

ARNOLDO MONDADORI EDITORE S.p.A.

Share Capital € 67,979,168.40

Registered Office in Milan

Administrative Offices in Segrate (Milan)

Interim Management Statement at 31 March 2020

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COMPOSITION OF CORPORATE BODIES

Board of Directors*

Chairman

Marina Berlusconi

CEO

Ernesto Mauri

Directors

Pier Silvio Berlusconi

Paolo Aino

Elena Biffi**

Francesco Currò

Patrizia Michela Giangualano**

Martina Forneron Mondadori**

Danilo Pellegrino

Roberto Poli

Oddone Pozzi***

Angelo Renoldi**

Mario Resca

Cristina Rossello**

Board of Statutory Auditors*

Chairman

Sara Fornasiero

Standing Auditors

Flavia Daunia Minutillo

Ezio Simonelli

Substitute Auditors

Mario Civetta

Annalisa Firmani

Francesco Vittadini

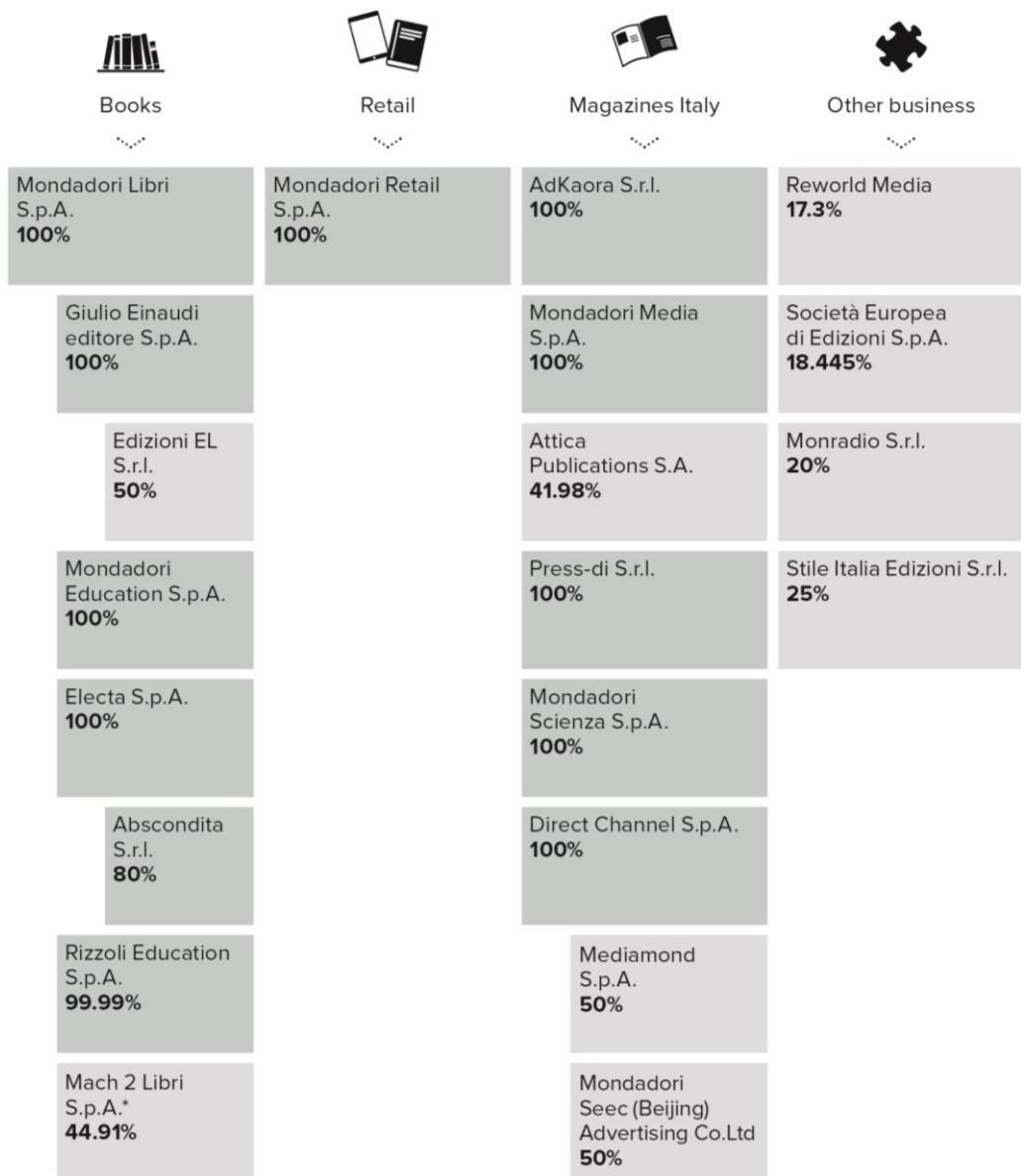
* The Board of Directors and the Board of Statutory Auditors currently in office were appointed by the Shareholders' Meeting of 24 April 2018

** Independent Director

*** Director resigning as from 22 April 2020

MONDADORI GROUP ORGANIZATION

ARNOLDO MONDADORI EDITORE S.P.A.



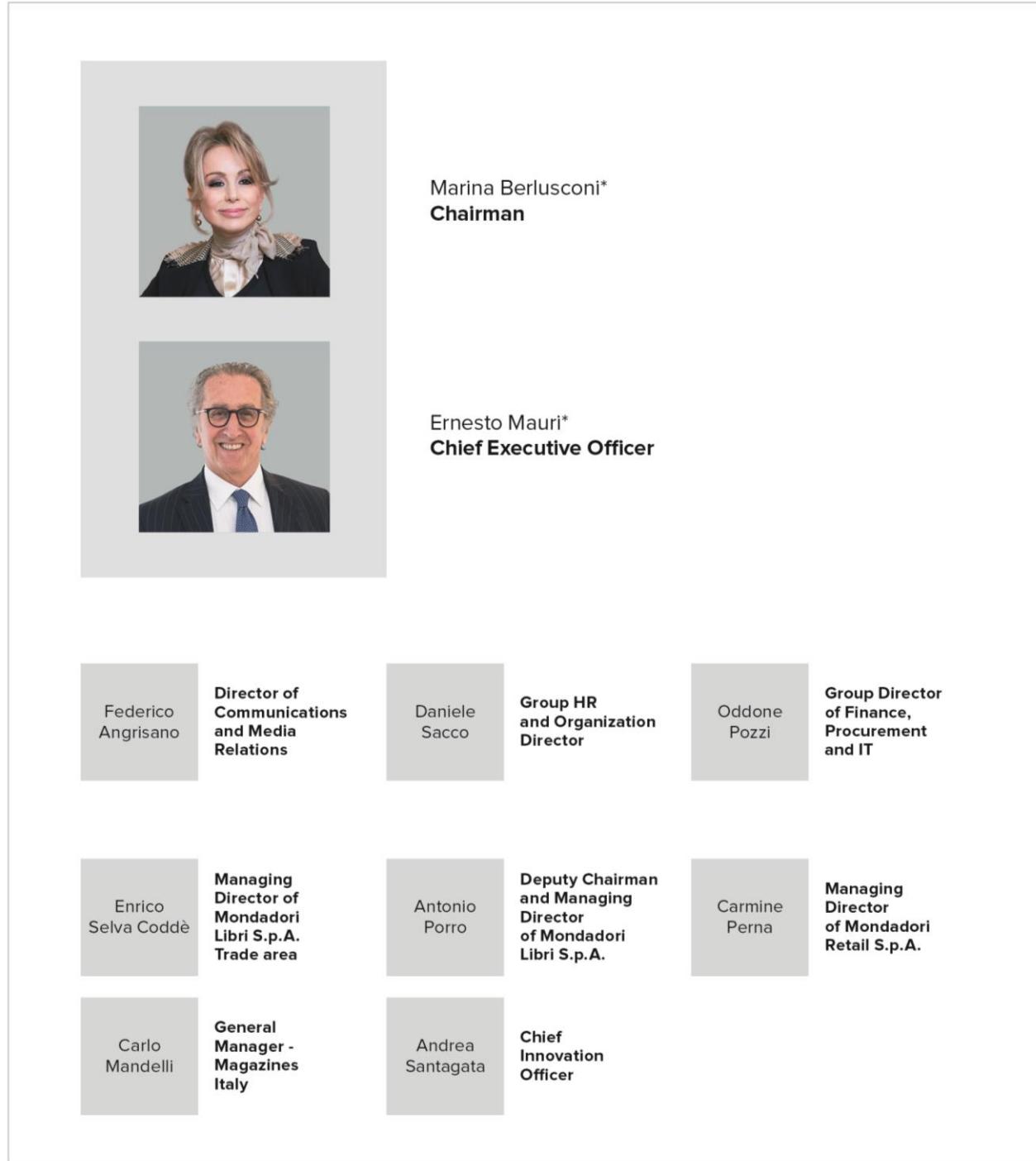
Legend:

