

GRUPPO  MONDADORI



**Shareholders' Meeting
of 17 April 2019 (1st call)
and of 18 April 2019 (2nd call)**

Directors' Explanatory Report

Item 4 on the agenda - ordinary session

Authorisation for the purchase and sale of treasury shares, pursuant to the combined provisions of arts. 2357 and 2357-ter of the Italian Civil Code.

Shareholders' Annual General Meeting 17/18 April 2019
Directors' Explanatory Report
on item 4 on the agenda - ordinary session

Authorisation for the purchase and sale of treasury shares, pursuant to the combined provisions of articles 2357 and 2357-ter of the Italian Civil Code.

Fellow Shareholders,

the Shareholders' Meeting of 24 April 2018 of Arnoldo Mondadori Editore S.p.A. (the "**Company**") carried a resolution, pursuant to art. 2357 of the Italian Civil Code and with validity until the approval of the financial statements as at and for the year ended 31 December 2018, authorising the purchase of treasury shares representing up to 10% of the current share capital. Furthermore, pursuant to art. 2357-*ter* of the Italian Civil Code, the Shareholders' Meeting authorised the Board of Directors to sell purchased treasury shares, with no time limits.

After partial execution of the resolution, as of today the Company holds 1,346,703 treasury shares (representing 0.515% of the share capital) whose voting rights are suspended pursuant to art. 2357-*ter*, par. 2, of the Italian Civil Code.

The capital of the Company, as of the date of this report, amounts to Euro 67,979,168.40 divided into 261,458,340 ordinary shares with a nominal value of Euro 0.26, of which 260,111,637 have voting rights.

In view of the expiry of the previous shareholders' resolution of 24 April 2018 and in order for the Board of Directors to retain the power to take opportunities for investment or for transactions on treasury shares, we invite you to approve a new authorisation, until approval of the financial statements as at and for the year ended 31 December 2019, enabling the Board of Directors to purchase and to sell bought-back treasury shares pursuant to the combined provisions of arts. 2357 and 2357-*ter* of the Italian Civil Code, art. 132 of legislative decree no. 58 of 24 February 1998, and subsequent amendments (the "**TUF**"), and article 144-*bis* of the Consob regulation adopted with resolution no. 11971 of 14 May 1999, and subsequent amendments ("**Issuers' Regulation**"), using the procedures set out below.

1. Reasons for the request to authorise the purchase and sale of treasury shares.

The request to authorise the purchase and sale of treasury shares to which this proposal refers is intended to enable the Company to purchase and sell ordinary shares, in accordance with the previous shareholders' authorisations and in compliance with current community and national law and market practices allowed from time to time, including but not limited to, the practices recognised by Consob, respectively, pursuant to art. 13 of Regulation (EU) no. 596/2014 and art. 180, par 1, head c), of the TUF with resolution no. 16839 of 19 March 2009 ("**Allowed Market Practices**"), for the following purposes:

- to use bought-back treasury shares as consideration for the acquisition of equity investments under the Company's investment policy;
- to use bought-back treasury shares with respect to the exercise of conversion rights or other options on financial instruments issued by the Company, subsidiaries or third parties, and to use the treasury shares for lending, exchanges or conferral transactions or to service extraordinary capital transactions or borrowing transactions or incentives that involve the allotment or disposal of treasury shares;
- to carry out, directly or through brokers, investment transactions, also with a view to containing sharp swings in listed share prices, normalising trading and share price trends and supporting the stock's liquidity on the market, in order to promote regular trading conditions independently of the normal variations tied to market trends, all in compliance with current regulations;
- to take investment or divestment opportunities, when deemed to be to the strategic benefit of the Company, and in proportion to available liquidity;
- to use the treasury shares to service equity incentive plans, pursuant to article 114-bis of the TUF, and programmes for the bonus issue of shares to shareholders.

In this connection, the Board of Directors has asked the Shareholders' Meeting called for 17 April 2019, and on 18 April 2019 on second call, to approve, pursuant to article 114-bis of the TUF, the so-called *Performance Share Plan 2019-2021*.

Under the Plan, the financial instruments on which the Plan is based are exclusively Mondadori treasury shares (see the Information Document published pursuant to art. 84-*bis* of the Issuers' Regulation and available on the website www.mondadori.it). Consequently, with respect to the authorisation that may be issued by the Shareholders' Meeting under this proposal, the Board of Directors may organise a treasury share buy-back programme for a maximum amount equivalent to 0,62% of the share capital, in order to provide the Company with the 1.622.581 million shares required to fulfil its obligations under the Performance Share Plan 2019-2021: (i) the details of which will be announced before trading begins, (ii) whose purchase and sale transactions will be notified to Consob and to the public, and (iii) whose purchase prices comply with the limits established by Regulation (EU) no. 596/2014 and related implementing regulations.

Attention is also drawn to the fact – in compliance with previous disclosures to the market – that (i) the Shareholders' Meeting of 27 April 2017, approved, pursuant to article 114-*bis* of the TUF, the *Performance Share Plan* for the three-year period 2017–2019 (the “2017-2019 Plan”) based exclusively on the attribution of Mondadori treasury shares (in accordance with the contents of the Information Document published on 28 March 2017 which is recalled in full) (ii) the Shareholders' Meeting of 24 April 2018, approved, pursuant to article 114-*bis* of the TUF, the *Performance Share Plan* for the three-year period 2018–2020 (the “2018-2020 Plan”) based exclusively on the attribution of Mondadori treasury shares (in accordance with the contents of the Information Document published on 15 March 2018 which is recalled in full). Consequently, with respect to the authorisation

that may be issued by the Shareholders' Meeting under this proposal, the Board of Directors may continue to buy back treasury shares to service the 2017-2019 Plan and the 2018-2020 Plan in accordance with the procedures and the limits set out in the related Regulations.

2. Maximum number, category and nominal value of the shares to which the authorisation refers.

Authorisation is requested for the purchase on one or more *occasions* of a maximum number of treasury shares – taking into account the number of shares held, directly or indirectly, in portfolio from time to time – equal to no more than 10% of the share capital.

3. All useful information for the purposes of a full evaluation of compliance with article 2357, par 3, of the Italian Civil Code.

In accordance with art. 2357, par 1, of the Italian Civil Code, purchases of treasury shares shall in all cases be within the limits of the distributable income and available reserves reflected in the most recently approved financial statements at the time of the execution of each operation. Only fully paid-up shares may be purchased.

The authorisation is requested in compliance with article 2357, par 3, of the Italian Civil Code, in other words, for a maximum amount not exceeding one fifth of the share capital.

4. Term for which the authorisation is requested.

The term of the purchase authorisation is requested until the Shareholders' Meeting to approve the financial statements as at and for the year ended 31 December 2019, whereas the term of the authorisation to sell treasury shares is requested without time limits.

5. Minimum consideration and maximum consideration.

Without prejudice to the purchase of treasury shares in compliance with the terms, conditions and requirements established by law and community law and by Allowed Market Practices, the Board of Directors proposes that the minimum and maximum purchase consideration be set at a per-share price that is not more than 20% below the official market price of Arnoldo Mondadori Editore S.p.A. shares on the day preceding the day of the purchase, and not more than 10% above the official market price on the day preceding the purchase. With regard to purchase prices, the additional conditions as at art. 3 of the Delegated Regulation (EU) 2016/1052 referred to in point 6 below shall apply in all cases.

In accordance with the provisions laid down in article 2357, par 1, of the Italian Civil Code, purchases shall be executed within the limits of the available "surplus reserve", as reflected in the most recently approved financial statements.

The Board of Directors also requests authorisation to sell, dispose of and/or use bought-back treasury shares pursuant to art. 2357-*ter* of the Italian Civil Code, for any reason and at any time, in whole or in part, on one or

more occasions, for the purposes indicated in section 1 above, in accordance with procedures, terms and conditions established from time to time by the Board of Directors.

With regard to the definition of volumes and per-share prices, purchases shall in all cases be executed in compliance with the conditions governed by art. 3 of the Delegated Regulation (EU) 2016/1052, more specifically:

- shares shall not be purchased at a price higher than the higher of the price of the last independent trade and the highest current independent bid on the trading floor where the purchase is carried out;
- with regard to volumes, daily purchase volumes shall not be more than 25% of the average daily volume of Arnoldo Mondadori Editore S.p.A. shares traded, in the 20 trading days preceding the date of purchase.

Purchases relating to (a) the activity of supporting market liquidity; and (b) treasury-share buybacks for the formation of a so-called stock "warehouse", shall also be executed in compliance with the conditions established by market practices pursuant to the combined provisions of art. 180, par 1, head c), of the TUF and art. 13 of Regulation (EU) 596/2014.

Specifically, the Board of Directors may use the treasury shares (a) for sale on regulated markets, or as consideration for the acquisition of equity investments under the Company's investment policy, or with respect to the exercise of conversion rights or other options on financial instruments issued by the Company or by third parties, provided that the price or unit value of the shares is not less than 80% of the reference price of the share in the trading session preceding each transaction; (b) to service equity incentive plans approved by the Shareholders' Meeting, as per the relative plan Regulations.

6. Purchase and sale procedures.

Purchases shall be executed in compliance with (i) the combined provisions of art. 132 of the TUF and art. 5 of Regulation (EU) 596/2014, (ii) art.144-*bis* of the Issuers' Regulation, (iii) community and national law concerning market abuse, and (iv) Allowed Market Practices.

Specifically, purchases shall be executed on regulated markets in accordance with operating procedures established in the organisation and management regulations of the markets themselves that do not allow purchase bids to be directly matched with pre-determined sales offers.

Bought-back treasury shares may be disposed of through sales on regulated markets, following procedures compliant with law, or as consideration for the acquisition of equity investments under the Company's investment policy.

Specifically, authorisation is requested to dispose of treasury shares (i) to satisfy the exercise of conversion rights or other options on financial instruments issued by the Company or third parties at a price corresponding to the relative exercise or conversion price, and (ii) to satisfy the exercise of options allocated to beneficiaries under equity incentive plans, at the price indicated in the Regulations.

7. Proposed resolutions

Fellow Shareholders,

if you agree with our proposals, we invite you to approve the following resolutions:

“The ordinary Shareholders’ Meeting of Arnoldo Mondadori Editore S.p.A.,

- *having examined and discussed the explanatory report prepared by the Board of Directors;*
- *having viewed the separate financial statements as at and for the year ended 31 December 2018, approved by today’s Shareholders’ Meeting;*
- *having heard the proposed resolutions presented to it;*

resolves:

1. *to authorise, pursuant to article 2357 of the Italian Civil Code, the purchase of a maximum number of ordinary share with a per-share nominal value of Euro 0.26 up to 10% of the current share capital. The purchases may be executed, on one or more occasions, at a minimum per-share consideration that is not more than 20% below the official market price on the day preceding the purchase transaction and not more than 10% above the official market price on the day preceding the purchase transaction. The purchase volumes and per-share prices shall in any case be established in accordance with the conditions governed by art. 3 of Delegated Regulation (EU) 2016/1052, and, more specifically:*
 - *shares shall not be purchased at a price higher than the higher of the price of the last independent trade and the highest current independent bid on the trading floor where the purchase is carried out;*
 - *with regard to volumes, daily purchase volumes shall not be more than 25% of the average daily volume of Arnoldo Mondadori Editore S.p.A. shares traded, in the 20 trading days preceding the date of purchase.*

The term of this authorisation is set until the Shareholders’ Meeting to approve the financial statements at and for the year ended 31 December 2019;
2. *to empower the Board of Directors, and for it the Chair and the Chief Executive Officer, separately and also through proxies, to proceed with the purchase of shares under the conditions set out above, with the graduality deemed to be in the interests of the Company, in accordance with the procedures established under current law and hence, pursuant to art. 144-bis of Consob Regulation no. 11971/1999, on markets regulated in accordance with operating procedures established in the organisation and management regulations of the markets themselves that do not allow purchase bids to be directly matched with pre-determined sales offers;*
3. *at the time of the purchase and sale of treasury shares, to make the necessary entries in the accounts, in compliance with law and the applicable accounting standards;*

