

Mondadori Group FY14 Results

Investor Presentation

Milan, March 12th 2015



Agenda



FY14 Highlights



Business Areas



FY14 Results



Strategic Priorities and FY 2015 Outlook

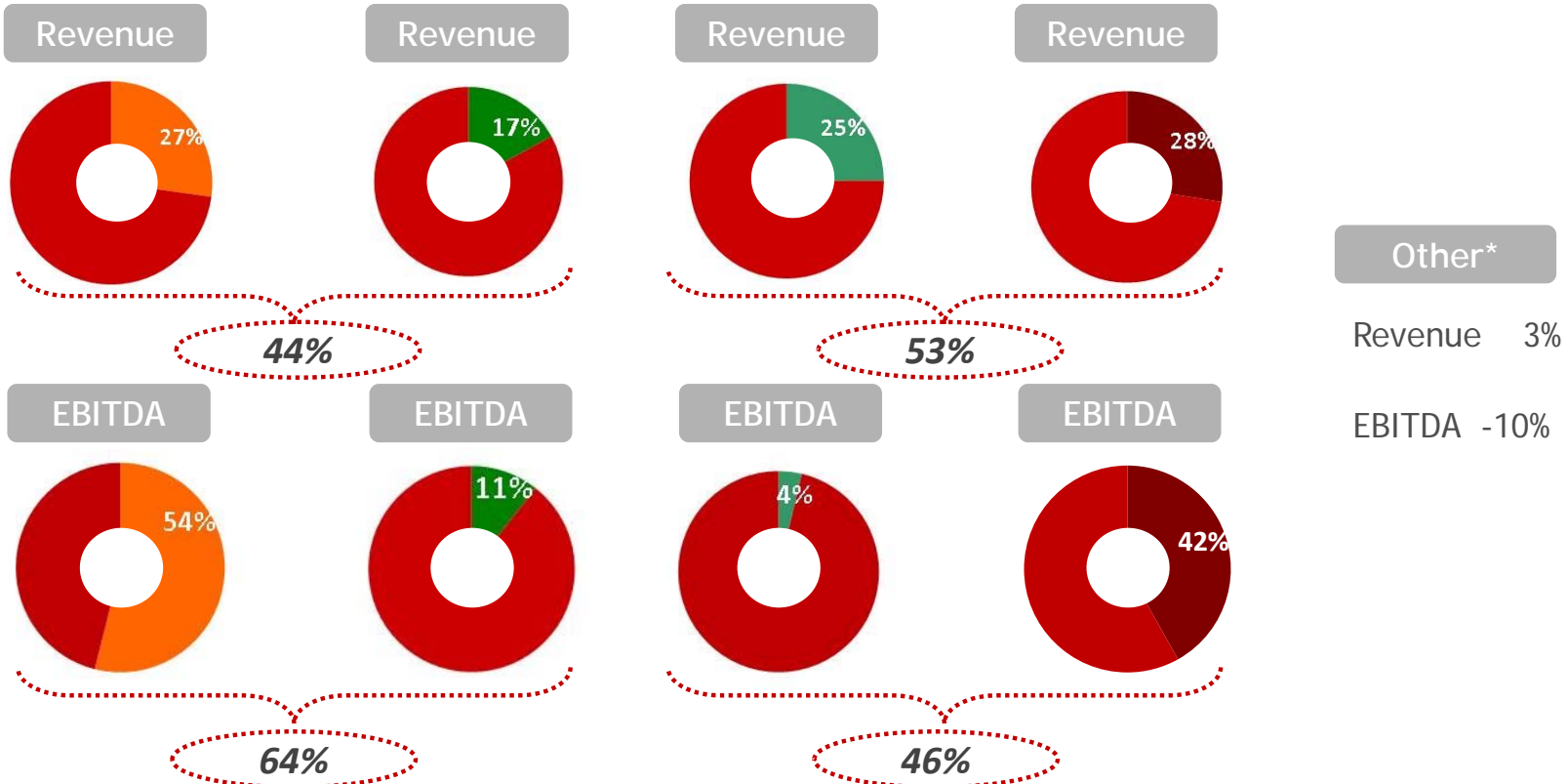
FY14 Highlights



€ m	Books		Retail		Magazines Italy		Magazines France		Group*	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Revenue	336.6	334.3	211.2	225.0	297.0	326.1	340.9	353.9	1.177.5	1.275.8
EBITDA	45.1	46.2	8.9	(8.5)	3.1	(20.6)	35.0	26.7	67.1	(12.8)
Margin (%)	13%	14%	4%	-4%	1%	-6%	10%	8%	6%	-1%

-7.7%
(-4.6% on a like-for-like basis)

% on 2014 total



* Group includes also the following businesses: Radio. Advertising. Digital & Holding

FY14 Highlights



Results in line with the guidance

	TARGETS	RESULTS
EBITDA	In line with 2012	In line (€67.1 vs €68.1 m)
NET PROFIT	Break-even	Profit of €0.6 m
NFP	Relevant improvement towards 2013 year-end	+€71.4 m vs 2013
NFP/EBITDA	< 4.50x	4.35x

Main FY14 Results



1. Actions aimed at cost reduction

“A change of pace”:
 €100 m by
 the end of
 2015

In line with the announced plan thanks to the constant focus on **greater efficiency** and on **reduction of costs**:

- A. Industrial, editorial & logistical
- B. personnel



Magazines Italy

Magazines France

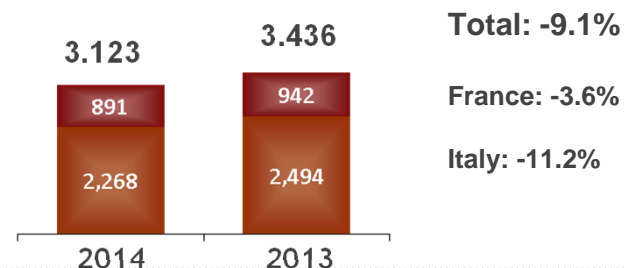
A

- ▲ Cost optimization of the magazines (paper and printing, borderò and draft revision)
- ▲ Integration of the physical and digital publishing activities

- ▲ Distributive and industrial cost rationalization
- ▲ Integration of the physical and digital publishing activities

