

BoD APPROVES RESULTS AT 30 JUNE 2019¹

The results of the half-year financial report at 30 June 2019 have been prepared by showing Magazines France amounts under "Adjusted result from discontinued operations"²

- **Consolidated revenue €380 million versus €390.8 million at 30 June 2018;**
- **Adjusted EBITDA (before IFRS 16) €13.8 million: +14% versus €12.1 million at 30 June 2018;**
- **EBITDA (before IFRS 16) €12.6 million: up significantly (€+9 million) versus €3.5 million at 30 June 2018;**
- **Adjusted net result from continuing operations €-5.7 million: improving by €9 million versus €-14.7 million at 30 June 2018;**
 - **Group's net result improves significantly: €-1.9 million versus €-12.5 million at 30 June 2018;**
- **Group net financial position (before IFRS 16) €-204.2 million: improving in the 12 months by €34.2 million as a result of the steady generation of cash flow from ordinary operations**

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TARGETS FOR CONTINUING OPERATIONS IN 2019 CONFIRMED

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

Segrate, 30 July 2019 - Today, the meeting of the Board of Directors of Arnoldo Mondadori Editore S.p.A., chaired by Marina Berlusconi, reviewed and approved the Half-Year Financial Report at 30 June 2019, presented by CEO Ernesto Mauri.

HIGHLIGHTS OF FIRST HALF 2019

In first half 2019, in line with the targets set, the Group recorded **adjusted EBITDA from continuing operations of €13.8 million, up by 14%** net of the effect of the application of IFRS 16.

Actions continued to be taken to improve operations in the Books Area and to reduce costs, as well as to strengthen the Digital component in Magazines Italy.

¹ As of 1 January 2019, the Group has adopted the new IFRS 16 - Leases. The new standard provides a new definition of lease (operating leases) and introduces a criterion based on the control (right of use) of an asset to distinguish leases from service contracts, the differences lying in: the identification of the asset, the right to replace the asset, the right to essentially receive all the financial benefits arising from the use of the asset, and the right to control the use of the asset underlying the contract. *The standard introduces a single lessee accounting model, by which an asset under an operating lease is recognized in assets with an offsetting financial liability.* P/L will no longer record lease payments as operating/general costs, rather the depreciation of the booked asset and the financial expense implicit in the lease payment. An exception to this accounting model are leases regarding low-value assets and those with a term of 12 months or less.

² In 2019, the "Adjusted result from discontinued operations" included the net result of Mondadori France in the current year, together with the recognition of the fair value adjustment of the disposal group, to reflect the negotiations in progress. This item also includes the financial expense held by the Parent Company, but attributable to Mondadori France and charged to the latter under the intercompany loan agreement (approximately € 1.3 million). The "Adjusted result from continuing operations" and the "Adjusted result from discontinued operations" therefore differ by this amount from the amounts of the statements attached to this Report (equal to € 5.2 million in first half 2019 and € 3.9 million in first half 2018), prepared in accordance with IFRS international accounting standards. To enable a like-for-like comparison, 2018 figures have been restated accordingly.

The six months saw significantly lower restructuring and reorganization costs than in the same period of 2018, due to the planned reduction and different timing of the divestment of non-strategic businesses and the reorganization of Group activities.

This trend, together with the **extended positive performance of cash generation from ordinary operations**, paves the way to the **achievement of the targets** set and disclosed for the entire financial year 2019.

PERFORMANCE AT 30 JUNE 2019

Consolidated revenue in first half 2019 came to **€ 380 million** versus **€ 390.8 million** in the prior year, due partly to the change in the consolidation scope of Magazines Italy following the sale of Inthera S.p.A. and *Panorama*.

Adjusted EBITDA (before IFRS 16) for the period under review came to **€ 13.8 million, up by € 1.7 million** versus the prior year (€ 12.1 million), with a percentage on revenue **increasing** from 3.1% to 3.6%.

IFRS 16 adjusted EBITDA came to € 21.8 million and includes the IFRS 16 impact of € +8 million.