4. *to authorise the Board of Directors, and for it the Chair and the Chief Executive Officer, separately and also through proxies, so that, pursuant to 2357-ter of the Italian Civil Code, they may dispose of, at any time, in whole or in part, on one or more occasions, after or before completing purchases, treasury shares bought back in accordance with this resolution, through the sale of said shares on regulated markets and in any case in accordance with the additional trading procedures that may be followed under applicable law, as consideration for the purchase of equity investments under the Company's investment policy, to service the exercise of conversion rights and other options on financial instruments issued by the Company or by third parties, to service incentives plans adopted by the Company (including the share-based incentives plan for 2017-2019 approved by the Shareholders' Meeting of 27 April 2017 with the procedures as per the related Regulation, the share-based incentives plan for 2018-2020 approved by the Shareholders' Meeting of 24 April 2018 with the procedures as per the related Regulation and the share-based incentives plan for 2019-2021, to be presented for the approval of the Shareholders' Meeting, with the procedures as per the related Regulation), or attributing to the Directors the power to establish from time to time, in compliance with law and regulations, the terms, procedures and conditions they deem most appropriate. The per-share price or value attributed to the shares to be sold shall not be less than 80% of the reference share price in the trading session preceding each transaction, or, with regard to sales for the exercise of conversion rights or other options on financial instruments issued by the Company or by third parties, shall correspond to the related exercise or conversion price. The authorisation as per this point is granted without time limits."*

14 March 2019

Arnoldo Mondadori Editore S.p.A.
on behalf of the Board of Directors
The Chair

Marina Berlusconi

GRUPPO  MONDADORI



**Shareholders' Meeting
of 17 April 2019 (1st call)
and of 18 April 2019 (2nd call)**

Directors' Explanatory Report

Item 5 on the agenda - ordinary session

Resolutions pursuant to article 114-*bis* of the TUF regarding the allocation of financial instruments.

Shareholders' Annual General Meeting 17/18 April 2019

Directors' Explanatory Report

on item 5 on the agenda – ordinary session

Resolutions pursuant to article 114-bis of the TUF regarding the allocation of financial instruments.

Fellow Shareholders,

this Report has been prepared pursuant to articles 114-*bis* and 125-*ter* of Legislative Decree No. 58 of 24 February 1998, as subsequently amended ("**TUF**"), and article 84-*ter* of the Consob Issuers' Regulation adopted by resolution no. 11971 of 14 May 1999, as subsequently amended ("**Issuers' Regulation**").

The Board of Directors has called you to this ordinary session on 17 April 2019 and, if necessary, on 18 April 2019 on second call, to submit for your approval pursuant to article 114-*bis* of the TUF, the adoption of a *Performance Share Plan* for 2019–2021 (the "*Plan*"), restricted to the CEO, the CFO-Executive Director and certain *Managers* selected by the Company.

This Report sets out the rationale and content of the proposal concerning the Plan, referring you for the illustration of the content and provisions of the Plan to the Information Document on the Plan, drafted pursuant to art. 114-*bis* of the TUF and art. 84-*bis* of the Issuers' Regulation. The Plan will be implemented through the purchase of treasury shares.

The proposal for the authorisation to purchase treasury shares to be used to service the Plan is set forth in a separate explanatory report prepared pursuant to articles 2357 and 2357-*ter* of the Italian Civil Code, which – together with this report – will be made available to the public at the registered office of Arnoldo Mondadori Editore S.p.A., on the authorised storage device 1Info (www.1info.it), and in the "*Governance*" section of the Arnoldo Mondadori Editore S.p.A. website (www.mondadori.it) as required by laws in force.

1. Rationale for the Plan

The Plan is established for the following purposes:

- a. To create a stronger bond between the creation of value in the medium and long term and the remuneration of *management*.
- b. To sustain the growth of Mondadori, following completion of the optimisation of its *assets*, by identifying a tool that reflects the growth of the value of the Company.

c. To stimulate *team work* at top management level, in support of the common objective of growing value.

Furthermore, the adoption of a share-based Plan is fully aligned with the key recommendations of article 6 of the Borsa Italiana Corporate Governance Code.

The Plan is an integral part of Mondadori's remuneration policy and is a first step towards the progressive and constant alignment with best market practices in regard to long-term incentive schemes.

For the preparation of the Plan, the Central Human Resources and Organisation Division used the support of a major international consulting firm with specialisation in this industry to produce a market *benchmarking survey* indicating the *best practices* in the industry, in Italy as well as in Europe.

2. Features of the Plan

The Plan consists of the assignment of rights to receive a performance bonus, consisting of Company shares, in consideration of the achievement of specific and pre-set *performance* objectives measured at the end of a three-year performance period.

The maximum number of Arnoldo Mondadori Editore S.p.A. ordinary shares servicing the Plan is 1.622.581, arising from the purchase of treasury shares on the market (the related proposal for authorisation to purchase and sell will be approved by the Shareholders' Meeting called to an ordinary session on 17 April 2019 and, if necessary on 18 April 2019 on second call).

As these are treasury shares, the Plan has no dilutive effects; in general terms, the maximum level of capital used to service the Plan will overall be equivalent to 0,62%.

3. Beneficiaries

The Plan is restricted to the CEO, the CFO-Executive Director and 11 Mondadori *managers* with an existing employment and/or administration contract with the Company or its subsidiaries as at the date of allocation of the shares.

The beneficiaries will be identified by the Chief Executive Officer by name, having heard the opinion of the Remuneration Committee and under a mandate from the Board of Directors. The operational management of the Plan is delegated to the Central Group Human Resources and Organisation Division.

The names of the beneficiaries and the other information required by paragraph 1 of form 7, Annex 3A of the Issuers' Regulation will be provided subsequently, upon implementation of the Plan, according to the procedures set forth under article 84-*bis*, paragraph 5, head a) of the aforementioned Issuers' Regulation.

4. Plan implementation procedures and clauses, specifying whether implementation is subject to conditions and, in particular, attainment of specific results

Shares will be allocated to beneficiaries at the end of the vesting period, on attainment of pre-defined performance objectives. In particular, these objectives refer to:

- i) Total Shareholder Return (TSR) with respect to the companies listed in the FTSE Italia All Share index, with a weighting of 25%
- ii) Cumulative EBIT for the three-year period, with a weighting of 25%
- iii) Cumulative Net Profit for the three-year period, with a weighting of 25%
- iv) Cumulative Free Cash Flow for the three-year period, with a weighting of 25%

Minimum, target and maximum result levels have been set for each performance condition illustrated above. On attainment of the minimum performance level (90%) for EBIT, Net Profit and Free Cash Flow, the number of shares allocated will equal 50% of the target number of assigned rights. On attainment of the target performance level, 100% of the bonus will be applied, whereas if the maximum level is met, beneficiaries will be entitled to 120% of the target number of assigned rights.

TSR is defined in relation to the companies listed on the FTSE Italia All Share index, measuring performance throughout the performance period of the Plan. If TSR is equal to or higher than the median, the objective will be considered achieved and the number of shares allocated will be equal to 100% of the rights assigned. If TSR is lower than the median, no shares will be allocated.

The number of shares to be allocated on attainment of the Performance Objectives will be rounded up to the higher whole unit.

The Board may change the Performance Objectives in the event of extraordinary and/or unforeseen situations or circumstances that may significantly affect the results and/or scope of the Group's activities. Such situations and circumstances include, but are not limited to, mergers, demergers, acquisitions, transfers and spin-offs.

Proposed resolutions

Fellow Shareholders,

if you agree with our proposals, we invite you to approve the following resolutions:

"The ordinary Shareholders' Meeting of Arnoldo Mondadori Editore S.p.A.,

having examined the explanatory report of the Board of Directors drawn up pursuant to articles 114-bis and 125-ter of legislative decree no. 58 of 24 February 1998, as subsequently amended ("TUF");

having examined the Information Document prepared pursuant to article 84-bis of the regulation adopted by Consob with resolution no. 11971 of 14 May 1999, as subsequently amended, which was made available to the public in accordance with the procedures prescribed in the applicable regulatory provisions,

resolves:

1. *to approve, pursuant to art. 114-bis of the TUF, the adoption of an incentives plan known as the 2019 – 2021 Plan of Arnoldo Mondadori Editore S.p.A. (the “Plan”), whose terms, conditions and implementation procedures are described in the Plan Information Document attached to the Directors’ Report, to which reference should be made;*
2. *to grant to the Board of Directors the broadest powers necessary and appropriate for the implementation, integration or amendment of the Plan, including, but not limited to, the power to: (i) assign rights to the CEO; (ii) assign rights to the CFO-Executive Director; (iii) identify, or delegate the CEO to identify, having heard the opinion of the Remuneration Committee, the beneficiaries not belonging to the Board of Directors and the number of rights to be assigned to beneficiaries; (iv) set any other term or condition, directly or by delegation, for the implementation of the Plan, including procedures for the procurement of the financial instruments to service the Plan, to the extent that these do not violate the authorisations granted by the Shareholders’ Meeting (v) perform, directly or by delegation, any action, formality or notification necessary or advisable for the management and/or implementation of the Plan, in accordance with the terms and conditions set out in the Information Document on the 2019 - 2021 Plan, to which reference should be made;*
3. *to confer separately upon the Chair of the Board of Directors and the Chief Executive Officer the power to further delegate so as to fulfil the legislative and regulatory requirements arising from the resolutions adopted.”*

14 March 2019

Arnoldo Mondadori Editore S.p.A.

For the Board of Directors

The Chair

Marina Berlusconi

Information Document

DRAWN UP PURSUANT TO SECTION 114-BIS OF LEGISLATIVE DECREE 58/1998 (Consolidated Law on Finance) AND SECTION 84-BIS OF CONSOB REGULATION 11971 dated 1999 AS SUBSEQUENTLY INTEGRATED AND AMENDED (ISSUER REGULATION)

Performance Share Plan – 2019-2021

Introduction

This Information Document, pursuant to section 84-bis (Annex 3 A, schedule 7) of the Issuer Regulation, was drawn up by Arnoldo Mondadori Editore Spa in order to inform its shareholders and the market of the proposed adoption of the Performance Share Plan for 2019-2021 (the “**Plan**”), approved by the Board of Directors of Arnoldo Mondadori Editore on 14 March 2019 and, pursuant to section 114 bis of the Consolidated Law on Finance (TUF), will be submitted for the approval of the Shareholders Meeting at its first call on 17 April 2019, in Segrate (MI), via Mondadori 1 or, if necessary, at the second call on 18 April 2019, for the approval of the Financial Statements for the period ended 31 December 2018.

The Plan includes the allocation to Beneficiaries of the right to receive Shares in the Company after certain Performance targets have been met over a three-year period.

The Plan involves a three-year cycle starting in 2019 and ending with approval of the Financial Statements for 2021. This Plan applies to the management of Arnoldo Mondadori Editore Spa and its subsidiaries, and should be considered “of particular importance” pursuant to section 84-bis, paragraph 2 of the Issuer Regulation since Beneficiaries may include subjects as specified in section 114-bis of the Consolidated Law on Finance specifically:

- i) The Managing Director of Arnoldo Mondadori Editore Spa
- ii) Executives with Strategic Responsibilities at Arnoldo Mondadori Editore Spa
- iii) Members of the Board of Directors or Management Committee of subsidiaries of the share issuer.

This Information Document can be consulted by the general public at the registered office of Arnoldo Mondadori Editore Spa, using the authorized storage mechanism 1Info (www.1info.it), and in the “Governance” section of the website of Arnoldo Mondadori Editore (www.mondadori.it) in compliance with statutory requirements.

Definitions

The following terms used in the Information Document shall have the meanings set out below:

Managing Director	The Managing Director of Arnoldo Mondadori Editore Spa
Allocation	The allocation of the Rights to receive Shares in the Company based on the provisions set out in this Document
Attribution	Delivery of the Shares comprising the Bonus at the end of the Vesting Period based on the degree to which Performance targets have been met

Arnoldo Mondadori Editore S.p.A.

