# FY11 Results

Analysts' Meeting

Segrate, March 2012

# 2011 Market highlights

- In 2H the world economic situation deteriorated further and some European countries, including Italy, went into recession
- Negative impact on industrial production, investment and employment (lowest level since 2004) affecting consumer spending
- Mondadori's market and sector of reference, especially in Italy, were affected and saw a significant downturn in 4Q

# Results: highlights

- Revenues: -3.1% vs 2010

- EBITDA: -7%
  - Business results, net of investments in digital development and non-recurring (positive) extraordinaries -3.3%

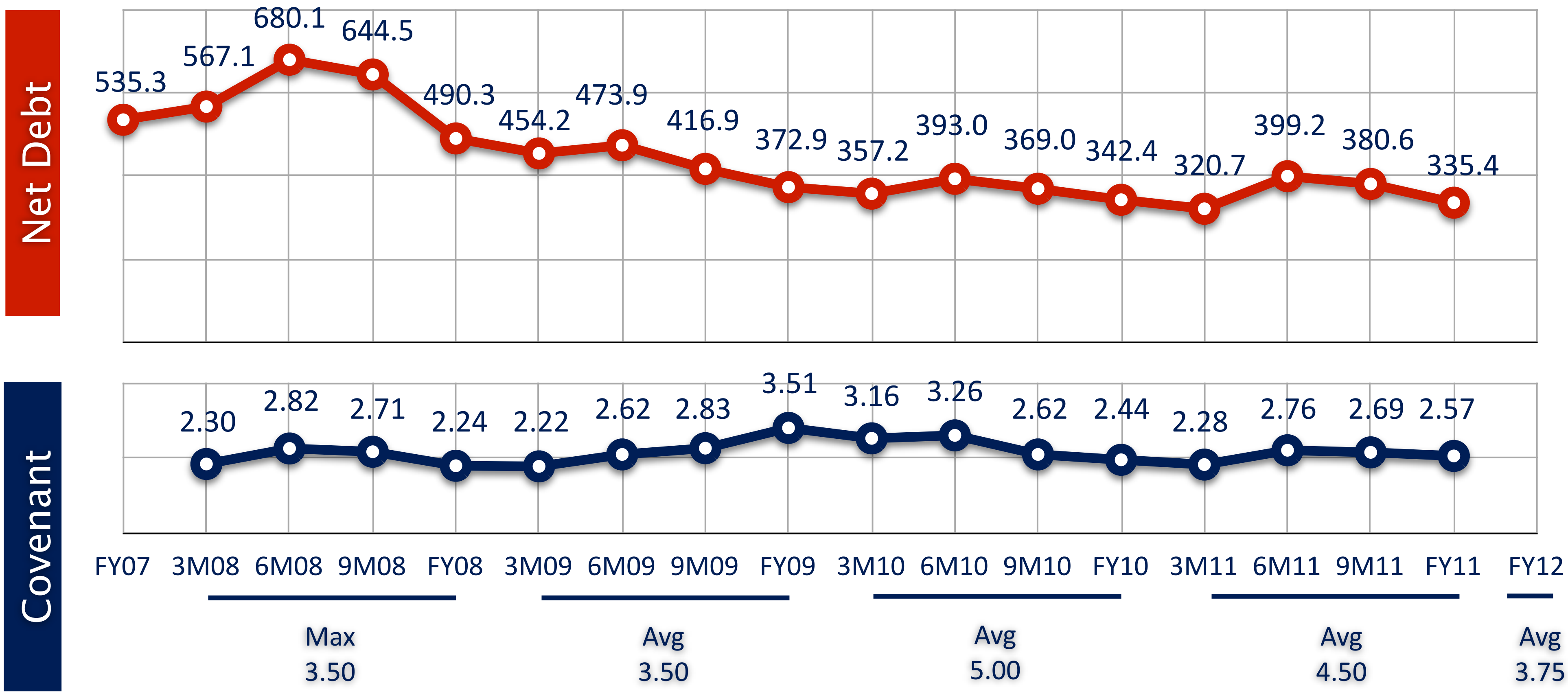
- Net profit +17.8% thanks to lower financial charges and 2010 taxes on previous years

