INTERIM MANAGEMENT STATEMENT
AT 30 SEPTEMBER 2020

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 30 SEPTEMBER 2020

Arnoldo Mondadori Editore S.p.A.

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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
Alessandro Franzosi***
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*

**** Appointed Director, by co-optation, by resolution of the Board of Directors of 14 May 2020*

MONDADORI GROUP ORGANIZATION

ARNOLDO MONDADORI EDITORE S.P.A.

Books

- Mondadori Libri S.p.A. **100%**
  - Giulio Einaudi editore S.p.A. **100%**
    - Edizioni EL S.r.l. **50%**
  - Mondadori Education S.p.A. **100%**
  - Electa S.p.A. **100%**
  - Rizzoli Education S.p.A. **99.99%**
  - Mach 2 Libri S.p.A.* **44.91%**

Retail

- Mondadori Retail S.p.A. **100%**

Media

- AdKaora S.r.l. **100%**
- Mondadori International Business S.r.l. **100%**
- Attica Publications S.A. **41.98%**
- Press-di S.r.l. **100%**
- Mondadori Scienza S.p.A. **100%**
- Direct Channel S.p.A. **100%**
  - Mediamond S.p.A. **50%**
  - Mondadori Seec (Beijing) Advertising Co.Ltd **50%**

Other business

- Reworld Media **17.3%**
- Società Europea di Edizioni S.p.A. **18.445%**
- Monradio S.r.l. **20%**

Legend:

Subsidiary companies | Affiliated companies

As at 30 September 2020

* Put into liquidation

MONDADORI GROUP ORGANIZATION CHART

Marina Berlusconi*
Chairman

Ernesto Mauri*
Chief Executive Officer

Federico Angrisano — **Director of Communications and Media Relations**

Daniele Sacco — **Group HR and Organization Director**

Alessandro Franzosi* — **Group Chief Financial Officer**

Enrico Selva Coddè — **Managing Director of Mondadori Libri S.p.A. Trade area**

Antonio Porro — **Deputy Chairman and Managing Director of Mondadori Libri S.p.A.**

Carmine Perna — **Managing Director of Mondadori Retail S.p.A.**

Carlo Mandelli — **General Manager - Magazines Italy**

Andrea Santagata — **Chief Innovation Officer**

As at 30 September 2020

* Members of the Board of Directors

DIRECTORS' REPORT ON OPERATIONS
AT 30 SEPTEMBER 2020

MONDADORI GROUP HIGHLIGHTS IN FIRST NINE MONTHS 2020

(Euro/millions)	**9M 2020**	**9M 2019**	***Chg.***
Revenue	**541.9**	**658.9**	***(17.8%)***
Adj. EBITDA	**71.0**	**83.4**	***(12.4)***
% on revenue	*13.1%*	*12.7%*	
EBITDA	**65.1**	**78.4**	***(13.3)***
% on revenue	*12.0%*	*11.9%*	
EBIT	**28.9**	**50.2**	***(21.2)***
% on revenue	*5.3%*	*7.6%*	
Result from continuing operations	**18.0**	**25.4**	***(7.4)***
Group net result	**18.0**	**23.1**	***(5.1)***
Revenue	**541.9**	**658.9**	***(17.8%)***
Books	316.1	366.0	*(13.6%)*
Retail	102.0	126.6	*(19.4%)*
Media	144.1	191.2	*(24.7%)*
Corporate & Shared Services	33.2	28.7	*15.6%*
Intercompany	*(53.5)*	*(53.6)*	*(0.1%)*
Adj. EBITDA	**71.0**	**83.4**	***(12.4)***
Books	67.5	78.6	*(11.1)*
Retail	(0.5)	0.8	*(1.3)*
Media	3.2	5.5	*(2.3)*
Corporate & Shared Services	(0.4)	(0.5)	*0.1*
Intercompany	*1.2*	*(1.0)*	*2.2*
Group Equity	**187.4**	**165.9**	***21.4***
Net Financial Position before IFRS 16	**(82.3)**	**(110.4)**	***(25.4%)***
Net Financial Position after IFRS 16	**(170.4)**	**(209.5)**	***(18.7%)***
End-of-period headcount	**1,913**	**2,092**	***(8.6%)***

** Changes in this report were calculated on amounts expressed in Euro thousands*

MAIN ELEMENTS IN MONDADORI BUSINESS AREAS

The year 2020 was inevitably marked by the adverse effects of the health emergency brought by the spread of COVID-19.

In the first half of the year, in fact, the gradual and increasingly widespread application from March of restrictive measures to social and economic activities significantly curtailed most of the activities related to the businesses where Mondadori operates as a leader[1].

In order to address this situation, the Group has set up and implemented a series of actions aimed at ensuring conditions in total safety for its employees, encouraging smart working, and at allowing the continuation of activities and the **containment of operating costs**, with the aim of offsetting the operating and financial impact from the measures adopted by the authorities to contain the pandemic.

Against this backdrop, **the book market has shown solid resilience and a strong recovery**: following the gradual reopening of independent bookstores and chains, the segment has witnessed a steady recovery, **growing by 8.4%[2]** in the third quarter versus the same period of 2019, results that helped the market end with a loss at 30 September of only 3.8% versus the prior year[3].

As far as the Group is concerned, **the recovery has propelled the growth of the Trade** and **Retail** businesses, allowing them to partly regain revenue lost in the March-April period, and has injected fresh energy into the physical sales channels compared to the online stores (at end September, the market share of bookstores, chains and large retailers stood at approximately 60% versus 52% at June[4]).

School textbooks, on the other hand, managed to come out almost unharmed from the lockdown, since the period in which the restrictive measures were in force was concurrent to the promotional phase of the texts to be adopted and subsequently marketed during the summer period.

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[1] From 12 March up to the end of April, the adoption of government measures to contain the pandemic led to the closure of bookstores throughout Italy, with the resulting suspension of most of the activities related to the Group's Retail business. Parallel to that and over the same period, the Trade business had to tackle the shutdown of the physical channel for the marketing of its products and, consequently, could only rely on the online channel for the sale of books which, moreover, had to apply restrictions to the delivery of books arising from the need to prioritize the distribution of staple goods.
The emergency measures also led to the closure of museum sites, archaeological parks and relating bookstores across all Italian regions, with the resulting interruption of the Group's activities for managing museums and cultural heritage.
Lastly, the Media business too recorded declines following closure of part of the newsstands in Italy and the reduction of advertising investments.

[2] GFK, figures in terms of value, September 2020

[3] GFK, figures in terms of value, September 2020

[4] Internal estimate on GFK figures, September 2020

Conversely, the reopening procedures of museum and archaeological sites (restrictions on access, distancing, sanitation obligations) and the decline of tourist flows have represented **a major obstacle for the museum business** to see a similar recovery capable of countering and reversing the downward trend of the activities in progress.

As for the **Media** business, which had suffered in the first part of the year a sharp and sudden reduction in advertising investments that affected both the print and digital components, **the third quarter of the year saw a strong rebound in digital advertising sales**.

In light of the outlined context, the Group's operating and financial profile in the third quarter of the year is as follows:

- **revenue** amounted to **€ 253 million**, down by approximately 9% versus the same period of 2019 **(-8%** on a like-for-like basis), recovering strongly versus the first half of the year, despite the failed restart of the Group's activities that gravitate around the management of museums, exhibitions and cultural assets;

- **adjusted EBITDA** (including the IFRS 16 effect), amounting to **€ 60.0 million** versus **€ 61.6 million** of the prior year, was basically steady thanks to the positive effects of the actions taken by the Group to counter and contain costs;

- the **Group's Net Result** ended with a positive **€ 43.0 million**, **up by over 70%** versus the prior year, due partly to the write-back of Reworld Media shares held (€ 7.5 million) and the tax contribution from a tax receivable relating to the use of the "Patent box";

- **cash flow from ordinary operations** in the context of continuing operations over the last 12 months amounted to **€ 40.8 million** versus € 36.7 million at 30 June, confirming the **Group's quick response and the ability of the business to regularly generate cash,** even in a highly deteriorated context;

- **net debt (no IFRS 16)** stood at **€ -82.3 million,** improving sharply (**approximately +25%**) versus **€ -110.4** million at 30 September 2019. Including the effects of the application of IFRS 16, net debt stands at **€ -170.4 million**.

The gradual recovery of the business and the financial situation at the end of the third quarter, together with the Group's medium-term outlook, provide reasons to maintain a positive attitude towards future developments, albeit in an economic scenario that is inevitably marked by the ongoing health emergency, and to be confident overall in the Group's ability to continue to strengthen its capital and financial position.

COVID-19 FOCUS

Since 23 February 2020, the Group has taken immediate action to both implement all the preventive measures required to protect the health of its employees and associates, in accordance with the provisions of the Ministry of Health and in conjunction with the company health officer, and curb the impact of the health emergency on the operations and performance of the business areas.

These actions have been integrated by constantly monitoring the situation and providing updates on developments, also in order to guarantee the entire company population real-time access to information deemed essential for working safely.

Specifically, the Mondadori Group has:

i. set up a cross-functional **Crisis Committee**, including workers' representatives, which has been tasked with putting forward the necessary urgent measures and coordinating actions, taking account of the specific nature of each company area;

ii. promptly encouraged the use of **smart working**, enabling almost all workers to do so, with a physical presence only of staff tasked with monitoring the sites;

iii. published and made available to the entire company population a **Company Anti-Contagion Protocol**, containing the principles and rules adopted and to adopt;

iv. fitted itself with the necessary personal and corporate **protective equipment**, distributed face masks and sanitizers to the company population, and installed spray dispensers inside the premises. It has taken steps to sanitize the workplace in coordination with the company health officer, the relevant authorities, Safety Managers and Workers' Trade Union Representatives;

v. launched a **new Intranet platform** accessible from all devices, which has allowed employees and associates to engage seamlessly with the company even remotely;

vi. carried out, through workshops and online webinars, **training** on how to behave in order to carry out remote activities safely;

vii. introduced **new services for employees and associates**, including a website that is permanently accessible with all the necessary information, a dedicated email address to submit specific questions and requests, and psychological counseling desks both online and within the company;

viii. offered employees the possibility of taking advantage, during the period of social distancing, of a series of initiatives launched by the Group's publishing houses, bookstores and brands, including a year's free digital subscription to the Group's magazines and a temporary service that allows employees to purchase books from their home at the same conditions applied by the company bookstore;

ix. assessed the adequacy of the measures taken and their compliance with the principles of the **privacy** law.

With regard to the measures implemented, **disclosure** has been provided to the corporate control bodies and Internal Committees, also in order to receive guidance on the strategies to adopt, both in the initial phase of the health emergency and later.
It should be noted that the Group has started an analysis of the organization models and processes to make the most of the current experiences and use them to gain ongoing benefits in terms of efficiency of a number of adopted and planned solutions (e.g. digitization, computerization and smart working most of all).