Subsidiary companies	Affiliated companies
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As at 31 March 2020

* Put into liquidation

MONDADORI GROUP ORGANIZATION CHART



As at 31 March 2020

* Members of the Board of Directors

DIRECTORS' REPORT ON OPERATIONS AT 31 MARCH 2020

MONDADORI GROUP HIGHLIGHTS IN 1° QUARTER 2020

(Euro/millions)	1Q 2020	1Q 2019	<i>Chg.</i>
Revenue	135.3	166.8	(31.5)
Adjusted EBITDA	(3.1)	1.7	(4.8)
% on revenue	(2.3%)	1.0%	
EBITDA	(4.2)	1.1	(5.3)
% on revenue	(3.1%)	0.7%	
EBIT	(14.0)	(7.2)	(6.8)
% on revenue	(10.3%)	(4.3%)	
Result from continuing operations	(19.1)	(7.9)	(11.3)
 Group net result	 (19.1)	 (3.5)	 (15.7)
 Revenue	 135.3	 166.8	 (31.5)
Books	58.2	70.2	(12.0)
Retail	31.1	41.3	(10.3)
Media	50.6	63.0	(12.4)
Corporate & Shared Services	11.1	9.5	1.7
Intercompany	(15.7)	(17.2)	(31.5)
 EBIT	 (14.0)	 (7.2)	 (6.8)
Books	(8.3)	(2.8)	(5.5)
Retail	(3.8)	(3.2)	(0.6)
Media	(0.1)	1.0	(1.1)
Corporate & Shared Services	(2.5)	(2.3)	(0.2)
Intercompany	0.7	0.0	0.7
 Group Equity	 147.8	 135.2	 9.3%
Net Financial Position	(193.9)	(286.4)	(32%)
 End-of-period headcount	 1,942	 2,111	 (8%)

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

MAIN ELEMENTS IN MONDADORI BUSINESS AREAS

After the first two months of activity aligned with Group forecasts, the first quarter of 2020 was regrettably and inevitably marked by the adverse effects of the health emergency brought by the spread of COVID-19. Starting from the first ten days of March, in fact, the gradual and increasingly widespread application of restrictive measures to social and economic activities has significantly curtailed part of the activities in the businesses where the Group operates as a leader.

Specifically, as from 12 March, the application of government measures has led to the closure of the physical channel of bookstores across the Country, with immediate direct effects on the performance of the Group's **Retail** business.

In parallel and from that very date, **Trade book** sales have fallen sharply, limited as they are to the e-commerce channel alone (which in turn is restricted to the above products) and, to a much lesser extent, to the large retailers channel.

The emergency measures have concurrently led to the closure of museums, archaeological parks and bookstores across all Italian regions, with a resulting reduction in activities, therefore in revenue, of the Group companies operating in these areas.

Lastly, the **Media**¹ business too has recorded declines following closure of part of the newsstands in Italy and the decrease in advertising sales.

The Group has set up and implemented a series of activities to mitigate the effects of the economic juncture, through **actions to contain operating and personnel costs**.

In light of the extraordinary emergency situation that materialized in March, the Group's figures at the end of the first quarter are the following:

- **revenue** amounted to **€ 135.3 million**, down by **-19%** versus the same period of 2019 (**-17%** on a like-for-like basis);
- **adjusted EBITDA** (no IFRS 16) amounted to **€ -7.1 million** versus **€ -2.2 million** in the prior year;
- the **result from continuing operations** amounted to **€ -19.1 million** versus **€ -7.9 million** in the same period of 2019, due also to the write-down for € 5.2 million of the Reworld Media shares held;
- **cash flow from ordinary operations** in the context of continuing operations over the last 12 months amounted to € 45.8 million versus € 48.5 million at 31 December 2019;
- **net debt (no IFRS 16)** stood at **€ -96.9 million** (**approximately -46%** versus **€ -179.3 million** at 31 March 2019).

In the quarter, restructuring costs were in line with the same period of 2019.

¹ As from 1 January 2020, the activities referring to Mondadori Group magazines and websites, as well as the investments in the Magazines Italy Area, were transferred to the wholly-owned subsidiary Mondadori Media S.p.A. (see Media section p. 27).

The Group's financial situation and medium-term prospects, despite the significant stress put on the entire global economic system in this specific historical juncture, allow it to maintain a positive attitude towards future developments, albeit in a partly and inevitably affected economic scenario for 2020.

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

Additionally, the Group is constantly monitoring the situation and providing updates on developments, also in order to guarantee the entire company population real-time access to information that is essential for the safe performance of work activities.

For such reason, the Mondadori Group has:

- i. set up a cross-functional **Crisis Committee** with workers' representatives to indicate the urgent measures needed and coordinate actions taking account of the specific nature of each company area;
- ii. from the onset further encouraged **smart working**, enabling almost all workers to do so, with a physical presence only of staff tasked with monitoring the sites;
- iii. published and made available to the entire company population a **Company Anti-Contagion Protocol**, containing the principles and rules adopted and to adopt;
- iv. fitted itself with the necessary personal and corporate **protective equipment**, distributed sanitizers to the company population, and installed spray dispensers inside the premises.

The Group has arranged for workplace sanitation in coordination with the company health officer, the relevant authorities, the Safety Managers and the Workers' Trade Union Representatives;

- v. carried out **training** on how to behave in order to perform remote activities safely, through online workshops and webinars;
- vi. introduced **new services for employees and associates**, including a website that is permanently accessible with all the necessary information, a dedicated email address to submit specific questions and requests, and psychological counselling desks both online and within the company;
- vii. assessed the adequacy of the measures taken to comply with the principles of **privacy** law.

Disclosure on this activity has been provided to the corporate control bodies and Internal Committees, also in order to receive guidance on the strategies to adopt, both in the initial phase of the health emergency and in preparing the gradual return of workers to the sites.

The Group has started an analysis of the organization models and processes to make the most of the current experiences and use them to gain ongoing benefits in terms of efficiency of a number of adopted and planned solutions (e.g. digitization, computerization and smart working most of all).

In order to reduce the impacts on the business areas, the Company has additionally:

- i. taken steps to **contain and cut operating costs** also by renegotiating contracts and reviewing rates;
- ii. promoted the use of outstanding holidays and the procedures for **social safety nets**;
- iii. resolved on the **reduction of the variable remuneration of Management** for 2020;
- iv. placed particular emphasis on the **Group's Working Capital** (with specific actions on customers and suppliers).

The past due component relating to Trade Receivables and Payables at 31 March 2020, in fact, is virtually identical to the situation at 31 March 2019.

More specifically, for the different business activities:

- in the **Trade** Area, the editorial programmes have been reshaped and rescheduled, with a plan to phase out "minor" titles;
- in the **Education** Area, actions have been taken to curb or eliminate the costs related to the stoppage and canceling of museum and archaeological park activities;
- in the **Media** Area, a strict policy has been adopted to reduce the production costs of the various titles, also by grouping the releases on various titles such as *Grazia* and *Icon*.
- in the **Retail** Area, during the lockdown period, a plan has been implemented to reduce overheads relating to the points of sale.