EBITDA (before IFRS 16) **grew strongly** versus the prior year, from € 3.5 million to **€ 12.6 million**, including the increase in adjusted EBITDA and the significant reduction in restructuring costs recorded in the first half of the year.

IFRS 16 EBITDA amounted to € 20.6 million and includes the IFRS 16 impact of € +8 million.

EBIT (before IFRS 16) at 30 June 2019 amounted to **€ 1.5 million, increasing sharply** versus € -6.6 million at 30 June 2018, as a result of the dynamics of the above components, and includes amortization, depreciation and write-downs of € 11.1 million, slightly higher than the prior year.

IFRS 16 amortization and depreciation amounted to € 7.4 million.

IFRS 16 EBIT amounted to € 2.1 million and includes the IFRS 16 impact of € +0.6 million.

The **consolidated result before tax** came to € -1.6 million, **improving strongly** versus € -16.1 million in first half 2018. It includes:

- the decrease in financial expense (from € -1.4 million to € +0.3 million) as a result of lower average net debt;
- the result of the associates (consolidated at equity) from € -8.2 million to € -3 million.

The **adjusted net result from continuing operations improved** by approximately **€ +9 million** and amounted to € -5.7 million versus € -14.7 million at 30 June 2018.

The **net result from discontinued operations came to a positive € 3.9 million** and includes the positive effect of the fair value adjustment of Mondadori France at 30 June 2019.

The **Group's net result** was € -1.9 million, **improving strongly** versus € -12.5 million at 30 June 2018.

At 30 June 2019, the **net financial position** (before IFRS 16) stood at **€ -204.2 million, improving by € 34.2 million** (approximately -14%) versus € -238.4 million at 30 June 2018, as a result of the **ongoing cash generation from ordinary operations of continuing operations, amounting to € 46.5 million**.

Including the effect of the application of IFRS 16 (€ -102 million), the Group's net financial position at 30 June 2019 stood at € -306.2 million.

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At 30 June 2019, with regard to continuing operations, **Group employees** amounted to 2,117 units, down by approximately -5% versus 2,224 units at June 2018, as a result of the sale of *Panorama* and of efficiency gains in the individual business areas, and excluding the 691 employees of Mondadori France.

Cost of personnel³ of continuing operations in the first six months of the year amounted to € 79.3 million, down by approximately 7% versus the same period of 2018, as a result of the ongoing reduction in the workforce and of the sale of Inthera and *Panorama*.

CONSOLIDATED FINANCIAL HIGHLIGHTS IN SECOND QUARTER 2019

Consolidated revenue in second quarter 2019 amounted to **€ 213.1 million**, **steady** versus the prior year, despite the effect of the change in the consolidation scope of Magazines Italy following the sale of Inthera S.p.A. and *Panorama*.

In the **Books** Area, revenue in the second quarter **increased by approximately 8%**, while the **Retail** Area **grew by approximately 1%**; the Magazines Italy Area fell by 5% on a like-for-like basis as a result of the dynamics of the relevant markets.

Adjusted EBITDA (before IFRS 16) came to € 16 million, **up by € 1.1 million** versus the prior year (€ 14.9 million).

IFRS 16 adjusted EBITDA came to € 20.1 million and includes the IFRS 16 impact of approximately € +4 million.

BUSINESS OUTLOOK⁴

The Group will continue its **strategic repositioning** and further **focus on its core businesses**, in particular by consolidating its **leadership in the Books Area**, completing the sale of Mondadori France and identifying new areas of development.

In line with the outlined strategy and in light of the current relevant context, including the performance in the first half, the operating targets for 2019, based on the current scope, allow the Group to **confirm**, at a consolidated level, **a slight decrease in revenue** and a **single-digit growth of adjusted EBITDA before IFRS 16** versus 2018.

The **net result from continuing operations** in 2019 is expected to be **significantly higher** than last year (in the range of € 30-35 million).

Cash flow from ordinary operations in 2019 is forecast at approximately € 45 million, creating sustainable conditions for a possible future return to a dividend.

