# 9M12 Results

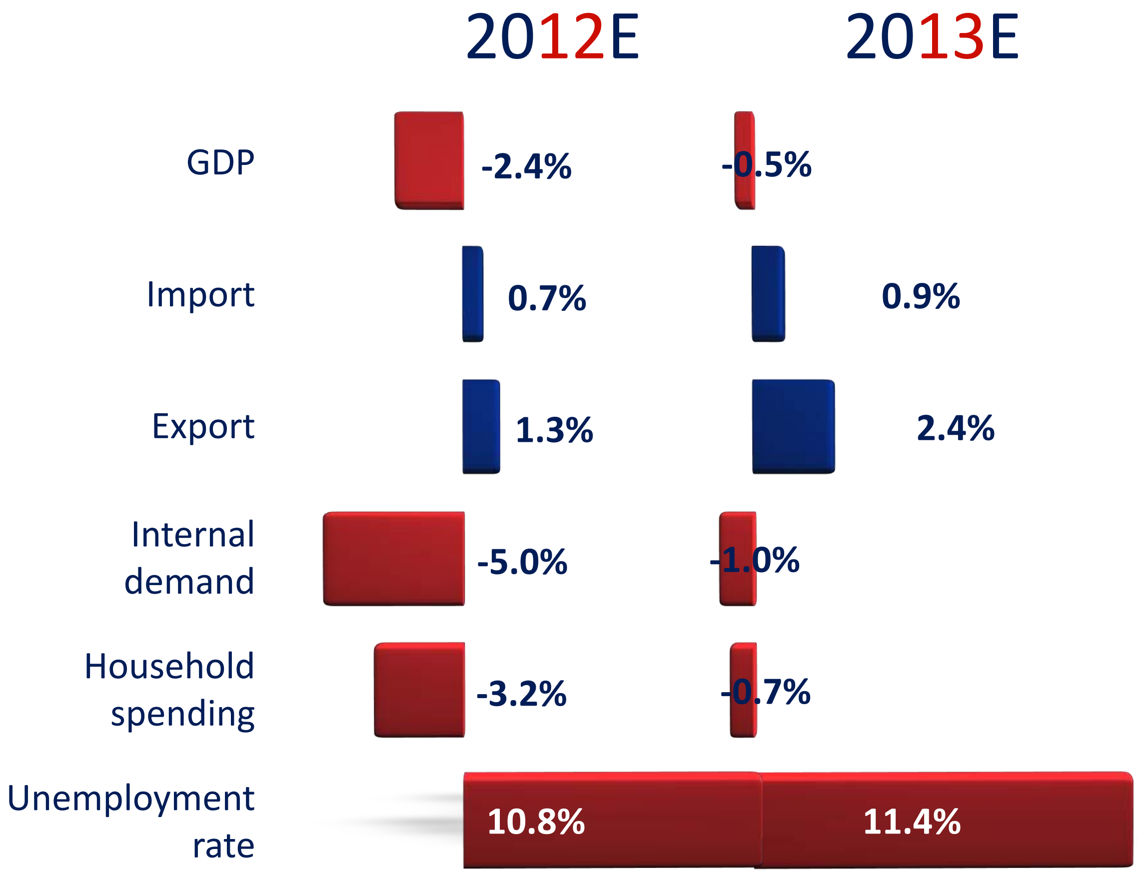
Analysts' Meeting

Segrate, November 2012

# Market highlights

- During the quarter the ongoing recession led to a worsening of all the principal economic indicators
- It is still not predictable when recovery will begin
- Mondadori's markets of reference are all in decline, in particular the advertising market in Italy

# Italy: macro economic outlook 2012-2013




- GDP: the recessionary phase has continued over the whole of 2012 and recovery is not expected before 2H13
- The marked fall in internal demand and household spending is expected to continue in 2013
- The unemployment rate is at an all-time high

ISTAT, November 2012

# Market trend*

| | Mondadori | Market |
|---|---|---|
| **Italy** | | |
| Books Trade | -5.6% | -7.8% |
| Magazines: | | |
| Circulation (like for like) | -10.8% | -11.5% |
| Advertising | -20.7% | -16.2% |
| Add-on sales | -18.3% | -20.7% |
| **France** (like for like) | | |
| Circulation newsstands | -5.0% | -5.3% |
| Circul. newsstands + subscrip. | -2.3% | n.a. |
| Adv magazines | -1.9% | -4.2% |

* By value, August 2012, for books September
Nielsen (Italy), Kantar Media (France)