On top of these actions, the Group has also adopted a series of measures to contain the impact on results from the health emergency (and its containment measures) and safeguard its operating and financial profile, specifically, it has:

i. taken steps to **contain and cut operating costs** also by renegotiating contracts and reviewing rates, with total savings estimated at **€ 13 million** for the entire year;
ii. implemented actions to reduce the cost of personnel, estimated at **approximately € 15 million** for the entire year, by using outstanding holidays and resorting to **social safety nets**, as well as resolving to reduce the **variable remuneration** of **Management** for 2020 and, lastly, **suspending remuneration and hiring policies**;
iii. placed particular emphasis on optimizing the **Group's working capital** (with specific actions on customers and suppliers);
iv. implemented a policy of **deferred payments** in favour of the book chains, independent and franchised bookstores of the Retail Area, aimed at safeguarding the strength of the distribution channels and **supporting the chain** in the Group’s area of operation.

Additionally, for the different business activities:

- in the **Trade** Area, the editorial programmes have been reshaped, with a plan to phase out "minor" titles and postpone the major ones to the last four months of the year;
- in the **Education** Area, actions have been taken to curb or eliminate the costs related to the stoppage and canceling of museum and archaeological park activities;
- in the **Media** Area, a strict policy has been adopted to reduce the production costs of the Group's various magazines, also by merging and re-calendaring the issues of various titles including *Grazia* and *Icon*, as well as reducing the number of pages;
- in the **Retail** Area, a plan has been implemented to reduce the overheads of the points of sale, to rationalize the units and to streamline the portfolio of points of sale, which envisages the opening of new locations and the closure of the more marginal ones.

CONSOLIDATED FINANCIAL HIGHLIGHTS OF THE FIRST NINE MONTHS

Euro/millions	9M 2020		9M 2019		% chg.
REVENUE	**541,9**		**658,9**		***(17,8%)***
INDUSTRIAL PRODUCT COST	159,6	*29,4%*	205,4	*31,2%*	*(22,3%)*
VARIABLE PRODUCT COSTS	72,4	*13,4%*	86,2	*13,1%*	*(16,0%)*
OTHER VARIABLE COSTS	105,4	*19,4%*	127,7	*19,4%*	*(17,5%)*
STRUCTURAL COSTS	35,8	*6,6%*	41,8	*6,3%*	*(14,2%)*
EXTENDED LABOUR COST	98,2	*18,1%*	114,7	*17,4%*	*(14,4%)*
OTHER EXPENSE (INCOME)	(0,5)	*(0,1%)*	(0,3)	*(0,0%)*	*50,7%*
ADJUSTED EBITDA	**71,0**	***13,1%***	**83,4**	***12,7%***	***(14,9%)***
RESTRUCTURING COSTS	2,7	*0,5%*	3,0	*0,5%*	*(9,0%)*
EXTRAORDINARY EXPENSE (INCOME)	3,2	*0,6%*	2,0	*0,3%*	*55,7%*
EBITDA	**65,1**	***12,0%***	**78,4**	***11,9%***	***(16,9%)***
AMORTIZATION AND DEPRECIATION	25,4	*4,7%*	17,1	*2,6%*	*48,4%*
AMORTIZATION AND DEPRECIATION IFRS 16	10,8	*2,0%*	11,1	*1,7%*	*(2,7%)*
EBIT	**28,9**	***5,3%***	**50,2**	***7,6%***	***(42,4%)***
FINANCIAL EXPENSE (INCOME)	3,2	*0,6%*	0,6	*0,1%*	*402,2%*
FINANCIAL EXPENSE IFRS 16	1,9	*0,3%*	1,7	*0,3%*	*9,8%*
FINANCIAL EXPENSE (INCOME) FROM SECURITIES VALUATION	(0,9)	*(0,2%)*	1,0	*0,2%*	*(186,1%)*
EXPENSE (INCOME) FROM INVESTMENTS	5,1	*0,9%*	5,3	*0,8%*	*(3,5%)*
EBT	**19,6**	***3,6%***	**41,5**	***6,3%***	***(52,8%)***
TAX EXPENSE (INCOME)	1,6	*0,3%*	16,1	*2,4%*	*(90,1%)*
RESULT FROM CONTINUING OPERATIONS	**18,0**	***3,3%***	**25,4**	***3,9%***	***(29,3%)***
RESULT FROM DISCONTINUED OR DISCONTINUING OPERATIONS	0,0	*0,0%*	1,1	*0,2%*	*(100,0%)*
NET RESULT FOR THE PERIOD (GROUP AND NON-CONTROLLING INTER	**18,0**	***3,3%***	**24,3**	***3,7%***	***(26,0%)***
MINORITIES	(0,0)	*(0,0%)*	1,2	*0,2%*	*(100,2%)*
GROUP NET RESULT	**18,0**	***3,3%***	**23,1**	***3,5%***	***(22,1%)***

The item *Extended Labour Cost* includes costs for collaborations and temporary employment.

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

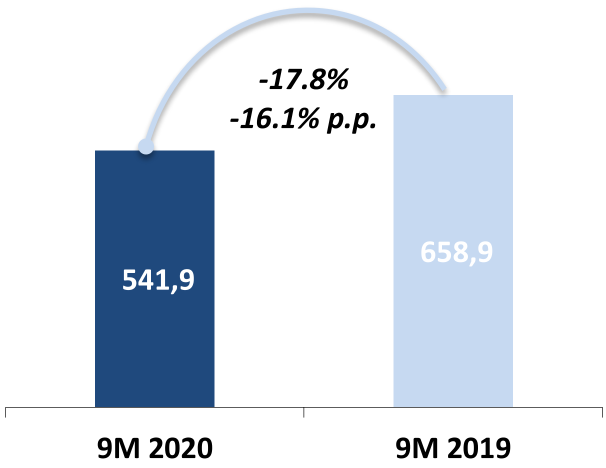
REVENUE

Consolidated revenue in first nine months 2020 amounted to **€ 541.9 million**, down by approximately 18% versus € 658.9 million in the prior year.

Net of the change in the scope of consolidation of the Media Area from the disposal of the titles and websites of *Sale&Pepe*, *Cucina Moderna*, *Starbene*, *Tu Style* and *Confidenze*, **revenue fell by approximately -16%, due basically to the effects of COVID-19**.

In the **Books** Area, revenue fell by approximately **14%**, due mainly to the sharp drop in activities gravitating around the management of museums and cultural heritage, while the **Retail** Area dropped by 19.4%, attributable mostly to the suspension of bookstore sales activities throughout the country during the lockdown period.

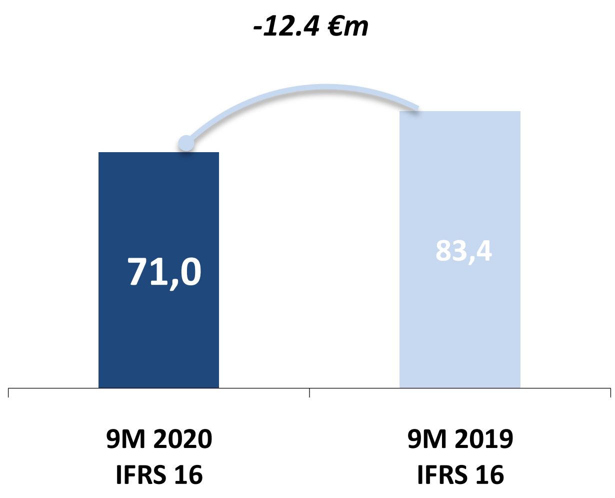
In the **Media** Area, revenue was down by **19.1%**on a like-for-like basis, reporting a sharp decline in advertising sales for print titles.

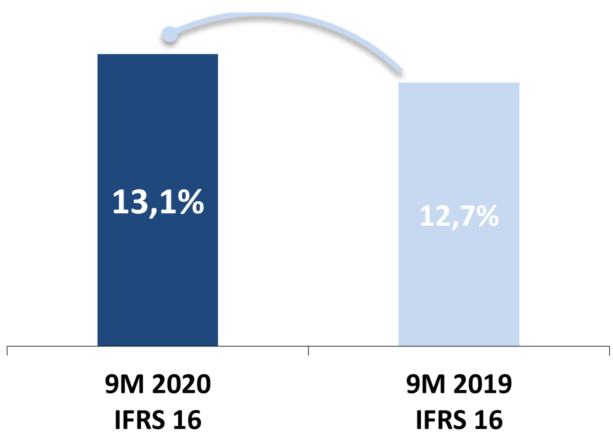


Revenue by Business Area			
(Euro/millions)	**9M 2020**	**9M 2019**	***% chg.***
Books	316,1	366,0	*(13,6%)*
Retail	102,0	126,6	*(19,4%)*
Media	144,1	191,2	*(24,7%)*
Corporate & Shared Services	33,2	28,7	*15,6%*
Total aggregate revenue	**595,4**	**712,5**	***(16,4%)***
Intercompany	(53,5)	(53,6)	*(0,1%)*
Total consolidated revenue	**541,9**	**658,9**	***(17,8%)***

EBITDA

Adjusted EBITDA in the period amounted to **€ 71.0 million**, down by **€ -12.4 million** versus the first nine months of 2019 (€ 83.4 million); **this positive performance, the** result of a trend in the **third quarter basically in line with the prior year, reflects the significant effects of the quick response and countermeasures taken by the Group to tackle the consequences of COVID-19, which curbed the drop in revenue and reduced operating costs by approximately € 45 million**.





More specifically, the various business segments achieved the following results:

- the **Books** Area fell by **€ 11.1 million**, due mainly to the reduction in activities linked to the management of museums and cultural heritage;

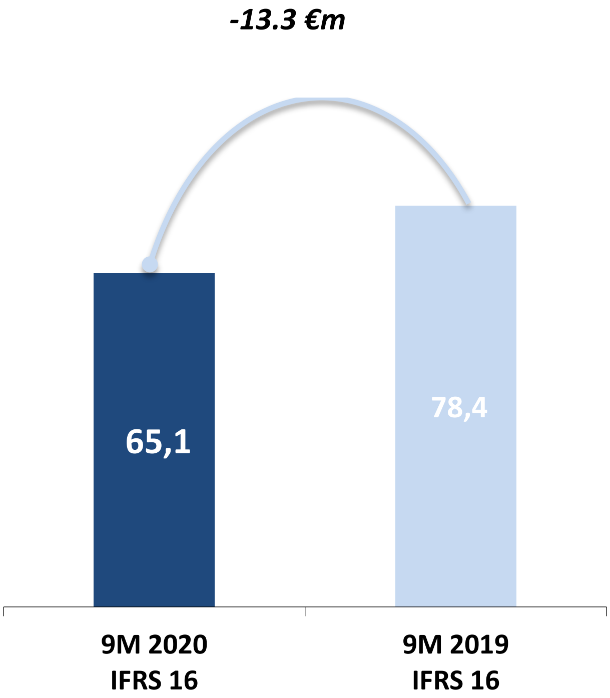
ADJ EBITDA by business area			
(Euro/millions)	**9M 2020**	**9M 2019**	***% chg.***
Books	67,5	78,6	*(14,1%)*
Retail	(0,5)	0,8	*n.s.*
Media	3,2	5,5	*(41,3%)*
Corporate & Shared Services	(0,4)	(0,5)	*n.s.*
Intercompany	1,2	(1,0)	*n.s.*
Total ADJUSTED EBITDA	**71,0**	**83,4**	***(14,9%)***
EBITDA margin %	***13,1%***	***12,7%***	

- the **Retail** Area declined by **€ 1.3 million**, improving versus the trend recorded in the first half of the year;
- the **Media** Area dropped by **€ 2.3 million**, a marked improvement in performance versus the first half of the year.