Registered Office: Via Bianca di Savoia 12, Milan

Share capital € 67,979,168.40 fully paid-up

Milan-Monza-Brianza-Lodi Company register and tax code 07012130584 VAT No. 08386600152

Share	An ordinary Share issued by Arnoldo Mondadori Editore Spa, listed on the screen-based stock exchange of Borsa Italiana S.p.A., code ISIN IT0001469383
Rights or Assigned Rights or Bonus	The number of Rights to receive Shares in the Company assigned to Beneficiaries and which can be attributed at the end of the pre-established period (the Vesting Period) according to set performance and retention conditions
Shares Accrued or Shares Attributed	The actual number of Shares accrued by the Beneficiaries at the end of the pre-established period (Vesting Period) determined in relation to the performance levels achieved at the terms and conditions set out in the Plan
Beneficiaries	The people for whom the Plan is intended
Plan Cycle	The performance cycle on which the Plan: 2019-2021 is based
Board of Directors or Board	The Board of Directors of Arnoldo Mondadori Editore Spa
Committee	The Remuneration and Appointments Committee of Arnoldo Mondadori Editore Spa, comprising entirely non-executive Directors a majority of them independent, the composition, appointment, duties and functioning of which are established by a dedicated Regulation approved by the Board of Directors and with pro-active and consultative functions regarding remuneration
Executives with Strategic Responsibilities	Pursuant to section 65 paragraph 1, subsection 4 of the Issuer Regulation, executives of Arnoldo Mondadori Editore Spa with direct and indirect power and responsibilities for planning, management and control of Arnoldo Mondadori Editore Spa
Allocation Date	The date on which the Beneficiaries are identified and the Rights are allocated to each one
Attribution Date	The date on which the Board of Directors attributes the Shares to the Beneficiaries based on reaching the Performance Targets
Group	Mondadori and its Subsidiaries
Allocation Letter	The written communication sent to the Beneficiary pursuant the regulation, by which the participation in the plan, the amount of the bonus and terms and conditions are communicated
Mondadori or Company	Arnoldo Mondadori Editore Spa (with registered office in Via Bianca di Savoia 12, Milan)
Performance targets	Indicates the aims of the Plan in which the levels of achievement determine the number of Shares to be attributed to each beneficiary at the end of the Vesting Period
Vesting Period	Three-year period starting from the moment in which the Bonus is attributed by Allocation Letter
Performance Period	The three-year period (from 01.01.2019 to 31.12.2021) for the achievement of Performance Targets
Lock-Up Period	Period in which the shares attributed cannot be disposed of by the Beneficiary
Plan	The Performance Share Plan of the Company which gives the Beneficiaries the right to receive free of charge Shares in the Company after achieving certain pre-established Performance Targets
Relationship	Indicates the working or administrative relationship between the Beneficiary and the Group
Regulation	The document, approved by the Board of Directors, which sets out the terms and conditions of each annual attribution under the Plan
Subsidiaries	Subsidiaries of Arnoldo Mondadori Editore Spa pursuant to section 2359 of the Italian Civil Code
Total Shareholder Return	The rate of return for shareholders calculated over the three-year

(TSR)	reference period, as the difference in value between the price of the shares at the beginning and the end of the performance period after taking into account the value of the dividends distributed over the same period
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1. The people for whom the Plan is intended

- 1.1 The names of the beneficiaries who are members of the Board of Directors of the issuer, parent companies or companies that are directly or indirectly controlled by the issuer.

The Beneficiaries of the Plan include the Managing Director Mr. Ernesto Mauri and the CFO-Executive Director, Mr. Oddone Pozzi.

Participation in the Plan 2019-2021 does not oblige the Company to include the Beneficiary in any subsequent plans.

If the Beneficiaries specified below in paragraph 1.2 include those who, pursuant to statutory requirements, must be named, including in relation to the appointment as Director of any Subsidiary, the Company shall provide the market with the relevant information at the time of the communication required under section 84-bis, paragraph five, of the Issuer Regulation.

- 1.2 Categories of employees or collaborators of the issuer and parent companies or subsidiaries of the issuer

The Plan includes named Group managers. The criterion for eligibility for inclusion as a Beneficiary of the Plan is occupation of a position with significant impact on the achievement of the results of the Company.

Beneficiaries shall be identified by name following approval of the Plan by the Shareholders Meeting.

The Managing Director, acting on behalf of the Board of Directors, identifies the remaining Beneficiaries at his/her discretion.

Participation does not create the obligation to identify the same Beneficiary in any subsequent Plan.

Some of the managers who are potential Beneficiaries of the Plan may be members of the Board of Directors of subsidiaries of the Company pursuant to section 2359 of the Italian Civil Code.

- 1.3 Naming the people who benefit from the Plan in the following groups:

a) Directors General of the issuer of financial instruments:

Not applicable

b) other executives with strategic responsibilities for the issuer of financial instruments not deemed as of "smaller size" pursuant to section 3, para 1, subsection f) of Regulation 17221 dated 12 March 2010, where they have received during the financial year a total remuneration (the sum of monetary remuneration and remuneration based on financial instruments) which is higher than the highest remuneration of a member of the Board of Directors, or Management Committee and the Directors General of the issuer of financial instruments

Not applicable

None of the executives with Strategic Responsibilities in the Group received remuneration during the financial year that was higher than the highest remuneration received by a member of the Board of Directors of Arnoldo Mondadori Editore Spa.

- c) individuals who control the share issuer, either employees or collaborators of the share issuer
Not applicable

1.4 Description and number, separate for each category:

- a) Executives with strategic responsibilities other than those specified in subsection b) of paragraph 1.3;

Currently there are 8 executives with strategic responsibilities for the Company.

- b) in the case of a company "of smaller size", pursuant to section 3, para. 1, subsection f) of Regulation 17221 dated 12 March 2010, an aggregate indication of all the executives with strategic responsibilities for the issue of financial instruments;

Not applicable.

- c) any other categories of employee or collaborator for whom differentiated characteristics of the Plan are intended

Not applicable.

2 The reasons behind the adoption of the Plan

2.1 Targets to be met by the attribution of the Plan

With the adoption of the Plan, the Company aims to stimulate management for the improvement of performance, in a medium-long term sustainability perspective, with reference to industrial performance levels both in terms of Company growth and value.

Specifically, the Plan aims to achieve the following:

- a) Create a stronger link between the creation of value in the medium and long term and management remuneration.
- b) Support the growth of Mondadori, after completing the process of optimizing its assets, identifying an instrument that reflects the growth in value of the company.
- c) Stimulate team work at the highest level supporting the common aim of value growth.

2.2 Key variables, including in the form of performance parameters for the purpose of attribution of the plans based on financial instruments

Beneficiaries receive by Allocation Letter the right to receive a Bonus. The maturing of the Bonus entails an uninterrupted Relationship and work during the Vesting Period until the moment of the provision of the Bonus and the achievement of the specific Performance Targets.

The Performance Targets to which the maturing of the Bonus is subject include:

- i) Total Shareholder Return (TSR) with respect to the components of the FTSE All Share index, with a weighting of 25%
- ii) EBIT in the three-year period, with a weighting of 25%
- iii) Net profit in the three-year period, with a weighting of 25%
- iv) Free Cash Flow in the three-year period, with a weighting of 25%

For each of the above performance conditions minimum, target and maximum levels are established. On reaching the minimum result (equal to 90%) for EBIT, net profit and Free Cash Flow, the number of Shares attributed corresponds to 50% of the target number of allocated Rights. Achieving the level of the performance target (equal to 100%) 100% of rights are allocated, whilst achieving the maximum result level (equal to 120%), the number of attributed Shares corresponds to 120% of the target number of allocated Rights.

The TSR is defined in relation to the components of the FTSE All Share index, measuring the performance over the performance period of the Plan. On achieving a TSR equal to or above the average, the target is deemed to have been met and the number of shares attributed corresponds to 100% of the allocated Rights. If the TSR is lower than average, no shares are attributed.

The number of Shares to be attributed by virtue of reaching the Performance Targets is rounded up to the nearest whole number.

The Board of Directors may amend the Performance Targets in extraordinary and/or unforeseeable situations or circumstances that may significantly impact on the results and/or the scope of activities of the Group. These situations and circumstances include, among other examples, mergers, demergers, acquisitions, disposals and spin-offs.

2.3 Elements determining the remuneration based on financial instruments, i.e. the criteria for its determination

The Plan provides beneficiaries with a target incentive, established individually according to position and market benchmarks and expressed as the allocation of rights to receive shares in the company free of charge on achieving the performance set out above in paragraph 2.2.

2.4 The reasons for deciding to provide remuneration packages based on financial instruments not issued by the issuer

Not applicable.

2.5 Evaluation of significant tax and accounting implications that contributed to adopting the plans

The structure of the Plan was not determined in any way by tax legislation or accounting impacts.

2.6 Any support by the special Fund for promoting the participation of workers in companies pursuant to section 4 para. 112 of Law 350 dated 24 December 2003

Not applicable.

3 Schedule for approval of the allocation of the instruments

3.1 Powers and functions delegated by the Shareholders Meeting to the Board of Directors for the purposes of implementing the Plan

The Board of Directors of the Company met on 14 March 2019 and with the abstention of the Managing Director and CFO-Executive Director, approved the Plan, on the proposal of the Remuneration and Appointments Committee, and decided to refer the Plan to the Shareholders Meeting for approval pursuant to section 144 bis of the Consolidated Law on Finance.

Following approval by the Shareholders Meeting of the Plan and financial instruments, for implementation purposes and based on the powers to be conferred by the Shareholders Meeting, the Board of Directors may pass resolutions on the following: i) the allocation of rights to the Managing Director ii) the allocation of rights to the CFO-Executive Director; iii) mandate to the Managing Director to identify Beneficiaries not on the Board of Directors and the number of rights to be allocated; iv) any other term and condition to implement the Plan, also by mandate., including the means of providing the financial instruments for the Plan, provided this is not in conflict with the provisions established by the Shareholders Meeting.

3.2 People appointed to administer the Plan, their functions and responsibilities

The Board of Directors is responsible for implementing the Plan, with the preliminary support of, and consulting with, the Remuneration and Appointments Committee, and may delegate operational management of the Plan to the Managing Director, with the faculty to sub-delegate within the limits of the Plan Implementation Regulation, on the basis of the preliminary support of, and/or consultations with, the Remuneration and Appointments Committee, with all decisions relating to and/or impacting on the allocation and implementation of the Plan for the Managing Director and CFO-Executive Director as beneficiaries remaining the exclusive responsibility of the Board of Directors.

3.3 Any existing procedures for reviewing the plans, including a revision of its fundamental aims

Without prejudice to the responsibilities of the Shareholders Meeting in the cases set out in the law, the Board of Directors, after consultation with the Remuneration and Appointments Committee, is the body which may review and modify the Plan.

The Board may modify the Performance targets in extraordinary and/or unforeseeable situations and circumstances which may significantly impact on the results and/or the scope of activities of the Group. These situations and circumstances include, among other examples, mergers, hiving off of going concerns, acquisitions, disposals and spin-offs.

3.4 Description of the method for determining the availability and allocation of the financial instruments on which the Plan is based

The Plan includes the issue free of charge of a varying number of Shares depending on the individual position and degree to which the performance targets of the Plan are met. These Shares may comprise Shares already issued and to be purchased pursuant to section 2357 and following sections of the Italian Civil Code or Shares already owned by the Company.

In this regard, the Board of Directors at the meeting on 14 March 2019 referred the matter of acquiring and using Treasury Shares for the Plan to the Shareholders Meeting.

3.5 The role of each Director in determining the characteristics of the Plan and any conflicts of interest for Directors involved

In line with the recommendations of the Code of Self-Regulation for Listed Companies with which the Company complies, the conditions of the Plan were established on the proposal of the Remuneration and Appointments Committee, entirely comprising non-executive Directors, two of whom are independent. The motion to submit the Plan to the Shareholders Meeting, pursuant to section 114-bis of the Consolidated Law on Finance, was passed on 14 March 2019 by the Board of Directors, with the abstention of the Managing Director and the CFO-Executive Director, following approval by the Board of Statutory Auditors pursuant to section 2389, paragraph three, of the Italian Civil Code, at the terms set out in the provision.