CONSOLIDATED FINANCIAL HIGHLIGHTS IN 1° QUARTER

	2020	2019	% chg.
REVENUE	135,3	166,8	(18,9%)
INDUSTRIAL PRODUCT COST	44,5	56,9	(21,7%)
VARIABLE PRODUCT COSTS	19,2	23,7	(19,1%)
OTHER VARIABLE COSTS (INCL. LOGISTICS)	27,0	30,6	(11,9%)
STRUCTURAL COSTS	12,0	14,6	(17,8%)
EXTENDED LABOUR COST *	35,9	39,4	(8,8%)
OTHER EXPENSE (INCOME)	(0,1)	(0,1%)	(0,1%)
ADJUSTED EBITDA	(3,1)	1,7	1,0%
RESTRUCTURING COSTS	0,6	0,6	(4,2%)
EXTRAORDINARY EXPENSE (INCOME)	0,6	0,0	n.s.
EBITDA	(4,2)	1,1	0,7%
AMORTIZATION AND DEPRECIATION	6,1	4,7	27,8%
AMORTIZATION AND DEPRECIATION IFRS 16	3,7	3,6	1,9%
EBIT	(14,0)	(10,4%)	(7,2)
FINANCIAL EXPENSE AND (INCOME)	0,9	(0,1)	(0,1%)
FINANCIAL EXPENSE IFRS 16	0,7	0,3	0,2%
FINANCIAL EXPENSE (INCOME) FROM SECURITIES VALUATION	6,9	0,0	n.s.
EXPENSE AND (INCOME) FROM INVESTMENTS	1,3	1,8	(28,4%)
EBT	(23,8)	(17,6%)	(9,2)
TAX EXPENSE (INCOME)	(4,7)	(1,4)	(0,8%)
RESULT FROM CONTINUING OPERATIONS	(19,1)	(14,1%)	(7,9)
RESULT FROM DISCONTINUED OR DISCONTINUING OPERATIONS	0,0	(4,9)	(3,0%)
NET RESULT FOR THE PERIOD (GROUP AND NON-CONTROLLING INTERESTS)	(19,1)	(14,1%)	(2,9)
NON-CONTROLLING INTERESTS	(0,0)	0,5	0,3%
GROUP INTERESTS	(19,1)	(3,5)	(2,1%)
(ADJUSTED) EBITDA EXCLUDING IFRS 16	(7,1)	(5,3%)	(2,2)
			(1,3%)
			n.s.

Cost of personnel includes costs for collaborations and temporary employment.

ALTERNATIVE PERFORMANCE MEASURES

This document, in addition to the statements and conventional financial measures required by IFRS, presents a number of reclassified statements and alternative performance measures in order to better evaluate the operating and financial performance of the Group, the definition of which is explained in the section "Glossary of terms and alternative performance measures used".

INCOME STATEMENT

REVENUE

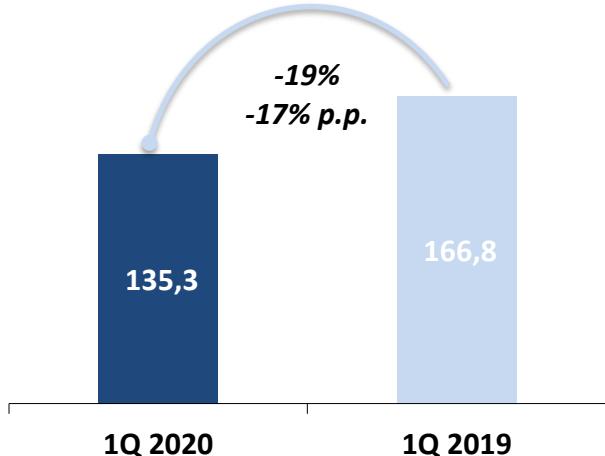
Consolidated revenue in 1° quarter 2020 amounted to **€ 135.3 million** (**€ 166.8 million** in the prior year).

Net of the change in the scope of consolidation of the Media Area from the disposal of the titles and websites of *Sale&Pepe*, *Cucina Moderna*, *Starbene*, *Tu Style* and *Confidenze*, the **decrease in revenue is approximately -17%**.

The downturn is attributable fundamentally to the effects of COVID-19.

In the **Books** Area, revenue decreased by approximately **-17%**, while the **Retail** Area dropped by **approximately -25%**.

In the **Media** Area, revenue was down by **14.8%** on a like-for-like basis.



Revenue by Business Area

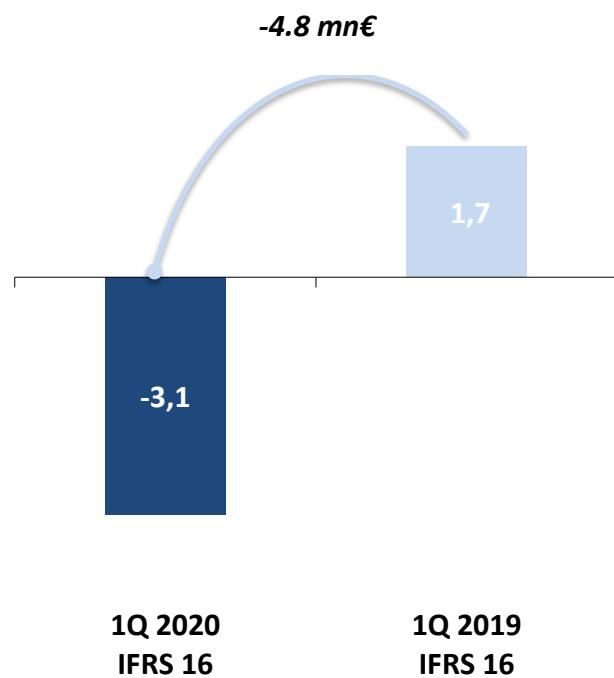
(Euro/millions)	March 2020	March 2019	% chg.
Books	58.2	70.2	(17.1%)
Retail	31.1	41.3	(24.8%)
Media	50.6	63.0	(19.6%)
Corporate & Shared Services	11.1	9.5	17.7%
Total aggregate revenue	151.0	184.0	(17.9%)
Intercompany	(15.7)	(17.2)	(8.7%)
Total consolidated revenue	135.3	166.8	(18.9%)

EBITDA

Adjusted EBITDA in the period amounted to € -3.1 million, down by € -4.8 million versus 1° quarter 2019 (€ 1.7 million); also at the adjusted EBITDA level, the decline is due fundamentally to COVID-19, obviously also considering the first positive effects of the actions taken.

More specifically:

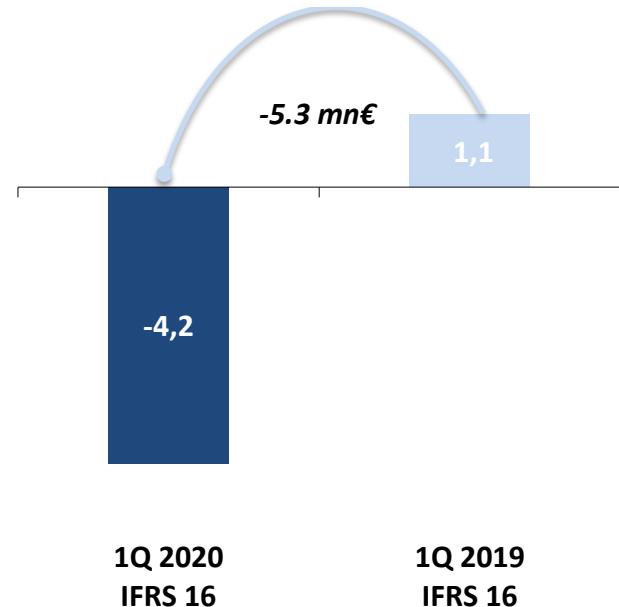
- the **Books** Area fell by € -4.4 million in the period;
- the **Retail** Area declined by € -0.7 million;
- the **Media** Area dropped by just € -0.6 million, due to the prompt action taken to contain costs.



ADJUSTED EBITDA by Business Area		
(Euro/millions)	March 2020	March 2019
Books	(4.5)	(0.2)
Retail	(1.2)	(0.5)
Media	2.0	2.6
Corporate & Shared Services	(0.0)	(0.3)
Intercompany	0.7	0.0
Total ADJUSTED EBITDA	(3.1)	1.7

EBITDA was down from **€ 1.1 million** to **€ -4.2 million** versus the prior year.

Non-recurring items amounted to **€ 1.2 million**, with restructuring costs in line with the quarter of the prior year.

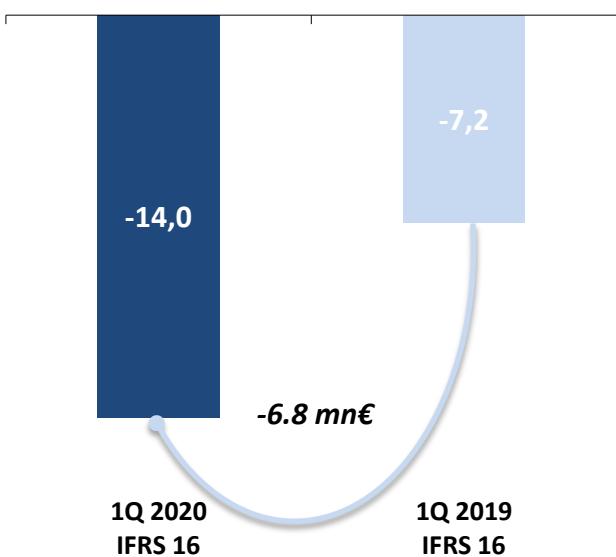


EBITDA by Business Area

(Euro/millions)	March 2020	March 2019
Books	(5.2)	(0.3)
Retail	(1.3)	(0.6)
Media	1.8	2.3
Corporate & Shared Services	(0.1)	(0.3)
Intercompany	0.7	0.0
Total EBITDA	(4.2)	1.1

EBIT

EBIT at 31 March 2020 amounted to € **-14.0 million**, down by € **-6.8 million** versus 31 March 2019, due to the dynamics of the above components and to higher amortization, depreciation and write-downs, which rose to € **9.8 million** from € **8.4 million**.



