

Mondadori Group 1H15 Results

Investor Presentation

July, 28th 2015



Agenda



1H15 Highlights



1H15 Results



Focus on Business Areas



FY 2015 Outlook

Key Takeaways



Improved results from operations in **all the Group's business areas**



Focus on the **strategic rationalization** of the activities portfolio:

▲ some **non-core assets disposal**

▲ further **strengthening** of **core business competitive** position



Green-light to proceed with 80% Monradio disposal



Binding offer to acquire RCS Libri

Note to the Presentation

In view of the possible disposal of 80% of the share capital of Monradio S.r.l. and in compliance with IFRS 5 ("Non current assets held for sale"), the Group's radio business was qualified as "discontinued operations" and as such it was recorded in the tables at June 30 2015. As a result, in the income statement of the first half year of 2015 and, for the sake of comparison, of the first half year of 2014, the results achieved in the Radio business area in the relevant period were classified under "*Results from discontinued operations*". On the other hand, the financial charges of Monradio S.r.l. are included among the Group's net financial expenses for the period, since the relevant net debt at 30 June 2015 is still consolidated.

Highlights 1H15



Operating results steady enhancement

1H

2Q

REVENUES



-4.8%

-3.3%

EBITDA before non recurr. items



+31.7%

+26.4%

EBITDA



+7.9%

+11.2%

Net Financial Position



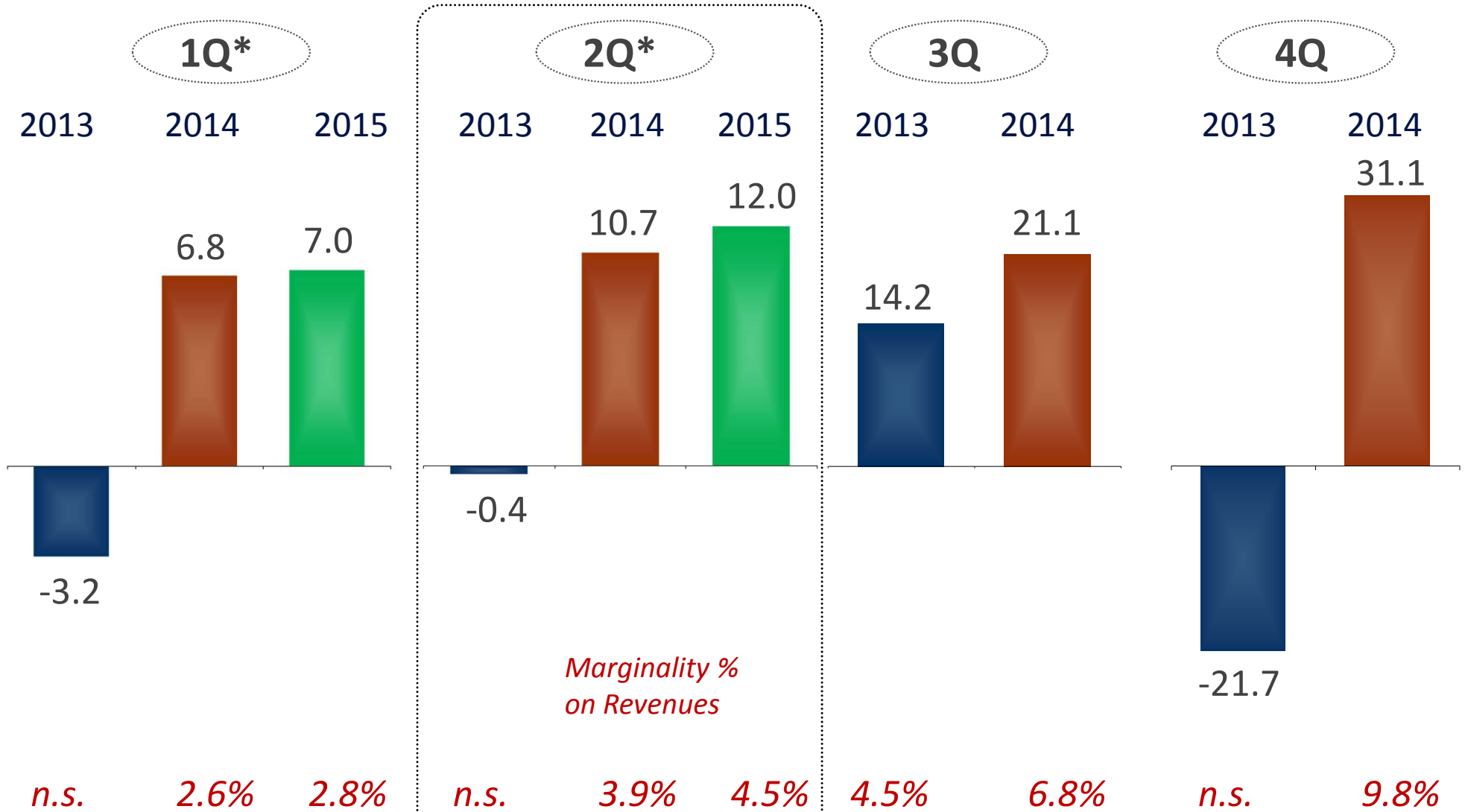
+11.5%

Highlights 1H15



EBITDA improvement in the last 6 quarters

€ m



* 1Q & 2Q not including Radio results, restated as «discontinued operations»

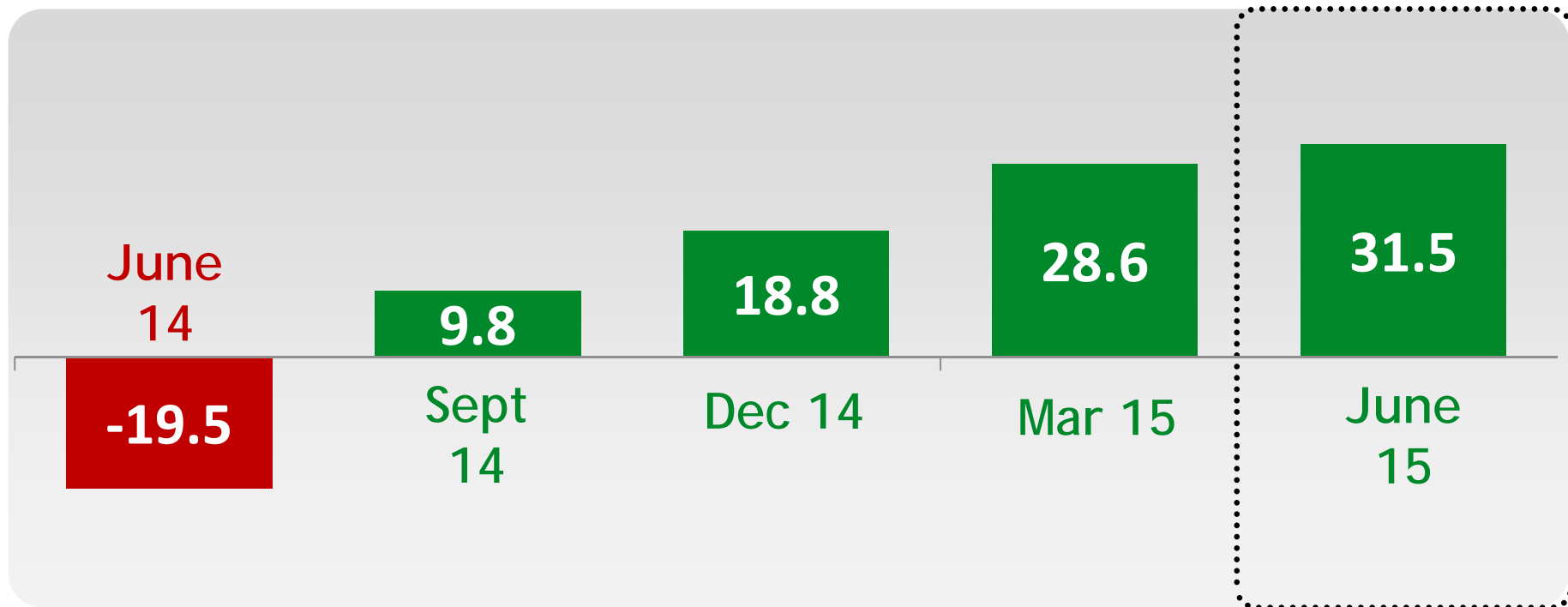
Highlights 1H15



Quarterly cash-generation increase confirmed

€ m

Ordinary Cash Flow (LTM)



