



**INTERIM MANAGEMENT
STATEMENT
AT 31 MARCH 2021**

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 2021**

Arnoldo Mondadori Editore S.p.A.

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COMPOSITION OF CORPORATE BODIES

Board of Directors*

Chairman

Marina Berlusconi

CEO

Antonio Porro

Directors

Pier Silvio Berlusconi

Elena Biffi**

Valentina Casella**

Francesco Currò

Alessandro Franzosi

Paola Elisabetta Galbiati**

Danilo Pellegrino

Alceo Rapagna**

Angelo Renoldi**

Cristina Rossello

Board of Statutory Auditors*

Chairman

Sara Fornasiero

Standing Auditors

Flavia Daunia Minutillo

Ezio Maria Simonelli

Substitute Auditors

Mario Civetta

Annalisa Firmani

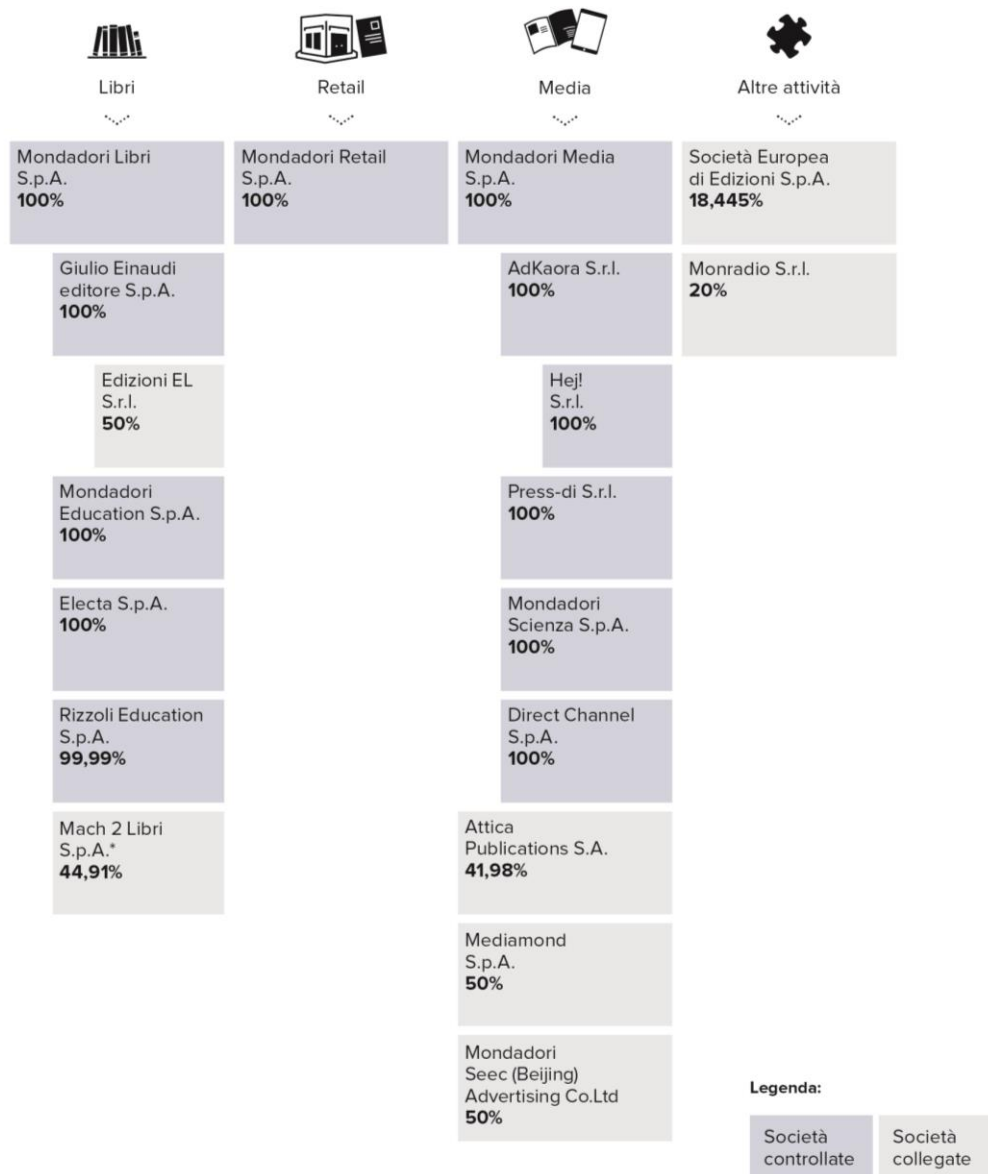
Emilio Gatto

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

*** Independent Director*

STRUTTURA DEL GRUPPO MONDADORI

ARNOLDO MONDADORI EDITORE S.P.A.



Situazione aggiornata alla data del 31 marzo 2021

* Società posta in liquidazione

**DIRECTORS' REPORT ON OPERATIONS AT
31 MARCH 2021**

MONDADORI GROUP HIGHLIGHTS IN FIRST QUARTER 2021

(Euro/millions)	1Q 2021	1Q 2020	Chg.
Revenue	144.8	135.3	+9.5
Adj. EBITDA	1.1	(3.1)	+4.1
<i>% on revenue</i>	<i>0.7%</i>	<i>(2.3%)</i>	
EBITDA	0.2	(4.2)	+4.5
EBIT	(9.0)	(14.0)	+5.0
Group net result	(10.2)	(19.1)	+8.9
<hr/>			
Revenue	144.8	135.3	+7.0%
Books	71.6	58.2	+23.0%
Retail	33.4	31.1	+7.4%
Media	46.8	50.6	(7.5%)
Corporate & Shared Services	9.8	11.1	(12.4%)
Intercompany	(16.6)	(15.7)	(6.2%)
Adj. EBITDA	1.1	(3.1)	+4.1
Books	0.6	(4.5)	+5.2
Retail	(0.4)	(1.2)	+0.8
Media	2.0	2.0	0.0
<i>Corporate & Shared Services</i>	<i>(1.0)</i>	<i>(0.0)</i>	<i>(1.0)</i>
Intercompany	(0.1)	0.7	(0.8)
<hr/>			
Group Equity	164.0	152.0	+11.8
Net Financial Position before IFRS 16	(47.9)	(96.9)	(50.6%)
Net Financial Position post IFRS 16	(131.8)	(193.9)	(32.0%)
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End-of-period headcount	1,838	1,944	(5.5%)

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

MAIN ELEMENTS IN MONDADORI BUSINESS AREAS

First quarter 2021 witnessed a **rather positive trend of the Books market**, which **grew by 39.6%** versus the same period of 2020¹, strengthening and consolidating the positive performance that had started from the second half of last year. The analyses aimed at neutralizing the distorting effects of the pandemic also validate the buoyancy of the Books market in this first part of 2021: if we look at the January-February period (i.e. excluding sales in March, which were strongly impacted in 2020 by the first lockdown), the **growth of the market versus the same two months of 2020 is over 30%**²; if, on the other hand, we compare the first three months of this year with the same period of **2019** - unaffected by the pandemic³ - **the increase is 26.1%**.

The segment's buoyancy was driven by the increased reading propensity of Italians⁴ - in 2020, the number of Italians in the 15-74 age group classified as "readers" was 61% versus 58% in the prior year - explained also by the restrictive measures enforced to contain the pandemic, which limited and continue to limit access to other forms of leisure time entertainment.

As far as the Group is concerned, the **Books** segment of the Trade area benefited from the above trends, recording a **revenue growth of 39.4%** in first quarter 2021 and an **increase in its market share** from 23.3% at 31 March 2020 **to 23.7%** this year. A result achieved thanks to the high quality of the Group's editorial plan, which enabled Mondadori to outperform the rest of the market and to place in the period under review 4 of its titles among the 10 bestsellers⁵ "in terms of value", A. Sallusti and L. Palamara's *"Il sistema. Potere, politica, affari: storia segreta della magistratura Italiana"*, which turned out to be the chartbuster in this first part of the year.

The **Retail** area benefited from the strong upward trend of the books market, although the overall performance was significantly impacted by the closure or severe restriction of movement that marked the first three months of the current year: if the comparison with 2020 shows for the first quarter **a growth of 7.4%** (following the application in March 2020 of a general total lockdown), the comparison with 2019

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

² +32.4% in first 9 weeks (GFK, February 2021, figures in terms of market value)

³ The comparison with 2020 is in fact affected by the closure enforced on all bookstores from March: from 12 March until the end of April, the government measures applied to contain the pandemic led in fact to the closure of bookstores across the Country; in the early stages, the online channel too had to apply restrictions on book deliveries due to the need to prioritize the distribution of staple goods.

⁴ AIE, *Libro Bianco del Cepell, 2021*

⁵ GFK, March 2021 (ranking in terms of cover value)

shows a drop of approximately 19%, reflecting the strong operational difficulties currently experienced by the segment.

