INTERIM MANAGEMENT STATEMENT AT 31 MARCH 2018

GRUPPO MONDADORI

ARNOLDO MONDADORI EDITORE S.p.A.

Share Capital € 67,979,168.40

Registered Office in Milan
Administrative Offices in Segrate (Milan)

INTERIM MANAGEMENT STATEMENT
AT 31 MARCH 2018

Arnoldo Mondadori Editore S.p.A.

CONTENTS

MONDADORI GROUP HIGHLIGHTS IN FIRST QUARTER 2018

(Euro/millions)	1Q 2018	1Q 2017	*Var.**
Mondadori Group			
Revenue	**253.4**	**271.6**	***(18.2)***
Adjusted EBITDA	**0.5**	**4.0**	***(3.5)***
% on revenue	*0.2%*	*1.5%*	
EBITDA	**(3.0)**	**2.3**	***(5.3)***
% on revenue	*(1.2%)*	*0.9%*	
EBIT	**(10.7)**	**(5.6)**	***(5.0)***
% on revenue	*(4.2%)*	*(2.1%)*	
Net result	**(13.6)**	**(9.2)**	***(4.4)***
Business Areas			
Revenue	**253.4**	**271.6**	***(6.7%)***
Books	73.4	72.6	*1.0%*
Retail	43.2	42.9	*0.9%*
Magazines Italy	70.2	81.2	*(13.6%)*
Magazines France	75.6	80.7	*(6.3%)*
Corporate & Shared Services	8.8	7.5	*16.4%*
Intercompany	(17.7)	(13.3)	33.2%
ADJ. EBITDA	**0.5**	**4.0**	***(3.5)***
Books	(0.8)	(2.9)	*2.1*
Retail	(1.9)	(2.1)	*0.2*
Magazines Italy	2.1	6.6	*(4.4)*
Magazines France	3.3	3.6	*(0.3)*
Corporate & Shared Services	(2.0)	(1.8)	*(0.2)*
Intercompany	(0.2)	0.7	*(0.9)*
Balance Sheet			
Equity	332.0	309.2	*7.4%*
Net financial position	(221.9)	(286.2)	*(22.5%)*
Human Resources			
End-of-period headcount	3,035	3,214	*(5.6%)*

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

COMPOSITION OF CORPORATE BODIES

*Board of Directors**

Chairman
Marina Berlusconi

CEO
Ernesto Mauri

Directors
Pier Silvio Berlusconi
Paolo Ainio
Elena Biffi**
Francesco Currò
Martina Forneron Mondadori**
Danilo Pellegrino
Roberto Poli
Oddone Pozzi
Angelo Renoldi**
Mario Resca
Cristina Rossello**
Patrizia Michela Giangualano**

*Board of Statutory Auditors**

Chairman
Sara Fornasiero

Standing Auditors
Ezio Simonelli
Flavia Daunia Minutillo

Substitute Auditors
Francesco Vittadini
Annalisa Firmani
Mario Civetta

** 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*

MONDADORI GROUP STRUCTURE

ARNOLDO MONDADORI EDITORE S.P.A.

Books	Retail	Magazines Italy	Magazines France	Other business
Mondadori Libri S.p.A. **100%**	Mondadori Retail S.p.A. **100%**	AdKaora S.r.l. **100%**	Mondadori France S.a.s. **100%**	Società Europea di Edizioni S.p.A. **36,89%**
Giulio Einaudi editore S.p.A. **100%**		Mondadori International Business S.r.l. **100%**		Monradio S.r.l. **20%**
Edizioni EL S.r.l. **50%**		Attica Publications S.A. **41,98%**		
Mondadori Education S.p.A. **100%**		Press-di S.r.l. **100%**		
Mondadori Electa S.p.A. **100%**		Mondadori Scienza S.p.A. **100%**		
Rizzoli Education S.p.A. **99,99%**		Press-di Abbonamenti S.p.A. **100%**		
Mach 2 Libri S.p.A.* **44,91%**		Mediamond S.p.A. **50%**		
		Mondadori Seec (Beijing) Advertising Co.Ltd **50%**		

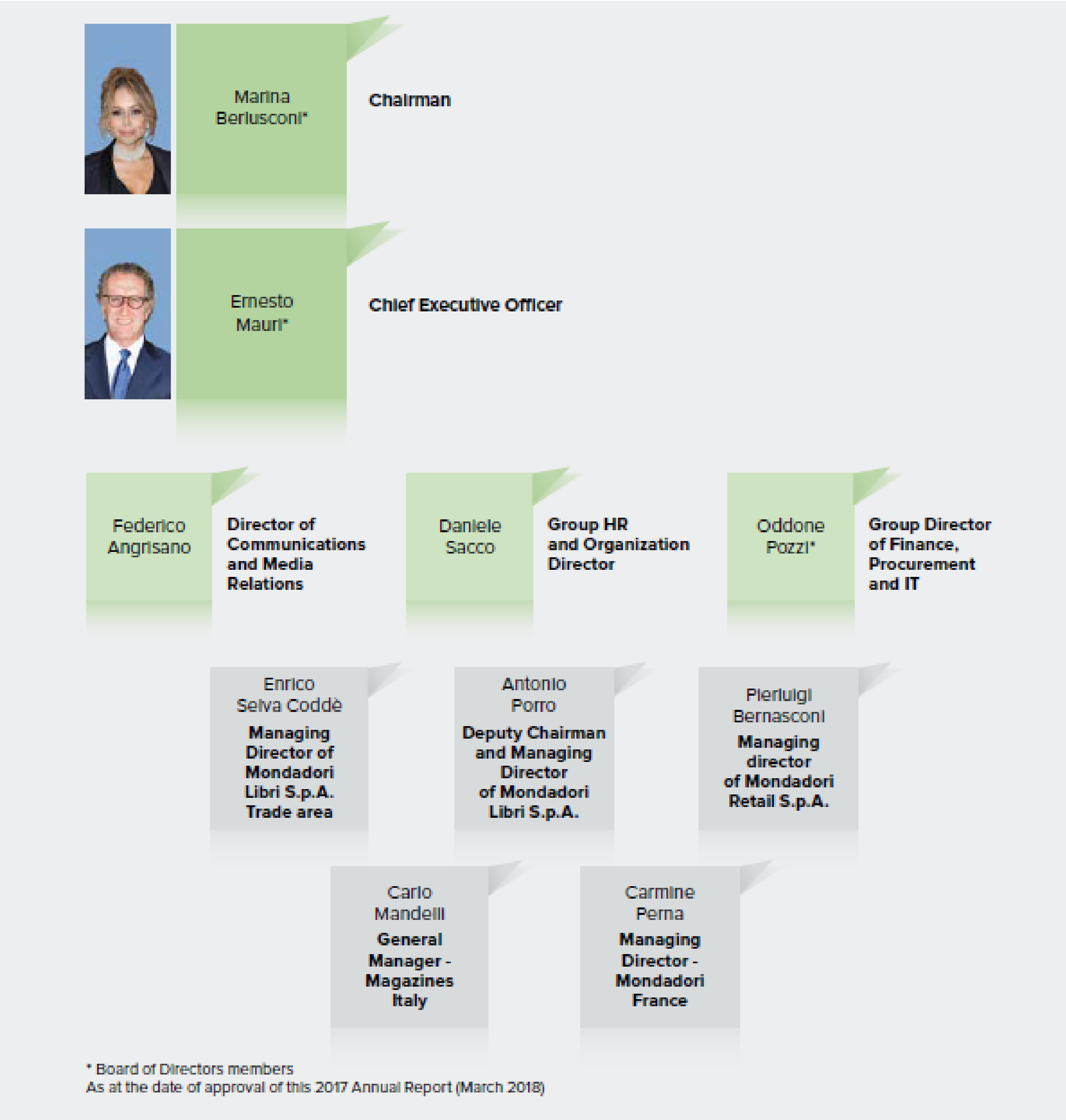
Legenda:

Affiliated companies | Subsidiary companies

** Put into liquidation on 15 March 2018.*

As at 15 May 2018.

