



# Results 9M09

Analysts' Meeting

12 November 2009



**MONDADORI**

# 9M09 in brief



- Market scenario: advertising investments, both in Italy and France, continue to fall, with few indications regarding future trends; slower decline in circulation than in previous months; ongoing decline for add-on sales; stability in the book market in terms of volume and growth in terms of value
- During the third quarter Mondadori put in place the conditions for forthcoming significant restructuring activities through agreements with both editorial and journalistic staff
- Like-for-like business results in the third quarter, excluding non-recurring and development and restructuring costs, amounted to €46m (-26.9%)

# Profit & Loss



€m

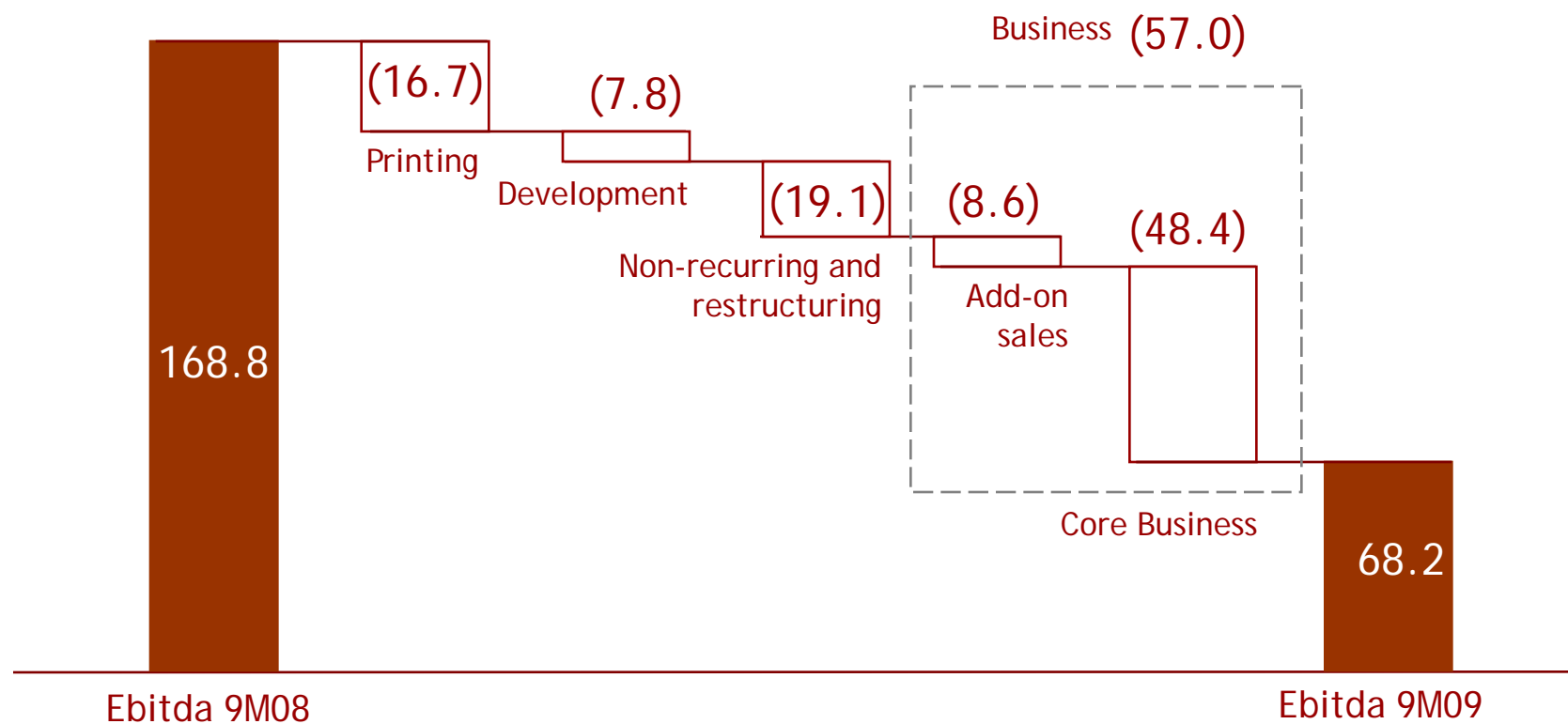
|                      | 9M08    | 9M09    | % change | Excluding Printing |
|----------------------|---------|---------|----------|--------------------|
| Revenues             | 1,368.1 | 1,114.3 | -18.6%   | -11.4%             |
| EBITDA               | 168.8   | 68.2    | -59.6%   |                    |
| <i>Ebitda margin</i> | 12.3%   | 6.1%    |          |                    |
| EBIT                 | 137.5   | 50.0    | -63.6%   |                    |
| <i>Ebit margin</i>   | 10.1%   | 4.5%    |          |                    |
| Pre-tax profit       | 104.5   | 50.0    | -52.2%   |                    |
| Net profit           | 58.8    | 27.1    | -53.9%   |                    |