# Profit & Loss FY11

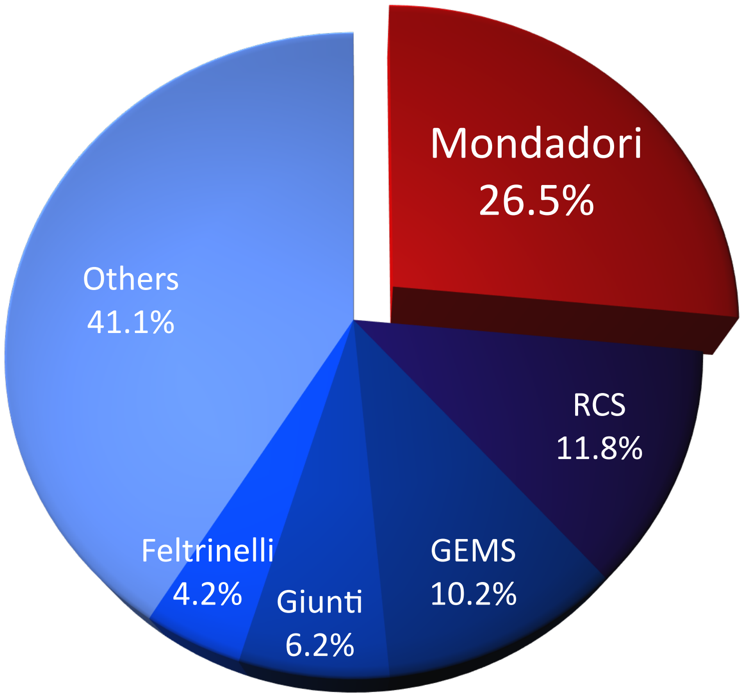
| € mio | FY10 | FY11 | Change % |
|---|---|---|---|
| Revenues | 1,558.3 | 1,509.8 | -3.1 |
| Personnel costs | -271.5 | -270.7 | -0.3 |
| Cost of sales & other | -1,146.6 | -1,108.7 | -3.3 |
| **EBITDA** | **140.2** | **130.4** | **-7.0** |
| Depreciation | -26.0 | -26.6 | 2.3 |
| **EBIT** | **114.2** | **103.8** | **-9.1** |
| Financial charges | -23.9 | -21.1 | -11.7 |
| **Prre-Tax profit** | **90.3** | **82.7** | **-8.4** |
| Taxes | -47.6 | -33.2 | -30.3 |
| UtileMinority interest | -0.6 | 0.1 | nm |
| **Net Profit** | **42.1** | **49.6** | **17.8** |

# Net debt and covenant evolution

- Net debt 335.4 € mio
- Net debt/EBITDA ratio at 2.57, well below the average covenant ratio agreed (4.50) for 2011



# Books: highlights

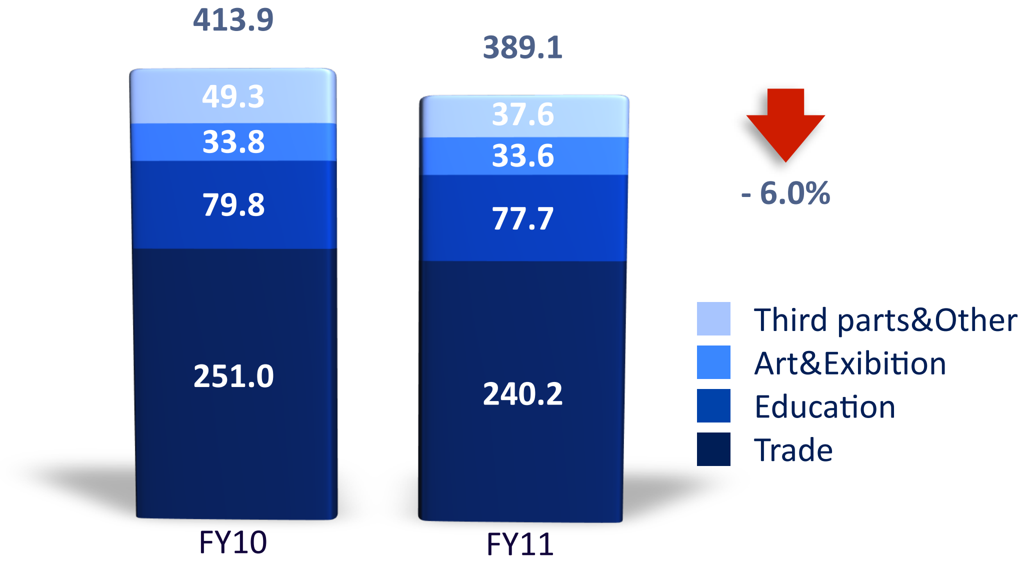



- With the economy in recession and a new law on discounting (DDL Levi), 4Q book sales were negatively affected (-1.4% in terms of value)
- Different distribution channel dynamics:
  - Marked slowdown in large-scale retail (-7.9%) and a particularly negative 4Q (-20.3% in Dec. alone)
  - Bookstore chain: stable
  - Independent bookstores: slowdown
  - E-commerce: growth
- Average price reduction of 4% for the 100 best-selling books (-10% in Dec.)
- Rapidly growth in e-book but still limited as a proportion of total sales