Special mention should be made of **profitability,** equal to **13.1%**, higher than the prior year and proof of the effectiveness of the operational efforts made by the Group.

EBITDA amounted to **€ 65.1 million** versus € 78.4 million in the prior year, in line with the mentioned dynamics.

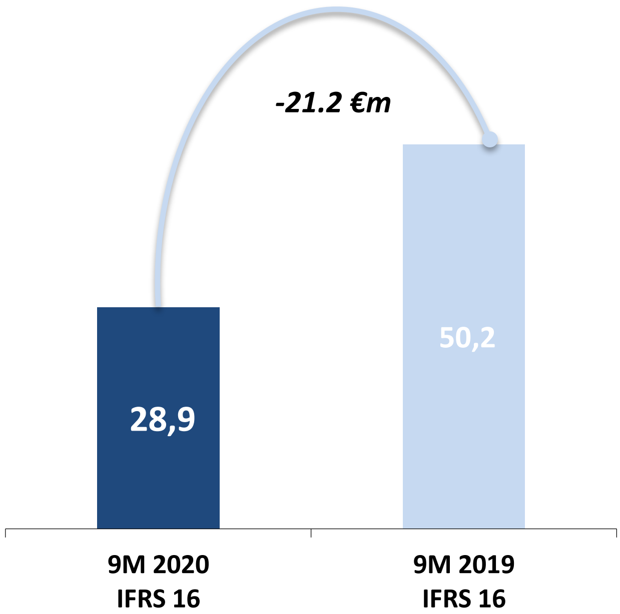
In the period under review, restructuring costs amounted to € 2.7 million (€ -0.3 million versus 30 September 2019), while extraordinary expense amounted to € 3.2 million (up by € 1.2 million versus the first nine months of 2019, due mainly to a provision of € 1.6 million relating to an IMU tax dispute).



EBITDA by Business Area			
(Euro/millions)	**9M 2020**	**9M 2019**	***Chg.***
Books	66,4	78,1	*-11,7*
Retail	(2,4)	0,5	*-2,9*
Media	1,8	2,6	*-0,8*
Corporate & Shared Services	(1,9)	(1,8)	*-0,1*
Intercompany	1,2	(1,0)	*2,2*
Total EBITDA	**65,1**	**78,4**	***(13,3)***

EBIT

EBIT at 30 September 2020 amounted to **€ 28.9 million**, down by € 21.2 million versus 30 September 2019, due mainly to the trend of the abovementioned components and the start of the amortization process of *TV Sorrisi e Canzoni* (€ 2.0 million) and the concurrent write-down of the title and the goodwill of several other titles for a total of € 5.8 million.



EBIT by Business Area			
(Euro/millions)	**9M 2020**	**9M 2019**	***Chg.***
Books	55,8	68,5	*-12,7*
Retail	(9,4)	(7,3)	*-2,1*
Media	(9,5)	(1,4)	*-8,1*
Corporate & Shared Services	(9,1)	(8,6)	*-0,5*
Intercompany	1,2	(1,0)	*2,2*
Total consolidated EBIT	**28,9**	**50,2**	***(21,2)***

CONSOLIDATED RESULT BEFORE TAX

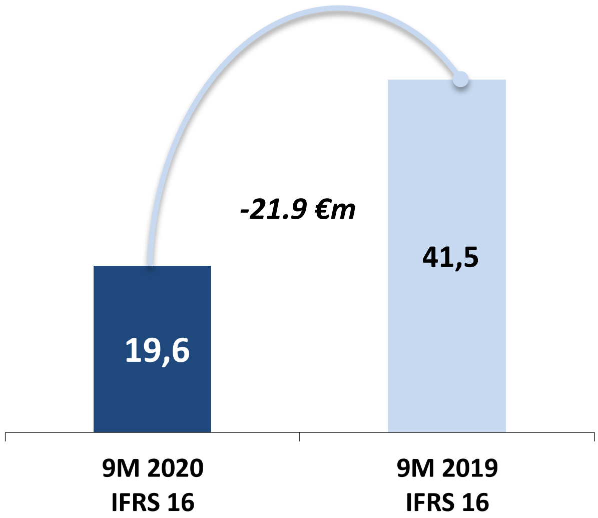
Consolidated profit before tax amounted to **€ 19.6 million** versus € 41.5 million in first nine months 2019.

In addition to the above, the drop was affected also by the greater financial expense (from **€ 0.6 million** to **€ 3.2 million**) from the recognition of two positive components in 2019:

- a gain from the adjustment of the amortized cost pursuant to IFRS 9;
- a substitute tax refund.

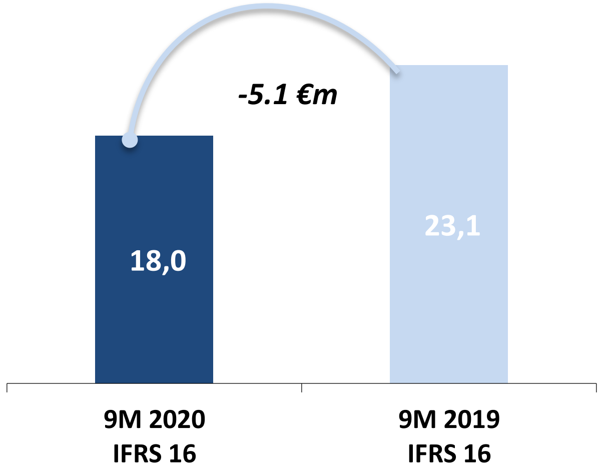
The adjustment of the investment in **Reworld Media** to the stock market price at 30 September 2020 (share price from € 2.75 at 31 December 2019 to € 2.85) resulted, unlike the first half of the year, in a gain of **€ 0.9 million**.

The result of the associates (consolidated at equity) in the period saw a loss of **€ 5.1 million**, basically in line with the first nine months of 2019.



NET RESULT

The **Group's net profit**, after minority interests, came to **€ 18 million** versus **€ 23.1 million** in first nine months 2019 (which also included € 1.1 million from the discontinued operations of Mondadori France), **a sharp upswing** versus the result of the first half of the year.



This positive performance stems also from a significantly lower tax burden in the period versus the prior year (€ 1.6 million versus € 16.1 million), as a result of the tax receivable from the use of the "Patent box".

FINANCIAL RESULTS

Euro/millions	set-20	set-19	% chg.
TRADE RECEIVABLES	231,4	269,1	*(14,0%)*
INVENTORY	125,6	133,0	*(5,6%)*
TRADE PAYABLES	246,2	282,0	*(12,7%)*
OTHER ASSETS (LIABILITIES)	(6,0)	(19,3)	*(68,7%)*
NET WORKING CAPITAL	**104,8**	**100,8**	***4,0%***
INTANGIBLE ASSETS	210,5	223,5	*(5,8%)*
PROPERTY, PLANT AND EQUIPMENT	17,5	17,1	*2,1%*
INVESTMENTS	21,6	28,7	*(24,5%)*
NET FIXED ASSETS WITH NO RIGHTS OF USE IFRS 16	**249,7**	**269,3**	***(7,3%)***
ASSETS FROM RIGHTS OF USE IFRS 16	85,0	97,8	*(13,1%)*
NET FIXED ASSETS WITH RIGHTS OF USE IFRS 16	**334,7**	**367,1**	***(8,8%)***
PROVISIONS FOR RISKS	49,1	57,7	*(14,9%)*
POST-EMPLOYMENT BENEFITS	32,7	34,7	*(5,8%)*
PROVISIONS	**81,8**	**92,4**	***(11,5%)***
NET INVESTED CAPITAL	**357,7**	**375,5**	***(4,7%)***
SHARE CAPITAL	68,0	68,0	*0,0%*
RESERVES	101,3	74,9	*35,3%*
PROFIT (LOSS) FOR THE PERIOD	18,0	23,1	*(22,0%)*
GROUP EQUITY	**187,3**	**165,9**	***12,9%***
NON-CONTROLLING INTERESTS' EQUITY	0,1	0,0	*673,1%*
EQUITY	**187,4**	**165,9**	***12,9%***
NET FINANCIAL POSITION NO IFRS 16	82,3	110,4	*(25,4%)*
NET FINANCIAL POSITION IFRS 16	88,0	99,1	*(11,1%)*
NET FINANCIAL POSITION	**170,4**	**209,5**	***(18,7%)***
SOURCES	**357,7**	**375,5**	***(4,7%)***

The Group's **Net Invested Capital** at 30 September 2020 amounted to **€ 357.7 million**, down slightly (approximately -5%) versus € 375.5 million at 30 September 2019.

The **Net Working Capital** amounted to **€ 104.8 million,** up by **4%** versus the prior year.

Net Fixed Assets amounted to **€ 334.7 million** versus € 367.1 million and decreased as a result of the reduction in assets from rights of use consistent with the life cycle of the contracts.

Consolidated equity increased by € 21.4 million, due to the Group's positive net result.

The Net Financial Position before IFRS 16 at 30 September 2020 amounted to **€ -82.3 million**, **down sharply** versus **€ -110.4 million** at 30 September 2019, due to cash generated over the last 12 months.

The **IFRS 16 Net Financial Position** stood at **€ -170.4 million** and includes the impact of the recording of the financial payable of **€ 88 million** from the application of IFRS 16.