# EBITDA changes



€m

During Q3 (16.9) -26.9% vs Q308



# Balance sheet



€m

|  | FY08    | 9M09    |
|--|---------|---------|
| Net debt                                 | (490.3) | (416.9) |
| Net assets                               | 509.1   | 533.1   |
| Net capital employed                     | 999.4   | 950.0   |
| Ratio of Net Working Capital to revenues | 10.1%   | 9.1%    |

## Changes in the Net financial position

|                           | (490.3) |
|---------------------------|---------|
| Gross cash flow           | 68.3    |
| Taxes                     | (21.2)  |
| Taxes paid                |         |
| Capex + extraordinary     | 8.4     |
| Severance indemnities     | (3.3)   |
| Provisions                | 8.0     |
| Working capital and other | 13.2    |
|                           | (416.9) |



During the year the group has engaged in intense financial restructuring efforts with the following aims:

- The annulment of a private placement: in order to guarantee flexibility in the debt structure
- The negotiation of new medium/long-term credit lines (€130m expiring in 2015)
- The re-negotiation of a €500m credit line (expiring in 2011) - *in progress*

With an average debt position of €511m, the balance of charges/income in the first nine months of 2006 was zero, thanks also to extraordinary income deriving from the debt restructuring deal

# Credit lines



|              | Line         | €m           | Expiry        |
|--------------|--------------|--------------|---------------|
|              | Short term   | 530          |               |
| 3 years      | Pool         | 500          | July 2011     |
| Over 3 years | Bilateral    | 150          | May 2013      |
| Over 5 years | Bilateral    | 130          | December 2015 |
|              | <b>Total</b> | <b>1.310</b> |               |

# Revenues by business area



|                     | 9M08          | 9M09          | % change      |
|---------------------|---------------|---------------|---------------|
| Books               | 316.5         | 306.0         | -3.3%         |
| Magazines Italy     | 441.0         | 368.6         | -16.4%        |
| Magazines France    | 284.5         | 254.8         | -10.4%        |
| Advertising         | 244.7         | 181.6         | -25.8%        |
| Printing            | 281.2         |               |               |
| Direct              | 15.9          | 13.8          | -13.1%        |
| Retail              | 128.6         | 126.4         | -1.7%         |
| Radio               | 11.1          | 9.7           | -12.9%        |
| Corporate           | 12.5          | 13.3          | +6.4%         |
| Gross revenues      | 1,736.3       | 1,274.2       | -26.6%        |
| <i>Intercompany</i> | <i>-368.2</i> | <i>-159.9</i> | <i>-56.6%</i> |
| Net revenues        | 1,368.1       | 1,114.3       | -18.6%        |
| Excluding printing  | 1,258.1       | 1,114.3       | -11.4%        |



# Books



# Trade books



## Sales by channel (% change)<sup>1</sup>

|                     |      | Weight   |
|---------------------|------|----------|
| Bookstore chains    | +6.2 | 37.6%    |
| Other bookstores    | -3.2 | 40.8%    |
| Large-scale retail  | +2.0 | 18.0%    |
| Internet            | 23.8 | 3.6%     |
| Market <sup>2</sup> | +1,9 | 927,4 €m |

## Market

- Market up in terms of value (+1.9%) and essential stable in terms of volume
- Continued growth in bookstore chains, to the cost of independents
- The internet channel still accounts for a small proportion of the market but is in rapid expansion

