# INTERIM MANAGEMENT STATEMENT AT 30 SEPTEMBER 2021

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 2021

# Arnoldo Mondadori Editore S.p.A.

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# COMPOSITION OF CORPORATE BODIES

## *Board of Directors**

**Chairman**
Marina Berlusconi

**CEO**
Antonio Porro

**Directors**
Pier Silvio Berlusconi
Elena Biffi**
Valentina Casella**
Francesco Currò
Alessandro Franzosi
Paola Elisabetta Galbiati**
Danilo Pellegrino
Alceo Rapagna**
Angelo Renoldi**
Cristina Rossello

## *Board of Statutory Auditors**

**Chairman**
Sara Fornasiero

**Standing Auditors**
Flavia Daunia Minutillo
Ezio Maria Simonelli

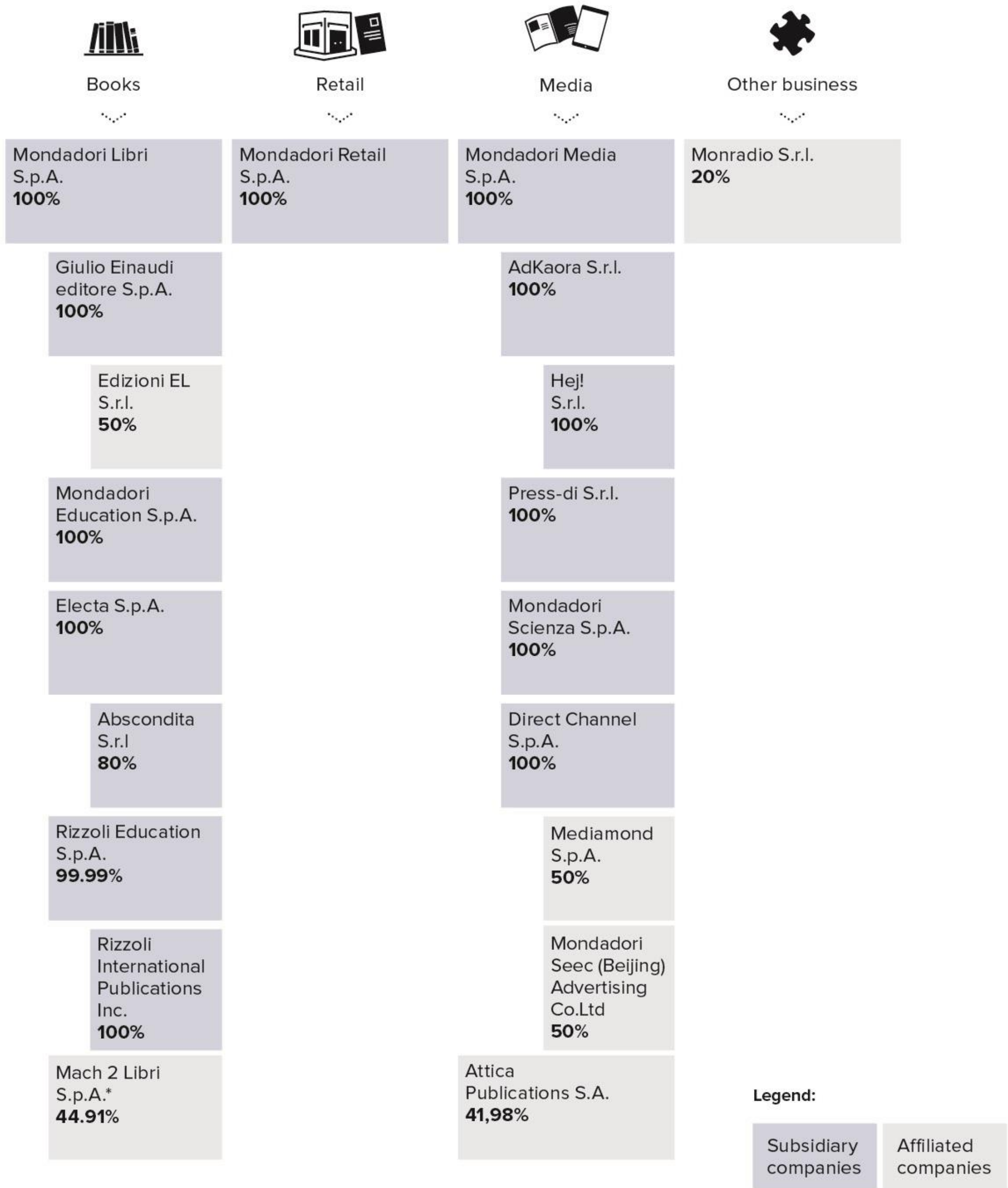
**Substitute Auditors**
Mario Civetta
Annalisa Firmani
Emilio Gatto

** The Board of Directors and the Board of Statutory Auditors currently in office were appointed by the Shareholders' Meeting of 27 April 2021*

*** Independent Director*

# MONDADORI GROUP ORGANIZATION

## ARNOLDO MONDADORI EDITORE S.P.A.




* Put into liquidation

# MONDADORI GROUP ORGANIZATION CHART

Marina Berlusconi*
**Chairman**

Antonio Porro*
**Chief Executive Officer**

| | |
|---|---|
| Federico Angrisano | **Director of Communications and Media Relations** |
| Daniele Sacco | **Group HR and Organization Director, Legal and Corporate Affairs Director** |
| Alessandro Franzosi* | **Group Chief Financial Officer** |
| Enrico Selva Coddè | **Vice President of Mondadori Libri S.p.A. Managing Director of Mondadori Libri S.p.A. Trade area** |
| Antonio Porro* | **Managing Director of Mondadori Libri S.p.A. Educational area ad interim** |
| Carmine Perna | **Managing Director of Mondadori Retail S.p.A.** |
| Carlo Mandelli | **Managing Director of Mondadori Media S.p.A.** |
| Andrea Santagata | **Group Chief Innovation Officer and General Manager of Mondadori Media S.p.A.** |
| Francesca Rigolio | **Chief Diversity Officer** |

** Members of the Board of Directors*

# DIRECTORS’ REPORT ON OPERATIONS AT 30 SEPTEMBER 2021

# MONDADORI GROUP HIGHLIGHTS IN FIRST NINE MONTHS 2021

| (Euro/millions) | 9M 2021 | 9M 2020 | Chg. |
|---|---|---|---|
| **Revenue** | **588.9** | **541.9** | ***+8.7%*** |
| **Adj. EBITDA** | **85.0** | **71.0** | ***+19.8%*** |
| *% on revenue* | *14.4%* | *13.1%* | |
| **EBITDA** | **80.5** | **65.1** | ***+23.6%*** |
| **EBIT** | **52.0** | **28.9** | ***+79.8%*** |
| **Group net result** | **49.4** | **18.0** | ***+174.5%*** |
| **Revenue** | **588.9** | **541.9** | ***+8.7%*** |
| Books | 348.7 | 316.1 | *+10.3%* |
| Retail | 114.3 | 102.0 | *+12.1%* |
| Media | 150.0 | 144.1 | *+4.1%* |
| Corporate & Shared Services | 29.6 | 33.2 | *(10.8%)* |
| Intercompany | *(53.7)* | *(53.5)* | *n.s.* |
| **Adj. EBITDA** | **85.0** | **71.0** | ***+14.0*** |
| Books | 79.4 | 67.5 | *+11.9* |
| Retail | 1.7 | (0.5) | *+2.3* |
| Media | 7.8 | 3.2 | *+4.5* |
| Corporate & Shared Services | (3.3) | (0.4) | *(2.9)* |
| Intercompany | *(0.6)* | *1.2* | *(1.8)* |
| **Group Equity** | **233.1** | **187.4** | ***+35.8*** |
| **Net Financial Position before IFRS 16** | **(27.3)** | **(82.3)** | ***+55.0*** |
| **Net Financial Position post IFRS 16** | **(111.6)** | **(170.4)** | ***+58.8*** |
| **End-of-period headcount** | **1,814** | **1,916** | ***(5.3%)*** |

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

# MAIN ELEMENTS IN MONDADORI BUSINESS AREAS

The year 2021 witnessed a **buoyant trend** for the Group's core markets, enabling Mondadori to seize important **growth opportunities** which led, together with **greater operating efficiency**, to an **increase in both profitability** and **cash generation**.

In the first nine months, the **books market grew** by **25.3%** versus 2020 and by approximately **21%** versus 2019 - a year unaffected by the pandemic and free of the COVID-related distortions when comparing results.

The Group obviously benefited a great deal from the sparkling performance and health of the books market: the **Trade Books** area in the first nine months recorded a **19% growth in sell-out in terms of market value** versus the same period of 2020 (**and equal to approximately 10% versus 2019**). Such a performance allowed Mondadori to retain once again its **undisputed leadership at a national level** in the Miscellaneous segment.

In the **school textbooks** segment, following the 2021 adoption campaign, the Group's **market share remained steady (22.1%)**, confirming the **remarkable results achieved** and the quality of its editorial offering.

The **Retail** area too was also able to ride the strong growth trend of the books market, although overall performance was negatively impacted by the measures to close or severely restrict sales that had marked the first few months of the current year; starting from May, as restrictions eased and stores reopened, the Group's network of sales outlets witnessed a quick improvement in performance and a **gradual rise in revenue**, which increased by **12%** versus the same period of 2020, due largely to the **book product, the sales of which were up by 16% in the period under review**.

In the current year, the **Media** area saw a **strong rebound in advertising sales**, both in the print segment and, most importantly, in the digital area.

Broadly speaking, the area is, once again, increasingly "**digital oriented**": in first nine months 2021, the Group's digital operations, in fact, posted a **positive revenue growth rate (+44%), almost doubling operating profit**, due only partly to the consolidation of a new company (Hej!), which strengthened the Group’s leadership in the tech-advertising segment.

The **museum** business continued to feel the brunt of both the restrictive measures enforced by the Government and health authorities - which limited access to exhibitions and museum and archaeological sites - and the sharp drop in tourists seen in the first four months of the year; starting from the summer months, the inflow of visitors and tourists has gradually recovered, but with much lower volumes versus the period prior to the spread of the pandemic.

Looking at the **results at consolidated level**, in first nine months 2021 the Group recorded a **sharp increase in profitability (Adj. EBITDA), which rose from 13.1% to 14.4%** due, on the one hand, to the **upward trend in revenue recorded across all business areas,** and, on the other, to the **continued actions to curb operating and structural costs,** implemented in particular in the traditional segment of the Media area, which sharpened the **structural efficiency of the Group.**

The positive results, the business outlook and the further **improvement in financial performance and cash generation capacity** (**free cash flow in the last 12 months of € 55 million**) paint a picture of a very solid Group, allowing it to **look forward with greater confidence** to the rest of the year and to Mondadori's medium-term prospects.

In light of the above, the Group believes it can **revise and improve the targets** previously disclosed in the first part of the year.

In addition to the encouraging operating and financial situation, and as further proof of the Group's ability to pursue opportunities for growth and development, mention should also be made that on 12 July, the Mondadori Group signed an **agreement for the acquisition of 100% of DeAgostini Scuola S.p.A.**, thereby giving substance to the repeatedly announced strategy of increasing **focus on and strengthening of** (also through extraordinary transactions) **the core business of books**.

# CONSOLIDATED FINANCIAL HIGHLIGHTS OF FIRST NINE MONTHS 2021

| € million | Sept. 2021 | | Sept. 2020 | | % chg. |
|---|---|---|---|---|---|
| **REVENUE** | **588.9** | | **541.9** | | ***8.7%*** |
| INDUSTRIAL PRODUCT COST | 173.2 | *29.4%* | 159.6 | *29.4%* | *8.5%* |
| VARIABLE PRODUCT COSTS | 82.6 | *14.0%* | 72.4 | *13.4%* | *14.1%* |
| OTHER VARIABLE COSTS | 117.7 | *20.0%* | 105.4 | *19.4%* | *11.7%* |
| STRUCTURAL COSTS | 35.8 | *6.1%* | 34.0 | *6.3%* | *5.2%* |
| EXTENDED LABOUR COST | 100.0 | *17.0%* | 100.0 | *18.5%* | *0.0%* |
| OTHER EXPENSE (INCOME) | (5.5) | *(0.9%)* | (0.5) | *(0.1%)* | *n.s.* |
| **ADJUSTED EBITDA** | **85.0** | ***14.4%*** | **71.0** | ***13.1%*** | ***19.8%*** |
| RESTRUCTURING COSTS | 3.2 | *0.5%* | 2.7 | *0.5%* | *16.9%* |
| EXTRAORDINARY EXPENSE (INCOME) | 1.4 | *0.2%* | 3.2 | *0.6%* | *(56.8%)* |
| **EBITDA** | **80.5** | ***13.7%*** | **65.1** | ***12.0%*** | ***23.6%*** |
| AMORTIZATION AND DEPRECIATION | 18.2 | *3.1%* | 19.5 | *3.6%* | *(6.7%)* |
| IMPAIRMENT AND WRITE-DOWNS | 0.3 | *0.1%* | 5.8 | *1.1%* | *(94.8%)* |
| AMORTIZATION AND DEPRECIATION IFRS 16 | 10.0 | *1.7%* | 10.8 | *2.0%* | *(7.8%)* |
| **EBIT** | **52.0** | ***8.8%*** | **28.9** | ***5.3%*** | ***79.8%*** |
| FINANCIAL EXPENSE (INCOME) | 2.2 | *0.4%* | 3.2 | *0.6%* | *(29.9%)* |
| FINANCIAL EXPENSE IFRS 16 | 1.7 | *0.3%* | 1.9 | *0.3%* | *(12.3%)* |
| FINANCIAL EXPENSE (INCOME) FROM SECURITIES VALUATION | 0.4 | *0.1%* | (0.9) | *(0.2%)* | *n.s.* |
| EXPENSE (INCOME) FROM INVESTMENTS | 2.9 | *0.5%* | 5.1 | *0.9%* | *(43.3%)* |
| **EBT** | **44.8** | ***7.6%*** | **19.6** | ***3.6%*** | ***128.7%*** |
| TAX EXPENSE AND (INCOME) | (4.6) | *(0.8%)* | 1.6 | *0.3%* | *n.s.* |
| **RESULT FROM CONTINUING OPERATIONS** | **49.4** | ***8.4%*** | **18.0** | ***3.3%*** | ***174.6%*** |
| MINORITIES | 0.0 | *0.0%* | (0.0) | *(0.0%)* | *n.s.* |
| **GROUP NET RESULT** | **49.4** | ***8.4%*** | **18.0** | ***3.3%*** | ***174.5%*** |