3.6 Date of the decision taken by the relevant body to submit approval of the Plan to the Shareholders Meeting and of any proposal by a Remuneration Committee

The Board of Directors decided to submit the Plan to the Shareholders Meeting scheduled for 14 March 2019, on the recommendation of the Remuneration and Appointments Committee dated 6 March 2019.

3.7 Date of the decision taken by the relevant body in relation to the allocation of instruments and of the recommendation to this body by the Remuneration Committee (if any)

The Plan and financial instruments required for its implementation will be submitted to the Shareholders Meeting for approval on 17 April 2019, at its first call, or on 18 April 2019, at its second call, if required. Subsequently, if the Plan is approved, the Board of Directors will meet to take the decisions required to implement the Plan.

3.8 The market price, recorded on the above dates, for the financial instruments on which the plans are based, if traded on regulated markets

The official price of Mondadori shares as at 14 March 2019 (date of the decision by the Board of Directors to refer the proposed Plan to the Shareholders Meeting): € 1,69.

- a) For plans based on financial instruments traded on regulated markets, when establishing the schedule for the allocation of the financial instruments required to implement the plans, how does the issuer take account of the possible coincidence between: i) this allocation or any decisions taken by the Remuneration Committee, and ii) the dissemination of any relevant information pursuant to section 114 para. 1 of the Consolidated Law on finance; for example, if this information is: a) not already in the public domain and may positively influence the market price, or b) is in the public domain and may negatively influence the market price.

The dissemination of what is privileged information at the moment of the allocation of Rights would not influence Beneficiaries, who gain the right to receive shares only after a three-year Vesting Period and only after meeting pre-established performance targets.

Decisions relating to the attribution of Shares at the end of the Vesting Period will be taken by the Board of Directors after consultation with the Remuneration and Appointment Committee in compliance

with current regulations. Therefore, any dissemination of privileged information at the moment of the attribution could not influence beneficiaries.

4. Features of the attributed instruments

4.1 Description of the structures of remuneration packages based on financial instruments

The Plan involves the allocation of the right to receive a Bonus, comprising Shares in the Company, on achievement of specific pre-established Performance Targets measured at the end of a three-year performance period.

4.2 Indication of the period of actual implementation of the Plan with reference to any cycles

The Plan includes only one cycle, as follows:

- implementation period between 2019 (Allocation of Rights) and 2021 (end of the Vesting Period). Shares may be attributed in 2022 based on achieving the Performance Targets.

4.3 Termination of the Plan

The Plan terminates in 2022 with the attribution (if any) of Shares.

4.4 Maximum number of financial instruments attributed in any financial year to named individuals or identified categories

The Board of Directors has established that a maximum of 1.622.581 Shares be made available for the Plan, calculated on the basis of the average share price in the last 3 months (14/12/2018 – 13/03/2019) of € 1,688.

4.5 Methods and clauses for the implementation of the Plan, specifying that the actual attribution of the instruments is subject to meeting certain conditions i.e. achieving certain results, including in terms of performance; description of these conditions and results

The Performance Targets to which the maturing of the Bonus is subject are as follows:

- i) Total Shareholder Return (TSR) with respect to the components of the FTSE All Share index, with a weighting of 25%
- ii) EBIT in the three-year period, with a weighting of 25%
- iii) Net profit in the three-year period, with a weighting of 25%
- iv) Free Cash Flow in the three-year period, with a weighting of 25%

For each of the above performance conditions minimum, target and maximum levels are established. On reaching the minimum result (equal to 90%) for EBIT, net profit and Free Cash Flow, the number of Shares attributed corresponds to 50% of the target number of allocated Rights. Achieving the level of the performance target (equal to 100%) 100% of rights are allocated, whilst achieving the maximum result level (equal to 120%), the number of attributed Shares corresponds to 120% of the target

number of allocated Rights.

The TSR is defined in relation to the components of the FTSE All Share index, measuring the performance over the performance period of the Plan. On achieving a TSR equal to or above the average, the target is deemed to have been met and the number of shares attributed corresponds to 100% of the allocated Rights. If the TSR is lower than average, no shares are attributed.

The number of Shares to be attributed by virtue of reaching the Performance Targets is rounded up to the nearest whole number.

The Board of Directors may amend the Performance Targets in extraordinary and/or unforeseeable situations or circumstances that may significantly impact on the results and/or the scope of activities of the Group. These situations and circumstances include, among other examples, mergers, demergers, acquisitions, disposals and spin-offs.

Finally, the Plan includes clawback clauses with the return of the value of the Shares issued or the withholding of that value from amounts owed to the Beneficiaries, where the Shares were allocated on what proves to have been a manifestly erroneous basis, or where the Shares were allocated to individuals who wilfully manipulated and altered data to claim they achieved their performance targets or who achieved those targets unlawfully and in violation of regulations, the Code of Ethics or internal company regulations, without prejudice to any lawful action the company may take to safeguard its interests.

4.6 Indication of any encumbrances on the attributed instruments or instruments arising out of the exercise of options, with particular reference to the terms allowing or disallowing their subsequent transfer to the company or third parties

20% of the Shares attributed net of the amount required to pay taxes shall be subject to a lock-up of 12 months after the Attribution Date; the Board of Directors may increase the percentage of shares subject to lock-up as it sees fit. During the lock-up period, locked Shares may not be transferred, pledged or included in any provisions *inter vivos* for any reason.

4.7 Description of any termination conditions in relation to the attribution of plans in the event of beneficiaries carrying out hedging operations which neutralize the effects of prohibiting the sale of the financial instruments allocated, including in the form of options or financial instruments arising from the exercise of these options

Beneficiaries may not – and failing this, shall forfeit the right to receive Shares – carry out hedging operations which alter or affect the intrinsic risk involved in incentive schemes based on financial instruments.

4.8 Description of the effects of termination of the Relationship

Termination of the Relationship during the Vesting Period and until the moment of the actual attribution of the Bonus, leads to loss of the allocated rights under the Plan except in the case of a Good Leaver.

A Good Leaver is someone with whom the Relationship is terminated for one of the following reasons:

- a) total permanent invalidity of the Beneficiary;
- b) death of the Beneficiary;

- c) retirement of the Beneficiary;
- d) resignation of the Relationship by the Beneficiary for just cause;
- e) non-renewal of the relationship for Beneficiaries with solely an administrative function.

In the case of termination of the Relationship during the Vesting Period of a Good Leaver, the Beneficiary maintains the right to receive the Bonus, in proportion to the time period at the date of termination of the Relationship, provided the Performance targets as set out in paragraph 4.5 over the normal Performance Period of the Plan. The Bonus accrued is calculated and attributed at the times and in the ways set out in this Regulation. The Board of Directors may establish more favourable conditions.

In the event of agreed termination of the Relationship, the Board or, if mandated, the Managing Director may apply different conditions from those set out in this paragraph, establishing a lump sum payment instead of the Bonus as it/he/she sees fit, and this may involve setting minimum and maximum Performance Targets over a shorter period, in order to establish the degree to which the Performance Targets have been met.

In the case of the Relationship being transferred from one Group company to another, or termination of the Relationship with the Group and immediate commencement of another Relationship with the Group, the Beneficiary maintains his/her rights under the Plan according to the terms set out in this Regulation.

In the event of change in the control of the subsidiary with which the Beneficiary has a Relationship, the conditions for a Good Leaver shall apply, as specified above, or improved terms as the Board of Directors or Managing Director acting on its behalf after consultation with the Committee sees fit.

In addition to the relevant statutory provisions, a change in control includes the sale, transfer or other deed involving all or some of the assets to third parties who are not, after completion of the operations, directly controlled by Arnoldo Mondadori Editore S.p.A.

4.9 Indication of any reason for nullifying the plans

In the case in which, following amendments to the regulations or variations in the interpretation or application of the regulations, implementation of the Plan involves for the Company or Beneficiaries substantially higher taxes, higher social security and pension contributions or charges of another kind, the Board of Directors, in agreement with the Committee, may amend the Regulation for the Plan, including the right to nullify the Plan or revoke it, promptly notifying the Beneficiaries.

4.10 Reasons for including the “redemption” by the Company of the financial instruments included in the plans pursuant to sections 2357 and subsequent sections of the Italian Civil Code; beneficiaries of the redemption indicating if it is applicable only to certain categories of employees; the effects of termination of the employment relationship on the redemption

Not applicable

4.11 Any loans or facilities to be granted with the purchase of shares pursuant to section 2358 of the Italian Civil Code

Not applicable

4.12 Indication of the cost to the company at the allocation date, calculated on the basis of the terms and conditions set out (total cost and cost for each instrument in the plan)

At the current state of affairs, on the basis of the terms and conditions set out, the maximum number of Shares that can be issued on achieving the best possible result in terms of performance is 1.622.581 Shares

At the current state of affairs, the overall expected burden in relation to the plan is not determinable with accuracy, as it is also conditional on unforeseeable factors; administrative costs of management of the plan are to be considered insignificant

4.13 Indication of any effects of diluting the share capital caused by the remuneration plans

In light of the fact that the Shareholders Meeting called to pass a resolution on the Plan was also called to authorize the Board of Directors to acquire and dispose of Treasury shares to service the Plan, at the current state of affairs, there are no dilutive effects.

4.14 Any limits to the exercise of voting rights and due to the attribution of property rights

The Accrued Shares, once issued, shall have the customary rights, without limits to the exercising of the corporate or property rights arising.

4.15 In the case in which the shares are not traded on a regulated market, all the relevant information required to assess their value

Not applicable

4.16 – 4.23

Not applicable because not stock options.

4.24 The share issuers attach the following annex, Table 1, to the Information Document:

The Company shall provide the market with Table 1 on the occasion of the communication pursuant to section 84-bis, subsection five, of the Issuer Regulation.

GRUPPO  MONDADORI



**Shareholders' Meeting
of 17 April 2019 (1st call)
and of 18 April 2019 (2nd call)**

Directors' Explanatory Report

Item 6 on the agenda - ordinary session

Assignment of the legally-required audit for 2019-2027 and determination of the related fee. Relevant and ensuing resolutions.

Shareholders' Annual General Meeting 17/18 April 2019
Directors' Explanatory Report
on item 6 on the agenda - ordinary session

Assignment of the legally-required audit for 2019-2027 and determination of the related fee. Relevant and ensuing resolutions.

Fellow Shareholders,

with the approval of the financial statements as at and for the year ended 31 December 2018, the engagement for the legally-required audit of the accounts of Arnoldo Mondadori Editore S.p.A. (hereinafter also "Mondadori" or the "Company") assigned for the period 2010 – 2018 to the auditors Deloitte & Touche S.p.A. by the Shareholders' Meeting of 27 April 2010, will reach its natural expiry.

A proposal for the assignment of the legally-required audit of the accounts for the period covering the financial years 2019 – 2027 and for the determination of the related fee pursuant to legislative decree 39/2010 is therefore submitted for your examination.

Your attention is drawn to the fact that the Company conducted a specific selection procedure in compliance with art. 16, par 3, of EU Regulation no. 537/2014, subsequent to which the Board of Statutory Auditors, in its capacity as "Internal Control and Audit Committee" pursuant to par 1, head f), of art. 19 of legislative decree 39/2010 and par 2 of art. 16, of EU Regulation no. 537/2014, drew up a substantiated recommendation, the text of which is attached to this report (the "Recommendation").

Having taken note of the said Recommendation and of the report on the selection process, the Board of Directors invites you to carry the following resolution:

Proposed resolutions

"The ordinary Shareholders' Meeting of Arnoldo Mondadori Editore S.p.A.,

- having taken note that with the approval of the financial statements as at and for the year ended 31 December 2018, the engagement for the legally-required audit of the accounts assigned for the period 2010-2018 to the Deloitte & Touche S.p.A. company expires;*
- having examined the recommendation of the Board of Statutory Auditors in its capacity at "Internal Control and Audit Committee" which describes the offers presented and taking into account its recommendation and expressed preference*

resolves:

- to confer the engagement for the legally-required audit of the accounts to the auditors Ernst & Young S.p.A., for the financial years 2019-2027, subject to causes of early termination, under the terms and*

conditions of the offer drawn up by said auditors whose economic terms are summarised in attachment 1 to the Recommendation of the Board of Statutory Auditors for a total annual fee of € 1,225,000;
- to confer authority, separately, on the Chair of the Board of Directors, on the Chief Executive Officer and on the Director Oddone Pozzi, to, also through proxies, take all required, necessary and useful action to execute this resolution, and also to complete the related and necessary formalities with the competent bodies and/or offices, with the power to introduce therein any non-substantial amendments that might be required for the purpose, and in general all that is required for their complete execution, with all and every necessary and appropriate power, in compliance with current law.”