MONDADORI GROUP ORGANIZATION CHART



**Members of the Board of Directors*

DIRECTORS' REPORT ON OPERATIONS AT 31 MARCH 2018

CONSOLIDATED RESULTS IN FIRST QUARTER 2018

Euro/millions	1Q 2018	% growth on revenue	1Q 2017	% growth on revenue	Var. %
Revenue from sales and services	**253.4**	*100.0%*	**271.6**	*100.0%*	*-6.7%*
Cost of sold items	69.0	*27.2%*	71.9	*26.5%*	*-4.0%*
Variable costs	105.8	*41.7%*	111.1	*40.9%*	*-4.8%*
Fixed costs	24.2	*9.5%*	28.5	*10.5%*	*-15.2%*
Cost of personnel	58.0	*22.9%*	60.9	*22.4%*	*-4.8%*
Other costs/(income)	-4.1	*-1.6%*	-4.8	*-1.8%*	*-15.8%*
Adjusted EBITDA	**0.5**	*0.2%*	**4.0**	*1.5%*	*-87.3%*
Restructuring costs	-3.4		-1.4		*n.m.*
Positive/(negative) extraordinary items	-0.1		-0.3		*-48.2%*
EBITDA	**-3.0**	*-1.2%*	**2.3**	*0.9%*	*n.m.*
Amortization, depreciation and impairment	7.7	*3.0%*	8.0	*2.9%*	*-3.6%*
EBIT	**-10.7**	*-4.2%*	**-5.6**	*-2.1%*	*n.m.*
Net financial income (costs)	-1.5	*-0.6%*	-3.4	*-1.3%*	*-56.6%*
Result - associates	-2.8	*-1.1%*	-0.5	*-0.2%*	*n.m.*
Income (costs) from other investments	0.0	*0.0%*	0.0	*0.0%*	
Result before taxes for the period	**-14.9**	*-5.9%*	**-9.5**	*-3.5%*	*n.m.*
Income taxes	-2.1	*-0.8%*	-1.0	*-0.4%*	*n.m.*
Result attributable to non-controlling interests	0.7	*0.3%*	0.6	*0.2%*	*21.2%*
Result from continuing operations	**-13.6**	*-5.4%*	**-9.2**	*-3.4%*	*n.m.*
Result from discontinued operations	0.0	*0.0%*	0.0	*0.0%*	
Net result	**-13.6**	*-5.4%*	**-9.2**	*-3.4%*	*n.m.*

Beginning from 1 January 2018 (and to provide a consistent presentation, also for 2017), the Group has adopted the new IFRS 15 - Revenue from Contracts with Customers *- revenue recognition standard, which applies to all contracts stipulated with customers, with the exception of those that fall within the scope of application of other IAS/IFRS standards such as leases, insurance contracts and financial instruments; the new standard provides for:*

- the booking of circulation revenue based on the cover price or, in any case, on the price actually paid by the purchaser, gross of all commissions paid. Accordingly and unlike the previous accounting treatment, the commission has been recognized separately as distribution cost, no longer as a reduction in revenue. Magazines Italy and France, as a result, saw an increase in revenue;

- the presentation of revenue from the distribution of third publishers' products, net of relating acquisition costs, previously booked in cost of sold items. The Books Area, as a result, saw a decrease in revenue.

The new IFRS 15 presents revenue and costs differently, with no effect on EBITDA.

Beginning from 2018, the result generated by associates (consolidated at equity), previously classified in adjusted EBITDA, is shown under EBIT; for consistency, 2017 has been reclassified accordingly.

ALTERNATIVE PERFORMANCE MEASURES

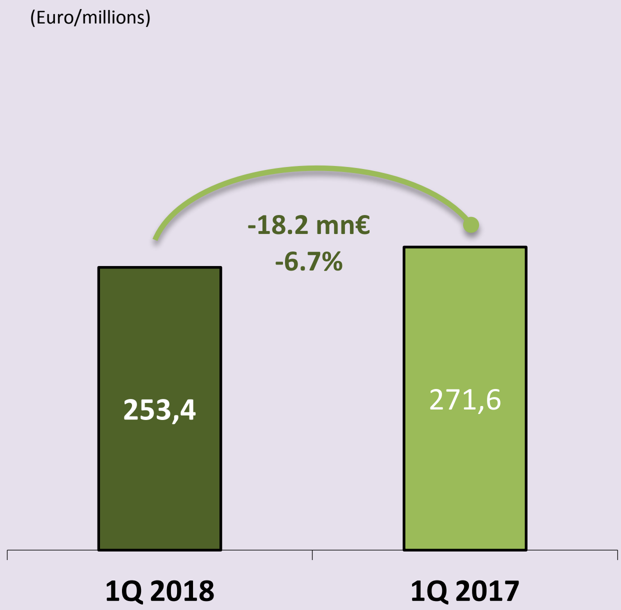
This document, in addition to the statements and conventional financial measures required by IFRS, presents a number of reclassified statements and alternative performance measures in order to better evaluate the operating and financial performance of the Group, the definition of which is explained in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

INCOME STATEMENT

REVENUE

Consolidated revenue in first quarter 2018 amounted to approximately **€ 253 million**, down by 6.7% versus the prior year, due mainly to the performance of the Magazines areas, affected by the acceleration of the negative trends of the relevant markets, in terms of both circulation and advertising, and by a different timing of a number of initiatives.

In the Books Area, revenue in first quarter 2018 **grew by 1%,** driven in particular by the positive performance of the Educational area.

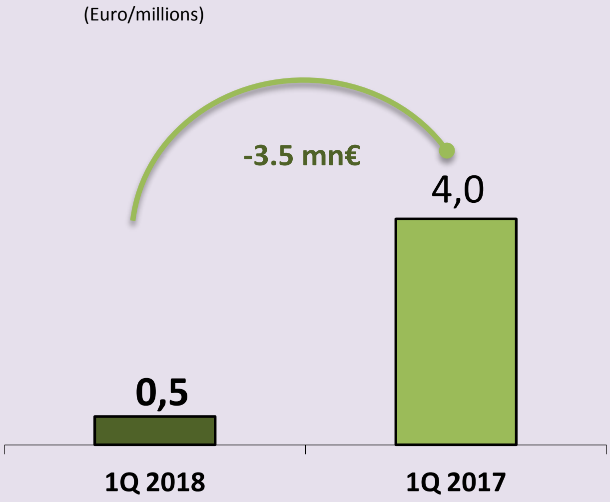


Revenue by Business Area *(Euro/millions)*	**1Q 2018**	**1Q 2017**	***Var. %***
Books	73.4	72.6	*1.0%*
Retail	43.2	42.9	*0.9%*
Magazines Italy	70.2	81.2	*(13.6%)*
Magazines France	75.6	80.7	*(6.3%)*
Corporate & Shared Services	8.8	7.5	*16.4%*
Total aggregate revenue	**271.1**	**284.9**	***(4.8%)***
Intercompany revenue	(17.7)	(13.3)	*33.2%*
Total consolidated revenue	**253.4**	**271.6**	***(6.7%)***

EBITDA

Adjusted EBITDA in first quarter 2018 amounted to **€ 0.5 million** (versus € 4.0 million in first quarter 2017) - the drop referring to Magazines Italy (€ -4.4 million) where the ongoing actions to cut operating and structural costs only partly mitigated the decline in revenue triggered by the trend of the traditional markets. Additionally, the different timing of a number of initiatives (related mainly to events) versus the prior year increased the decline even further.

The **Books** Area, instead, reported a **sharp rise** in the period, thanks to further operating efficiencies arising from the integration of Rizzoli Libri, and to lower logistics costs following the outsourcing process completed in 2017.