Agenda

 1H15 Highlights

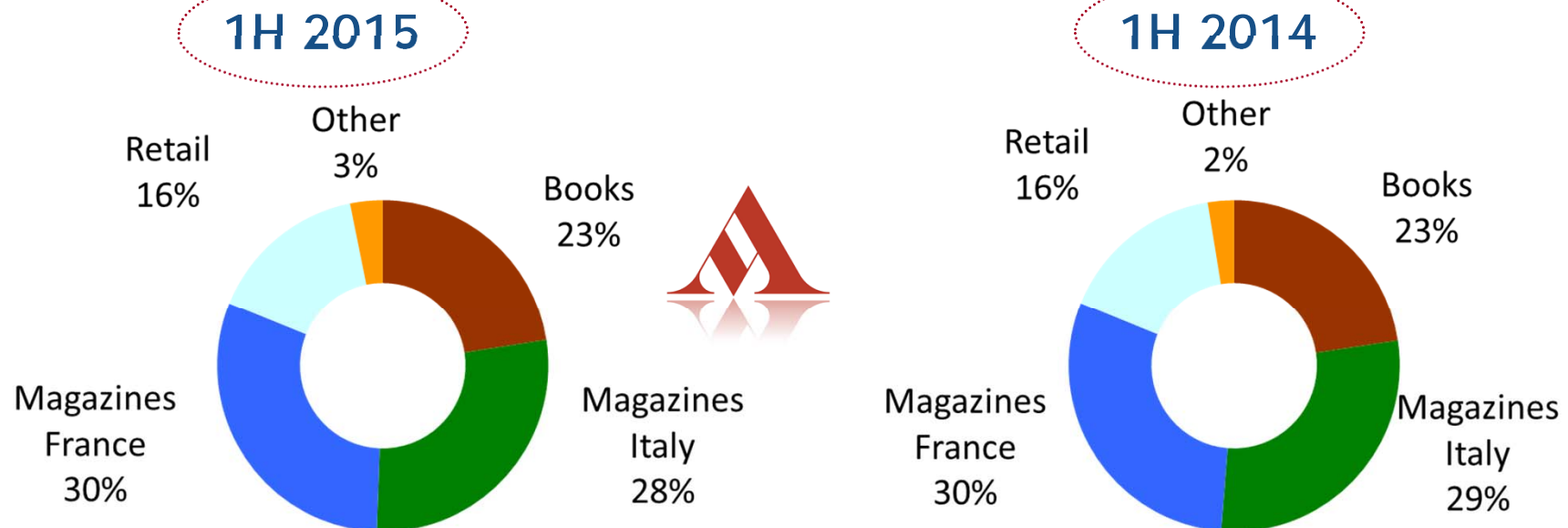
 ***1H15 Results***

 Focus on Business Areas

 FY 2015 Outlook

Revenues by Business Area - 1H15

€ m	1H 2015	1H 2014	Var.
Books	123.0	128.5	-4.3%
Magazines Italy	153.0	162.9	-6.1%
Magazines France	166.6	169.9	-2.0%
Retail	85.7	92.6	-7.4%
Holding & Other	17.3	14.6	18.5%
Intercompany	-28.4	-25.3	12.4%
Net Revenues	517.1	543.3	-4.8%



* Magazines Italy as of January 1° 2015 (and. for the sake of comparison in 1H 2014) include Advertising revenues

EBITDA by Business Area - 1H15

EBITDA BEFORE NON RECURRING ITEMS

€ m	1H 2015	1H 2014	Margin % 2015	Margin % 2014	Var. (€ m)	
Books	8.5	5.1	6.9%	4.0%	3.4	↑
Magazines Italy	10.5	8.2	6.9%	5.0%	2.3	↑
Magazines France	16.1	16.1	9.7%	9.5%	0.0	→
Retail	-3.2	-5.1	-3.7%	-5.5%	1.9	↑
Holding & Other	-8.1	-6.2	n.s.	n.s.	-1.9	↓
EBITDA	23.8	18.1	4.6%	3.3%	5.7	

+31.7%

REPORTED EBITDA

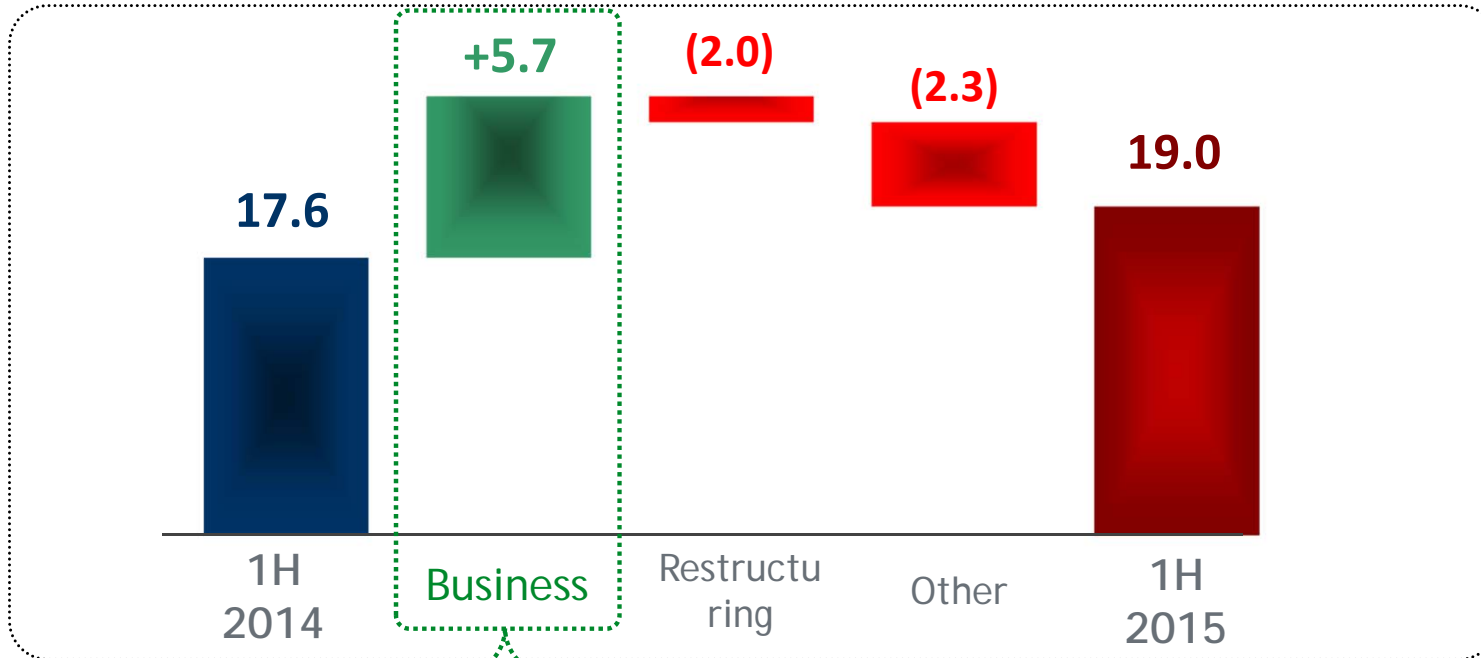
€ m	1H 2015	1H 2014	Margin % 2015	Margin % 2014	Var. (€ m)	
Books	5.2	4.7	4.2%	3.7%	0.6	
Magazines Italy	9.8	9.1	6.4%	5.6%	0.7	
Magazines France	14.4	15.3	8.6%	9.0%	-0.9	
Retail	-2.8	-5.5	-3.3%	-5.9%	2.7	
Holding & Other	-7.7	-6.0	n.s.	n.s.	-1.7	
EBITDA	19.0	17.6	3.7%	3.2%	1.4	