14 March 2019

Arnoldo Mondadori Editore S.p.A.
on behalf of the Board of Directors
The Chair

Marina Berlusconi

**RECOMMENDATION OF THE BOARD OF STATUTORY AUDITORS
OF ARNOLDO MONDADORI EDITORE S.p.A.
FOR THE ASSIGNMENT OF THE STATUTORY AUDIT OF THE ACCOUNTS
FOR THE NINE-YEAR PERIOD 2019 – 2027**

1. Introduction

With the issue of the audit report on the separate financial statements and on the consolidated financial statements as at and for the year ended 31 December 2018 of Arnoldo Mondadori Editore S.p.A. (“Arnoldo Mondadori Editore” or the “Company”), the 2010 – 2018 engagement assigned on 27 April 2010 by the Shareholders’ Meeting of Arnoldo Mondadori Editore to the auditors Deloitte & Touche S.p.A. (“Deloitte”) will expire.

The Company has therefore begun a procedure for the selection of a new audit company on which to confer the engagement for the statutory audit for the nine-year period 2019 - 2027, in compliance with current law and as described in greater detail below.

Pursuant to current law¹ the Board of Statutory Auditors in its capacity as “Internal Control and Audit Committee” has drawn up the following recommendation (hereinafter also “Recommendation”), in accordance with the purposes required under current law and following a specific selection procedure, with the operational support of the Chief Financial Officer and Manager in Charge of Preparation of the Company Accounts and the Head of the Internal Audit.

Specifically, the engagement to be assigned covers the following activities:

- **Audit of the annual accounts:**
 - statutory audit of the Separate Financial Statements and statutory audit of the Group Consolidated Financial Statements, activities including procedures for the production of a legal opinion on the Directors’ Report and on the Report on Group Corporate Governance and Share Ownership;
 - audit of the consolidation documents of the companies controlled directly or indirectly by the Parent, solely for the purpose of the audit of the Consolidated Financial Statements;
 - audit of the separate Financial Statements of the Subsidiaries;
 - certification of the conformity of the Group consolidated Non-Financial Declaration;
- **Audit of the half-year accounts:**
 - limited-scope audit of the condensed Consolidated Half-Year Financial Statements;
 - limited-scope audit of the consolidation documents of the Parent and of the companies controlled directly or indirectly, solely for the purpose of the audit of the condensed Consolidated Half-Year Financial Statements;
 - ascertainment of the correct keeping of the accounts for the Group’s Italian companies, and of the filing of tax returns.
- **Production of an opinion on the consistency of the Report on Corporate Governance and Share Ownership**
- **Production of an opinion on the consistency of the Directors’ Report**
- **Other statutory audit services:**
 - Ascertainment of Media Diffusion;
 - check on the English translation of the Group annual report and half-year report;
 - checks on the Subsidiaries to obtain reduced-rate postal tariffs (valid for foreign subsidiaries in countries where this is allowed by law).

The Shareholders’ Meeting called to approve the Separate Financial Statements of Arnoldo Mondadori Editore as at and for the year ended 31 December 2018 will be asked to deliberate the choice of the new Group auditor and to approve its fee and related criteria, on a substantiated proposal presented by the Board of Statutory Auditors.

2. Regulatory regime

¹ Pursuant to art. 19, par 1, head f), legislative decree 39/2010 and art. 16, par 2 and 3, EU Regulation no.537/2014.

In 2014 the European Parliament and the European Council approved the reform of the statutory audit of separate and consolidated financial statements by adopting the following acts (collectively, “European Reform”):

- EU Regulation no. 537/2014 of 16 April 2014 on the statutory audit of the accounts of Public-Interest Entities (directly applicable in the member states as from 17 June 2016)
- Directive no. 2014/56 of 16 April 2014, enacted into Italian law by legislative decree 135/2016, which amended legislative decree 39/2010 with regard to legally required audits of accounts (effective as from 5 August 2016).

The objective of the European legislation and related national laws is to achieve further harmonisation of laws², in order to permit greater transparency and predictability in the requirements applied to parties that conduct statutory audits, as well as to increase their independence and objectivity, also for the purpose of raising audit quality and thus increasing the confidence of the public, market and investors in financial information.

Under the new regulatory regime applicable to Public-Interest Entities, the procedure for the selection of the auditors is organised by the entity subject to audit under the responsibility of the Internal Control and Audit Committee, which in the case of companies with a traditional *governance* system like Arnoldo Mondadori Editore is the Board of Statutory Auditors. Specifically, art. 16, par 2, of the EU Regulation strengthens the role of Board of Statutory Auditors by tasking it with the presentation of a substantiated recommendation to enable the Shareholders’ Meeting to take a decision on a more informed basis³.

Pursuant to par 1 of art. 19 of legislative decree 39/2010, as amended by legislative decree 135/2016: “*in public-interest entities the internal control and audit committee is charged: [...] f) with responsibility for the procedure for the selection of the statutory auditors or audit companies and with recommending the statutory auditors or audit companies to be engaged pursuant to article 16 of the European Regulation*” and pursuant to par 2 of said article “*the internal control and audit committee is identified with: a) the board of statutory auditors*”.

3. Selection process

Pursuant to law and to the “*Procedure for the assignment of engagements to audit companies*” of Arnoldo Mondadori Editore (adopted on 3/12/2018), the Board of Statutory Auditors asked the Chief Financial Officer and Manager in charge of Preparation of the Accounts to commence the process for the selection of the auditors to be assigned the engagement for the statutory audit of the accounts on the basis of the criteria identified by the Group.

Given its own characteristics and those of its Group, the Company has decided to engage a single firm of auditors for the entire Group, and therefore not to adopt a so-called “*joint audit*”.

The request to commence the procedure

From the start of the process, the Board of Statutory Auditors requested that:

- the tenders to be presented be assessed on the basis of the competences, adequacy of the audit plan and the composition of the audit team
- the audit procedures illustrated in the tenders, including the hours and the composition of the designated professional resources, be compatible with the breadth and complexity of the engagement
- together with the candidacy and the tender, the following be presented:
 - a declaration of undertaking to comply with the prohibition on providing services included among those prohibited under head a) art. 5 of the EU Regulation and in accordance with the Procedure adopted by the Company
 - a self-certification of independence taking account, specifically, of the prohibition, laid down by law, on receiving from the auditor, in the 12 months prior to commencement of the audit period, services for “*Development and production of internal control and risk management procedures relating to the preparation and/or control of financial reporting, or to the development and production of technological systems for financial reporting*”.

Definition of the assessment criteria

The Chief Financial Officer and Manager in charge of Preparation of the Company Accounts and the Head of the Internal Audit discussed the requirements and expected activities with the Board of Statutory Auditors, on

² originally introduced by Directive 2006/43/EC at European Union level.

³ “*the internal control and audit committee presents a recommendation to the governing or controlling body of the entity subject to audit for the assignment of the engagement to statutory auditors or to audit companies.*”

the basis of the agreed guidelines. In defining the assessment criteria, the Company, jointly with the Board of Statutory Auditors wanted to focus on both qualitative and quantitative questions.

Specifically, the qualitative questions to be considered when assessing the audit company are:

- a “general” assessment, in terms of ability to serve clients active on national and international markets, dimensions and national and international presence, technical structures of excellence, previous and current experience in the sector of reference;
- a “technical” assessment, considering for example audit strategy/plan, method of preparation of the audit plan, also with regard to its development over time, tools used to support the audit process, process for interaction with the corporate and/or control functions, audit risk identification and analysis and audit plan definition process, internal quality control process, internal regulations and monitoring processes for maintenance of independence and objectivity as required by law;
- a “professional” assessment, in terms of professionalism, experience, quali-quantitative composition of the team, knowledge and specialisation with respect to the activities of Arnaldo Mondadori Editore and the Gruppo.

With regard to quantitative questions, the “financial” assessment places importance on the subdivision of the planned total number of hours for performance of the engagement and the subdivision by professional category, as well as the related considerations.

The pre-selection stage

In agreement with the Board of Statutory Auditors, the Company conducted a preliminary assessment for the identification of the audit companies to be invited to take part in the selection (so-called “pre-selection”), also on the basis of engagements performed for Public-Interest Entities, with particular reference to those listed on the regulated markets overseen by CONSOB, of a size and complexity similar to Arnaldo Mondadori Editore.

In accordance with the above criteria, and also considering incompatibilities under law and existing or potential conflicts of interest, the Company sent an invitation to the following audit companies to perform the statutory audit in the nine-year period 2019-2027:

- Ernst & Young S.p.A.
- PriceWaterhouseCoopers S.p.A.

These companies were selected by virtue of their previous experience with listed companies of a similar size, and as independent companies with no conflicts of interest with the Group. Specifically, the characteristics and dimensions of Arnaldo Mondadori Editore S.p.A. and of the Group led the Company to select the above-mentioned audit companies, considering that their respective networks, like that of Deloitte & Touche S.p.A., are among the leading players on the national and international market.

The requests for tender

The requests for tender, sent on 14 November 2018 by certified electronic mail signed by the Company’s Chief Executive Officer, set out the information to be provided: general information, technical and professional documentation (including a description of the tenderer, the audit team, the audit methodology and approach) and financial documentation.

The documentation for the selection procedure was managed and made available through use of a specific dropbox account. Additional non-confidential documentation useful for a better understanding of the Group’s activities was published on the Company website.

The requests for tender specified that the engagement assigned to the audit company would have a nine-year term starting from financial year 2019, and would therefore expire, subject to legitimate causes for revocation, early transfer or termination, with the approval of the financial statements for financial year 2027.

4. Results of the selection

The final tenders were received from the audit companies by 11 December 2018, without preliminary meetings for the preparation of the tenders being requested by either of the companies. Having received the tenders, with the supervision of the Board of Statutory Auditors the Company assessed the tenders in detail with respect to the assessment criteria indicated above.

As a preliminary, the documentation received confirmed that the tenderers belong to international networks of significant dimensions in Italy, with the services offered providing high levels of quality and professionalism.

Proceeding to the assessment of the tenders, with the support of the Chief Financial Officer and Manager in charge of Preparation of the Accounts and with the head of the Internal Audit, the declarations provided by the companies were investigated and additional information was obtained, also with a view to evaluating possible current or prospective objectivity and independence risks.

The analyses of the tenders and additional information received highlighted, *inter alia*, that:

- The audit procedures illustrated are generally compatible with the breadth and complexity of the engagement
- The tenders contain a specific and substantiated declaration of the undertaking to prove possession of the independence requirements specified by law, with specific reference to arts. 10 and 17 of legislative decree 39/2010, in compliance with current law
- The tendering companies have professional organisations and technical expertise matched to the dimensions and complexity of the engagement pursuant to art.10 bis, 10 ter, 10 quater and 10 quinquies of legislative decree 39/2010 and meet the requirements of the EU Regulation.