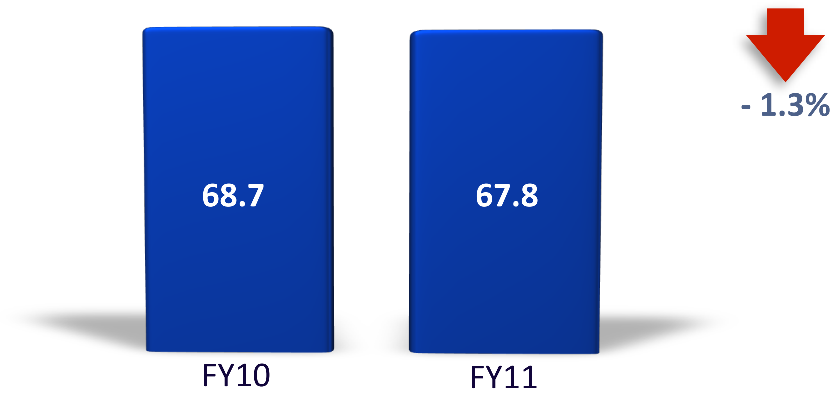
Nielsen 2011, Trade division

# Books: financial highlights

Revenues (€ mio)

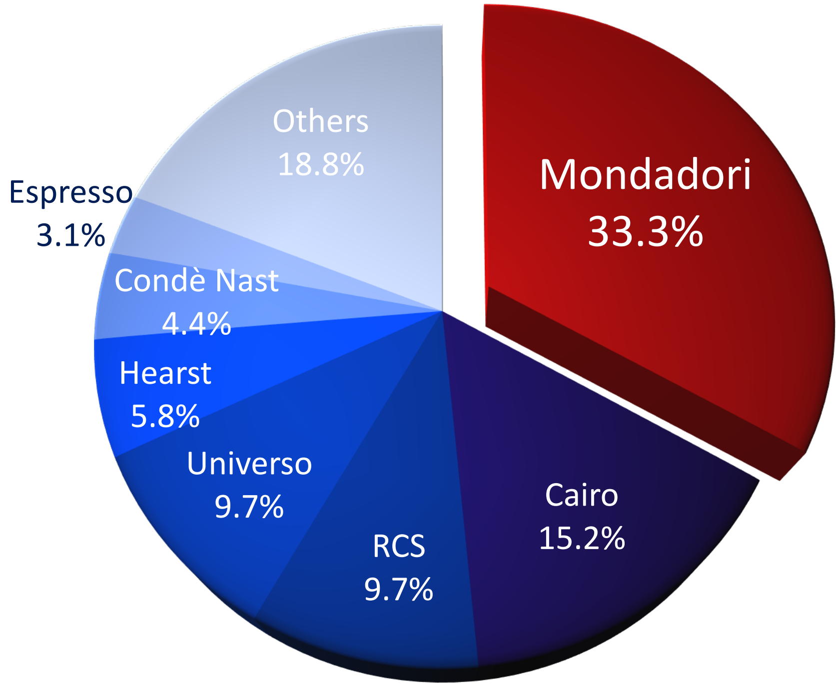



EBITDA (€ mio)




- Total revenues were down -6%, stable EBITDA with higher EBITDA margin 17.4% (16.6% in FY10)
- During the year 43 titles out of the 100 best-sellers were Mondadori titles
- Success confirmed for the new paperback series "Numeri Primi" with sales of over 2mio copies
- E-book catalogue: now featuring over 3,000 titles
- Education: investments in digitalization (90% of the catalogue already completed)