EBIT by Business Area

(Euro/millions)	March 2020	March 2019
Books	(8.3)	(2.8)
Retail	(3.8)	(3.2)
Media	(0.1)	1.0
Corporate & Shared Services	(2.5)	(2.3)
Intercompany	0.7	0.0
Total consolidated EBIT	(14.0)	(7.2)

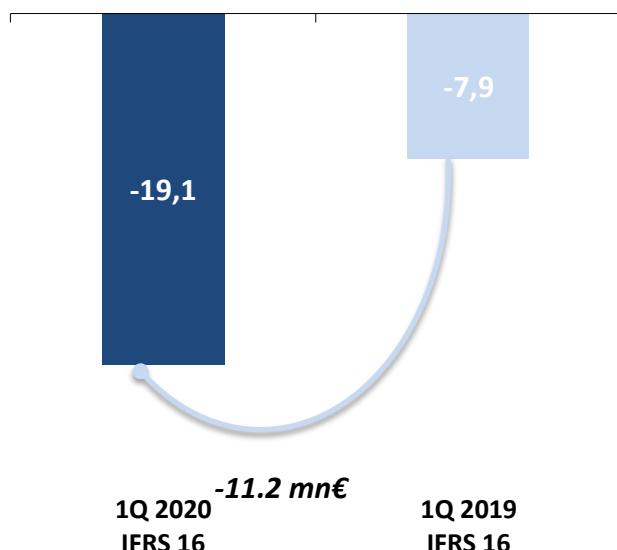
RESULT FROM CONTINUING OPERATIONS

The **consolidated result before tax** amounted to **€ -23.8 million** versus **€ -9.2 million** in 1° quarter 2019 and includes:

- the increase in financial expense (from **€ 0.2 million** to **€ 1.6 million**), due mainly to extraordinary positive income recorded in 1° quarter 2019;
- the decrease of **€ 6.9 million** in the value of the Reworld Media share (share price from € 2.75 to € 1.95);
- improved performance by associates (consolidated at equity), from **€ -1.8 million** to **€ -1.3 million**.

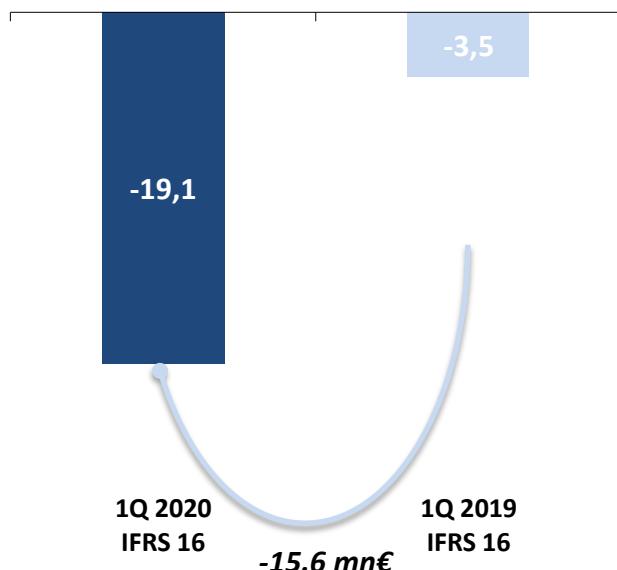
The tax impact for the period came to a positive **€ 4.7 million** versus **€ 1.4 million** in 1° quarter 2019.

The **result from continuing operations amounted to € -19.1 million**, deteriorating by € 11.2 million, impacted by the adjustment of € 5.2 million to the market value of Reworld Media shares held (net of the tax effect).



NET RESULT

The **Group's net result** amounted to **€ -19.1 million** versus **€ -3.5 million** in 1° quarter 2019 (which had also included the temporarily positive result of € 4.9 million from discontinuing operations, in addition to the above impact of € 5.2 million).



FINANCIAL RESULTS

	2020	2019	% chg.
TRADE RECEIVABLES	173,0	192,3	(10,0%)
INVENTORY	131,8	134,7	(2,1%)
TRADE PAYABLES	231,6	235,7	(1,7%)
OTHER ASSETS (LIABILITIES)	(5,9)	(20,6)	(71,4%)
NET WORKING CAPITAL CONTINUING OPERATIONS	67,3	70,7	(4,8%)
DISCONTINUED OR DISCONTINUING ASSETS (LIABILITIES)	0,0	94,3	(100,0%)
NET WORKING CAPITAL	67,3	165,0	(59,2%)
INTANGIBLE ASSETS	220,4	227,6	(3,1%)
PROPERTY, PLANT AND EQUIPMENT	17,6	18,2	(3,7%)
INVESTMENTS	25,9	31,4	(17,5%)
NET FIXED ASSETS WITH NO RIGHTS OF USE IFRS 16	263,9	277,2	(4,8%)
ASSETS FROM RIGHTS OF USE IFRS 16	94,6	107,0	(11,7%)
NET FIXED ASSETS WITH RIGHTS OF USE IFRS 16	358,4	384,2	(6,7%)
PROVISIONS FOR RISKS	47,1	59,2	(20,4%)
POST-EMPLOYMENT BENEFITS	32,7	35,0	(6,6%)
PROVISIONS	79,8	94,2	(15,3%)
NET INVESTED CAPITAL	345,9	455,0	(24,0%)
SHARE CAPITAL	68,0	68,0	0,0%
RESERVES	103,0	74,8	37,8%
PROFIT (LOSS) FOR THE PERIOD	(19,1)	(3,5)	n.s.
GROUP EQUITY	151,9	139,3	9,1%
NON-CONTROLLING INTERESTS' EQUITY	0,1	29,3	(99,8%)
EQUITY	152,0	168,6	(9,8%)
NET FINANCIAL POSITION NO IFRS 16	96,9	179,3	(46,0%)
NET FINANCIAL POSITION IFRS 16	97,0	107,1	(9,4%)
NET FINANCIAL POSITION	193,9	286,4	(32,3%)
SOURCES	345,9	455,0	(24,0%)

The Group's **Net Invested Capital** at 31 March amounted to **€ 345.9 million**, basically steady versus **€ 455.0 million** at 31 March 2019, which had included **€ 94.3 million** from discontinuing operations.

On a like-for-like basis, the NWC decreased by **€ -14.8 million**.

Net Working Capital amounted to **€ 67.3 million**, down by **€ -3.4 million** on a like-for-like basis.

Net Fixed Assets amounted to **€ 358.4 million** versus **€ 384.2 million**, down due to capital expenditure in tangible and intangible assets (**€ 5.6 million**), lower than amortization and depreciation recorded (approximately **€ 10 million**), and to the reduction in rights-of-use assets consistent with the life cycle of the contracts.

Group equity increased by **€ 12.6 million**, while **consolidated equity** decreased as a result of the deconsolidation of share capital and reserves attributable to non-controlling interests following the disposal of Mondadori France on 31 July 2019.

The **Net Financial Position no IFRS 16** at 31 March 2020 amounted to **€ -96.9 million**, down sharply versus **€ -179.3 million** at 31 March 2019, due to the disposal of Mondadori France (**€ 62.8 million**) and cash generated over the last 12 months.

The **IFRS 16 Net Financial Position** stood at **€ -193.9 million** and includes the IFRS 16 impact of **€ -97.0 million**.