PERFORMANCE OF BUSINESS AREAS

- **BOOKS**

In the first six months of the year, the trade books market grew by +4%⁵ versus the first six months of the prior year. During the period, the Mondadori Group **retained its leadership**, with an **overall 25.3% market share**.

³ Cost of enlarged personnel includes costs for collaborations and temporary employment.

⁴ Before application of IFRS 16.

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Revenue in the Books Area in first half 2019 amounted to **€183.8 million, up by 2.7%** versus €179 million in first half 2018. Specifically: the Trade Area recorded a **+1.6% increase**, the Educational Area **+5.4%**.

Adjusted EBITDA (before IFRS 16) came to €15.6 million, **up** versus the same period of 2018 (€13.3 million), as a result of the **ongoing improvement in operations**.

IFRS 16 adjusted EBITDA came to €16.2 million and includes the IFRS 16 impact of approximately €+0.6 million.

EBITDA (before IFRS 16) amounted to €15.2 million, **up** versus €12.5 million at 30 June 2018. **IFRS 16 EBITDA** amounted to €15.8 million and includes an impact of approximately €+0.6 million.

- **RETAIL**

The relevant market for the Retail Area is books (approximately 83% of store revenue), where Mondadori Retail has a 12.8% market share.

In the first six months of the year, the Retail Area recorded revenue of **€81.4 million**, down slightly (-2%) versus €83.1 million in first half 2018.

The analysis by channel shows the following:

- a +1.2% increase by direct bookstores, as a result of the performance of the new stores in Roma Valle Aurelia and Taranto, opened respectively in April and September 2018 (-1.8% on a like-for-like basis in terms of stores);
- an approximately 12% drop by Megastores, due mainly to the shrinking sales of consumer electronics (-11.3% on a like-for-like basis in terms of stores);
- the Franchised Bookstores are in line with the prior year (also on a like-for-like basis in terms of stores);
- a slight decrease by the online segment (-3.4%);
- a slight fall by the *Clubs* channel versus the prior year (approximately -3%).

In first half 2019, Mondadori Retail's **adjusted EBITDA** (before IFRS 16) came to €-4.6 million versus €-3.2 million at 30 June 2018.

IFRS 16 adjusted EBITDA came to €-0.6 million and includes the IFRS 16 impact of €+3.9 million.

EBITDA (before IFRS 16) amounted to €-4.8 million, down versus €-3.5 million at 30 June 2018.

IFRS 16 EBITDA amounted to €-0.9 million and includes the IFRS 16 impact of €+3.9 million.

- **MAGAZINES ITALY**

In the first five months of 2019, the Italian advertising market reported a growth in digital channels (+2%) and a -15.4% drop in magazines⁶.

⁵ Source: GfK, June 2019 (figures in terms of market value). As of May 2019, GfK has expanded its coverage panel by increasing the survey of e-commerce operators; as a result, the overall market value and the YoY deviations have been restated pro-forma and the details by channel have been reviewed by merging book chains and e-commerce.

⁶ Source: Nielsen, cumulative figures at May 2019

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Circulation also declined in Italy in the period (-12.3%), with a slowdown in both the newsstands and subscriptions channels.

The Mondadori Group's **market share** in this segment stood at **28.8%**⁷.

The Magazines Italy Area generated revenue of **€ 130.9 million** versus € 147.5 million in first half 2018 (-3.9% net of the disposals of Inthera and *Panorama*).

Specifically:

- **circulation revenue** and **revenue** from **add-on sales** recorded an overall reduction of 12.5% versus first half 2018 (-5.9% net of the sale of *Panorama*);
- **advertising revenue** was down overall by -10.2%: the digital channel recorded a growth of approximately +15% versus first half 2018. The percentage of digital revenue on the total **rose to approximately 39%** versus 30% at 30.06.2018.
- **distribution activities and other revenue** fell by 9% versus the prior year, due to the sale of Inthera (+5.9% excluding Inthera).

The Mondadori Group retained its position as **Italy's leading digital publisher** in the latest comScore survey in May, with a reach of 77% and **29.3 million unique users in the month**.