B

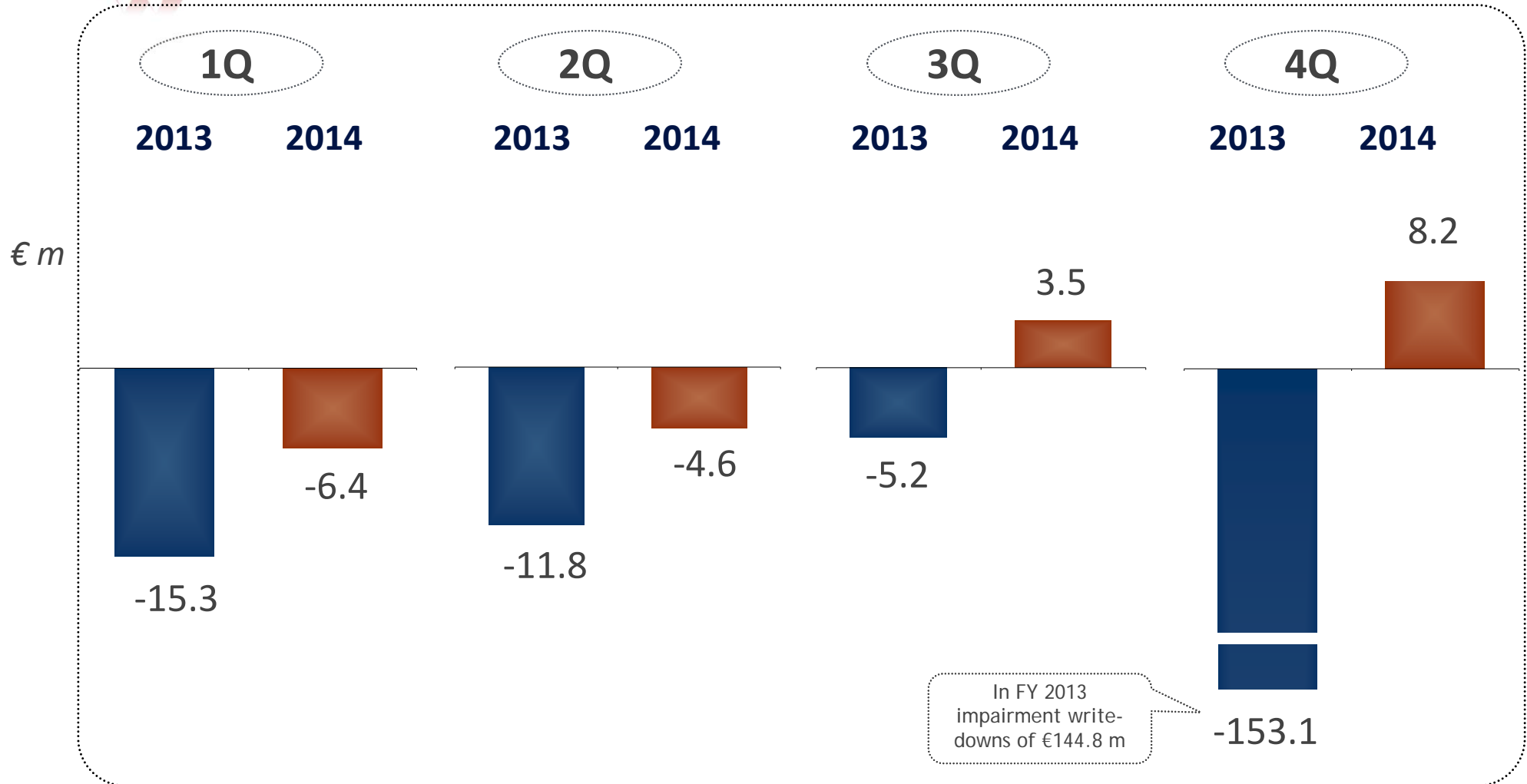
Group employees



FY14 Highlights



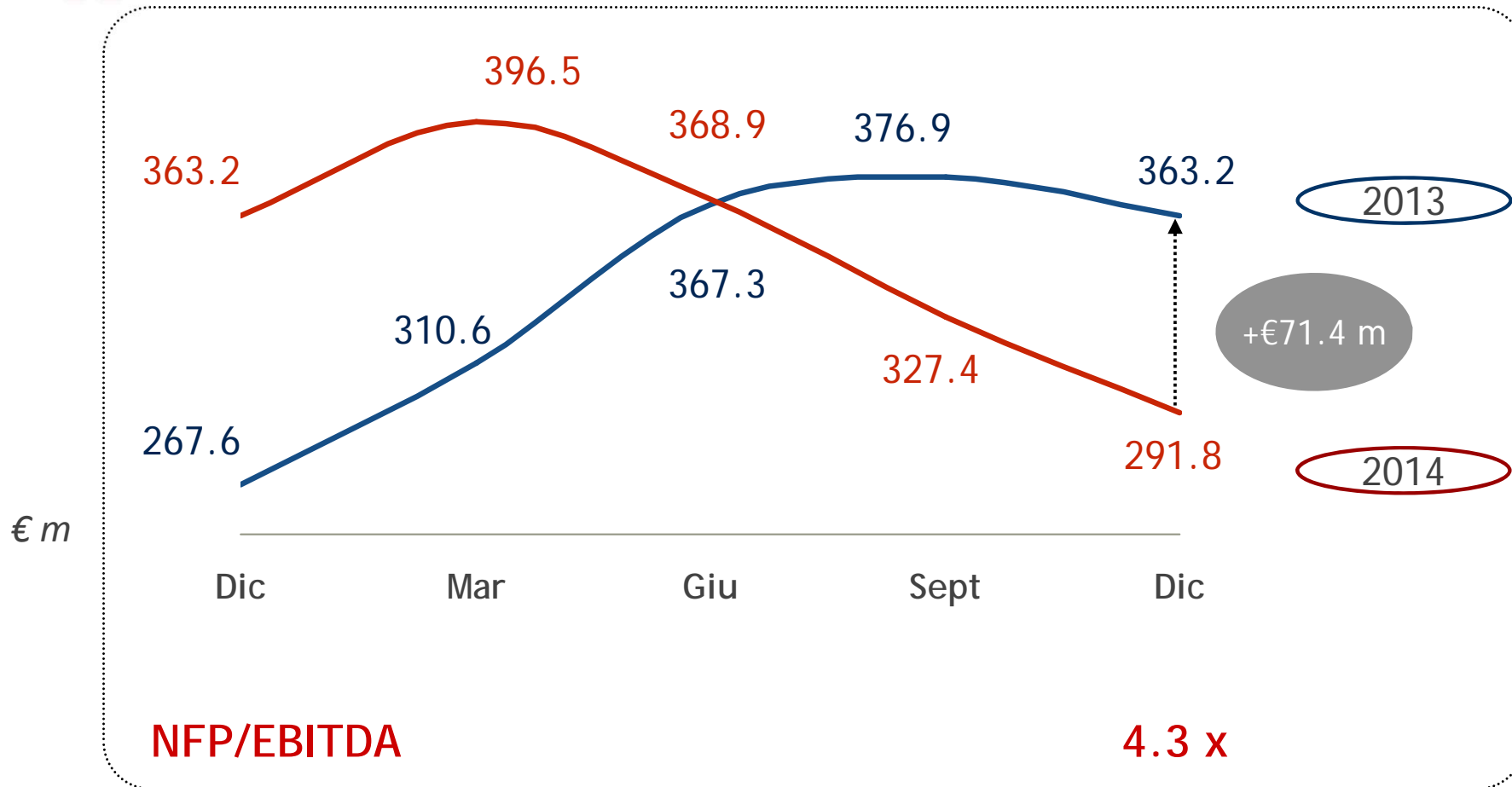
2. Group Net Profit return



FY14 Highlights



3. Group Net Financial Position improvement



Agenda

 Highlights FY14

 ***Business Areas***

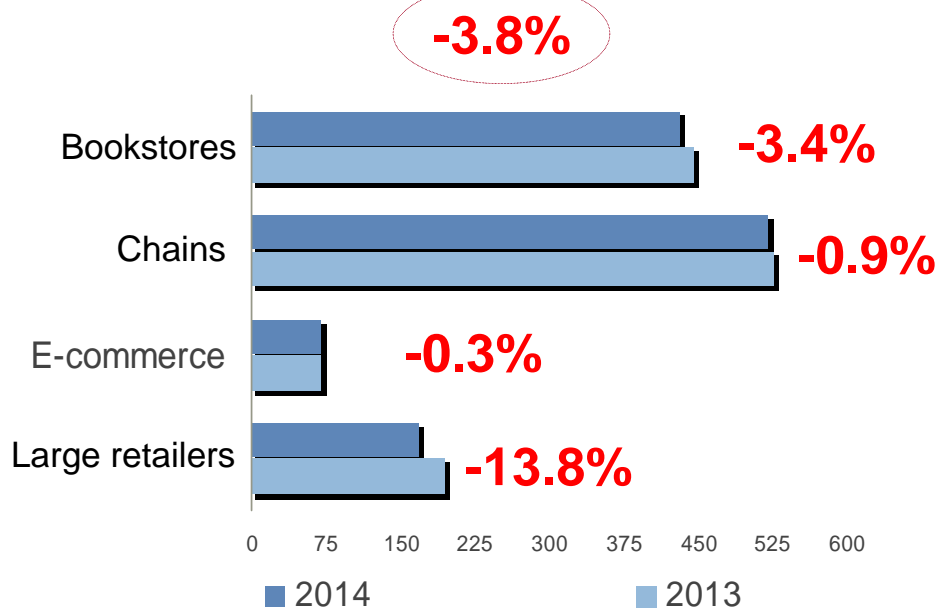
 FY14 Results

 Strategic Priorities and FY 2015 Outlook

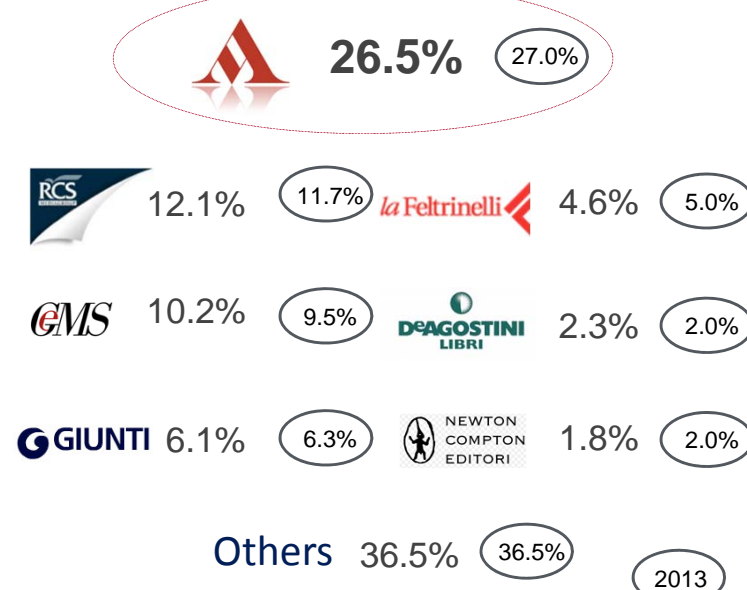
FY14 Highlights - Books



Trade market - 2014



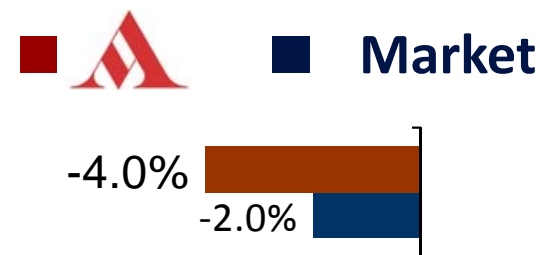
Market Share - 2014



Top seller and literary awards - 2014



Mondadori vs Market

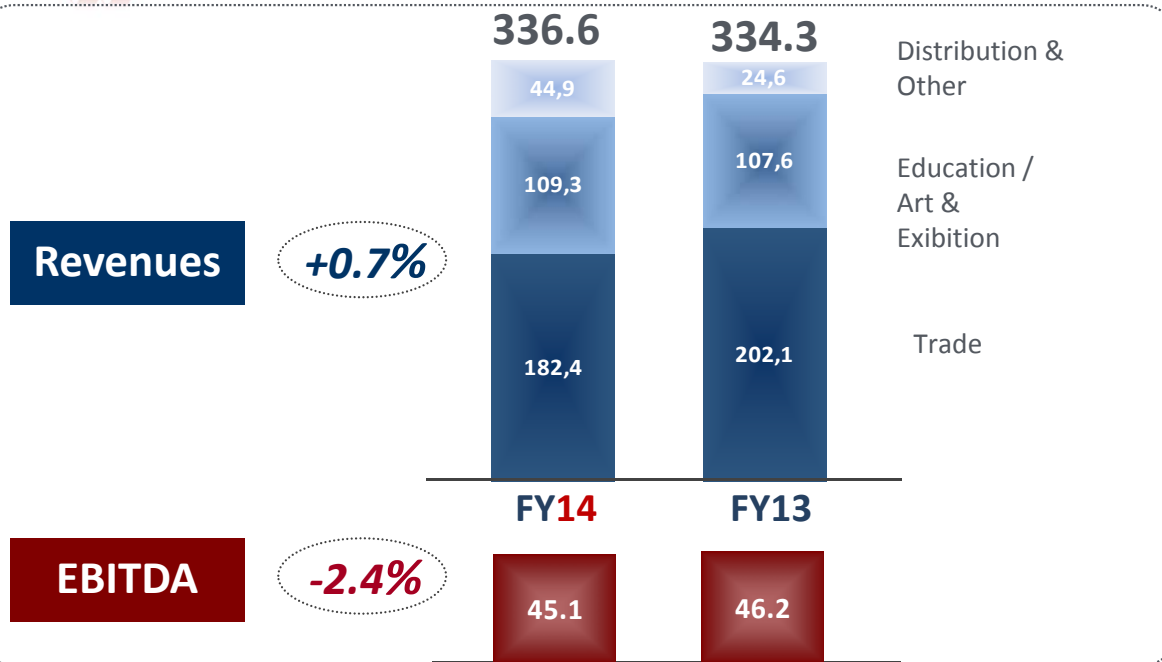


Decline in the market (in particular in the large-scale retailer channel), although with a recovery trend in the second half (-1.9% in H2 vs -6.6%)

FY14 Highlights - Books



2014 Performance (€m)



- ▲ 2,795 new titles (2,634 in 2013) of which
 - ▲ 2,291 Trade
 - ▲ 504 Educational
- ▲ **Education:** market share stable at 13%
- ▲ **E-book**
 - ▲ N. titles: 8,000
 - ▲ **Download:** 2,1 million (+17% vs 2013)
 - ▲ Market share at approx. 35%

REVENUES up: positive performance for **Educational** books and **distribution** activities

▲ **Trade Books:** greater than market decrease for Edizioni Mondadori and Piemme

▲ **Educational Books:** revenues up approximately 2% as a result of the positive performance of school books across the three school levels and the positive trend in museum business events

▲ Revenues from **distribution activities** on behalf of third publishers sharply up

EBITDA down as a result of the different sales mix; over 20% growth in the *Educational*

FY14 Highlights - Magazines



- ▲ **Market leader** with a **31.3% circulation share**, in line with the previous year despite the lower number of titles*
- ▲ **23 magazines:**
 - 11 weekly magazines
 - 12 monthly/bi-monthly magazines
- ▲ Consolidated **leadership** in the segments: **Cooking, Decor, Fashion, News, Wellness and TV**



- ▲ Publisher of **international** standing with **36 magazines** published in **26 countries** through:
 - direct operations
 - licensing
 - joint ventures
- ▲ **10th anniversary** of *Grazia International Network* (more than 10 million copies sold on a monthly basis, 17 million readers, 16 million unique visitors/month)

Editions

GRAZIA	24
PAPA	3
INTERNI	3
casaviva	3
flair	2
ICON	1



- ▲ **29 magazines**, of which 7 weekly magazines and 22 monthly/bi-monthly or quarterly magazines
- ▲ **Third publisher** in **circulation** and **second** one in the reference **advertising market**

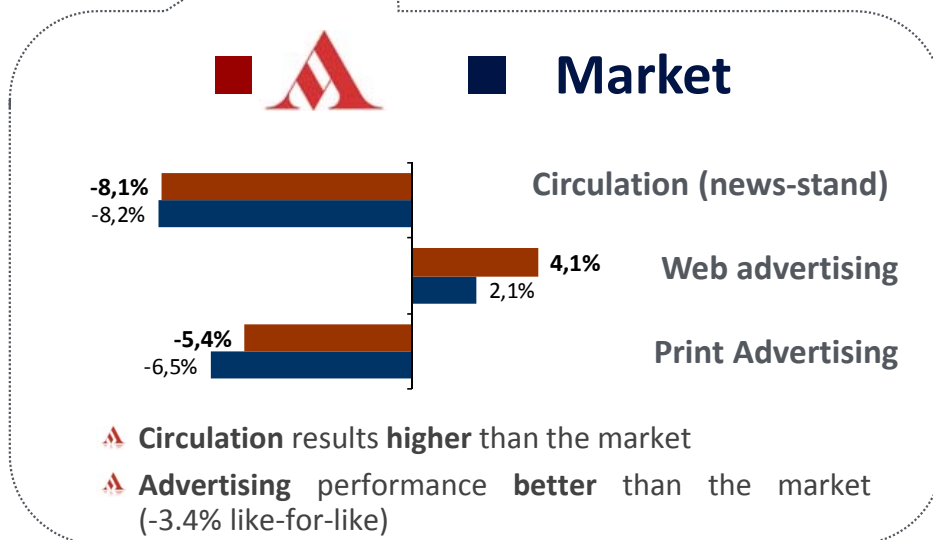
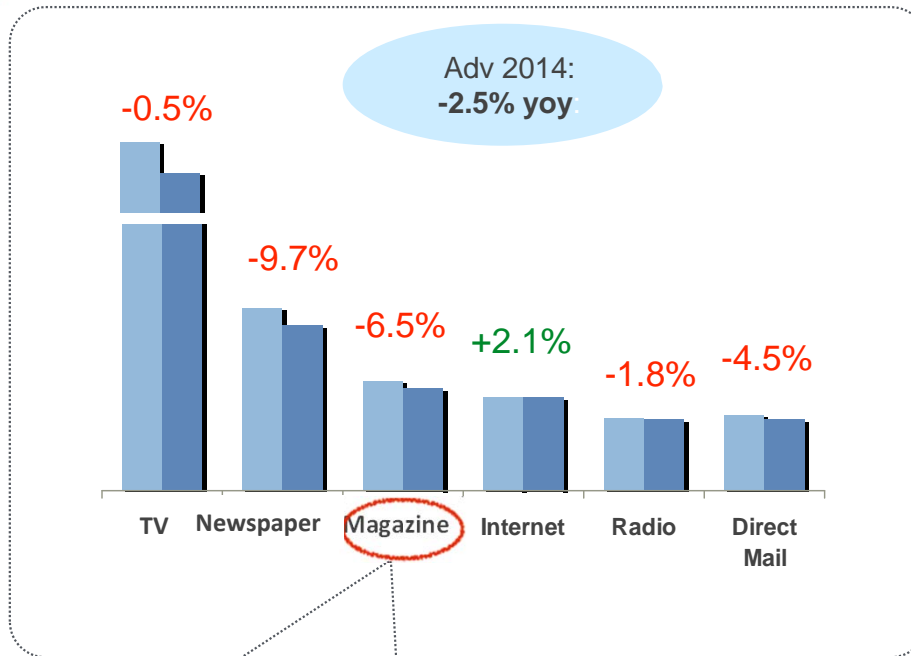


* In 2014 portfolio 10 titles less than 2013

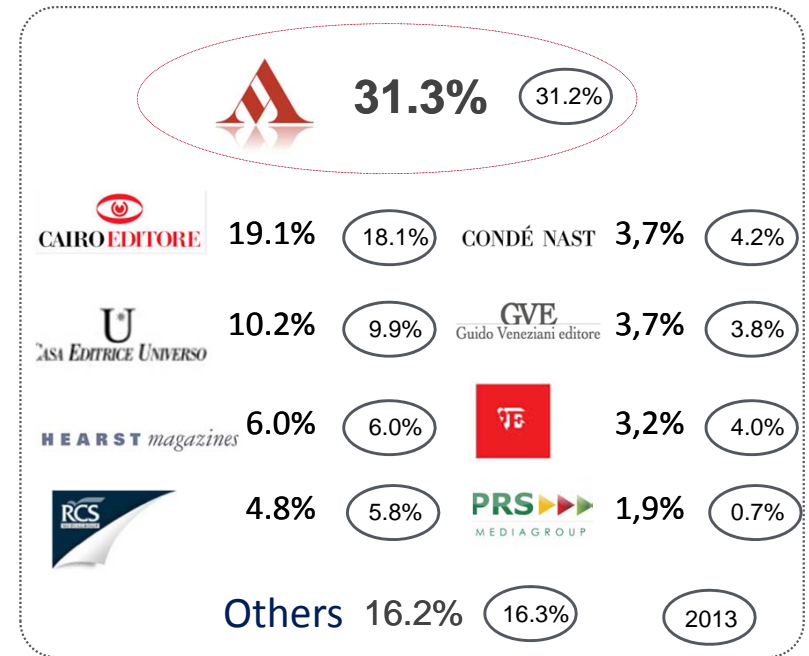
FY14 Highlights - Magazines Italy



2014 Advertising Market



2014 Circulation market share



- ▲ Advertising collection of AME brand down by 2,8% (like-for-like)
- ▲ For the first 3 magazines – over 56% of total – digital advertising has represented 18% of overall collection (for Donna Moderna, web represented about 30% of total adv revenues)