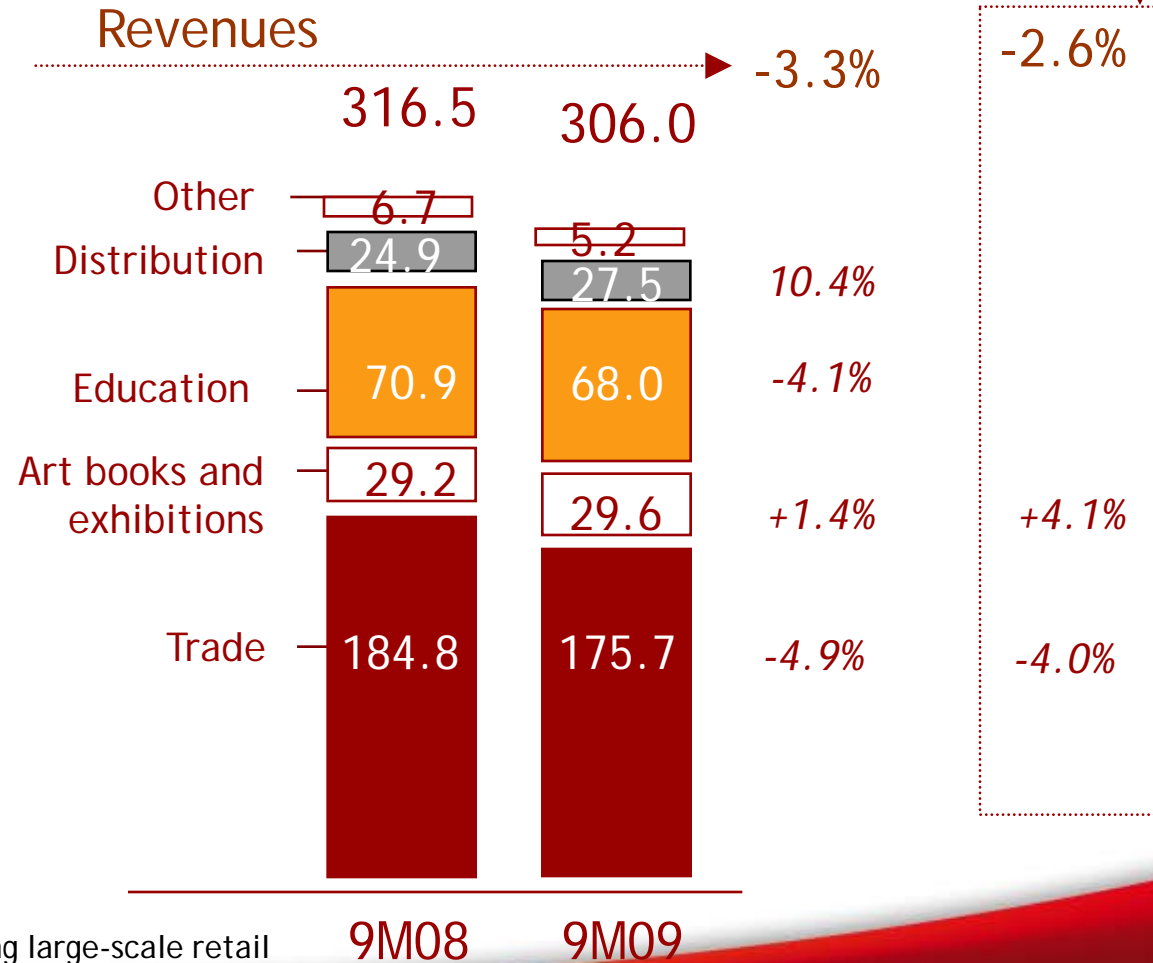
<sup>1</sup>Source: Nielsen Bookscan - data in terms of value - cumulative P10 (3 October)

<sup>2</sup>excluding large-scale retail

# Books



Net of add-on sales



<sup>1</sup>excluding large-scale retail

9M08

9M09

# Magazines



# Magazine Market Italy



|                 | Circulation |
|-----------------|-------------|
| Cumulative 1Q09 | -10.1%      |
| Cumulative 1H09 | -8.4%       |
| Cum. August 09  | -7.7%       |

Source: Internal - in terms of volume - August 2009

|                 | Add-on sales |
|-----------------|--------------|
| Cumulative 1Q09 | -23.6%       |
| Cumulative 1H09 | -24.7%       |
| Cum. August 09  | -24.6%       |

Source: Internal - in terms of value - August 2009

|                 | Advertising |
|-----------------|-------------|
| Cumulative 1Q09 | -29.2%      |
| Cumulative 1H09 | -29.4%      |
| Cumulative 9M09 | -28.8%      |