# Results: highlights

- Revenues: -7.5% (-10.3%* on a like-for-like basis)
- EBITDA: -39.7%
- Net profit: €16.1m vs. €44.1m in 9M11
- Net financial position of -€346m (-€335.4m FY11, -€380.6 m in 9M11)

1/3 related to lower positive one-offs and higher restructuring costs

* Emas consolidation in Mondadori

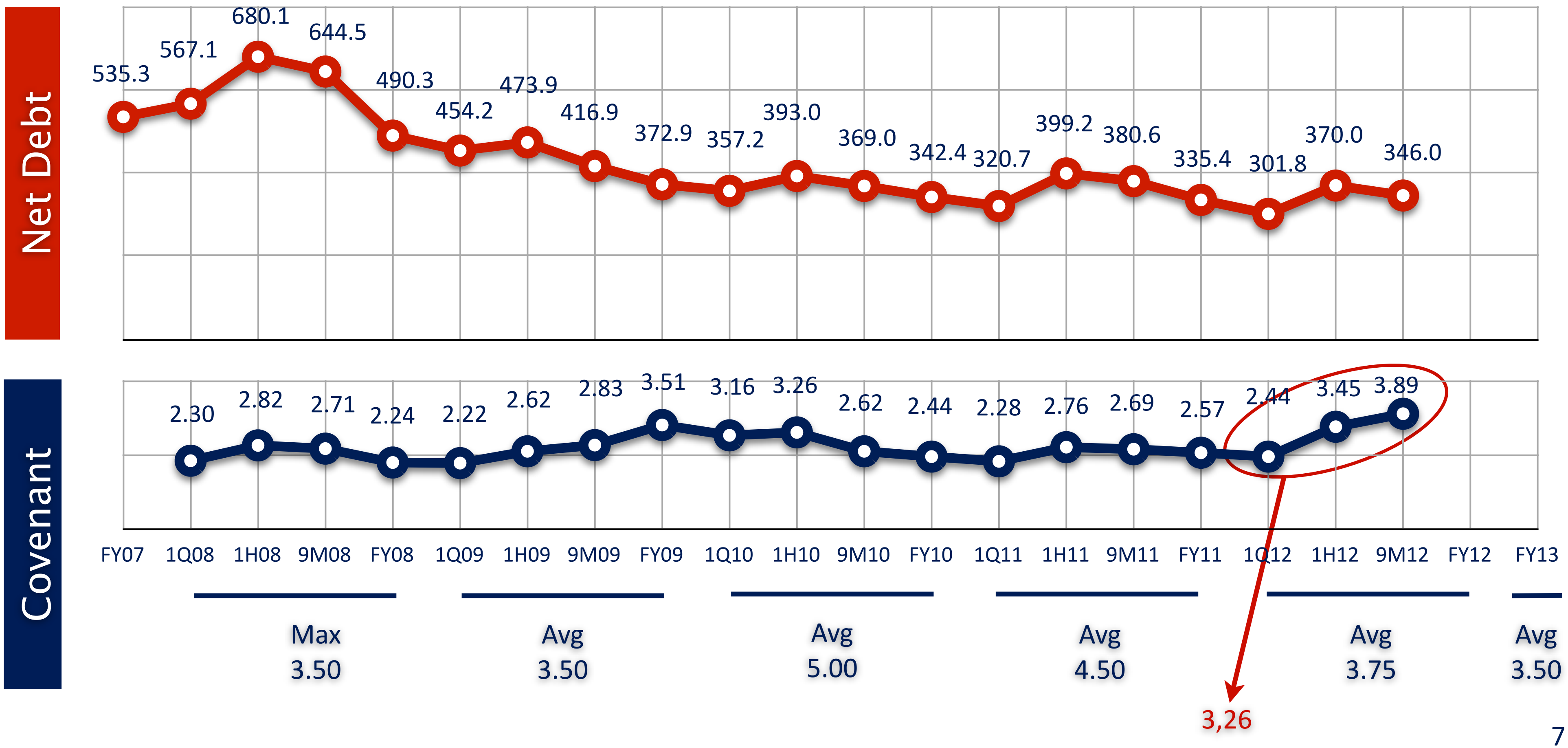
# Profit&Loss 9M12

| € m | 9M11 | 9M12 | Change % | |
|---|---|---|---|---|
| **Revenues** | 1,112.0 | 1,028.4 | -7.5 | [-10.3%]* |
| Personnel costs | -200.5 | -205.2 | 2.3 | [-3.0%]* |
| Cost of sales & other | -806.9 | -760.1 | -5.8 | |
| **EBITDA** | **104.6** | **63.1** | **-39.7** | |
| Depreciation | -16.8 | -18.5 | 10.1 | |
| **EBIT** | **87.8** | **44.6** | **-49.2** | |
| Financial charges | -16.5 | -12.6 | -23.6 | |
| **Pre-Tax profit** | **71.3** | **32.0** | **-55.1** | |
| Taxes | -27.1 | -14.6 | -46.1 | |
| Minority interest | -0.1 | -1.3 | nm | |
| **Net Profit** | **44.1** | **16.1** | **-63.5** | |