CONSOLIDATED FINANCIAL HIGHLIGHTS IN 3° QUARTER

Euro/millions	Q3 2020		Q3 2019		% chg.
REVENUE	**253,0**		**279,0**		***(9,3%)***
INDUSTRIAL PRODUCT COST	74,8	*29,6%*	84,0	*30,1%*	*(11,0%)*
VARIABLE PRODUCT COSTS	29,5	*11,7%*	31,6	*11,3%*	*(6,6%)*
OTHER VARIABLE COSTS	44,6	*17,6%*	53,2	*19,1%*	*(16,1%)*
STRUCTURAL COSTS	11,6	*4,6%*	13,7	*4,9%*	*(15,0%)*
EXTENDED LABOUR COST	32,7	*12,9%*	35,4	*12,7%*	*(7,6%)*
OTHER EXPENSE (INCOME)	(0,3)	*(0,1%)*	(0,5)	*(0,2%)*	*n.s.*
ADJUSTED EBITDA	**60,0**	***23,7%***	**61,6**	***22,1%***	***(2,5%)***
RESTRUCTURING COSTS	1,1	*0,4%*	1,8	*0,7%*	*(40,4%)*
EXTRAORDINARY EXPENSE (INCOME)	2,3	*0,9%*	2,0	*0,7%*	*13,4%*
EBITDA	**56,7**	***22,4%***	**57,8**	***20,7%***	***(1,9%)***
AMORTIZATION AND DEPRECIATION	7,1	*2,8%*	6,0	*2,2%*	*18,0%*
AMORTIZATION AND DEPRECIATION IFRS 16	3,5	*1,4%*	3,7	*1,3%*	*(7,1%)*
EBIT	**46,1**	***18,2%***	**48,0**	***17,2%***	***(4,0%)***
FINANCIAL EXPENSE (INCOME)	0,8	*0,3%*	1,0	*0,4%*	*(17,6%)*
FINANCIAL EXPENSE IFRS 16	0,6	*0,2%*	0,7	*0,2%*	*(15,0%)*
FINANCIAL EXPENSE (INCOME) FROM SECURITIES VALUATION	(7,5)	*(3,0%)*	1,0	*0,4%*	*n.m.*
EXPENSE (INCOME) FROM INVESTMENTS	1,8	*0,7%*	2,3	*0,8%*	*(24,3%)*
EBT	**50,4**	***19,9%***	**43,1**	***15,4%***	***17,2%***
TAX EXPENSE (INCOME)	7,4	*2,9%*	13,1	*4,7%*	*(43,0%)*
RESULT FROM CONTINUING OPERATIONS	**43,0**	***17,0%***	**30,0**	***10,8%***	***43,3%***
RESULT FROM DISCONTINUED OR DISCONTINUING OPERATIONS	0,0	*0,0%*	5,0	*1,8%*	*(100,0%)*
NET RESULT FOR THE PERIOD (GROUP AND NON-CONTROLLING INTERESTS)	**43,0**	***17,0%***	**25,0**	***9,0%***	***71,9%***
MINORITIES	0,0	*0,0%*	0,0	*0,0%*	*(97,6%)*
GROUP NET RESULT	**43,0**	***17,0%***	**25,0**	***8,9%***	***72,2%***

The item *Extended Labour Cost* includes costs for collaborations and temporary employment.

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

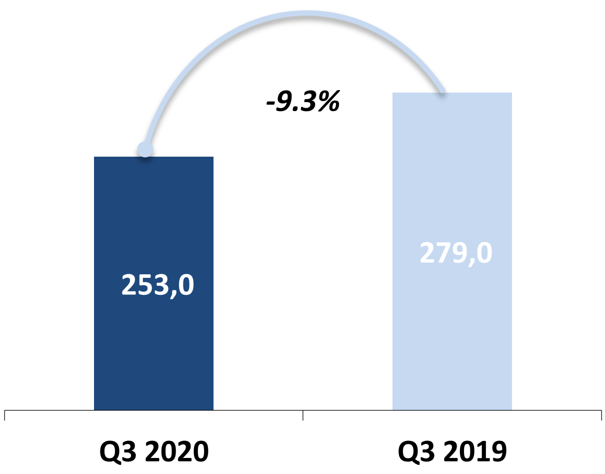
REVENUE

Consolidated revenue in 3° quarter 2020 amounted to **€ 253 million** (€ 279 million in the prior year), **down by 9.3% but rebounding strongly versus the trend of the first half of the year (-24%)**, which was marked to a great extent by the pandemic. Net of the discontinuity from the titles sold at end 2019, the drop would amount to 8%.

Revenue in the **Books** Area was **down by 7%**, but **recovering sharply** from the -21% drop in first half 2020, as the **recovery in the Trade segment**, whose revenue grew by 13% in the third quarter, and the **positive performance of the adoption campaign for School textbooks** only partly offset the negative trend in museum activities.

Revenue in the **Retail** Area decreased by approximately **5%**, recovering however from -27.5% in the first half of the year, a period impacted by the closure of bookstores for roughly two months, thanks to the recovery recorded by the book market from May.

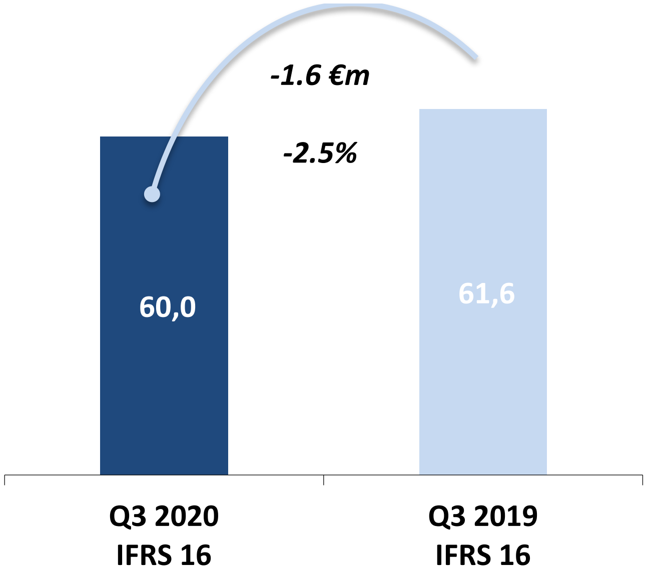
Revenue in the **Media** Area posted a **20%** loss, or approximately 14% on a like-for-like basis in terms of titles, with digital activities on a strong upswing, up on a like-for-like basis by approximately 7% during the quarter.



Revenue by Business Area			
(Euro/millions)	**Q3 2020**	**Q3 2019**	***% chg.***
Books	170,2	182,2	*(6,6%)*
Retail	43,0	45,2	*(4,8%)*
Media	48,3	60,4	*(19,9%)*
Corporate & Shared Services	11,1	9,6	*15,8%*
Total aggregate revenue	**272,7**	**297,3**	***(8,3%)***
Intercompany	(19,7)	(18,4)	*7,1%*
Total consolidated revenue	**253,0**	**279,0**	***(9,3%)***

EBITDA

Adjusted EBITDA in the period came to **€ 60.0 million**, **steady all in all** versus third quarter 2019 (€ 61.6 million), despite the significant reduction from the interruption of the Group's activities in the management of museums, exhibitions and cultural heritage, thanks to the **targeted measures to support activities and contain costs implemented by the Group across all business areas**. Mention should be made in this regard to the **strong improvement in margins** in the quarter under review, thanks to the above measures, which rose to **23.7%** in 2020 from 22.1% in 2019.

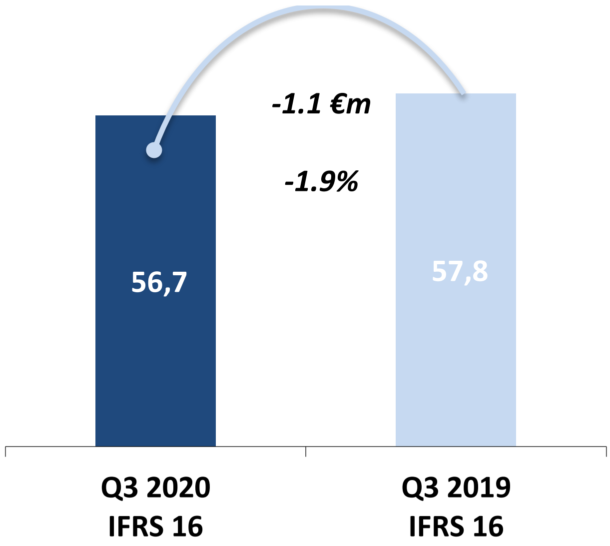


More specifically:

- the **Books** Area posted a result in the period that was € 5.8 million lower than the same quarter of the prior year, due largely to the difficulties reported by the museum business;
- the **Retail** Area, on the other hand, saw its **performance increase by € 0.8 million** versus third quarter 2019, thanks to the cost saving plan and the rationalization of the store and product portfolio;
- the **Media** Area also recorded a **significant improvement in margins**, equal to **€ 2.7 million** (from € -1.4 to +1.2 million), thanks to the careful cost containment policy.

ADJUSTED EBITDA by Business Area			
(Euro/millions)	**Q3 2020**	**Q3 2019**	***% chg.***
Books	56,5	62,4	*(9,4%)*
Retail	2,3	1,4	*58,3%*
Media	1,2	(1,4)	*n.s.*
Corporate & Shared Services	(0,2)	0,2	*n.s.*
Intercompany	0,2	(1,0)	*n.s.*
Total ADJUSTED EBITDA	**60,0**	**61,6**	***(2,5%)***
EBITDA margin %	***23,7%***	***22,1%***	

Reported **EBITDA**, in line all in all with last year's figure, dropped from € 57.8 million to **€ 56.7 million**. Special mention should be made of the improvement reported in the period under review by the Media Area, which benefited from lower extraordinary expense versus third quarter 2019.



EBITDA by Business Area			
(Euro/millions)	**Q3 2020**	**Q3 2019**	***Chg.***
Books	56,1	62,3	*-6,2*
Retail	0,9	1,3	*-0,4*
Media	0,1	(3,8)	*3,9*
Corporate & Shared Services	(0,7)	(1,0)	*0,4*
Intercompany	0,2	(1,0)	*1,2*
Total EBITDA	**56,7**	**57,8**	***(1,1)***

Consolidated EBIT in 2020 amounted to € 46.1 million (€ 48 million in the prior year), while **consolidated pre-tax profit** came to € 50.4 million, up by **17.2%** versus third quarter 2019, thanks to the write-back of the investment in Reworld Media following the increase in the share price from € 1.98 on 30 June to € 2.85 on 30 September.

Consolidated net profit, after minority interests, **came to approximately € 43 million**, **up by 72.2%** versus 30 September 2019, due also to the above "Patent box" tax receivable recorded in the quarter.

PERFORMANCE BY BUSINESS AREA

(Euro/millions)	REVENUE		ADJUSTED EBITDA		EBITDA		AMORTIZATION, DEPRECIATION AND WRITE-DOWNS		EBIT	
	9M 2020	**9M 2019**	**9M 2020**	**9M 2019**	**9M 2020**	**9M 2019**	**9M 2020**	**9M 2019**	**9M 2020**	**9M 2019**
Books	316,1	366,0	67,5	78,6	66,4	78,1	(10,7)	(9,6)	55,8	68,5
Retail	102,0	126,6	(0,5)	0,8	(2,4)	0,5	(7,0)	(7,8)	(9,4)	(7,3)
Media	144,1	191,2	3,2	5,5	1,8	2,6	(11,3)	(4,0)	(9,5)	(1,4)
Corporate & Shared Services	33,2	28,7	(0,4)	(0,5)	(1,9)	(1,8)	(7,2)	(6,8)	(9,1)	(8,6)
Intercompany	(53,5)	(53,6)	1,2	(1,0)	1,2	(1,0)	0,0	0,0	1,2	(1,0)
TOTAL	**541,9**	**658,9**	**71,0**	**83,4**	**65,1**	**78,4**	**(36,2)**	**(28,2)**	**28,9**	**50,2**

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*, *Frassinelli*, *Rizzoli*, *BUR*, *Fabbri Editori*, *Rizzoli Lizard* and *Mondadori Electa*.

In the **Educational** segment, the Mondadori Group operates in the Italian school textbooks, legal and, to a lesser extent, 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, which produce textbooks, courses, teaching tools and multimedia content for every school level, from primary school to the first and second-level secondary schools.