Mention should be made in the business unit of the resilience of the franchised stores, whose small size worked in favour of their operational efficiency and whose location, mainly in small towns, shielded them from the competition of online sales platforms which, over the last 12 months, have significantly increased their market share to the detriment of the "physical" channel.

The **Media** area appears to be more and more "**digital oriented**": in first quarter 2021 too, the Group's digital activities posted a **positive growth rate in revenue (+40%)** and increased operating profit, due partly to the consolidation of a new company (Hej!), which strengthens Mondadori Media's leadership in the tech-advertising segment.

Conversely, the traditional "magazines" component continued to be affected by the shrinking trend of both circulation and advertising revenue, in addition to a sharp reduction in add-on sales deriving also from the unavailability of new products in the home video segment (due to the lack of new premieres at cinemas).

The **museum** business continued to see its activities hit both by the restrictive measures enforced by government and health authorities, preventing access to exhibitions and museum and archaeological sites and by the virtual collapse of tourist travel. Additionally, to partly mitigate the troubles of the segment, in April the authorities confirmed the aid measures that allowed the allocation to Electa, the Group's sector company, of approximately € 4.2 million in relief, which will be recorded in the Group's results for the second quarter of this year.

As for the **School textbooks** area, it should be noted that the results for the first quarter are irrelevant, as the business unit only accounts for the costs of the operating structure and the development of textbooks sold during the adoption campaign, which is completed at the end of May.

Looking at consolidated results, in first quarter 2021 the Group achieved a **sharp increase in profitability**, thanks to the effects, on the one hand, of the **positive trend in revenue of the Books area** and, on the other, to the **effects of the ongoing efforts to curb operating and structural costs**, implemented in particular by the Media and Retail areas, **confirming the greater structural efficiency achieved by the Group.**

This trend, together with the **continued improved performance of cash flow generation** from ordinary

operations, bears further proof of **Mondadori's solidity** and ability to come out of 2020 with bright aspirations on both the rest of the year and for the Group's medium-term growth prospects.

CONSOLIDATED FINANCIAL HIGHLIGHTS OF FIRST QUARTER

€ millions	1Q 2021		1Q 2020		% chg.
REVENUE	144,8		135,3		7,0%
INDUSTRIAL PRODUCT COST	43,2	29,9%	44,5	32,9%	(2,8%)
VARIABLE PRODUCT COSTS	24,7	17,0%	19,2	14,2%	28,6%
OTHER VARIABLE COSTS	28,6	19,8%	27,0	19,9%	6,1%
STRUCTURAL COSTS	12,5	8,6%	12,0	8,9%	4,2%
EXTENDED LABOUR COST	35,1	24,2%	35,9	26,5%	(2,2%)
OTHER EXPENSE (INCOME)	(0,4)	(0,3%)	(0,2)	(0,1%)	n.s.
ADJUSTED EBITDA	1,1	0,7%	(3,1)	(2,3%)	n.s.
RESTRUCTURING COSTS	0,9	0,6%	0,6	0,4%	67,0%
EXTRAORDINARY EXPENSE (INCOME)	(0,1)	(0,1%)	0,6	0,4%	n.s.
EBITDA	0,2	0,2%	(4,2)	(3,1%)	n.s.
AMORTIZATION AND DEPRECIATION	5,9	4,1%	6,1	4,5%	(2,0%)
AMORTIZATION AND DEPRECIATION IFRS 16	3,3	2,3%	3,7	2,7%	(11,8%)
EBIT	(9,0)	(6,2%)	(14,0)	(10,4%)	n.s.
FINANCIAL EXPENSE (INCOME)	0,6	0,4%	0,9	0,7%	(38,8%)
FINANCIAL EXPENSE IFRS 16	0,5	0,4%	0,7	0,5%	(24,6%)
FINANCIAL EXPENSE (INCOME) FROM SECURITIES VALUATION	0,4	0,3%	6,9	5,1%	n.s.
EXPENSE (INCOME) FROM INVESTMENTS	1,6	1,1%	1,3	0,9%	23,6%
EBT	(12,1)	(8,4%)	(23,8)	(17,6%)	n.s.
TAX EXPENSE (INCOME)	(1,9)	(1,3%)	(4,7)	(3,5%)	n.s.
NET RESULT FOR THE PERIOD (GROUP AND NON-CONTROLLIN	(10,2)	(7,0%)	(19,1)	(14,1%)	n.s.
MINORITIES	0,0	0,0%	(0,0)	(0,0%)	n.s.
GROUP NET RESULT	(10,2)	(7,0%)	(19,1)	(14,1%)	n.s.

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

ALTERNATIVE PERFORMANCE MEASURES

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

INCOME STATEMENT

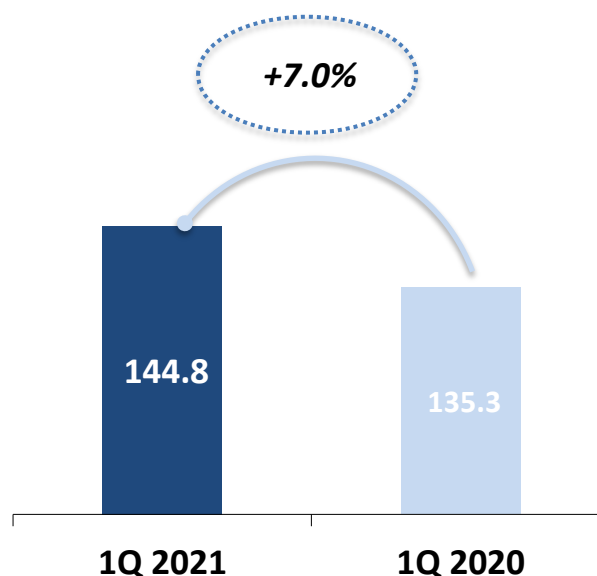
REVENUE

Consolidated revenue in the first three months of 2021 amounted to € **144.8 million, up by 7%** versus € 135.3 million of the prior year, thanks in particular to the **strong growth of the Books area**, driven by the buoyancy of the market in the quarter under review.

In the **Books** area, **revenue** rose by **23%**, thanks to the **strong rise in revenue generated by the Group's Trade publishing houses**, which largely offset the decline in activities relating to the management of museums and cultural assets, owing to the continued restrictive measures in the first few months of the current year.

The **Retail** area reported **revenue growth of 7.4%**, thanks largely to the **book** product (which **grew by 16%**). A point worth mentioning is that the comparison with first quarter 2020 is barely meaningful as in March 2020 the business unit's activities were in every way impacted by the total and general lockdown measures enforced

by the government authorities.



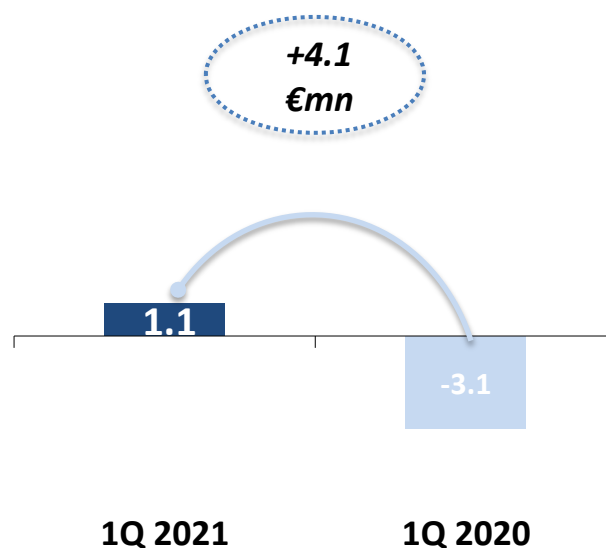
Revenue of the **Media** area fell by **7.5%**, reflecting a highly positive trend in digital advertising sales, which only partly offset the reduction in circulation revenue and the continued contraction in the advertising market for print titles and sales of add-ons.

Revenue by Business Area

(Euro/millions)	1Q 2021	1Q 2020	% Chg.
Books	71,6	58,2	23,0%
Retail	33,4	31,1	7,4%
Media	46,8	50,6	(7,5%)
Corporate & Shared Services	9,8	11,1	(12,4%)
Total aggregate revenue	161,5	151,0	6,9%
Intercompany	(16,6)	(15,7)	n.s.
Total consolidated revenue	144,8	135,3	7,0%

EBITDA

Adjusted EBITDA in the period under review amounted to a **positive € 1.1 million**, up by € 4.1 million versus the first three months of 2020 when the Group reported an operating loss of € 3.1 million; **this positive performance** reflects, on the one hand, the **abovementioned brisk trend in revenue in the Trade Books segment** and, on the other, the effects of the **ongoing efforts to curb operating and structural costs made by the Group**.



Specifically, in the quarter in question Mondadori recorded an **improvement in its contribution margin**, as well as a sharp **reduction in the percentage (on consolidated revenue) of fixed costs** (overheads and payroll costs) of over 250 bps versus first quarter 2020.