# Magazines Italy: highlights



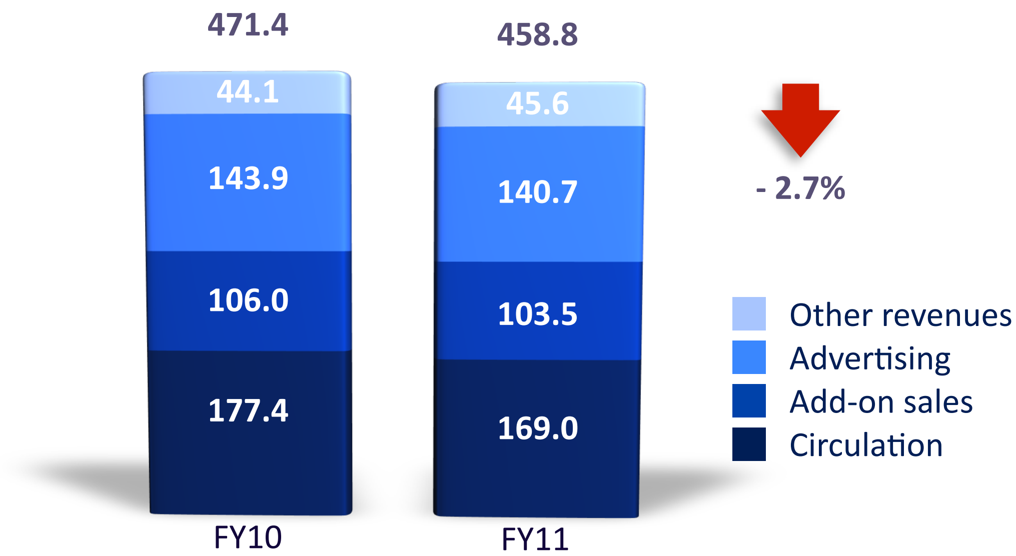

- Market slowdown
  - Circulation : -5%*
  - Advertising: -3.7%**
  - Add-on sales: -0.5% despite a significant increase in new initiatives
- 4Q negative trend confirmed for all indicators

* -7.2% like-for-like (internal estimates)

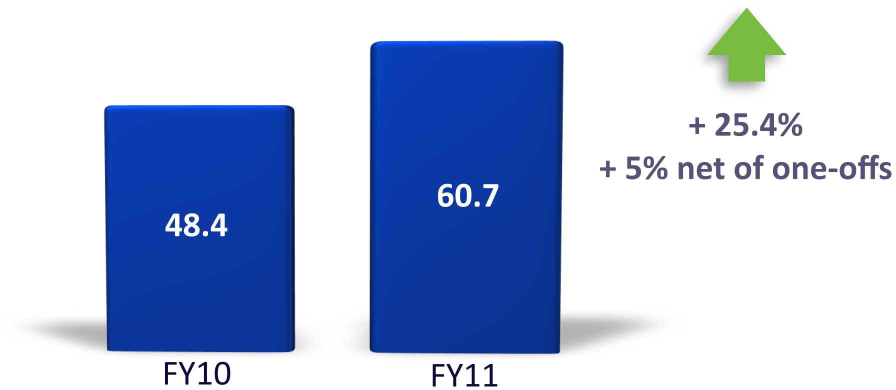
** Nielsen 2011

# Magazines Italy: financial highlights

Revenues (€ mio)




EBITDA (€ mio)




- Total Revenues: -2.7% with the following breakdown
  - Total Adv: -2.2%: -3.8% Mondadori magazines, strong increase of internet adv. sales +47.7%
  - Circulation: -4.7%
  - Add-on sales 2.4% but with improved profitability
- EBITDA: up even net of one-offs (+5%) EBITDA margin 13.2% (vs 10.3% in FY10) thanks also to cost efficiencies
- The group continued with the re-launching/redesign of magazines: 9 titles in the year

# Advertising: highlights

| value | FY11 vs FY10 | 4Q11 vs 4Q10 |
|---|---|---|
| TV | -3.1% | -1.7% |
| Newspapers (incl. F/Press) | -7.7% | -8.7% |
| Magazines | -3.7% | -8.2% |
| Internet | +12.3% | 7.3% |
| Radio | -7.8% | -13.2% |
| Other | -9.4% | -17% |
| Total | -3.8% | 100% |