The publishing house publishes Electa-branded titles in the Art and Architecture areas, including exhibition catalogues, museum guides and sponsor books. In December 2019, Electa completed the acquisition of *Abscondita*, a Milan-based art literature publishing house.

The Group is also active in the United States through the publishing house Rizzoli International Publications under the brands *Rizzoli*, *Rizzoli New York*, *Rizzoli Electa* and *Universe* and with the *Rizzoli Bookstore* located in New York.

Relevant market performance

Owing to the COVID-19 emergency and the relating health measures adopted (total closure of the physical sales channel - bookstores and chains - with restrictions also on sales in the e-commerce channel), at the end of the first half, the Trade Books market lost 10.1% in terms of value versus 2019, the result of a reduction generated mainly in March (-29.2%) and April (-45.8%).

The strong growth witnessed in the third quarter **(+8.4% versus third quarter 2019)** enabled the market to post a strong recovery, reducing the drop versus the same period of the prior year at 30 September to -3.8%.

As for the different **product** categories of the segment, **hardcovers**, which make for approximately 82.1% of the market, fell by -4.1%, still partly affected by the postponement of new products whose publication was originally planned in the lockdown period, while **paperbacks** dropped at a more moderate pace (-2.3%).

Against this backdrop, the Mondadori Group retained its undisputed leadership position with a **24.6%** market share.

Trade Market shares	30 September 2020	30 September 2019
Mondadori Group	**24.6%**	**25.5%**
GeMS Group	11.2%	10.5%
Giunti Group	7.8%	8.8%
Feltrinelli	5.2%	5.5%
Other publishers	51.2%	49.7%

Source: GFK, September 2020 (in terms of value)

In the first 9 months, the Group placed **3 titles in the top ten bestsellers** in terms of value[5]:*"La misura del tempo"* by G. Carofiglio (Einaudi), "*Come un respiro"* by F. Ozpetek and *"Sfida il Signor S con Luì e Sofì"* by Me contro Te.

#	Title	Author	Publisher
1	L' enigma della camera 622	Dicker Joël	LA NAVE DI TESEO
2	Riccardino	Camilleri Andrea	SELLERIO EDITORE PALERMO
3	Il colibrì	Veronesi Sandro	LA NAVE DI TESEO
4	Cambiare l'acqua ai fiori	Perrin Valérie	E/O
5	Le storie del mistero	Lyon Gamer	MAGAZZINI SALANI
6	I Leoni di Sicilia. La saga dei Florio	Auci Stefania	NORD
7	**La misura del tempo**	**Carofiglio Gianrico**	**EINAUDI**
8	Ah l'amore l'amore	Manzini Antonio	SELLERIO EDITORE PALERMO
8	**Come un respiro**	**Ozpetek Ferzan**	**MONDADORI**
10	**Sfida il Signor S con Luì e Sofì**	**Me contro Te**	**MONDADORI ELECTA**

In September and October, which saw the publication by the Group's publishing houses of a number of titles by best-selling authors, Mondadori placed the new work by **Ken Follett in first place** and a total of **7 titles in the top twenty** bestsellers in terms of value[6].

#	Title	Author	Publisher
1	**Fu sera e fu mattina**	**Follett Ken**	MONDADORI
2	M. L'uomo della provvidenza	Scurati Antonio	BOMPIANI
3	Cambiare l'acqua ai fiori	Perrin Valérie	E/O
4	Midnight sun	Meyer Stephenie	FAZI
5	Helgoland	Rovelli Carlo	ADELPHI
6	Della gentilezza e del coraggio. Breviario di politica e altre cose	Carofiglio Gianrico	FELTRINELLI
7	**Troppo freddo per Settembre**	**De Giovanni Maurizio**	**EINAUDI**
8	L' enigma della camera 622	Dicker Joël	LA NAVE DI TESEO
9	La casa sull'argine. La saga della famiglia Casadio	Raimondi Daniela	NORD
10	**A riveder le stelle. Dante, il poeta che inventò l'Italia**	**Cazzullo Aldo**	**MONDADORI**
11	**Come un respiro**	**Ozpetek Ferzan**	**MONDADORI**
12	Il colibrì	Veronesi Sandro	LA NAVE DI TESEO
13	Scheletri	Zerocalcare	BAO PUBLISHING

5 *GFK, September 2020 (ranking in terms of cover value)*

6 *GFK, Week 36-43 2020 (ranking in terms of cover value)*

14	**Il falco**	**Casati Modignani Sveva**	**SPERLING & KUPFER**
15	Riccardino	Camilleri Andrea	SELLERIO EDITORE PALERMO
16	I Leoni di Sicilia. La saga dei Florio	Auci Stefania	NORD
17	**Fratelli per caso. La storia dei Q4**	**Lazzari Diego, Galli Tancredi, Rottaro Gianmarco**	**RIZZOLI**
18	Il quaderno dell'amore perduto	Perrin Valérie	NORD
19	Una grande storia d'amore	Tamaro Susanna	SOLFERINO
20	**La morte è il mio mestiere**	**Connelly Michael**	PIEMME

In the school textbooks segment, mostly unscathed by the effects of the pandemic, the Mondadori Group's publishing houses achieved **a higher market share** than in the prior year, confirming the positive results of the adoption campaign in 2020.

Education Market Shares	30 September 2020	30 September 2019
Mondadori Group	**22.1%**	**21.7%**
Zanichelli	23.2%	22.8%
Pearson	13.8%	13.8%
De Agostini	10.7%	10.7%
Other publishers	30.2%	31.0%

AIE, October 2020 (sections adopted, provisional figures)

Conversely, the **museum** segment had its operations severely impacted by the closure of sites and exhibitions owing to the measures to contain the pandemic, and by the virtual collapse of tourist travel also throughout the summer season.

Performance of the Books Area

Books *(Euro/millions)*	***9M 2020***	***9M 2019***	***Chg.***	***% chg.***
Revenue	316,1	366,0	*(49,9)*	*(13,6%)*
Adj. EBITDA	67,5	78,6	*(11,1)*	*(14,1%)*
EBITDA	66,4	78,1	*(11,7)*	*(14,9%)*
EBIT	55,8	68,5	*(12,7)*	*(18,6%)*

Revenue

(Euro/millions) Books Revenue	9M 2020	9M 2019	% chg.
Total TRADE	**144.1**	**154.6**	***(6.8%)***
Education	137.3	150.6	*(8.8%)*
Mondadori Electa (incl. Abscondita)	7.7	30.5	*(74.6%)*
Rizzoli International Publications	22.7	24.8	*(8.7%)*
Intercompany	*(0.3)*	*(0.2)*	*64.9%*
Total EDUCATIONAL	**167.4**	**205.7**	***(18.6%)***
Distribution and other services	4.7	5.7	*(18.6%)*
Total revenue	**316.1**	**366.0**	***(13.6%)***

** 9M 2019 restated following the spin-off of Electa's Trade books BU, incorporated as from 1 January 2020 in the Trade books segment.*

Revenue in first nine months 2020 amounted to **€ 316.1 million** (€ 366.0 million in first nine months 2019).

Trade Books Revenue: revenue in the first nine months amounted to € 144.1 million (€ 154.6 million in 2019), down by -6.8% versus the prior year, due to the effects of the COVID-19 health emergency. In the third quarter, revenue amounted to € 58.3 million, up by 13% versus the same period of 2019, confirming the post lockdown recovery, due partly to the shift in the launch of a number of new titles following the reprogramming and revision of the publishing plan.

Despite the challenging period, the ***Hardcover*** segment saw the publication by all the Group's publishing houses of works by most of the top authors. Specifically:

- **Mondadori**: the recent "*Fu sera e fu mattina*" by K. Follett, "*Come un respiro*" by F. Ozpetek, *"L'ultima storia"* by J. Grisham, *"Baci da Polignano"* by L. Bianchini; in non-fiction, the new release by A. Cazzullo *"A riveder le stelle"* and in the Young Adults segment *"Ballata dell'usignolo e del serpente. Hunger Games"* by S. Collins;
- **Einaudi**: "*L'inverno più nero*" by C. Lucarelli, *"La salita dei saponari"* by C. Cassar Scalia, *"Breviario per un confuso presente"* by C. Augias, *"I valori che contano"* by D. De Silva, "*Olive, ancora lei*" by E. Strout and "*Oriente e Occidente. Massa e individuo*" by F. Rampini;
- **Piemme**: "*La fiamma nel buio*" by M. Connelly, the first of the two new thrillers expected in the year, and "*Quel che affidiamo al vento*" by L. Imai Messina; in the Children's segment, the publisher retains its prominent position with the titles by *Geronimo Stilton*;
- **Sperling & Kupfer:** "*Se scorre il sangue*" and "*The Outsider*" by S. King and "*La magia del ritorno*" by N. Sparks;
- **Rizzoli**: "*Una lettera per Sara*" by M. De Giovanni, in addition to the young youtubers Q4 with "*Fratelli per caso*";

- **Mondadori Electa**: with Me contro Te, the publications of “*Sfida il signor S con Luì e Sofì”*, the *Diario 2020-2021* and the *MiniFantafiabe* for younger readers; plus *“Supereroi per caso”* by Mates.

Educational Revenue

At 30 September 2020, revenue in the segment amounted to **€ 167.4 million**, **down by 18.6%** versus the same period of 2019 (€ 205.7 million), on a like-for-like basis, i.e. net of the spin-off in December 2019 of Electa's trade books BU, sold to Mondadori Libri S.p.A. as from 1 January 2020. The reduction is attributable mainly to the museum segment with the difficulties mentioned earlier.

- **School textbooks**: the school textbooks business recorded total revenue of € 137.3 million, down by 8.8% versus the prior year (€ 150.6 million), due to the lower number of adoptions recorded by the market in the new school year as a result of the pandemic and due partly to a delay in supply by a number of distributors.

- **Electa**: revenue in first nine months 2020 totaled € 7.7 million versus € 30.5 million in the prior year, down by almost 75%; from early March, the business suffered the impact of the COVID-19 health emergency and the extraordinary measures introduced by the authorities to contain the spread, which resulted in the cancellation, early closure or postponement of scheduled exhibitions and the suspension of scheduled events. Mention should be made that from January this year, the scope of the segment also includes revenue from the Abscondita art books publishing house, controlled by Electa.
- **Rizzoli International Publications** recorded revenue of € 22.7 million in the first half (-8.7% versus the same period of 2019); the reduction in turnover is attributable to the impact of the pandemic, which affected both the publishing house's revenue dynamics - despite the positive trend in e-commerce sales of catalogue titles - and the sales of the New York bookstore, which closed in mid-March and reopened on 13 July.

E-books and audiobooks

Revenue from e-book and audiobook sales, which accounts for approximately **8.6% of total publishing revenue**, was up sharply in the lockdown period, closing the first nine months of the year with a 29% increase versus the prior year. Listening hours of the audiobook catalogue jumped by over 80% versus 2019, while downloads of e-books increased by 27%.