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

- the **Books** area reported a significant increase in the period, amounting to € 5.2 million;

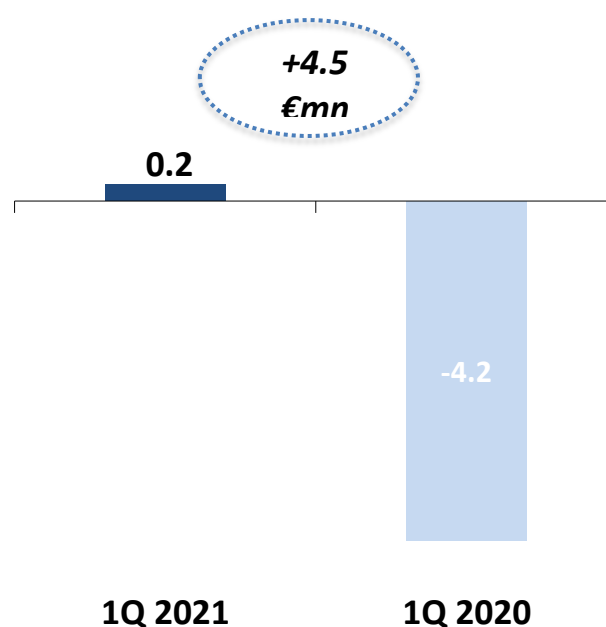
Adjusted EBITDA by Business Area

<i>(Euro/millions)</i>	1Q 2021	1Q 2020	Chg.
Books	0,6	(4,5)	5,2
Retail	(0,4)	(1,2)	0,8
Media	2,0	2,0	0,0
Corporate & Shared Services	(1,0)	(0,0)	-1,0
Intercompany	(0,1)	0,7	-0,8
Total Adjusted EBITDA	1,1	(3,1)	4,1
EBITDA Margin %	0,7%	-2,3%	

- the **Retail** area recorded an **improvement of € 0.8 million**, thanks to the deep transformations and renewal of the network of physical stores and a thorough review of the organization and processes;
- the **Media** area delivered a **steady performance** versus the first three months of 2020 (€ 2.0 million), as a result of the continued growth of digital activities and the ongoing cost containment measures that allowed it to reduce the negative impact on profitability deriving from the contraction of print activities;
- the **Corporate & Shared Services** area recorded a negative margin of € 1 million (versus a substantial breakeven in first quarter 2020), due to a different scope of the costs of the central units subject to allocation to the business areas (aimed at aligning the Group to market practice), as well as higher costs incurred for managing the health emergency.

Group **EBITDA** came to € **0.2** million which, compared with the loss of € 4.2 million recorded in the prior year, shows a clear improvement, attributable to the abovementioned phenomena and trends.

In the period under review, non-recurring expense amounted to € 0.8 million (€ 1.2 million at 31 March 2020), and referred in particular to the Corporate area as described in greater detail below.

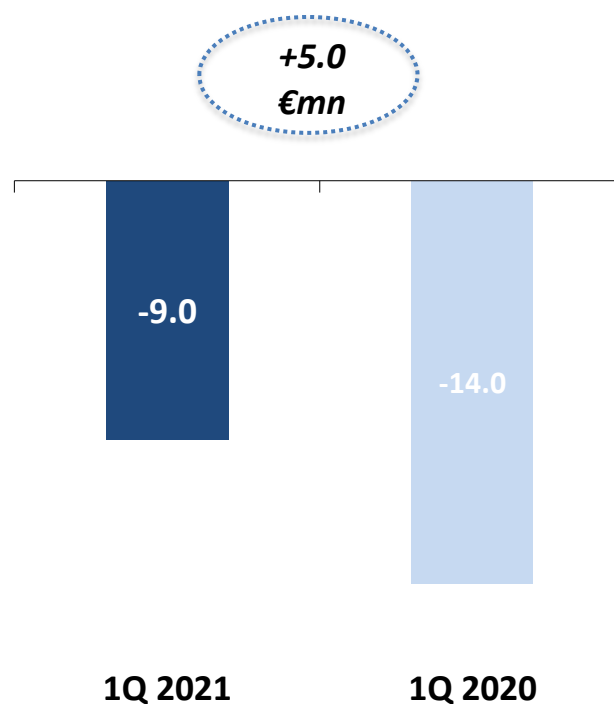


EBITDA by Business Area

<i>(Euro/millions)</i>	1Q 2021	1Q 2020	Chg.
Books	0,6	(5,2)	5,8
Retail	(0,3)	(1,3)	1,1
Media	2,0	1,8	0,2
Corporate & Shared Services	(2,0)	(0,1)	-1,8
Intercompany	(0,1)	0,7	-0,8
Total EBITDA	0,2	(4,2)	4,5

EBIT

Group EBIT at 31 March 2021 came to a negative € 9 million, **improving by € 5 million** versus the same quarter of 2020, thanks to the trend of the abovementioned components, as well as to lower amortization and depreciation of € 0.5 million, resulting mainly from a lower average residual duration of the existing lease contracts in the Retail area.



EBIT by Business Area

<i>(Euro/millions)</i>	1Q 2021	1Q 2020	Chg.
Books	(2,5)	(8,3)	5,8
Retail	(2,4)	(3,8)	1,4
Media	0,4	(0,1)	0,5
Corporate & Shared Services	(4,3)	(2,5)	-1,8
Intercompany	(0,1)	0,7	-0,8
Total EBIT	(9,0)	(14,0)	5,0

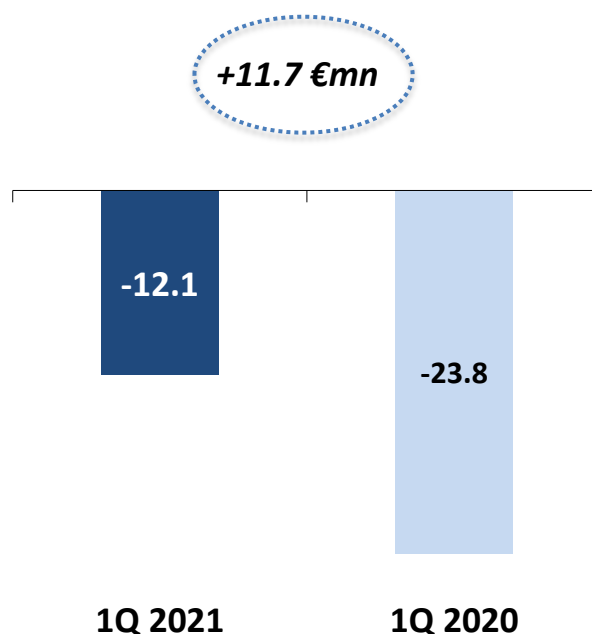
CONSOLIDATED RESULT BEFORE TAX

The **consolidated loss before tax** amounted to € **-12.1** million versus € **-23.8** million in the first three months of 2020.

Additionally, the significant improvement is also explained by:

- the reduction of approximately € 0.5 million in financial expense (from € **1.6** million to € **1.1** million), due primarily to a **lower average interest rate** (from 0.89% to 0.78%), in addition to the reduction in ancillary expense;
- the effects of the **sale of the investment in ReWorld Media**, completed in February 2021, which resulted in the recognition of a capital loss of € **0.4** million⁶ with a **positive change of € 6.5 million** versus the capital loss of € 6.9 million recorded at 31 March 2020.

The result for the period of associates (consolidated at equity) came to a loss of € **-1.6** million versus € -1.3 million at 31 March 2020.



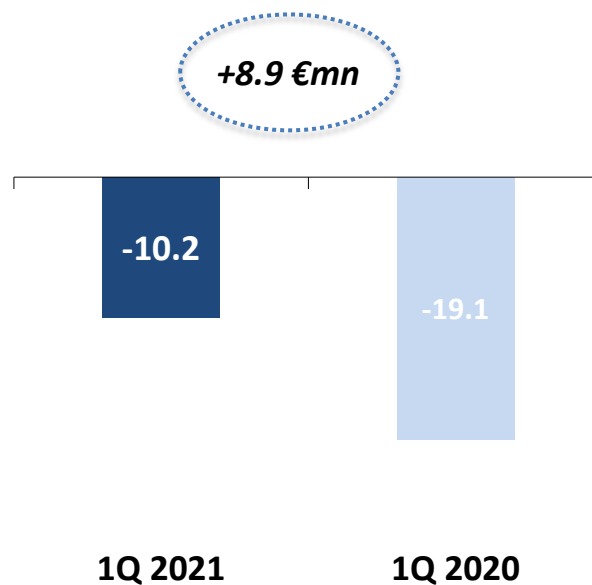
⁶ The monetization of this investment generated a total gain (2019-2021) of € 1.1 million.

NET RESULT

The **Group's net result**, after minority interests, amounted to € **-10.2** million, **recovering strongly** from € **-19.1** million recorded in the first three months of 2020: the **loss** usually recorded in the first quarter of the year and attributable to the

seasonal nature of the Education business was thus **cut by half**.