PERFORMANCE BY BUSINESS AREA

(Euro/millions)	REVENUE		ADJUSTED EBITDA		EBITDA		AMORTIZATION, DEPRECIATION AND		WRITE-DOWNS		EBIT	
	March 2020	March 2019	March 2020	March 2019	March 2020	March 2019	March 2020	March 2019	March 2020	March 2019	March 2020	March 2019
Books	58.2	70.2	(4.5)	(0.2)	(5.2)	(0.3)	(3.1)	(2.5)	(8.3)	(2.8)		
Retail	31.1	41.3	(1.2)	(0.5)	(1.3)	(0.6)	(2.5)	(2.6)	(3.8)	(3.2)		
Media	50.6	63.0	2.0	2.6	1.8	2.3	(1.9)	(1.3)	(0.1)	1.0		
Corporate & Shared Services	11.1	9.5	(0.0)	(0.3)	(0.1)	(0.3)	(2.3)	(2.0)	(2.5)	(2.3)		
Intercompany	(15.7)	(17.2)	0.7	0.0	0.7	0.0	0.0	0.0	0.7	0.0		
TOTAL	135.3	166.8	(3.1)	1.7	(4.2)	1.1	(9.8)	(8.4)	(14.0)	(7.2)		

The breakdown of performance by business area reflects the system used by Management to oversee Group performance, in accordance with IFRS 8.

BOOKS

Mondadori Libri S.p.A. is the company at the head of all Group activities in the Books Area.

The Mondadori Group is Italy's market leader in the **Trade Books** Area: the publishing products that traditionally make up the core business are fiction, non-fiction, and books for young readers, both in print and electronic format. The Mondadori Group operates under various publishing brands: *Mondadori*, *Giulio Einaudi editore*, *Piemme*, *Sperling & Kupfer*, *Frassinelli*, *Rizzoli*, *BUR*, *Fabbri Editori*, *Rizzoli Lizard* and *Mondadori Electa*.

In the **Educational** segment, the Mondadori Group operates in the Italian school textbooks, legal and, to a lesser extent, university publishing market, in art and illustrated books publishing, in the management of museum concessions and in the organization of exhibitions and cultural events.

The Mondadori Group covers the school textbooks segment through Mondadori Education and Rizzoli Education, which produce textbooks, courses, teaching tools and multimedia content for every school level, from primary school to the first and second-level secondary schools.

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

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

Relevant market performance

Until February, the Trade Books market had decreased by -1.1% versus the same period of 2019.

In March, the market fell by -29.3% to **-9.6%**² at the end of the first quarter.

The abnormal downturn in demand over the last month of the quarter is linked to the COVID-19 emergency and the related health measures, which led, among other things, to the total closure of independent bookstores and book chains from the second ten days of March.

Despite the sharp increase of the e-commerce channel, the only channel actually operating in the second half of March, sell-out figures obviously witnessed a slump.

As for **products**, **hardcovers**, which make for approximately 84% of the market, fell by -9.7%, while **paperbacks** dropped slightly less (-9.1%).

² GFK, March 2020 (figures in terms of market value).

As a result of the COVID-19 health emergency and closure of the physical channel of Bookstores and Chains, GFK has temporarily suspended the presentation of sell-out figures by channel.

The relating breakdown is, therefore, unavailable at this time.

The Group holds **4 positions in the ranking of the ten best-selling titles** in terms of value in the first quarter:

Against this backdrop, the Mondadori Group retained its market leadership position with an overall **23.4% share**, down slightly versus the prior year.

Trade Market shares	31 March 2020	31 March 2019
Mondadori Group	23.4%	24.1%
GeMS Group	10.0%	10.1%
Giunti Group	8.1%	8.4%
Feltrinelli	5.0%	5.3%
Other publishers	53.5%	52.1%

GFK, March 2020 (figures in terms of value)

Performance of the Books Area

Books (Euro/millions)	1Q 2020	1Q 2019	Chg.
Revenue	58.2	70.2	(12.0)
Adj. EBITDA	(4.5)	(0.2)	(4.4)
EBITDA	(5.2)	(0.3)	(4.9)
EBIT	(8.3)	(2.8)	(5.5)

Revenue

Books Revenue (Euro/millions)	1Q 2020	1Q 2019	% chg.
Total TRADE	39.1	48.2	(18.9%)
School textbooks	4.6	5.6	(17.5%)
Cultural Heritage and Museums	5.0	6.6	(24.8%)
Rizzoli International Publications	7.2	6.5	11.5%
Intercompany	(0.1)	(0.0)	n.s.
Total EDUCATIONAL	16.7	18.6	(10.4%)
Distribution and other services	2.4	3.4	(29.4%)
Total revenue	58.2	70.2	(17.1%)

* 1Q 2019 restated following the spin-off of Electa's Trade books BU, incorporated as from 1 January 2020 in the Trade books segment (€ 3.3 million).

Revenue in the first three months of 2020 amounted to **€ 58.2 million** (**€ 70.2 million** in 1Q 2019).

Trade Books Revenue

Revenue of the Trade Area in the first quarter amounted to € 39.1 million (€ 48.2 million in 2019), down by **approximately -19%**, due to the above effects of the COVID-19 health emergency.

The closure of the Bookstores and Chains channels in the second half of March made it clearly impossible to supply a significant part of the market (approximately 65% of the total).

Despite the increases recorded in the e-commerce channel, the impact on revenue was heavy.

The Group set aside the planned launch of new titles, rescheduling them by pushing back the planned publications.

The editorial programmes remain, however, basically confirmed, albeit with a different timing and the phase out of a number of minor titles.

Educational Books Revenue

The Educational segment in 1° quarter was marked by the seasonality of the School Textbooks business, whose revenue is generated mainly from June to October.

In first quarter 2020, revenue in the segment amounted to **€ 16.7 million** on a like-for-like basis, down by **-10.2%** versus the same period of 2019.

The downturn in revenue, equal to approximately € 2 million, is due largely to the museum business, which was impacted by the adverse effects of the COVID-19 health emergency, with urgent measures that led to the gradual closure from the beginning of March of the museums, archaeological parks and bookstores in which Electa operates.

- **School textbooks** recorded total revenue of **€ 4.6 million**, down from **€ 5.6 million** in the prior year;
- In the first three months of 2020, **Electa** recorded total revenue of **€ 5.0 million** versus **€ 6.6 million** in the prior year, due mainly to the above COVID-19 health emergency;
- **Rizzoli International Publications** reported revenue of **€ 7.2 million** in the quarter (+11.5% versus first quarter 2019), comprising retail sales from the Rizzoli Bookstore in New York, driven by the positive trend in sales of back-list and sponsor titles and advance orders from a number of retailers; the effects, in this case, of the Coronavirus pandemic are still limited.

E-books and audiobooks

Revenue from the sale of **e-books and audiobooks** increased by **+26%** versus the same period of 2019, accounting for **almost 10%** of total revenue for the period (6% in 2019).

The audiobook component accounted for **approximately 13%** of total digital revenue, up from 7% in 2019.

The increases in revenue are attributable to the situation generated by COVID-19 and the previously mentioned constraints on the distribution and marketing of physical books.

EBITDA

Adjusted EBITDA amounted to **€ -4.5 million** versus **€ -0.2 million** in 2019.

Reported EBITDA amounted to **€ -5.2 million** versus **€ -0.3 million** in 2019.

EBIT amounted to **€ -8.3 million** versus **€ -2.8 million** in 2019.

RETAIL

The Mondadori Group operates in Italy with a network of **560** stores:

Stores	Mar. 2020	Dec. 2019	Mar. 2019	Chg. yoy
Directly-managed bookstores	35	35	34	+1
Franchised bookstores ³	525	540	549	-24
Total	560	575	583	-23

The number of points of sale fell versus March 2019 due to the closure of 24 bookstores (small franchises in particular).

Directly-managed stores, on the other hand, saw the recent opening of the Limbiate store in January 2020.

Added to these, the online channel with the e-commerce website www.mondadoristore.it.

Relevant market performance

The Book market (which makes for **over 80%** of the Retail Division's revenue⁴) fell sharply in first quarter 2020 versus the same period of the prior year (**-9.6%**⁵), due to the COVID-19 emergency.

Specifically, the quarter was negatively impacted by the urgent measures to contain the Coronavirus contagion, which led to the closure of physical bookstores throughout the country from 12 March 2020.

Against this backdrop, Mondadori Retail's **market share** stood at **10.9%** (**12.6%** at 31 March 2019), operating in the final part of the quarter through the online channel alone.

Performance of the Retail Area

Retail (Euro/millions)	1Q 2020	1Q 2019	Chg.
Revenue	31.1	41.3	(10.3)
Adj. EBITDA	(1.2)	(0.5)	(0.8)
EBITDA	(1.3)	(0.6)	(0.8)
EBIT	(3.8)	(3.2)	(0.6)

³Smaller network due to the closure of 14 stores mainly under the Point brand name

⁴Product revenue excluding Club revenue

⁵GFK (in terms of value)

Revenue

In the first three months of the year, the Retail Area recorded revenue of **€ 31.1 million**, down (**approximately -25%**) versus the same period of the prior year, due to the abovementioned government COVID-19 measures.