+7.9%

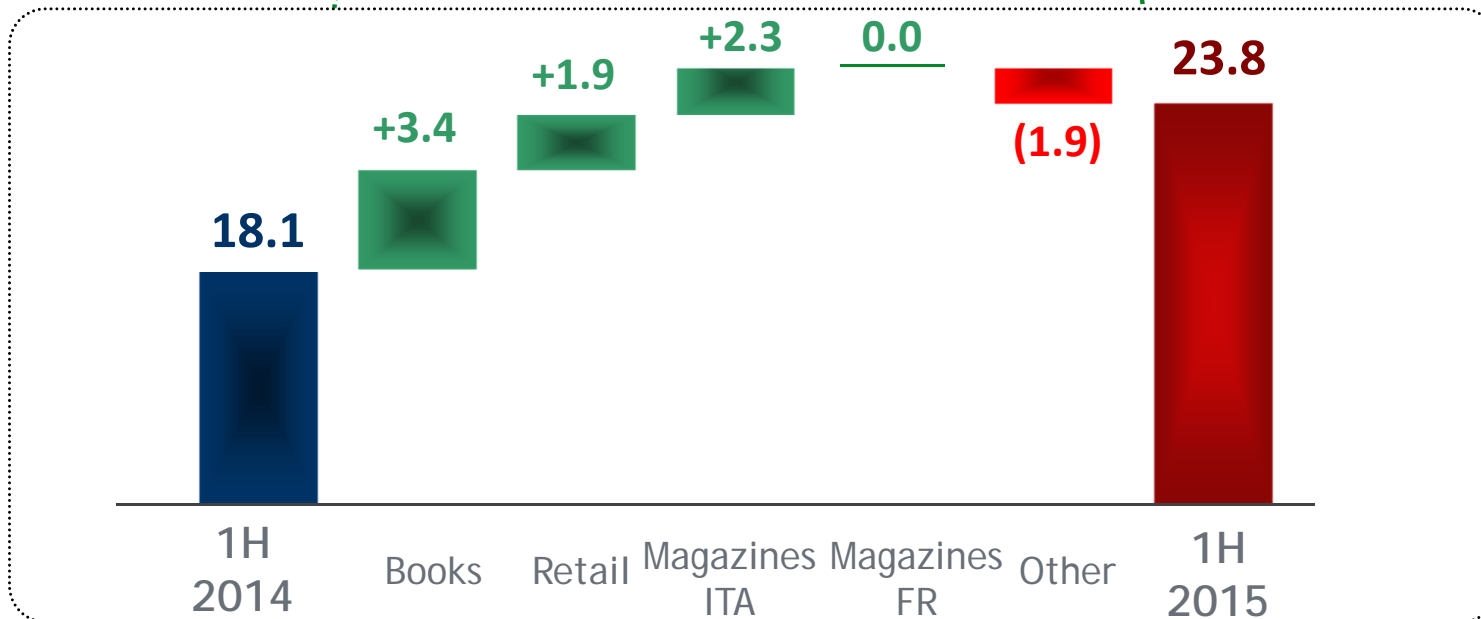
EBITDA generation - 1H15

€ mn

**REPORTED
EBITDA**

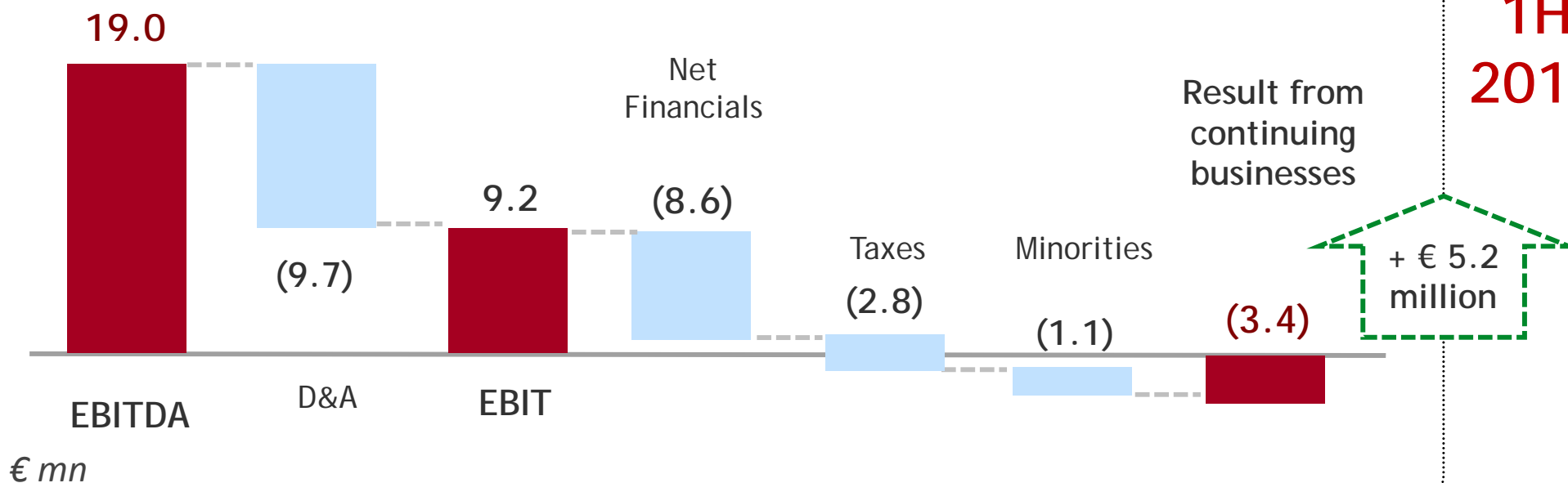


**EBITDA
BEFORE NON
RECURRING
ITEMS**

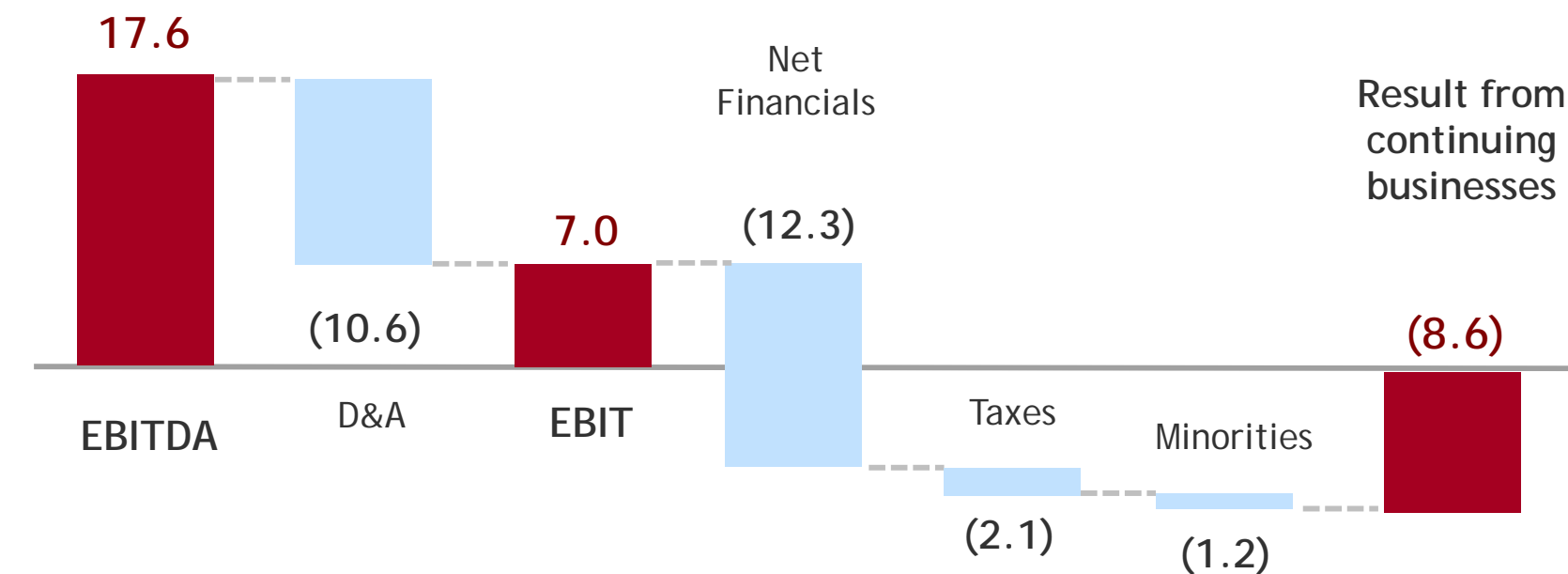


From EBITDA to Net Result - 1H¹⁵

1H
2015



1H
2014

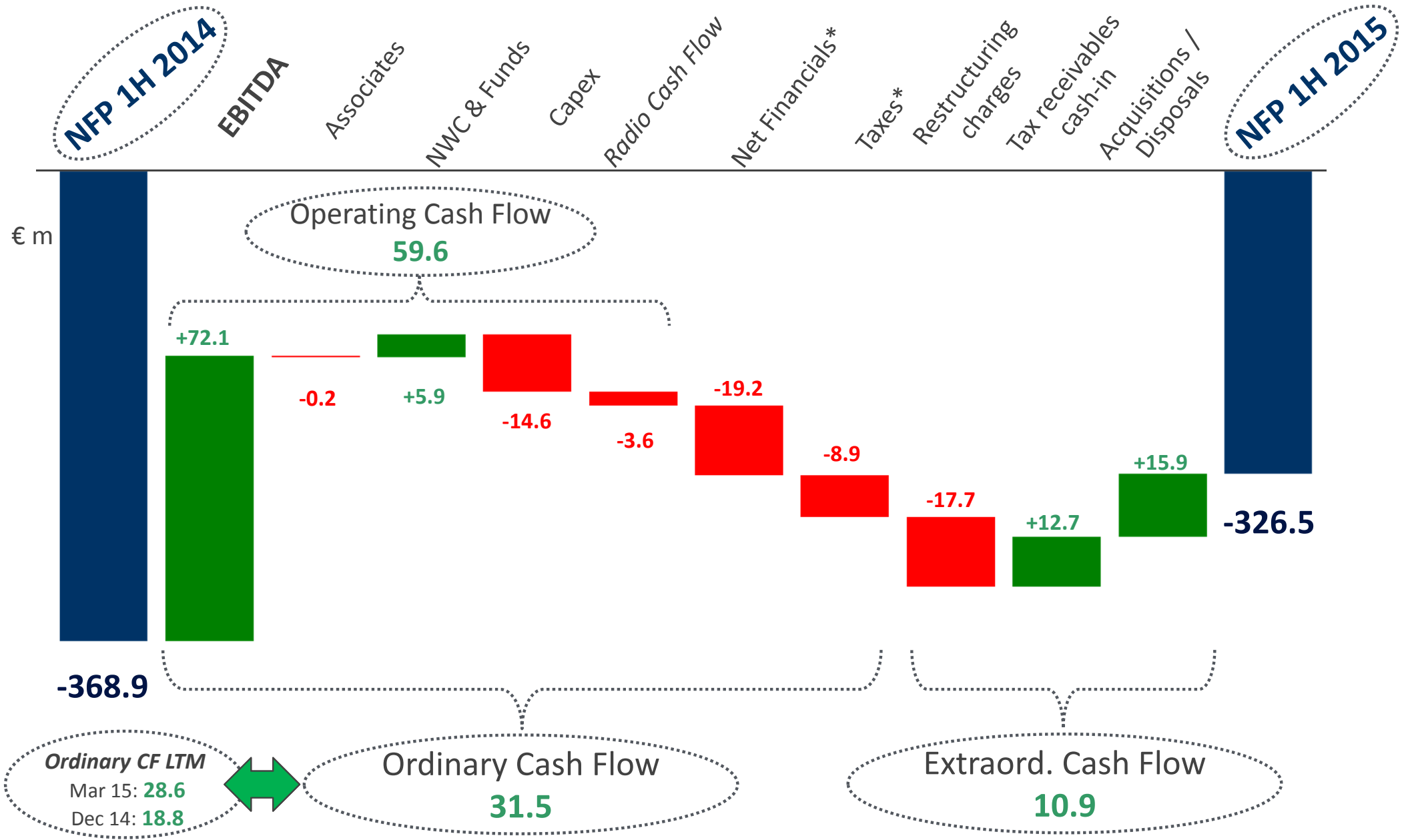


P&L - 1H15



€ m	1° Half 2015	Inc. %	1° Half 2014	Inc. %	Var. %
Net Revenues	517.1	100.0%	543.3	100.0%	-4.8%
COGS	203.5	39.4%	228.4	42.0%	-10.9%
Variable costs	106.9	20.7%	103.7	19.1%	3.1%
Fixed costs	77.0	14.9%	81.4	15.0%	-5.4%
Personnel cost	108.3	20.9%	113.6	20.9%	-4.6%
Other expenses/(income)	-3.3	-0.6%	-3.5	-0.6%	-4.2%
Associates	-0.9	-0.2%	-1.6	-0.3%	-43.0%
EBITDA before non recurring items	23.8	4.6%	18.1	3.3%	31.7%