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

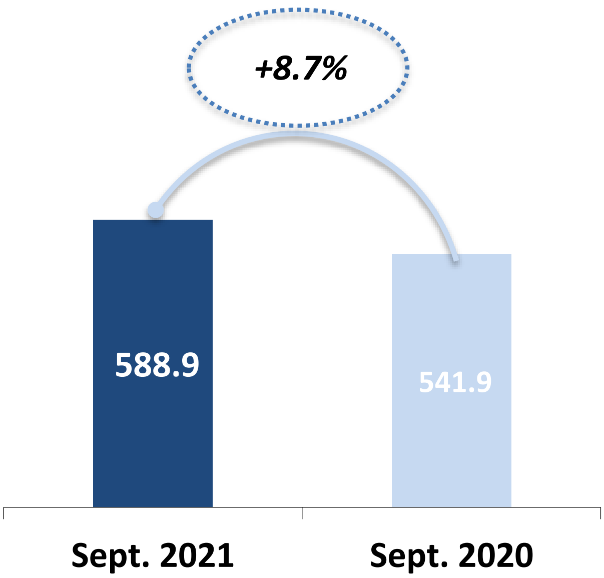
## REVENUE

In first nine months 2021, **consolidated revenue** amounted to € 588.9 million, **up by 8.7%** versus € 541.9 million of the prior year, driven by the **positive trend that permeated all areas of business, the Books and Retail areas in particular**, which benefited from the buoyancy of the Books market.

Mention should also be made that the high growth rate recorded by revenue in the current year is a result also of the comparison with 2020, a year in which Group sales were affected, as were general economic and business activities as a whole, by the restrictive measures implemented by the Authorities to curb the spread of the Coronavirus pandemic.

In the **Books** area, revenue increased by **10.3%**, thanks to the performance of the **publishing houses in the Group's Trade segment (+14.5%), the positive outcome of the adoption campaign of the School textbooks publishing houses (revenue +5%**, due also to a different monthly scheduling from 2020, which saw a delayed return to the ordinary school programme), **and the strong growth of Rizzoli International Publications (+27.6%)**, which largely offset the drop in activities related to the management of museums and cultural assets.

The **Retail** area reported **revenue growth of 12.1%**, due mostly to the sales of **books** (which **grew by approximately 16% in the first nine months of the year)**.




The **Media** area saw an **increase in revenue of approximately 4%**, thanks to the highly positive trend in the third quarter of advertising sales (approximately +32% overall in the nine months for all the Group's print and digital brands), which more than offset the fall in circulation revenue and revenue from add-on sales.

| **Revenue by Business Area** | | | |
|---|---|---|---|
| *(Euro/millions)* | **Sept. 21** | **Sept. 20** | ***% chg.*** |
| Books | 348.7 | 316.1 | *10.3%* |
| Retail | 114.3 | 102.0 | *12.1%* |
| Media | 150.0 | 144.1 | *4.1%* |
| Corporate & Shared Services | 29.6 | 33.2 | *(10.8%)* |
| **Total aggregate revenue** | **642.6** | **595.4** | ***7.9%*** |
| Intercompany | (53.7) | (53.5) | *n.s.* |
| **Total consolidated revenue** | **588.9** | **541.9** | ***8.7%*** |

## EBITDA

**Adjusted EBITDA** in first nine months 2021 amounted to a **positive € 85 million**, up by approximately € **14** million versus first nine months 2020: **this performance** reflects, on the one hand, **the upbeat trend in revenue recorded in the period by all business areas** and, on the other, **the ongoing efforts to curb operating and structural costs implemented by Management**.

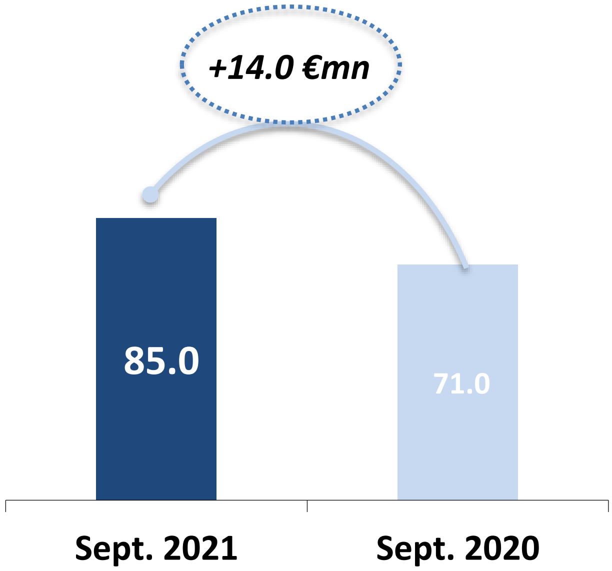
The **reduction** versus 2020 **in the ratio of fixed costs** (overheads and payroll costs) **to consolidated revenue** enabled the Group in the period under review to achieve a **significant improvement in its margins**, which rose from **13.1% to 14.4%**.

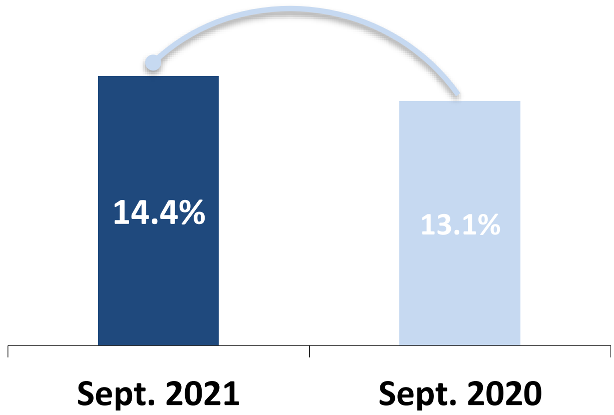
Payroll costs, in particular, remained steady versus the first nine months of the prior year, thanks to the ongoing efficiency drive, which completely offset the absence of the cost savings which had greatly benefited 2020, arising from the resort to social safety nets, the use of outstanding holidays, and the reduction in variable management pay.

The Group's positive performance in the first nine months is even more striking when **compared with the same period of 2019**: despite a € 70 million decline in revenue, **adjusted EBITDA increased by over € 1 million** (€ 85 million vs € 83.4 million), resulting in an **increase in margins from 12.7% to 14.4%**.

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

- the **Books** area saw a sharp increase in EBITDA during the period, amounting to approximately € **12** million, driven by the **growth in revenue** achieved by all the Group's publishing houses in both the **Trade** and **Educational** segments, while the relief booked (approximately € 3 million, net of certain provisions) basically offset the loss of profit from the lack of revenue from the Group's museum activities;

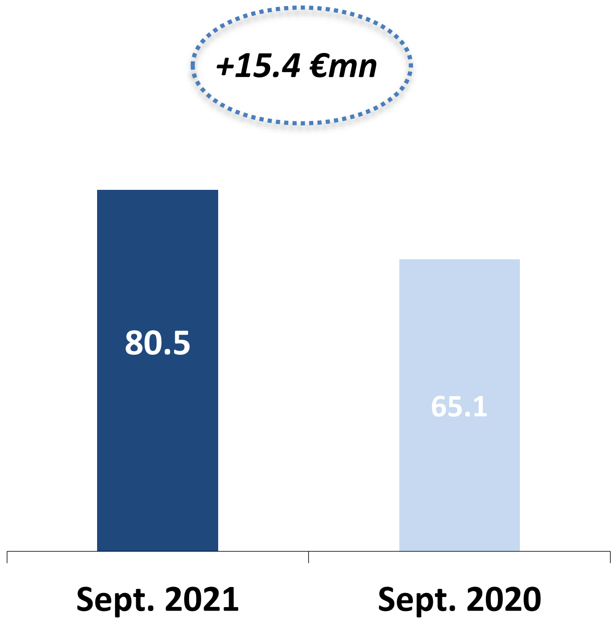


| ADJUSTED EBITDA by Business Area | | | |
|---|---|---|---|
| *(Euro/millions)* | **Sept. 21** | **Sept. 20** | ***Chg.*** |
| Books | 79.4 | 67.5 | *11.9* |
| Retail | 1.7 | (0.5) | *2.3* |
| Media | 7.8 | 3.2 | *4.5* |
| Corporate & Shared Services | (3.3) | (0.4) | *-2.9* |
| Intercompany | (0.6) | 1.2 | *-1.8* |
| **Total ADJUSTED EBITDA** | **85.0** | **71.0** | ***14.0*** |
| ***EBITDA margin %*** | ***14.4%*** | ***13.1%*** | |

- the **Retail** area recorded an **improvement of € 2.3 million**, thanks to the growth posted by the Book product during the period and the ongoing deep transformation and renewal of the network of physical stores, as well as the review of the organizational structure and processes;
- the **Media** area achieved a **strong growth** of **€ 4.5 million** versus the first nine months of the prior year, reflecting the **growth of advertising during the period, in the digital area in particular**, and the ongoing cost-cutting measures that allowed it to increase the profitability of print activities;
- the **Corporate & Shared Services** area recorded a negative margin of € 3.3 million (versus € -0.4 million in 2020), due to a different scope of the costs of the central units subject to chargeback to the business areas, as well as higher costs incurred for managing the health emergency.

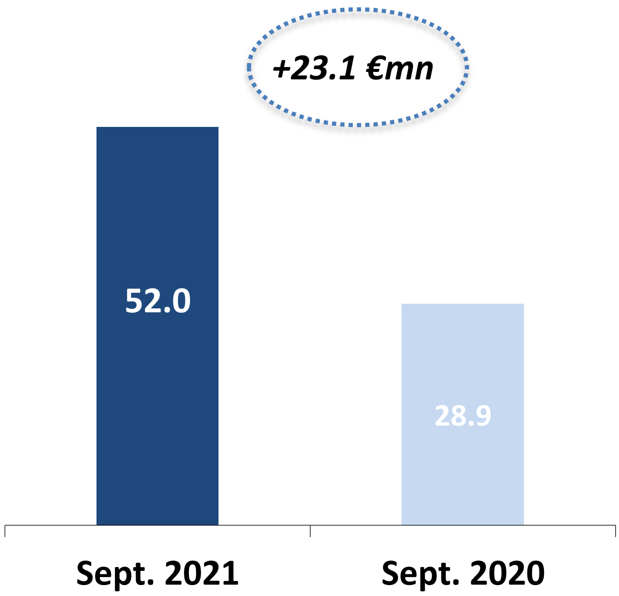
**Group EBITDA**, amounting to € **80.5** million, improved as a result of the abovementioned trends and dynamics, and of lower non-ordinary expense of € 1.4 million versus € 3.2 million in the same period of the prior year, when provisions had been set aside for potential expense from a tax dispute regarding the IMU tax.



| EBITDA by Business Area | | | |
|---|---|---|---|
| *(Euro/millions)* | **Sept. 21** | **Sept. 20** | ***Chg.*** |
| Books | 78.4 | 66.4 | *12.0* |
| Retail | 1.7 | (2.4) | *4.1* |
| Media | 7.4 | 1.8 | *5.6* |
| Corporate & Shared Services | (6.5) | (1.9) | *-4.5* |
| Intercompany | (0.6) | 1.2 | *-1.8* |
| **Total EBITDA** | **80.5** | **65.1** | ***15.4*** |

## EBIT

In first nine months 2021, Group EBIT amounted to **€ 52 million**, **improving by over € 23 million** versus the same period of 2020, driven by the dynamics of the abovementioned operating components, by lower amortization and depreciation totaling € 2.1 million, and by the presence, in the result at 30 September 2020, of write-downs of € 5.8 million relating to the *TV Sorrisi e Canzoni* brand and the goodwill of a number of other titles in the Media area.



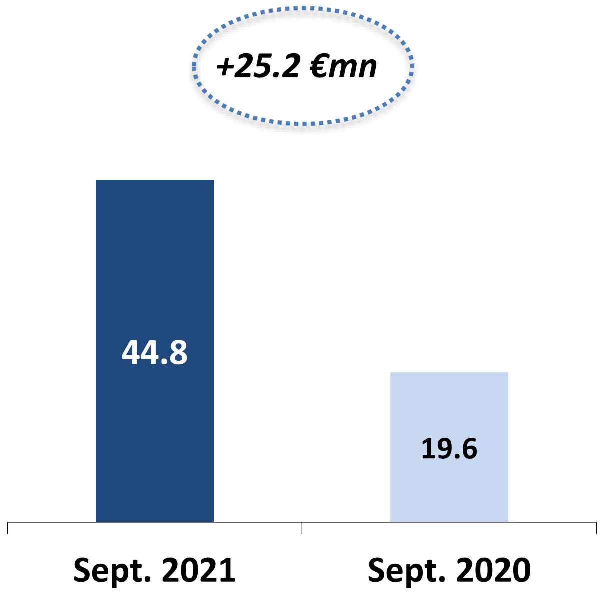

| EBIT by Business Area | | | |
|---|---|---|---|
| *(Euro/millions)* | **Sept. 21** | **Sept. 20** | ***Chg.*** |
| Books | 68.2 | 55.8 | *12.4* |
| Retail | (4.7) | (9.4) | *4.7* |
| Media | 2.6 | (9.5) | *12.1* |
| Corporate & Shared Services | (13.5) | (9.1) | *-4.4* |
| Intercompany | (0.6) | 1.2 | *-1.8* |
| **Total consolidated EBIT** | **52.0** | **28.9** | ***23.1*** |

## CONSOLIDATED RESULT BEFORE TAX

**The consolidated result before tax** amounted to a positive € **44.8** million versus € 19.6 million in first nine months 2020.