In March alone, sales were -65.8% lower than in 2019. The online channel bucked the trend (+13.5%) and grew by approximately +130% in March alone.

The decline in sales is divided as follows:

Revenue – Retail <i>(Euro millions)</i>	1Q 2020	1Q 2019	% chg.
Directly-managed bookstores	10.3	15.6	(33.9%)
Franchised bookstores	13.3	18.0	(26.1%)
Online	4.2	3.7	13.5%
Stores	27.8	37.3	(25.5%)
Book clubs and other	3.3	4.0	(17.5%)
Total revenue	31.1	41.3	(24.8%)

As far as the product categories are concerned:

- **Books** were the main item of revenue (**over 80% of total**), down by **22.9%** versus 2019;
- **extra-Books** dropped (-30.7% Gaming and Stationery, -51% Technology and -38% Media), due also to the streamlined sales offer resulting from the increasing focus on books.

EBITDA

In the first three months of the current year, Mondadori Retail recorded **adjusted EBITDA** of **€ 1.2 million** versus **€ -0.5 million** in the same period of 2019, due to the mentioned drop in revenue. At 29 February, the business unit's adjusted EBITDA **improved** by € +0.3 million versus the same period of the prior year, thanks to careful cost management and the deep organizational and process review implemented in the second half of 2019.

At the end of the quarter, **reported EBITDA** amounted to **€ -1.3 million** (versus **€ -0.6 million** in the first three months of 2019).

EBIT amounted to **€ -3.8 million** (**€ -3.2 million** in first quarter 2019).

MEDIA

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

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

- the print+digital magazines and relating shared services;
- the subsidiaries Direct Channel S.p.A. (100%), Press-di Distribuzione Stampa e Multimedia S.r.l. (100%), Adkaora S.r.l. (100%), Mondadori Scienza S.p.A. (100%) and the investees Mediamond (50%) and Mondadori Seec (Beijing) Advertising Co. Ltd (50%), publisher of *Grazia* in China.

Relevant market performance

The performance of the relevant markets up to February 2020, still unaffected by the COVID-19 emergency, shows the following trends:

- in an **advertising market** that **increased** overall by **+0.8%**, with the **growth of Digital (+4.8%)**, **Radio (+13.9%)** and **TV (+2.0%) channels**, **magazines** recorded a drop of **-12.2%** and **newspapers** of **-6.7%**⁶;
- the magazine **circulation market** fell by **-8.8%**, with **Mondadori's market share at 23.3%** (25.3% in 2019 on a like-for-like basis, net of the disposal of *Sale&Pepe*, *Cucina Moderna*, *Starbene*, *Tu Style* and *Confidenze*)⁷;
- the **add-ons market** fell by **-2.1%**⁸.

The market, especially advertising, inevitably suffered from the ripple effects of the COVID-19 health emergency.

Performance of the Media Area

Media <i>(Euro/millions)</i>	1Q 2020	1Q 2019	Chg.
Revenue	50.6	63.0	(12.4)
Adj. EBITDA	2.0	2.6	(0.6)
EBITDA	1.8	2.3	(0.5)
EBIT	(0.1)	1.0	(1.1)

⁶ Nielsen, cumulative figures at February 2020

⁷ Internal source: Press-di, figures at February 2020 (newsstands + subscriptions channel) in terms of value

⁸ Internal source: Press-di, figures at February 2020 (newsstands + subscriptions channel) in terms of value

Revenue

The Media Area recorded revenue of **€ 50.6 million** (-19.6% versus € 63.0 million in 2019); net of the disposal of the titles and the abovementioned related websites (December 2019), the drop came to -14.8%.

After the first two months, the drop in revenue on a like-for-like basis was consistent with the guidance and performance of the relevant market, at approximately -10%.⁹

Media <i>(Euro/millions)</i>	1Q 2020	1Q 2019	% chg.
Circulation	18.6	24.3	(23.5%)
Add-on sales	10.1	11.8	(15.1%)
Advertising	11.5	15.2	(24.3%)
Distribution/Other revenue	10.5	11.7	(10.2%)
Total revenue	50.7	63.0	(19.6%)

- **Circulation** revenue (newsstands + subscriptions) was down by -23%, a performance affected both by the disposal of the five titles and the COVID-19 impact; net of these discontinuities, the estimated decline was around **-10%**.
- Revenue from **add-on products** (DVDs, CDs, gifts and books), sold in attachment to Mondadori magazines, was down by **-15%** versus 2019, due also to a different scheduling of planned releases; net of the disposal of the five titles and the COVID-19 impact, the fall was approximately **-14%**.
- **Advertising** revenue was down by a total of **-24%** and by **-20%** on a like-for-like basis. Approximately 60% of the drop is attributable to COVID-19 and can be estimated at € 1.8 million, including the decline in revenue from proximity marketing solutions (*AdKaora*) virtually halted by the lockdown. Digital revenue as a percentage of total advertising revenue was **approximately 48%** (up from 42% in 2019).
- In **distribution activities and other revenue**, the Area fell by **-10%** versus the prior year (-10% net of discontinuities in 2019), reflecting the drop in royalties and services to the international editions of *Grazia*, especially for the China edition.

The Mondadori Group retained its position as the leading multimedia publisher in Italy, on the web with an 84% reach (approximately 33 million unique users in March)¹⁰ and in social media with an aggregate fan base of **32 million**¹¹ spread across 117 social profiles¹².

⁹ Management Reporting

¹⁰ Comscore (March 2020)

¹¹ Storyclash (March 2020)

¹² Internal source

EBITDA

Adjusted EBITDA in the Media Area amounted to **€ 2.0 million**, down slightly versus 1° quarter 2019 (**€ 2.6 million**), due to the effective measures to contain operating costs.

Reported EBITDA amounted to **€ 1.8 million** versus **€ 2.3 million** in 2019.

EBIT amounted to **€ -0.1 million** versus **€ 1.0 million**.

CORPORATE & SHARED SERVICES

The **Corporate & Shared Services** segment includes - besides the Group's top management organizations - the Shared Services functions providing services to Group companies and the different business areas.

These services are mainly associated with activities regarding: Administration, Management Control and Planning, Treasury and Finance, Purchasing, IT, Human Resources, Logistics, Legal and Corporate Affairs, and External and Institutional Relations.

Revenue comes mainly from services provided to subsidiaries and associates.

Adjusted EBITDA for the Area amounted to **€ 0.0 million** (**€ 0.3 million** in 2019).

Including non-ordinary items, **EBITDA** amounted to **€ -0.1 million** versus **€ -0.3 million** in the prior year.

EBIT of the Area amounted to **€ -2.5 million** (**€ 2.3 million** in 2019).

Corporate & Shared Services <i>(Euro/millions)</i>	1Q 2020	1Q 2019	Chg.
Revenue	11.1	9.5	1.7
Adj. EBITDA	(0.0)	(0.3)	0.3
EBITDA	(0.1)	(0.3)	0.2
EBIT	(2.5)	(2.3)	(0.2)

BALANCE SHEET

The Mondadori Group's Net Financial Position no IFRS 16 at 31 March 2019 stood at € -96.9 million, improving strongly by € +82.4 million versus € -179.3 million at March 2019.

IFRS 16 NFP stood at € -193.9 million and includes the IFRS 16 impact of € -97.0 million.

Net financial position	2020.03	2019.03	2019.12
(Euro/millions)			
Cash and cash equivalents	44.2	68.7	44.2
Assets (liabilities) from derivative financial instruments	(1.0)	(1.0)	(1.0)
Other financial assets (liabilities)	19.7	(8.8)	126.7
Loans (short and medium/long term)	(159.8)	(242.0)	(129.5)
Held-for-sale financial assets (liabilities)	0.0	3.8	0.0
Net financial position no IFRS 16	(96.9)	(179.3)	40.4
Financial payables IFRS 16	(97.0)	(107.1)	(95.9)
Total net financial position	(193.9)	(286.4)	(55.4)

The overall credit lines available to the Group at 31 March 2020 amounted to € 554.1 million, of which € 317.5 committed.

The Group's short-term loans, totaling € 236.6 million, € 44.7 million of which drawn down at 31 March 2020, include overdraft credit lines on current accounts, advances subject to collection and "hot money" flows.