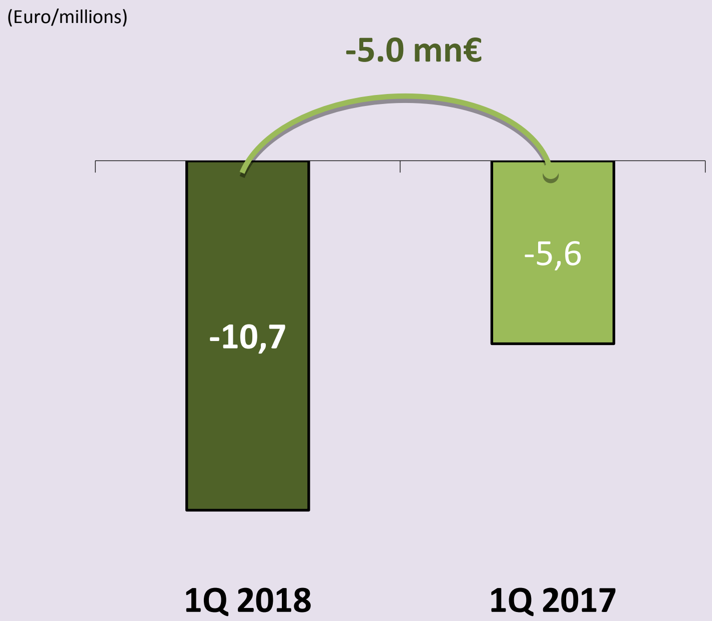
Adjusted EBITDA by Business Area			
(Euro/millions)	**1Q 2018**	**1Q 2017**	***Var.***
Books	(0.8)	(2.9)	*2.1*
Retail	(1.9)	(2.1)	*0.2*
Magazines Italy	2.1	6.6	*(4.4)*
Magazines France	3.3	3.6	*(0.3)*
Corporate & Shared Services	(2.0)	(1.8)	*(0.2)*
Intercompany	(0.2)	0.7	*(0.9)*
Adjusted EBITDA	**0.5**	**4.0**	***(3.5)***

Consolidated EBITDA (down from € 2.3 million to € -3.0 million) reflects the operating drop, amplified by higher restructuring costs in the quarter versus 1Q 2017, attributable again to the performance of Magazines Italy.

Consolidated EBITDA by Business Area			
(Euro/millions)	**1Q 2018**	**1Q 2017**	***Var.***
Books	(1.0)	(3.1)	*2.2*
Retail	(2.1)	(2.9)	*0.8*
Magazines Italy	(0.8)	6.5	*(7.3)*
Magazines France	3.2	3.0	*0.2*
Corporate & Shared Services	(2.1)	(1.8)	*(0.3)*
Intercompany	(0.2)	0.7	*(0.9)*
Total EBITDA	**(3.0)**	**2.3**	***(5.3)***

EBIT

Consolidated EBIT at 31 March came to € -10.7 million versus € -5.6 million at 31 March 2017, and includes amortization, depreciation and impairment losses of € 7.7 million, down versus € 8.0 million in the prior year.



Consolidated EBIT by Business Area			
(Euro/millions)	**1Q 2018**	**1Q 2017**	***Var.***
Books	(3.8)	(5.8)	*2.0*
Retail	(2.9)	(3.8)	*0.9*
Magazines Italy	(1.8)	5.5	*(7.3)*
Magazines France	0.5	0.0	*0.5*
Corporate & Shared Services	(2.5)	(2.3)	*(0.2)*
Intercompany	(0.2)	0.7	*(0.9)*
Total EBIT	**(10.7)**	**(5.6)**	***(5.0)***

NET RESULT

The consolidated result before taxes came to € -14.9 million and included:

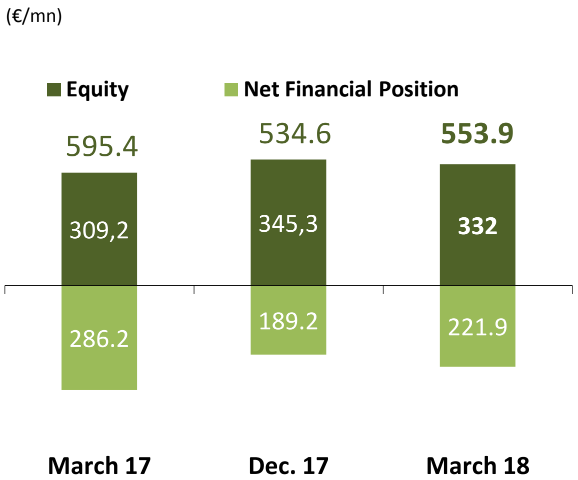
- the **sharp drop in financial charges** (from € 3.4 to € 1.5 million), as a result of an **average interest rate that has more than halved** versus the prior year (from **4.86%** to **2.19%**), and of a **lower average net debt**
- a negative performance by associates (consolidated at equity), down from € -0.5 million to € -2.8 million, due in particular to Mach2 Libri, active in the distribution of books in the Large Retailers channel and put into liquidation on 15 March 2018.

The total tax burden for the period was € -2.1 million (€ -1.0 million in 2017).

The net result came to € -13.6 million versus € -9.2 million at 31 March 2017.

FINANCIAL RESULTS

NET INVESTED CAPITAL

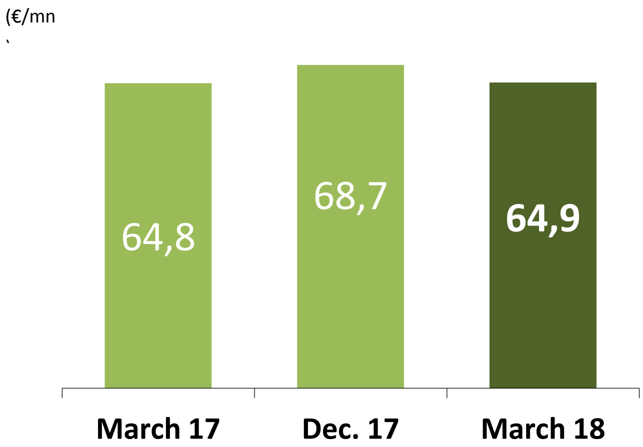


The **Group's net invested capital** at 31 March 2018 amounted to **€ 554 million**, **down** from € 595.4 million at 31 March 2017 (€ 581.4 million at end 2017), as a result of the effective management of the Net Working Capital, and of the disposals of assets made over the last 12 months.

At 31 March 2018, the **Group's net working capital** - net of provisions - was basically steady versus 31 March 2017, net of extraordinary items.

The **Group's net financial position** at 31 March 2018 stood at **€ -221.9 million**, **improving by approximately 22%** versus € -286.2 million at 31 March 2017, as a result of the Group's positive **cash generation from ordinary operations** of **approximately € 65 million** (while the extraordinary part in the period was basically neutral).

LTM CASH FLOW



At 31 March 2018, **cash flow from operations** in the last twelve months came to a positive **€ 85.3 million**; **cash flow** from **ordinary operations** (after outlays for financial charges, management of investments and taxes for the period) came to **€ 64.9 million**, confirming the path of **income and financial improvement of the Group**.

The **cash flow from extraordinary operations came to € -0.7 million** as a result of:

- net disposals for a total of € 11 million;

- restructuring costs of approximately € 12 million

PERFORMANCE BY BUSINESS AREA

(Euro/millions)	Revenue		Adjusted EBITDA		EBITDA		Amortization, depreciation and impairment		EBIT	
	1Q 2018	1Q 2017	1Q 2018	1Q 2017	1Q 2018	1Q 2017	1Q 2018	1Q 2017	1Q 2018	1Q 2017
Books	73.4	72.6	(0.8)	(2.9)	(1.0)	(3.1)	2.8	2.7	(3.8)	(5.8)
Retail	43.2	42.9	(1.9)	(2.1)	(2.1)	(2.9)	0.8	0.9	(2.9)	(3.8)
Magazines Italy	70.2	81.2	2.1	6.6	(0.8)	6.5	1.0	1.0	(1.8)	5.5
Magazines France	75.6	80.7	3.3	3.6	3.2	3.0	2.6	2.9	0.5	0.0
Corporate & Shared Services	8.8	7.5	(2.0)	(1.8)	(2.1)	(1.8)	0.4	0.4	(2.5)	(2.3)
Adjustments and cancellations	(17.7)	(13.3)	(0.2)	0.7	(0.2)	0.7			(0.2)	0.7
TOTAL	**253.4**	**271.6**	**0.5**	**4.0**	**(3.0)**	**2.3**	**7.7**	**8.0**	**(10.7)**	**(5.6)**

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**, **Rizzoli**, **BUR**, and **Fabbri Editori**.