Adjusted EBITDA (before IFRS 16) from the Magazines Italy Area came to **€6.8 million**, in line with the same period of 2018 (€ 6.8 million), as a result of the actions aimed at reducing operating and structural costs, the **ongoing improvement in the digital area** and the positive effects of the sale of Inthera and *Panorama*.

IFRS 16 adjusted EBITDA amounted to € 6.9 million.

EBITDA (before IFRS 16) amounted to € 6.3 million, **up sharply** versus € -0.1 million at 30 June 2018, as a result of lower restructuring costs.

IFRS 16 EBITDA amounted to € 6.4 million.

- ***MAGAZINES FRANCE (discontinued operations)***

In first half 2019, Mondadori France generated revenue of **€139.8 million** (€ 152.9 million in first half 2018). Specifically:

- **circulation revenue** (approximately 80% of the total) was down by 5.1%;
- **advertising revenue** fell by 17% overall.

Adjusted EBITDA came to € 11.4 million versus € 12.1 million in the first six months of the prior year.

EBITDA amounted to € 11 million versus € 10.8 million in the first six months of 2018.

SIGNIFICANT EVENTS AFTER FIRST HALF 2019

On 24 July, the sale of the subsidiary Mondadori France S.A.S. to Reworld Media S.A. received clearance from the *Autorité de la Concurrence*.

In accordance with the remedy set out in the clearance, Reworld Media undertakes to sell a title of its choice that could be either *L'Auto-Journal*, published by the joint venture EMAS (Editions Mondadori Axel Springer) or *Auto Moto*, published by Reworld Media.

⁷ Internal source: Press-Di, cumulative figures at May 2019 (newsstands + subscriptions) in terms of value

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The parties have agreed to update - according to the terms disclosed on 24 July 2019 - the structure of the consideration from the transaction, which remains, as expected, equal to € 70 million (cash free/debt free), also adding an earn-out of € 5 million.

Additionally, on 29 July 2019, the Shareholders' Meeting of Reworld Media resolved to grant the Board of Directors the power to implement the reserved capital increase.

The transaction remains subject to the provision of the bank loan, already authorized, to Reworld Media.

Following the authorization given by the Shareholders' Meeting of 17 April 2019, on 10 June Arnoldo Mondadori Editore launched a share buyback programme.

Following the transactions carried out so far and disclosed to the market in accordance with current legislation, Arnoldo Mondadori Editore S.p.A. currently holds no. 1,728,703 treasury shares, equal to 0.661% of the share capital and to 0.431% of the total voting rights.

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

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

Annexes:

1. Consolidated balance sheet;
2. Consolidated income statement;
3. Consolidated income statement - II quarter;
4. Group cash flow;
5. Glossary of terms and alternative performance measures used.

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Annex 1
Consolidated balance sheet

	June 19	Dec. 18	June 18
Trade receivables	223.1	219.0	227.9
Inventory	134.6	122.3	140.7
Trade payables	(319.3)	(333.4)	(340.0)
Other assets (liabilities)	62.1	46.1	67.3
NWC	100.5	54.1	95.9
Intangible assets	225.8	226.7	226.2
Property, plant and equipment	17.6	19.1	22.1
Property, plant and equipment IFRS 16	101.1		
Investments	30.0	32.3	36.3
NET FIXED ASSETS	374.5	278.2	284.6
Provisions and post-employment benefits	(91.7)	(103.3)	(103.6)
Assets/liabilities held for sale	93.5	89.1	296.4
NET INVESTED CAPITAL	476.8	317.9	573.3
Share capital	68.0	68.0	68.0
Reserves	74.6	251.1	248.8
Profit (loss) for the year	(1.9)	(177.1)	(12.5)
Share capital and reserves attributable to non-controlling interests (from assets held for sale)	29.9	28.7	30.6
EQUITY	170.6	170.7	334.9
NET FINANCIAL POSITION	204.2	147.2	238.4
NET FINANCIAL POSITION IFRS 16	102.0		
TOTAL EQUITY	476.8	317.9	573.3

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Annex 2 Consolidated income statement