FY14 Highlights – Magazines Italy



2014 Performance (€m)

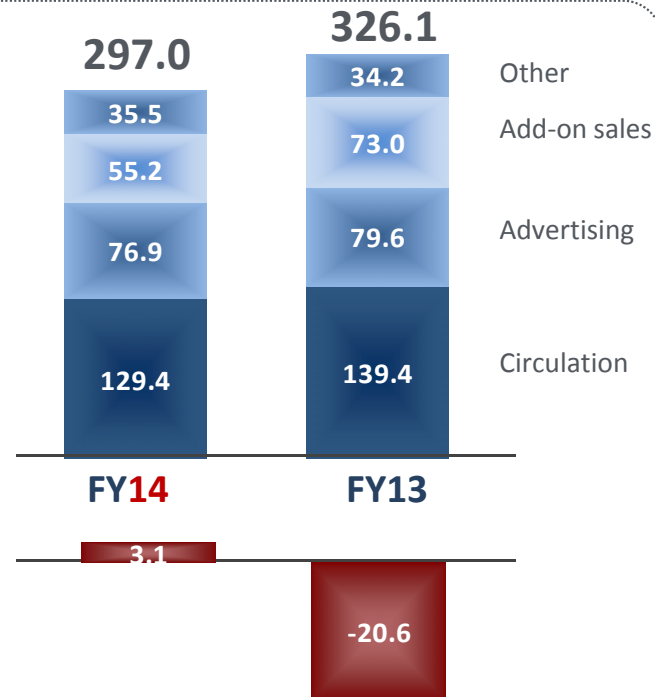
2014 Activities

Revenues

-8.9%

EBITDA

n.m.



Portfolio and quality optimization through:

- launch of new magazines (*Il mio papa*)
- closure/termination of magazines recording losses
- focus on leading segments

Structural reduction of industrial, publishing and organizational costs

REVENUES of Mondadori down by 8.9% (-7.6% on a like-for-like basis*):

- revenues from circulation down 7.2% (-5.0% on a like-for-like basis *)
- revenues from advertising sales (print+web) down 4.7% (-2.8% on a like-for-like basis*)
- dropping **add-on sales**, but with increased profitability
- Mondadori International**: revenues up +4.1% as a result of the growing *Grazia Network*

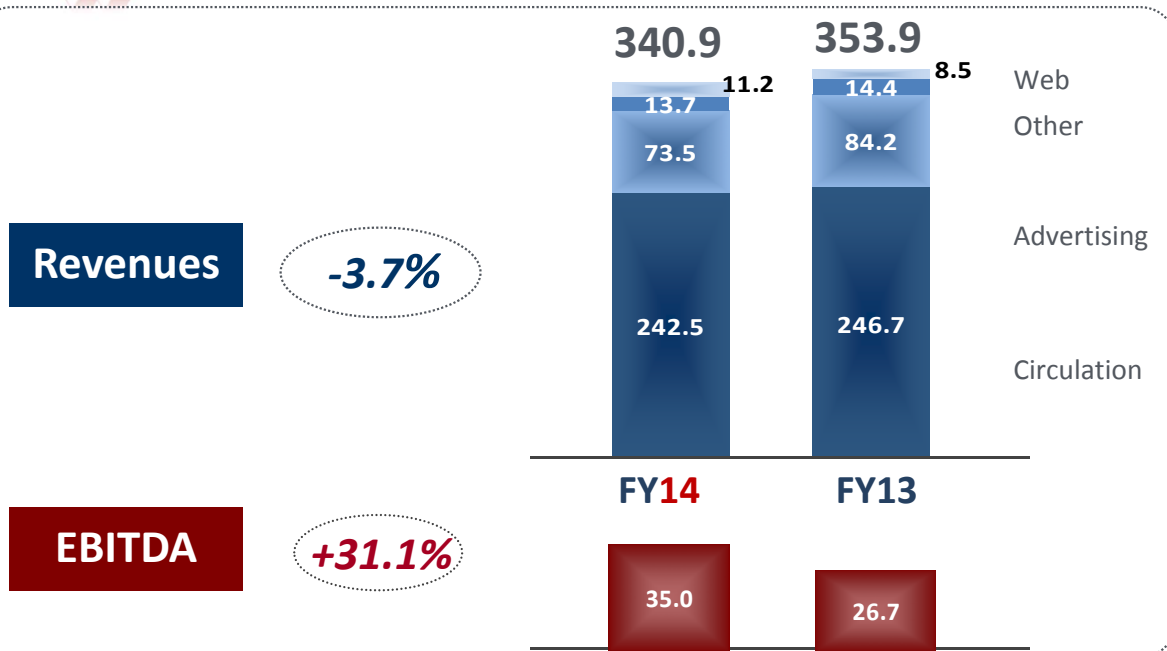
EBITDA significantly up as a result of the actions undertaken and lower restructuring charges against 2013

(+€39,5 million, including also the positive effects of the reorganization of advertising sale activities)

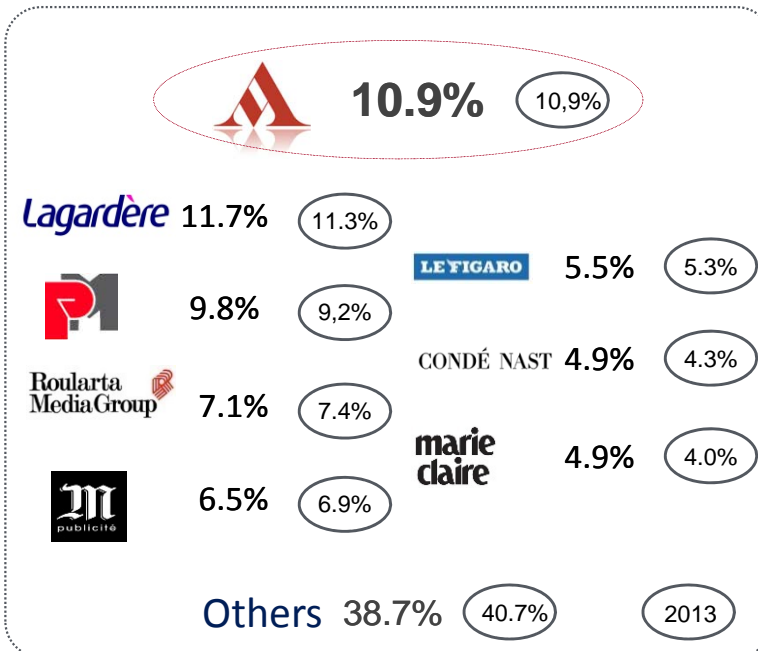
FY14 Highlights - Magazines France



2014 Performance (€m)



2014 Adv. Market Shares (vol.)



REVENUES of Mondadori magazines down by 3.7% (-2.8% on a like-for-like basis*):

- revenues from **circulation** down 1.7% (-1.0% on a like-for-like basis)*, of which newsstands -5.1%, subscriptions steady and digital up +30.5%
- revenues from **advertising sales** (print + web) down 9.1% (-7.7% on a like-for-like basis)*, of which digital (10% of revenues) grew by 38%

EBITDA rose by 31% with a **10.3% margin** on revenues as a result of lower restructuring charges and the cost reduction actions implemented, which generated savings to be allocated for investments in digital activities and diversification

Mondadori vs Market



- Circulation performance **better** than the reference market
- Advertising sales **lower** than the market

* In FY14 1 title less in portfolio

Source: Adv - Kantar Media (Dec. 14, value data); circulation - internal data (Dec. 14)

FY14 Highlights - Magazines France



Diversification Strategy

-4.5%

Print: €316 m (93%)

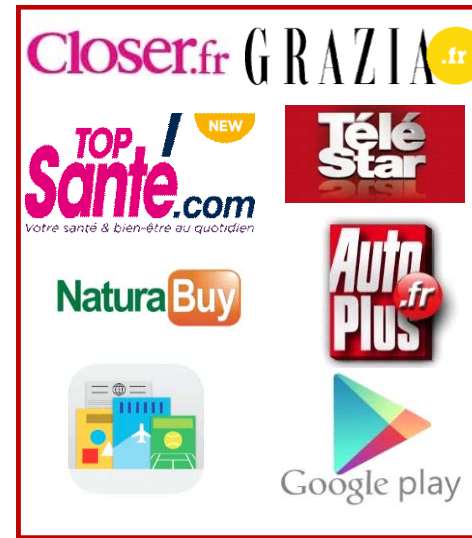


+8.7%

Brand extension: €25 m (7%)

Diversification

Digital



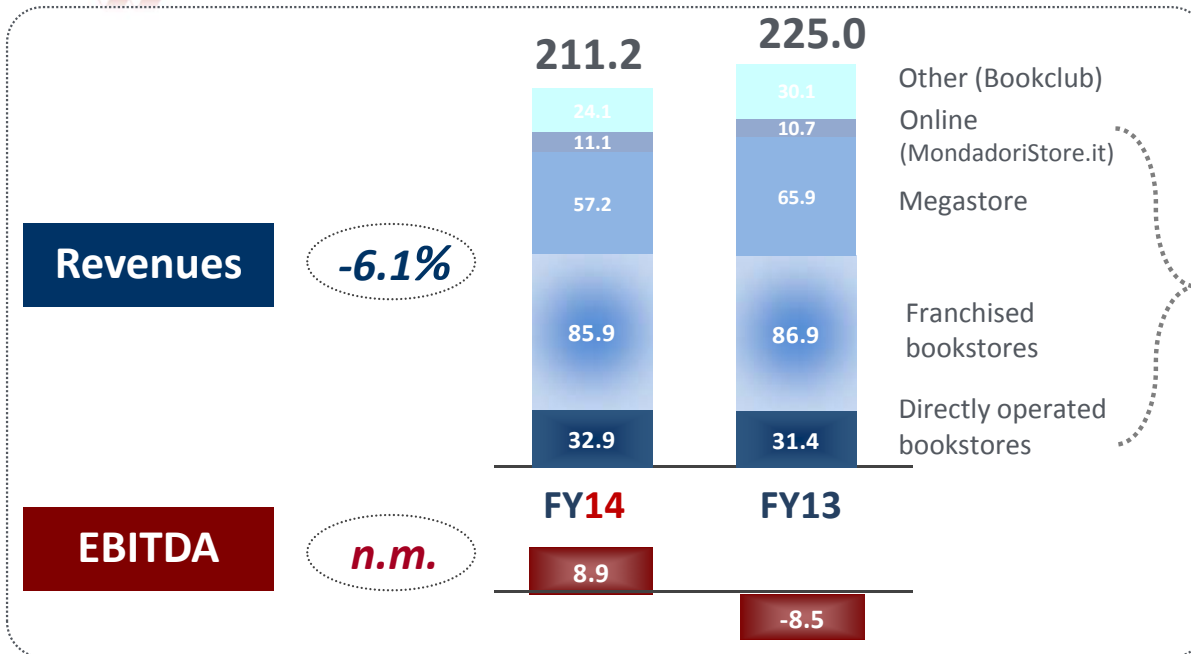
+32%

Natura Buy +27%
Properties +33%

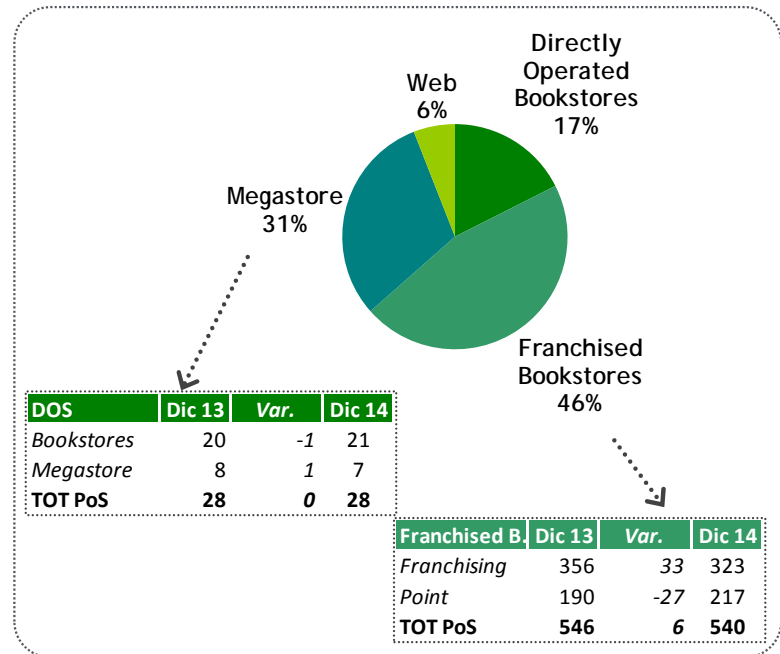
FY14 Highlights - Retail



2014 Performance (€m)



2014 Revenues* by channel



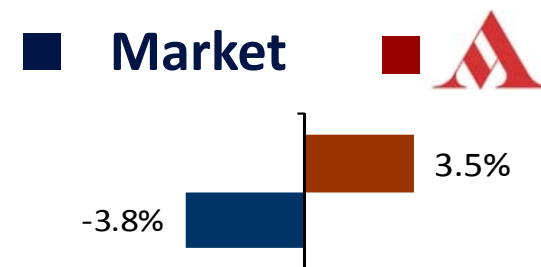
REVENUES:

- steady revenues from **franchised bookstores** (-1.2%) with a positive performance in Books (+3.3%)
- revenues from **online** sales up 4.1%
- positive performance of **directly operated bookstores** (+4.5%)
- Megastore** (-7.0% on a like-for-like basis) penalized by the performance of consumer electronics products

EBITDA significantly improved as a result of:

- efficiency from operations (network rationalization)
- lower restructuring costs
- capital gain from the disposal of a flagship store

2014 vs Book Market = 76% of Total Revenues*



Mondadori Retail in 2014 overperformed the market by over 700 b.p., with a growing market share from 14.0% to 15.0%

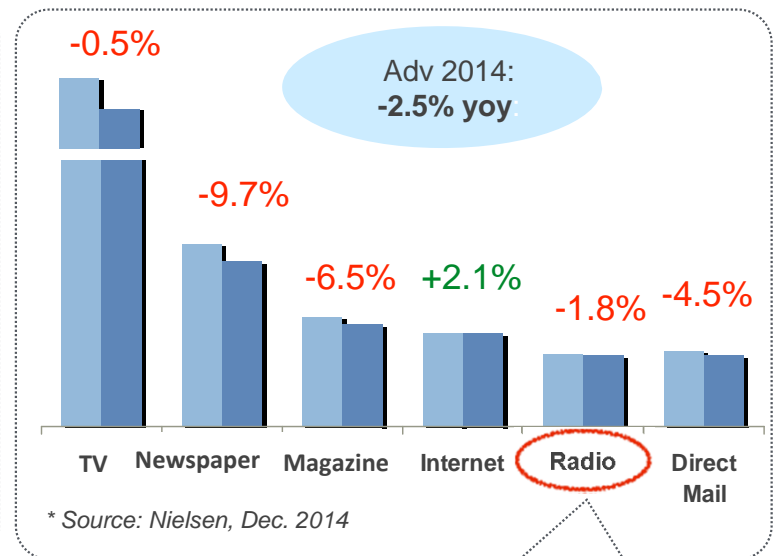
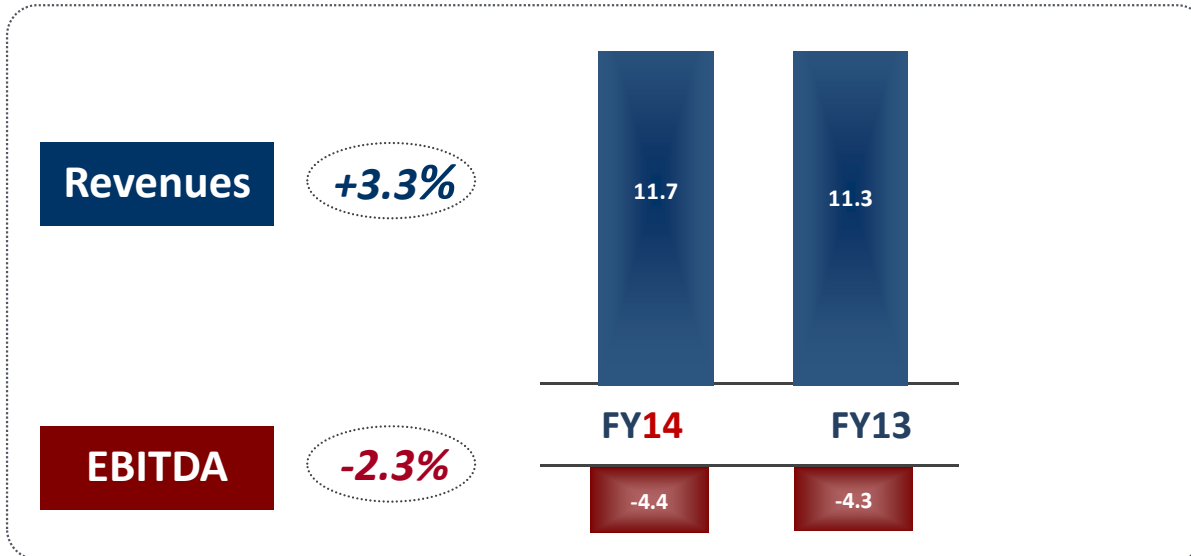
* "Total Store" Revenues; not including Bookclub

FY14 Highlights - Radio R101

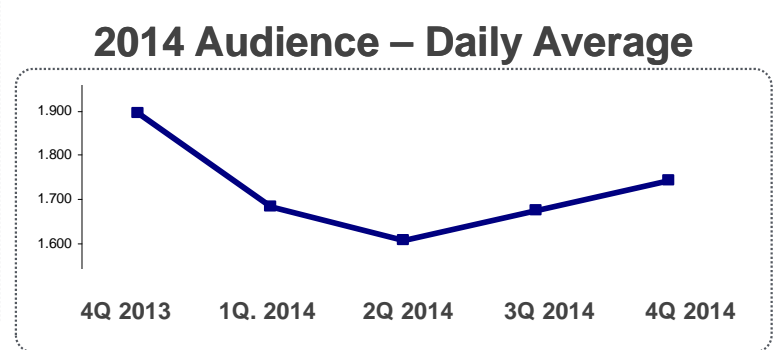
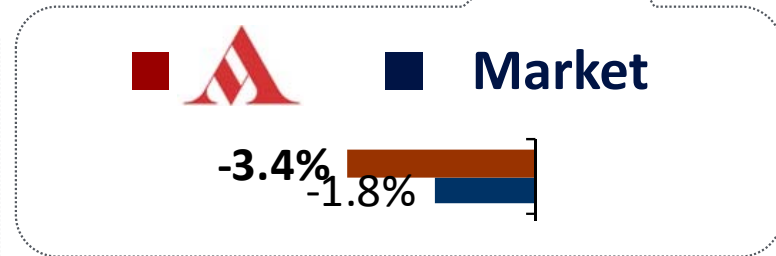


2014 Performance (€m)

2014 Advertising Market



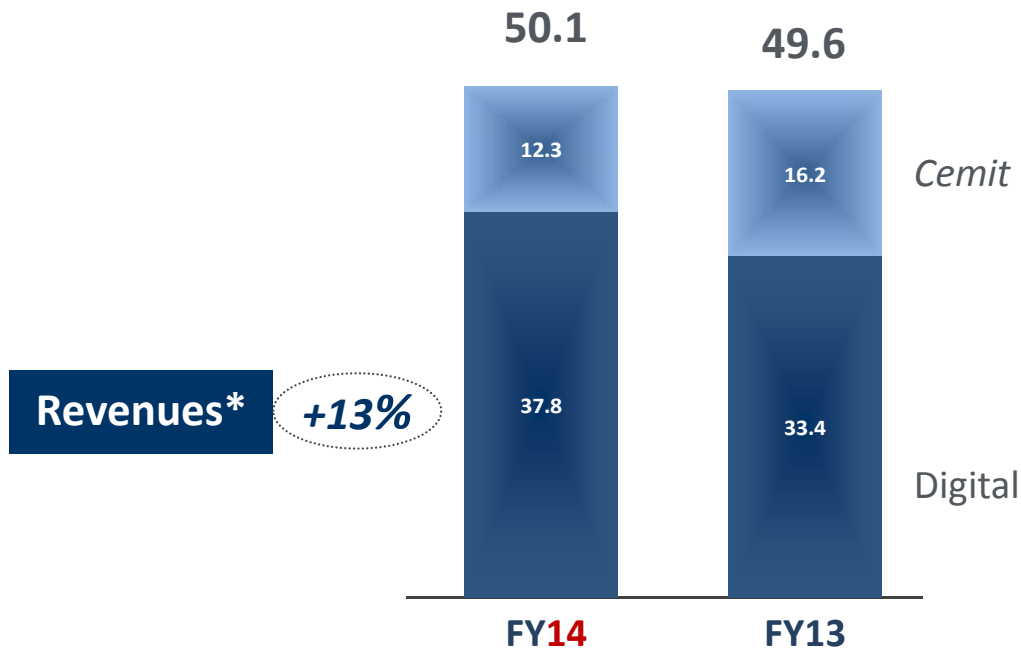
- REVENUES:** up following the launch of the TV channel in June
- ACTIVITIES:**
 - repositioning of R101 also through a collaboration with *Radio Italia*
 - release of the app and restyling of the www.r101.it website
 - new TV channel (66 digital cable) to offer a broader entertainment system
- EBITDA essentially in line with 2013:** increased revenues compensated by higher communication costs for the restyling of the station and the launch of the new TV channel



FY14 Highlights - Digital



2014 Performance (€m)



Italian Properties

Advertising revenues: +4.1% (Grazia.it +43.7%)

Audience: relevant growth at **17.6 million unique visitors**

- *Grazia* (+40%)
- *Donna Moderna* (+35%)
- *Panorama* (+12%)

French Properties

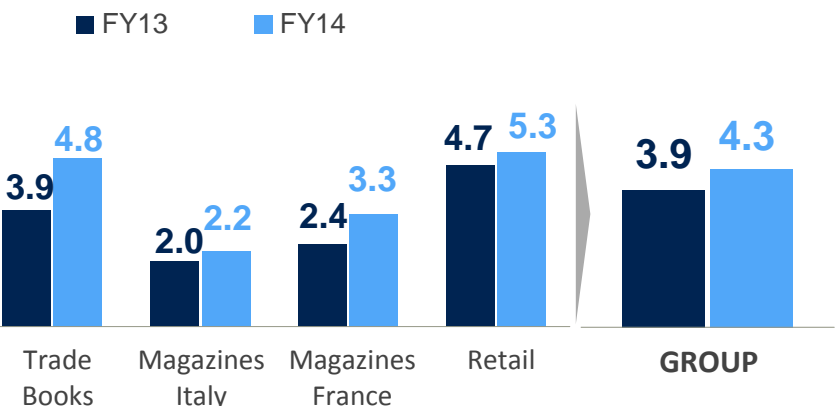
- Advertising revenues: +38%
- Digital circulation revenues: +31%
- Audience: **website unique visitors** at 10.0 million and **mobile** at 2.7 million

REVENUES: purely digital activities rose by **13%**

Acquisition of *London-Boutiques.com* for the development of **Graziashop.com**, a global e-commerce platform, launched on 11 November

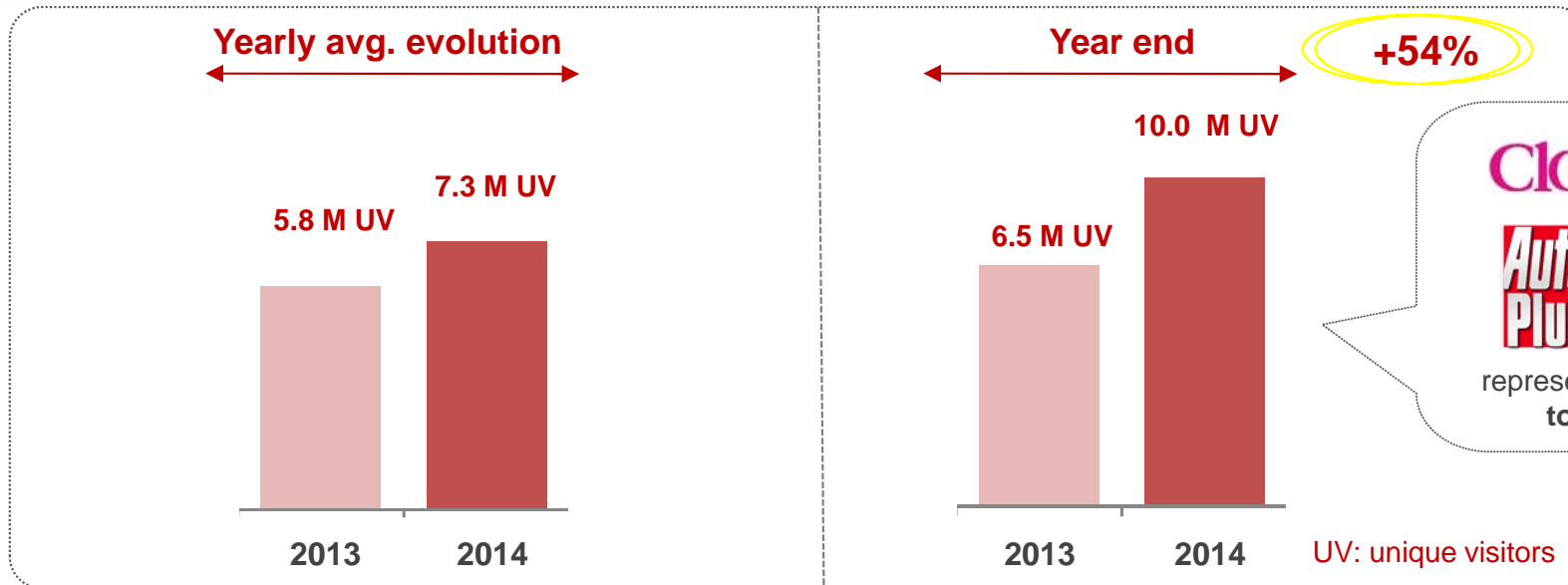
Acquisition of **Kiver**, a digital marketing agency specialized in the development of digital initiatives for promotion, branding and interactive advertising, in synergy with *Cemite* activities