The tax charge for the period came to a positive € 1.9 million (€ 4.7 million at 31 March 2020).



FINANCIAL RESULTS

€ millions	March 21	March 20	% chg.
TRADE RECEIVABLES	157,3	173,0	(9,1%)
INVENTORY	121,4	131,8	(7,9%)
TRADE PAYABLES	205,4	231,6	(11,3%)
OTHER ASSETS (LIABILITIES)	(16,6)	(5,9)	n.s.
NET WORKING CAPITAL	56,7	67,3	(15,7%)
INTANGIBLE ASSETS	194,4	220,4	(11,8%)
PROPERTY, PLANT AND EQUIPMENT	16,2	17,6	(7,8%)
INVESTMENTS	19,2	25,9	(25,9%)
NET FIXED ASSETS WITH NO RIGHTS OF USE IFRS 16	229,8	263,9	(12,9%)
ASSETS FROM RIGHTS OF USE IFRS 16	81,2	94,6	(14,1%)
NET FIXED ASSETS WITH RIGHTS OF USE IFRS 16	311,0	358,4	(13,2%)
PROVISIONS FOR RISKS	40,9	47,1	(13,2%)
POST-EMPLOYMENT BENEFITS	31,0	32,7	(5,2%)
PROVISIONS	71,9	79,8	(9,9%)
NET INVESTED CAPITAL	295,9	345,9	(14,5%)
SHARE CAPITAL	68,0	68,0	0,0%
RESERVES	106,2	103,0	3,1%
PROFIT (LOSS) FOR THE PERIOD	(10,2)	(19,1)	n.s.
GROUP EQUITY	164,0	151,9	8,0%
NON-CONTROLLING INTERESTS' EQUITY	0,0	0,1	n.s.
EQUITY	164,0	152,0	7,9%
NET FINANCIAL POSITION NO IFRS 16	47,9	96,9	(50,6%)
NET FINANCIAL POSITION for IFRS 16	83,9	97,0	(13,5%)
NET FINANCIAL POSITION	131,8	193,9	(32,0%)
SOURCES	295,9	345,9	(14,5%)

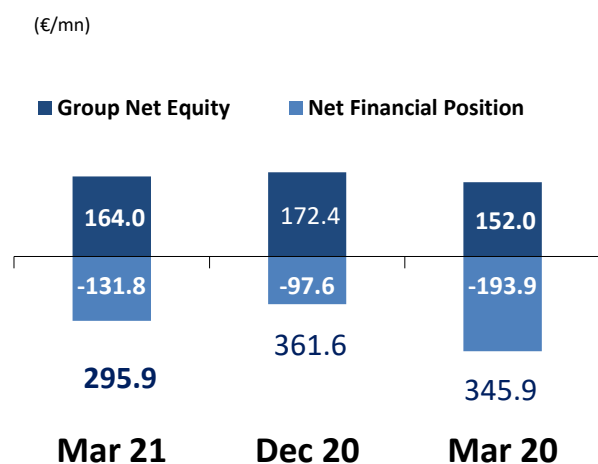
NET INVESTED CAPITAL

The Group's **Net Invested Capital** at 31 March 2021 stood at € **295.9** million, down by approximately 15% versus € 345.9 million at 31 March 2020.

Net Working Capital amounted to € **56.8** million, down by approximately **16%** versus the previous 12 months, thanks to the positive management of all its items.

Net Fixed Assets amounted to € **311.0** million versus € 358.4 million, decreasing mainly as a result of the reduction in intangible assets following the write-downs made in December 2020 on a number of Media brands, and of the reduction in the assets from rights of use consistent with the lower average residual duration of the relating contracts.

SOURCES



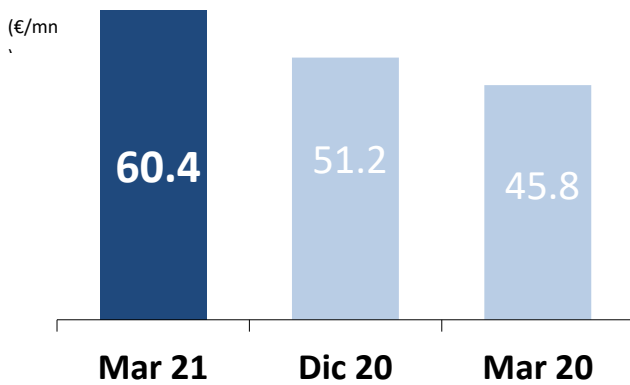
Consolidated equity increased by € 12.1 million, due to the improvement in the Group's

net result for first quarter 2021 versus the same period of the prior year.

The **Net Financial Position before IFRS 16** at 31 March 2021 stood at € **-47.9** million, **down significantly by more than 50%** from € -96.9 million at 31 March 2020, due to the **significant cash generation recorded in the last 12 months**.

The **IFRS 16 Net Financial Position** amounted to € **-131.8** million and includes the recognition of the financial payable from the application of IFRS 16 equal to approximately € 84 million.

LTM CASH FLOW



At 31 March 2021, the **cash flow from operations** for the last twelve months came to a **positive € 71.1 million**; **cash flow from**

ordinary operations (after outlays for financial expense and tax) amounted to € **60.4 million** and confirms the **Group's** positive path of **financial improvement** thanks to the **business's continued ability to generate cash** despite the persisting uncertainty.

The **cash flow from extraordinary operations** came to € **-11.3 million** as a result of:

- acquisitions for a total of € 6.6 million;
- restructuring costs of € 5.6 million.

PERFORMANCE BY BUSINESS AREA

<i>(Euro/millions)</i>	REVENUE		ADJUSTED EBITDA		EBITDA		D&A		EBIT	
	1Q 2021	1Q 2020	1Q 2021	1Q 2020	1Q 2021	1Q 2020	1Q 2021	1Q 2020	1Q 2021	1Q 2020
Books	71,6	58,2	0,6	(4,5)	0,6	(5,2)	(3,2)	(3,1)	(2,5)	(8,3)
Retail	33,4	31,1	(0,4)	(1,2)	(0,3)	(1,3)	(2,1)	(2,5)	(2,4)	(3,8)
Media	46,8	50,6	2,0	2,0	2,0	1,8	(1,6)	(1,9)	0,4	(0,1)
Corporate & Shared Service	9,8	11,1	(1,0)	(0,0)	(2,0)	(0,1)	(2,3)	(2,3)	(4,3)	(2,5)
Intercompany	(16,6)	(15,7)	(0,1)	0,7	(0,1)	0,7	(0,0)	0,0	(0,1)	0,7
TOTALE	144,8	135,3	1,1	(3,1)	0,2	(4,2)	(9,2)	(9,8)	(9,0)	(14,0)

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

BOOKS

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

The Mondadori Group is Italy's market leader in the **Trade** Books Area: the publishing products that traditionally make up the core business are fiction, non-fiction, and books for young readers, both in print and electronic format. The Mondadori Group operates under various publishing brands: *Mondadori, Giulio Einaudi editore, Piemme, Sperling & Kupfer, Frassinelli, Rizzoli, BUR, Fabbri Editori, Rizzoli Lizard* and *Mondadori Electa*. In the **Educational** segment, the Mondadori Group operates in the Italian school textbooks and, to a lesser extent, university publishing market, in art and illustrated books publishing, in the management of museum concessions and in the organization of exhibitions and cultural events.

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

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

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

Relevant market performance

In the first quarter of the current year, the trade books market posted a **sharp growth of 39.6%**⁷ versus the same period of the prior year, **consolidating the trend that had started in the second half of 2020**.

If the comparison with first quarter 2020 is affected in every way by the lockdown measures, which impacted on the operation of almost all sales channels in March 2020, the comparison with first quarter 2019 bears more significance to the extraordinary trend that the Books market is experiencing: **growth in the first three months of the year versus the same period of 2019 amounted, in fact, to 26.1%**.

Mention should also be made that sales in the period benefited from the expiry, in February 2021, of the **App18 bonus**⁸ for 2020, which led to a concentration of book purchases by 18-year-olds in the period (80% of

⁷ GFK, March 2021 (figures in terms of market value)

⁸ Initiative of the Ministry of Culture (in its fifth edition) dedicated to promoting culture among young people: a voucher worth € 500 to spend on cinema, music and concerts, cultural events, books, museums, visits to monuments and archaeological parks, theatre and ballet, audiovisual publishing products, music courses, theatre courses and foreign language courses, as well as subscriptions to newspapers, also in digital format.

purchases made via the App18 were for books), while the equivalent bonus relating to the prior year expired in December 2019.

As for the different **product** categories making up the segment, **hardcovers**, which account for approximately 85% of the market, **grew by 41.1%** versus the same period of 2020, while **paperbacks** grew slightly less (+31.9%).

Against this backdrop, the Mondadori Group - thanks to its improved performance versus the overall results of other publishers - **increased its market share to 23.7%** (from 23.3% at 31 March 2020), confirming its undisputed leadership.