The main e-book titles in the first nine months were “*La misura del tempo*” by G. Carofiglio (Einaudi), “*Come un respiro*” by F. Ozpetek (Mondadori), *“Fu sera e fu mattina”* by K. Follett (Mondadori), “*La fiamma nel buio*” by M. Connelly (Piemme), and “*Una lettera per Sara*” by M. de Giovanni (Rizzoli). During the year, Mondadori Libri published new digital titles, increasing its catalogue to over 26,400 e-book titles. The most popular audiobook titles were *“I pilastri della terra”* and *“La colonna di Fuoco”* by Ken Follett.

EBITDA

Adjusted EBITDA in the Books Area amounted to **€ 67.5 million** versus € 78.6 million in 2019, a reduction attributable mainly to the negative trend in revenue from museum activities resulting from the closure or postponement of planned events.

Reported EBITDA amounted to **€ 66.4 million** versus € 78.1 million at 30 September 2019, in line with the abovementioned dynamics.

EBIT amounted to **€ 55.8 million** versus € 68.5 million in nine months 2019.

RETAIL

The Mondadori Group operates in Italy with a network of 555 stores:

Stores	Sept. 2020	Dec. 2019	Sept. 2019	*Chg. yoy*
Directly-managed bookstores	35	35	34	*+1*
Franchised bookstores[7]	520	540	548	*-28*
Total	**555**	**575**	**582**	***-27***

The number of points of sale versus September 2019 fell by a net of 27 bookstores (due in particular to the closure of small franchises), attributable to the rationalization strategy on the portfolio of stores.

Directly-managed stores, instead, increased by 1 unit following the opening of the Limbiate store in January 2020.

Further openings of both directly-managed and franchised stores are expected in the last quarter of the year.

The physical points of sale are completed by the online channel www.mondadoristore.it.

Relevant market performance

The Book market (which makes for **over 80%** of the Retail Division's revenue[8]) posted a more moderate decline in the first nine months versus the same period of the prior year **(-3.8%**[9]).

Mention should be made that the period in question was negatively impacted by the urgent measures to contain the spread, which led to the closure of physical bookstores throughout the country from 12 March 2020 until the first days of May.

The months following the reopening of bookstores were **particularly vibrant** for the book market, which **grew by 9.6%** in the period from June to September. Against this backdrop, Mondadori Retail's **market share** stood at **11.7%** versus **13.2%** at 30 September 2019, a fall attributable to the fact that the business unit during the lockdown period was only able to operate through its online sales activities.

[7] Smaller network due to the closure of stores mainly under the Point brand name
[8] Product revenue excluding Club revenue
[9] GFK, September 2020 (in terms of value)

Performance of the Retail Area

Retail *(Euro/millions)*	***9M 2020***	***9M 2019***	***Chg.***	***% chg.***
Revenue	102,0	126,6	*(24,5)*	*(19,4%)*
Adj. EBITDA	(0,5)	0,8	*(1,3)*	*n.m.*
EBITDA	(2,4)	0,5	*(2,9)*	*n.m.*
EBIT	(9,4)	(7,3)	*(2,1)*	*n.m.*

Revenue

In the first nine months, the Retail Area recorded revenue of € 102.0 million, down (**by approximately -19%**) versus the same period of the prior year, due to the "anti COVID-19" measures mentioned earlier.

In the **third quarter**, Mondadori Retail recorded an **excellent performance**: the **decline in revenue** versus the same period of the prior year amounted to **-4.8%** (-27.5% in first half), **driven by the strong recovery in book sales**, which were basically equal to the same period of 2019 (**-0.6%**).

In the third quarter, in terms of sales channel, franchises performed well, directly-managed stores improved their results, and **online** grew further (+48.8% in the first nine months), accounting for approximately **15% of total revenue** at 30 September 2020.

The revenue trend by channel is as follows:

Revenue - Retail (Euro/millions)	**9M 2020**	**9M 2019**	***% chg.***
Directly-managed bookstores	29.7	47.0	*(36.7%)*
Franchised bookstores	46.9	58.2	*(19.4%)*
Online	15.0	10.1	*48.8%*
Stores	**91.7**	**115.3**	***(20.5%)***
Book clubs and other	10.3	11.3	*(8.4%)*
Total revenue	**102.0**	**126.6**	***(19.4%)***

As far as the product categories are concerned:

- **Books**, the main item of revenue (**over 80% of total**), were down by **-14.8%** versus 2019, but recovering sharply after the end of the lockdown;
- **Extra-Books** posted a decline (with the Game and Stationery, Technology and Media categories losing over 40%), due not only to the health emergency, but also to the strategic decision to increase focus more on the book product.

EBITDA

Despite the steep drop in revenue of € -24.6 million, **in the first nine months Mondadori Retail managed to curb the reduction in adjusted EBITDA to only € -1.3 million**: **IFRS 16 adjusted EBITDA** amounted to **€ -0.5 million** versus **€ +0.8 million** in the same period of 2019.

A result achieved thanks to careful cost management and a deep organizational and process revision carried out in the second half of 2019 and continued even during the harshest period of the health emergency.

With the exception of the lockdown months, Mondadori showed a **steady improvement in profitability** throughout the year: in the months before lockdown, adjusted EBITDA for the period was € 0.3 million higher than in the same period of 2019, while in the following months (June-September) the improvement amounted to € 1.6 million.

In the **third quarter** in particular, adjusted EBITDA **increased by € 0.9 million** from € 1.4 million to € 2.3 million in the current year.

Reported EBITDA amounted to **€ -2.4 million** (**€ +0.5 million** at 30 September 2019) due to extraordinary items.

IFRS 16 EBIT amounted to **€ -9.4 million** (versus **€ -7.3 million** at 30 September 2019).

MEDIA

As from 1 January 2020, all the activities referring to Mondadori Group magazines and websites, as well as the investments in the Magazines Italy Area, were transferred to Mondadori Media S.p.A. (100% owned by Arnoldo Mondadori Editore S.p.A.).

More specifically, the business unit transferred to Mondadori Media S.p.A. comprises:

- the print+digital magazines and relating shared services;

- the subsidiaries Direct Channel S.p.A. (100%), Press-di Distribuzione Stampa e Multimedia S.r.l. (100%), Adkaora S.r.l. (100%), Mondadori Scienza S.p.A. (100%) and the subsidiaries Mediamond (50%), Attica Publications S.A. (41.98%) and Mondadori Seec (Beijing) Advertising Co. Ltd (50%), publisher of the magazine *Grazia* in China.

Relevant market performance

The performance of the relevant markets at August 2020 shows the following trends:

- the **advertising market** posted an overall decline of **-22.0%**; all channels were down, heavily affected by the impact of the COVID-19 health emergency: **digital -9.2%**, **TV -17.5%**, **newspapers -20.6%**, **radio -31.2%** and **magazines -40.1%**[10]. The digital segment alone recorded a remarkable turnaround in July and August, **up by approximately 24%** versus the same two-month period of 2019;
- the **magazines circulation market** declined by **-12.8%**.
- the **add-ons market** fell by **-3.7%**[11].

Mondadori's market share (in magazine circulation) stood at **24.0%** (versus 25.2% in 2019 on a like-for-like basis, net of the disposal of *Sale&Pepe*, *Cucina Moderna*, *Starbene*, *Tu Style* and *Confidenze*)[12];

Performance of the Media Area

Media *(Euro/millions)*	**9M 2020**	**9M 2019**	**Chg.**	**% chg.**
Revenue	144,1	191,2	*(47,1)*	*(24,7%)*
Adj. EBITDA	3,2	5,5	*(2,3)*	*(41,3%)*
EBITDA	1,8	2,6	*(0,8)*	*(31,6%)*
EBIT	(9,5)	(1,4)	*(8,1)*	*n.m.*

[10] Nielsen, cumulative figures at August 2020
[11] Internal source: Press-di, figures at August 2020 (newsstands + subscriptions channel) in terms of value
[12] Internal source: Press-di, figures at August 2020 (newsstands + subscriptions channel) in terms of value

Revenue

The Media Area recorded revenue of **€ 144.1 million** in first nine months 2020 (approximately**-24.7%** versus € 191.2 million in 2019); net of the disposal in December 2019 of the abovementioned titles and related websites, the decrease is equal to **-19.1%**. In the third quarter, the drop was -19.9% (**-14% on a like-for-like basis),** with **digital activities** on a strong upswing, **up** on a like-for-like basis by approximately **7%** in the quarter.

Media *(Euro/millions)*	**9M 2020**	**9M 2019**	***% chg.***
Circulation	56.5	75.0	*(24.7%)*
Add-on sales	23.8	30.4	*(21.6%)*
Advertising	33.9	53.5	*(36.7%)*
Distribution/Other revenue	29.9	32.3	*(7.6%)*
Total revenue	**144.1**	**191.2**	***(24.7%)***

In detail:

- **Circulation** revenue (newsstands + subscriptions) was down by **approximately -25%**, due to both the disposal of the abovementioned five titles and the impact of COVID-19; net of the discontinuity, the decline would be approximately -15%.
- Revenue from **add-on products** (DVDs, CDs, gifts and books), sold in attachment to Mondadori magazines, was down by approximately **-22%** versus 2019, also due to a different scheduling of planned releases, which were postponed to the last quarter of the year; net of the disposal of the five titles, the decline would be 20%.
- **Advertising** revenue was down by a total of **approximately -37%**; this is the form of revenue most affected by the ongoing health emergency, which led to the cancellation of an important event such as the *Salone del Mobile* and lower customer interest in proximity marketing solutions (AdKaora).
  Net of scope discontinuities, the decline would be -32%.
  In the third quarter, against the persisting decline in sales linked to print media, revenue from digital advertising sales – as already mentioned - **grew by over 7%**.
  A point worth mentioning is that digital revenue on total advertising revenue now accounts for **56%** (from 40% in 2019) of the total.
- Other revenue, which includes revenue from distribution activities, was down by **-7.6%** versus the prior year, reflecting both the performance of the circulation market and the drop in royalties generated by the international editions of *Grazia* (in particular the Chinese edition of the magazine).

In October, Mondadori signed a licensing agreement with Pantheon Media Group LLC (PMG), a New York-based media company, to launch *Grazia* in the United States, which will be developed through a global multi-channel platform with digital, video and social content, adding print editions from September 2021.

In terms of digital activities, mention should be made that in the period under review, the Mondadori Group retained its position as the leading multimedia publisher in Italy, on the web with an 81% reach (32.4 million unique users in August)[13] and in social media with an aggregate fan base of 34.5 million spread across 105 social profiles[14].

EBITDA

Adjusted EBITDA in the Media Area amounted to **€ 3.2 million**, down by approximately € 2 million versus the first nine months of 2019 (€ 5.5 million).

The sharp drop in revenue was alleviated by the effective measures to contain operating costs, which curbed their negative impact on profitability. In the third quarter, Mondadori Media recorded adjusted EBITDA of € +1.2 million, improving significantly versus the result in the same period of 2019 (€ -1.4 million) thanks to the positive trend of digital advertising, the partial recovery of add-on sales, and the abovementioned cost containment measures.

Reported EBITDA amounted to **€ 1.8 million** versus € 2.6 million in 2019.