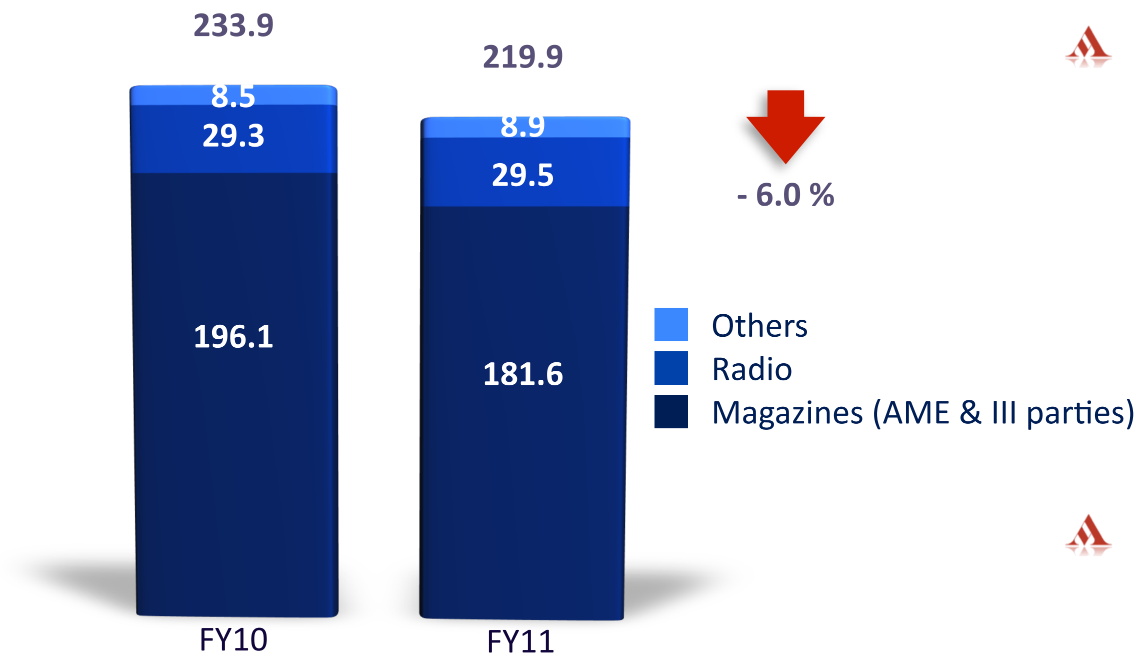
| volume | FY11 vs FY10 | Weighting |
|---|---|---|
| Fashion | +2.0% | 32% |
| Cosmetics | +6.0% | 16% |
| Design | -5.0% | 13% |
| FMCGs | -19.0% | 10% |
| Tourism | -9.0% | 5% |
| Other | -4.0% | 24% |
| Total | -2.0% | 100% |

Nielsen Dec. 2011 and internal estimates

- In 2011 the total advertising market in terms of value fell by -3.8% with all segments (excluding Internet) performing negatively
- In 4Q further deterioration of the market in all segments
- Among the most important sectors for magazines only fashion and cosmetics grew in the period, while tourism and FMCGs continued to decline

# Advertising: financial highlights

Revenues (€ mio)