In the **Educational** segment, the Group is present in the Italian school textbooks, legal, professional and university publishing market through the publications of Mondadori Education and of the Rizzoli Education brands (such as Fabbri, Etas, La Nuova Italia, Sansoni, and Tramontana), and in art and illustrated book publishing, management of museum concessions, and organization of exhibitions and cultural events through Mondadori Electa.

The Group is also active in the United States through Rizzoli International Publications under the Rizzoli Electa, Rizzoli New York and Universe brands.

Relevant market performance

The **Trade Books** market in the first three months of the year grew by **+4.1%**[1], due also to the time gap of the Easter holidays from the corresponding period of 2017. At April, the market grew by approximately 1%.

Sales channels continued the trends seen in the last quarters:

- bookstore chains (accounting for approximately 42% of the total market) **were basically steady** (-2% at April), while independent bookstores (approximately 25% of the market) fell by 1.3% (-3.1% at April);
- e-commerce **increased by +21.6%**, making for 24.1% of the total market (+15.4% at April);
- large retailers continued the downward, albeit more moderate, trend witnessed over the past few quarters, dropping by **-4.5%**, representing 8.2% of the market (-9.5% at April).

As to products, hardcovers (making for 83.0% of the market at 31 March) and paperbacks were both on the rise by **+4.7%** and **+1.1%** respectively, while in April their performance stood at +1% and -1.3% respectively.

Trade Market Shares

	30 March 2018	30 March 2017
Mondadori Group	**27.7%**	**29.1%**
GeMS Group	9.6%	10.4%
Giunti Group	8.9%	8.2%
Feltrinelli	4.9%	4.3%
Other	48.9%	48.0%

Source: GFK, March 2018 (figures in terms of market value)

[1] Source: GFK, March 2018 (figures in terms of market value)

The Trade Books Area of Mondadori Libri was, once again, market leader, boasting an overall **27.7% share** from 29.1% at 31 March 2017, due also to the ongoing downtrend of the Large Retailers channel, where the Group maintains a larger portion of the market(35.7% at March 2018), and despite the fact that the Group holds the top three positions and a total of **8 positions out of the ten bestselling titles** in terms of value in the first three months of the year:

#	Title	Author	Publisher
1	***Quando tutto inizia***	**Volo Fabio**	**MONDADORI**
2	***Storie della buonanotte per bambine ribelli 2. Ediz. a colori***	**Cavallo Francesca, Favilli Elena**	**MONDADORI**
3	***Origin***	**Brown Dan**	**MONDADORI**
4	***Il morso della reclusa***	**Vargas Fred**	**EINAUDI**
5	***Storie della buonanotte per bambine ribelli. Ediz. a colori***	**Cavallo Francesca, Favilli Elena**	**MONDADORI**
6	***Darker. Cinquanta sfumature di nero raccontate da Christian***	**James E. L.**	**MONDADORI**
7	*La ragazza delle perle. Le sette sorelle*	Riley Lucinda	GIUNTI EDITORE
8	*Wonder*	Palacio R. J.	GIUNTI EDITORE
9	***Sono sempre io***	**Moyes Jojo**	**MONDADORI**
10	***La grande truffa***	**Grisham John**	**MONDADORI**

Source: GFK, March 2018 (ranking in terms of cover value)

In the first quarter, the Educational segment is marked by the seasonal effects of the school textbooks business; as a result, the relevant market shares are still unavailable at 31 March 2018.

Performance of the Books Area

Books *(Euro/millions)*	**1Q 2018**	**1Q 2017**	***Var.***
Revenue	73.4	72.6	*0.7*
Adjusted EBITDA	(0.8)	(2.9)	*2.1*
EBITDA	(1.0)	(3.1)	*2.2*
EBIT	(3.8)	(5.8)	*2.0*

Revenue

(Euro/millions) **Books Revenue**	**3 months 2018**	**3 months 2017**	***Var. %***
Total TRADE	**48.5**	**52.2**	***(7.0%)***
EDUCATION	**5.6**	**4.4**	***27.3%***
Mondadori Electa	11.3	8.5	*33.0%*
Rizzoli International Publications	5.6	5.6	*0.9%*
Intercompany	-0.3	0.0	
Total EDUCATIONAL	**22.2**	**18.5**	***20.2%***
Distribution and other services	2.6	1.9	*36.8%*
Total revenue	**73.4**	**72.6**	***1.0%***

Revenue in first quarter 2018 amounted to **€ 73.4 million**, up by **1%** versus the same period of 2017, driven by the positive performance of the **Educational Area** (**approximately +20%**):

- **Trade Books Revenue**: revenue generated by Trade in the first three months (€ 48.5 million) fell by 7% versus the same period last year, due mainly to the continued strategy of selective production of new titles, aimed at increasing profitability, and to the drop affecting the Large Retailers channel where the Group holds a significant market share.

- **Revenue from Education**: in first quarter 2018, the segment saw **revenue grow by 20.2%** versus the same period of 2017 (€ 18.5 million).

  - **Education:** the school textbooks business reported **overall revenue of € 5.6 million**, **up by 27.3%** versus € 4.4 million in the same period last year. The performance in the first quarter, in light of the seasonal nature of this business, does not reflect the expected performance for the entire year.
  - **Mondadori Electa** achieved **revenue of € 11.3 million** in first quarter 2018, **a sharp rise by 33.0%** versus the prior year, as a result of the positive performance reported in both activities:

    - **management and organization of exhibitions**: the period under review reported a positive performance of the exhibitions *Toulouse Lautrec* at Palazzo Reale in Milan, which ended in March, and of Raffaello in Bergamo.
    - **Publication of books and catalogues**: mention in this area should be made of the success of Iris Ferrari's *Una di voi*, in the top ten for six weeks, the launch of new titles such as the very first novel by Favij (*The Cage*), the new book of the *coach star* series (S. Aranzulla) and *Fatto in casa* by Benedetta Parodi.

  - **Rizzoli International Publications** achieved revenue of **€ 5.6 million** in the quarter (+0.9% versus 2017), comprising retail sales from the Rizzoli bookstore in New York, delivering a positive performance in the sale of titles from the back list in particular.

EBITDA

Adjusted EBITDA of the Books Area came to **€ -0.8 million**, **improving significantly** versus the same period last year (€ -2.9 million), as a result of further operating efficiencies arising from the integration of Rizzoli Libri, of the management streamlining process undertaken in recent years, relating in particular to the reduction in published titles and relating average number of copies, and of lower logistics costs following the outsourcing process completed in 2017.

EBITDA amounted to **€ -1 million**, confirming the above growth versus the prior year (€ -3.1 million at 31 March 2017).

RETAIL

The Mondadori Group operates in Italy with a network of approximately 580 bookshops composed of directly-managed bookstores, megastores, franchised bookshops (including under the *Mondadori Point* sign), in addition to shop-in-shops, the web channel (www.mondadoristore.it) and book clubs.

Relevant market performance

The relevant market for the Retail Area is **books** (**approximately 82% of revenue**[2]), which grew in the quarter (**+4.1%**) versus the prior year,[3] due also to the time gap of the Easter holidays from the corresponding period of 2017. At April, the market grew by approximately 1%.

In the period under review, the **market share** of Mondadori Retail in the Books stood at **14.1%** (14.2% at 31 March 2017).