With regard to the distinguishing elements in terms of the quality and efficiency of the performance of the audit services offered:

- Ernst & Young S.p.A. presents a greater level of experience in auditing Public-Interest Entities (pursuant to community law) and in the Telecommunications Media & Entertainment sector and for companies of comparable dimensions;
- Ernst & Young S.p.A. presents a greater level of knowledge of the operations of the Mondadori Group than PriceWaterhouseCoopers S.p.A. (the members of the teams indicated by Ernst & Young S.p.A., especially the central team for Arnoldo Mondadori Editore and specifically the partner in charge of the audit, have acquired in-depth knowledge of the operations of the Group, largely as a result of the audit services provided in the nine-year period 2001-2009);
- the technical competences of the signatory partner for Arnoldo Mondadori Editore, the experience and curricula of the partners and members with greatest professional experience are more or less similar for the two audit companies taking part in the selection. In both cases, the Mondadori France audit is assigned to a French signatory partner with experience in the sector.
- With regard to the mix for ordinary financial auditing activities / reporting packages and the specific commitment of qualified resources (partners and specialists) for the main Mondadori Group companies, the audit companies taking part in the selection both contemplate a significant outlay of high-profile resources, including specialists. Nevertheless, in consideration of matters strictly related to this commitment, for example the differentiation of the mix depending on the audit activity, the difference in the overall hours worked compared with the outgoing auditor and the average overall rate applied, Ernst & Young S.p.A. is better placed than PriceWaterhouseCoopers S.p.A.
- From a qualitative viewpoint, the overall annual cost of the tenders received for the statutory audit of the Separate Financial Statements and the Group Consolidated Financial Statements and related services is as follows:

<i>Independent Auditor</i>	<i>Hours worked</i>	<i>Considerations</i>
- Ernst & Young S.p.A.	15,340	€ 1,225,000
- PriceWaterhouseCoopers S.p.A.	15,726	€ 1,322,390

The exclusion of Mondadori France S.a.s. from the scope of the Group does not modify the conclusions illustrated above.

On completion of the overall selection process as briefly described above, and taking account of the weighting of the qualitative and quantitative factors, on 22 January 2019 the Chief Financial Officer and Manager in Charge of Preparation of the Accounts, with the support of the Head of the Internal Audit, issued his "*Report on the conclusions of the process for the selection of the statutory auditor of the accounts of Arnoldo Mondadori Editore S.p.A. and the Companies of the Group*" pursuant to art.16, par 3 head e) of EU Regulation no.537/2014, setting out his preferential opinion in favour of the Ernst & Young S.p.A. company.

Specific preferential factors in favour of Ernst & Young S.p.A. were greater knowledge of the Company and the Mondadori Group from a technical accounting viewpoint, an audit team including members with previous experience in auditing the Mondadori Group, a mix of hours that gives preference to professionals with greater experience, and a slight financial advantage.

Specifically, in endorsing this opinion, the Board of Statutory Auditors ascertained that the requirements of art.17 of EU Regulation no.537/2014 were complied with throughout the selection procedure.

The Board of Statutory Auditors ascertained that the selection was in accordance with art.16, par 3, of EU Regulation no.537/2014 (absence of exclusion clauses relating to fees, presence of transparent and non-discriminatory selection criteria, freedom of the audited entity to determine and manage the tender process, quality standards, drafting of the report on conclusions).

Lastly, the Board of Statutory Auditors ascertained that the selection procedure was compliant with the “*Procedure for the assignment of engagements to the audit company*” with regard to the assignment to the audit company of the engagement for the statutory audit of the accounts and other engagements of a professional nature.

5. Substantiated proposal of the Board of Statutory Auditors

The Board of Statutory Auditors of Arnoldo Mondadori Editore,

- given that, with the issue of the audit report on the separate financial statements and on the consolidated financial statements as at and for the year ended 31 December 2018 of Arnoldo Mondadori Editore, the 2010-2018 nine-year engagement assigned on 27 April 2010 by the Shareholders’ Meeting of Arnoldo Mondadori Editore to the auditors Deloitte & Touche S.p.A. will expire;
- considering the results of the process for the selection of the statutory auditor, arising from the comparative and overall analysis of the tenders received, with specific attention to the independence requirement and to the technical-qualitative and financial factors;
- considering that the applicable laws (art. 16, par 2 of the European Regulation) provide that the substantiated recommendation of the Board of Statutory Auditors must contain at least two possible assignment alternatives in order for a choice to be made;
- considering that art. 16, par 2, of the European Regulation requires the Board of Statutory Auditors to express a duly justified preference

RECOMMENDS

that the engagement for the statutory audit of Arnoldo Mondadori Editore S.p.A. for the financial years 2019-2027 be assigned to Ernst & Young S.p.A., on a preferential basis, or to PriceWaterhouseCoopers S.p.A., on a secondary basis.

The financial conditions relating to the above audit companies are set out in Attachment 1 (financial conditions) to this Recommendation, while the contractual conditions, identical for all the audit companies taking part in the selection, are those in the framework agreement facsimile attached to the Invitation.

Specifically, of the two, the Board of Statutory Auditors

EXPRESSES ITS PREFERENCE

for Ernst & Young S.p.A. given that, in light of the qualitative and quantitative analyses performed, this company is fit to execute the engagement and in line with the Company's identified preferential requirements for the reasons set out in the “*Report on the conclusions of the process for the selection of the statutory auditor of the accounts of Arnoldo Mondadori Editore S.p.A. and the Companies of the Group*”.

6. Declaration ex art.16, par 2 European Regulation no. 537/2014

The Board of Statutory Auditors, pursuant to art.16, par 2, of EU Regulation no. 537/2014, declares that this Recommendation has not been influenced by third parties and that no clause, pursuant to said art.16, par. 6 of said Regulation, has been applied between the Company and a third party intended to limit the choice of the Shareholders’ Meeting.

Segrate, 8 February 2019

The Board of Statutory Auditors

Sara Fornasiero Chair

Flavia Daunia Minutillo – Standing statutory auditor

Ezio Simonelli – Standing statutory auditor

TABLE 1: COMPARISON OF FINANCIAL ASPECTS OF THE ANALYSED TENDERS

With reference to the Arnoldo Mondadori Editore S.p.A. engagement for the statutory audit activities, including those for the consolidated financial statements, and for the check on the internal control system for financial reporting, **Ernst & Young S.p.A.** submitted for the nine-year period 2019-2027 an annual total of 15,340 hours and annual considerations totalling € 1,225,000 subdivided as follows:

Summary by country	Ernst & Young	
	Hours	Fees (Euro)
Financial audit engagements (Arnoldo Mondadori Editore S.p.A. and Italian companies of the Group)	11,740	928,000
Ascertainment of Media Diffiusion (Arnoldo Mondadori Editore S.p.A. and Mondadori Scienza S.p.A.)	700	50,000
Italy - total engagement		978,000
Ancillary expenses		0
TOTAL ITALY	12,440	978,000
Financial audit engagement (Mondadori France)	2,500	215,000
Attestation relating to reduced-rate postal tariffs (Mondadori France)	400	32,000
TOTAL FRANCE	2,900	247,000
TOTAL GROUP	15,340	1,225,000

The mix of competences proposed by Ernst & Young is as follows:

Mix of resources	Parent Arnoldo Mondadori Editore S.p.A.	Subsidiaries in Italy and abroad
Partner	10%	8%
Manager	20%	18%
Senior	40%	37%
Staff	30%	37%
	100%	100%

For the same services as those indicated above **PriceWaterhouseCoopers S.p.A.** submitted for the nine-year period 2019-2027 an annual total of 15,726 hours and annual considerations totalling € 1,322,390 subdivided as follows:

Summary by country	PriceWaterhouseCoopers	
	Hours	Fees (Euro)
Financial audit engagements (Arnoldo Mondadori Editore S.p.A. and Italian companies of the Group)	12,336	993,320
Ascertainment of Media Diffiusion (Arnoldo Mondadori Editore S.p.A. and Mondadori Scienza S.p.A.)	710	56,170
Italy - total engagement	13,046	1,049,490
Ancillary expenses		0
TOTAL ITALY	13,046	1,049,490
Financial audit engagement (Mondadori France)	2,030	206,150
Attestation relating to reduced-rate postal tariffs (Mondadori France)	650	66,750
TOTAL FRANCE	2,680	272,900
TOTAL GROUP	15,726	1,332,390

The mix of competences proposed by PriceWaterhouseCoopers S.p.A. is as follows:

Mix of resources	Parent Arnoldo Mondadori Editore S.p.A.	Subsidiaries in Italy	France
Partner	7%	6%	5%
Senior Manager and Manager	16%	16%	16%
Senior Associate	33%	31%	79%
Associate	44%	47%	
	100%	100%	100%

For both companies, the considerations indicated above, referring only to services provided, will be adjusted on an annual basis in relation to the total variation in the ISTAT cost-of-living index with respect to the previous year (base June 2019), or a similar cost-of-living index in the foreign countries in which the Group units operate.

Any travel and living expenses in Italy and abroad for work conducted outside the offices of the network of the audit company will be reimbursed compatibly with the relevant Group policy.

The supervisory contribution due to Consob for statutory audit activities only will be reimbursed at cost.

The considerations set out above may be amended as a result of changes in the scope of activity by the audit company and after exceptional and/or entirely unforeseeable events at the contract date, without prejudice to the activities to ascertain and monitor the independence and activity of the audit company by the Board of Statutory Auditors in its capacity as Internal Control and Audit Committee.



Shareholders' Meeting
of 17 April 2019 (1st call)
and of 18 April 2019 (2nd call)

Directors' Explanatory Report

Item 1 on the agenda - extraordinary session

- 1 Proposal to attribute to the board of directors powers pursuant to articles 2443 and 2420-ter of the Italian Civil Code:**
 - 1.1 Proposal for revocation, limited to the part not yet exercised, of all powers for the capital increase and issue of convertible bonds conferred on the Board of Directors by the Extraordinary Shareholders' Meeting held on 30 April 2014;**
 - 1.2 Proposal to grant powers to the Board of Directors, pursuant to art. 2443 of the Italian Civil Code, to increase the share capital on a cash basis, through one or more rights issues on one or more occasions, within a period of five years from the date of the resolution, for a maximum nominal amount of €78,000,000; consequent amendment of art. 6.6 of the articles of association and related resolutions;**
 - 1.3 Proposal to grant powers to the Board of Directors, pursuant to art. 2420 ter of the Italian Civil Code, to issue to issue, on one or more occasions, bonds convertible into shares, for a maximum nominal amount of €260,000,000, including, pursuant to art. 2420 ter paragraph 1 of the Italian Civil Code, powers relating to the corresponding share capital increase to service the conversion**

through the issue of ordinary shares with the same characteristics as those outstanding, within a period of five years from the date of the resolution; consequent amendment of arts. 6.6 and 7.11 of the articles of association and related resolutions;

1.4 Proposal to grant powers to the Board of Directors, pursuant to art. 2443 of the Italian Civil Code, to increase the share capital on a cash basis through one or more share issues on one or more occasions, within five years from the date of the resolution, with the exclusion of the option right pursuant to art. 2441 paragraph 4, head 2, of the Italian Civil Code, by issuing a number of ordinary shares not exceeding 10% of the total number of shares constituting the share capital of Arnoldo Mondadori Editore at the date of exercise of the powers and in any case for a nominal amount not more than €20,000,000; consequent amendment of art. 6.6 of the articles of association and related resolutions.

Fellow Shareholders,

on 30 April 2014, the Shareholders' Extraordinary Meeting resolved:

- (a) to grant powers, pursuant to art. 2443 of the Italian Civil Code, to the Board of Directors to increase, without excluding option rights, the share capital, through one or more issues on one or more occasions, within five years from the resolution date, for a maximum nominal amount of € 78,000,000 (seventy-eight million), with the power for the Board of Directors to establish, from time to time, the terms and conditions thereof;
 - (b) to grant powers to the Board of Directors, pursuant to art. 2420 ter of the Italian Civil Code, to issue, on one or more occasions, bonds convertible into shares with a correlated increase in the share capital, within five years from the resolution date, for an amount that in any case shall not exceed the maximum nominal amount of € 260,000,000 (two hundred and sixty million), establishing the procedures, terms and conditions thereof and the related regulation;
 - (c) to grant to the Board of Directors, pursuant to art. 2443 of the Italian Civil Code, powers to increase, with the exclusion of option rights, the share capital on a cash basis, on one or more occasions, through one or more issues, within five years from the resolution date, for an amount not exceeding 10% of the share capital at the date of exercise of the powers and in any case for a nominal amount of not more than € 20,000,000.00 (twenty million), with the power for the Board of Directors to establish, from time to time, the terms and conditions thereof
- (collectively, the "**Existing Powers**").