Trade Market shares	31 March 2021	31 March 2020
Mondadori Group	23.7%	23.3%
GeMS Group	11.3%	10.0%
Giunti Group	6.9%	8.1%
Feltrinelli	4.5%	5.0%
DeAgostini Group	1.4%	1.5%
Other publishers	52.2%	52.1%

GfK, March 2021 (figures in terms of value)

As proof of the **quality of the editorial plan**, mention should be made that during the first 3 months of the year, the Group placed **4 titles in the top ten bestsellers in terms of value**⁹: *"Il sistema. Potere, politica, affari: storia segreta della magistratura italiana"* by A. Sallusti and L. Palamara, published by Rizzoli, which was the chartbuster in the opening months of the year, ranking firmly at the top, followed in second place by *"La disciplina di Penelope"* by G. Carofiglio (Mondadori); *"Insieme in cucina. Divertirsi in cucina con le ricette di «Fatto in casa da Benedetta»"* by B. Rossi (Mondadori Electa) and *"A riveder le stelle. Dante, il poeta che inventò l'Italia"* by A. Cazzullo (Mondadori).

⁹ GfK, March 2021 (ranking in terms of cover value)

#	Title	Author	Publisher
1	Il sistema. Potere, politica affari: storia segreta della magistratura italiana	Sallusti Alessandro, Palamara Luca	RIZZOLI
2	La disciplina di Penelope	Carofiglio Gianrico	MONDADORI
3	Una terra promessa	Obama Barack	GARZANTI
4	Le storie del quartiere	Lyon Gamer	MAGAZZINI SALANI
5	Cambiare l'acqua ai fiori	Perrin Valérie	E/O
6	Insieme in cucina. Divertirsi in cucina con le ricette di «Fatto in casa da Benedetta»	Rossi Benedetta	MONDADORI ELECTA
7	Finché il caffè è caldo	Kawaguchi Toshikazu	GARZANTI
8	Dante	Barbero Alessandro	LATERZA
9	La carezza della memoria	Verdone Carlo	BOMPIANI
10	A riveder le stelle. Dante, il poeta che inventò l'Italia	Cazzullo Aldo	MONDADORI

School textbooks experience a typical seasonal performance that sees sales squeezed in the second half of the year following the adoption campaign: as a result, the relating market shares for 2021 are unavailable at this time.

In the first few months of the current year too, the **museum** segment continued to have its operations severely impacted by the closure of sites and exhibitions owing to the measures to contain the pandemic and by the virtual collapse of tourist travel.

Performance of the Books Area

Books (Euro/millions)	1Q 2021	1Q 2020	Chg.
Revenue	71,6	58,2	13,4
Adj. EBITDA	0,6	(4,5)	5,2
EBITDA	0,6	(5,2)	5,8
EBIT	(2,5)	(8,3)	5,8

Revenue

(Euro/millions)			
Books Revenue	1Q 2021	1Q 2020	% chg.
Total TRADE	55.9	40.1	+39.4%
Education	4.9	4.6	+6.2%
Mondadori Electa (incl. Abscondita)	0.7	5.0	(86.6%)
Rizzoli International Publications	8.4	7.2	+16.5%
Intercompany	(0.1)	(0.1)	
Total EDUCATIONAL	13.8	16.7	(17.2%)
Distribution and other services	1.9	1.4	+36.5%
Total revenue	71.6	58.2	+23.0%

Revenue in the first three months of 2021 amounted to € 71.6 million, up by 23% versus the first three months of 2020, and higher also than revenue recorded in the same period of 2019 (€ 70.2 million), thanks in particular to the **sharp increase of the Trade area**.

Trade Books Revenue: revenue in the first three months of the Trade area amounted to € 55.9 million (€ 40.1 million in first quarter 2020), up by 39.4% versus the prior year, driven by the buoyant performance of the books market recorded in the period; compared to **first quarter 2019** too, unaffected by the pandemic, the quarter's revenue showed an **increase of 13.4%**.

The **Hardcover** segment saw all the Group's publishing houses release works that were truly appreciated by readers. Specifically, mention should be made of:

- **Mondadori:** for fiction, the titles "*La disciplina di Penelope*" by G. Carofiglio, "*La città di vapore*" by C.R. Zafón, "*Sembrava bellezza*" by T. Ciabatti; for non-fiction, "*Una storia americana*" by F. Costa, and for miscellaneous "*Succede sempre qualcosa di meraviglioso*" by G. Gotto; for paperbacks, a few new titles linked to the successful series on Netflix "*La regina degli scacchi*" by W. Tevis and "*Bridgerton - 4. Un uomo da conquistare*" by J. Quinn.
- **Einaudi:** "*Quando tornerò*" by M. Balzano, "*Prima persona singolare*" by Murakami Haruki, "*Ultima notte a Manhattan*" by Don Winslow. Also worth mentioning, the successful paperback edition of "*Stai Zitta*" by M. Murgia;
- **Piemme:** "*La legge dell'innocenza*" by M. Connelly in foreign fiction. A number of non-fiction titles were published in the first three months of the year: "*Il portavoce*" by R. Casalino, "*Anatomia di un cuore selvaggio*" by A. Argento, "*Il profumo di mio padre*" by E. Fiano and the latest, "*Perché avete paura? Non avete ancora fede?*" by Pope Francis. In the Children's segment, moreover, the publisher retained its prominent position with the titles of *Geronimo Stilton*;

- **Sperling & Kupfer:** "*Later*" by S. King and "*Il gioco della vita*" by D. Steel for foreign fiction; volume 1 and 2 of "*365 giorni senza di te*" by Campani-Di Girolamo, inspired by a television series, for Italian fiction;
- **Rizzoli:** the most successful titles in the first months of the year include the book by Sallusti-Palamara, published in the non-fiction segment and firmly at the top of the market's top ten; for Italian fiction, "*Gli occhi di Sara*" by M. De Giovanni;
- **Mondadori Electa:** for miscellaneous "*Non ho niente da mettermi (tranne il sorriso)*" by E. Petrella; still firmly in the top ten the latest success by Benedetta Rossi, published in the last quarter of 2020.

Educational Revenue

In first quarter 2021, the segment's revenue amounted to € 13.8 million, down by more than 17% versus the same period of 2020 (€ 16.7 million), impacted by the effects on Electa of the persisting closure of cultural venues enforced by the measures adopted nationwide to contain the COVID-19 pandemic, only partly offset by the positive performance of sales in the United States by the publishing house Rizzoli International Publications. Mention should be made that school textbooks are a highly seasonal business, with revenue generated in the first three months, typically accounting for less than 5% of the annual figure.

- **Education:** school textbooks generated total revenue of € 4.9 million, up by 6.1% versus the prior year (€ 4.6 million in 2020), thanks to the good performance of Mondadori Education university textbooks.
- **Electa:** in the first three months of 2021, Electa posted total revenue of € 0.6 million versus € 5.0 million in the prior year. In 2020, one should bear in mind that the first two months were still unaffected by the pandemic, while the 2021 quarter was impacted in every way by the closure of museums, bookstores and archaeological sites ordered by the Authorities, due to the continuing national health emergency; as a result, only revenue relating to publishing activities were generated.
- **Rizzoli International Publications** reported revenue of € 8.4 million in the quarter, up by 16.5% versus first quarter 2020 and almost 30% versus the first three months of 2019, confirming the strong progress of the publishing house already seen in last quarter 2020. At constant exchange rates, the change is even more significant at 27% (+37% versus the same period of 2019 unaffected by the pandemic), thanks to the excellent trend in sales of catalogue titles, especially in the e-commerce channel, and the good performance of the first new releases in the year.

E-books and audiobooks

Revenue from the sales of e-books and audiobooks, which accounted for approximately **7.3%** of total **publishing revenue**, was **up by 5.9%** versus the prior year. Listening hours of the audiobook catalogue were down by 60% versus the first three months of 2020, which had experienced significant growth versus 2019 following the lockdown and closure of the physical channel, while the number of e-book downloads increased by 7% versus 2020.

The main e-book titles in the first three months were: *“La disciplina di Penelope”* by G. Carofiglio (Mondadori), *“Il sistema”* by Sallusti-Palamara (Rizzoli), *“Bridgerton vol.1 – Il duca e io”* and *“Bridgerton vol.2 – Il visconte che mi amava”* by J. Quinn (Mondadori), *“Fu sera e fu mattina”* by K. Follett (Mondadori), *“La legge dell’innocenza”* by M. Connelly (Piemme). During the year, Mondadori Libri published new digital titles, increasing its catalogue to over 27,700 e-book titles.

The most popular audiobook titles were *“Fu sera e fu mattina”* and *“I pilastri della terra”* by K. Follett.

EBITDA

Adjusted EBITDA in the Books area came to € 0.6 million versus € -4.5 million in first quarter 2020, an **improvement of over € 5 million**, thanks to the positive trend of revenue in the Trade segment in the period under review.