Restructuring costs	-5.0		-3.0		68.1%
Positive /(negative) non recurring items	0.1		2.4		-95.5%
EBITDA	19.0	3.7%	17.6	3.2%	7.9%
D&A	9.7	1.9%	10.6	1.9%	-8.0%
EBIT	9.2	1.8%	7.0	1.3%	31.9%
Net Financials	-8.5	-1.7%	-12.3	-2.3%	-30.5%
Revenues (costs) from other investments	-0.1				n.s.
Pre-Tax Result	0.6	0.1%	-5.3	-1.0%	n.s.
Income taxes	2.8	0.5%	2.1	0.4%	n.s.
Minorities	1.1	0.2%	1.2	0.2%	n.s.
Result from continuing operations	-3.4	-0.6%	-8.6	-1.6%	n.s.
Result from discontinued operations	-8.8	-1.7%	-2.5	-0.5%	n.s.
Net Result	-12.2	-2.4%	-11.0	-2.0%	n.s.

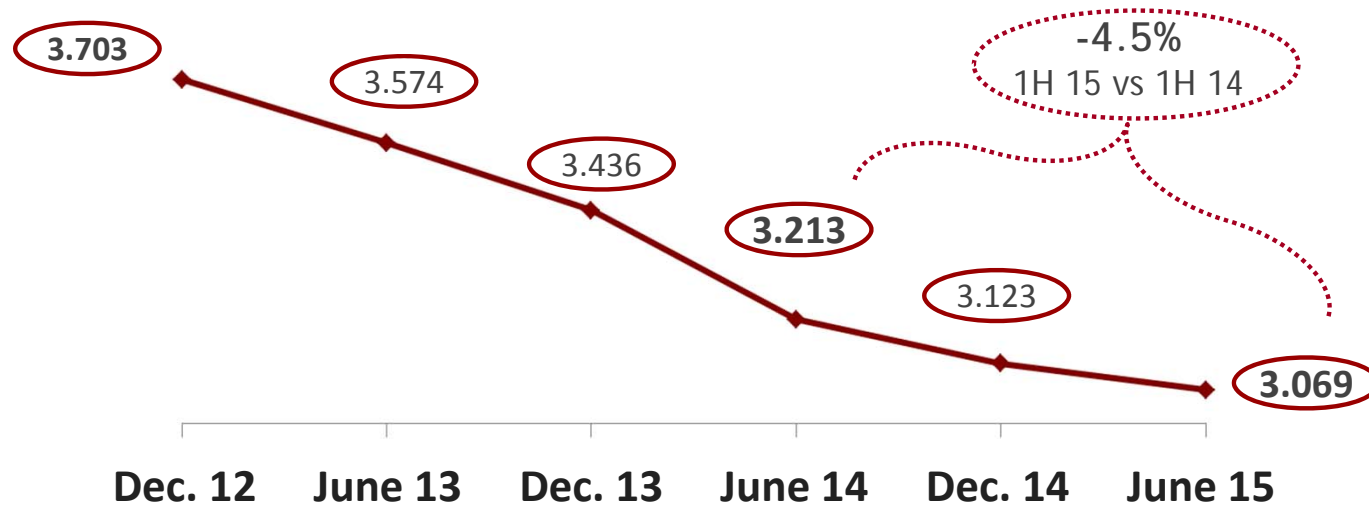
LTM Cash Flow generation - 1H15



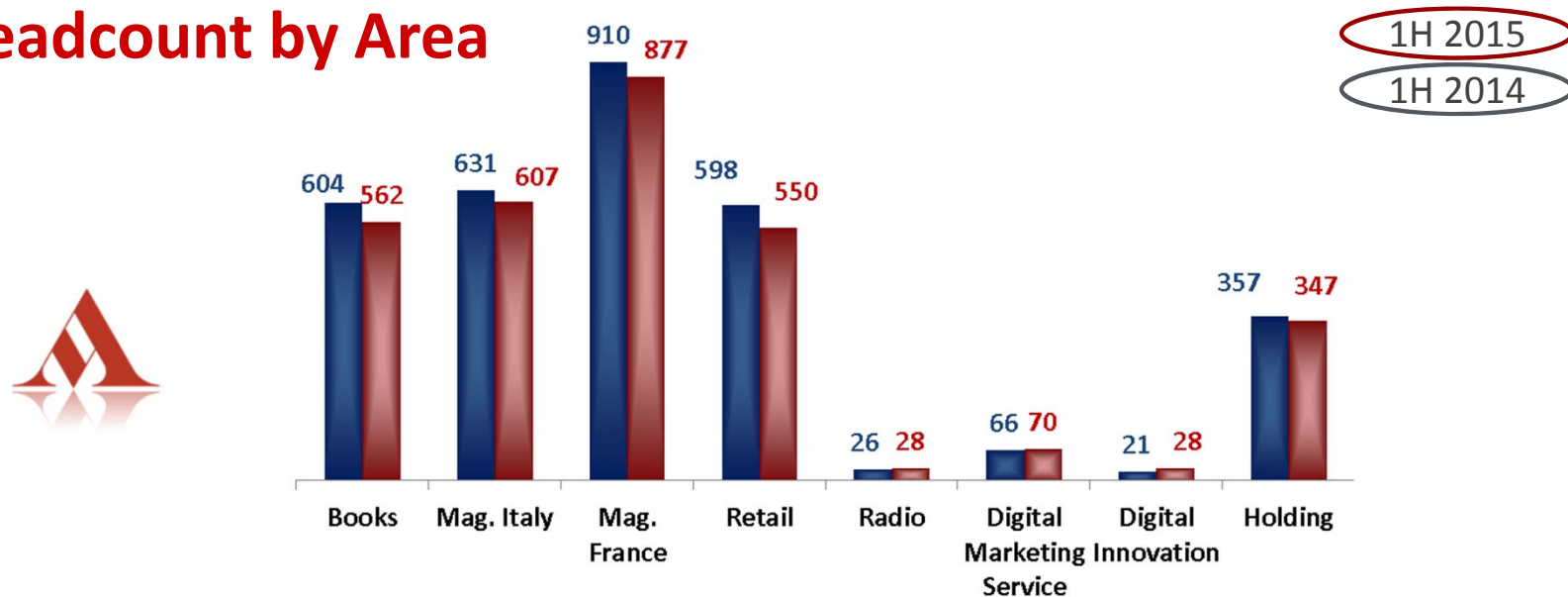
* Including the cash absorption/generation from the Radio area's activities/liabilities