At 31 March, the € 317.5 million pool consisted of:

(Euro/millions)	Bank pool	of which: unutilized	of which: with interest rate hedge
Term Loan A	117.5 ¹³	-	78.3
Term Loan B	¹⁴	-	-
RCF	100.0 ¹⁵	100.0	-
Acquisition Line C	100.0 ¹⁶	100.0	-
Total loans	317.5	200.0	78.3

Term Loan B (€ 100.0 million) was fully repaid on 31 July 2019, concurrent to the cash in of the consideration from the disposal of Mondadori France.

¹³ Maturity date: € 22.5 million December 2020, € 27.5 million December 2021, € 67.5 million December 2022

¹⁴ Term Loan B (€ 100.0 million) fully repaid on 31 July 2019, concurrent to the cash in of the consideration from the disposal of Mondadori France

¹⁵ Bullet loan, coming to maturity in December 2022

¹⁶ Bullet loan, coming to maturity in December 2022

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

	MARCH 2020	DEC. 2019
INITIAL NFP IFRS 16	(284,3)	(255,9)
FINANCIAL LIABILITIES APPLICATION 01.01.2019 IFRS 16	(105,0)	(107,9)
INITIAL NFP NO IFRS 16	(179,3)	(148,0)
ADJUSTED EBITDA (NO IFRS 16)	89,7	94,5
NWC AND PROVISIONS	(1,3)	(5,4)
CAPEX NO IFRS 16	(19,2)	(18,4)
CASH FLOW FROM OPERATIONS	69,2	70,8
FINANCIAL INCOME (EXPENSE) NO IFRS 16	(2,7)	(1,6)
TAX	(20,7)	(20,729)
CASH FLOW FROM ORDINARY OPERATIONS CONTINUING OPERATIONS	45,8	48,427
CF FROM ORDINARY OPERATIONS DISCONTINUED OR DISCONTINUING OPERATIONS	1,3	1,8
CASH FLOW FROM ORDINARY OPERATIONS	47,1	48,427
RESTRUCTURING COSTS	(6,0)	(5,4)
EXTRAORDINARY TAX	0,3	0,5
SHARE CAPITAL INCREASE/DIVIDENDS NON CONTROLLING INTERESTS AND ASSOCIA	(6,5)	(7,4)
PURCHASE OF ASSETS	(0,4)	(0,1)
DISPOSAL OF ASSETS	58,5	58,5
OTHER INCOME AND EXPENDITURE	(8,8)	(1,6)
CF EXTRAORDINARY OPERATIONS DISCONTINUED OR DISCONTINUING OPERATIONS	(2,1)	(3,0)
CASH FLOW FROM EXTRAORDINARY OPERATIONS	35,1	41,5
TOTAL CASH FLOW	82,3	91,8
NET FINANCIAL POSITION NO IFRS 16	(96,9)	(56,2)
IFRS 16 EFFECTS IN THE PERIOD	8,1	12,8
FINAL NET FINANCIAL POSITION	(193,9)	(151,3)

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

Cash flow from ordinary operations came to a positive € 45.8 million, net of discontinued operations, and includes:

- approximately € 69 million from operations in the context of continuing operations, deducting tax and financial expense totaling approximately € -23 million;
- the performance of cash flow from operations is attributable to **operating income of approximately € 90 million**, alleviated by capital expenditure of approximately € 19 million and by net working capital (including provisions) of approximately € -1 million, due mainly to the structural decline recorded by the Media Area as a result of the ongoing downturn in revenue and downsizing of activities, as well as the temporary absorption of NWC of the Retail Area.

The effects of COVID-19 on cash flow generation have been currently limited to shortfalls from directly-managed stores in the Retail Area, and partly to museum and bookshop activities.

The past due component relating to Trade Receivables and Payables at 31 March 2020 is virtually identical to the situation at 31 March 2019.

Cash flow from ordinary operations in the context of discontinued operations contributed € 1.3 million.

Cash flow from non-ordinary operations came to a positive € 37.2 million, net of discontinued operations, and includes:

- outlays for **restructuring costs of € 6.0 million**;
- recapitalization of the associate SEE S.p.A. for **€ 6.5 million**;
- the positive impact from the disposal of **Mondadori France** for **€ 62.8 million** (gross of transaction costs);
- the subscription of a reserved capital increase of **€ 17.6 million** in December 2019 of Reworld Media.

	2020	2019	% chg.
TRADE RECEIVABLES	173,0	192,3	(10,0%)
INVENTORY	131,8	134,7	(2,1%)
TRADE PAYABLES	231,6	235,7	(1,7%)
OTHER ASSETS (LIABILITIES)	(5,9)	(20,6)	(71,4%)
NET WORKING CAPITAL CONTINUING OPERATIONS	67,3	70,7	(4,8%)
DISCONTINUED OR DISCONTINUING ASSETS (LIABILITIES)	0,0	94,3	(100,0%)
NET WORKING CAPITAL	67,3	165,0	(59,2%)
INTANGIBLE ASSETS	220,4	227,6	(3,1%)
PROPERTY, PLANT AND EQUIPMENT	17,6	18,2	(3,7%)
INVESTMENTS	25,9	31,4	(17,5%)
NET FIXED ASSETS WITH NO RIGHTS OF USE IFRS 16	263,9	277,2	(4,8%)
ASSETS FROM RIGHTS OF USE IFRS 16	94,6	107,0	(11,7%)
NET FIXED ASSETS WITH RIGHTS OF USE IFRS 16	358,4	384,2	(6,7%)
PROVISIONS FOR RISKS	47,1	59,2	(20,4%)
POST-EMPLOYMENT BENEFITS	32,7	35,0	(6,6%)
PROVISIONS	79,8	94,2	(15,3%)
NET INVESTED CAPITAL	345,9	455,0	(24,0%)
SHARE CAPITAL	68,0	68,0	0,0%
RESERVES	103,0	74,8	37,8%
PROFIT (LOSS) FOR THE PERIOD	(19,1)	(3,5)	n.s.
GROUP EQUITY	151,9	139,3	9,1%
NON-CONTROLLING INTERESTS' EQUITY	0,1	29,3	(99,8%)
EQUITY	152,0	168,6	(9,8%)
NET FINANCIAL POSITION NO IFRS 16	96,9	179,3	(46,0%)
NET FINANCIAL POSITION IFRS 16	97,0	107,1	(9,4%)
NET FINANCIAL POSITION	193,9	286,4	(32,3%)
SOURCES	345,9	455,0	(24,0%)

Trend of key balance sheet figures versus 31 March 2019:

- the trend of **trade receivables** is consistent with the drop in revenue over the last month due to the effects of COVID-19;
- **inventory** recorded a downturn, despite the impossibility of delivering products to customers in the last 15 days of March;

- **trade payables** decreased by approximately **-2%** in line with inventory dynamics;
- **other assets and liabilities** decreased versus the prior year by approximately **€ 15 million**, due mainly to the recognition of deferred tax assets relating to temporarily non-deductible costs;
- **investments** decreased by approximately **-18%**, due mainly to the write-down and the disposal of the investment in SEE S.r.l.;
- **rights-of-use assets** decreased as a result of the reduction in rentals recorded over the last 12 months;
- **provisions** and **post-employment benefits** decreased by **approximately -15%** versus 31 March 2019.

PERSONNEL

Group employees with a fixed-term or permanent labour contract in the context of continuing operations amounted to **1,942 units**, down by **-8%** versus **2,111** units at March 2019 (excluding the **713** employees of Mondadori France at 31 March 2019), as a result of the disposal of the five titles in the Media Area (in December 2019) and efficiency gains in the individual business areas.

Group Employees at 31 March 2019:

Headcount	31 March 2020	31 March 2019
Arnoldo Mondadori Editore S.p.A.	282	914
Italian subsidiaries	1,610	1,143
Foreign subsidiaries	50	54
Total	1,942	2,111

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

Headcount by Business Area	31 March 2020	31 March 2019	% chg.
Books	643	636	1.1%
Retail	354	383	(7.6%)
Media	589	660	(10.8%)
Corporate & Shared Services	356	432	(17.6%)
Total	1,942	2,111	(8.0%)

In the **Books** Area, the number of employees was steady overall versus 2019.

The decrease in the **Retail** Area reflects structural efficiency actions.

The trend recorded by the **Media** Area reflects the disposal of the five titles (in December 2019), net of which the reduction would be -2.6%.

The workforce in the **Corporate & Shared Services** Area decreased by **approximately -18%**, due to the outsourcing of the IT Factory BU (in January 2020), net of which the reduction would be -10.1%.

Cost of personnel¹⁷ of continuing operations in the year amounted to **€ 35.9 million**, down by **approximately -9%**.