Reported EBITDA amounted to € 0.6 million versus € -5.2 million at 31 March 2020, while **EBIT** amounted to € -2.5 million versus € -8.3 million in first quarter 2020, with an upward trend consistent with the above dynamics.

RETAIL

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

Stores	Mar. 2021	Dec. 2020	Mar. 2020	Chg. yoy
Directly-managed bookstores	33	34	35	-2
Franchised bookstores	515	520	525	-10
Total	548	554	560	-12

The number of points of sale at 31 March 2021 recorded a net decrease versus the same period of the prior year of 12 bookstores (including 10 small franchised Point stores).

The network of 548 points of sale includes shop-in-shops, which increased by 6 units from 44 to 50 units, and the online channel through the e-commerce site www.mondadoristore.it.

Relevant market performance

The Books market (which accounts for **over 80%** of the Retail division's¹⁰ revenue) showed significant growth in first quarter 2021 versus the prior year (**+39.6%**¹¹ vs. March 2020).

The e-commerce channel took the lion's share in the period under review, owing to the health emergency, and affected the **market share** of Mondadori Retail, which stood at **9.5%** (10.9% at 31 March 2020), due to the predominantly physical component and the small size to date of its online platform.

¹⁰ Product revenue excluding Club revenue

¹¹ GFK (in terms of value)

Performance of the Retail Area

Retail (Euro/millions)	1Q 2021	1Q 2020	Chg.
Revenue	33,4	31,1	2,3
Adj. EBITDA	(0,4)	(1,2)	0,8
EBITDA	(0,3)	(1,3)	1,1
EBIT	(2,4)	(3,8)	1,4

Revenue

In the first three months, the Retail area reported revenue of € 33.4 million, up by € 2.3 million (**approximately +7%**) versus the same period of the prior year, due exclusively to the improved performance of the **Book** product (which grew by more than € 3 million, **up by approximately +16%**).

The quarter was negatively impacted by the abovementioned government measures, which caused severe restrictions on sales activities from early January and intermittently throughout the period. Directly-managed stores concentrated in large tourist cities (more in line with the format of our directly-managed stores) took most of the brunt. Despite these limitations, the **franchised** channel - composed mainly of proximity stores located in small towns - instead, posted a positive performance, **growing by approximately 30%**.

The revenue trend by channel is as follows:

Retail Revenue (Euro/millions)	1Q 2021	1Q 2020	% chg.
Directly-managed bookstores	8.5	10.3	-17.3%
Franchised bookstores	17.3	13.3	30.4%
Online	4.0	4.2	-5.0%
Stores	29.9	27.8	7.4%
Book clubs and other	3.5	3.3	6.2%
Total revenue	33.4	31.1	7.4%

As far as the product categories are concerned:

- **Books** were the main item of revenue (**over 80% of the total**), up by **16.0%** versus 2020;

- the **Extra-Books** segment posted a decline (with negative rates above 45% for the Technology and Media categories), due not only to the pandemic, but also to the strategic decision to focus more and more on books.

EBITDA

In the first three months, Mondadori Retail recorded adjusted EBITDA of € -0.4 million, a strong improvement (**€ +0.8 million**) versus € -1.2 million in the same period of 2020.

Despite the sharp drop in revenue from the directly-managed store network, marked by higher margins, Mondadori Retail recorded an **improvement in EBITDA** as a result of the deep transformation and renewal of the physical store network, careful cost management and a thorough review of the organization and processes.

Reported EBITDA came basically to breakeven (€ -0.3 million versus € -1.3 million in the first three months of 2020).

EBIT came to € -2.4 million (€ -3.8 million in the first three months of 2020), improving strongly (**€ +1.4 million**), due also to lower amortization and depreciation, deriving mainly from the shorter average residual duration of existing lease contracts (pursuant to IFRS 16).

MEDIA

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

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

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

Relevant market performance

The relevant market performed as follows in first quarter 2021:

- the **advertising market** in the first three months fell slightly by -1.4%, almost entirely recovering the overall decline recorded in the first two months: **digital +6.4%**, thanks to the **strong growth** recorded in March (+27%), **TV +5.9%**, **newspapers -6.7%**, **radio -17.0%** and **magazines -32.2%**¹²;
- the **magazines circulation market** declined by **7.6%**¹³;
- the **add-on sales market** reported a negative **9.6%** (-25% for add-ons bundled with magazines, +5.3% for those with newspapers)¹³.

Mondadori's market share (in magazine circulation), as a result of a performance in line with the core market, came to **23.0%**, steady versus 22.9% of March of the prior year¹³.

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

- in print with **10.2 million readers**¹⁴;
- on the web with a reach in March 2021 of **80%** (approximately **32.8 million unique users**¹⁵ up by over 4% vs 2020)
- in social media with a fanbase at 31 March 2021 of **39.2**¹⁶ million and **109** profiles.

Performance of the Media Area

¹² Nielsen, March 2021

¹³ Internal source: Press di, March 2021, in terms of value

¹⁴ Audipress III, 2020

¹⁵ Comscore, March 2021, average figure for first 3 months

¹⁶ Shareablee + internal processing

Media (Euro/millions)	1Q 2021	1Q 2020	Chg.
Revenue	46,8	50,6	(3,8)
Adj. EBITDA	2,0	2,0	(0,0)
EBITDA	2,0	1,8	0,2
EBIT	0,4	(0,1)	0,5

Revenue

The Media area reported revenue of € **46.8** million in the first three months of 2021, down by 7.5% versus the same quarter of the prior year. **Digital activities, which account for approximately 17% of the area's total revenue**, posted a **sharp growth of 36%** in the quarter, driven by the consolidation of Hej!, a company specialized in tech advertising.

Media (Euro/millions)	1Q 2021	1Q 2020	% chg.
Circulation	17.2	18.5	(7.3%)
Add-on sales	6.7	10.1	(33.8%)
Advertising	11.9	11.5	3.2%
Distribution/Other revenue	11.1	10.5	5.6%
Total revenue	46.8	50.6	(7.5%)

Specifically

- **Circulation** revenue (newsstands + subscriptions) fell by **7.3%**, with television titles performing better (approximately -4% in terms of copies), while the *CasaFacile* brand grew by approximately 6% (in terms of copies).
- Revenue from **add-on products** (DVDs, CDs, gifts and books), bundled with Mondadori magazines, was down by approximately **34%** versus first quarter 2020, as a result mainly of the lack of successful initiatives in the musical product area versus the prior year, which benefited from the good response to the *Queen* series. Generally speaking, the negative effects from the reduced availability of DVD titles continued, due to the lack of film releases caused by the persisting pandemic.
- **Advertising** revenue **grew by approximately 3%** overall, pushed by advertising sales on **digital brands (+18.2%)** and the newly-acquired Hej! (net of which total revenue would have dropped by 7.4%).

A point worth mentioning is that **digital revenue** on total advertising revenue now accounts for **66%** of the total (up from 48% in 1Q 2020), driven by the **strong growth of approximately 40% in the period under review**, thanks also to the contribution from the consolidation of Hej!.

- Other revenue, which includes revenue from distribution activities, increased by **5.6%** versus the first quarter of the prior year, reflecting both the positive performance of international editions (*Grazia* in particular) and growth in newsstand distribution and subscriptions by the third-party publishers distributed.

EBITDA

Adjusted EBITDA in the Media area stood at **€ 2.0 million, steady** versus the first three months of 2020, thanks in particular to the **growth of digital activities** and the **continued measures to contain operating costs**, which allowed the Group to curb the negative impact on profitability resulting from the decline in print activities.

Reported EBITDA amounted to **€ 2.0 million, up** from € 1.8 million in first quarter 2020, thanks to the absence of non-recurring items in the quarter under review.

EBIT came to a positive **€ 0.4 million** versus a negative € 0.1 million at 31 March 2020, due also to lower amortization and depreciation for a total of € 0.3 million, attributable mainly to the effects of the write-downs made in 2020.

CORPORATE & SHARED SERVICES

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

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

Revenue comes basically from services provided to subsidiaries and associates which, in first quarter 2021, fell by € 1.4 million, as a result of lower costs of the central units attributable to the continued efficiency actions, and to a different allocation of costs of the top structures to the business areas.

Adjusted EBITDA for the area came to a negative € **1 million** (breakeven in first quarter 2020), due to the abovementioned different criteria for allocating charges to the business areas and the costs incurred for managing the emergency, related in particular to health prevention (anti COVID-19 antigen swabs) and smart-working management.

Including non-recurring items, **EBITDA** came to € **-2.0** million, down more than in the same quarter of the prior year (€ -1.8 million), due partly to the supplementary clause to the non-compete agreement, amounting to € 800,000¹⁷, awarded to the former CEO at the end of his term.

EBIT of the Area amounted to € **-4.3** million (€ -2.5 million in 1Q 2020).