On top of that, the following items also contributed to the significant **improvement of approximately € 25 million**:

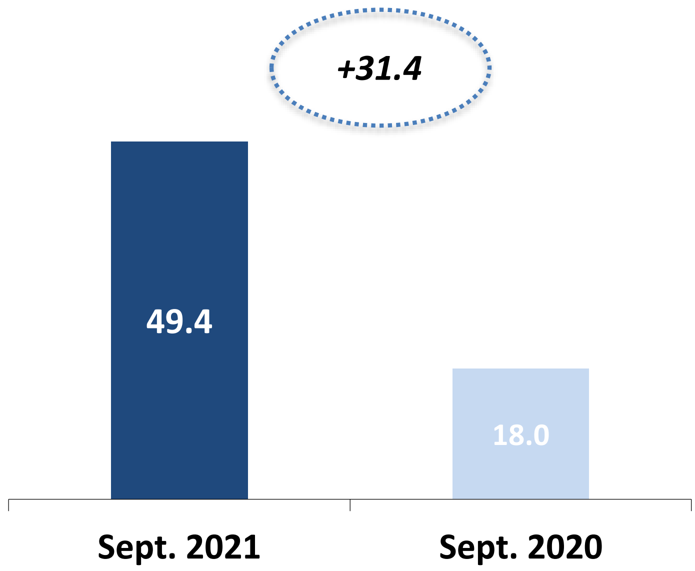
- a reduction of approximately € 1.0 million in financial expense (down from € **3.2** million to € **2.2** million), due to **lower average debt** and a **lower average interest rate** (from 0.74% to 0.62% gross), as well as to the recognition of certain impairments on receivables at 30 September 2020;
- the result from associates (consolidated at equity) **improved by approximately € 2 million**, despite a loss for the period of € **-2.9 million** versus a loss of € -5.1 million at 30 September 2020, thanks in particular to the performance of the joint venture Mediamond.



## NET RESULT

The **Group's net result**, after minority interests, came to a positive **€ 49.4 million**, a **sharp increase of over € 30 million** versus € **18.0 million** recorded in first nine months 2020.

Despite the increase in taxable income, **tax items** for the period came to a **positive** € 4.6 million, due to **non-recurring net income of approximately € 19 million** (versus the expense of € 1.6 million at 30 September 2020); this income arises from the completion of the process of realigning the tax amounts of trademarks and goodwill to their respective statutory amounts (option introduced by Article 110 of Law Decree 104 of 2020).



## FINANCIAL RESULTS

| € million | Sept. 2021 | Sept. 2020 | % chg. |
|---|---|---|---|
| TRADE RECEIVABLES | 195.6 | 204.9 | *(4.5%)* |
| INVENTORY | 121.8 | 125.6 | *(3.0%)* |
| TRADE PAYABLES | 199.9 | 216.3 | *(7.6%)* |
| OTHER ASSETS (LIABILITIES) | (13.7) | (7.7) | *n.s.* |
| **NET WORKING CAPITAL** | **102.2** | **103.7** | ***(1.4%)*** |
| INTANGIBLE ASSETS | 189.5 | 210.4 | *(9.9%)* |
| PROPERTY, PLANT AND EQUIPMENT | 16.4 | 17.5 | *(6.0%)* |
| INVESTMENTS | 16.4 | 21.5 | *(23.5%)* |
| **NET FIXED ASSETS WITH NO RIGHTS OF USE IFRS 16** | **222.3** | **249.3** | ***(10.8%)*** |
| ASSETS FROM RIGHTS OF USE IFRS 16 | 80.9 | 85.0 | *(4.8%)* |
| **NET FIXED ASSETS WITH RIGHTS OF USE IFRS 16** | **303.3** | **334.3** | ***(9.3%)*** |
| PROVISIONS FOR RISKS | 41.1 | 48.3 | *(14.8%)* |
| POST-EMPLOYMENT BENEFITS | 29.6 | 31.9 | *(7.2%)* |
| **PROVISIONS** | **70.8** | **80.2** | ***(11.8%)*** |
| **NET INVESTED CAPITAL** | **334.7** | **357.7** | ***(6.4%)*** |
| SHARE CAPITAL | 68.0 | 68.0 | *0.0%* |
| RESERVES | 105.8 | 101.3 | *4.4%* |
| PROFIT (LOSS) FOR THE PERIOD | 49.4 | 18.0 | *n.s.* |
| **GROUP EQUITY** | **223.1** | **187.3** | ***19.1%*** |
| NON-CONTROLLING INTERESTS' EQUITY | 0.0 | 0.1 | *n.s.* |
| **EQUITY** | **223.1** | **187.4** | ***19.1%*** |
| NET FINANCIAL POSITION NO IFRS 16 | 27.3 | 82.3 | *(66.8%)* |
| NET FINANCIAL POSITION IFRS 16 | 84.2 | 88.0 | *(4.3%)* |
| **NET FINANCIAL POSITION** | **111.6** | **170.4** | ***(34.5%)*** |
| **SOURCES** | **334.7** | **357.7** | ***(6.4%)*** |

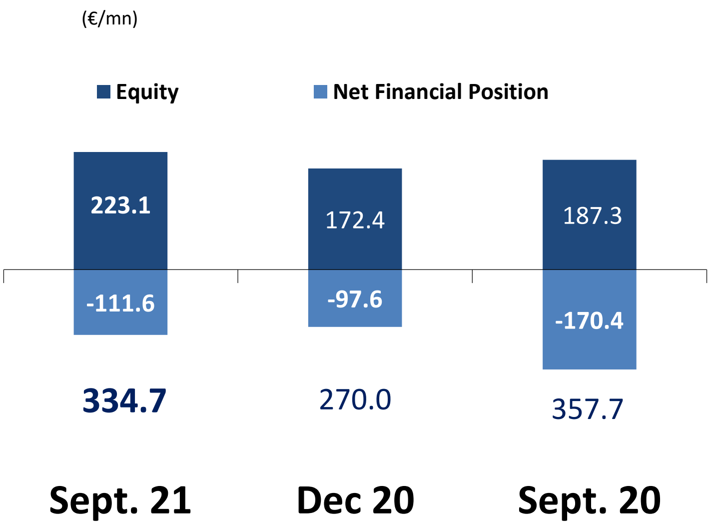
## ***NET INVESTED CAPITAL***

The Group's **Net Invested Capital** at 30 June 2021 stood at € **334.7** million, down by approximately 6% versus € 357.7 million at 30 September 2020.

**Net Working Capital** amounted to € **102.2** million, down by approximately **1%** versus the previous 12 months, thanks to the positive management of all the items.

**Net Fixed Assets** amounted to **€ 303.3** million, down versus € 334.3 million at 30 September 2020, due mainly to the reduction in intangible assets following the write-downs in December 2020 of certain brands and goodwill in the Media area and the lower value of investments.

## ***SOURCES***

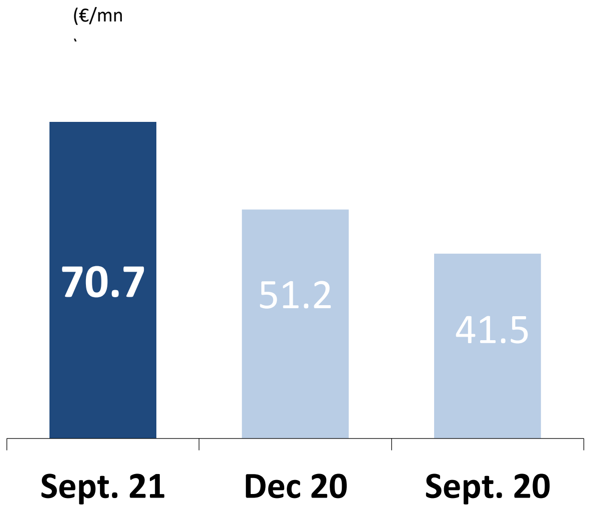



**Consolidated equity** at 30 September 2021 increased by approximately € 36 million versus the same period of the prior year, due to the improvement in the Group's net profit booked in first nine months 2021.

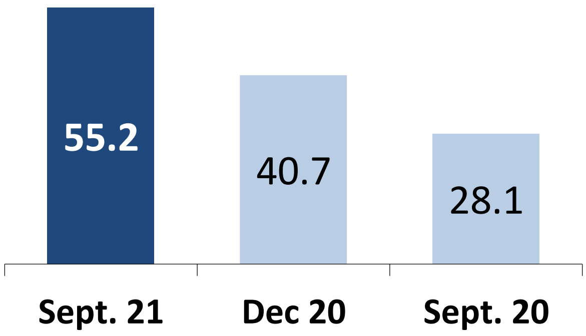
**The Net Financial Position before IFRS 16** at 30 September 2021 stood at **€ -27.3** million, **improving sharply by € 55** million versus € -82.3 million at 30 September 2020, thanks to the **significant cash generation recorded in the last 12 months**.

The **IFRS 16 Net Financial Position** stood at **€ -111.6** million and reflects the recognition of the financial payable from the application of IFRS 16.

***ORDINARY CASH FLOW LTM***




***FREE CASH FLOW LTM***




At 30 September 2021, the **cash flow from operations** for the last twelve months came to a **positive € 86.3 million**; **cash flow from ordinary operations** (after outlays for financial expense and tax) amounted to € **70.7 million**, allowing the **Group** to continue on the path of **strengthening its financial structure**, confirming the **business's continued ability to generate cash**.

At 30 September 2021, **cash flow from extraordinary operations came to € -15.5 million** and includes mainly:

- acquisitions for a total of € 7.1 million;

- restructuring costs of € 5.5 million.

As a result, the total **Free Cash Flow** generated by the Mondadori Group in the last 12 months **amounted to € 55 million**.

## CONSOLIDATED FINANCIAL HIGHLIGHTS OF THIRD QUARTER 2021

| € million | Q3 2021 | | Q3 2020 | | % chg. |
|---|---|---|---|---|---|
| **REVENUE** | **268.5** | | **253.0** | | ***6.1%*** |
| INDUSTRIAL PRODUCT COST | 78.6 | *29.3%* | 74.8 | *29.6%* | *5.2%* |
| VARIABLE PRODUCT COSTS | 31.9 | *11.9%* | 29.5 | *11.7%* | *8.2%* |
| OTHER VARIABLE COSTS | 51.5 | *19.2%* | 44.6 | *17.6%* | *15.5%* |
| STRUCTURAL COSTS | 12.0 | *4.5%* | 11.0 | *4.4%* | *9.0%* |
| EXTENDED LABOUR COST | 31.4 | *11.7%* | 33.3 | *13.2%* | *(5.6%)* |
| OTHER EXPENSE (INCOME) | (0.6) | *(0.2%)* | (0.3) | *(0.1%)* | *n.s.* |
| **ADJUSTED EBITDA** | **63.5** | ***23.7%*** | **60.0** | ***23.7%*** | ***5.8%*** |
| RESTRUCTURING COSTS | 1.5 | *0.6%* | 1.1 | *0.4%* | *38.2%* |
| EXTRAORDINARY EXPENSE (INCOME) | 0.6 | *0.2%* | 2.3 | *0.9%* | *(75.4%)* |
| **EBITDA** | **61.5** | ***22.9%*** | **56.7** | ***22.4%*** | ***8.4%*** |
| AMORTIZATION AND DEPRECIATION | 6.3 | *2.3%* | 7.1 | *2.8%* | *(11.5%)* |
| IMPAIRMENT AND WRITE-DOWNS | 0.0 | *0.0%* | 0.0 | *0.0%* | |
| AMORTIZATION AND DEPRECIATION IFRS 16 | 3.3 | *1.2%* | 3.5 | *1.4%* | *(3.3%)* |
| **EBIT** | **51.8** | ***19.3%*** | **46.1** | ***18.2%*** | ***n.s.*** |
| FINANCIAL EXPENSE (INCOME) | 1.6 | *0.6%* | 0.8 | *0.3%* | *99.1%* |
| FINANCIAL EXPENSE IFRS 16 | 0.6 | *0.2%* | 0.6 | *0.2%* | *0.2%* |
| FINANCIAL EXPENSE (INCOME) FROM SECURITIES VALUATION | 0.0 | *0.0%* | (7.5) | *(3.0%)* | *n.s.* |
| EXPENSE (INCOME) FROM INVESTMENTS | (0.2) | *(0.1%)* | 1.8 | *0.7%* | *n.s.* |
| **EBT** | **49.8** | ***18.6%*** | **50.4** | ***19.9%*** | ***(1.3%)*** |
| TAX EXPENSE AND (INCOME) | 4.8 | *1.8%* | 7.4 | *2.9%* | *n.s.* |
| **NET RESULT FOR THE PERIOD (GROUP AND NON-CONTROLLING INTERESTS** | **45.0** | ***16.8%*** | **43.0** | ***17.0%*** | ***4.7%*** |
| MINORITIES | (0.0) | *(0.0%)* | 0.0 | *0.0%* | *n.s.* |
| **GROUP NET RESULT** | **45.0** | ***16.8%*** | **43.0** | ***17.0%*** | ***4.7%*** |

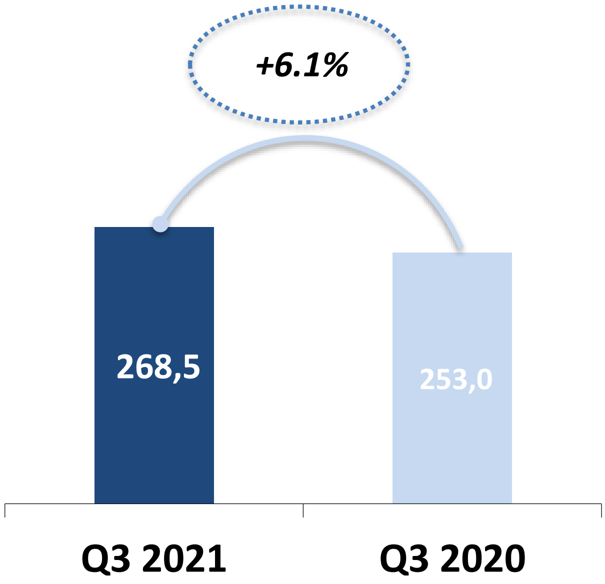
The item *Extended Labour Cost* includes costs for collaborations and temporary employment.