Source: Nielsen - in terms of value - September 2009

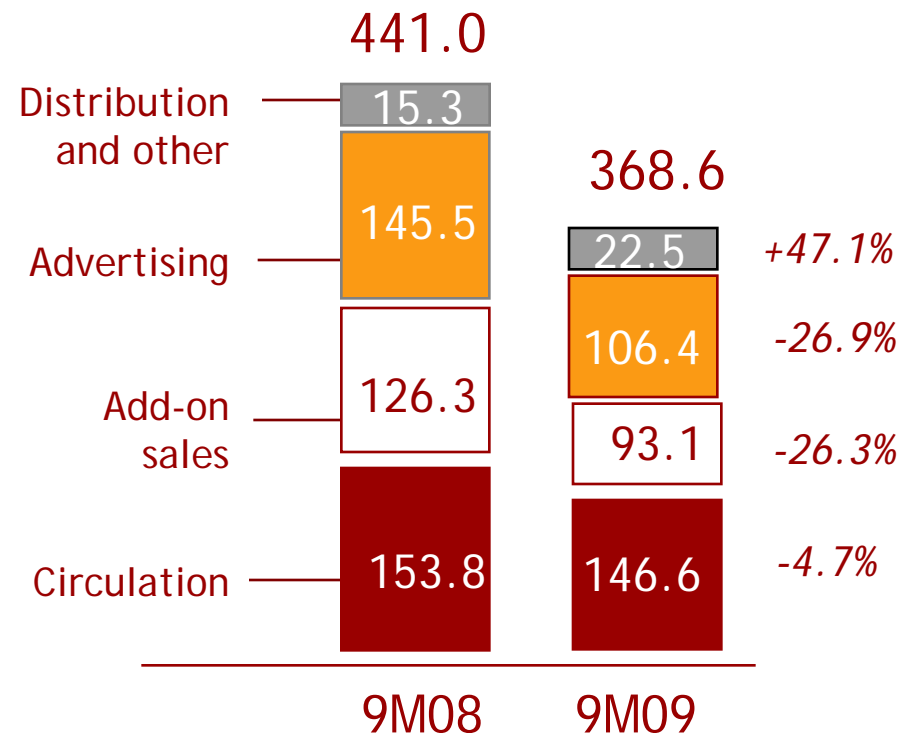
# Magazines Italy



- Improvement in circulation during the summer also thanks to support for the leading weekly titles
- Continued marked decline in advertising revenues, also if less pronounced than the market
- Marked fall in add-on sales, in particular in the editorial and home video segments; new summer launches should achieve nice results in Q4