Headcount - 1H15

Total Headcount Evolution



Headcount by Area



Agenda

 1H15 Highlights

 1H15 Results

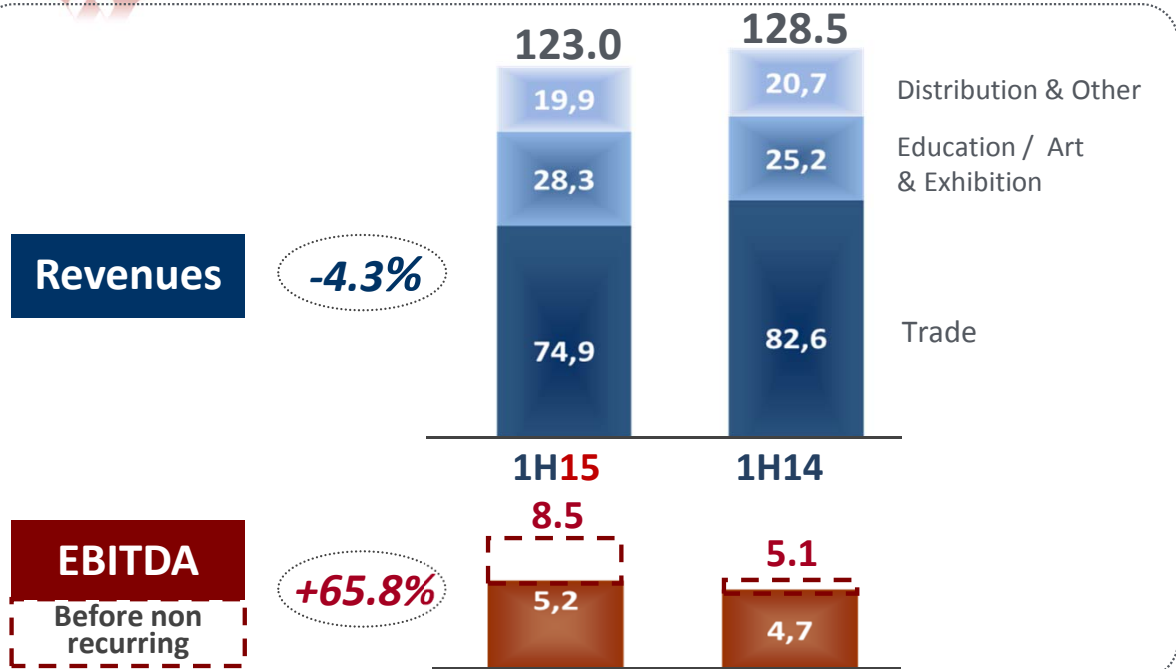
 ***Focus on Business Areas***

 FY 2015 Outlook

Highlights 1H15 - Books



Performance 1H 2015 (€m)



Mondadori vs Market



Share 24.4%

25.5%

1H 14



Market

-7,0%

-2,7%

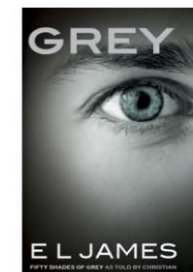
Decline in the Trade market, in particular in the large-scale retailer channel (-8.5%) where Mondadori holds a market share of 23%

REVENUES down by 4.3%:

- Trade Books:** greater than the market decrease, affected by a selective publishing policy aimed at boosting profitability; **e-book:** digital revenues growing by 18% (6.1% of total)
- Educational Books:** growing by 12.4% thanks to positive performance in education sector and in management of museum & exhibitions activities (also thanks to Expo)

EBITDA before non recurring items up from 5.1 to 8.5 Euro million thanks to **more efficient** operating procedures and to **fixed costs reduction**

Launched on July 3rd



4 titles in the top 10 bestsellers (1H)

- 3 – Cinquanta sfumature di grigio
- 7 – Storia di una ladra di libri
- 8 – La vigna di Angelica
- 9 – Cinquanta sfumature di nero

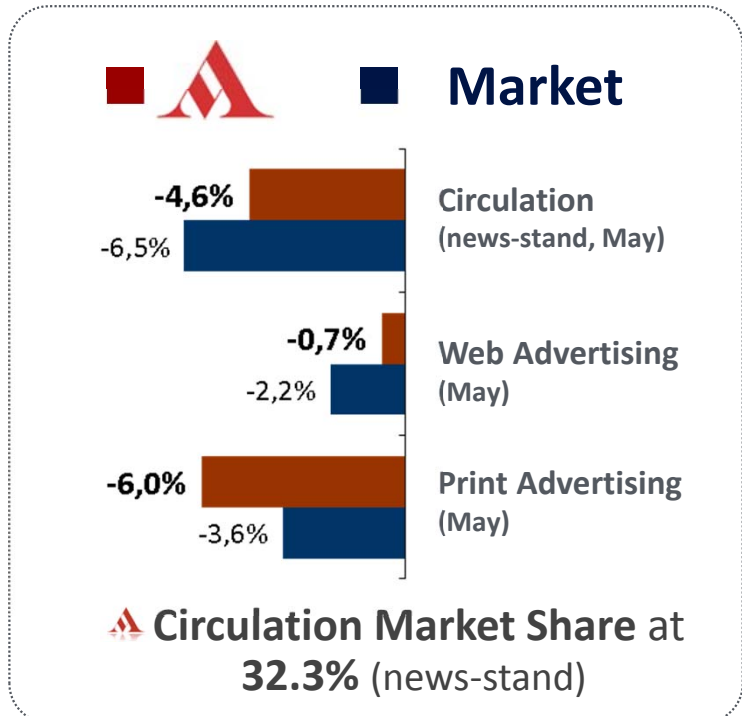
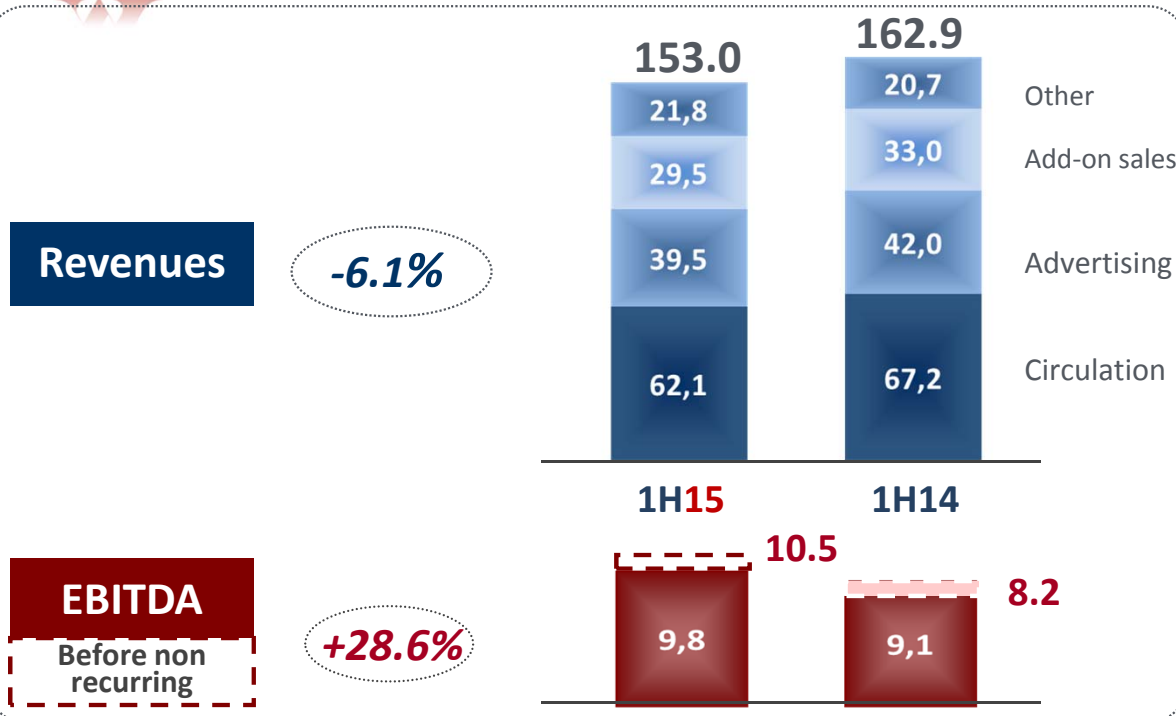
Highlights 1H15 - Magazines Italy