Corporate & Shared Services <i>(Euro/millions)</i>	1Q 2021	1Q 2020	Chg.
Revenue	9,8	11,1	(1,4)
Adj. EBITDA	(1,0)	(0,0)	(1,0)
EBITDA	(2,0)	(0,1)	(1,8)
EBIT	(4,3)	(2,5)	(1,8)

¹⁷ Non-compete clause extended within the European Union and until April 2023.

BALANCE SHEET

The **Mondadori Group's Net Financial Position, excluding the impact of IFRS 16**, stood at € **-47.9** million at 31 March 2021, improving significantly by 51% (€ 49 million) versus € -96.9 million at 31 March 2020.

Net Financial Position <i>(Euro/millions)</i>	March 2021	March 2020	Dec. 2020
Cash and cash equivalents	69,0	44,2	110,2
Assets (liabilities) from derivative financial instruments	(0,7)	(1,0)	(0,8)
Other financial assets (liabilities)	2,0	19,7	13,8
Loans (short and medium/long term)	(118,2)	(159,8)	(138,0)
Held-for-sale financial assets (liabilities)	0,0	0,0	0,0
Net Financial Position no IFRS 16	(47,9)	(96,9)	(14,8)
Financial payables IFRS 16	(83,9)	(97,0)	(82,8)
Total Net Financial Position	(131,8)	(193,9)	(97,6)

IFRS 16 NFP stood at € **-131.8 million** and includes the IFRS 16 impact of € -83.9 million; the improvement versus March 2020 is approximately € 62 million.

The overall credit lines available to the Group at 31 March 2021 amounted to € 456.3 million, of which € 195.0 committed.

The Group's short-term loans, totaling € 261.3 million, € 24.7 million of which drawn down at 31 March 2021, include overdraft credit lines on current accounts, advances subject to collection and "hot money" flows.

The **pool loan**, with a residual amount of € **195.0 million** at 31 March 2021, is made up as follows:

(Euro/millions)	Bank pool	Of which: unutilized	Of which: with interest rate hedge
Term Loan A	95.0 (1)	-	63.3
RCF	100.0 (2)	100.0	-
Total loans	195.0	100.0	63.3

(1) Maturities: € 27.5 million December 2021, € 67.5 million December 2022

(2) Bullet loan, coming to maturity in December 2022

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

€ millions	LTM Mar 21	2020
INITIAL NFP IFRS 16	(193,9)	(151,3)
FINANCIAL LIABILITIES APPLICATION OF IFRS 16	(97,0)	(95,9)
INITIAL NFP NO IFRS 16	(96,9)	(55,4)
ADJUSTED EBITDA (NO IFRS 16)	87,0	82,4
NWC AND PROVISIONS	5,8	1,2
CAPEX NO IFRS 16	(21,7)	(21,8)
CASH FLOW FROM OPERATIONS	71,1	61,9
FINANCIAL INCOME (EXPENSE) NO IFRS 16	(3,3)	(3,7)
TAX	(7,5)	(6,9)
CASH FLOW FROM ORDINARY OPERATIONS CONTINUING OPERATIONS	60,4	51,2
CF FROM ORDINARY OPERATIONS DISCONTINUED OR DISCONTINUING OP	0,0	0,0
CASH FLOW FROM ORDINARY OPERATIONS	60,4	51,2
RESTRUCTURING COSTS	(5,6)	(5,2)
SHARE CAPITAL INCREASE/DIVIDENDS NON CONTROLLING INTERESTS AND	(1,1)	(1,1)
PURCHASE/DISPOSAL	(6,6)	(0,5)
OTHER	2,1	(3,7)
CASH FLOW FROM EXTRAORDINARY OPERATIONS	(11,3)	(10,5)
TOTAL CASH FLOW	49,1	40,7
NET FINANCIAL POSITION NO IFRS 16	(47,9)	(14,8)
IFRS 16 EFFECTS IN THE PERIOD	13,1	13,0
FINAL NET FINANCIAL POSITION	(131,8)	(97,6)

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

- **Cash flow from ordinary operations closes with a positive € 60.4 million**, increasing sharply versus the figure recorded in December 2020, thanks to greater profitability of the businesses and a more positive trend in net working capital: the figure includes € 71 million deriving from operations, after deducting tax and financial expense for a total of € 10.8 million; cash flow from operations is the result of **operating income of approximately € 87 million**, capital expenditure for approximately € 22 million, and positive net working capital dynamics (including provisions) for € 6 million, attributable mainly to the Books and Retail areas.
- **Cash flow from non-ordinary operations came to € -11.3 million** and included mainly:
 - outlays for **restructuring costs** of € 5.6 million;
 - recapitalization of the associate **SEE** for € 1.5 million;
 - the acquisition, in the Media area, of Hej!, specialized in tech-advertising.

€ millions	March 21	March 20	% chg.
TRADE RECEIVABLES	157,3	173,0	(9,1%)
INVENTORY	121,4	131,8	(7,9%)
TRADE PAYABLES	205,4	231,6	(11,3%)
OTHER ASSETS (LIABILITIES)	(16,6)	(5,9)	n.s.
NET WORKING CAPITAL	56,7	67,3	(15,7%)
INTANGIBLE ASSETS	194,4	220,4	(11,8%)
PROPERTY, PLANT AND EQUIPMENT	16,2	17,6	(7,8%)
INVESTMENTS	19,2	25,9	(25,9%)
NET FIXED ASSETS WITH NO RIGHTS OF USE IFRS 16	229,8	263,9	(12,9%)
ASSETS FROM RIGHTS OF USE IFRS 16	81,2	94,6	(14,1%)
NET FIXED ASSETS WITH RIGHTS OF USE IFRS 16	311,0	358,4	(13,2%)
PROVISIONS FOR RISKS	40,9	47,1	(13,2%)
POST-EMPLOYMENT BENEFITS	31,0	32,7	(5,2%)
PROVISIONS	71,9	79,8	(9,9%)
NET INVESTED CAPITAL	295,9	345,9	(14,5%)
SHARE CAPITAL	68,0	68,0	0,0%
RESERVES	106,2	103,0	3,1%
PROFIT (LOSS) FOR THE PERIOD	(10,2)	(19,1)	n.s.
GROUP EQUITY	164,0	151,9	8,0%
NON-CONTROLLING INTERESTS' EQUITY	0,0	0,1	n.s.
EQUITY	164,0	152,0	7,9%
NET FINANCIAL POSITION NO IFRS 16	47,9	96,9	(50,6%)
NET FINANCIAL POSITION IFRS 16	83,9	97,0	(13,5%)
NET FINANCIAL POSITION	131,8	193,9	(32,0%)
SOURCES	295,9	345,9	(14,5%)

The impacts of COVID-19 have had repercussions on the Group's activities, leading not only to a reduction in revenue, but also to a review of stock procurement policies and a reduction in production volumes, in terms of the number of new publications in the Books area and, in general, of print runs of books and magazines.

Specifically, with regard to 31 March 2020:

- **trade receivables** fell, in line with the trend in revenue, and also reflecting the effects of a careful management of customer exposure;
- **inventory** decreased as a result of the rationalized purchases;
- **trade payables** decreased due to lower purchases in the period;
- **other assets and liabilities** decreased by € 10.7 million, from a net liability of € 5.9 million to € 16.6 million, as a result of the write-down of advances to authors made in the 2020 financial statements, partly offset by the tax receivable from the "Patent box" and lower payables to personnel and social security institutions as a result of the reduction in the amount of holidays not taken and the use of social safety nets;

- **intangible assets** decreased by approximately € 26 million, as a result of the amortization processes underway, the start of the amortization process of *TV Sorrisi e Canzoni*, and the write-down of the same title and of certain brands made in the 2020 financial statements;
- **assets from rights of use** decreased mainly as a result of amortization and, to a lesser extent, of changes in the number and/or duration of lease contracts;
- **investments** decreased, due mainly to the negative results achieved by associates in the last twelve months, as well as to the write-down of Attica Publications (€ 1.6 million) made in the 2020 financial statements;
- **provisions** decreased, as a result mainly of the settlement of a number of legal disputes; **post-employment benefits** decreased, in line with the reduction in the workforce recorded in March 2021.

PERSONNEL

Group employees with a fixed-term or permanent labour contract amounted to **1,838 units, down by 5.5%** from the 1,944 units at 31 March 2020, due primarily to the efficiency measures that continued across all the business areas.

Group employees at end of first quarter:

Headcount	31 March 2021	31 March 2020	% chg.
Arnoldo Mondadori Editore S.p.A.	246	282	(12.8%)
Italian subsidiaries	1,545	1,612	(4.2%)
Foreign subsidiaries	47	50	(6.0%)
Total	1,838	1,944	(5.5%)

Headcount by Business Area	31 March 2021	31 March 2020	% chg.
Books	645	645	0%
Retail	330	354	(6.8%)
Media	555	589	(5.8%)
Corporate & Shared Services	308	356	(13.5%)
Total	1,838	1,944	(5.5%)

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

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

The trend recorded by the **Media** area come to -7.1% net of the staff that joined the Group following the acquisition of Hej!, reflecting the efficiencies achieved in the editorial units.