## Revenues (in €m)

▶ -16.4%



# Magazine Market France



Circulation in terms of value -5,7%

Fonte: NMPP - Agosto 2009

Advertising in terms of volume -14,0%

Source: TNS-MI - August 2009

## Advertising market share (volume)

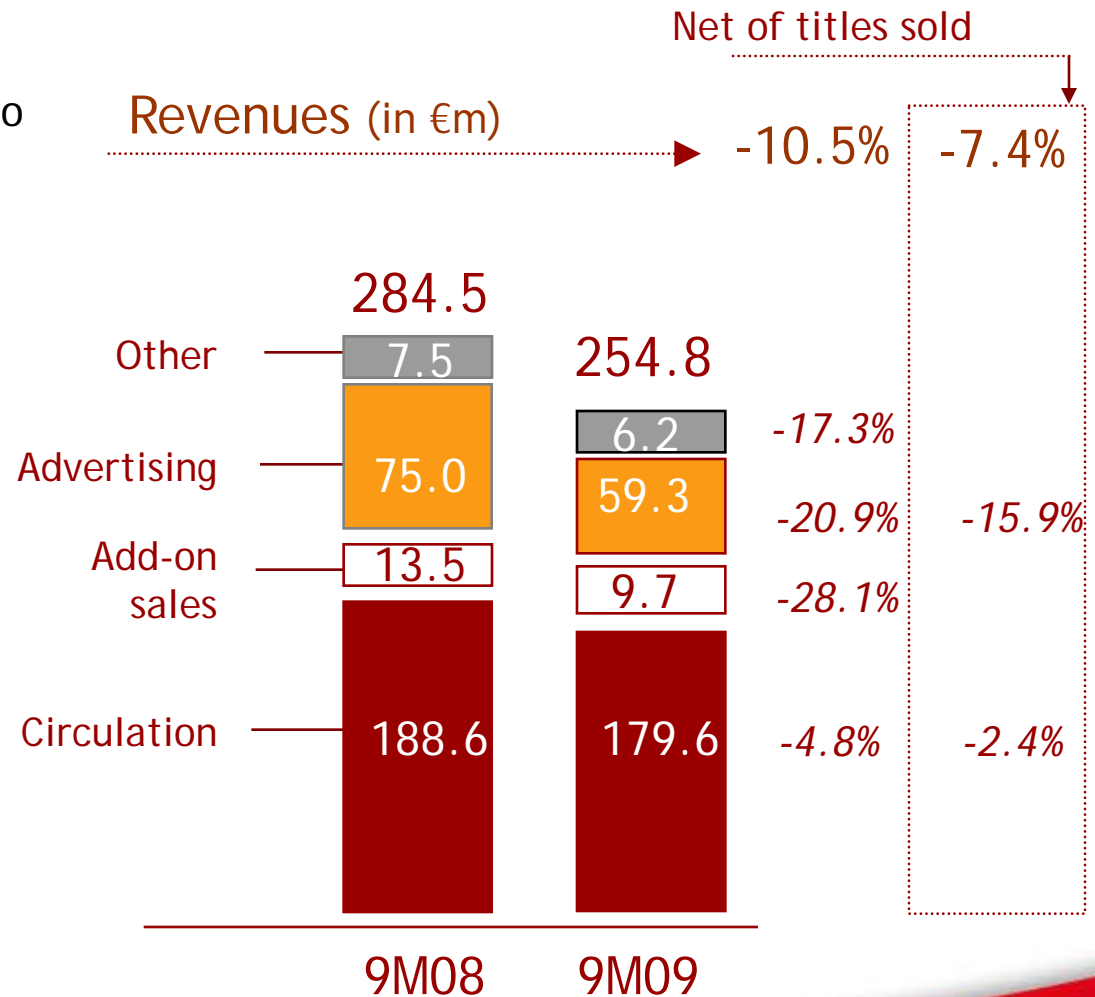
|              |      |
|--------------|------|
| Lagardere    | 14.0 |
| Mondadori    | 10.3 |
| Prisma       | 10.2 |
| Publiprint   | 7.2  |
| Roularta     | 5.0  |
| Marie Claire | 4.9  |

Source: TNS-MI - August 2009

# Mondadori France



- Circulation: improved results compared with the market, thanks to a good performance in subscriptions
- Advertising: above the market net of titles sold
- Add-on sales: "targeted" launches in support of circulation
- Excellent results for the launch of Grazia both in circulation and advertising : the first 11 issues average newsstand sales in France were over 180,000 with an average of 30 adv pages per issue





# Advertising



# The Italian advertising market



## Advertising (value)

|            |        |                     |
|------------|--------|---------------------|
| Television | -13.2% |                     |
| Newspapers | -20.2% |                     |
| Magazines  | -28.8% | -29.5% <sup>1</sup> |
| Radio      | -14.4% |                     |
| Internet   | +5.2%  |                     |

Source: Nielsen - in terms of value September 2009

<sup>1</sup>Source: FCP - in terms of value September 2009

## Advertising market (volumes)

| Sector    | Weight | Performance (%) |
|-----------|--------|-----------------|
| Fashion   | 30.0   | -24.9           |
| Cosmetics | 14.0   | -25.3           |
| Interiors | 13.7   | -15.3           |
| FMCGs     | 11.2   | -5.0            |
| Auto      | 6.0    | -32.5           |
| Tourism   | 5.8    | -13.7           |
| Finance   | 2.8    | -37.8           |