Mondadori Retail network trend

STORES	**Mar. 2018**	**Dec. 2017**	***Var. 1Q18***	**Mar. 2017**
Megastores	7	8	*-1*	11
Directly-managed bookstores	23	23		20
Franchised bookstores	553	565	*-12*	543
TOTAL	**583**	**596**	**-13**	**574**

Performance of the Retail Area

Retail *(Euro/millions)*	**1Q 2018**	**1Q 2017**	***Var.***
Revenue	43.2	42.9	*0.4*
Adjusted EBITDA	(1.9)	(2.1)	*0.2*
EBITDA	(2.1)	(2.9)	*0.8*
EBIT	(2.9)	(3.8)	*0.9*

<u>Revenue</u>

[2] Store revenue on a like-for-like basis

[3] Source: GFK, March 2018 (figures in terms of market value)

In the first three months of the year, the Retail Area posted revenue of € 43.2 million, **up by approximately 1%** versus the same quarter of the prior year, with **Books growing by 3.6%**, thanks also to the friendly schedule which in 2018 included sales made during the Easter holidays.

(Euro/millions) **Retail**	**1Q 2018**	**1Q 2017**	***Var. %***
Directly-managed bookstores	7.8	7.5	*4.0%*
Megastores	9.3	10.0	*(7.0%)*
Franchised bookstores	18.4	17.4	*5.0%*
Online	4.0	3.6	*10.0%*
Stores	**39.5**	**38.5**	***2.6%***
Book clubs and other	3.8	4.3	*(11.6%)*
Total revenue	**43.2**	**42.9**	***0.9%***

Revenue from **Stores** increased by **2.6%** versus the first three months of 2017.

The analysis by channel shows the following:

- a 4.0% **increase** by directly-managed bookstores, driven by the positive performance of Books (+2.5% on a like-for-like basis in terms of stores);
- a 7% drop by Megastores, due not only to the shrinking sales in Consumer Electronics, but also to the closure of the Palermo and San Pietro all'Orto stores, net of which the performance would stand at +3.6%. **The Books category, on a like-for-like basis in terms of stores, achieved a positive performance of 5%**;
- a **positive performance by Franchised Bookstores,** up by 5% also on a like-for-like basis in terms of stores;
- a **10% growth** by online;
- a drop by the book clubs, in line with last year's trend.

EBITDA

In the first three months of the current year, Mondadori Retail **improved its adjusted EBITDA to reach € 1.9 million** (€ -2.1 million at 31 March 2017), driven by the first results of the rationalization project regarding directly-managed stores, despite the targeted reduction in Consumer Electronics product sales.

EBITDA came to **€ -2.1 million**, rebounding sharply versus the three months of 2017 (€ -2.9 million), as a result of lower restructuring costs.

MAGAZINES ITALY

Relevant market performance

Relevant markets in the first months of 2018 reported a strong downward trend.

- The advertising market was dropped slightly overall (-1.3%), the downturn involving the whole range of print media, specifically: newspapers (-9.3%) and magazines (-11%); the Internet market closed in positive territory (+2.5%)[4].
- The magazine circulation market dropped by 9.3%, affecting both the newsstand and subscription channels; in this context, Mondadori retained its **market leadership** with a **30.8%** share (31.2% at March 2017)[5].
- The add-ons market plummeted (-19.5%), continuing the downtrend reported in 2017.

Performance of Magazines Italy

Magazines Italy *(Euro/millions)*	**1Q 2018**	**1Q 2017**	***Var.***
Revenue	70.2	81.2	*(11.1)*
Adjusted EBITDA	2.1	6.6	*(4.4)*
EBITDA	(0.8)	6.5	*(7.3)*
EBIT	(1.8)	5.5	*(7.3)*

Revenue

Magazines Italy posted **revenue of € 70.2 million**, down by 13.6% versus the same period last year, due also to the sharp drop in add-on sales.

(Euro/millions) **Magazines Italy**	**1Q 2018**	**1Q 2017**	***Var. %***
Circulation	30.2	33.0	*(8.4%)*
Advertising	16.0	18.1	*(11.6%)*
Add-on sales	11.6	16.6	*(30.2%)*
Distribution and revenue towards third publishers	8.8	8.9	*(0.8%)*
Other revenue	3.5	4.6	*(23.8%)*
Total revenue	**70.2**	**81.2**	***(13.6%)***

[4] Source: Nielsen, cumulative figures at March 2018

[5] Internal source: Press-Di, cumulative figures in terms of value at March 2018 (newsstands + subscriptions)

- **Circulation** revenue (newsstands + subscriptions) lost 8.4%, slightly better than the relevant market trend in both the newsstand and subscription channels. The contribution of the new publications *Giallo Zafferano* and *Spy* offset the discontinued issues of a number of TV and Entertainment magazines (one issue less in January).
- **Advertising** revenue (print + web) **fell by 11.6%**; web advertising sales were steady versus first quarter 2017, while print sales also reflect the different timing of a number of initiatives linked to local-based events (the *Panorama d'Italia* tour in particular).
- Revenue from **add-on products** (DVDs, CDs, books and gadgets), sold in attachment to Mondadori magazines**,** dropped sharply (approximately -30%) versus the same period of 2017, especially in the Home Video and music products categories, which benefited in the first quarter last year from the enduring success of a number of releases launched in the last quarter of 2016.
- **Press-Di distribution and revenue towards third parties** was basically steady versus the prior year (-0.8%), thanks to the ongoing commitment to developing distributed third-publisher portfolios, which outperformed the market trend.
- Other revenue includes:
  - **international operations**, which achieved revenue of € 1.0 million in the reporting period, down from € 1.1 million reported in the first three months of 2017, as a result of the drop in licensing activities;
  - revenue from ***Digital Marketing Service*** activities (€ 3.0 million) dropped by approximately 25%, as a result of the negative performance of Inthera (sold on 2 May 2018).

The **Mondadori Group** reaches a **unique audience of 17.6 million users/month**[6], up by 7% versus 2017, retaining its position as **Italy's top traditional publisher also in the digital business**, boasting a supremacy in key vertical segments such as women, food, health & wellness.
ComScore reported a Group audience of **26.9 million unique users/month** at February 2017.

EBITDA

Adjusted EBITDA in the **Magazines Italy** Area reported a **negative trend versus first quarter 2017**, due mainly to the drop in revenue triggered by the trend of the relevant markets, only partly alleviated by the ongoing cost actions, and to the different planning of a number of initiatives. The digital area continued to improve and confirmed the increase in adjusted EBITDA also in the reporting period.

The Area's **reported EBITDA** (€ -0.8 million from € 6.5 million) deteriorated further, due to the higher restructuring costs in the period from the necessary accelerated structural reduction process.

[6] Source: Audiweb, January-February 2018 average figure

MAGAZINES FRANCE

Relevant market performance

In the period under review, Mondadori France's relevant markets continued to decline versus the prior year:

- in sales in the newsstand channel (**-5.2%** at February)[7];
- in print advertising sales (**-9.9%** at February)[8].
  In the reporting period, Mondadori France held a **9.0%** share[9], basically steady versus the prior year and positioned as third top player on the magazine advertising market;
- in digital advertising sales (**-2.5%** at February)[10].

Performance of Magazines France

Magazines France *(Euro/millions)*	**1Q 2018**	**1Q 2017**	***Var.***
Revenue	75.6	80.7	*(5.1)*
Adjusted EBITDA	3.3	3.6	*(0.3)*
EBITDA	3.2	3.0	*0.2*
EBIT	0.5	0.0	*0.5*

Revenue

In first quarter 2018, revenue from Mondadori France amounted to **€ 75.6 million**, down by 6.3% versus the same period of 2017.