% Digital Revenues on Total

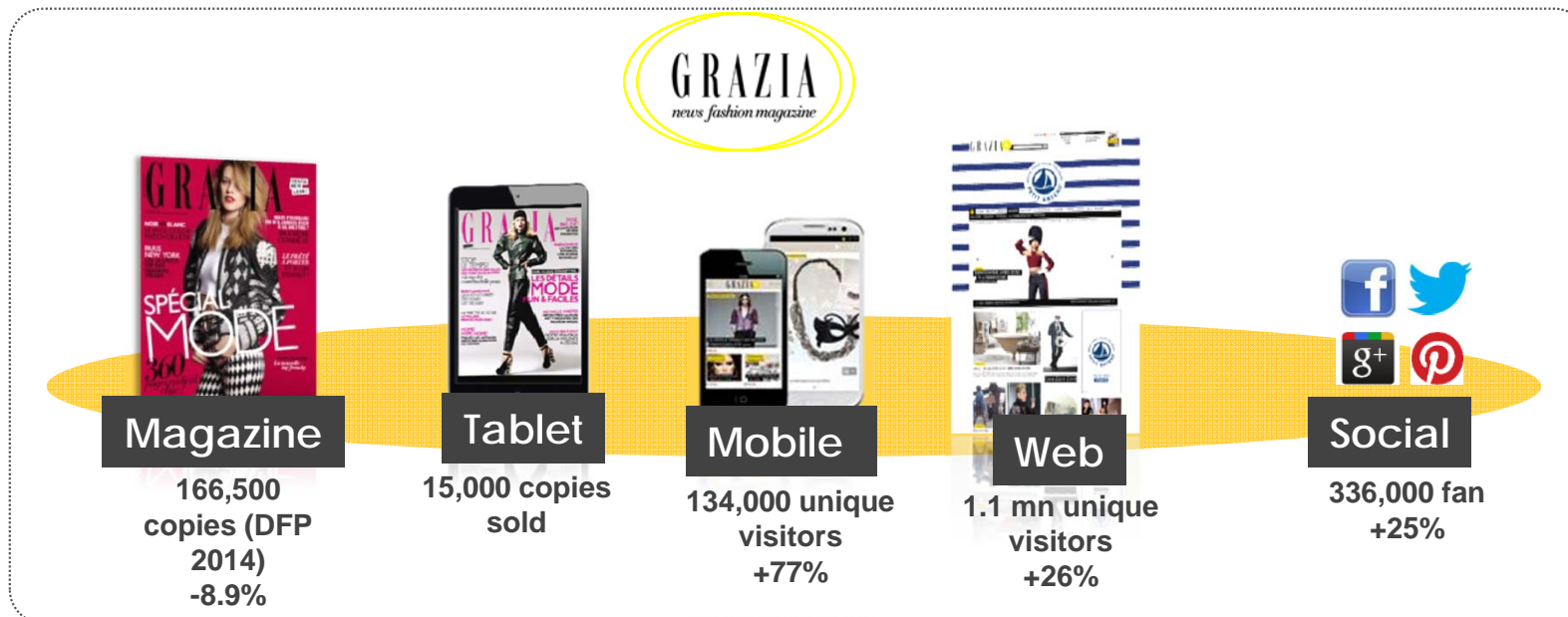


* Revenues are represented in the different Business Areas and in the Parent Company

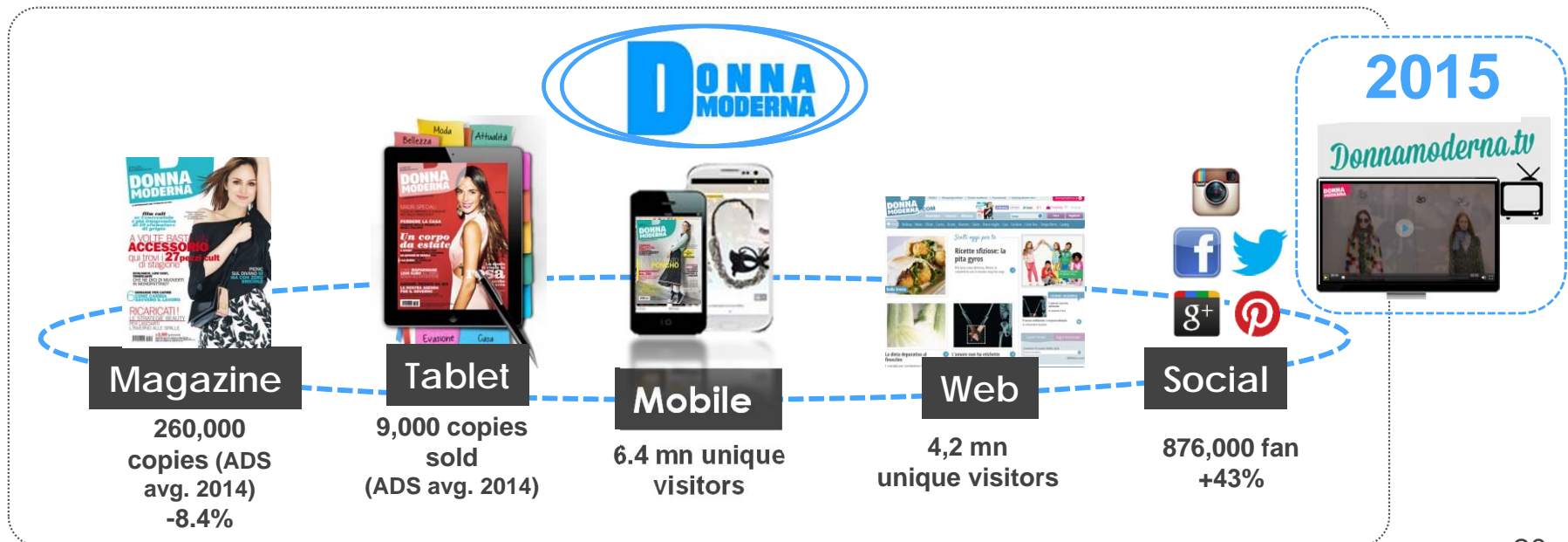
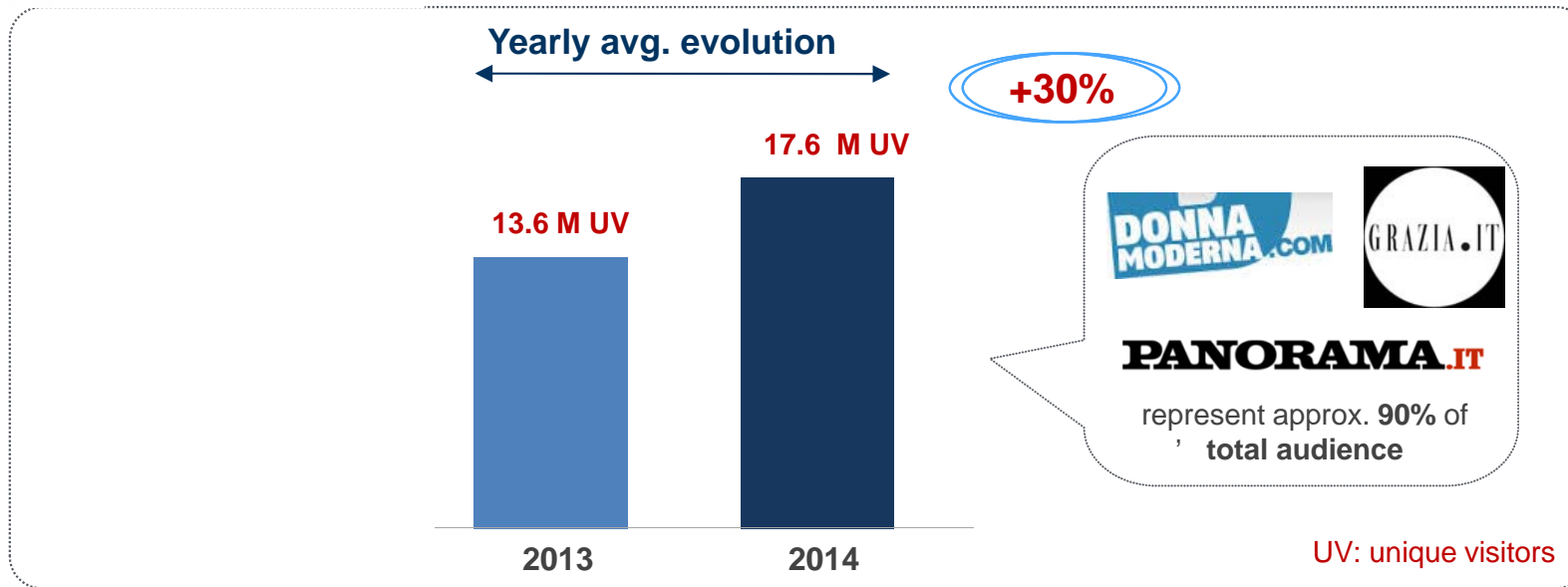
FY14 Highlights - Digital



Closer.fr
Auto Plus **GRAZIA.fr**
 represent approx. **70%** of total audience



FY14 Highlights - Digital



Agenda

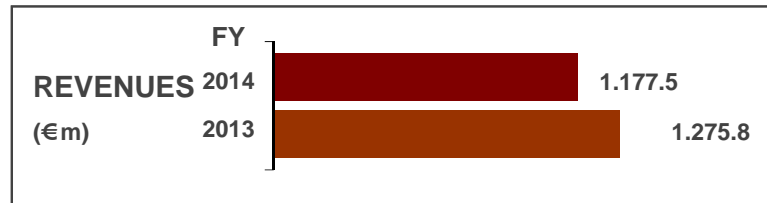
 Highlights FY14

 Business Areas

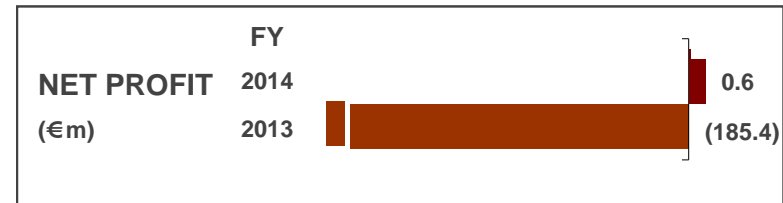
 **FY14 Results**

 Strategic Priorities and FY 2015 Outlook

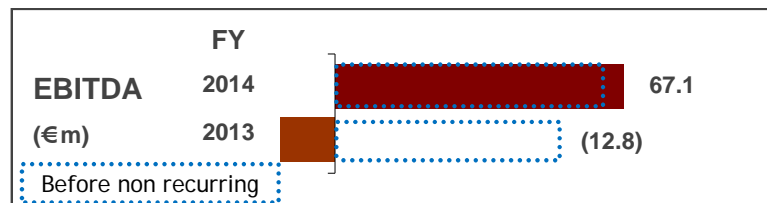
FY14 - Financial Results



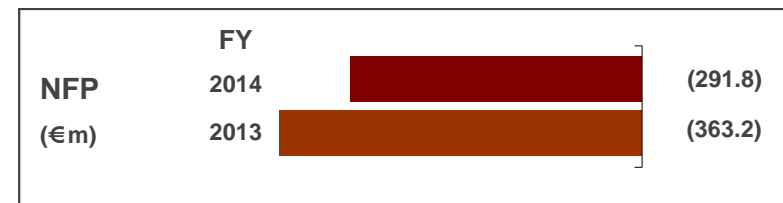
-7.7% (-4.6% on a like-for-like basis, net of the spin-off of the advertising activities to the joint venture *Mediamond*)



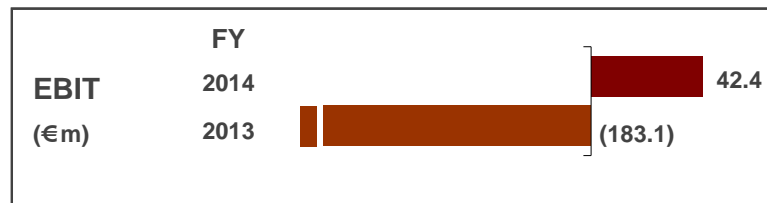
Net Profit after 2 years characterized by relevant losses



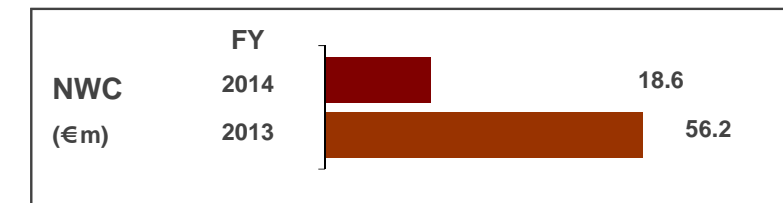
Significant improvement thanks to the overall operating cost reduction. Headcount down by 9.1% (-8.3% like-for-like)



Improvement of over €70 million of which almost 20 from ordinary cash flow generation



In 2013 €144.8 million incurred due to intangible and associates write-downs



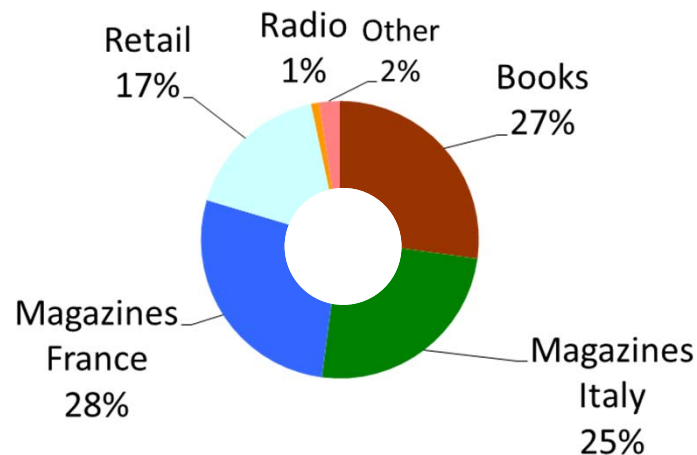
Net Working Capital Optimization:
NWC on consolidated revenues down at 1.6%