€mn	1H19		1H18		% change
NET REVENUE	380.0	100.0%	390.8	100.0%	(2.8%)
INDUSTRIAL COST OF PRODUCT	121.7	32.0%	124.9	32.0%	(2.6%)
VARIABLE PRODUCT COSTS	54.6	14.4%	58.9	15.1%	(7.2%)
OTHER VARIABLE COSTS	73.4	19.3%	74.1	19.0%	(1.0%)
STRUCTURAL COSTS	28.9	7.6%	28.5	7.3%	1.3%
EXTENDED LABOUR COST*	79.3	20.9%	85.0	21.7%	(6.7%)
OTHER EXPENSE AND (INCOME)	0.2	0.1%	-0.6	(0.2%)	n.s.
(ADJUSTED) EBITDA	21.8	5.7%	19.9	5.1%	9.4%
RESTRUCTURING COSTS	1.1	0.3%	5.4	1.4%	(78.8%)
NEGATIVE (POSITIVE) EXTRAORDINARY ITEMS	0.1	0.0%	3.1	0.8%	(98.3%)
EBITDA	20.6	5.4%	11.4	2.9%	81.0%
AMORTIZATION AND DEPRECIATION	11.1	2.9%	10.2	2.6%	9.0%
AMORTIZATION AND DEPRECIATION IFRS16	7.4	1.9%	7.2	1.8%	3.5%
EBIT	2.1	0.6%	-5.9	(1.5%)	n.s.
FINANCIAL EXPENSE AND (INCOME)	-0.3	(0.1%)	1.4	0.4%	n.s.
FINANCIAL EXPENSE IFRS16	1.0	0.3%	0.7	0.2%	49.5%
EXPENSE AND (INCOME) FROM INVESTMENTS	3.0	0.8%	8.2	2.1%	(63.1%)
EBT	-1.6	(0.4%)	-16.1	(4.1%)	(90.3%)
TAX EXPENSE AND (INCOME)	3.0	0.8%	-2.5	(0.6%)	n.s.
NON-CONTROLLING INTERESTS	1.2	0.3%	1.1	0.3%	7.9%
RESULT FROM CONTINUING OPERATIONS **	-5.7	(1.5%)	-14.7	(3.8%)	(61.0%)
ADJUSTED RESULT FROM DISCONTINUED OPERATIONS**	3.9	1.0%	2.2	0.6%	72.8%
NET RESULT	-1.9	(0.5%)	-12.5	(3.2%)	(85.0%)
(ADJUSTED) EBITDA EXCLUDING IFRS16	13.8	3.6%	12.1	3.1%	13.9%
EBITDA EXCLUDING IFRS16	12.6	3.3%	3.5	0.9%	n.s.
EBIT EXCLUDING IFRS16	1.5	0.4%	-6.6	(1.7%)	n.s.
EBT EXCLUDING IFRS16	-1.2	(0.3%)	-16.1	(4.1%)	(92.9%)

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

** In 2019, the "Adjusted result from discontinued operations" included the net result of Mondadori France in the current year, together with the recognition of the fair value adjustment of the disposal group, to reflect the negotiations in progress. This item also includes the financial expense held by the Parent Company, but attributable to Mondadori France and charged to the latter under the intercompany loan agreement (approximately € 1.3 million). The "Adjusted result from continuing operations" and the "Adjusted result from discontinued operations" therefore differ by this amount from the amounts of the statements attached to this Report (equal to € 5.2 million in first half 2019 and € 3.9 million in first half 2018), prepared in accordance with IFRS international accounting standards. To enable a like-for-like comparison, 2018 figures have been restated accordingly.