The Existing Powers will expire on 30 April 2019 and, at the date of this explanatory report, have not been exercised by the Board of Directors, with the exception set out here below.

In partial execution of point (c) above, on 17 June 2014 the Board of Directors approved, *inter alia*, a resolution to increase the share capital on a cash basis in one or more issues for a maximum nominal amount of € 3,900,000.00, through the issue overall of up to 15,000,000 new ordinary shares with a nominal value per-share value of € 0.26, with regular entitlement, to be offered, under a so-called *Accelerated Bookbuilding* procedure, to Qualified Investors (as defined by article 34-ter, par 1, head b) of the Regulation adopted under Consob resolution no.11971 of 14 May 1999 and subsequent amendments) in Italy and to institutional investors abroad (pursuant to Regulation S of the United States Securities Act of 1933 as subsequently

amended, and, in the United States of America, only to “Qualified Institutional Buyers” pursuant to Rule 144A of the United States Securities Act of 1933, as subsequently amended, excluding any other country in which placement would be prohibited by law). On 23 June 2014, the Company publicly announced that the above share capital increase had been subscribed in full.

Given the now imminent expiry of the Existing Powers, you have been called to this extraordinary meeting to deliberate, on the basis of the procedures and reasons illustrated below, on the proposal to grant new powers, for a period of five years, corresponding to the maximum term allowed by law, and under conditions substantially aligned with the Existing Powers, after revocation of the still unexercised part of the Existing Powers.

Explanation of and reasons for proposals to amend the articles of association.

INTRODUCTION

Pursuant to articles 2443 and 2420 *ter* of the Italian Civil Code, the articles of association – also through amendments thereto approved by the Shareholders’ Extraordinary Meeting – may grant the Board of Directors the power to increase the share capital or to issue convertible bonds, on one or more occasions, up to a set amount and for a maximum period of five years from the date of the resolution amending the articles of association. The power granted to the Board of Directors may also envisage the adoption of the resolutions as per par 4 of art. 2441 of the Italian Civil Code.

Art. 2441 par 4.2 of the Italian Civil Code governs the power whereby companies with shares listed on regulated markets may envisage, in the articles of association, the exclusion of option rights for capital increases up to 10% of the existing share capital, on condition that the issue price corresponds to the market value of the shares and that this is confirmed in a specific report by the statutory auditor or by the independent auditors.

The articles of association of Arnoldo Mondadori Editore S.p.A. reflect this provision in article 6.3, and also expressly envisage that the relevant resolutions may be delegated to the Board of Directors by the Extraordinary Shareholders’ Meeting.

Given the now imminent expiry of the exercise period of the Existing Powers (scheduled for 30 April 2019) and subject to the revocation of the still unexercised part thereof (said revocation being necessary to avoid a superimposition of powers, which would be incompatible with the Italian Civil Code), the resolutions that we propose you adopt are:

- (i) the granting to the Board of Directors, pursuant to art. 2443 of the Italian Civil Code, of powers to increase the share capital on a cash basis, through one or more issues on one or more occasions, within a period of five years from the resolution date for a maximum nominal amount of € 78,000,000 (seventy-eight million) through the issue of ordinary shares to be offered to legally entitled rights holders, with the power for the directors to establish, from time

- to time, the issue price, including the share premium, dividend entitlement, term for the subscription of the new shares;
- (ii) the granting to the Board of Directors, pursuant to art. 2420 *ter* of the Italian Civil Code, of powers to issue, on one or more occasions, bonds convertible into shares to be offered, at the discretion of the Board of Directors, in whole or in part, to the rights holders and/or, when reasonably deemed to be in the greater corporate interest, with the exclusion of option rights pursuant to art. 2441, par 5, of the Italian Civil Code, for an amount that, taking account of the bonds outstanding at the resolution date of each issue, does not exceed the limits allowed from time to time by law and does not in any case exceed the maximum nominal amount of € 260,000,000 (two hundred and sixty million), establishing the procedures, terms and conditions thereof and the related regulation, including, pursuant to art. 2420 *ter* par 1 of the Italian Civil Code, powers relating to the corresponding share capital increase to service the conversion through the issue of ordinary shares with the same characteristics as those outstanding, within a period of five years from the date of the resolution;
 - (iii) the granting to the Board of Directors, pursuant to art. 2443 of the Italian Civil Code, of powers to increase the share capital, on one or more occasions, within a period of five years from the resolution date, up to a limit of ten per cent of the existing share capital and with the exclusion of option rights pursuant to art. 2441, par 4.2 of the Italian Civil Code, with the power for the directors to establish, from time to time, the issue price, including any share premium, the dividend entitlement, the term for the subscription of the new shares, as well as the eventual allocation of all or part of the share capital increase to service the conversion of bonds issued by third parties, both in and outside Italy, or *warrants*;

With specific reference to point (iii), the proposed powers include the power for the Board of Directors to approve share capital increases on a cash basis, through one or more issues on one or more occasions, through the issue of a maximum number of ordinary shares not in excess of 10% of the overall number of Mondadori shares representing the share capital at the date of exercise of the power and in any case for a nominal amount of not more than €20,000,000.00 (twenty million), and to establish the issue price, including any share premium, of the new shares.

On this point – in compliance with the provisions established by art. 2441 par 4.2 of the Italian Civil Code as a condition to invoke exclusion of option rights up to 10% of the existing share capital – the issue price must correspond to the market value of the shares and this must be confirmed in a specific report by the statutory auditor or the independent auditors.

REASONS FOR THE POWERS

The proposals to grant powers are motivated, in general terms, by the expediency of granting to the Board of Directors the power to implement, by means of operating procedures with greater speed of execution and flexibility than the resolutions of the Extraordinary Shareholders' Meeting, operations on the capital intended to strengthen the financial structure supporting the Group's development objectives.

The granting of the powers envisaged by art. 2420 *ter* and 2443 of the Italian Civil Code would enable the above benefits in terms of flexibility and prompt execution to be achieved, so that advantage could be taken, sufficiently rapidly, of the opportunities and market conditions most favourable for the execution of any extraordinary transactions, which, given the uncertainty and volatility of the financial markets, make it advisable to act particularly swiftly.

In addition to greater flexibility in execution timing with respect to shareholder resolutions, the granting of powers has the advantage of assigning to the Board of Directors the determination, in compliance with the limits and laws indicated above, of the financial conditions of the offer as a whole in relation to prevailing market conditions at the time of the actual launch of the operation, thus reducing the risk of oscillations in share prices between the announcement and the launch of the operation that would arise were the operation to be deliberated by the Shareholders' Meeting.

With specific reference to the powers that may be exercised for capital increases with exclusion of option rights up to a limit of 10%, it should be noted that the offer addressing third parties may be a valid tool to increase the free float and enable adequate share liquidity to be maintained at all times, or useful for the entry of qualified investors into the share capital, simultaneously limiting dilutive effects for existing shareholders.

The resources raised through the exercise of the powers could be used not only to support the growth objectives indicated above, but also to enhance existing investments, and, more generally, to satisfy financial requirements emerging in the five years after the date of the shareholder resolution granting the powers.

NON-EXISTENCE OF RIGHT OF WITHDRAWAL

The proposed amendments to the articles of association do not determine the conditions for any of the grounds for withdrawal under the Articles of Association and applicable laws and regulations.

RESOLUTION PROPOSALS

If you agree with the proposals described, we submit the following resolutions for approval:

1.1 First resolution.

“The Extraordinary Shareholders’ Meeting of Arnoldo Mondadori Editore S.p.A.,

- *in view of the explanatory report of the Board of Directors*

resolves

- *to revoke, limited to the as yet unexercised part, all the powers to increase capital and issue convertible bonds granted to the Board of Directors by the Extraordinary Shareholders' Meeting held on 30 April 2014;*

1.2 Second resolution

“The Extraordinary Shareholders’ Meeting of Arnoldo Mondadori Editore S.p.A.,

- *in view of the explanatory report of the Board of Directors*

resolves

- *to grant, pursuant to art. 2443 of the Italian Civil Code, the power to the Board of Directors to increase the share capital, on one or more occasions, through one or more issues pursuant to article 2439 of the Italian Civil Code, within a period of five years from the date of this resolution, by a maximum nominal amount of € 78,000,000 (seventy-eight million) through the issue, on one or more occasions, of ordinary shares reserved for the rights holders pursuant to art. 2441 par 1 of the Italian Civil Code, with the power for the Board of Directors to establish, from time to time, the issue price, including any share premium, the dividend entitlement and the term for subscription of the new shares;*
- *to amend article 6, paragraph 6. of the Articles of Association accordingly, as set out below:*

CURRENT TEXT	PROPOSED TEXT
Section II. SHARE CAPITAL	Section II. SHARE CAPITAL
Article 6	Article 6
<p>6. On 30 April 2014, the Shareholders' Extraordinary Meeting resolved:</p> <p>a) to grant the Board of Directors, pursuant to article 2443 of the Italian Civil Code, the power to increase share capital by a maximum nominal amount of EUR 78,000,000 (seventy-eight million) through the issue of ordinary shares within a period of five years from the date of this resolution; that this raising of share capital may be done on one or more occasions and possibly in tranches, in accordance with article 2439 of the Italian Civil Code; and that this issue of ordinary shares, which may also be in multiple tranches, is to be offered to holders of option rights as regulated by the first paragraph of article 2441 in the Italian Civil Code; with the power for the Board of Directors to establish, from time to time, the issue price, including any share premium, the dividend entitlement and the term for subscription of the new shares, and also any allocation of the share capital increase to service the conversion of bonds, including bonds issued by third parties, both in Italy and abroad or warrants.</p>	<p>6. <i>On 17 April 2019, the Shareholders' Extraordinary Meeting resolved:</i></p> <p><i>a) to grant the Board of Directors, pursuant to article 2443 of the Italian Civil Code, the power to increase share capital by a maximum nominal amount of EUR 78,000,000 (seventy-eight million) through the issue of ordinary shares within a period of five years from the date of this resolution; that this raising of share capital may be done on one or more occasions and possibly in tranches, in accordance with article 2439 of the Italian Civil Code; and that this issue of ordinary shares, which may also be in multiple tranches, is to be offered to holders of option rights as regulated by the first paragraph of article 2441 in the Italian Civil Code; with the power for the Board of Directors to establish, from time to time, the issue price, including any share premium, the dividend entitlement and the term for subscription of the new shares</i></p>

- *to confer authority on the board of directors and its pro tempore legal representatives, separately, to register these resolutions and the text adopted in the articles of association in the Company Register as required by law, with the power to make any necessary non-substantial amendment, addition or deletion thereto, at the request of any competent authority or at the time of registration in the Company Register."*

1.3 Third resolution

"The Extraordinary Shareholders' Meeting of Arnoldo Mondadori Editore S.p.A.,

- *in view of the explanatory report of the Board of Directors*

resolves

Arnoldo Mondadori Editore S.p.A.