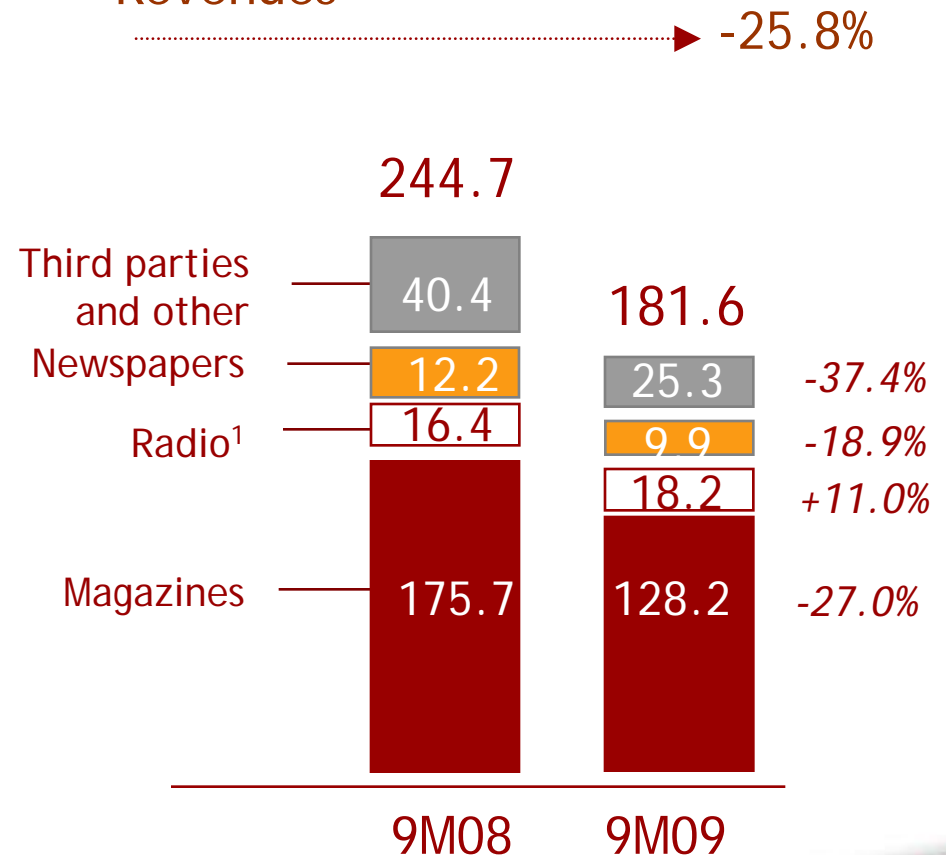
Source: Nielsen- progressive to September 2009

# Advertising



- Performance ahead of the market, both for magazines and radio
- Launch of new strategic projects to valorise the assets in the portfolio :
  - ✓ the creation of a network of young sales staff focused on finding new clients;
  - ✓ the creation, in partnership with Publitalia, of a dedicated sales structure for online advertising sales.

## Revenues



<sup>1</sup>includes sales for Radio Kiss Kiss

# Direct



# Direct Marketing



| Market          | Direct |
|-----------------|--------|
| Cumulative 1Q09 | -16.0% |
| Cumulative 1H09 | -17.3% |
| Cumulative 9M09 | -17.9% |

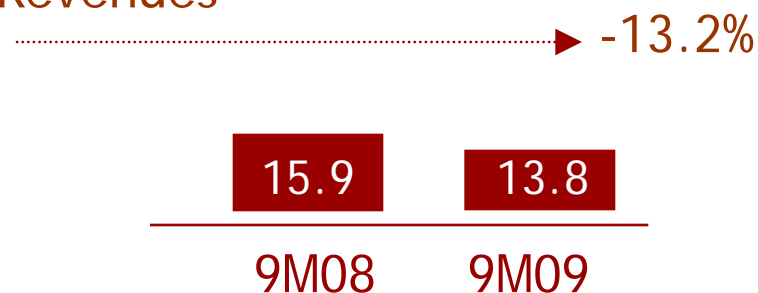
Source: Nielsen - in terms of value - September 2009

- The direct marketing sector recorded a fall in revenues of 17.9%, in line with the trend of the first half of the year

## Cemit

- Fall in revenues, albeit less than the market, reflecting a reduction in communication investments by the industrial sector, especially in the auto sector