### 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




In third quarter 2021, **consolidated revenue** amounted to **€ 268.5** million**, up** by **6.1%** versus € 253 million of the prior year, **thanks to the positive contribution of all the Group's business areas**.

In the **Books** area, revenue was, in fact, up by approximately **6%,** as a result of the **growth recorded by the Group's Trade and Educational publishing houses** (as regards school textbooks publishing houses, this was also due to a different monthly scheduling from 2020, which had seen a delayed return to the normal school programme).

The **Retail** area reported an **increase in revenue of approximately 4%**, due primarily to the **book** product (which **grew by approximately 6%**).

The **Media** area's revenue **increased** by approximately **9%**, propelled by the **strong trend in advertising sales, both digital** and **print**, and by a reversal of the trend in revenue from add-on sales, which more than offset the reduction in circulation revenue.

**Revenue by Business Area**

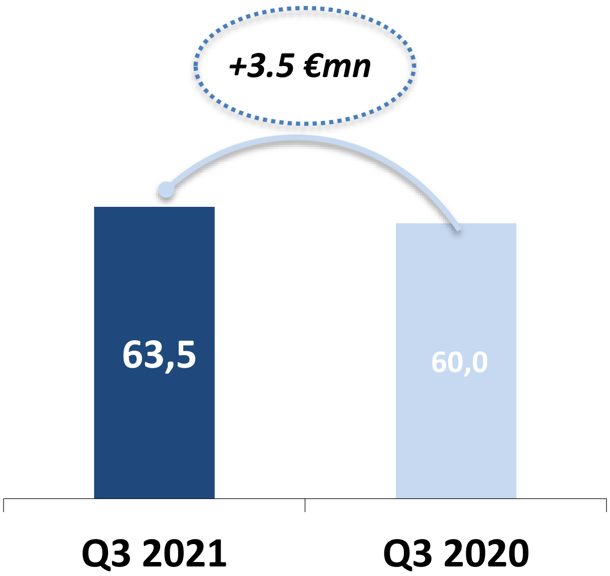
| *(Euro/millions)* | **Q3 2021** | **Q3 2020** | ***% chg.*** |
|---|---|---|---|
| Books | 179.8 | 170.2 | *5.6%* |
| Retail | 44.6 | 43.0 | *3.6%* |
| Media | 52.6 | 48.3 | *8.9%* |
| Corporate & Shared Services | 9.9 | 11.1 | *(10.4%)* |
| **Total aggregate revenue** | **286.9** | **272.7** | ***5.2%*** |
| Intercompany | (18.4) | (19.7) | *n.s.* |
| **Total consolidated revenue** | **268.5** | **253.0** | ***6.1%*** |

## EBITDA

**Adjusted EBITDA** for the period under review came to a **positive € 63.5 million**, up by € **3.5** million versus third quarter 2020, which basically reflects **the positive trend in consolidated revenue**.

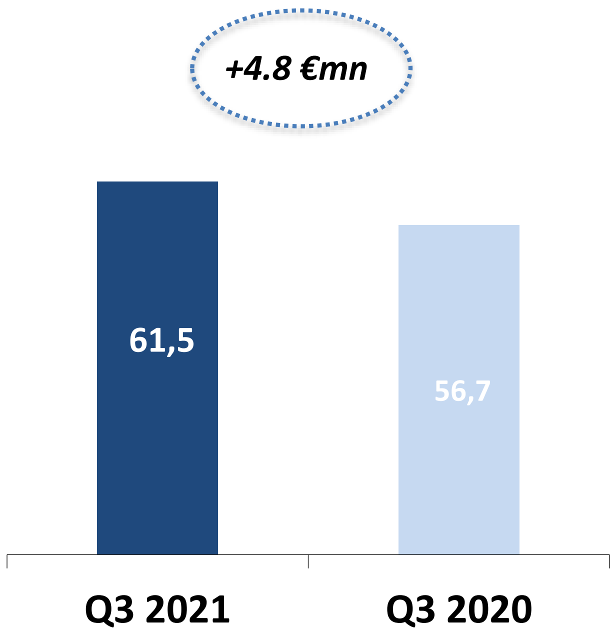
More specifically, the various business segments achieved the following results:

- the **Books** area, which usually generates over 60% of the year's EBITDA in the third quarter, due mainly to the seasonal nature of revenue from school textbooks, **improved sharply and increased by approximately € 3 million**;




| ADJUSTED EBITDA by Business Area | | | |
|---|---|---|---|
| *(Euro/millions)* | **Q3 2021** | **Q3 2020** | ***Chg.*** |
| Books | 59.6 | 56.5 | *3.1* |
| Retail | 1.3 | 2.3 | *-1.0* |
| Media | 3.2 | 1.2 | *2.0* |
| Corporate & Shared Services | (0.6) | (0.2) | *-0.4* |
| Intercompany | 0.0 | 0.2 | *-0.2* |
| **Total ADJUSTED EBITDA** | **63.5** | **60.0** | ***3.5*** |
| ***EBITDA margin %*** | ***23.7%*** | ***23.7%*** | |

- the **Retail** area recorded a **decrease of € 1 million**, attributable mainly to the comparison with a quarterly period in 2020 that had benefited from the discounts on the lease of stores as a result of the pandemic;
- the **Media** area **improved its results** by **€ 2 million** (€ 3.2 million at 30 September 2021), thanks to the growth in advertising sales and the continued cost containment measures in the print area;
- the **Corporate & Shared Services** area booked a negative margin of € -0.6 million (versus a negative € -0.2 million in third quarter 2020), due to a different scope of the costs of the central structures subject to allocation to the business areas, partly offset by lower operating costs.



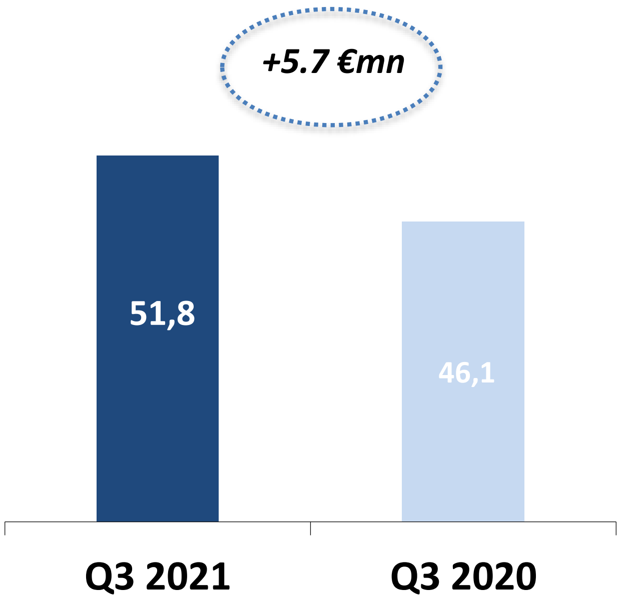

## EBITDA by Business Area

| *(Euro/millions)* | **Q3 2021** | **Q3 2020** | ***Chg.*** |
|---|---|---|---|
| Books | 59.1 | 56.1 | *3.0* |
| Retail | 1.2 | 0.9 | *0.3* |
| Media | 3.0 | 0.1 | *2.9* |
| Corporate & Shared Services | (1.9) | (0.7) | *-1.2* |
| Intercompany | 0.0 | 0.2 | *-0.2* |
| **Total EBITDA** | **61.5** | **56.7** | ***4.8*** |

Group **EBITDA** amounted to € **61.5** million versus € 56.7 million in third quarter 2020, **improving** by € 4.8 million **(+8.4%),** attributable to the abovementioned phenomena, as well as to lower extraordinary expense of € 1.7 million.

## EBIT

In the third quarter of the current year, the Mondadori Group **EBIT** amounted to € **51.8** million, **improving by approximately € 6 million**, up by over 12% versus the same quarter of 2020, driven by the performance of the abovementioned components and by lower amortization and depreciation during the period.

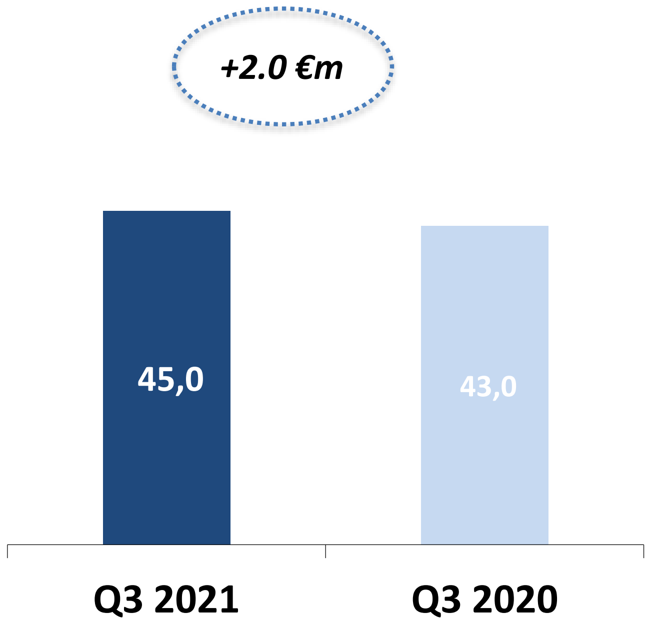



| **EBIT by Business Area** | | | |
|---|---|---|---|
| *(Euro/millions)* | **Q3 2021** | **Q3 2020** | ***Chg.*** |
| Books | 55.3 | 51.9 | *3.4* |
| Retail | (0.9) | (1.3) | *0.3* |
| Media | 1.6 | (1.6) | *3.2* |
| Corporate & Shared Services | (4.2) | (3.1) | *-1.1* |
| Intercompany | 0.0 | 0.2 | *-0.2* |
| **Total consolidated EBIT** | **51.8** | **46.1** | ***5.7*** |

## NET RESULT

The **Group's net result**, after non-controlling interests, amounted to a positive **€ 45** million, **up** versus € **43** million in third quarter 2020: the comparison with the prior year is affected not only by the above trend in operating profit, but also by the following additional elements (which have an opposite effect):

- in 3Q 2020, the Group had recognized the write-back of the investment in ReWorld Media (subsequently entirely sold in February 2021), amounting to € 7.5 million, resulting from the increase in the share price from € 1.98 at 30 June to € 2.85 at 30 September 2020;
- third quarter 2021 reflects **non-recurring tax income** of € **9.8 million**, arising from the completion of the tax realignment process (which in the first half of the current year had already led to the recognition of tax income of € 9 million).



# NINE MONTHS PERFORMANCE BY BUSINESS AREA

| *(Euro/millions)* | REVENUE | | ADJUSTED EBITDA | | EBITDA | | D&A | | EBIT | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **Sept. 21** | **Sept. 20** | **Sept. 21** | **Sept. 20** | **Sept. 21** | **Sept. 20** | **Sept. 21** | **Sept. 20** | **Sept. 21** | **Sept. 20** |
| Books | 348.7 | 316.1 | 79.4 | 67.5 | 78.4 | 66.4 | (10.2) | (10.7) | 68.2 | 55.8 |
| Retail | 114.3 | 102.0 | 1.7 | (0.5) | 1.7 | (2.4) | (6.4) | (7.0) | (4.7) | (9.4) |
| Media | 150.0 | 144.1 | 7.8 | 3.2 | 7.4 | 1.8 | (4.8) | (11.3) | 2.6 | (9.5) |
| Corporate & Shared Services | 29.6 | 33.2 | (3.3) | (0.4) | (6.5) | (1.9) | (7.1) | (7.2) | (13.5) | (9.1) |
| Intercompany | (53.7) | (53.5) | (0.6) | 1.2 | (0.6) | 1.2 | 0.0 | 0.0 | (0.6) | 1.2 |
| **TOTAL** | **588.9** | **541.9** | **85.0** | **71.0** | **80.5** | **65.1** | **(28.5)** | **(36.2)** | **52.0** | **28.9** |

*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 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

The Trade books market recorded i) in the first nine months of the current year, an **overall 25.3% growth**[1], versus the same period of the prior year, and ii) **in third quarter, a 7% growth**, which strengthened the positive trend that had started in second half 2020.

If the comparison with 2020 is affected by the total and widespread lockdown measures, which impacted on the operation of almost all sales channels in the months of March and April 2020, the comparison with 2019 bears more significance to the extraordinary trend that the Books market is experiencing: **growth in the first nine months of the year versus the same period of 2019 amounted, in fact, to 20.6%.**

This performance benefited in particular from the remarkable growth witnessed by the comics segment in the current year and from the continued positive performance of the professional publishing segment.

1 *GFK, September 2021 (figures in terms of market value)*

A point worth mentioning is that the market's positive trend in the period under review also benefited from the expiry, in February 2021, of the **App18 bonus**[2] for 2020, which led, in the period immediately before expiry of the incentive, to a surge in book purchases by eighteen-year-olds (80% of the purchases made via the App18 were for books), the positive contribution of which is estimated by the Italian Publishers' Association at € 75 million; additionally, the equivalent bonus relating to the prior year had expired in December 2019.