FY14 - Revenues by Business Area

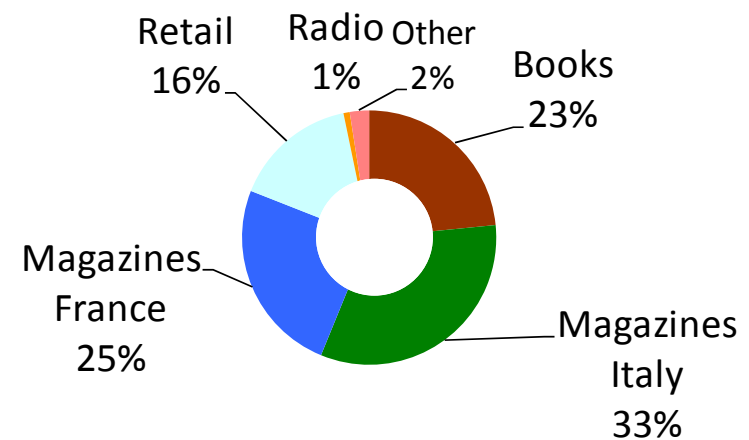
€ m	FY 2014	FY 2013	Var.
Books	336.6	334.3	0.7%
Magazines Italy	297.0	326.1	-8.9%
Advertising	11.3	141.6	n.m.
Magazines France	340.9	353.9	-3.7%
Retail	211.2	225.0	-6.1%
Radio	11.7	11.3	3.3%
Holding & Other	29.6	35.0	-15.6%
Intercompany	-60.8	-151.4	n.m.
Net Revenues	1.177.5	1.275.8	-7.7%

On a like-for-like basis, revenues would be down by **4.6%**

FY 2014



FY 2013



FY14 - EBITDA by Business Area

€ m	FY 2014	FY 2013	Margin % 2014	Margin % 2013	Var. (€ m)
Books	45.1	46.2	13%	14%	-1.1
Magazines Italy	3.1	-20.6	1%	-6%	23.7
Advertising	-4.1	-19.9	n.m.	n.m.	15.8
Magazines France	35.0	26.7	10%	8%	8.3
Retail	8.9	-8.5	4%	-4%	17.4
Radio	-4.4	-4.3	-38%	-38%	-0.1
Holding & Other	-16.5	-32.4	n.m.	n.m.	15.9
EBITDA	67.1	-12.8	5.7%	-1.0%	79.9