EBIT amounted to **€ -9.5 million** versus € -1.4 million, due mainly to the start of the amortization process of *TV Sorrisi e Canzoni* (€ 2.0 million) and the concurrent write-down of the title and of the goodwill of other titles for a total of € 5.8 million.

[13] Comscore (August 2020)
[14] Shareablee and internal processing (September 2020)

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 comes mainly from services provided to subsidiaries and associates, which include from 1 January 2020 Mondadori Media S.p.A., which absorbed the activities of the Magazines Area.

Adjusted EBITDA of the Area amounted to **€ -0.4 million** (€ -0.5 million in 2019).
Including non-ordinary items, **EBITDA** amounted to **€ -1.9 million,** basically steady versus the prior year.
EBIT of the Area amounted to **€ -9.1 million** (€ -8.6 million in 2019).

Corporate & Shared Services				
(Euro/millions)	***9M 2020***	***9M 2019***	***Chg.***	**% chg.**
Revenue	33,2	28,7	*4,5*	*15,6%*
Adj. EBITDA	(0,4)	(0,5)	*0,1*	*n.m.*
EBITDA	(1,9)	(1,8)	*(0,1)*	*n.m.*
EBIT	(9,1)	(8,6)	*(0,5)*	*n.m.*

BALANCE SHEET

The **Mondadori Group's Net Financial Position, excluding the impact of IFRS 16**, stood at **€ -82.3 million** at 30 September 2020, improving significantly by approximately 25% (€ +28 million) versus € -110.4 million at September 2019.

Net financial position *(Euro/millions)*	**30-set-20**	**30-set-19**	**31-dic-19**
Cash and cash equivalents	30,5	5,3	44,2
Assets (liabilities) from derivative financial instruments	(0,9)	(1,5)	(1,0)
Other financial assets (liabilities)	34,3	17,7	126,7
Loans (short and medium/long term)	(146,2)	(131,9)	(129,5)
Held-for-sale financial assets (liabilities)	0,0	0,0	0,0
Net Financial Position no IFRS 16	**(82,3)**	**(110,4)**	**40,4**
Financial payables IFRS 16	(88,0)	(99,1)	(95,9)
Total Net Financial Position	**(170,4)**	**(209,5)**	**(55,4)**

IFRS 16 NFP stood at **€ -170.4 million** and includes the IFRS 16 impact of € -88.0 million; the improvement versus September 2019 is approximately € 40 million.

The overall credit lines available to the Group at 30 September 2020 amounted to € 564.1 million, of which € 317.5 million committed.

The Group’s short-term loans, totaling € 246.6 million, € 29.7 million of which drawn down at 30 September 2020, include overdraft credit lines on current accounts, advances subject to collection and "hot money" lines.

The pool loan, with a residual amount of € 317.5 million at 30 September, is made up as follows:

(Euro/millions)	**Bank pool**		**Of which: unutilized**	**Of which: with interest rate hedge**
Term Loan A	117.5	(1)	-	78.3
RCF	100.0	(2)	100.0	-
Acquisition Line C	100.0	(3)	100.0	
Total loans	**317.5**		**200.0**	**78.3**

(1) Maturity dates: € 22.5 million December 2020, € 27.5 million December 2021, € 67.5 million December 2022
(2) Bullet loan, coming to maturity in December 2022
(3) Bullet loan, coming to maturity in December 2022, the availability period ends in December 2020.

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

	LTM	
Euro/millions	set-20	DEC. 2019
INITIAL NFP IFRS 16	**(209,3)**	**(255,9)**
FINANCIAL LIABILITIES APPLICATION OF IFRS 16	(98,9)	(107,9)
INITIAL NFP NO IFRS 16	**(110,4)**	**(148,0)**
ADJUSTED EBITDA (NO IFRS 16)	82,4	94,5
NWC AND PROVISIONS	(3,2)	(5,4)
CAPEX NO IFRS 16	(21,6)	(18,4)
CASH FLOW FROM OPERATIONS	**57,6**	**70,8**
FINANCIAL INCOME (EXPENSE) NO IFRS 16	(3,8)	(1,6)
TAX	(13,1)	(20,729)
CASH FLOW FROM ORDINARY OPERATIONS CONTINUING OPERATIONS	**40,8**	**48,4**
CF FROM ORDINARY OPERATIONS DISCONTINUED OR DISCONTINUING OPERATIONS	0,7	1,8
CASH FLOW FROM ORDINARY OPERATIONS	**41,5**	**50,3**
RESTRUCTURING COSTS	(6,7)	(5,4)
SHARE CAPITAL INCREASE/DIVIDENDS NON CONTROLLING INTERESTS AND ASSOCIATES	(3,5)	(7,4)
PURCHASES/DISPOSALS	(2,6)	58,4
OTHER	(0,6)	(1,1)
CF EXTRAORDINARY OPERATIONS DISCONTINUED OR DISCONTINUING OPERATIONS	0,0	(3,0)
CASH FLOW FROM EXTRAORDINARY OPERATIONS	**(13,4)**	**41,5**
TOTAL CASH FLOW	**28,1**	**91,8**
NET FINANCIAL POSITION NO IFRS 16	**(82,3)**	**(56,2)**
IFRS 16 EFFECTS IN THE PERIOD	10,8	12,8
FINAL NET FINANCIAL POSITION	**(170,4)**	**(151,3)**

Cash generation over the last 12 months is structured as follows.

Cash flow from ordinary operations closes with a positive € 40.8 million, **net of the contribution of discontinued operations**, and includes approximately € 57.6 million from operations in the context of continuing operations, deducting tax and financial expense for a total of approximately € 17 million; cash flow from operations is the result of **operating income of approximately € 82 million**, capital expenditure for approximately € 22 million and net working capital dynamics (including provisions) for approximately € -3 million, attributable mainly to the trend of NWC in the Media and Trade Books areas.

The effects of COVID-19 on cash flow generation derive mainly from lower revenue from directly-managed Retail stores and museum and bookshop activities.

Cash flow from ordinary operations in the context of discontinued operations contributed € 0.7 million.

Cash flow from non-ordinary operations came to € 13.4 million net of discontinued operations and includes mainly:

- outlays for **restructuring costs** of **€ 6.7 million**;
- recapitalization of the associate **SEE** for **€ 4.2 million**;

Euro/millions	set-20	set-19	% chg.
TRADE RECEIVABLES	231,4	269,1	*(14,0%)*
INVENTORY	125,6	133,0	*(5,6%)*
TRADE PAYABLES	246,2	282,0	*(12,7%)*
OTHER ASSETS (LIABILITIES)	(6,0)	(19,3)	*(68,7%)*
NET WORKING CAPITAL	**104,8**	**100,8**	***4,0%***
INTANGIBLE ASSETS	210,5	223,5	*(5,8%)*
PROPERTY, PLANT AND EQUIPMENT	17,5	17,1	*2,1%*
INVESTMENTS	21,6	28,7	*(24,5%)*
NET FIXED ASSETS WITH NO RIGHTS OF USE IFRS 16	**249,7**	**269,3**	***(7,3%)***
ASSETS FROM RIGHTS OF USE IFRS 16	85,0	97,8	*(13,1%)*
NET FIXED ASSETS WITH RIGHTS OF USE IFRS 16	**334,7**	**367,1**	***(8,8%)***
PROVISIONS FOR RISKS	49,1	57,7	*(14,9%)*
POST-EMPLOYMENT BENEFITS	32,7	34,7	*(5,8%)*
PROVISIONS	**81,8**	**92,4**	***(11,5%)***
NET INVESTED CAPITAL	**357,7**	**375,5**	***(4,7%)***
SHARE CAPITAL	68,0	68,0	*0,0%*
RESERVES	101,3	74,9	*35,3%*
PROFIT (LOSS) FOR THE PERIOD	18,0	23,1	*(22,0%)*
GROUP EQUITY	**187,3**	**165,9**	***12,9%***
NON-CONTROLLING INTERESTS' EQUITY	0,1	0,0	*673,1%*
EQUITY	**187,4**	**165,9**	***12,9%***
NET FINANCIAL POSITION NO IFRS 16	82,3	110,4	*(25,4%)*
NET FINANCIAL POSITION IFRS 16	88,0	99,1	*(11,1%)*
NET FINANCIAL POSITION	**170,4**	**209,5**	***(18,7%)***
SOURCES	**357,7**	**375,5**	***(4,7%)***

Trend of key balance sheet figures versus 30 September 2019:

- the trend of **trade receivables** is consistent with the drop in revenue due to the effects of COVID-19;
- **inventory** decreased by € 7.4 million, due to lower purchases made in the Retail Area and the products of third-party publishers distributed in the Educational Area;
- **trade payables** decreased due to lower purchases in the period;
- **other assets and liabilities** decreased by € 13.3 million, from € 19.3 million to € 6 million, due to higher advances paid to authors for works to be published in future years, the tax receivable from the "Patent box" and lower payables to personnel and social security institutions as a result of the reduction in the amount of holidays not taken and the use of social safety nets;
- **intangible assets** decreased, as a result of the amortization process underway and the impairment of certain titles recorded in first nine months 2020;

- **assets from rights of use**, marked in the last twelve months by few changes in number and duration of lease contracts, decreased owing to amortization;
- **investments** decreased, due mainly to the disposal of 50% of the stake held in the share capital of SEE and to the poor results recorded by associates in the last twelve months;
- **provisions** decreased, as a result mainly of the settlement of a number of legal disputes; **post-employment benefits** decreased, in line with the reduction in the workforce recorded in September 2020.

PERSONNEL

Group employees with a fixed-term or permanent labour contract amounted to **1,913 units, down by approximately 9%** versus 2,092 units at 30 September 2019, due mainly to the disposal of the five titles in the Media Area (in December 2019) and the efficiency measures that continued across all the business areas.

Group Employees at 30 September:

Headcount	**30 September 2020**	**30 September 2019**
Arnoldo Mondadori Editore S.p.A.	278	897
Italian subsidiaries	1,589	1,141
Foreign subsidiaries	46	54
Total	**1,913**	**2,092**

As from 1 January 2020, all the resources referring to Arnoldo Mondadori Editore S.p.A. magazines were transferred to Mondadori Media S.p.A., wholly owned by Arnoldo Mondadori Editore S.p.A.; in January 2020, the Group also announced the completion of the outsourcing of the IT Factory BU.

Headcount by Business Area	**30 September 2020**	**30 September 2019**	***% chg.***
Books	639	651	*(1.8%)*
Retail	343	367	*(6.5%)*
Media	581	654	*(11.2%)*
Corporate & Shared Services	350	420	*(16.7%)*
Total	**1,913**	**2,092**	***(8.6%)***

In the **Books** Area, the number of employees was down slightly versus 2019.

The decrease in the **Retail** Area reflects the measures aimed at achieving greater structural efficiency.

The trend recorded by the **Media** Area also reflects the disposal of the five titles (in December 2019), net of which the reduction in workforce would be -3%.

The workforce in the **Corporate & Shared Services** Area decreased by **approximately -17%**, due to the outsourcing of the IT Factory BU (in January 2020), net of which the reduction would be approximately 9%.