The **Corporate & Shared Services** area recorded a drop in headcount of approximately 13.5%, due to the efficiency measures taken at the central units and the start of the 2020-2022 early retirement plan.

Personnel expense¹⁸ amounted to € **35.1 million, down by approximately 2%** versus the first three months of the prior year.

¹⁸ Cost of enlarged personnel includes costs for collaborations and temporary employment

<i>Euro/millions</i>	31 March 2021	31 March 2020	% chg.
Cost of enlarged personnel (before restructuring)	35.1	35.9	<i>(2.2%)</i>

SIGNIFICANT EVENTS IN THE REPORTING PERIOD

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

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

SIGNIFICANT EVENTS AFTER 31 MARCH 2021

On 12 April 2021, the **Ministry of Culture**, through the Directorate-General of Museums, published Decree 326 confirming the previous decrees dated 25 March 2021 (nos. 282 and 283), which approved the outcome of the preliminary phase regarding applications for a further allocation of a portion of the emergency fund dedicated to companies and cultural institutions for relief measures to art exhibition operators for the year 2020, and therefore allocated approximately € 4.2 million in compensation to Electa, the Group's sector company.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

315 million at 30 June 2023; € 280 million at 30 June 2024; € 245 million at 30 June 2025; € 210 million at 30 June 2026.

OTHER INFORMATION

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

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

GLOSSARY OF TERMS AND ALTERNATIVE PERFORMANCE MEASURES USED

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

Specifically, the alternative measures used include:

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

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

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

	31/03/2021	31/03/2020
<i>(Euro/millions)</i>		
ADJUSTED EBITDA	1,1	(3,1)
Restructuring Charges	0,9	0,6
Extraordinary expenses (income)	(0,1)	0,6
EBITDA	0,2	(4,2)

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

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

Result from continuing operations: net result of the Group, excluding the contribution of Mondadori France and the financial expense charged to the subsidiary in 2019.

Result from discontinued operations: net result in 2019 of Mondadori France, together with the recognition of the fair value adjustment of the disposal group.

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 12 months.

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

BUSINESS OUTLOOK

The **positive performance seen in the opening months of the year**, driven in particular by the strong growth trend of the Books market, as well as the **continued cash flow generation**, allow the Group to forecast at consolidated level - and with the current consolidation scope - an **improvement on the estimates previously disclosed**.

- **Performance targets**

- **Revenue** in 2021 is forecast to **grow slightly (low single-digit)**, basically **confirming the previous estimate** resulting from:
 - an improvement in revenue from the Trade Books segment versus expectations at the beginning of the year, linked to the **higher growth of the Books market**, albeit with a gradual normalization versus the trend seen in the first quarter;
 - the postponed resumption of museum activities and a more gradual recovery than previously expected in revenue from the Retail area, due to the impact of the tougher restrictive measures.
- the current forecast for **Adjusted EBITDA** reflects a moderately improved net contribution from the combined effect of the above trends, in addition to the effect of the relief awarded to the Group for museum activities: as a result, margins at consolidated level are expected to settle in the upper part of the range previously disclosed (11%-12%), namely around 12% of revenue.
- The **net result** for 2021 is confirmed to **rise sharply**, due also to two "one-off" effects:
 - the resort by the Group to the relief arising from the tax realignment on part of the intangible assets, which will allow the recognition of a significant positive tax component;
 - the impact on the 2020 result of the write-down of certain balance sheet items that is not currently expected in 2021.

- **Cash Flow and Net Financial Position**

Additionally, with regard to the Group's financial debt, one can reasonably expect an improvement on previous forecasts, due to the **continued robust cash generation** recorded by the business in the last six months: specifically, the new forecasts show the **cash flow from ordinary operations** settling in a range **between € 50 and € 55 million** (versus the previous range of € 40-€ 45 million), which allows the Group to confirm the achievement, before the impacts from the adoption of IFRS 16, of a **positive consolidated net financial position at year end**.

Conversely, taking account of the impact of IFRS 16, indications point to a **Group financial debt no greater than 0.7x Adj. EBITDA** (from the previous 0.8x).

For the Board of Directors

The Chairman

Marina Berlusconi

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

The Financial Reporting Manager

Alessandro Franzosi

***Condensed Consolidated Financial Statements
at 31 March 2021***

Consolidated balance sheet

Assets (Euro/thousands)	31/03/2021	31/12/2020
Intangible assets	194,450	187,722
Land and buildings	2,272	2,304
Plant and equipment	2,562	2,672
Other tangible fixed assets	11,343	11,977
Property, plant and equipment	16,177	16,953
Assets from rights of use	81,214	80,267
Equity-accounted investees	18,908	20,331
Other investments	270	270
Total investments	19,178	20,601
Non-current financial assets	658	677
Pre-paid tax assets	54,051	54,050
Other non-current assets	1,204	1,222
Total non-current assets	366,932	361,492
Tax receivables	9,365	8,387
Other current assets	85,790	76,446
Inventory	121,449	111,452
Trade receivables	157,273	192,129
Other current financial assets	10,525	15,902
Cash and cash equivalents	69,044	110,247
Total current assets	453,446	514,563
Discontinued operations	-	-
Total assets	820,378	876,055

Consolidated balance sheet

Liabilities (Euro/thousands)	31/03/2021	31/12/2020
Share capital	67,979	67,979
Treasury shares	(2,771)	(2,771)
Other reserves and results carried forward	109,007	102,698
Profit (loss) for the period	(10,180)	4,503
Group equity	164,035	172,409
Share capital and reserves attributable to non-controlling interests	10	7
Total equity	164,045	172,416
Provisions	40,900	46,435
Post-employment benefits	30,967	32,757
Non-current financial liabilities	69,690	66,732
Financial liabilities IFRS 16	72,267	71,050
Deferred tax liabilities	30,210	30,380
Other non-current liabilities	-	-
Total non-current liabilities	244,034	247,354
Income tax payables	4,079	6,213
Other current liabilities	132,714	125,266
Trade payables	205,395	238,198
Payables to banks and other financial liabilities	58,458	74,869
Financial liabilities IFRS 16	11,653	11,739
Total current liabilities	412,299	456,285
Discontinued liabilities	-	-
Total liabilities	820,378	876,055

Consolidated income statement

(Euro/thousands)	31 March 2021	31 March 2020
Revenue from sales and services	144,839	135,324
Decrease (increase) in inventory	(8,095)	(10,950)
Cost of raw and ancillary materials, consumables and goods	27,771	26,239
Cost of services	92,880	92,648
Cost of personnel	33,184	33,729
Other (income) expense	(1,121)	(2,100)
EBITDA	220	(4,242)
Depreciation and impairment loss on property, plant and equipment	1,082	1,030
Amortization and impairment loss on intangible assets	4,855	5,030
Amortization/depreciation and impairment loss of assets from rights of use	3,276	3,713
EBIT	(8,993)	(14,015)
Financial expense (income)	1,539	8,531
Expense (income) from investments	1,574	1,273
Result before tax	(12,106)	(23,819)
Income tax	(1,929)	(4,700)
Result from continuing operations	(10,177)	(19,119)
Result from discontinued operations	-	-
Net result	(10,177)	(19,119)
Attributable to:		
- Non-controlling interests	3	(6)
- Parent Company shareholders	(10,180)	(19,113)
Earnings per share of continuing operations (expressed in Euro units)	(0.039)	(0.074)
Diluted earnings per share of continuing operations (expressed in Euro units)	(0.039)	(0.073)
Net earnings per share (in Euro units)	(0.039)	(0.074)
Diluted net earnings per share (in Euro units)	(0.039)	(0.073)

Consolidated comprehensive income statement

(Euro/thousands)	31 March 2021	31 March 2020
Net result	(10,177)	(19,119)
<i>Items reclassifiable to income statement</i>		
Profit (loss) deriving from the translation of currency denominated financial statements of foreign companies	1,041	590
Other profit (loss) from equity-accounted investees	151	5
Effective part of profit (loss) on cash flow hedge instruments (cash flow hedge)	90	15
Profit (loss) from held-for-sale assets (fair value)	-	-
Tax effect on other profit (loss) reclassifiable to income statement	(22)	(40)
<i>Items reclassified to income statement</i>		
Profit (loss) on cash flow hedge instruments	-	75
Profit (loss) from held-for-sale assets (fair value)	-	-
Tax effect on other profit (loss) reclassified to income statement	-	18
<i>Items not reclassifiable to income statement</i>		
Actuarial profit (loss)	(24)	26
Tax effect on other profit (loss) not reclassifiable to income statement	29	(2)
Total other profit (loss) net of tax effect	1,265	687
Comprehensive result for the period	(8,912)	(18,432)
Attributable to:		
- Non-controlling interests	3	(6)
- Parent Company shareholders	(8,915)	(18,426)

For the Board of Directors
The Chairman
Marina Berlusconi