Including Advertising area's activities



Performance 1H 2015 (€m)

Mondadori vs Market



REVENUES down by 6.1% (-5.7% on a like-for-like basis*):

- Revenues from circulation, down by 7.6% (-6.8% on a like-for-like basis*), also affected by the rigorous policy driven to select the most profitable initiatives both for subscriptions and news-stands
- Advertising revenues (print+web) down by 5.9% (-5.6% on a like-for-like basis*)
- Add-on sales down by 10.6% also due to the selection of initiatives, aimed at supporting profitability, but recovering towards 1Q 2015

EBITDA net of non recurring items up by 28.6% as a result of the important **re-organization** implemented in the **editorial** and **operating** structures, of the **constant cost reductions** and of the selection of initiatives
Reported EBITDA (€9.8 from € 9.1 mn) in 1H 14 included a capital gain of € 1 million (resulting from *Mediamond* contribution)

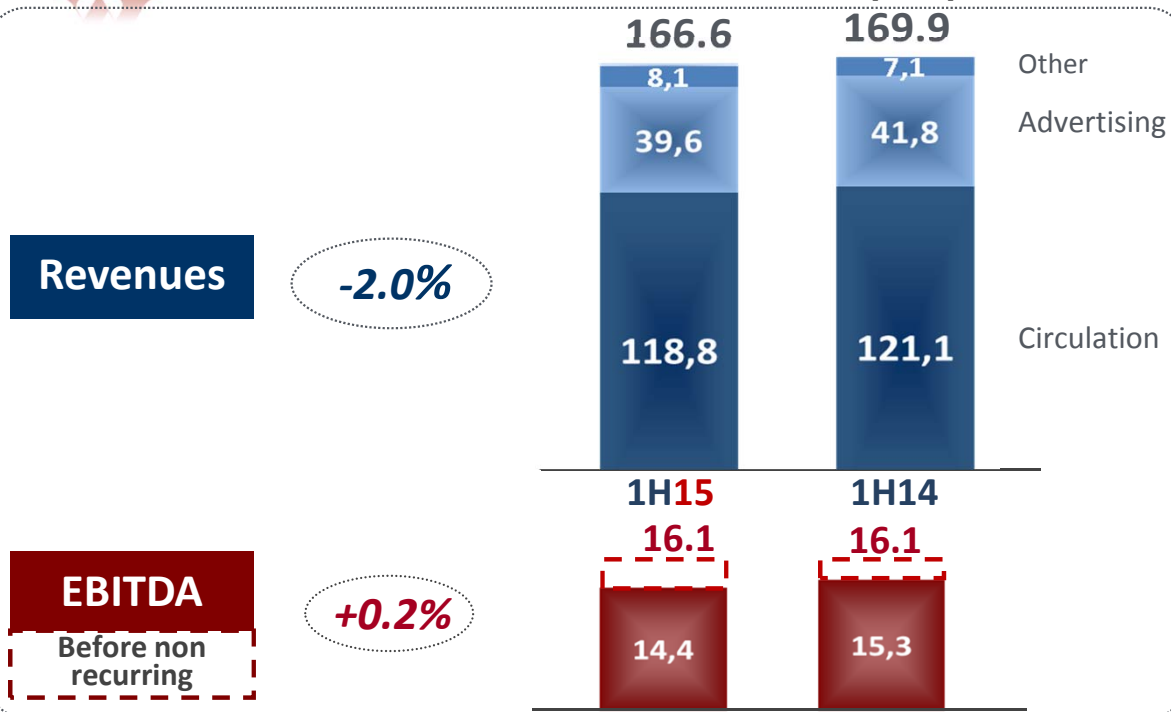
* In 1H15 2 titles less in portfolio

Source: adv - Nielsen (May 2015); circulation - internal data (value data, May 2015)

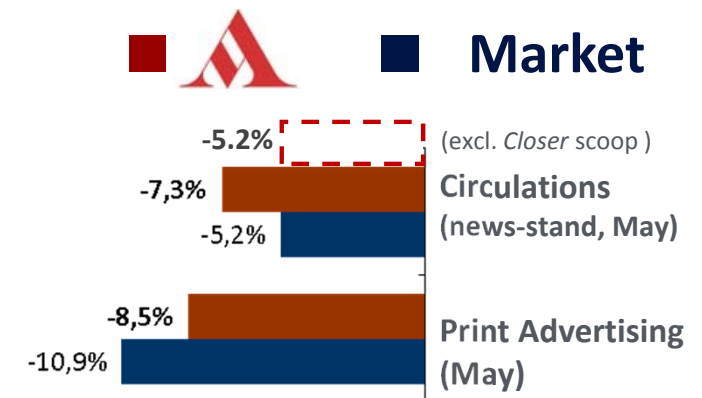
Highlights 1H15 - Magazines France



Performance 1H 2015 (€m)



Mondadori vs Market



- ▲ Mondadori confirmed as 2° top player in the magazine advertising market with a share of 10.3% (in volume)
- ▲ Circulation performance in line with the market trend (-5.2%) net of «Hollande scoop» publication on Closer (Jan. 2014)

REVENUES down by 2.0%:

- ▲ Revenues from circulation (75% of total) -1.9% of which news-stands -7.3% (1H 2014 benefitted from the «scoop Hollande» by Closer, net of which decrease is -5.2%) and subscriptions +0.6%
- ▲ Revenues from advertising sales (print+web) down by 5.2% of which digital (14% of adv revenues) grew by 23%

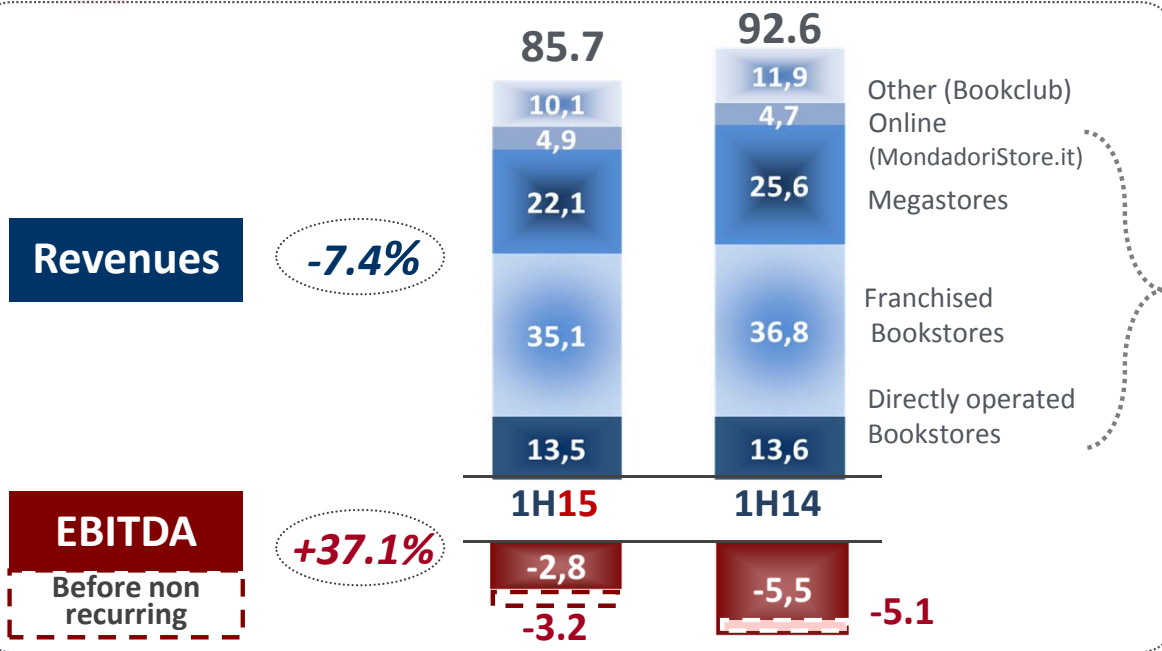
EBITDA net of non recurring items stable at €16.1 million (9.7% on revenues); including restructuring charges, **EBITDA** down by 5.7% (€ 14.4 million)

Actions targeted to **structure rationalization** and **editorial cost control**, in order to further adjust the organization to market changes and support profitability, are continuously carried on.