Against this backdrop, Mondadori saw an **increase in sell-out in terms of market value** of approximately **19%**, enabling the Group to retain its **undisputed leadership at a national level**.

| Trade Market shares | 30 September 2021 | 30 September 2020 |
|---|---|---|
| **Mondadori Group** | **23.4%** | **24.6%** |
| GeMS Group | 11.3% | 11.2% |
| Giunti Group | 7.5% | 7.8% |
| Feltrinelli | 6.0% | 6.0% |
| DeAgostini Group | 1.3% | 1.4% |
| Other publishers | 50.6% | 49.1% |

*Source: GFK, September 2021 (in terms of value)*

As proof of the **quality of the publishing plan**, mention should be made that during the first nine months of the year, the Group placed **3 titles in the top ten bestsellers in terms of value**[3]: *"Il sistema. Potere, politica, affari: storia segreta della magistratura italiana"* by A. Sallusti and L. Palamara (Rizzoli), in second place, followed in fifth place by "*La disciplina di Penelope*" by G. Carofiglio (Mondadori), and in seventh "*Io sono Giorgia*" by G. Meloni (Rizzoli).

| # | Title | Author | Publisher |
|---|---|---|---|
| 1 | L'inverno dei leoni. La saga dei Florio | Auci Stefania | NORD |
| **2** | **Il sistema. Potere, politica affari: storia segreta della magistratura italiana** | **Sallusti Alessandro, Palamara Luca** | **RIZZOLI** |
| 3 | Cambiare l'acqua ai fiori | Perrin Valérie | E/O |
| 4 | Tre | Perrin Valérie | E/O |
| **5** | **La disciplina di Penelope** | **Carofiglio Gianrico** | **MONDADORI** |
| 6 | Le storie del quartiere | Lyon Gamer | MAGAZZINI SALANI |
| **7** | **Io sono Giorgia** | **Meloni Giorgia** | **RIZZOLI** |
| 8 | Una terra promessa | Obama Barack | GARZANTI |
| 9 | La canzone di Achille | Miller Madeline | MARSILIO |
| 10 | Finché il caffè è caldo | Kawaguchi Toshikazu | GARZANTI |

2 *Initiative of the Ministry of Culture (in its fifth edition) dedicated to promoting culture among young people: a voucher worth € 500 to spend on cinema, music and concerts, cultural events, books, museums, visits to monuments and archaeological parks, theatre and ballet, audiovisual publishing products, music courses, theatre courses and foreign language courses, as well as subscriptions to newspapers, also in digital format.*

3 *GFK, September 2021 (ranking in terms of cover value)*

In the **School textbooks** segment, the Mondadori Group's publishing houses kept their **market share steady**, in line with the prior year, thanks to the positive results of the 2021 adoption campaign.

| Education Market Shares | 2021 | 2020 |
|---|---|---|
| **Mondadori Group** | **22.1%** | **22.1%** |
| Zanichelli | 24.0% | 23.3% |
| Pearson | 13.9% | 13.7% |
| De Agostini | 10.8% | 10.6% |
| Other publishers | 29.2% | 30.3% |

*Source: IEA, October 2021 (adopted head sections, provisional data)*

In the first months of the current year, the **museum** segment continued to see its operations severely impacted by the closure of sites and exhibitions, owing to the measures to contain the pandemic; the summer months, instead, witnessed tentative signs of a recovery in tourism in large cities, albeit with negligible visitor volumes versus the pre-pandemic period.

## Performance of the Books Area

| **Books** *(Euro/millions)* | **Sept. 21** | **Sept. 20** | ***Chg.*** | ***% chg.*** |
|---|---|---|---|---|
| Revenue | 348.7 | 316.1 | 32.6 | 10.3% |
| Adj. EBITDA | 79.4 | 67.5 | 11.9 | 17.7% |
| EBITDA | 78.4 | 66.4 | 12.0 | 18.1% |
| EBIT | 68.2 | 55.8 | 12.4 | 22.3% |

## Revenue

| (Euro/millions)<br>**Books Revenue** | **9M 2021** | **9M 2020** | ***% chg.*** |
|---|---|---|---|
| **Total TRADE** | **165.1** | **144.1** | ***+14.5%*** |
| Education | 144.2 | 137.3 | *+5.0%* |
| Mondadori Electa (incl. Abscondita) | 6.9 | 7.7 | *-11.4%* |
| Rizzoli International Publications | 29.0 | 22.7 | *+27.6%* |
| Intercompany | (0.4) | (0.3) | *-10.8%* |
| **Total EDUCATIONAL** | **179.6** | **167.4** | ***+7.3%*** |
| Distribution and other services | 4.1 | 4.7 | *-12.3%* |
| **Total revenue** | **348.7** | **316.1** | ***+10.3%*** |

In first nine months 2021, **revenue** amounted to € **348.7 million, up by 10.3%** versus the same period of 2020, driven in particular by the **increase recorded by the Trade area, the positive performance of the School Textbooks publishers** (due also to a different monthly schedule from 2020, which had seen a delayed return to school), **and the significant growth of Rizzoli International Publications**.

## Trade Revenue

Revenue of the Trade area in the first nine months amounted to € 165.1 million, up by approximately **14.5%** versus 2020, driven by the buoyant performance of the books market recorded in the period; the comparison with **2019**, unaffected by the pandemic, shows an **increase of 6.8%** (€ 154.6 million at 30 September 2019).

The **Hardcover** segment saw all the Group's publishing houses release works that were truly appreciated by readers. Specifically:

- **Mondadori**: for fiction, the titles "*La disciplina di Penelope*" by G. Carofiglio, "*La città di vapore*" by C.R. Zafón, *"Sembrava bellezza"* by T. Ciabatti; for non-fiction, *"Una storia americana"* by F. Costa; for miscellaneous, "*Per tutto il resto dei miei sbagli*" by Camilla Boniardi (known on Instagram as Camihawke, an influencer boasting millions of followers), "*Normal English*" by N. Cerletti and *"Succede sempre qualcosa di meraviglioso"* by G. Gotto; for paperbacks, mention should be made of a number of new titles linked to the popular Netflix series "*La regina degli scacchi*" by W. Tevis and the various volumes by J. Quinn linked to the success of the "*Bridgerton"* series;
- **Einaudi**: the titles *"Una sirena a Settembre"* by M. De Giovanni, *"L'uomo del porto"* by C. Cassar Scalia, *"Il gioco della notte"* by C. Läckberg, *"Quando tornerò"* by M. Balzano, *"Klara e il*

*sole*" by K. Ishiguro, "*Prima persona singolare*" by H. Murakami. Also worth mentioning, the successful paperback edition of "*Stai Zitta*" by M. Murgia;

- **Piemme**: "*La legge dell'innocenza*" by M. Connelly in foreign fiction, in non-fiction "*Il portavoce*" by R. Casalino, "*Tutto ma prete mai*" by D. Banzato and "*Il profumo di mio padre*" by E. Fiano. In the Children's segment, moreover, the publisher retained its leading position with the titles of *Geronimo Stilton*;
- **Sperling & Kupfer**: "*Quando si avvera un desiderio*" by N. Sparks, "*Later*" by S. King and "*Il gioco della vita*" by D. Steel for foreign fiction; for Italian fiction, volume 1 and 2 of "*365 giorni senza di te*" by Campani-Di Girolamo, inspired by a TV series; for non-fiction, a noteworthy mention goes to "*Elisabetta*. *Per sempre regina*", the latest book by A. Caprarica, and for miscellaneous "*Max90*", by singer Max Pezzali;
- **Rizzoli**: the most successful non-fiction titles include "*Il sistema*" by Sallusti-Palamara, accompanied by another political title, "*Io sono Giorgia*" by Giorgia Meloni, both in the top ten in the first nine months of the year; mention should also be made of the posthumous title by Gigi Proietti, "*Ndo cojo cojo*"; for Italian fiction, "*Gli occhi di Sara*" by M. De Giovanni; miscellaneous includes "*Era meglio il libro*" by comedian Valerio Lundini;
- **Mondadori Electa**: for miscellaneous "*Non ho niente da mettermi (tranne il sorriso)*" by E. Petrella, and in the catalogue titles, Benedetta Rossi's latest success "*Insieme in cucina*" published in last quarter 2020; for non-fiction "*Tutto Montemagno*" by the eponymous digital entrepreneur. In the Children's segment, the Me contro te titles continue to enjoy top positions.

## E-books and audiobooks

Revenue from the sale of e-books and audiobooks, which accounted for approximately **7.4% of total publishing revenue,** as expected and bucking the trend of sales of print books, fell by 3.5% versus the prior year, during which sales of digital books had been sustained by the restrictions imposed on free movement during the pandemic. The number of e-book downloads fell by 9.7% versus 2020, while audiobook catalogue listening hours grew by 58%.

Overall digital net revenue was, however, **up by approximately 25% versus 2019**.

The main e-book titles in the first nine months of the year were "*La disciplina di Penelope*" by G. Carofiglio (Mondadori), "*Il sistema*" by Sallusti-Palamara (Rizzoli), *"Bridgerton vol.1 - Il duca e io",* "*Fu sera e fu mattina"* by K. Follett (Mondadori), *"Bridgerton vol.2 - Il visconte che mi amava"* by J. Quinn (Mondadori), "*Gli occhi di Sara*" by M. De Giovanni, and "*La legge dell'innocenza*" by M. Connelly (Piemme). During the year, Mondadori Libri published new digital titles, increasing its catalogue to over 28,700 e-book titles. The most popular audiobook titles were *"Fu sera e fu mattina"* and *"I pilastri della terra"* by K. Follett.

## Educational Revenue

At 30 September 2021, revenue in the segment amounted to € 179.6 million, **up by 7.3%** versus the same period of 2020 (€ 167.4 million): the increase is attributable to the growth in revenue from school textbook products and the highly positive trend in sales of illustrated books published by Rizzoli International Publications:

- **Education**: the school textbooks business posted total revenue of € 144.2 million, **up** by **5%** versus the same period of 2020 (when revenue had amounted to € 137.3 million), driven by the publication and **positive performance of adoptions and sales of a number of new publications**, thanks to a marketing campaign led traditionally, unlike the prior year. Again versus the same period of the prior year, which had seen a return to school in attendance and a delayed start to the new school programme in October, the third and fourth quarters saw a different monthly schedule of revenue.
- **Electa and Abscondita**: in first nine months 2021, revenue amounted to € 6.9 million versus € 7.7 million in 2020, down by 11.4%. One should bear in mind that the first two months of 2020 had remained unaffected by the pandemic, while the current year was impacted in every way by the closure of museums, bookstores and archaeological sites ordered by the Authorities; the gradual restart of activities from end April brought positive signs of a recovery in terms of visitors and tourist flows, albeit with negligible volumes versus the pre-pandemic period, in the following locations in particular: in Rome in the archaeological area of the Colosseum; in Taormina with the Consagra exhibition; in Milan in the Triennale bookshop, with the restart of the design week; in Venice with the Architecture Biennale.
- **Rizzoli International Publications**: revenue in first nine months 2021, amounting to € 29 million, **increased by 27.6%** versus the same period of 2020 (€ 22.7 million)[4], thanks to the remarkable sales of catalogue titles (back-list), especially in the e-commerce channel, the positive performance of new titles published during the year, both Trade and Sponsor, and the gradual development of bookstore receipts, which returned to normal activity.

[4] In local currency, this change is even more striking: +36% versus 2020 and +24% versus 2019, a year unaffected by the pandemic.

# EBITDA

**Adjusted EBITDA** in the Books area amounted to **€ 79.4 million** in first nine months 2021 versus € 67.5 million in the same period of 2020, an **improvement of approximately € 12 million**, thanks to the positive trend of revenue in the Trade segment, the Education area and of Rizzoli International Publications, and to the relief received by Electa in the museum segment and booked in the first nine months (approximately € 3 million, net already of certain provisions).

The **profitability** achieved by the Books area, amounting to **22.8%** at September 2021 (versus 21.3% in the same period of 2020), is even more worthy of notice when compared to the profitability recorded in the first nine months of 2019, equal to 21.5%, since the current year is impacted by the drastic drop of margins from museum activities.

**Reported EBITDA** amounted to € 78.4 million versus € 66.4 million at 30 September 2020, while **EBIT** amounted to € **68.2** million versus € 55.8 million in 2020, with an upward trend consistent with the above dynamics.

# RETAIL

The Mondadori Group has the largest network of bookstores in Italy with almost 550 points of sale:

| Stores | Sept. 2021 | Dec. 2020 | Sept. 2020 | *Chg. yoy* |
|---|---|---|---|---|
| Directly-managed bookstores | 37 | 34 | 35 | *+2* |
| Franchised bookstores | 510 | 520 | 520 | *-10* |
| **Total** | **547** | **554** | **555** | ***-8*** |

The **total number of points of sale** fell by 8 units versus the same period of the prior year (8 small Point franchised bookstores), reflecting the ongoing rationalization of the physical network implemented in recent years.

At 30 September 2021, the **network of directly-managed stores** reached **37 units**, as a result of new openings in shopping centres located across the Country: versus September 2020, a store opened in fourth quarter 2020, two stores in May and two in June 2021, while two stores closed at end 2020 (including Milan Marghera) and one in first half 2021.

The above points of sale (547) are complemented by the shop-in-shops (which increased from 46 to 50 in the period under review) and by the online channel through the e-commerce site www.mondadoristore.it.

## Relevant market performance

As already explained when commenting on the results of the Books area, the **Books** market (which now accounts for **over 80%** of the Retail division's revenue[5]) delivered a strong growth in 2021 versus the prior year **(+25.3%**[6] vs September 2020), driven by the e-commerce channel as well as the physical channel, which in recent months has shown great buoyancy, and a strong recovery not only versus the same period of 2020, affected by the restrictive anti-COVID measures, but also versus the same period of 2019.