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Annex 3
Consolidated income statement - II quarter;

€mn	2Q19		2Q18		% change
NET REVENUE	213.1	100.0%	213.1	100.0%	0.0%
INDUSTRIAL COST OF PRODUCT	64.5	30.3%	66.1	31.0%	(2.3%)
VARIABLE PRODUCT COSTS	30.9	14.5%	32.0	15.0%	(3.3%)
OTHER VARIABLE COSTS	43.1	20.2%	41.3	19.4%	4.5%
STRUCTURAL COSTS	14.2	6.7%	13.5	6.3%	5.8%
EXTENDED LABOUR COST*	39.9	18.7%	41.7	19.6%	(4.3%)
OTHER EXPENSE AND (INCOME)	0.3	0.1%	-0.4	(0.2%)	n.s.
(ADJUSTED) EBITDA	20.1	9.4%	18.9	8.9%	6.2%
RESTRUCTURING COSTS	0.6	0.3%	2.2	1.0%	(73.7%)
NEGATIVE (POSITIVE) EXTRAORDINARY ITEMS	0.1	0.0%	3.0	1.4%	(98.3%)
EBITDA	19.5	9.1%	13.7	6.5%	41.7%
AMORTIZATION AND DEPRECIATION	6.3	3.0%	5.1	2.4%	23.4%
AMORTIZATION AND DEPRECIATION IFRS16	3.8	1.8%	3.6	1.7%	4.2%
EBIT	9.4	4.4%	5.0	2.4%	87.3%
FINANCIAL EXPENSE AND (INCOME)	-0.2	(0.1%)	0.8	0.4%	n.s.
FINANCIAL EXPENSE IFRS16	0.7	0.3%	0.4	0.2%	63.5%
EXPENSE AND (INCOME) FROM INVESTMENTS	1.2	0.6%	5.4	2.5%	(77.0%)
EBT	7.7	3.6%	-1.5	(0.7%)	n.s.
TAX EXPENSE AND (INCOME)	4.4	2.1%	-0.6	(0.3%)	n.s.
NON-CONTROLLING INTERESTS	0.6	0.3%	0.4	0.2%	71.4%
RESULT FROM CONTINUING OPERATIONS **	2.7	1.2%	-1.3	(0.6%)	n.s.
ADJUSTED RESULT FROM DISCONTINUED OPERATIONS**	-1.1	(0.5%)	2.4	1.1%	n.s.
NET RESULT	1.6	0.7%	1.1	0.5%	47.9%
(ADJUSTED) EBITDA EXCLUDING IFRS16	16.0	7.5%	14.9	7.0%	7.7%
EBITDA EXCLUDING IFRS16	15.4	7.2%	9.7	4.6%	58.8%
EBIT EXCLUDING IFRS16	9.1	4.3%	4.6	2.1%	98.4%
EBT EXCLUDING IFRS16	8.0	3.8%	-1.5	(0.7%)	n.s.

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

** In 2019, the "Adjusted result from discontinued operations" included the net result of Mondadori France in the current year, together with the recognition of the fair value adjustment of the disposal group, to reflect the negotiations in progress.

This item also includes the financial expense held by the Parent Company, but attributable to Mondadori France and charged to the latter under the intercompany loan agreement (approximately €0.6 million).

The "Adjusted result from continuing operations" and the "Adjusted result from discontinued operations" therefore differ by this amount from the amounts of the statements attached to this Report (equal to € -0.4 million in second quarter 2019 and € 3.2 million in second quarter 2018), prepared in accordance with IFRS international accounting standards.

To enable a like-for-like comparison, 2018 figures have been restated accordingly

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Annex 4
Group cash flow

€mn	1H 19 LTM	Dec. 18
NFP beginning of period including IFRS 16	(347.3)	(189.2)
Financial liabilities - application at 01.01.2019 of IFRS16	(108.9)	
NFP beginning of period excluding IFRS 16	(238.4)	(189.2)
Adjusted EBITDA (no IFRS16)	91.8	90.1
Change in NWC and provisions	-8.7	(3.8)
Capex	(19.1)	(20.0)
Cash flow from operations	64.0	66.3
Financial expense	(1.1)	(2.9)
Tax	(16.4)	(7.9)
Cash flow from ordinary operations assets held for sale	14.0	15.3
Cash flow from ordinary operations	60.5	70.9
Restructuring costs	(8.5)	(11.3)
Extraordinary tax amounts / prior years	(0.7)	(1.2)
Management of investments in associates	(5.4)	(3.5)
Acquisition/disposal of assets	(4.0)	(9.5)
Cash flow from extraordinary operations assets held for sale	(5.1)	(3.4)
Other extraordinary cash inflows/outflows	(2.5)	
Cash flow from non-ordinary operations	(26.3)	(28.9)
Total Cash Flow	34.2	42.0
NFP end of period excluding IFRS 16	(204.2)	(147.2)
IFRS 16 effects for the period	6.9	
NFP end of period including IFRS 16	(306.2)	(147.2)