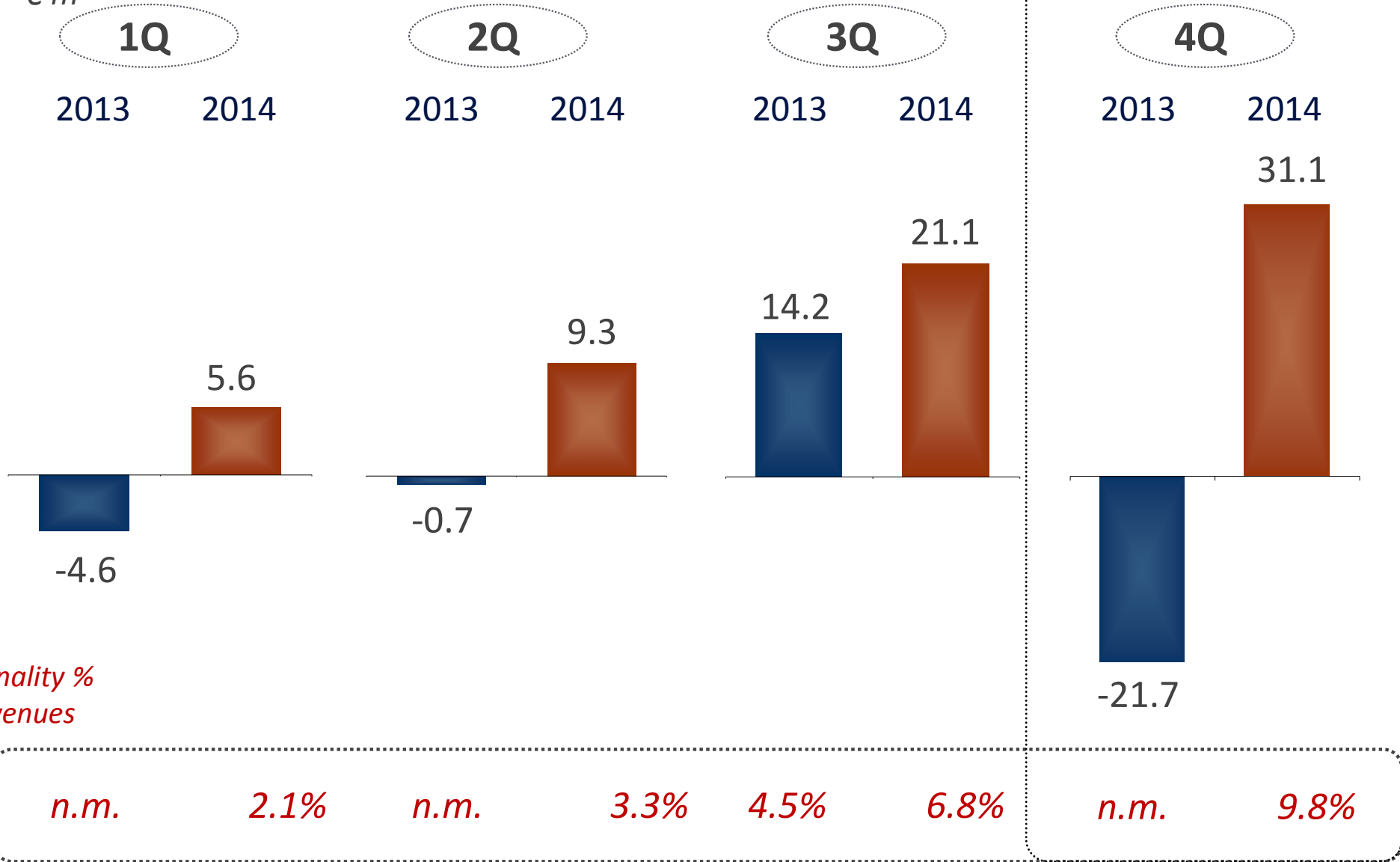
FY 2014

FY 2013



2013-2014 Quarterly EBITDA

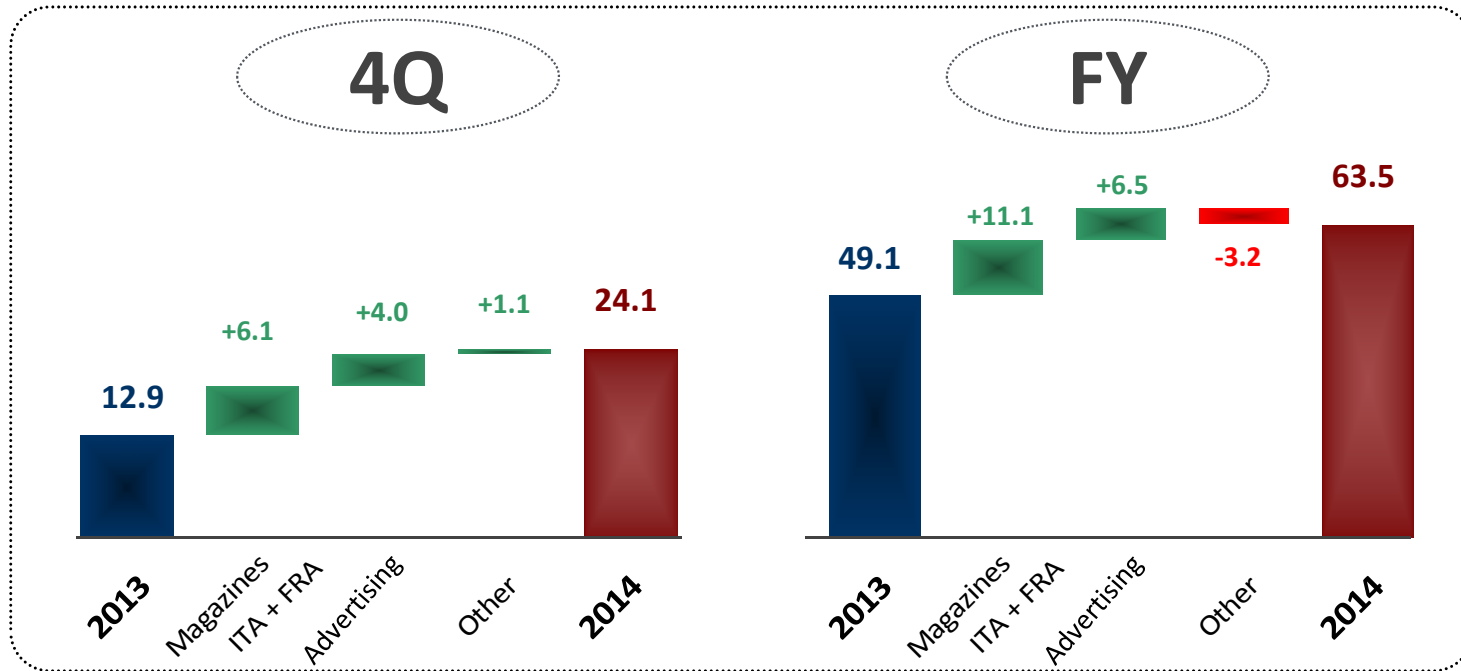
€ m



*Marginality %
on Revenues*

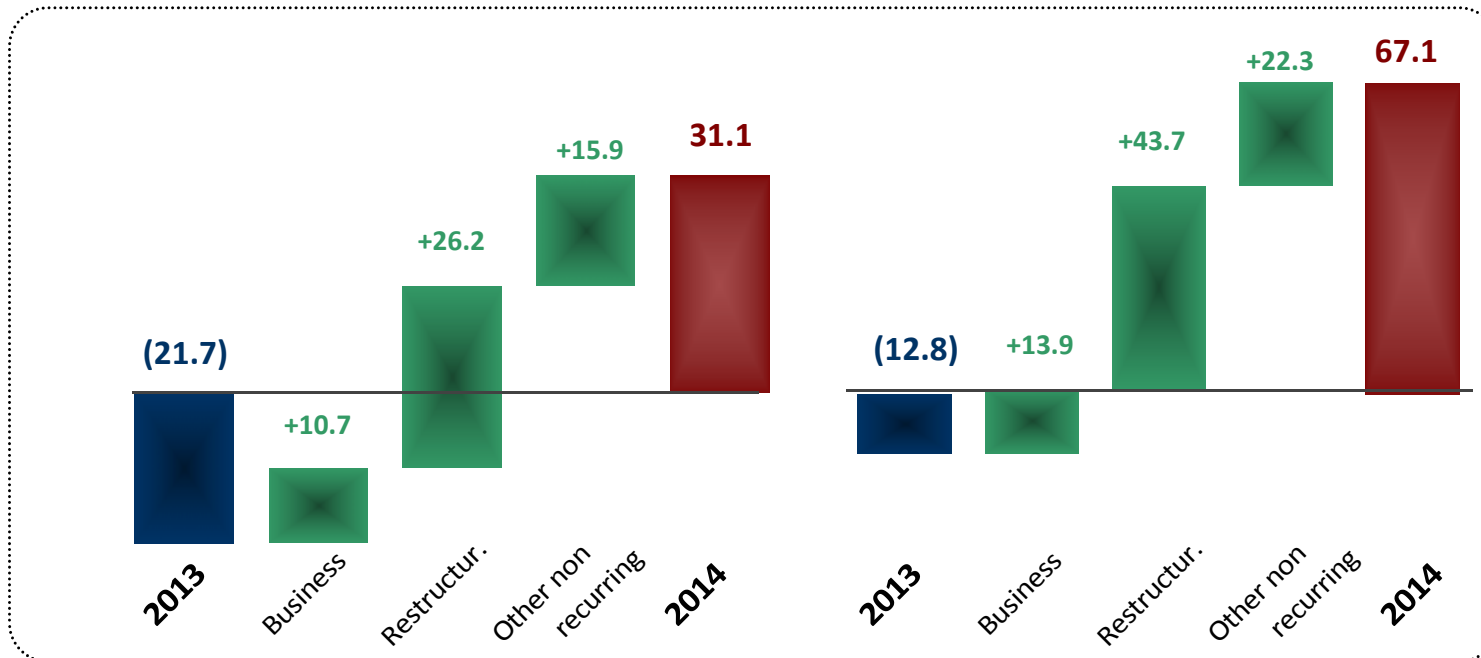
FY14 - EBITDA generation

**EBITDA
BEFORE
NON
RECURRING
ITEMS**

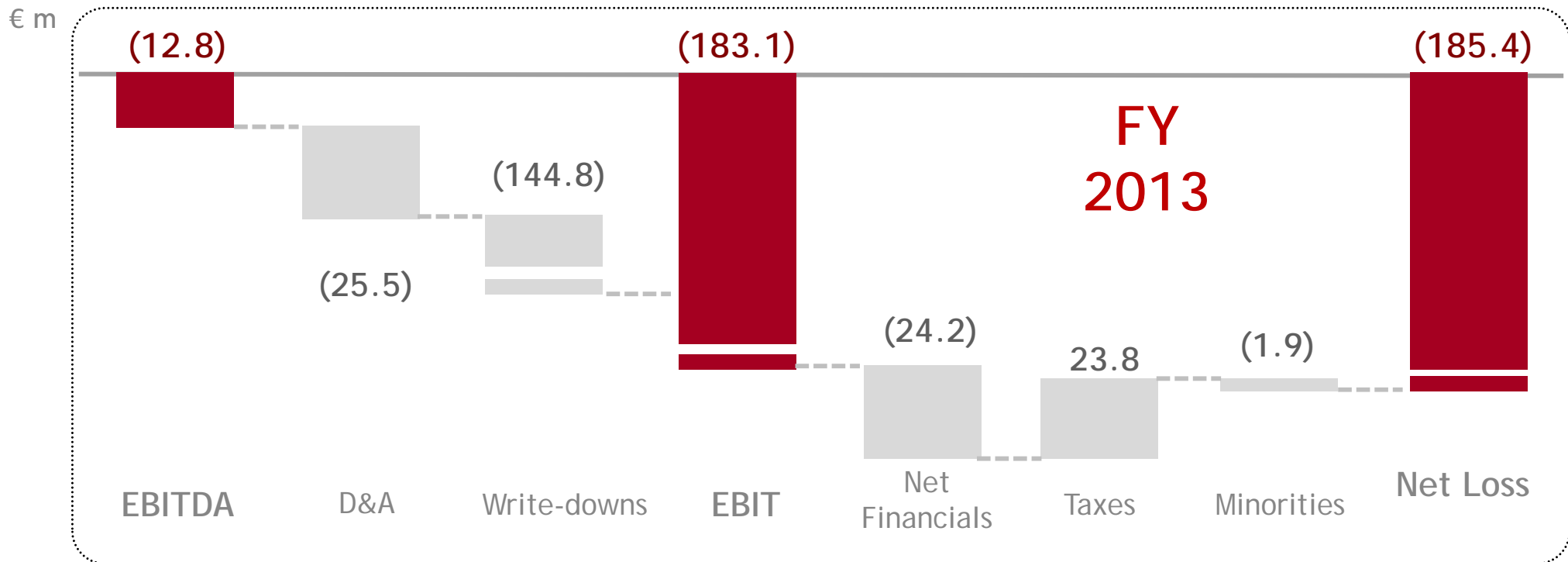
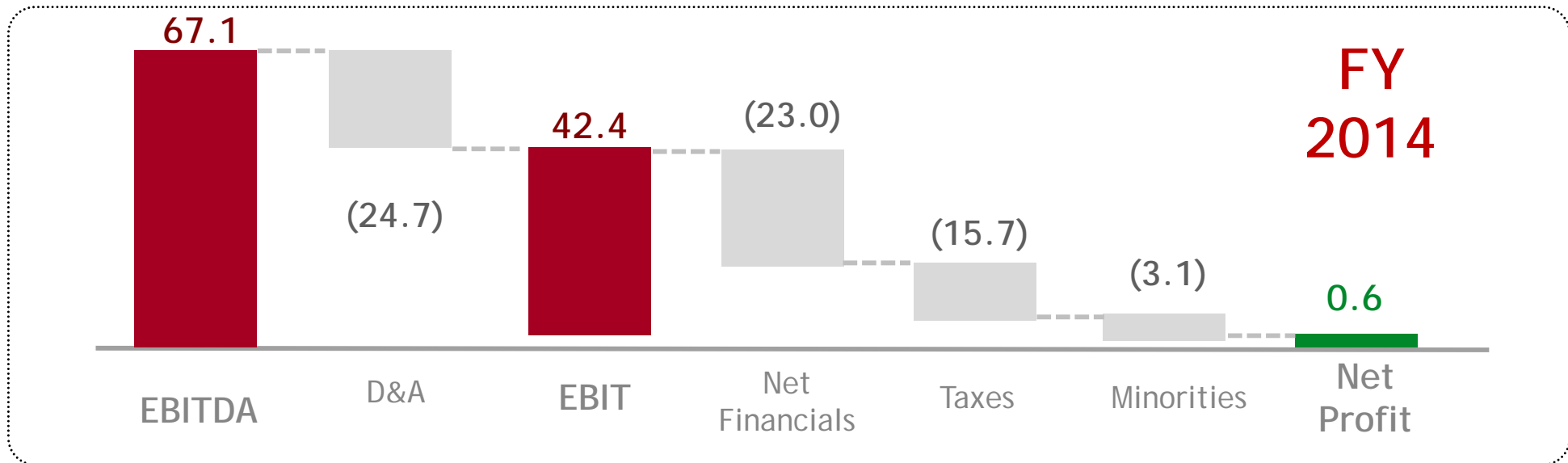


€ m

**REPORTED
EBITDA**



FY14 - From EBITDA to Net Profit



FY14 - P&L



€m	FY 2014	% on Rev.	FY 2013	% on Rev.	Var. %
Revenues	1.177.5	100.0%	1.275.8	100.0%	-7.7%
Operating costs	-886.5	-75.3%	-973.5	-76.3%	-8.9%
Personnel costs	-226.1	-19.2%	-243.4	-19.1%	-7.1%
Other income & expenses	-1.4		-9.8		-85.7%
EBITDA before non recurring items	63.5	5.4%	49.1	3.8%	29.3%
Restructuring costs	-6.6		-50.4		n.m.
Positive/(negative) non recurring items	10.2		-11.5		n.m.
EBITDA	67.1	5.7%	-12.8	-1.0%	n.m.
D&A	-24.7	2.1%	-170.3	13.3%	-85.5%
EBIT	42.4	3.6%	-183.1	-14.3%	n.m.
Net Financials	-23.0	2.0%	-24.2	1.9%	-5.1%
Pre-Tax Profit	19.4	1.6%	-207.3	-16.2%	n.m.
Taxes	-15.7	-1.3%	23.8	1.9%	n.m.
Minority Interests	-3.1		-1.9		n.m.
Net Profit	0.6	0.1%	-185.4	-14.5%	n.m.

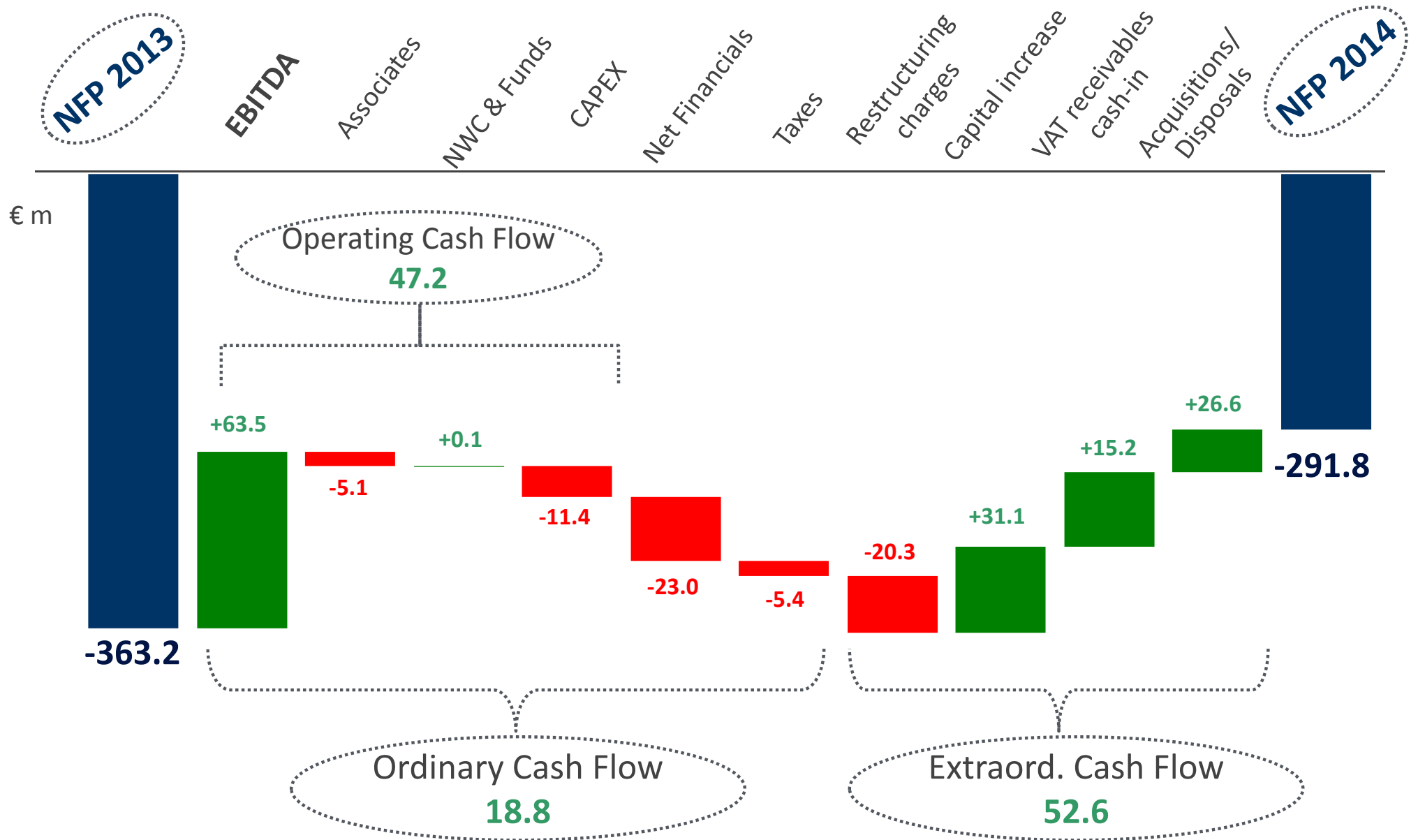
FY14 - Net Financial Position

€ m	FY 2014	FY 2013
Net Financial Position (start of the period)	-363,2	-267,6
EBITDA before non recurring items	63,5	49,1
Associates	-5,1	-9,5
NWC and Funds	0,1	-65,6
CAPEX	-11,4	-2,8
Operating Cash Flow	47,2	-28,7
Net financial charges	-23,0	-24,2
Taxes	-5,4	-11,2
Ordinary Cash Flow	18,8	-64,1
VAT receivables cash-in	15,2	8,5
Cash-out for restructuring	-20,3	-37,8
Acquisitions/Disposals	26,6	-2,2
Treasury & new shares placement	31,1	0,0
Extraordinary Cash Flow	52,6	-31,5
Total Cash Flow	71,4	-95,6
Net Financial Position (end of the period)	-291,8	-363,2

Significant improvement in the year:

- o The **ordinary cash flow was positive for €18.8 million** also thanks to the NWC optimization
- o The **ordinary cash flow** amounted at **€52,6 million**, of which
 - €31.1 million from the capital increase
 - €23.9 million related to an asset disposal

FY14 - Cash Flow generation



FY14 - Net Working Capital



NWC Evolution

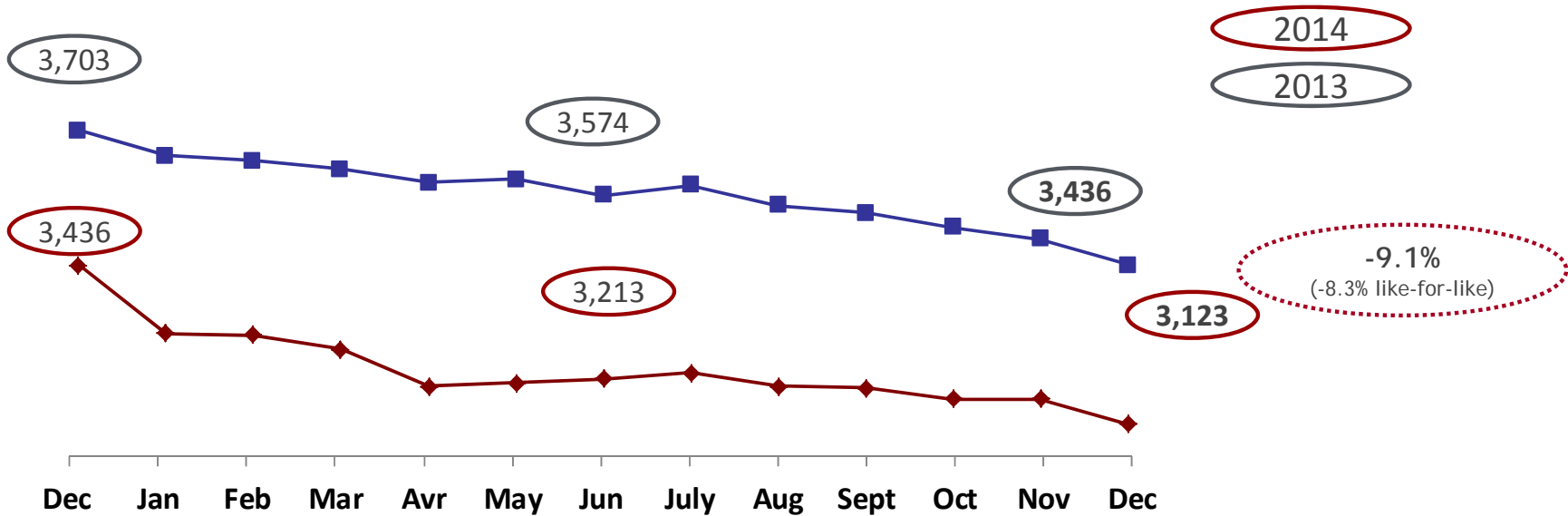
€ m	FY 2013	FY 2014	Var. 14/13
Inventory	124.0	108.4	
Trade Receivables	312.4	268.7	
Trade Payables	(380.7)	(347.4)	
Commercial Working Capital	55.6	29.7	-25.9
<i>% on revenues</i>	4.4%	2.5%	
Other Assets / Liabilities (including Tax Assets)	0.6	(11.1)	
Net Working Capital	56.2	18.6	-37.6
<i>% on revenues</i>	4.4%	1.6%	