The first months of the year were, in fact, still affected by the measures to contain the Coronavirus infection, which were gradually lifted starting from May only. **The market share** of Mondadori Retail, which stood at **11.2%** (11.7% at 30 September 2020), showed great resilience, benefiting from the strong performance of the directly-managed and franchised stores, while continuing to be impacted by the low volumes of sales on the online channel.

[5] *Product revenue excluding Club revenue*

[6] GFK (in terms of value)

## Performance of the Retail Area

| **Retail** *(Euro/millions)* | **Sept. 21** | **Sept. 20** | ***Chg.*** | ***% chg.*** |
|---|---|---|---|---|
| Revenue | 114.3 | 102.0 | 12.3 | 12.1% |
| Adj. EBITDA | 1.7 | (0.5) | 2.3 | n.s. |
| EBITDA | 1.7 | (2.4) | 4.1 | n.s. |
| EBIT | (4.7) | (9.4) | 4.7 | n.s. |

### Revenue

In the first nine months of the year, Mondadori Retail recorded revenue of € 114.3 million, **increasing** by **€ 12.3 million (approximately +12.1%)** versus the same period of the prior year, due mainly to the positive performance of the **Book** product **(the sales of which grew by € 11.9 million, +15.8%)**.

As mentioned, the opening months of the year were affected by the Government's anti-COVID measures, which severely curtailed sales activities, especially of **directly-managed stores** located in the historic centres of large cities and shopping malls. In the second half of the period, thanks to the gradual lifting of social distancing measures, **directly-managed PoS reported a sharp recovery in revenue, enabling them to close the first nine months with an increase of approximately 9% versus the prior year**. The **franchised channel**, composed mainly of proximity stores located in small towns, showed **greater resilience and responsiveness**, enabling it to record a **growth** of approximately **26%** versus the same period of the prior year.

While the physical channel benefited from the gradual reopening of business, the absence of anti-COVID measures affected activities in the online channel, which recorded a 24% drop in revenue in the period under review.

The revenue trend by channel is as follows:

| **Retail Revenue** (Euro/millions) | **9 months 2021** | **9 months 2020** | ***% chg.*** |
|---|---|---|---|
| Directly-managed bookstores | 32.4 | 29.7 | *9.1%* |
| Franchised bookstores | 59.3 | 46.9 | *26.4%* |
| Online | 11.4 | 15.0 | *-24.1%* |
| **Stores** | **103.1** | **91.7** | ***12.5%*** |
| Book clubs and other | 11.2 | 10.3 | *8.2%* |
| **Total revenue** | **114.3** | **102.0** | ***12.1%*** |

As far as the product categories are concerned:

- **Books** were the main item of revenue (**over 80% of the total**), up by an overall **15.8%** versus 2020;
- **Extra-book** sales fell, not only as a result of the pandemic, but due also to the established strategic decision to focus on products that complement the core business of books.

## EBITDA

In the first nine months of the current year, Mondadori Retail recorded a significant improvement in **adjusted EBITDA, which amounted to € 1.7 million, up by € 2.2 million** versus the same period of 2020, and an improvement versus the same period of 2019 (€ 0.8 million).

This improvement is attributable to the deep transformation of the Area’s activity as a whole, the ongoing renewal and development of its network of physical stores, as well as careful cost management and a thorough review of the organization and processes.

**Reported EBITDA** came to a positive € 1.7 million, a strong improvement versus € -2.4 million in first nine months 2020 **(and improving also versus € 0.5 million in the corresponding period of 2019**), a period also affected by the recognition of the provision for a tax dispute related to IMU tax.

**EBIT**, at € -4.7 million (€ -9.4 million in first nine months 2020), showed a significant **improvement of € 4.7 million versus the same figure of 2020 and up also versus € -7.3 million in the corresponding period of 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 relevant market performed as follows in first nine months 2021:

- the **advertising market** posted a **strong increase** of **19.3%** versus the same period of 2020, which had felt the brunt of the pandemic, and basically returned to the sales levels of 2019; the trends of the individual segments were as follows: **digital +24.0%**, **TV +23.9%**, **newspapers +6.0%**, **radio +12.5%** and **magazines +4.2%**[7];
- the **magazines circulation market** declined by **6.9%**[8];
- the **add-on sales market** reported a negative **4.2%** (-12.1% for add-ons bundled with magazines, +0.2% for those with newspapers)[9].

**Mondadori's market share** (in magazine circulation), as a result of a **better performance than the core market**, stood at **23.9%** versus 23.7% recorded in August of the prior year[13].

In 2021, the Mondadori Group, as **Italy's top multimedia publisher**, continued its efforts to engage readers and users and strengthen communities across all media:

- in print with **20 titles** and **10.4 million readers**[10];
- on the web with **14 brands** and an **average reach** for the first eight months of **78%** (approximately **31.7** million **average unique users**, in line with the same period of 2020)[11]
- in social media with a fanbase at 30 September 2021 of **43.2 million**[12] and **115** profiles.

[7] Nielsen, September 2021
[8] Internal source: Press di, August 2021, in terms of value
[9] Internal source: Press di, August 2021, in terms of value
[10] Audipress II, 2021
[11] Comscore, August 2021, average figure for first 8 months

In the **digital** area, Mondadori Media was once again the **leading** publisher in segments with high commercial value and audience figures, specifically in food with ***GialloZafferano,*** in wellness with ***MyPersonalTrainer,*** in parenting with ***NostroFiglio*** and in the women's segment&lifestyle with the network of ***DonnaModerna***.

## Performance of the Media Area

| **Media** *(Euro/millions)* | **Sept. 21** | **Sept. 20** | ***Chg.*** | ***% chg.*** |
|---|---|---|---|---|
| Revenue | 150.0 | 144.1 | 5.9 | 4.1% |
| Adj. EBITDA | 7.8 | 3.2 | 4.5 | 140.2% |
| EBITDA | 7.4 | 1.8 | 5.6 | 315.9% |
| EBIT | 2.6 | (9.5) | 12.1 | n.s. |

### Revenue

The Media area reported revenue of **€ 150** million in first nine months 2021, **up by 4.1%** versus the same period of the prior year. **Digital advertising activities**, which account for approximately **19%** of the area's total **revenue** (up from approximately 13% in September 2020), posted a **sharp growth of 44%** in the period under review**,** driven also by the consolidation of Hej!, active in the tech-advertising segment acquired in January 2021, net of which **growth** would stand at approximately **20%**.

| **Media** *(Euro/millions)* | **9M 2021** | **9M 2020** | ***% chg.*** |
|---|---|---|---|
| Circulation | 53.6 | 56.9 | *(5.8%)* |
| Add-on sales | 19.4 | 23.8 | *(18.3%)* |
| *Print Advertising* | 17.2 | 14.9 | *16.1%* |
| *Digital Advertising* | 27.4 | 19.0 | *43.9%* |
| Total Advertising | 44.6 | 33.9 | *31.7%* |
| Distribution/Other revenue | 32.3 | 29.5 | *9.5%* |
| **Total revenue** | **144.1** | **150.0** | ***4.1%*** |

Specifically:

[12] Shareablee + internal processing

- **Circulation** revenue (newsstands + subscriptions) fell by **5.8%**; within the Group's portfolio of brands, television titles performed better, accounting for approximately 50% of the total (with an overall decline in circulation of approximately 4%), while the *CasaFacile* brand grew by approximately 12%.
- Revenue from **add-on products** (DVDs, CDs, gifts and books), sold bundled with Mondadori magazines, was down by approximately 18% versus first nine months 2020, but saw a reversal of the trend in third quarter (+2.5%), thanks in particular to the presence of a number of successful initiatives in the music product area (series relating to VascoLive, Ligabue and Morricone). Generally speaking, the negative effects from the reduced availability of DVD titles continued, owing to the lack of significant film releases in the period, caused by the lingering effects of the pandemic.
- **Advertising** revenue - amounting to approximately € 45 million - **grew by** approximately **32%** overall (+18% excluding the contribution of the acquisition of Hej!), with an accelerated growth in **the third quarter, up by over 39%** (+23% on a like-for-like basis), partly the result of the comparison with the same quarter of 2020 negatively affected by the pandemic; in the first nine months:
    - **digital** activities **grew by 20% on a like-for-like basis** while, including the contribution of the newly-acquired Hej!, the increase versus the prior year stands at approximately **44%**;
    - advertising sales on **print** brands **increased** by approximately **16%**, a performance that benefited from the comparison with a period negatively affected by the pandemic.

  Mention should be made that **digital revenue** accounted for over **60%** of total advertising revenue (from 56% in 2020).
- **Other revenue**, which includes revenue from distribution activities, increased by **9.5%** versus the prior year, reflecting both the positive performance of international editions (*Grazia* in particular) and growth in newsstand distribution and subscriptions by the third-party publishers distributed.

## EBITDA

**Adjusted EBITDA** in the Media area amounted to € 7.8 million, up sharply versus the first nine months of 2020 (€ 3.2 million), thanks in particular to the **development of digital activities** and in the print area, the recovery of advertising sales and the **continued efforts to curb operating costs**, which contributed to the increase in profitability: the overall **EBITDA margin improved from 2% to approximately 5% in first nine months 2021**.

**Reported EBITDA** amounted to € **7.4 million**, up versus € 1.8 million in first nine months 2020, due also to lower non-recurring expense.

**EBIT** came to a positive € **4.1** million versus a negative € 9.5 million at 30 September 2020, due to the € 5.8 million write-down of the *TV Sorrisi e Canzoni* brand and the goodwill of a number of other titles.

## 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 basically from services provided to subsidiaries and associates which, in first nine months 2021, fell by € 3.6 million, as a result of lower costs of the central units attributable to the continued efficiency actions, and to a different allocation of costs of the top structures to the business areas.

**Adjusted EBITDA** for the area came to a negative € **3.3 million** (a negative € 0.4 million in first nine months 2020), due to the abovementioned different criteria for allocating charges to the business areas and the costs incurred for managing the emergency (anti COVID-19 antigen swabs) and smart-working management.

Including non-recurring items, **EBITDA** amounted to € **-6.5** million, down versus the same period of the prior year (€ -1.9 million) due to higher restructuring costs, including those relating to the supplementary agreement to the non-compete clause, amounting to € 800,000[13], awarded to the previous CEO at the end of his term of office, as well as non-recurring costs incurred for certain M&A activities.

**EBIT** of the area amounted to € **-13.5** million (€ -9.1 million in 9M 2020).

| **Corporate & Shared Services** *(Euro/millions)* | **Sept. 21** | **Sept. 20** | ***Chg.*** | ***% chg.*** |
|---|---|---|---|---|
| Revenue | 29.6 | 33.2 | (3.6) | (10.8%) |
| Adj. EBITDA | (3.3) | (0.4) | (2.9) | n.s. |
| EBITDA | (6.5) | (1.9) | (4.5) | n.s. |
| EBIT | (13.5) | (9.1) | (4.4) | n.s. |

[13] *Non-compete clause extended within the European Union and until April 2023.*

# BALANCE SHEET

The **Mondadori Group's Net Financial Position**, **excluding the impact of IFRS 16**, stood at € **-27.3** million at 30 September 2021, **improving significantly by approximately € 55 million** versus € -82.3 million at 30 September 2020.

| **Net Financial Position** *(Euro/millions)* | **Sept. 21** | **Sept. 20** | **Dec 20** |
|---|---|---|---|
| Cash and cash equivalents | 89.4 | 30.5 | 110.2 |
| Assets (liabilities) from derivative financial instruments | (1.0) | (0.9) | (0.8) |
| Other financial assets (liabilities) | (5.1) | 34.3 | 13.8 |
| Loans (short and medium/long term) | (110.6) | (146.2) | (138.0) |
| Held-for-sale financial assets (liabilities) | 0.0 | 0.0 | 0.0 |
| **Net Financial Position no IFRS 16** | **(27.3)** | **(82.3)** | **(14.8)** |
| Financial payables IFRS 16 | (84.2) | (88.0) | (82.8) |
| **Total Net Financial Position** | **(111.6)** | **(170.4)** | **(97.6)** |

**IFRS 16 NFP** stood at **€ -111.6** million and includes the IFRS 16 impact of € -84.2 million mainly from the Segrate office of the Group and the points of sale of the Retail area: the **improvement versus the September 2020 figure is approximately € 59 million (+35%)**.

The overall credit lines available to the Group at 30 September 2021 amounted to € 711.4 million, of which € 450.0 million committed.

The Group’s short-term loans, totaling € 261.4 million, € 20.0 million of which drawn down at 30 September 2021, include overdraft credit lines on current accounts, advances subject to collection and "hot money" lines.

The Group refinanced its committed lines of credit, repaying the existing lines by signing a new loan agreement on 11 May 2021 with a **pool of banks** (Banco BPM, BNL, Intesa Sanpaolo and Unicredit) totaling **€ 450.0 million, maturing on 31 December 2026**:

| (Euro/millions) | Line of Credit | | Of which: unutilized | Of which with interest rate hedge |
|---|---|---|---|---|
| Term Loan A | 95.0 | (1) | - | 95.0 |
| RCF | 125.0 | (2) | 125.0 | - |
| Acquisition Line C | 230.0 | (3) | 230.0 | (4) |
| **Total** | **450.0** | | **355.0** | **95.0** |

(1) Maturities: 6 equal instalments of € 15.8 million, maturing on 31 December each year until 31 December 2026. Hedging contracts (interest rate) were concluded with an average fixed rate of -0.09%
(2) Bullet loan, coming to maturity on 31 December 2026
(3) Final maturity on 31 December 2026, availability period until end of April 2023; annual repayment in equal instalments equal to 1/3 of the drawn amount of the line as from 31 December 2024
(4) Pre-hedging interest rate contracts were concluded, effective 31 January 2022, for a notional amount of € 60 million to cover the highly probable use of Acquisition Line C to finance the acquisition of DeA Scuola. The average fixed hedge rate is -0.10%.