Registered Office: Via Bianca di Savoia 12, Milan

Share capital € 67,979,168.40 fully paid-up

Milan-Monza-Brianza-Lodi Company register and tax code 07012130584 VAT No. 08386600152

- *without prejudice, within the amount limits set out in art. 23, par 2, of the articles of association, to the authority of the board of directors pursuant to art. 2410 of the Italian Civil Code regarding the issue of non-convertible bonds, to grant the Board of Directors, pursuant to art. 2420 ter of the Italian Civil Code, the power to issue, on one or more occasions, bonds convertible into shares to be offered, at the discretion of the Board of Directors, in whole or in part, to the holders of rights and/or, when reasonably deemed in the greater corporate interest, with the exclusion of option rights pursuant to art. 2441, par 5 of the Italian Civil Code, for an amount that, taking account of the bonds outstanding at the resolution date of each issue, does not exceed the limits allowed by law from time to time and in any case does not exceed the maximum nominal amount of EUR 260,000,000 (two hundred and sixty million), establishing the procedures, terms and conditions thereof and the related regulation, including, pursuant to art. 2420 ter par 1 of the Italian Civil Code, powers relating to the corresponding capital increase to service conversion through the issue of ordinary shares with the same characteristics as the shares outstanding, within five years from the date of this resolution;*

- *to amend article 6, point 6 and art. 7, point 11 of the Articles of Association accordingly, as set out below:*

CURRENT TEXT	PROPOSED TEXT
Section II. SHARE CAPITAL	Section II. SHARE CAPITAL
Article 6	Article 6
<p>6. On 30 April 2014, the Shareholders' Extraordinary Meeting resolved:</p> <p>a) omitted</p> <p>b) without prejudice to the authority of the Board of Directors regarding the issuing of non-convertible bonds as regulated by article 2410 of the Italian Civil Code, and within the limits subsequently established in article 23, paragraph 2, to grant the Board of Directors – pursuant to article 2420 ter of the Italian Civil Code – the power to issue convertible bonds with the associated increase in share capital, which may be done on one or more occasions and within a period of five years from the date of the resolution; for a sum that does not exceed the limits of law on each occasion, and that in any case, does not exceed the maximum nominal amount of EUR 260,000,000 (two hundred and sixty million), determining the procedures, terms and conditions thereof and the related regulation.</p>	<p>6. <i>On 17 April 2019, the Shareholders' Extraordinary Meeting resolved:</i></p> <p>a) omitted</p> <p>b) <i>without prejudice to the authority of the board of directors regarding the issuing of non-convertible bonds as regulated by article 2410 of the Italian Civil Code, and within the amount limits established in article 23, paragraph 2 of the articles of association, to grant the board of directors – pursuant to article 2420 ter of the Italian Civil Code – the power to issue bonds convertible into shares, on one or more occasions, to be offered, at the discretion of the Board of Directors, in whole or in part, to the rights holders and/or, where reasonably deemed in the greater corporate interest, with the exclusion of option rights pursuant to art. 2441, par 5 of the Italian Civil Code, for an amount that, taking account of the bonds outstanding at the resolution date of each issue, does not exceed the limits allowed by law from time to time and does not in any case exceed the maximum nominal amount of EUR 260,000,000 (two hundred and sixty million), establishing the procedures, terms and conditions thereof and the related regulation, including, pursuant to art. 2420 ter par 1 of the Italian Civil Code, powers relating to the corresponding capital increase to service the conversion through the issue of ordinary shares with the same characteristics as those outstanding, within a period of five years from the date of the resolution.</i></p>
Article 7	Article 7
<p>7.11 The increased voting right: a) is retained in the event of succession due to death for the heir and/or legatee; b) is retained in the event of a merger or spin-off of the holder of the shares for the company created by the merger or the beneficiary of the spin-off; c) is</p>	<p>7.11 The increased voting right: a) is retained in the event of succession due to death for the heir and/or legatee; b) is retained in the event of a merger or spin-off of the holder of the shares for the company created by the merger or the beneficiary of the spin-off; c) is</p>

<p>extended proportionately to the new shares in the event of a capital increase pursuant to art. 2442 Italian Civil Code and a capital increase through new contributions made in the exercise of the option right; d) may also apply to the shares assigned in exchange for those with the increased voting right, in the event of a merger or spin-off, should this be envisaged under the merger or spin-off project; e) is retained in the event of transfer from one portfolio to another of UCITS managed by the same party.</p>	<p>extended proportionately to the new shares in the event of a capital increase pursuant to art. 2442 Italian Civil Code, a capital increase through new contributions made in the exercise of the option right, proportionately to the new shares in the event of a capital increase to service the conversion of convertible bonds, whose regulation so contemplates; d) may also apply to the shares assigned in exchange for those with the increased voting right, in the event of a merger or spin-off, should this be envisaged under the merger or spin-off project; e) is retained in the event of transfer from one portfolio to another of UCITS managed by the same party.</p>
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- *to confer authority on the board of directors and its pro tempore legal representatives, separately, to register these resolutions and the text adopted in the articles of association in the Company Register as required by law, with the power to make any necessary non-substantial amendment, addition or deletion thereto, at the request of any competent authority or at the time of registration in the Company Register”.*

1.4 Fourth resolution

“The Extraordinary Shareholders’ Meeting of Arnoldo Mondadori Editore S.p.A.,

- *in view of the explanatory report of the Board of Directors*

resolves

- *to grant, pursuant to article 2443 of the Italian Civil Code, to the Board of Directors the power to increase share capital on a cash basis, on one or more occasions and through one or more issues, in accordance with article 2439 of the Italian Civil Code; that this power may be exercised within a period of five years from the date of this resolution, with the exclusion of option rights pursuant to art. 2441, paragraph 4.2, of the Italian Civil Code; that this increase in share capital shall take place through the issue, in one or more tranches, of a number of ordinary shares not exceeding 10% of the total number of shares comprising the share capital of Arnoldo Mondadori Editore on the date of the exercise of such powers, and in any case for a nominal amount not exceeding EUR 20,000,000.00 (twenty million); and that the directors shall have the power to determine, from time to time, the issue price, including any share premium, the dividend entitlement, and the term for subscription of the new shares, and also to allocate all or part of the share capital increase to service the conversion of bonds issued by third parties, both in Italy and abroad, or warrants, provided that, in accordance with art. 2441, par 4.2 of the Italian Civil Code, the issue price corresponds to the share’s market value and that such correspondence is confirmed in a specific report by the statutory auditor or independent auditors;*
- *to amend article 6, paragraph 6. of the Articles of Association accordingly, as set out below:*

CURRENT TEXT	PROPOSED TEXT
Section II. SHARE CAPITAL	Section II. SHARE CAPITAL
Article 6	Article 6
<p>6. On 30 April 2014, the Shareholders' Extraordinary Meeting resolved:</p> <p>a) omitted</p> <p>b) omitted</p> <p>c) to grant, pursuant to article 2443 of the Italian Civil Code, to the Board of Directors the power to increase share capital on a cash basis, on one or more occasions and through one or more issues, in accordance with article 2439 of the Italian Civil Code; that this power may be exercised within a period of five years from the date of this resolution, with the exclusion of option rights pursuant to art. 2441, paragraph 4.2, of the Italian Civil Code; that this increase in share capital shall take place through the issue, in one or more tranches, of a number of ordinary shares not exceeding 10% of the total number of shares comprising the share capital of Arnoldo Mondadori Editore on the date of the exercise of such powers, and in any case for a nominal amount not exceeding EUR 20,000,000.00 (twenty million); and that the directors shall have the power to determine, from time to time, the issue price, including any share premium, the dividend entitlement, and the term for subscription of the new shares, on the condition that, in accordance with art. 2441, par 4.2 of the Italian Civil Code, the issue price corresponds to the share's market value and that such correspondence is confirmed in a specific report by the statutory auditor or independent auditors.</p>	<p>6. <i>On 17 April 2019, the Shareholders' Extraordinary Meeting resolved:</i></p> <p>a) omitted</p> <p>b) omitted</p> <p>c) <i>to grant, pursuant to article 2443 of the Italian Civil Code, to the Board of Directors the power to increase share capital on a cash basis, on one or more occasions and through one or more issues, in accordance with article 2439 of the Italian Civil Code; that this power may be exercised within a period of five years from the date of this resolution, with the exclusion of option rights pursuant to art. 2441, paragraph 4.2, of the Italian Civil Code; that this increase in share capital shall take place through the issue, in one or more tranches, of a number of ordinary shares not exceeding 10% of the total number of shares comprising the share capital of Arnoldo Mondadori Editore on the date of the exercise of such powers, and in any case for a nominal amount not exceeding EUR 20,000,000.00 (twenty million); and that the directors shall have the power to determine, from time to time, the issue price, including any share premium, the dividend entitlement, and the term for subscription of the new shares, and also to allocate all or part of the share capital increase to service the conversion of bonds issued by third parties, both in Italy and abroad, or warrants, provided that, in accordance with art. 2441, par 4.2 of the Italian Civil Code, the issue price corresponds to the share's market value and that such correspondence is confirmed in a specific report by the statutory auditor or independent auditors.</i></p>

- *to confer authority on the board of directors and its pro tempore legal representatives, separately, to register these resolutions and the text adopted in the articles of association in the Company Register*

as required by law, with the power to make any necessary non-substantial amendment, addition or deletion thereto, at the request of any competent authority or at the time of registration in the Company Register;

- *to confer immediately full authority on the Board of Directors and its pro tempore legal representatives, separately, to amend art. 6 (six) of the Articles of Association from time to time to reflect the variations arising from these resolutions, the execution and the finalisation of the delegated capital increases.*

14 March 2019

Arnoldo Mondadori Editore S.p.A.
on behalf of the Board of Directors
The Chair

Marina Berlusconi



**Shareholders' Meeting
of 17 April 2019 (1st call)
and of 18 April 2019 (2nd call)**

Directors' Explanatory Report

Item 2 on the agenda - Extraordinary Session

Proposal for the non-replenishment of the revaluation reserves pursuant to Law no. 72 of 19 March 1983 and Law no. 413 of 30 December 1991.

Proposal for the non-replenishment of the revaluation reserves pursuant to Law no. 72 of 19 March 1983 and Law no. 413 of 30 December 1991.

Fellow Shareholders,

with regard to this item on the agenda, we remind you, first, that as illustrated in the draft financial statements as at and for the year ended 31 December 2018, at the ordinary session the Shareholders Meeting has been asked to cover the loss for the year in full, through the use of, among others, the following reserves:

- the revaluation reserve recognised in the financial statements by the Company through application of Law no. 72 of 19 March 1983;
- the revaluation reserve recognised in the financial statements by the Company through application of Law no. 413 of 30 December 1991;

(hereinafter jointly: **"Revaluation Reserves"**).

The laws referred to above envisage a series of constraints on use of the revaluation reserves when covering annual losses, specifically: art. 6 of Law no. 72 of 19 March 1983 and art. 26 of Law no. 413 of 30 December 1991 provide that: "in the case of use of the reserve to cover losses, profits may not be distributed until the reserve has been replenished or decreased by an amount corresponding to a resolution carried by the extraordinary shareholders' meeting, without compliance with pars 2 and 3 of article 2445 of the Italian Civil Code".

Considering the above, should the ordinary Shareholders' Meeting approve the proposal to cover the loss for the year in full, the Meeting is asked, in an extraordinary session, not to replenish the Revaluation Reserves used for the purpose, so as to enable future distributions of profits.

RESOLUTION PROPOSALS

Fellow Shareholders,

If you agree with the proposal described, we submit the following resolution for approval:

"The Extraordinary Shareholders' Meeting of Arnoldo Mondadori Editore S.p.A.,

- *in view of the explanatory report of the Board of Directors;*
- *having taken note that the equity of the Company reflected in the financial statements as at and for the year ended 31 December 2018 includes the revaluation reserve formed pursuant to Law no. 72 of 19 March 1983 for Euro 12,022,460.17 and the revaluation reserve formed pursuant to Law no. 413 of 30 December 1991 for Euro 4,688,951.44;*

- *considering that, as previously deliberated by the Shareholders' Meeting, said Revaluation Reserves will be used in full to cover the loss for the year reflected in the financial statements as at and for the year ended 31 December 2018;*
- *taking account of the specific relevant regulations;*
- *having heard the favourable opinion of the Board of Statutory Auditors*

resolves:

- *to reduce definitively, pursuant to art. 6 of Law no. 72 of 19 March 1983, the revaluation reserve formed pursuant to Law no. 72 of 19 March 1983 to an extent corresponding to the amount of Euro 12,022,460.17 used to cover the loss for the year ended 31 December 2018, and consequently to reduce said reserve to zero with no replenishment requirement;*
- *to reduce definitively, pursuant to art. 26 of Law no. 413 of 30 December 1991, the revaluation reserve formed pursuant to Law no. 413 of 30 December 1991 to an extent corresponding to the amount of Euro 4,688,951.44 used to cover the loss for the year ended 31 December 2018, and consequently to reduce said reserve to zero with no replenishment requirement.”*

14 March 2019

Arnoldo Mondadori Editore S.p.A.
on behalf of the Board of Directors
The Chair

Marina Berlusconi