NWC on revenue decrease

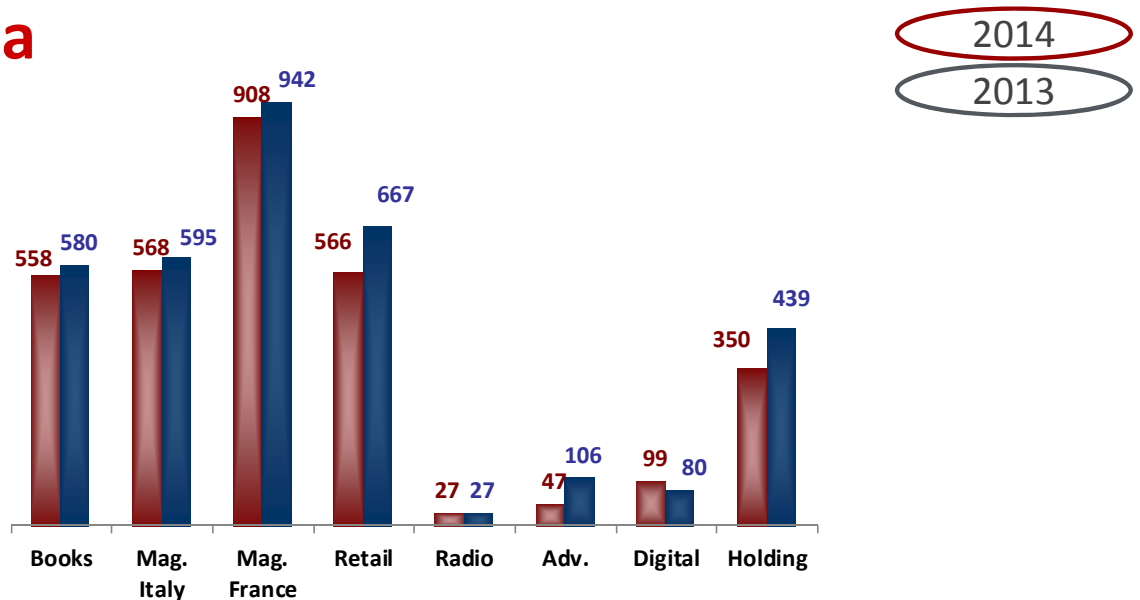
Cash-in from VAT receivables related to previous years

FY14 - Headcount

Total Headcount evolution



Headcount by Area



Agenda

 Highlights FY14

 Business Areas

 FY14 Results

 **Strategic Priorities and FY 2015 Outlook**

FY15 - Strategic Priorities

BOOKS



TRADE: - further consolidation of market leadership position
- revision of the publishing and operating processes targeted to increase profitability



DIGITAL: significant growth expected in the next three-year period



EDUCATIONAL: maintenance of the market share and profitability recorded in 2014 (equal to over 20%)

MAGAZINES & ADVERTISING



PRINT: cost optimization of the magazines through the rationalization of the publishing structure and integration of the digital activities



DIGITAL: increase expected in the audience share; breakeven to be reached at operating level (in France projected in 2015)



INTERNATIONAL: growing revenues and increasing profitability also thanks to the contribution of *Grazia Shop*

RETAIL



POINT OF SALE: - portfolio strategy /rationalization
- development of the franchising network
- ongoing focus on the Book category



DIGITAL: integration of the multi-channel offering with MondadoriStore.it e-commerce



PROFITABILITY: ongoing reduction of operating and structural costs

DIGITAL



Vertical focus in the areas in which Mondadori is market leader through the development of an integrated system composed of physical and digital magazine in order to enhance the brand value






Development of **e-commerce** activities (according to a B2C and marketplace logic)



Diversification and development of new revenue lines in non-traditional activities: **marketing services** aimed at Mondadori asset value strengthening (content and profiling data) also according to a B2B logic



Steady development of **partnerships** with third parties and strategic acquisitions, in synergy with the core business

-  Since 2013 the Company has implemented important optimization measures aimed at reducing operating costs and strategically rationalizing the portfolio of activities. The resulting positive outcomes – along with the improved **performance of the business** – enabled to achieve an **EBITDA of €67.1 million** and a **positive net profit** in 2014
-  Based on the current market scenario and the actions mentioned above, which are expected to be continued in 2015, it is reasonable to expect a **significant growth in the Group operating EBITDA in 2015**; in parallel, the activities focused on non-core asset disposals will be carried on, which are estimated to generate an extraordinary contribution, basically in line with the value registered in 2014
-  Consistently with the actions described above and notwithstanding the higher investments and eventual changes in the Digital Area, the **Net Financial Position** is also projected to **improve** against 2014 year end

Three transformational years

2013

Implementation of actions aimed at:

- re-defining the industrial and organizational structure
- reducing operating and structural costs

2014

- Efficiencies achievement and profitability recovery
- Steady focus on cash flow generation from operations
- Focus on the growth of the digital area

From 2015...

Revenue
+0.5/1.5%*

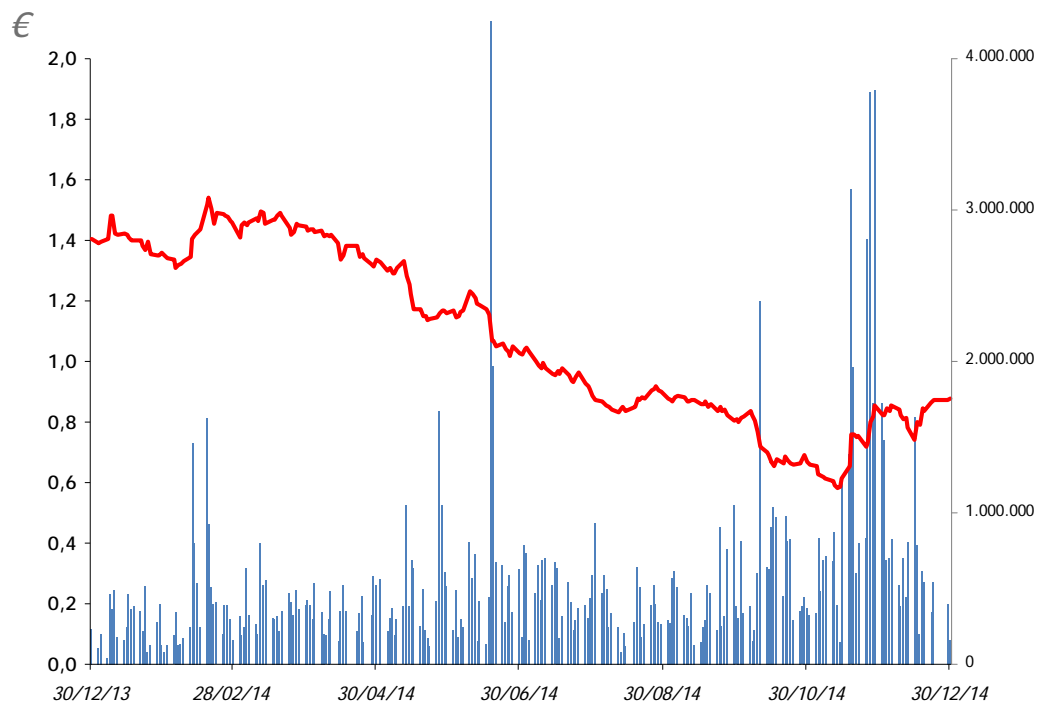
MOL
+10/15%*

* *CAGR 2014-2017*

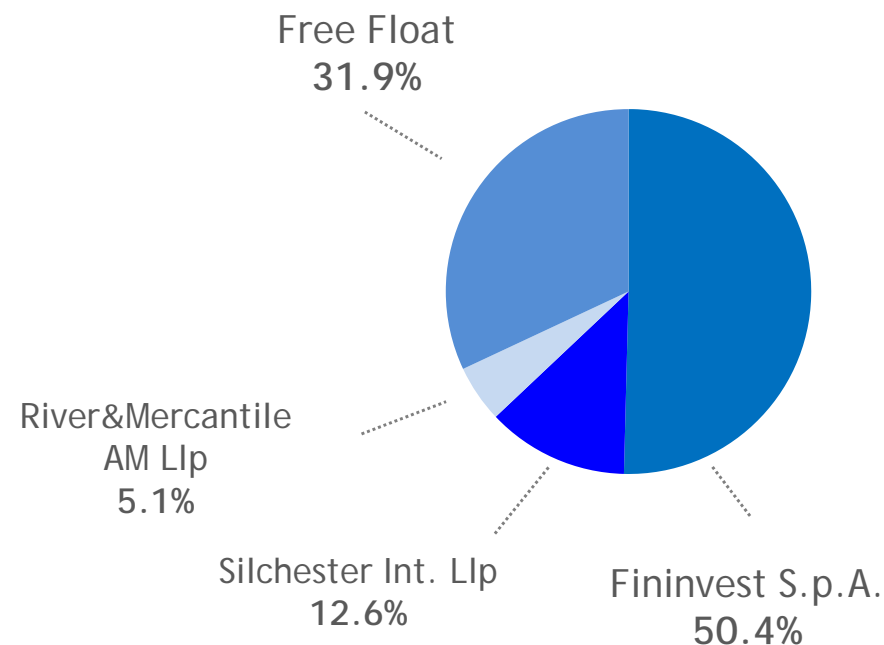
ATTACHMENTS

Company Profile

Stock Performance (2014)



Current Shareholding Structure



Share Information

Ticker	MN IM (Bloomberg). MN.MI (Reuters)
Market Cap.	€270 m
Shares outstanding	261.458.340
Last 30 days avg. daily trade	1.045.000

FY14 Consolidated Balance Sheet



€m	31.12.2014	31.12.2013	Delta
Trade receivables	268.7	312.4	-43.7
Inventory	108.4	124.0	-15.6
Trade payables	-347.4	-380.7	33.3
Other assets/(liabilities)	-11.1	0.6	-11.7
NWC	18.6	56.2	-37.6
Intangible asstes	601.6	617.5	-15.9
Tangible assets	37.1	43.9	-6.8
Investments	39.6	38.6	1.0
Fixed invested capital	678.3	700.0	-21.7
Provisions and severances	-116.0	-134.4	18.4
NET INVESTED CAPITAL	580.9	621.9	-41.0
SHAREHOLDERS' EQUITY	289.1	258.7	-41.0
NFP	291.8	363.2	-41.0
NET INVESTED CAPITAL	580.9	621.9	-41.0

EBITDA before non recurring charges

12 months

€ m	FY 2014	FY 2013	Margin % 2014	Margin % 2013	Var. (€ m)
Books	46.0	49.9	14%	15%	-4.0
Magazines Italy	4.6	-6.4	2%	-2%	11.0
Advertising	-5.2	-11.7	n.m.	n.m.	6.5
Magazines France	35.8	35.7	10%	10%	0.0
Retail	0.2	-0.4	0%	0%	0.6
Radio	-4.4	-4.0	n.m.	n.m.	-0.4
Holding & Other	-13.3	-14.1	n.m.	n.m.	0.8
EBITDA	63.5	49.1	5.4%	3.8%	14.5

4° quarter

€ m	4Q14	4Q13	Var. (€ m)
Books	9.6	10.2	-0.6
Magazines Italy	0.1	-6.2	6.3
Advertising	-0.3	-4.3	4.0
Magazines France	12.5	12.7	-0.2
Retail	5.5	5.2	0.3
Radio	-0.2	-1.3	1.1
Holding & Other	-3.0	-3.3	0.3
EBITDA	24.1	12.9	11.2
Margin %	7.6%	3.7%	

4Q14 P&L



€m	4Q 2014	% on Rev.	4Q 2013	% on Rev.	Var. %
Revenues	317.9	100.0%	344.5	100.0%	-7.7%
Operating costs	-229.5	-72.2%	-259.9	-75.4%	-11.7%
Personnel Costs	-58.7	-18.5%	-59.0	-17.1%	-0.6%
Other income & expenses	-5.6		-12.7		-55.9%
EBITDA before non recurring items	24.1	7.6%	12.9	3.7%	86.3%
Restructuring costs	-2.3		-28.5		n.m.
Positive/(negative) non recurring items	9.3		-6.1		n.m.
EBITDA	31.1	9.8%	-21.7	-6.3%	n.m.
D&A	-7.5	-2.3%	-151.8	-44.1%	n.m.
EBIT	23.6	7.4%	-173.5	-50.4%	n.m.
Net Financials	-5.2	-1.6%	-7.6	-2.2%	-31.4%
Pre-Tax Profit	18.5	5.8%	-181.0	-52.5%	n.m.
Taxes	-9.1	-2.9%	28.2	8.2%	n.m.
Minority Interests	-1.1		-0.2		n.m.
Net Profit	8.2	2.6%	-153.1	-44.4%	n.m.

4Q14 by Business Area

REVENUES

€ m	4Q14	4Q13	Var.
Books	97.7	100.1	-2.4%
Magazines Italy	69.5	73.0	-4.8%
Advertising	3.7	36.5	ns
Magazines France	86.7	91.0	-4.7%
Retail	66.3	71.6	-7.4%
Radio	3.9	2.4	60.9%
Holding & Other	8.3	8.8	-6.3%
Intercompany	-18.2	-38.8	ns
Net Revenues	317.9	344.5	-7.7%

EBITDA

€ m	4Q14	4Q13	Var. (€ m)
Books	9.3	7.2	2.1
Magazines Italy	-1.1	-10.9	9.8
Advertising	-0.3	-10.8	10.4
Magazines France	12.7	4.9	7.9
Retail	14.9	-1.7	16.6
Radio	-0.2	-1.2	1.0
Holding & Other	-4.2	-9.2	5.0
EBITDA	31.1	-21.7	52.8

On a like-for-like basis, revenues would be down by **4.0%**

Marginality % **9.8%** **-6.3%**



Forward-looking Statements

Statements contained in this document, particularly the ones regarding any Mondadori Group possible or assumed future performance, are or may be forward looking statements and in this respect they involve some risks and uncertainties.

Mondadori Group actual results and developments may differ materially from the ones expressed or implied by the above statements depending on a variety of factors.

Any reference to past performance of Mondadori Group shall not be taken as an indication of future performance.

This announcement does not constitute an offer to sell or the solicitation of an offer to buy the securities discussed herein.

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