Cost of personnel[15] amounted to **€ 98.2 million**, **down by approximately 14%** versus the first nine months of the prior year (-10% on a like-for-like basis), due also to the use of outstanding holidays and social safety nets, as well as the reduction in variable pay.

Euro/millions	**30 June 2020**	**30 June 2019**	***% chg.***
Extended Labour Cost (before restructuring)	**98.2**	114.7	*(14.4%)*

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

SIGNIFICANT EVENTS IN THE REPORTING PERIOD

DISPOSAL TO PBF S.R.L. OF 50% OF THE INVESTMENT HELD IN SOCIETÀ EUROPEA DI EDIZIONI S.P.A.

On 18 March 2020, Arnoldo Mondadori Editore S.p.A. announced the disposal to PBF S.r.l. of 50% of its investment in the associate Società Europea di Edizioni S.p.A.. Following this transaction, Arnoldo Mondadori Editore S.p.A.'s investment in the share capital of Società Europea di Edizioni S.p.A., publisher of *Il Giornale*, drops to 18.445%.

RESIGNATION OF ODDONE POZZI AS CFO AND FINANCIAL REPORTING MANAGER ON 3 JUNE 2020

On 20 March 2020, the Mondadori Group announced the resignation of Oddone Pozzi from the position of Group Director of Finance, Procurement, Legal Affairs, IT and Logistics, of Financial Reporting Manager, and from all of the directorships held both in the parent company Arnoldo Mondadori Editore S.p.A. (as Executive Director) and in the other companies of the Group. In order to ensure the activities regarding the Shareholders' Meeting called for the approval of the financial statements at 31 December 2019 and the approval of the Interim Management Statement at 31 March 2020, the resignation from the position of Group Director and Financial Reporting Manager took effect from 3 June 2020, while the resignation from the various directorships took effect from 22 April 2020, after the Shareholders' Meeting.

ALESSANDRO FRANZOSI CHIEF FINANCIAL OFFICER FROM 4 JUNE 2020

On 23 March 2020, the Mondadori Group announced that Alessandro Franzosi would take on the position of Chief Financial Officer from 4 June. Franzosi was previously Corporate Finance and Business Development Director of Fininvest S.p.A..

PURCHASE OF TREASURY SHARES

On 1 June 2020, the Mondadori Group announced the start of a share buyback plan - under Article 5 of Regulation (EU) no. 596/2014 - on the Electronic Stock Market (MTA) to provide the Company with 543,232 shares to service the Incentive Plan named “2020-2022 Performance Share Plan” approved by the Shareholders' Meeting on 22 April 2020, and to service the continuation of the “2019-2021 Performance Share Plan” and the “2018-2020 Performance Share Plan".

On 8 June 2020, the Company announced the purchase, in the period from 1 to 5 June, of 465,000 ordinary shares (equal to 0.178% of the share capital), at an average unit price of € 1.0856 for a total amount of € 504,789.99.

On 15 June 2020, the Company announced the purchase, on 8 June, of 85,000 ordinary shares (equal to 0.033% of the share capital), at an average unit price of € 1.1689 for a total amount of € 99,356.50.

At 30 September 2020, Arnoldo Mondadori Editore S.p.A. held 1,838,326 treasury shares, equal to 0.703% of the share capital and 0.459% of total voting rights.

SIGNIFICANT EVENTS AFTER 30 SEPTEMBER 2020

On 14 October 2020, the Mondadori Group sold 8.5% of the share capital of Reworld Media. As a result of the transaction, the stake held is now 7.8%.

On 20 October 2020, the Mondadori Group completed the disposal of 25% of the share capital of Stile Italia Edizioni S.r.l. to La Verità, which already held the remaining 75%.

OTHER INFORMATION

Adhesion to the legislative simplification process adopted by CONSOB resolution no. 18079 of 20 January 2012. Disclosure pursuant to Article 70, paragraph 8, and Article 71, paragraph 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 Article 3 of CONSOB Resolution no. 18079 of January 20, 2012 and in relation to the provisions set out in Article 70, paragraph 8, and Article 71, paragraph 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 nine months 2019, the following items were excluded from EBITDA:

a) Restructuring costs for a total amount of € 3.0 million, included in "Cost of personnel" in the income statement;

b) expense of a non-ordinary nature for a total of € 2.0 million, € 0.6 million of which under service costs and € 1.5 million under miscellaneous expense (income).

With regard to adjusted EBITDA in first nine months 2020, the following items were excluded from EBITDA:

a) Restructuring costs for a total amount of € 2.7 million, included in "Cost of personnel" in the income statement;

b) income of a non-ordinary nature of € 0.1 million under miscellaneous expense (income) and expense of a non-ordinary nature for a total of € 3.3 million, € 0.7 million of which under service costs and € 2.6 million under miscellaneous expense (income).

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: 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 **positive performance recorded in the third quarter by all the Group's businesses**, despite the **caution inevitably brought by the scenario of uncertainty arising from the pandemic** and the potential impact on the Christmas season, increases confidence on exceeding the targets set by the Group when it had approved the half-year results.

- **Revenue and EBITDA**

With revenue confirmed to fall as expected between 16% and 18% in the year in progress versus 2019 - current estimates on (adjusted) EBITDA show **margins in the upper part of the previously forecast range, therefore equal to 12%**, the result of the following trends that are expected to mark the Business Units:

- **Trade Books: market on the upswing and profitability holding ground;**
- **School Textbooks: steady market and profitability basically steady;**
- **Museums**: the business model and the cost-cutting measures aim at a **substantial operating breakeven**, despite the **drastic drop in revenue**;
- **Retail**: **book market and physical channels on the upswing**; the deep organizational and process review and the rationalization strategy on the portfolio of stores are expected to **help profitability recover**;
- **Media**: digital advertising market **on the upswing and a positive, albeit declining, profitability**.

- **Cash Flow and Net Financial Position**

Additionally, with regard to the Group's financial debt, one can reasonably expect the **positive cash generation of the business** to continue over the final months of the current year which, together with a **lower estimate of restructuring requirements**, will allow the Group to **significantly reduce the Net Financial Position** at end 2020 versus the prior year.

For the Board of Directors

The Chairman

Marina Berlusconi

The Financial Reporting Manager – Alessandro Franzosi - hereby declares, pursuant to Article 154 bis, paragraph 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

Alessandro Franzosi

Condensed Consolidated Financial Statements at 30 September 2020

Consolidated balance sheet

Assets (Euro/thousands)	**30/09/2020**	**31/12/2019**
Intangible assets	**210,543**	**220,349**
Investment property	**-**	**-**
Land and buildings	2,336	2,437
Plant and equipment	2,960	2,971
Other tangible assets	12,206	12,532
Property, plant and equipment	**17,502**	**17,940**
Assets from rights of use	**85,036**	**93,939**
Equity-accounted investees	21,192	27,715
Other investments	435	435
Total investments	**21,627**	**28,150**
Non-current financial assets	11,001	12,569
Pre-paid tax assets	51,245	54,891
Other non-current assets	1,715	1,400
Total non-current assets	**398,669**	**429,238**
Tax receivables	7,241	10,002
Other current assets	87,521	82,964
Inventory	125,594	120,784
Trade receivables	231,434	222,687
Other current financial assets	24,788	24,541
Cash and cash equivalents	30,481	44,211
Total current assets	**507,059**	**505,189**
Discontinued operations	**-**	**-**
Total assets	**905,728**	**934,427**

Consolidated balance sheet

Liabilities (Euro/thousands)	**30/09/2020**	**31/12/2019**
Share capital	67,979	67,979
Share premium reserve	-	-
Treasury shares	(2,771)	(4,940)
Other reserves and profit/(loss) carried forward	104,056	78,793
Profit (loss) for the period	18,014	28,200
Group equity	**187,278**	**170,032**
Share capital and reserves attributable to non-controlling interests	73	9
Total equity	**187,351**	**170,041**
Provisions	49,072	55,110
Post-employment benefits	32,693	33,364
Non-current financial liabilities	94,365	93,541
Financial liabilities IFRS 16	75,629	82,777
Deferred tax liabilities	34,627	38,174
Other non-current liabilities	-	-
Total non-current liabilities	**286,386**	**302,966**
Income tax payables	1,755	8,208
Other current liabilities	117,381	123,608
Trade payables	246,202	273,341
Payables to banks and other financial liabilities	54,240	43,189
Financial liabilities IFRS 16	12,413	13,074
Total current liabilities	**431,991**	**461,420**
Discontinued liabilities	-	-
Total liabilities	**905,728**	**934,427**

Consolidated income statement

(Euro/thousands)	- 30 September 2020	- 30 September 2019
Revenue from sales and services	**541,907**	**658,964**
Decrease (increase) in inventory	(6,232)	(3,105)
Cost of raw and ancillary materials, consumables and goods	91,105	122,178
Cost of services	291,357	347,057
Cost of personnel	93,465	108,401
Other (income) expense	7,102	6,047
EBITDA	**65,110**	**78,386**
Depreciation and impairment loss on property, plant and equipment	3,129	3,256
Depreciation of assets from rights of use	10,819	11,128
Amortization and impairment loss on intangible assets	22,243	13,838
EBIT	**28,919**	**50,164**
Financial expense (income)	4,214	4,904
Expense (income) from investments	5,110	5,327
Profit (loss) before tax	**19,595**	**39,933**
Income tax	1,583	16,064
Result from continuing operations	**18,012**	**23,869**
Result from discontinued operations	-	433
Net result	**18,012**	**24,302**
Attributable to:		
- Non-controlling interests	**(2)**	**1,202**
- Parent Company shareholders	**18,014**	**23,100**
Earnings per share of continuing operations (expressed in Euro units)	0.070	0.092
Diluted earnings per share of continuing operations (expressed in Euro units)	0.069	0.091
Net earnings per share (in Euro units)	0.070	0.089
Diluted net earnings per share (in Euro units)	0.069	0.088

Consolidated comprehensive income statement

(Euro/thousands)	- 30 September 2020	- 30 September 2019
Net result	**18,012**	**24,302**
Items reclassifiable to income statement		
Profit (loss) deriving from the conversion of currency denominated financial statements of foreign companies	(919)	1,134
Other profit (loss) from equity-accounted investees	(251)	(31)
Effective part of profit (loss) on cash flow hedge instruments (cash flow hedge)	60	(772)
Profit (loss) from held-for-sale assets (fair value)	-	-
Tax effect on other profit (loss) reclassifiable to income statement	(15)	185
Items reclassified to income statement		
Profit (loss) on cash flow hedge instruments	227	264
Profit (loss) from held-for-sale assets (fair value)	-	-
Tax effect on other profit (loss) reclassified to income statement	(54)	(63)
Items not reclassifiable to income statement		
Actuarial profit (loss)	(158)	(75)
Tax effect on other profit (loss) not reclassifiable to income statement	36	21
Total other profit (loss) net of tax effect	(1,074)	663
Comprehensive result for the period	**16,938**	**24,965**
Attributable to:		
- Non-controlling interests	**(2)**	**1,202**
- Parent Company shareholders	**16,940**	**23,763**

For the Board of Directors

The Chairman

Marina Berlusconi