(63.1%)*	*n.s.*

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

** *In 2019, the "Adjusted result from discontinued operations" includes the net result recorded by Mondadori France in the current year, together with the recognition of the fair value adjustment of the discontinued group. 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 € 0.2 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 € 0.4 million in 9M 2019 and € -193.3 million in 9M 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 4

Group cash flow

€mn	9M 19 LTM	Dec. 18
NFP beginning of period incl. IFRS 16	**(318.2)**	**(189.2)**
Financial liabilities - application at 01.01.2019 of IFRS16	(108.9)	
NFP beginning of period excluding IFRS 16	**(209.3)**	**(189.2)**
Adjusted EBITDA (no IFRS16)	98.6	90.1
Change in NWC and provisions	(7.6)	(3.8)
Capex	(19.1)	(20.0)
Cash flow from operations	71.9	66.3
Financial expense	(1.4)	(2.9)
Tax	(18.1)	(7.9)
Ordinary CF from discontinued operations	10.3	15.3
Cash flow from ordinary operations	**62.7**	**70.9**
Restructuring costs	(7.4)	(11.3)
Extraordinary tax amounts / prior years	0.4	(1.2)
Management of investments in associates	(5.2)	(3.5)
Acquisition/disposal of assets	56.6	(9.5)
Extraordinary CF from discontinued operations	(4.6)	(3.4)
Other extraordinary cash inflows/outflows	(3.7)	
Cash flow from non-ordinary operations	36.2	(28.9)
Total Cash Flow	98.9	42.0
NFP end of period excluding IFRS 16	**(110.4)**	**(147.2)**
IFRS 16 effects for the period	9.8	
NFP end of period incl. IFRS 16	**(209.5)**	**(147.2)**

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Annex 5

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 nine months 2018, the following items were excluded from EBITDA:

a) restructuring costs for a total of € 6 million, included in "Cost of personnel" in the income statement;

b) expense of a non-ordinary nature totaling € 3.8 million, of which € 2.1 million attributable to loss from the disposal of investments recorded under "Other (income) expense", and mainly to legal advice fees recorded under "Cost of services".

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

a) restructuring costs for a total of € 3 million, included in "Cost of personnel" in the income statement;

b) expense of a non-ordinary nature totaling € 2 million, attributable to expense from corporate transactions for € 1.6 million, and management consulting for € 0.4 million, respectively recorded under "Other expense (income)" and "Cost of Services".

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: this represents the net result recorded by Mondadori France in the current year, together with the recognition of the *fair value* adjustment of the discontinued group.

This item also includes the financial expense of 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 non-ordinary 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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