(Euro/millions) **Magazines France**	**1Q 2018**	**1Q 2017**	***Var. %***
Circulation	58.3	62.5	*(6.6%)*
Advertising	13.4	14.8	*(9.2%)*
Other revenue	3.9	3.5	*12.0%*
Total revenue	**75.6**	**80.7**	***(6.3%)***

Circulation revenue, accounting for approximately 75% of the total, fell by **-6.6%** versus the prior year.
First quarter 2018 reported the positive trend of the recent launch of *Dr. Good* and *Tirmag*, the first title reaching 193,000 copies sold of the issue in the first two months of 2018.

[7] Source: Mondadori France + Presstalis, figure at February 2018
[8] Source: Kantar Media, cumulative figures in terms of value at February 2018
[9] Source: Kantar Media, cumulative figures in terms of volume at February 2018
[10] Source: SRI, figure at February 2018

Revenue from the sale of digital copies grew sharply in the quarter versus 2017 (**+127%**), driven by the increased number of partnerships with French telco players to offer Mondadori France brands to their subscriber base.

Advertising revenue fell by an overall **-9.2%** versus the same period of 2017; print advertising, accounting for **86%** of total advertising revenue, dropped by **-6.2%** in the reporting period, lower than the drop reported by the relevant market (-9.9%).

EBITDA

Adjusted EBITDA came to € **3.3 million**, down from € 3.6 million in the first three months last year.
Net of the contribution in first quarter 2017 of *NaturaBuy* (sold in May 2017), the result was basically steady, thanks to the effective actions launched in 2017 to contain industrial costs, and to the reorganization of the Advertising and Digital teams that started to produce benefits, fully offsetting the decline in revenue triggered by the trend of the markets.

Reported EBITDA amounted to **€ 3.2 million**, up by approximately 7% versus first quarter 2017, as a result of lower restructuring costs incurred.

CORPORATE & SHARED SERVICES

The **Corporate & Shared Services** segment includes - besides the Group's top management organizations - Parent Company 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, IT, Human Resources, Legal and Corporate Affairs, and External and Institutional Relations.

Revenue refers mainly to amounts billed to subsidiaries and associates as well as other entities using the above services.

Also included are the results of the minority interests in Monradio S.r.l. (20%) and Società Europea di Edizioni S.p.A., publisher of the daily *Il Giornale*.

Adjusted EBITDA of the **Corporate & Shared Services** Area came to an overall € -2.0 million versus € -1.8 million in first quarter 2017, dropping slightly because of the adjustment to Regulation (EU) 2016/679 of the European Parliament, known as GDPR (General Data Protection Regulation), on the protection of natural persons with regard to the processing and free movement of personal data.

These amounts of first quarter 2017 and 2018 are confirmed also if one includes non-ordinary items.

BALANCE SHEET

The overall average cost of net debt of the Mondadori Group at 31 March 2018 was **2.19%**, **decreasing significantly** from 4.86% in March 2017, due to the renegotiation of the committed lines in December 2017.

The overall **credit lines** available to the Group at 31 March 2018 amounted to **€ 633.8 million**, € 450 million of which committed, unchanged versus 31 December 2017.

The Group's short-term loans, totaling € 183.8 million, € 20.0 million of which drawn down at 31 March, included overdraft credit lines on current accounts, advances subject to collection and "hot money" flows.

At 31 March 2018, the **€ 450.0 million** pool consisted of:

(Euro/millions)	Bank pool		of which: unutilized
Term Loan A	150.0	(1)	-
Term Loan B	100.0	(2)	-
RCF	100.0	(3)	100.0
Acquisition Line C	100.0	(4)	100.0
Total loans	**450.0**		**200.0**

1) Maturity dates: € 15.0 million December 2018, € 17.5 million December 2019, € 22.5 million December 2020, € 27.5 million December 2021, € 67.5 million December 2022

(2) Maturity dates: (a) bullet 30/6/2019, or (b) where the extension option in favour of Mondadori is exercised, € 5.0 million December 2019 and December 2020, € 7.5 million December 2021, € 82.5 million December 2022

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

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

The Mondadori Group's net financial position at 31 March 2018 stood at € -221.9 million, dropping sharply versus € -286.2 million at March 2017 (the comparison with € -189.2 million at December 2017, is affected by the seasonal nature of the business).

Net financial position (Euro/millions)	**Euro/millions 31 March 2018**	**Euro/millions 31 March 2017**	**Euro/millions 31 December 2017**
Cash and cash equivalents	45.1	52.9	66.6
Assets (liabilities) from derivative instruments	(0.3)	(1.2)	(0.3)
Other financial assets (liabilities)	(1.5)	(11.3)	(10.0)
Loans (short and medium/long term)	(265.2)	(326.6)	(245.4)
Net financial position	**(221.9)**	**(286.2)**	**(189.2)**

The Group's net financial position and the relating LTM cash flow are detailed below:

LTM (€mn)	Mar. 18	Dec. 17
NFP beginning of period	**(286.2)**	**(263.6)**
Adjusted EBITDA	107.0	110.5
Dividends minorities	(3.3)	(3.3)
Change in NWC + provision	(1.1)	3.3
CAPEX	(17.3)	(17.2)
Cash flow from operations	85.3	93.4
Financial costs	(12.1)	(14.0)
Management of investments in associates	(1.8)	(3.1)
Taxes	(6.5)	(7.6)
Cash flow from ordinary operations	**64.9**	**68.7**
Restructuring costs	(12.5)	(13.8)
Extraordinary tax amounts / prior years	0.9	6.8
Acquisition/disposal of assets	10.9	12.6
Cash flow from extraordinary operations	(0.7)	5.6
Total Cash Flow	64.3	74.3
NFP end of period	**(221.9)**	**(189.2)**

In the last twelve months, the Group's net financial position improved by approximately € 64 million, with net financial debt decreasing to reach **€ 222 million** versus € -286.2 million at 31 March 2017.

Cash generation in the last 12 months is structured as follows:

- **cash flow from ordinary operations** stood at **€ 64.9 million**, € 85.3 million of which from operations minus taxes and financial costs of approximately € 19 million, and the management of investments in associates. Cash flow from operations is the result of operating activities net of non-ordinary items, which came to a positive € 107 million, alleviated by capital expenditure of approximately € 17 million and by a basically steady net working capital (including provisions);
- **cash flow from extraordinary operations came to approximately € 1 million** and included in particular:
  - the net positive impact of approximately € 11 million from the **disposal** of *NaturaBuy* by Mondadori France, and from the outsourcing of logistics activities, which included the disposal of the related property completed in May 2017;
  - cash-outs for **restructuring costs** of € 12.5 million.

Trend of key balance sheet figures:

	Mar. 18	Dec. 17	Mar. 17	18A vs 17A
Trade receivables	246.8	298.0	247.4	*-0.2%*
Inventory	138.2	127.6	151.4	*-8.7%*
Trade payables	(370.8)	(416.3)	(378.6)	*-2.1%*
Other assets/ (liabilities)	1.5	(12.1)	3.7	*-58.5%*
NWC	15.8	(2.8)	23.9	*-34.0%*
Intangible assets	594.6	593.0	611.8	*-2.8%*
Property, plant and equipment	25.6	26.9	31.7	*-19.3%*
Investments	37.3	38.0	42.5	*-12.2%*
NET FIXED ASSETS	657.5	657.9	686.0	*-4.2%*
Provisions and post-employment benefits	(119.4)	(120.6)	(114.5)	*4.2%*
NET INVESTED CAPITAL	**553.9**	**534.6**	**595.4**	***-7.0%***
Share capital	68.0	68.0	68.0	*0.0%*
Reserves	247.4	246.9	219.3	*12.8%*
Profit (loss) for the period	(13.6)	30.4	(9.2)	*47.9%*
Minorities equity and reserves	30.2	0.0	31.1	*-2.7%*
EQUITY	332.0	345.3	309.2	*7.4%*
NET FINANCIAL POSITION (DEBT)	221.9	189.2	286.2	*-22.5%*
TOTAL EQUITY	**553.9**	**534.6**	**595.4**	***-7.0%***

PERSONNEL

Human resources

At 31 March 2018, Group employees with a fixed-term and permanent labour contract amounted to **3,035 units**, **down by 5.6%** versus 3,214 units at 31 March 2017, as a result of the disposal of the logistics activities in May 2017, and of the ongoing restructuring and efficiency improvement measures involving each of the Group's business areas.