Euro/millions	31 March 2020	31 March 2019	% chg.
Cost of enlarged personnel (before restructuring)	35.9	39.4	(8.8%)

¹⁷ Cost of enlarged personnel includes costs for collaborations and temporary employment

SIGNIFICANT EVENTS IN FIRST QUARTER

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

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

ODDONE POZZI RESIGNS AS CFO AND FINANCIAL REPORTING MANAGER EFFECTIVE FROM 3 JUNE

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

ALESSANDRO FRANZOSI CHIEF FINANCIAL OFFICER FROM 4 JUNE 2020

On 23 March 2020, the Mondadori Group announced that Alessandro Franzosi will take on the position of Chief Financial Officer from 4 June. Franzosi is currently Corporate Finance and Business Development Director of Fininvest S.p.A.. Throughout his long-spanning professional career, he has gained vast operational knowledge of the publishing industry and of the activities of the Mondadori Group.

OTHER INFORMATION

Adhesion to the legislative simplification process adopted by CONSOB resolution no. 18079 of 20 January 2012. Disclosure pursuant to Article 70, paragraph 8, and Article 71, paragraph 1-bis, of CONSOB Regulation no. 11971/99 as subsequently amended

On and with effect from 13 November 2012, the Board of Directors of Arnoldo Mondadori Editore S.p.A., pursuant to Article 3 of CONSOB Resolution no. 18079 of January 20, 2012 and in relation to the provisions set out in Article 70, paragraph 8, and Article 71, paragraph 1-bis, of CONSOB Regulation no. 11971/1999, resolved to avail itself of the right to waive the obligation of disclosure envisaged by the aforementioned CONSOB Regulation on the occasion of significant transactions relating to mergers, spin-offs and capital increases through contribution of assets in nature, acquisitions and transfers.

GLOSSARY OF TERMS AND ALTERNATIVE PERFORMANCE MEASURES USED

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

Specifically, the alternative measures used include:

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

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

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

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

Restructuring costs for a total amount of € 0.6 million, included in "Cost of personnel" in the income statement;

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

- a) Restructuring costs for a total amount of € 0.6 million, included in "Cost of personnel" in the income statement.
- b) Expense of a non-ordinary nature for a total of € 0.6 million, € 0.5 million of which included in "Sundry expense (income)" and € 0.1 million in "Cost of services".

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

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

Adjusted result from discontinued operations: net result of Mondadori France in the current year, together with the recognition of the fair value adjustment of assets being sold, previously measured at value in use. This item also includes the financial expense held by the Parent Company, but attributable to Mondadori France and charged to the latter under the intercompany loan agreement.

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

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

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

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

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

BUSINESS OUTLOOK

Given the poor visibility of the possible range of scenarios produced by the effects of COVID-19, macroeconomic and sector estimates predict downturns in the Group's relevant markets that are clearly unmeasurable at this time.

For this reason, as things stand, the elements that contribute to the development of forecasts for the year remain highly uncertain: in particular, how the pandemic evolves and how demand reacts amid the potential materialization of a severe recession.

This highly unstable backdrop does not allow for the development of a new and reliable guidance.

In order to alleviate the effects of the current economic juncture, the Group has implemented measures to reduce costs and select investments and has prepared for recovery, providing adequate safety standards consistent with regulatory guidance.

The Group has started an analysis of the organization models and processes to make the most of the current experiences and use them to gain ongoing benefits in terms of efficiency of a number of adopted and planned solutions (e.g. digitization, computerization and smart working most of all).

For the Board of Directors

The Chairman

Marina Berlusconi



The Financial Reporting Manager - Oddone Pozzi - hereby declares, pursuant to Article 154 bis, paragraph 2, of the Consolidated Finance Law, that the accounting information contained in this Interim Management Statement corresponds to the Company's accounting entries, books and results.

The Financial Reporting Manager

Oddone Pozzi

A handwritten signature in black ink, appearing to read "Oddone Pozzi".

Consolidated Financial Statements at 31 March 2020

Consolidated balance sheet

Assets (Euro/thousands)	31/03/2020	31/12/2019
Intangible assets	220,444	220,349
Investment property	-	-
Land and buildings	2,401	2,437
Plant and equipment	2,943	2,971
Other tangible assets	12,209	12,532
Property, plant and equipment	17,553	17,940
Assets from rights of use	94,556	93,939
Equity-accounted investees	25,447	27,715
Other investments	435	435
Total investments	25,882	28,150
Non-current financial assets	11,422	12,569
Pre-paid tax assets	57,805	54,891
Other non-current assets	1,407	1,400
Total non-current assets	429,069	429,238
Tax receivables	9,475	10,002
Other current assets	97,948	82,964
Inventory	131,824	120,784
Trade receivables	172,970	222,687
Other current financial assets	17,238	24,541
Cash and cash equivalents	44,157	44,211
Total current assets	473,612	505,189
Discontinued operations	-	-
Total assets	902,681	934,427

Consolidated balance sheet

Liabilities (Euro/thousands)	31/03/2020	31/12/2019
Share capital	67,979	67,979
Share premium reserve	-	-
Treasury shares	(4,940)	(4,940)
Other reserves and results carried forward	107,983	78,793
Profit (loss) for the period	(19,113)	28,200
Group equity	151,909	170,032
 Share capital and reserves attributable to non-controlling interests	 73	 9
Total equity	151,982	170,041
 Provisions	 47,127	 55,110
Post-employment benefits	32,672	33,364
Non-current financial liabilities	93,815	93,541
Financial liabilities IFRS 16	83,741	82,777
Deferred tax liabilities	37,972	38,174
Other non-current liabilities	-	-
Total non-current liabilities	295,327	302,966
 Income tax payables	 5,716	 8,208
Other current liabilities	128,846	123,608
Trade payables	231,621	273,341
Payables to banks and other financial liabilities	75,928	43,189
Financial liabilities IFRS 16	13,261	13,074
Total current liabilities	455,372	461,420
 Discontinued liabilities	 -	 -
 Total liabilities	 902,681	 934,427

Consolidated income statement

(Euro/thousands)	31 March 2020	31 March 2019
Revenue from sales and services	135,324	166,813
Decrease (increase) in inventory	(10,950)	(11,215)
Cost of raw and ancillary materials, consumables and goods	26,239	37,719
Cost of services	92,648	104,813
Cost of personnel	33,729	36,838
Other (income) expense	(2,100)	(2,480)
EBITDA	(4,242)	1,138
Depreciation and impairment loss on property, plant and equipment	1,030	982
Depreciation of assets from rights of use	3,713	3,649
Amortization and impairment loss on intangible assets	5,030	3,753
EBIT	(14,015)	(7,246)
Financial expense (income)	8,531	868
Expense (income) from investments	1,273	1,777
Profit (loss) before tax	(23,819)	(9,891)
Income tax	(4,700)	(1,362)
Result from continuing operations	(19,119)	(8,529)
Result from discontinued operations	-	5,615
Net result	(19,119)	(2,914)
Attributable to:		
- Non-controlling interests	(6)	548
- Parent Company shareholders	(19,113)	(3,462)
Earnings per share of continuing operations (expressed in Euro units)	(0.074)	(0.033)
Diluted earnings per share of continuing operations (expressed in Euro units)	(0.073)	(0.033)
Net earnings per share (in Euro units)	(0.074)	(0.013)
Diluted net earnings per share (in Euro units)	(0.073)	(0.013)

Consolidated comprehensive income statement

(Euro/thousands)	31 March 2020	31 March 2019
Net result	(19,118)	(2,914)
<i>Items reclassifiable to income statement</i>		
Profit (loss) from the conversion of currency denominated financial statements of foreign companies	590	415
Other profit (loss) from equity-accounted investees	5	(18)
Effective part of profit (loss) on cash flow hedge instruments (cash flow hedge)	15	(260)
Profit (loss) from held-for-sale assets (fair value)	-	-
Tax effect on other profit (loss) reclassifiable to income statement	(40)	63
<i>Items reclassified to income statement</i>		
Profit (loss) on cash flow hedge instruments	75	49
Profit (loss) from held-for-sale assets (fair value)	-	-
Tax effect on other profit (loss) reclassified to income statement	18	(12)
<i>Items not reclassifiable to income statement</i>		
Actuarial profit (loss)	26	1
Tax effect on other profit (loss) not reclassifiable to income statement	(2)	-
Total other profit (loss) net of tax effect	687	238
Comprehensive result for the period	(18,431)	(2,676)
Attributable to:		
- Non-controlling interests	(5)	547
- Parent Company shareholders	(18,426)	(3,223)

For the Board of Directors
 The Chairman
 Marina Berlusconi