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

| € million | LTM Sept 21 | 2020 |
|---|---|---|
| **INITIAL NFP IFRS 16** | **(170.4)** | **(151.3)** |
| FINANCIAL LIABILITIES APPLICATION OF IFRS 16 | (88.0) | (95.9) |
| **INITIAL NFP NO IFRS 16** | **(82.3)** | **(55.4)** |
| ADJUSTED EBITDA (NO IFRS 16) | 97.2 | 82.4 |
| NWC AND PROVISIONS | 8.9 | 1.2 |
| CAPEX NO IFRS 16 | (19.8) | (21.8) |
| **CASH FLOW FROM OPERATIONS** | **86.3** | **61.9** |
| FINANCIAL INCOME (EXPENSE) NO IFRS 16 | (3.2) | (3.7) |
| TAX | (11.2) | (6.9) |
| **CASH FLOW FROM ORDINARY OPERATIONS CONTINUING OPERATIONS** | **71.9** | **51.2** |
| ORDINARY CF FROM DISCONTINUED OR DISCONTINUING OPERATIONS | (1.2) | 0.0 |
| **CASH FLOW FROM ORDINARY OPERATIONS** | **70.7** | **51.2** |
| RESTRUCTURING COSTS | (5.5) | (5.2) |
| EXTRAORDINARY TAX | 3.9 | 0.1 |
| SHARE CAPITAL INCREASE/DIVIDENDS NON CONTROLLING INTERESTS AND ASSOCIATES | (0.5) | (1.1) |
| M&A ACTIVITIES | (7.1) | (0.5) |
| OTHER INCOME AND EXPENDITURE | (5.7) | (3.8) |
| EXTRAORDINARY CF FROM DISCONTINUED OR DISCONTINUING OPERATIONS | (0.6) | 0.0 |
| **CASH FLOW FROM EXTRAORDINARY OPERATIONS** | **(15.5)** | **(10.5)** |
| **FREE CASH FLOW** | **55.2** | **40.7** |
| **NET FINANCIAL POSITION NO IFRS 16** | **(27.3)** | **(14.8)** |
| IFRS 16 EFFECTS IN THE PERIOD | 3.6 | 13.0 |
| **FINAL NET FINANCIAL POSITION** | **(111.6)** | **(97.6)** |

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

- **Cash flow from ordinary operations closed with a positive € 70.7 million**, increasing sharply versus the figure recorded in December 2020, as a result of the greater profitability of the businesses and a more positive trend in net working capital: the figure includes € 86.3 million deriving from operations, after deducting tax and financial expense for a total of € 14.4 million; cash flow from operations reflects **operating income of approximately € 97 million**, capital expenditure for approximately € 20 million, and positive net working capital dynamics (including provisions) for approximately € 9 million, thanks mainly to the contribution of the Books and Retail areas.

- **Cash flow from non-ordinary operations came to € -15.5 million** and included mainly:
  - the **acquisition**, in the Media area, of Hej!, specialized in tech-advertising, for approximately € **7** million;
  - **extraordinary positive tax** for € **3.9** million from the tax receivable related to the "Patent Box" facility for the years 2015-2018;
  - outlays for **restructuring costs** of € **5.5** million;
  - the cash-out from the recapitalization of the subsidiary **SEE**, totaling € **1.6** million.

As a result, the total **Free Cash Flow** generated by the Group in the last 12 months amounted to **over € 55 million** at 30 September 2021.

Below is a summary of the Group's financial position at 30 September 2021 versus the same period of the prior year.

| € million | Sept. 2021 | Sept. 2020 | % chg. |
|---|---|---|---|
| TRADE RECEIVABLES | 195.6 | 204.9 | *(4.5%)* |
| INVENTORY | 121.8 | 125.6 | *(3.0%)* |
| TRADE PAYABLES | 199.9 | 216.3 | *(7.6%)* |
| OTHER ASSETS (LIABILITIES) | (13.7) | (7.7) | *n.s.* |
| **NET WORKING CAPITAL** | **102.2** | **103.7** | ***(1.4%)*** |
| INTANGIBLE ASSETS | 189.5 | 210.4 | *(9.9%)* |
| PROPERTY, PLANT AND EQUIPMENT | 16.4 | 17.5 | *(6.0%)* |
| INVESTMENTS | 16.4 | 21.5 | *(23.5%)* |
| **NET FIXED ASSETS WITH NO RIGHTS OF USE IFRS 16** | **222.3** | **249.3** | ***(10.8%)*** |
| ASSETS FROM RIGHTS OF USE IFRS 16 | 80.9 | 85.0 | *(4.8%)* |
| **NET FIXED ASSETS WITH RIGHTS OF USE IFRS 16** | **303.3** | **334.3** | ***(9.3%)*** |
| PROVISIONS FOR RISKS | 41.1 | 48.3 | *(14.8%)* |
| POST-EMPLOYMENT BENEFITS | 29.6 | 31.9 | *(7.2%)* |
| **PROVISIONS** | **70.8** | **80.2** | ***(11.8%)*** |
| **NET INVESTED CAPITAL** | **334.7** | **357.7** | ***(6.4%)*** |
| SHARE CAPITAL | 68.0 | 68.0 | *0.0%* |
| RESERVES | 105.8 | 101.3 | *4.4%* |
| PROFIT (LOSS) FOR THE PERIOD | 49.4 | 18.0 | *n.s.* |
| **GROUP EQUITY** | **223.1** | **187.3** | ***19.1%*** |
| NON-CONTROLLING INTERESTS' EQUITY | 0.0 | 0.1 | *n.s.* |
| **EQUITY** | **223.1** | **187.4** | ***19.1%*** |
| NET FINANCIAL POSITION NO IFRS 16 | 27.3 | 82.3 | *(66.8%)* |
| NET FINANCIAL POSITION IFRS 16 | 84.2 | 88.0 | *(4.3%)* |
| **NET FINANCIAL POSITION** | **111.6** | **170.4** | ***(34.5%)*** |
| **SOURCES** | **334.7** | **357.7** | ***(6.4%)*** |

Specifically, mention should be made that versus 30 September 2020:

- **trade receivables**, despite the increase in revenue, recorded a decline:
  - in the Books area, customer exposure decreased for two reasons: on the one hand, the comparison with 2020, when the Group, due to the pandemic, had granted payment extensions to customer bookstores; on the other, the strong growth in revenue from the e-commerce channel, which typically has more favourable collection conditions;
  - in the Retail area, owing again to two different aspects: on the one hand, the granting of payment extensions during the lockdown period to franchised bookstores; on the other, higher revenue versus the prior year from the network of company-owned stores, which were severely impacted in first half 2020, which record an immediate conversion into cash.

  Added to all that, the positive management of receivables pursued across all business areas;
- **inventory** decreased by 3% as a result of the rationalized purchases (specifically, a reduction in stocks of products from third-party publishers distributed in the Educational Books area) and the policy of limiting print runs in the Trade Books area;
- **trade payables** fell by 7.6%, due to lower production and purchase costs for third-party products;
- **other assets and liabilities** dropped by € 6 million, due primarily to the decrease in receivables due from authors, as a result of the write-down of advances made in the financial statements at 31/12/2020;
- **intangible assets** decreased by approximately € 20 million, due to the effect of the impairment of *TV Sorrisi e Canzoni* and certain brands in 2020, as well as the amortization process underway, which also involves from 2020 *TV Sorrisi e Canzoni*;
- **assets from rights of use** decreased by approximately € 4 million - as a result mainly of amortization - despite the increase recorded in the Retail area arising from the opening of a number of stores in the period under review (four new directly-managed stores in 2021);
- the value of **investments** fell by approximately € 5 million, attributable to the affiliates (Monradio, Attica and Mondadori SEEC);
- **provisions** decreased by € 7.2 million, following the closure of a number of legal disputes and the updating of risks for outstanding disputes, especially in the Media and Retail areas; **post-employment benefits** decreased due to the reduction in headcount, following the structural efficiency measures implemented, and the start of the early retirement plan, the first phase of which was completed in November 2020.

# PERSONNEL

Group employees with a fixed-term or permanent labour contract amounted to **1,814 units, down by 5.3%** versus 1,916 resources at 30 September 2020, despite the increase in headcount following the acquisition of Hej! (net of which the reduction in headcount would be -5.8%).

This reduction is the result of rationalization measures continued across all business areas.

**<u>Group Employees at 30 September 2021:</u>**

| **Headcount** | **30 September 2021** | **30 September 2020** | ***% chg.*** |
|---|---|---|---|
| Arnoldo Mondadori Editore S.p.A. | 246 | 278 | *(11.5%)* |
| Italian subsidiaries | 1,522 | 1,589 | *(4.2%)* |
| Foreign subsidiaries | 46 | 46 | *0.0%* |
| **Total** | **1,814** | **1,916** | ***(5.3%)*** |

| **Headcount by Business Area** | **30 September 2021** | **30 September 2020** | ***% chg.*** |
|---|---|---|---|
| Books | 643 | 641 | *0.3%* |
| Retail | 541 | 581 | *(6.9%)* |
| Media | 324 | 343 | *(5.5%)* |
| Corporate & Shared Services | 306 | 351 | *(12.8%)* |
| **Total** | **1,814** | **1,916** | ***(5.3%)*** |

In the **Books** area, the number of employees was basically steady versus the prior year.

The decrease in the **Retail** area reflects actions for achieving greater efficiencies both in the central units and in the organizational structure of the directly-managed stores network.

The trend recorded by the **Media** area closes at -8.6% net of the staff that joined the Group following the acquisition of Hej!, thanks to the efficiencies achieved in the editorial units.

The **Corporate & Shared Services** area recorded a drop in headcount of approximately **13%**, due to the efficiency measures taken at the central units and the start of the 2020-2022 early retirement plan.

Cost of personnel[14] amounted to € **100 million, steady** versus the first nine months of the prior year, thanks to the positive effects of the reduction in average headcount, which completely offset the cost savings that had exceptionally benefited 2020, thanks to the resort to social safety nets, the use of outstanding holidays and the reduction in the variable management pay implemented in 2020 following the pandemic.

| *Euro/millions* | **30 September 2021** | **30 September 2020** | ***% chg.*** |
|---|---|---|---|
| **Extended Labour Cost** (before restructuring) | **100.0** | 100.0 | *0.0%* |

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

# SIGNIFICANT EVENTS IN FIRST 9 MONTHS 2021

On **29 January 2021**, with a view to further strengthening its foothold in the digital world, the Mondadori Group completed the **acquisition of Hej!**, a company that specializes in tech advertising, a sector where Mondadori already operates successfully through AdKaora, a leading media agency in the field of mobile advertising and proximity marketing; the synergies and pooling of Hej! assets with AdKaora's will help expand the offer and strength in the tech advertising market, providing companies with innovative solutions for conversational mobile marketing.

**On 15 February 2021**, the Group completed the sale of its investment in Reworld Media (from the initial 16.3% stake to 3.2% at 31 December 2020), realizing an overall gain from the sale of approximately € 1.1 million.

**On 12 April 2021, the Ministry of Culture**, through the Directorate-General of Museums, published Decree 326 confirming the previous decrees dated 25 March 2021 (nos. 282 and 283), which approved the outcome of the preliminary phase regarding applications for a further allocation of a portion of the emergency fund dedicated to companies and cultural institutions for relief measures to art exhibition operators for the year 2020, and therefore allocated approximately € 4.6 million in compensation to Electa, the Group's sector company.

**On 27 April 2021**, the **Shareholders' Meeting** of the Company, among other resolutions, appointed the new corporate bodies, who will remain in office for three years until the approval of the financial statements for the year ending 31 December 2023.

The new **Board of Directors** consists of 12 members:

- **Marina Berlusconi** (Chairman), **Antonio Porro, Pier Silvio Berlusconi, Alessandro Franzosi, Elena Biffi, Danilo Pellegrino, Francesco Currò, Angelo Renoldi, Cristina Rossello, Paola Elisabetta Galbiati, Valentina Casella** (drawn from the majority list submitted by the shareholder Fininvest S.p.A.);
- **Alceo Rapagna** (drawn from the minority list submitted by a grouping of shareholders formed of asset management companies and institutional investors).

The Shareholders' Meeting also appointed the new **Board of Statutory Auditors**, composed as follows:

- **Sara Fornasiero** as **Chairperson** (drawn from the minority list submitted by a grouping of shareholders formed of asset management companies and institutional investors);
- **Ezio Maria Simonelli** and **Flavia Daunia Minutillo** as **Standing Auditors** (drawn from the majority list submitted by the shareholder Fininvest S.p.A.);
- **Emilio Gatto** and **Annalisa Firmani**, as **Substitute Auditors** (drawn from the majority list submitted by the shareholder Fininvest S.p.A.);
- **Mario Civetta**, as **Substitute Auditor** (drawn from the minority list submitted by a grouping of

shareholders formed of asset management companies and institutional investors).

The Board of Directors of Arnoldo Mondadori Editore S.p.A., which met after the Shareholders' Meeting, chaired by Marina Berlusconi, appointed **Antonio Porro as the new Chief Executive Officer**, granting him the relating management powers.

The Board of Directors also appointed the members of the following committees in compliance with the principles established by the Corporate Governance Code:

- **Control, Risk and Sustainability Committee**: Angelo Renoldi as Chairman (independent); Alceo Rapagna (independent); Cristina Rossello;
- **Remuneration and Appointments Committee**: Angelo Renoldi as Chairman (independent); Elena Biffi (independent); Cristina Rossello;
- **Related Party Committee**: Elena Biffi as Chairperson (independent); Angelo Renoldi (independent); Paola Elisabetta Galbiati (independent).

The Board also appointed, until expiry of its term, therefore, until approval of the financial statements for the year ending 31 December 2023:

- Valentina Casella as **Lead Independent Director**;
- **Alessandro Franzosi** as **Financial Reporting Manager**.