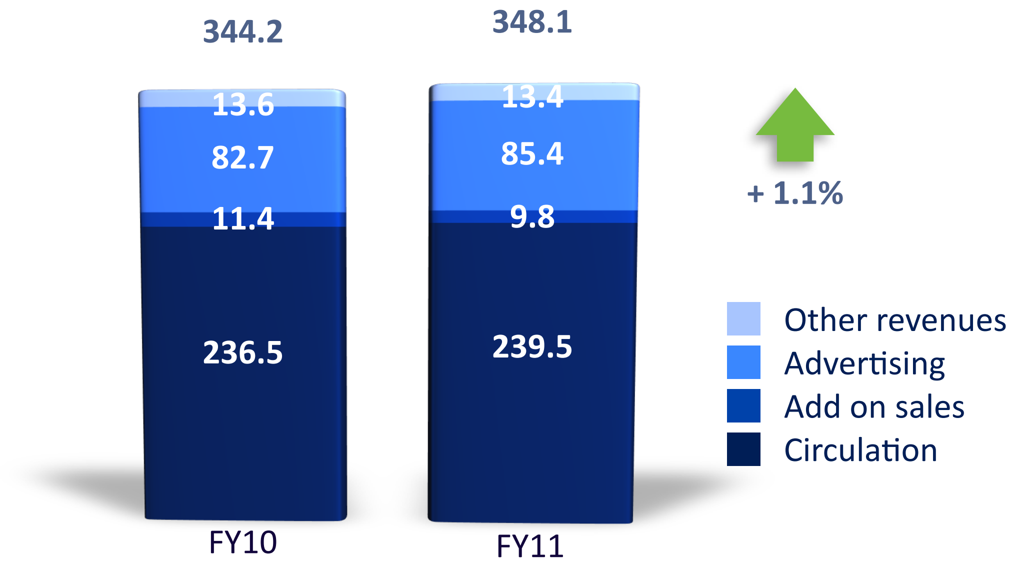



Total revenues -6% mainly due to a reduction in third-party sales

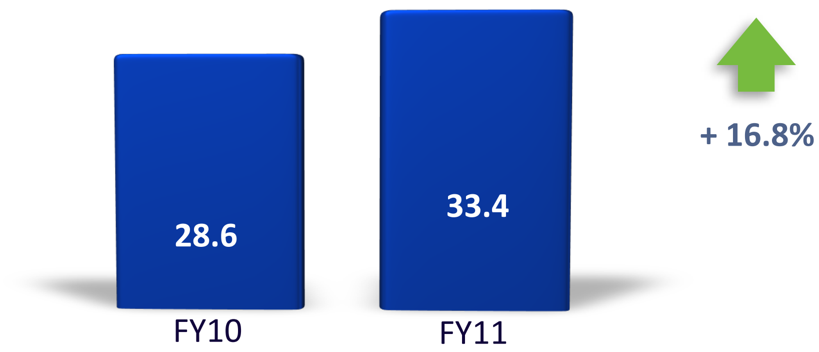
- Mondadori magazines: negatively affected by a decline in some sectors (FMCGs and design), positive performance for monthly titles thanks to cooking and interiors related titles and the success of Panorama Icon
- Radio: +0.7% mainly thanks to growth by R101 in a sharply declining market (-7.8%)
- Internet: excellent results by the Mediamond JV +56%

# Mondadori France: financial highlights

Revenues (€ mio)




EBITDA (€ mio)




* Source: Kantar Media

- Total market slowdown: circulation -4.2%, advertising -0.4% (value)*
- Mondadori France posted growing results:
  - Total revenues: +1.1% with the following breakdown
  - Advertising: +3.3% strong increase of the upscale women's magazines, Grazia (+34%), Biba (+10%)
  - Circulation: +1.3% thanks to the success of the redesign of 7 titles and the contribution of subscriptions (32.5% of the total)
- EBITDA: +16.8% thanks to a positive performance by all titles (especially Grazia) lower industrial costs and overheads
- Continuous focus on the product:
  - Launch of new formats for 7 magazines
  - Launch of a new quarterly (Guerres & Histoire)
  - Leadership confirmed in the Auto segment strengthened also by Autoreflex, acquired in a JV with Axel Springer

# Magazines international network

- The Network is confirmed as one of the most important and fastest growing global players with 27 editions

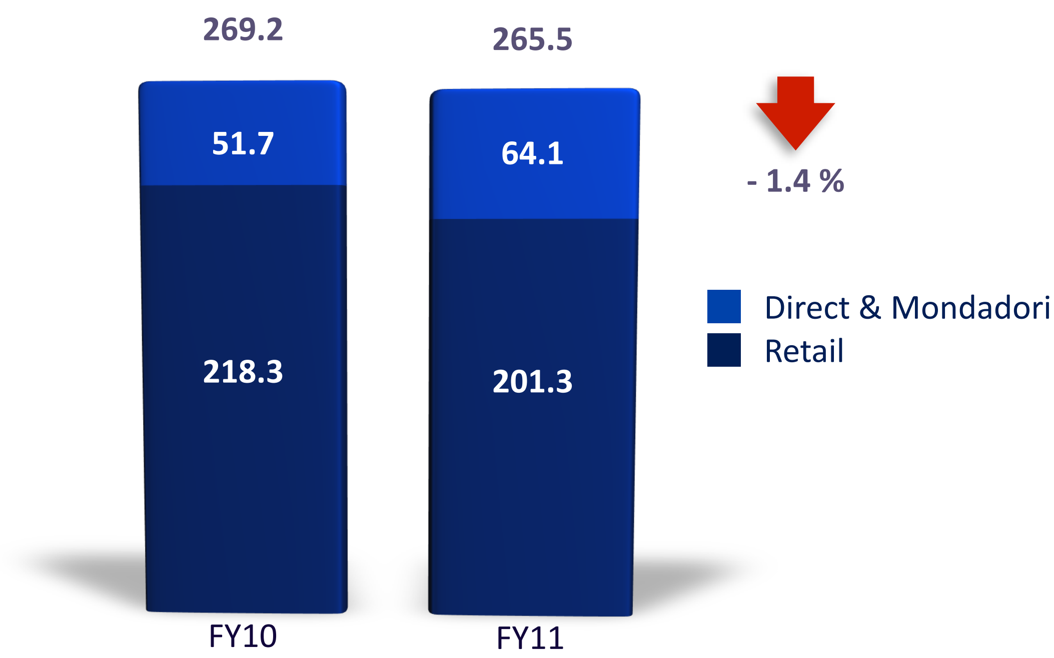
- Grazia is the Network's most important asset and is now present on 4 continents with 17 editions
  - 7 weeklies (France, UK, Germany, Holland, Middle East and Austraila)
  - 1 fortnightlies (China) to become weekly in 2012
  - 9 monthlies (Asia and Balkans)

- Advertising: strong growth +49% thanks to the brand's strength and to a dedicated team