Net of the outsourcing of logistics, **the drop would amount to around 2.6%**.

Employees at 31 March 2018:

	31 March 2018	31 March 2017
Arnoldo Mondadori Editore S.p.A.:		
- Managers, journalists, office staff	984	930
- Blue collars	6	5
	990	**935**
Italian subsidiaries:		
- Managers, journalists, office staff	1,238	1,339
- Blue collars	8	95
	1,246	**1,434**
Foreign subsidiaries:		
- Managers, journalists, office staff	799	845
- Blue collars	-	-
	799	**845**
Total	**3,035**	**3,214**

Headcount by Business Area	31 March 2018	31 March 2017	Var. %
Books	637	755	*(15.6%)*
Magazines Italy	776	768	*1.0%*
Magazines France	752	799	*(5.9%)*
Retail	406	437	*(7.1%)*
Corporate & Shared Services	464	455	*2.0%*
Total	**3,035**	**3,214**	***(5.6%)***

In the **Books** Area, the sharp drop versus the first quarter of the prior year is attributable mainly to the disposal of Mondadori Libri's logistics business unit to CEVA Logistics Italia, with the resulting transfer of approximately 100 employees (approximately -3% net of this transaction).

Magazines Italy's trend reflects the acquisition of Direct Channel, leader in Italy in subscription selling, net of which the reduction would amount to -1%. The segment continued implementing the status of crisis through redundancy payments (CIGS) until 30 June 2018.

The drop reported by **Retail** was equally affected by the disposal of logistics activities to CEVA Logistics Italia, which involved the transfer of approximately 10 employees, and the effects of the closure of a number of stores (approximately -5% headcount).

The **Corporate & Shared Services** Area saw an approximately 2% increase in headcount, following centralization of the non-outsourced logistics activities, the insourcing from RCS MediaGroup of the IT services, as well as the current insourcing of the administrative activities of Rizzoli Libri; net of these effects, headcount would be down by approximately 4%.

Cost of personnel[11] in the first three months amounted to € 58.0 million, **down by approximately 5%** versus the same period of 2017, as a result of the ongoing reduction in headcount and of the outsourcing of logistics activities, completed on 1 May 2017. Net of the outsourcing of logistics, the organic drop in cost of personnel would amount to 2.5%.

	31/03/2018	**31/03/2017**	**Var. %**
Euro/millions			
Cost of personnel (before restructuring)	***58.0***	60.9	*(4.8%)*

[11] *Cost of enlarged personnel includes, as from 1 January 2017, costs for collaborations and temporary employment.*

SIGNIFICANT EVENTS IN THE REPORTING PERIOD

Creation of a single business area covering the Group's book activities

On 1 February 2018, the Mondadori Group adopted a new organizational structure hinged on a single business area covering the whole range of book activities, from the trade area to school textbooks, from illustrated books and international publications to art and exhibitions.

Head of the new area is Antonio Porro, who has also been appointed Deputy Chairman and Managing Director of Mondadori Libri S.p.A., a company chaired by Ernesto Mauri, CEO of the Group.

Acquisition of Direct Channel

On 6 February 2018, the Mondadori Group, through Press-Di Abbonamenti S.p.A., leader in Italy in subscription selling, expanded its offering and services for third-party publishers by acquiring Direct Channel, specialized in marketing-related database management and information systems through the development of management systems and CRM for magazine subscription selling and the planning of marketing and fundraising activities for important non-profit bodies.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

Appointment of new corporate bodies

On 24 April 2018, the Ordinary Shareholders' Meeting appointed the new corporate bodies of the Company:

APPOINTMENT OF THE BOARD OF DIRECTORS

The Meeting appointed the new Board of Directors; the 14 members will remain in office for three years until approval of the financial statements for the year ending 31 December 2020.

The Board was elected on the basis of the lists submitted by the shareholder Fininvest S.p.A., holder of 53.299% of the share capital for a total of no. 139,355,950 shares, and by a grouping of shareholders formed by asset management companies and institutional investors holding a total of no. 8,065,686 shares, equal to 3.084% of the share capital.

The members of the new Board of Directors are:

- **Marina Berlusconi** (Chairman), **Ernesto Mauri, Pier Silvio Berlusconi, Oddone Maria Pozzi, Paolo Guglielmo Ainio, Elena Biffi, Francesco Currò, Martina Forneron Mondadori, Danilo Pellegrino, Roberto**

Poli, Angelo Renoldi, Mario Resca, Cristina Rossello (from the majority list submitted by the shareholder Fininvest S.p.A.);

- **Patrizia Michela Giangualano** (from the minority list submitted by a group of shareholders formed by asset management companies and institutional investors).

The majority list received 69.245% of votes.

The Board of Directors of Arnoldo Mondadori Editore S.p.A., convened at the end of the Meeting and chaired by Marina Berlusconi, confirmed **Ernesto Mauri as CEO**, vesting him with the relevant powers of management.

In accordance with the provisions of the Corporate Governance Code, Ernesto Mauri was identified as "Director in charge of the internal control and risk management system".

Directors Elena Biffi, Angelo Renoldi, Cristina Rossello and Patrizia Michela Giangualano declared that they met the **independence requirements** set out in art. 148, par. 3, of Legislative Decree No. 58/1998 and in the Corporate Governance Code for Listed Companies.
Director Martina Forneron Mondadori declared that she met the independence requirements set out in art. 148, par. 3, of Legislative Decree no. 58/1998.
The composition of the Board of Directors complies with the provisions on gender equality set out in art. 147-ter, par. 1-ter, of Legislative Decree no. 58/1998.
The Board of Directors also appointed the members of the following committees in compliance with the principles established by the Governance Code adopted:

- **Control and Risk Committee:** Cristina Rossello, as Chairman (independent); Angelo Renoldi (independent); Patrizia Michela Giangualano (independent);
- **Remuneration and Appointments Committee**: Angelo Renoldi as Chairman (independent); Cristina Rossello (independent); Elena Biffi (independent);
- **Committee for Related Parties Transactions**: Angelo Renoldi, as Chairman (independent); Cristina Rossello (independent); Elena Biffi (independent).

The Board also confirmed, until expiry of its term, therefore, until approval of the financial statements for the year ending 31 December 2020:

- Cristina Rossello as Lead Independent Director;
- Oddone Maria Pozzi as Financial Reporting Manager.

The executive Directors are: Marina Berlusconi, Ernesto Mauri, Oddone Pozzi and Mario Resca.

The CVs of the members of the new Board of Directors and the additional documentation required by current legislation are available in the Governance section of www.mondadori.it.

APPOINTMENT OF THE BOARD OF STATUTORY AUDITORS

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

- **Sara Fornasiero** as **Chairman** (elected based on the minority list submitted by a group of shareholders formed by asset management companies and institutional investors);
- **Ezio Simonelli** and **Flavia Daunia Minutillo** as **Standing Auditors** (elected based on the majority list submitted by the shareholder Fininvest S.p.A.);
- **Francesco Vittadini** and **Annalisa Firmani** as **Alternate Auditors** (elected based on the majority list submitted by the shareholder Fininvest S.p.A.);
- **Mario Civetta** as **Alternate Auditor** (elected based on the minority list submitted by a group of shareholders formed by asset management companies and institutional investors).

The majority list received 85.558% of votes.

The Chairman of the Board of Statutory Auditors, Sara Fornasiero, declared that she met the independence requirements set out in art. 148, par. 3, of Legislative Decree no. 58/1998 and in the Corporate Governance Code for Listed Companies.

Standing Auditors Flavia Daunia Minutillo and Ezio Simonelli declared that they met the independence requirements set out in art. 148, par. 3, of Legislative Decree no. 58/1998.