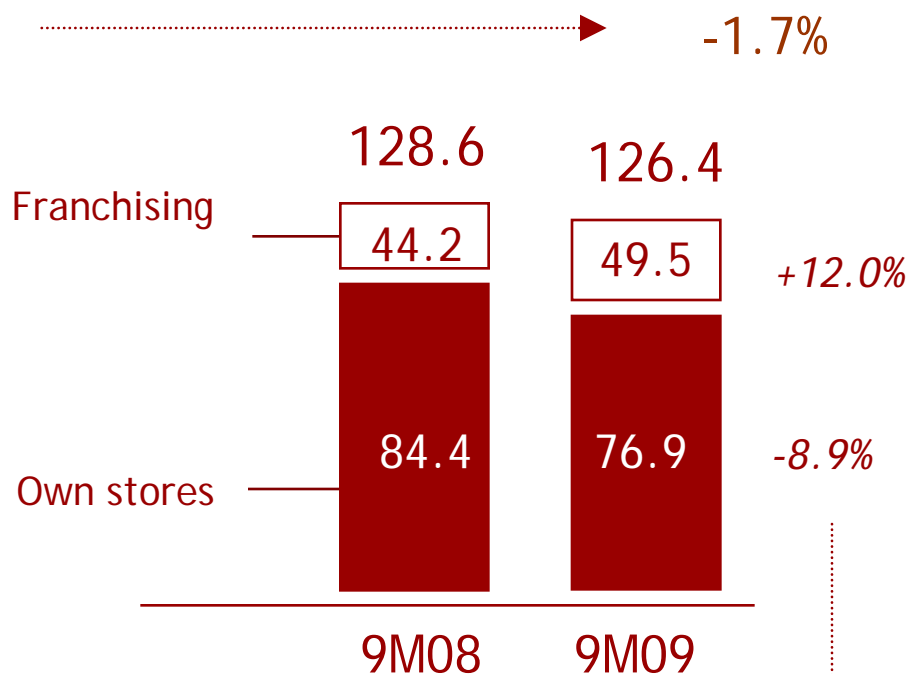
### Revenues



# Retail



## Revenues



| Outlets      | 9M08       | 9M09       |
|--------------|------------|------------|
| Own stores   | 30         | 30         |
| Bookstores   | 212        | 239        |
| Edicolè      | 157        | 191        |
| <b>Total</b> | <b>399</b> | <b>460</b> |

|             |           |
|-------------|-----------|
| Editorial   | unchanged |
| IT          | -13%      |
| Audio/Video | -11%      |

# Radio



# Radio



| Market          | Radio  |
|-----------------|--------|
| Cumulative 1Q09 | -20,1% |
| Cumulative 1H09 | -17,5% |
| Cumulative 9M09 | -14,0% |

Source: FCP Assoradio - in terms of value - September 2009

- Radio generated net revenues of €9.7m (-12.9%) while performing better than the market and a positive trend in September and October

| Ratings         | telefono     | panel diari  |              |
|-----------------|--------------|--------------|--------------|
|                 | giorno medio | 7GG          | 28 GG        |
| Rtl 102,5       | 5.391        | 12.714       | 16.888       |
| RDS             | 5.106        | 12.236       | 15.962       |
| Deejay          | 4.937        | 15.203       | 16.720       |
| 105             | 4.540        | 13.163       | 13.354       |
| Radio Italia    | 3.766        |              |              |
| Radio Kiss Kiss | 2.231        |              |              |
| <b>R101</b>     | <b>1.965</b> | <b>6.234</b> | <b>8.942</b> |
| Virgin          | 1.872        | 3.362        | 4.377        |
| Sole 24 ore     | 1.856        | 4.855        | 6.142        |
| Montecarlo      | 1.657        | 5.372        | 8.041        |
| Capital         | 1.622        | 5.150        | 7.232        |

Source: Audiradio - 4 bi monthly 2009



# Restructuring and expectations for the full year



# Restructuring



## Italia

- **Early retirement and retirement** : for all staff who have (or will have) matured, in the period 2009/2011, the requirements foreseen by Law N° 416/81. This will affect some **240** people (60 journalists)
- **Management** : staff reduction plan, through the use of a range of tools, made possible by the definition of new functional models inside the company
  - ✓ In 2008 **144** reductions (30 journalists)
  - ✓ Over the three-year period 2009/2011 further reductions of more than **220** (about 30 journalists)

At the end of the period 2008-11 the effect of reductions will be, on a like for like basis, more than **600** people (21% of payroll)

## Francia

The effect of staff reductions is derived both from management activities that from disposals / closures of titles and will continue through agreements being finalized

# Expectations for the full year



- There were no significant changes in the markets of reference during the third quarter, and there are no reasons to expect such changes in the short term, particularly as regards advertising investments
- The results achieved in terms of cost reductions, thanks to action taken on both processes and structures, have made it possible for the Mondadori Group to maintain a good level of profitability in its core business and to sustain investments in development, including the launch of *Grazia* France
- The impact of the fall in revenues, investments in development and the costs and provisions for the process of restructuring will, compared with the previous year, lead to a significant reduction in the level of operating profit

# Disclaimer



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