- Total annual turnover of 160 € mio, of which 107 € mio for Grazia alone (+20% vs FY10)

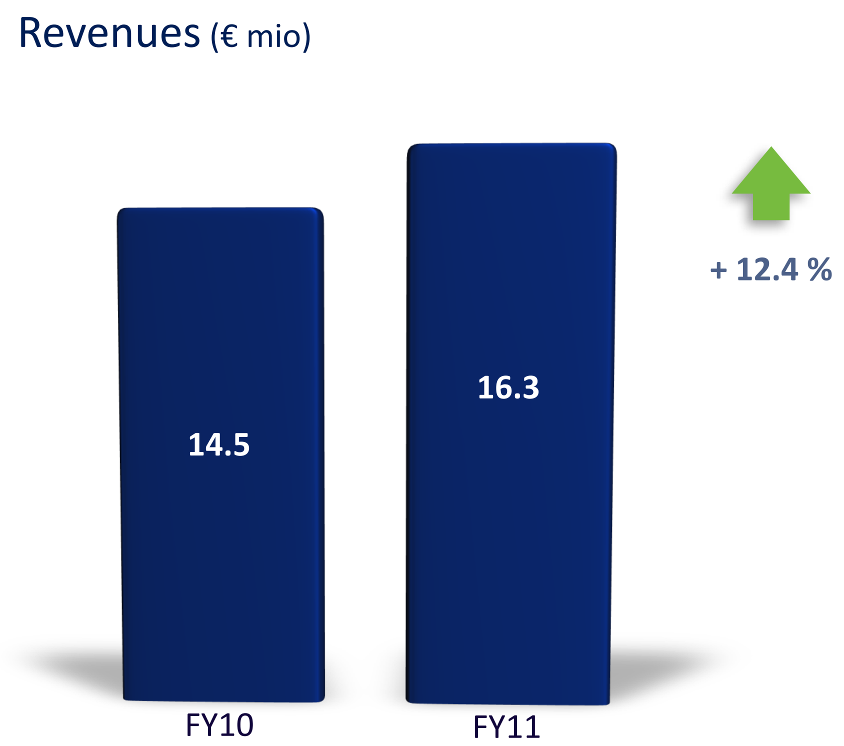
# Direct & Retail: financial highlights

Revenues (€ mio)




- Fall in consumer spending, mainly in Q4, had a negative impact on overall revenues down by -1.4%
- Actions were implemented to reconfigure the sales channels:
  - Bookstores: 80% of the offer focused on Books
  - Multicenter: department store "concept" with an mixed offer (books and digital products/ services)
- Cost reductions also through rationalisation of the structure
- Franchising network now has 628 outlets

# Radio: financial highlights




- The total advertising market fell by 7.8% (Source: Nielsen)
- R101: net revenues +12.4%, thanks to a strong performance by the reorganized commercial network and to the realignment of commissions
- Auto, food, media and TLCs represent around 50% of total adv. revenues
- Average daily listeners now over 3 million (Source: independent research)

# Digital: highligts

- Digital publishing activities: ebooks, self-publishing, online book clubs, properties and digital adv
  - +35% in adv, revenues, better than the market thanks to the excellent performance of the most important properties (Donna Moderna/Grazia and Panorama Auto)
  - +23.5% growth in the unique user on all of the group's sites

- E-commerce activities (Bol.it and online subscriptions)
  - Bol.it (e-commerce) unique users +42% and an increase in orders of +23%

- Continuous investment's activity in CRM for client profiling (as of today 8 million) and in technology infrastructures

- Total revenues: 44.2 € mio (+31.5% on FY10)*

- EBITDA: - 23 € mio compared with - 8.1 € mio in FY10*

* 2011 report: revenues 17.2 € mio (+63.8% vs FY210); EBITDA -15.7 € mio

# 2012 Outlook

- Ongoing negative trend also in the first months of 2012, in line with the end of 2011

- No signs of turnaround in the market at least in 1H, poor visibility in terms of advertising investments

- In 2012 Group's priorities will focus on:
  - Confirming leadership in both books and magazines in Italy
  - Consolidating the performance of Mondadori France
  - Developing digital publishing activities
  - Expanding the international network
  - Reducing operating costs