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Annex 5

GLOSSARY OF TERMS AND ALTERNATIVE PERFORMANCE MEASURES USED

This document, in addition to the statements and conventional financial measures required by IFRS, presents a number of reclassified statements and alternative performance measures, in order to provide a better understanding of the operating and financial performance of the Group. These statements and measures should not be considered as a replacement of those required by IFRS. With regard to these figures, in accordance with the recommendations contained in CONSOB Communication no. 6064293 of 28 July 2006, and in CONSOB communication no. 0092543 of 3 December 2015, as well as with the 2015/1415 ESMA guidelines on alternative performance measures ("Non GAAP Measures"), explanations are given on the criteria adopted in their preparation and the relevant notes to the items appearing in the mandatory statements.

Specifically, the alternative measures used include:

Gross Operating Profit (EBITDA): EBITDA: net result for the period before income tax, other financial income and expense, amortization, depreciation and impairment of fixed assets. The Group also provides information on the percentage of EBITDA on net sales. EBITDA measured by the Group allows operating results to be compared with those of other companies, net of any effects from financial and tax items, and of depreciation and amortization, which may vary from company to company for reasons unrelated to general operating performance.

Adjusted gross operating profit (adjusted EBITDA): gross operating profit as explained above, net of income and expense of a non-ordinary nature such as:

- (i) income and expense from restructuring, reorganization and business combinations;
- (ii) clearly identified income and expense not directly related to the ordinary course of business;
- (iii) as well as any income and expense from non-ordinary events and transactions as set out in CONSOB communication DEM6064293 of 28/07/2006.

With regard to adjusted EBITDA in first half 2018, the following items were excluded from EBITDA:

Restructuring costs for a total amount of € 5.4 million, included in "cost of personnel" in the income statement;

Expense of a non-ordinary nature totaling € 3.1 million, of which € 2.1 million attributable to the loss from the disposal of investments classified under Other (income) expense, and mainly to legal advice fees classified under "Cost of services".

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

- a) restructuring costs for a total of € 1.1 million, included in "Cost of personnel" in the income statement;
- b) Income of a non-ordinary nature for a total of € 0.2 million and expense of a non-ordinary nature for a total of € 0.3 million, included in Other expense (income).

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

Adjusted result from continuing operations: net result of the Group, excluding the contribution of Mondadori France and the financial expense charged to the subsidiary.

Adjusted result from discontinued operations: net result of Mondadori France in the current year, together with the recognition of the fair value adjustment of the disposal group.

This item also includes the financial expense of the Parent Company, but attributable to Mondadori France and charged to the latter under the intercompany loan agreement.

Net invested capital: the algebraic sum of Fixed Capital, which includes non-current assets and non-current liabilities (net of non-current financial liabilities included in the Net Financial Position) and Net Working Capital, which includes current assets (net of cash and cash equivalents and current financial assets included in the Net Financial Position), and current liabilities (net of current financial liabilities included in the Net Financial Position).

Cash flow from operations: adjusted EBITDA, as explained above, plus or minus the decrease/(increase) in working capital in the period, minus capital expenditure (CAPEX/Investment).

Cash flow from ordinary operations: cash flow from operations as explained above, net of financial expense, tax paid in the period, and income/expense from investments in associates.

LTM cash flow from ordinary operations: cash flow from ordinary operations in the last twelve months.

Cash flow from extraordinary operations: cash flow generated/used in transactions that are not considered ordinary, such as company restructuring and reorganization, share capital transactions and acquisitions/disposals.

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