* Like for like

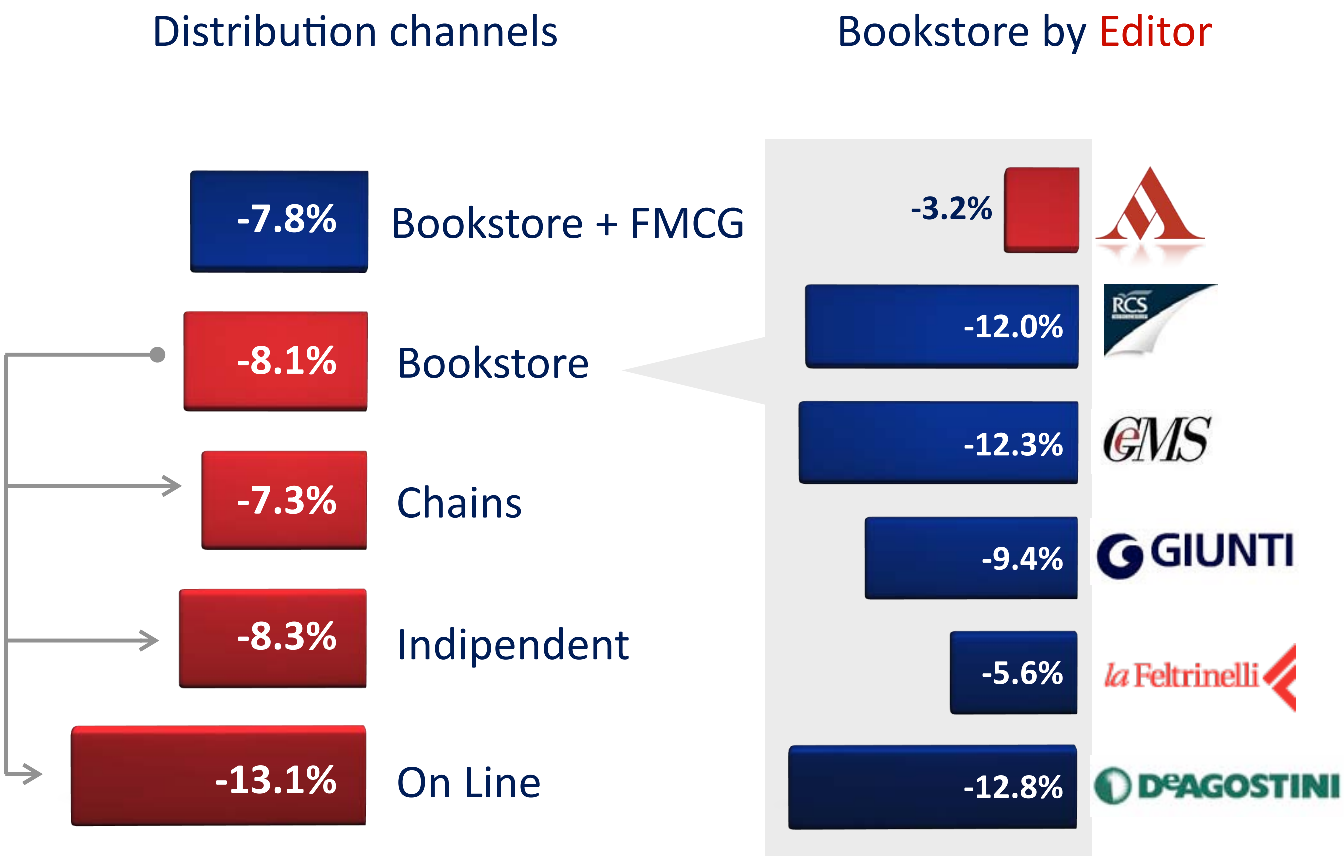
# Net debt and covenant evolution

- Net Debt: €346m
- Net Debt/EBITDA ratio at 3.89 (3.26 average 1Q-9M period) average covenant FY12 at 3.75
- Before year end cash in of €54.5m thanks to the disposal of 50% stake in