The composition of the Board of Statutory Auditors complies with the provisions on gender equality set out in art. 148, par. 1-*bis* of Legislative Decree no. 58/1998.

The CVs of the members of the Board of Statutory Auditors and the additional documentation required by current legislation are available in the Governance section of www.mondadori.it.

Inthera disposal

On 2 May 2018, Arnoldo Mondadori Editore S.p.A. concluded an agreement on the transfer to HCI Holding of 100% of the share capital of Inthera S.p.A., specialized in strategy, planning and development of content & data driven marketing solutions, CRM, database analysis and management, for a price of € 1.8 million. The agreement contains a price adjustment clause equal to the difference between equity (net of fixed assets) at 12/31/2017 and equity at 30/04/2018.

In the most recently approved financial statements (2017), the company achieved revenue of € 11.1 million and adjusted EBITDA negative for € 1.8 million.

OTHER INFORMATION

Adhesion to the legislative simplification process adopted by Consob resolution No. 18079 of 20 January 2012. Disclosure pursuant to art. 70, par. 8, and art. 71, par. 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 art. 3 of Consob Resolution No. 18079 of January 20, 2012 and in relation to the provisions set out in art. 70, par. 8, and art. 71, par. 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 conventional statements and 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, or gross operating profit, is equal to earnings before interest, taxes, depreciation and amortization. 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 expenses of a non-ordinary nature such as:

(i) income and expenses from restructuring, reorganization and business combinations;

(ii) clearly identified income and expenses not directly related to the ordinary course of business;

(iii) as well as any income and expenses from non-recurring events and transactions as set out in Consob communication DEM6064293 of 28/07/2006.

With regard to adjusted EBITDA in first quarter 2017, the following items were excluded from EBITDA:

a) restructuring costs for a total of € 1.4 million, included in “Cost of personnel” in the income statement;

b) income and expenses of a non-ordinary nature for a total of € 0.3 million, included in “Cost of services” of € 0.2 million and in “Other (income) cost” for the remaining € 0.1 million in the income statement.

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

a) restructuring costs for a total of € 3.4 million, included in “Cost of personnel” in the income statement;

b) income of a non-ordinary nature for a total of € 0.1 million, included in “Cost of services” in the income statement.

Operating profit (**EBIT**): net result for the period before income taxes, and other income and expenses.

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 expenses, taxes paid in the period, and income/expenses 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

In light of the current relevant context and the results achieved in the first months of the year, the forecasts on **2018**, on a like-for-like basis, previously disclosed to the market, can be reasonably confirmed:

- **consolidated revenue slightly down**
- **Adjusted EBITDA basically steady**
- **profit** down versus 2017, which had included positive non-recurring items

while cash flow from ordinary operations is forecast at **around € 55-60 million, improving** from the previous € 50 million estimate.

For the Board of Directors

The Chairman

Marina Berlusconi

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

The Financial Reporting Manager

Oddone Pozzi

CONSOLIDATED BALANCE SHEET

INCOME STATEMENT AND
CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

CONSOLIDATED BALANCE SHEET

Assets (Euro/thousands)	31 March 2018	31 December 2017
Intangible assets	**594,586**	**593,004**
Investment property	**2,823**	**2,831**
Land and buildings	3,341	3,389
Plant and equipment	5,419	5,828
Other tangible assets	14,017	14,837
Property, plant and equipment	**22,777**	**24,054**
Investments booked at equity	36,434	37,139
Other investments	902	902
Total investments	**37,336**	**38,041**
Non-current financial assets	**1,784**	**1,772**
Pre-paid tax assets	**65,161**	**64,933**
Other non-current assets	**1,745**	**2,102**
Total non-current assets	**726,212**	**726,737**
Tax receivables	**26,083**	**29,373**
Other current assets	**100,955**	**86,945**
Inventory	**138,208**	**127,607**
Trade receivables	**246,843**	**298,012**
Other current financial assets	**8,102**	**1,683**
Cash and cash equivalents	**45,137**	**66,585**
Total current assets	**565,328**	**610,205**
Discontinued assets	**-**	**-**
Total assets	**1,291,540**	**1,336,942**

Liabilities (Euro/thousands)	31 March 2018	31 December 2017
Share capital	**67,979**	**67,979**
Share premium reserve	**-**	**-**
Treasury shares	**(1,669)**	**(1,654)**
Other reserves and profit/(loss) carried forward	**249,023**	**219,072**
Profit (loss) for the period	**(13,557)**	**30,417**
Group equity	**301,776**	**315,814**
Share capital and reserves attributable to non-controlling interests	**30,221**	**29,500**
Total equity	**331,997**	**345,314**
Provisions	**72,282**	**73,110**
Post-employment benefits	**47,106**	**47,505**
Non-current financial liabilities	**233,448**	**232,736**
Deferred tax liabilities	**60,052**	**60,597**
Other non-current liabilities	**-**	**-**
Total non-current liabilities	**412,888**	**413,948**
Income tax payables	**3,950**	**5,750**
Other current liabilities	**218,548**	**221,844**
Trade payables	**280,669**	**323,538**
Payables to banks and other financial liabilities	**43,488**	**26,548**
Total current liabilities	**546,655**	**577,680**
Discontinued liabilities	**-**	**-**
Total liabilities	**1,291,540**	**1,336,942**

CONSOLIDATED INCOME STATEMENT

(Euro/thousands)	- **31 March 2018**	- **31 March 2017**
Revenue from sales and services	**253,386**	**271,609**
Decrease (increase) in inventory	(10,858)	(8,157)
Cost of raw and ancillary materials, consumables and goods	44,036	43,787
Cost of services	168,774	179,446
Cost of personnel	57,229	57,908
Other (income) costs	(2,805)	(3,693)
EBITDA	**(2,990)**	**2,318**
Depreciation and impairment loss on property, plant and equipment	1,688	1,779
Amortization and impairment loss on intangible assets	5,984	6,181
Impairment loss on investments booked at equity and other enterprises	-	-
EBIT	**(10,662)**	**(5,642)**
Financial income (costs)	(1,477)	(3,400)
Income (costs) from investments	(2,787)	(492)
Result before taxes	**(14,926)**	**(9,534)**
Income taxes	(2,090)	(962)
Result from continuing operations	**(12,836)**	**(8,572)**
Result from discontinued operations	-	-
Net result	**(12,836)**	**(8,572)**
Attributable to:		
- Non-controlling interests	**721**	**595**
- Parent Company's shareholders	**(13,557)**	**(9,167)**
Net earnings per share (in Euro units)	(0.052)	(0.035)
Diluted net earnings per share (in Euro units)	(0.052)	(0.035)

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

(Euro/thousands)	- 31 March 2018	- 31 March 2017
Net result	**(12,836)**	**(8,572)**
Items reclassifiable to income statement		
Profit (loss) from the conversion of currency denominated financial statements of foreign companies	(534)	(405)
Other profit (loss) from companies measured at equity	(50)	84
Effective part of profit (loss) on cash flow hedge instruments (cash flow hedge)	2	186
Profit (loss) from held-for-sale assets (fair value)	-	-
Tax impact on other profit (loss) reclassifiable to income statement	-	155
Items reclassified to income statement		
Profit (loss) on cash flow hedge instruments	74	99
Profit (loss) from held-for-sale assets (fair value)	-	-
Tax impact on other profit (loss) reclassifiable to income statement	(18)	(24)
Items not reclassifiable to income statement		
Actuarial profit (loss)	(49)	(91)
Tax impact on other profit (loss) not reclassifiable to income statement	8	6
Total other profit (loss) net of tax effect	(567)	10
Comprehensive result for the period	**(13,403)**	**(8,562)**
Attributable to:		
- Non-controlling interests	**721**	**595**
- Parent Company's shareholders	**(14,124)**	**(9,157)**

For the Board of Directors

The Chairman

Marina Berlusconi