# 2012 Outlook

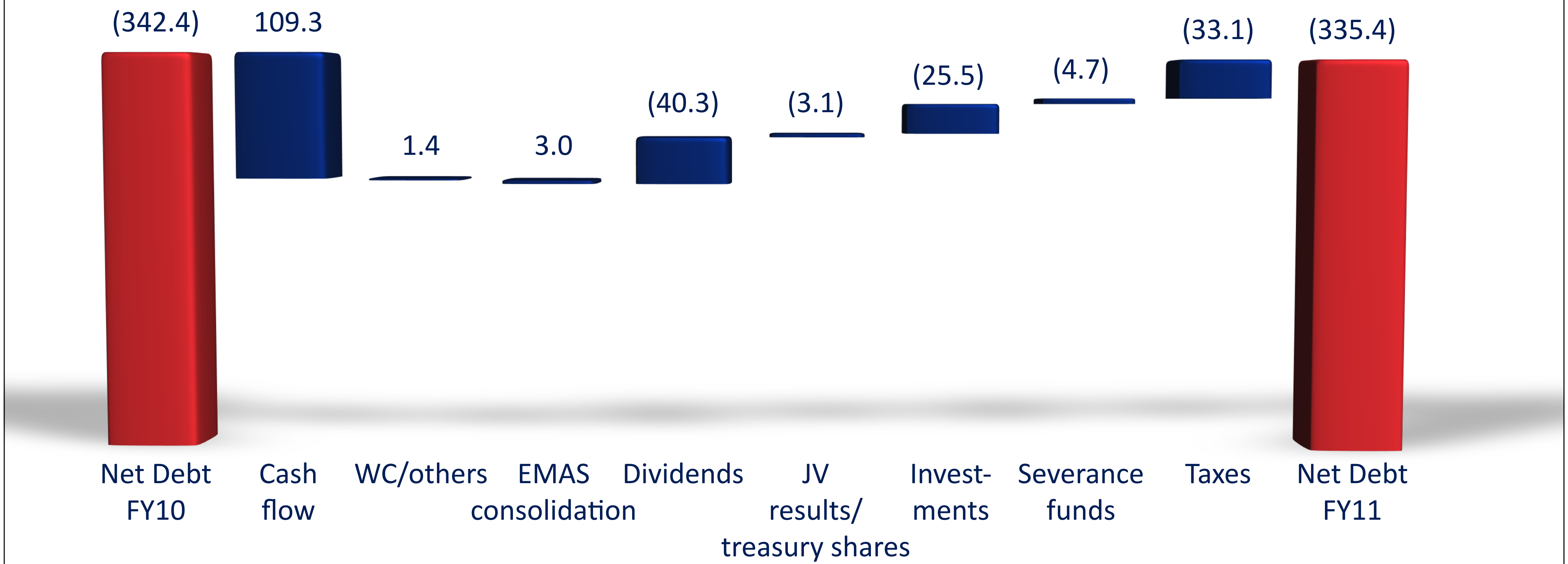
- In such difficult trading conditions, and despite the mentioned actions, as of today, the Group is not able to confirm for the  current year the same level of profitability achieved in 2011
- Given current market conditions, and despite improved net profit in FY11 compared with FY10, the Board will propose to AGM not to distribute dividends for 2011 in order to strengthen Group's financial position

# Annexes

1. Net Debt evolution

2. Results breakdown

# 1. Net Debt evolution



# 2. Results breakdown

## Revenues

| € mio | FY10 | FY11 | Var |
|---|---|---|---|
| Books | 413.9 | 389.1 | -6.0% |
| Magazines Italy | 471.4 | 458.8 | -2.7% |
| Magazines France | 344.2 | 348.1 | 1.1% |
| Mondadori Adv. | 233.9 | 219.9 | -6.0% |
| Direct & Retail | 269.2 | 265.5 | -1.4% |
| Radio | 14.5 | 16.3 | 12.4% |
| Digital | 10.5 | 17.2 | 63.8% |
| Holding&Other | 19.0 | 21.8 | 14.7% |
| Gross revenues | 1,776.6 | 1,736.7 | -2.2% |
| Intercompany | -218.3 | -226.9 | nm |
| Net revenues | 1,558.3 | 1,509.8 | -3.1% |

## EBITDA

| € mio | FY10 | FY11 | Var |
|---|---|---|---|
| Books | 68.7 | 67.8 | -1.2% |
| Magazines Italy | 48.4 | 60.7 | 25.4% |
| Magazines France | 28.6 | 33.4 | 16.8% |
| Mondadori Adv. | -5.5 | -6.9 | 25.5% |
| Direct & Retail | 14.6 | 8.1 | -41.2% |
| Radio | -0.9 | -0.3 | -67.9% |
| Digital | -0.9 | -15.7 | nm |
| Holding&Other | -11.9 | -16.7 | 42.0% |
| Total | 140.2 | 130.4 | -7.0% |