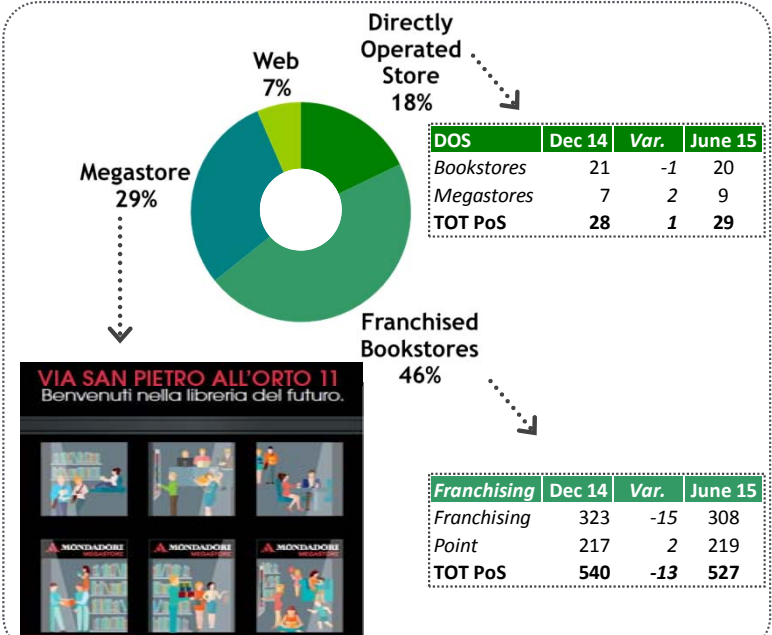
Highlights 1H15 - Retail



Performance 1H 2015 (€m)



> 1H15 Revenues* by channel



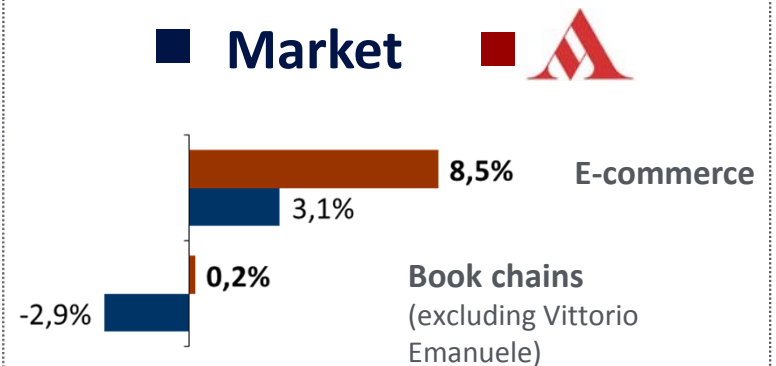
REVENUES:

- ▲ Directly operated bookstores -0.6%
- ▲ Franchised bookstores -4.7% with a stable performance in the Book sales
- ▲ Megastores down due to the Vittorio Emanuele flagship store disposal (Milan); positive performance in the Book category
- ▲ Online sales up 2.5%

EBITDA – halved loss thanks to:

- ▲ Gross margin improvement in Book & Consumer Electronic products
- ▲ Lower incidence of promotional, fixed and labour costs

1H15 vs Book Market = 77% of Total Revenues*



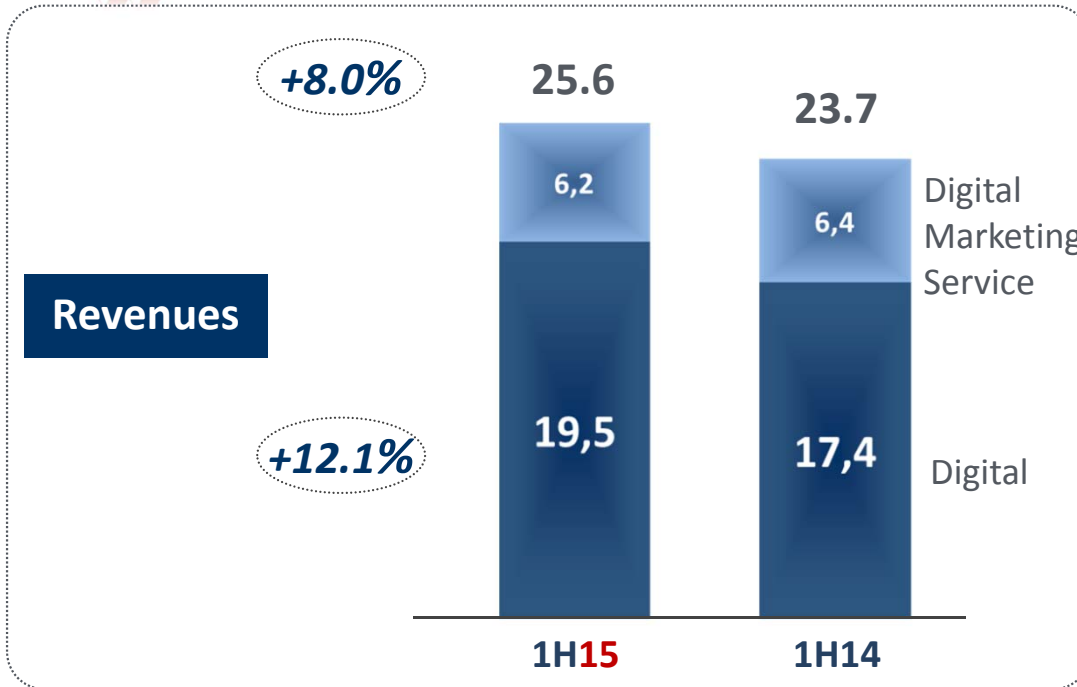
* "Total Store" Revenues; not including Bookclub

Source: GFK, June 2015 (value data)

Highlights 1H15 - Digital



Performance 1H 2015* (€m)



Audience properties



Italy

Advertising revenues: -0.7%, better than the market (Grazia.it +7.3%)

Audience: relevant growth (+41%) at **6.7 milioni unique users****

- *Grazia.it* (+38%)
- *Panorama.it* (+11%)



France

Advertising revenues: +23% (14% del totale)

Audience: **unique visitors**** at **8.3 million** in May (+19% on 2014 average)



REVENUES up by 8.0%



Revenues from purely digital activities rose by 12.1%

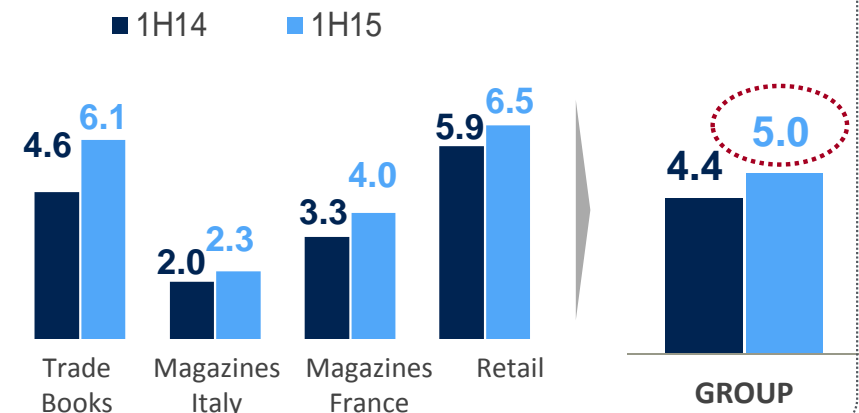


Revenues from Digital Marketing Services down due to the shift of some projects of Cemit, only partially off-set by new digital products



Digital contribution to consolidated revenues up at 5%

% Digital Revenues on Total



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

** Source: Italy – Audiweb; France – Nielsen (May 2015)

Agenda

-  1H15 Highlights
-  1H15 Results
-  Focus on Business Areas

 ***FY 2015 Outlook***

FY 2015 estimates confirmed:

- ▲ **growing EBITDA at Group level**
- ▲ **improved Net Financial Position** towards 2014 year end (NFP/EBITDA < 3.5x)

based on:

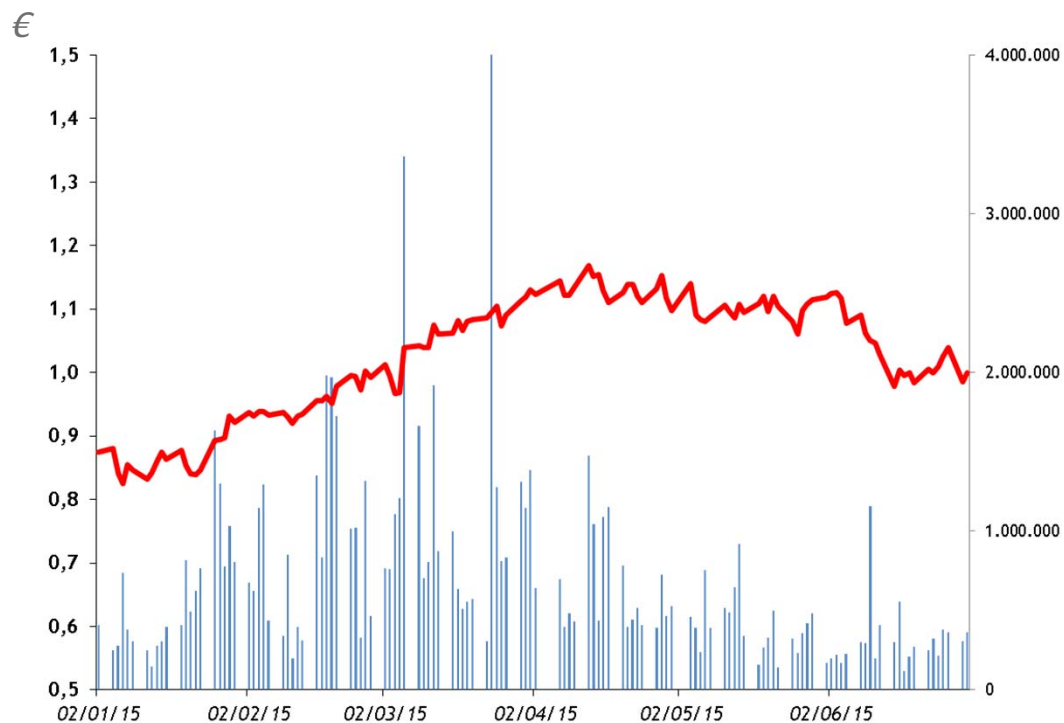
- ✓ **Group's positive performance** in these first six months
- ✓ ongoing **optimization** of operating processes and **cost structure**
- ✓ the measures aimed at **mitigating the downturn in revenues** due to market performance

notwithstanding the higher investments and eventual changes in the Digital area, aimed at ensuring the future Group development

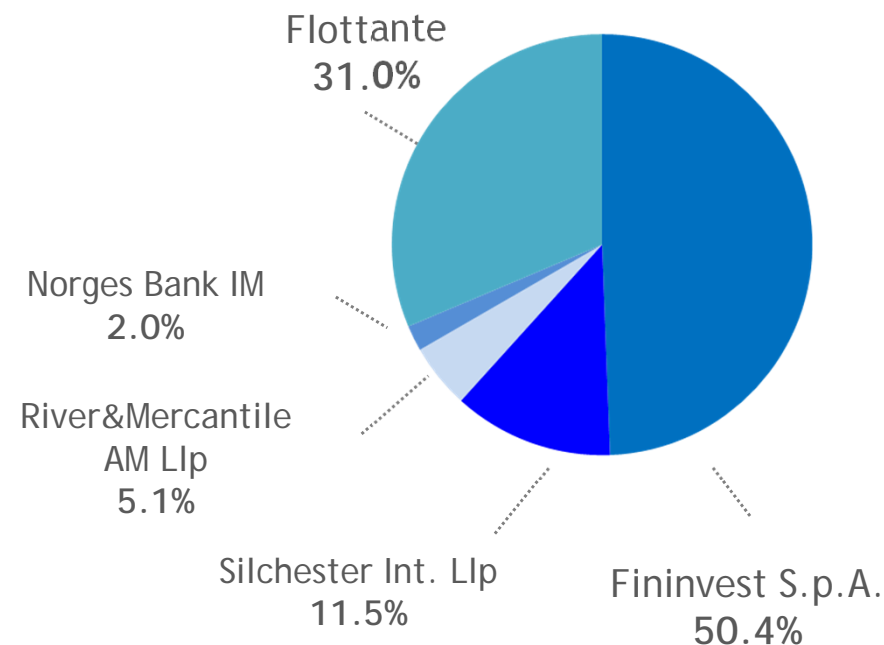
ATTACHMENTS

Company Profile

Stock Performance (1H 15)



Current Shareholding Structure



Share Information

Ticker	MN IM (Bloomberg). MN.MI (Reuters)
Market Cap.	€268 m
Shares outstanding	261,458,340
1H 2015 Avg. daily trade	695,460

P&L - 2Q15



€ m	2° quarter 2015	Inc. %	2° quarter 2014	Inc. %	Var. %
Net Revenues	268.3	100.0%	277.6	100.0%	-3.3%
COGS	104.1	38.8%	116.0	41.8%	-10.3%
Variable costs	57.8	21.5%	52.3	18.8%	10.5%
Fixed costs	38.1	14.2%	39.0	14.0%	-2.1%
Personnel cost	54.6	20.4%	56.0	20.2%	-2.4%
Other expenses/(income)	-0.7	-0.3%	2.0	0.7%	n.s.
Associates	0.6	0.2%	-0.4	-0.2%	n.s.
EBITDA before non recurring items	15.0	5.6%	11.9	4.3%	26.4%
Restructuring costs	-1.9		-1.2		68.5%
Positive /(negative) non recurring items	-1.1		0.0		n.s.
EBITDA	12.0	4.5%	10.7	3.9%	11.2%
D&A	4.9	1.8%	5.3	1.9%	-9.1%
EBIT	7.1	2.6%	5.4	1.9%	31.3%
Net Financials	-4.1	-1.5%	-6.4	-2.3%	-35.5%
Revenues (costs) from other investments					
Pre-Tax Result	3.0	1.1%	-1.0	-0.3%	n.s.
Income taxes	2.0	0.7%	1.5	0.6%	29.4%
Minorities	0.6	0.2%	0.8	0.3%	-14.0%
Result from continuing operations	0.4	0.1%	-3.3	-1.2%	n.s.
Result from discontinued operations	-7.8	-2.9%	-1.3	-0.5%	n.s.
Net Result	-7.5	-2.8%	-4.6	-1.7%	n.s.

2Q15 by Business Areas

REVENUES

€ m	2Q 2015	2Q 2014	Var. %
Books	67.2	71.7	-6.3%
Magazines Italy*	78.4	78.2	0.2%
Magazines France	86.7	88.2	-1.7%
Retail	41.7	45.4	-8.1%
Holding & Other	8.6	7.2	18.8%
Intercompany	-14.2	-13.2	7.7%
Net Revenues	268.3	277.6	-3.3%

REPORTED EBITDA

€ m	2Q 2015	2Q 2014	Var. (€ m)
Books	4.9	3.4	1.5
Magazines Italy	3.5	2.2	1.3
Magazines France	9.6	10.1	-0.5
Retail	-0.9	-1.8	0.9
Holding & Other	-5.2	-3.2	-2.0
EBITDA	12.0	10.7	1.2

EBITDA BEFORE NON RECURRING ITEMS

€ m	2Q 2015	2Q 2014	Margine % 2015	Margine % 2014	Var. (€ m)
Books	5.8	3.7	8.6%	5.2%	2.1
Magazines Italy	4.0	2.2	5.1%	2.8%	1.8
Magazines France	11.4	10.3	13.2%	11.7%	1.1
Retail	-1.3	-1.7	-3.1%	-3.7%	0.4
Holding & Other	-4.9	-2.6	n.s.	n.s.	-2.3
EBITDA	15.0	11.9	5.6%	4.3%	3.1

Consolidated Balance Sheet - 1H15



€m	30.06.2015	30.06.2014	Delta 1H15/1H14	31.12.2014
Trade receivables	260.1	278.1	-18.0	263.1
Inventory	115.3	118.3	-3.0	108.4
Trade payables	-351.9	-359.5	7.6	-343.3
Other assets/(liabilities)	11.2	15.3	-4.1	-14.8
NWC	34.7	52.2	-17.5	13.4
Intangible asstes	551.1	571.3	-20.2	553.7
Tangible assets	31.0	35.3	-4.3	32.4
Investments	39.9	37.3	2.6	39.5
Fixed invested capital	622.0	643.9	-21.9	625.6
Provisions	-53.4	-61.3	7.9	-68.4
Indemnity severances	-44.2	-45.1	0.9	-46.3
Assets/(Liabilities) held for sale & discontinued operations	45.8	55.3	-9.5	56.6
NET INVESTED CAPITAL	604.9	645.0	-40.1	580.9
SHAREHOLDERS' EQUITY	278.4	276.1	2.3	289.1
NFP	326.5	368.9	-42.4	291.8
NET INVESTED CAPITAL	604.9	645.0	-40.1	580.9



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.

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