**On 12 May 2021**, the Mondadori Group announced the signing of a new loan agreement for a total of € 450 million expiring on 31 December 2026, which replaces and extends the current credit lines expiring on 31 December 2022.

This loan consists of an Amortizing Term Loan line of € 95 million to repay the existing debt; a Revolving line (RCF) of € 125 million to support the financial requirements of ordinary operations; a line of € 230 million for potential acquisitions, consistent with the strategic guidelines previously disclosed to the market.

The new agreement, concluded with a pool of four banks (Banca Nazionale del Lavoro/BNP Paribas, Banco BPM, Intesa Sanpaolo and Unicredit), sets better financial conditions than those under the pool loan agreement concluded on 22 December 2017, in terms of lower interest rates and ancillary expense.

The initial spread of the new credit lines is 70 bps, 25 bps lower than the current 95 bps. The rate may vary depending on consolidated NFP/EBITDA movements pre-IFRS 16, from a low of 70 bps to a high of 160 bps.

The pre-IFRS 16 consolidated NFP/EBITDA ratio is 3.25x for all financial years, while the net financial debt covenant cannot exceed a maximum amount of € 385 million at 30 June 2021; € 350 million at 30 June 2022; € 315 million at 30 June 2023; € 280 million at 30 June 2024; € 245 million at 30 June 2025; € 210 million at 30 June 2026.

On **1 July 2021,** the Mondadori Group announced that negotiations are underway for the acquisition of 100% of De Agostini Scuola S.p.A., a school textbooks publisher owned by De Agostini Editore S.p.A..

The process, which followed the acceptance of a binding offer, had envisaged the signing of the contract subject to the successful outcome of further important stages, such as the sharing between the parties of specific contractual terms being discussed and the positive completion of confirmatory due-diligence activities by the Mondadori Group.

On **12 July 2021**, the Mondadori Group signed an agreement with De Agostini Editore S.p.A. - following the negotiations disclosed on 1 July - for the acquisition of 100% of De Agostini Scuola S.p.A., one of Italy's top school textbooks publishers. The company's products are targeted to every level of education - with a marked presence especially in the secondary school segment - through a series of brands including DeA Scuola, Petrini, Marietti Scuola, UTET Università, Cideb-Black Cat and Garzanti Scuola.

The transaction is consistent with the strategy - repeatedly announced by Mondadori - of focusing on the core business of books, in which the Group boasts a longstanding leadership in Trade and is one of the top school textbook players. The acquisition will enable the Company to further strengthen its foothold in the school textbook field, where it currently operates through the publishing houses Mondadori Education and Rizzoli Education.

The value of the transaction has been defined on the basis of an Enterprise Value of € 157.5 million, equal to 7.4 times the reported EBITDA recorded by De Agostini Scuola in 2020. The price will be defined on the basis of the average normalized net financial position over the 12 months before the closing date.

De Agostini Scuola posted in 2020 revenue of € 70.8 million, reported EBITDA of € 21.4 million, with a margin of 30%, and net profit of € 12.2 million. At 31 December 2020, the net financial position (net cash) stood at a positive € 20.8 million.

The agreement, which also makes all of the brands currently covering De Agostini Scuola's school textbooks publishing market available to the Mondadori Group, includes the typical representations and warranties for the purchaser.

The consideration for the transaction will be settled in cash at the closing date by drawing on the acquisition-related line of credit, recently defined as part of the loan agreement signed by the Group on 12 May.
Completion of the transaction is subject to the authorizations of law from the competent Antitrust authority.

On **5 August 2021,** the Mondadori Group signed a binding agreement for the sale of 51% of the share capital of Press-di S.r.l., a wholly-owned subsidiary of Mondadori Media S.p.A.. The transaction will have no material operating-financial or business effect on the Group. Completion is subject to approval by the Antitrust Authority. At 30 September 2021, the Company's assets and liabilities balance was included in "Assets (liabilities) held for sale or discontinued operations" in accordance with IFRS 5.

## PURCHASE OF TREASURY SHARES

At **30 September 2021**, Arnoldo Mondadori Editore S.p.A. held no. 1,049,838 treasury shares, equal to 0.402% of the share capital, of which no. 860,000 purchased in execution of the Buyback Programme to service the 2021-2023, 2020-2022, 2019-2021 performance share plans, which ended on 30 September 2021.

# SIGNIFICANT EVENTS AFTER 30 SEPTEMBER 2021

**On 8 November 2021**, the Mondadori Group announced that it had received notice from the Antitrust Authority of the authorization to acquire 100% of De Agostini Scuola S.p.A.. The provision envisages the adoption of appropriate behavioural measures, as indicated by the Authority and shared by the Mondadori Group, to safeguard the competitiveness of the school textbooks market, including, in particular, the commitment to continue to keep De Agostini Scuola separated until 31 December 2024.

These remedies confirmed the rationale of the acquisition, the business development plan and the potential for value creation initially estimated by the Group.

The Authority’s go-ahead has triggered the fulfilment of the suspensive condition attached to the agreement on the sale of the investment in De Agostini Scuola; the sale will therefore be fully executed on the closing date, scheduled to take place later this year.

# 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)**: net result for the period before income tax, other financial income and expense, amortization, depreciation and write-downs 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.

| (Euro/millions) | 30/09/2021 | 30/09/2020 |
|---|---|---|
| **ADJUSTED EBITDA** | **71.0** | **85.0** |
| Restructuring Costs | 2.7 | 3.2 |
| Extraordinary Expense (Income) | 3.2 | 1.4 |
| **EBITDA** | **65.1** | **80.5** |

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

a) restructuring costs for a total of € 2.7 million, included in "cost of personnel" in the income statement;

b) expense of a non-ordinary nature for a total of € 3.2 million, included in "Sundry expense (income)" and "Cost of services".

With regard to **adjusted EBITDA in first nine months 2021**, the following items were excluded from EBITDA:

a) restructuring costs for a total of € 3.2 million, included in "cost of personnel" in the income statement;

b) expense of a non-ordinary nature for a total of € 1.4 million, included in "Sundry expense (income)" and "Cost of services".

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

**Result before tax (EBT**): EBT or consolidated income before tax is the net result for the period before income tax.

**Result from continuing operations**: net result of the Group, excluding discontinued or discontinuing operations.

**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 12 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.

**Free Cash Flow**: the sum of cash flow from ordinary and non-ordinary operations in the reporting period (excluding payment of dividends, if any).

# OUTLOOK

**The positive performance recorded in the third quarter of the year by all business areas**, the **continued strong cash flow generation,** as well as the **improved trend forecast for the books market throughout the year**, allow the Group to look forward with increased confidence to its development in the coming months, and therefore to **increase** - based again on the current scope - the **estimates previously disclosed for the current year**.

- **Performance targets**
    - **consolidated revenue** is expected to **grow single-digit** (from low single-digit);
    - **adjusted EBITDA** - in percentage terms - is forecast to be over **13% of consolidated revenue** (compared with the previous estimate of an EBITDA margin of 12%), therefore over **€ 100 million**;
    - the **net result** for 2021 is confirmed on a **sharp rise**, propelled by the improvement in operations and by the non-recurring benefits from the tax realignment of intangible assets already recorded.
- **Cash Flow and Net Financial Position**

Additionally, with regard to the Group's financial debt, one can reasonably estimate a further increase in **cash flow from ordinary operations**, in a range between **€ 60 and 65 million** (from the previous forecast between € 50 and 55 million), a **Free Cash Flow of approximately € 50 million** and, therefore, the achievement - before the impacts from the adoption of IFRS 16 - of a **positive consolidated net financial position at year end equal to approximately € 35 million**.

As previously anticipated, **the financial strength achieved by the Group** has paved the way for a possible return to a **shareholder remuneration policy** from 2022 (applied to the net result of 2021).

The above forecasts, drawn up on the basis of the current scope, may be updated upon completion of the acquisition of DeAgostini Scuola.

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

# *Consolidated Financial Statements at 30 September 2021*

## *Consolidated balance sheet*

| **Assets**<br>(Euro/thousands) | **30/09/2021** | **31/12/2020** |
|---|---|---|
| **Intangible assets** | **189,501** | **187,722** |
| Land and buildings | 2,208 | 2,304 |
| Plant and equipment | 2,738 | 2,672 |
| Other tangible fixed assets | 11,501 | 11,977 |
| **Property, plant and equipment** | **16,447** | **16,953** |
| **Assets from rights of use** | **80,929** | **80,267** |
| Equity-accounted investees | 16,139 | 20,331 |
| Other investments | 260 | 270 |
| **Total investments** | **16,399** | **20,601** |
| **Non-current financial assets** | **630** | **677** |
| **Pre-paid tax assets** | **66,631** | **54,050** |
| **Other non-current assets** | **499** | **1,222** |
| **Total non-current assets** | **371,036** | **361,492** |
| **Tax receivables** | **7,875** | **8,387** |
| **Other current assets** | **79,595** | **76,446** |
| **Inventory** | **121,813** | **111,452** |
| **Trade receivables** | **195,610** | **192,129** |
| **Other current financial assets** | **457** | **15,902** |
| **Cash and cash equivalents** | **89,407** | **110,247** |
| **Total current assets** | **494,757** | **514,563** |
| **Assets held for sale** | **27,559** | **-** |
| **Total assets** | **893,352** | **876,055** |

## *Consolidated balance sheet*

| **Liabilities**<br>(Euro/thousands) | **30/09/2021** | **31/12/2020** |
|---|---|---|
| Share capital | 67,979 | 67,979 |
| Treasury shares | (1,711) | (2,771) |
| Other reserves and profit/(loss) carried forward | 107,496 | 102,698 |
| Profit (loss) for the period | 49,374 | 4,503 |
| **Group equity** | **223,138** | **172,409** |
| Share capital and reserves attributable to non-controlling interests | 9 | 7 |
| **Total equity** | **223,147** | **172,416** |
| Provisions | 41,136 | 46,435 |
| Post-employment benefits | 29,633 | 32,757 |
| Non-current financial liabilities | 78,626 | 66,732 |
| Financial liabilities IFRS 16 | 72,141 | 71,050 |
| Deferred tax liabilities | 21,197 | 30,380 |
| Other non-current liabilities | - | - |
| **Total non-current liabilities** | **242,733** | **247,354** |
| Income tax payables | 15,461 | 6,213 |
| Other current liabilities | 131,606 | 125,266 |
| Trade payables | 199,924 | 238,198 |
| Payables to banks and other financial liabilities | 39,239 | 74,869 |
| Financial liabilities IFRS 16 | 12,061 | 11,739 |
| **Total current liabilities** | **398,291** | **456,285** |
| Liabilities held for sale | 29,181 | - |
| **Total liabilities** | **893,352** | **876,055** |

## *Consolidated income statement*

| (Euro/thousands) | 30 September 2021 | 30 September 2020 |
|---|---|---|
| **Revenue from sales and services** | **588,917** | **541,907** |
| | | |
| Decrease (increase) in inventory | (10,061) | (6,232) |
| Cost of raw and ancillary materials, consumables and goods | 102,914 | 91,105 |
| Cost of services | 320,645 | 291,357 |
| Cost of personnel | 94,679 | 93,465 |
| Other (income) costs | 247 | 7,102 |
| | | |
| **EBITDA** | **80,493** | **65,110** |
| | | |
| Depreciation and impairment loss on property, plant and equipment | 3,067 | 3,129 |
| Amortization and impairment loss on intangible assets | 9,974 | 10,819 |
| Amortization/depreciation and impairment loss of assets from rights of use | 15,446 | 22,243 |
| **EBIT** | **52,006** | **28,919** |
| | | |
| Financial expense (income) | 4,337 | 4,214 |
| Expense (income) from investments | 2,916 | 5,110 |
| **Result before tax** | **44,753** | **19,595** |
| | | |
| Income tax | (4,623) | 1,583 |
| **Result from continuing operations** | **49,376** | **18,012** |
| | | |
| Result from discontinued operations | - | - |
| **Net result** | **49,376** | **18,012** |
| | | |
| Attributable to: | | |
| **- Minority shareholders** | **2** | **(2)** |
| **- Parent Company shareholders** | **49,374** | **18,014** |
| | | |
| Earnings per share of continuing operations (expressed in Euro units) | 0.190 | 0.070 |
| Diluted earnings per share of continuing operations (expressed in Euro units) | 0.189 | 0.069 |
| | | |
| Net earnings per share (in Euro units) | 0.190 | 0.070 |
| Diluted net earnings per share (in Euro units) | 0.189 | 0.069 |

## *Consolidated comprehensive income statement*

| (Euro/thousands) | **30 September 2021** | **30 September 2020** |
|---|---|---|
| **Net result** | **49,376** | **18,012** |
| *Items reclassifiable to income statement* | | |
| Profit (loss) from the conversion of currency denominated financial statements of foreign companies | 1,366 | (919) |
| Other profit (loss) from equity-accounted investees | 62 | (251) |
| Effective part of profit (loss) on cash flow hedge instruments (cash flow hedge) | 476 | 60 |
| Profit (loss) from held-for-sale assets (fair value) | - | - |
| Tax effect on other profit (loss) reclassifiable to income statement | (114) | (15) |
| *Items reclassified to income statement* | | |
| Profit (loss) on cash flow hedge instruments | 379 | 227 |
| Profit (loss) from held-for-sale assets (fair value) | - | - |
| Tax effect on other profit (loss) reclassified to income statement | (91) | (54) |
| *Items not reclassifiable to income statement* | | |
| Actuarial profit (loss) | (199) | (158) |
| Tax effect on other profit (loss) not reclassifiable to income statement | 48 | 36 |
| Total other profit (loss) net of tax effect | 1,927 | (1,074) |
| **Comprehensive result for the period** | **51,303** | **16,938** |
| Attributable to: | | |
| **- Non-controlling interests** | **2** | **(2)** |
| **- Parent Company shareholders** | **51,301** | **16,940** |

For the Board of Directors
The Chairman
Marina Berlusconi