# Books

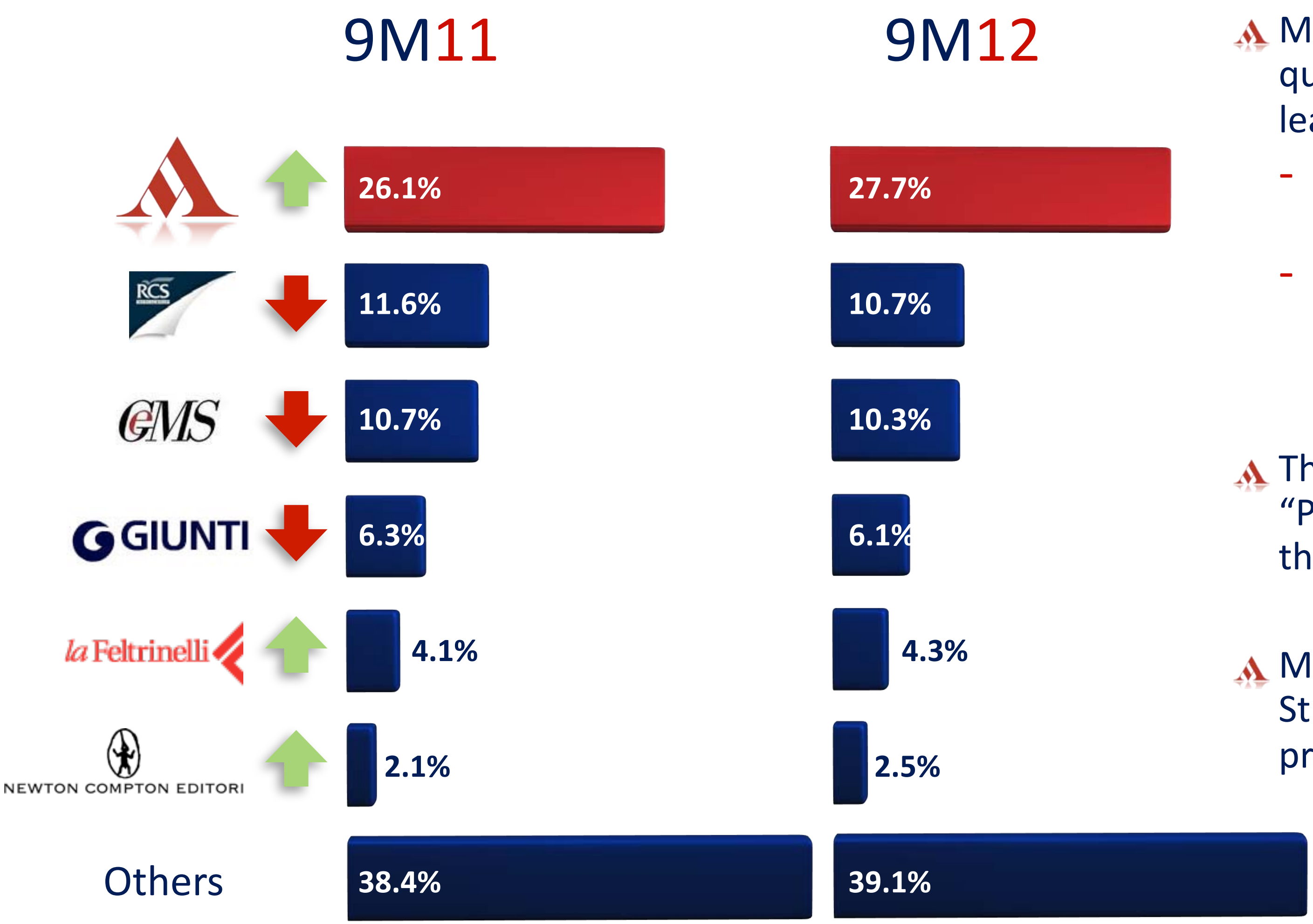
# Books trade: channels trend by value




- Slowdown in all distributions channels even some signs of improvement vs 1H12 (-9.1%)

Nielsen, 9M12 vs 9M11

# Market share evolution by value




- Mondadori confirms its qualitative and quantitative leadership position with:
  - 6 titles in the first 10 best selling books
  - 45 titles in the top 100 best selling books (55% of the total market in terms of value)
- The *Fifty Shades ...* "Phenomenon" sales of more than 2.4m copies
- Mondadori authors win the Strega, Campiello and Nobel prizes

Nielsen, September 2012

# Hardcover and Paperback market trend

€ 768 m in 9M12

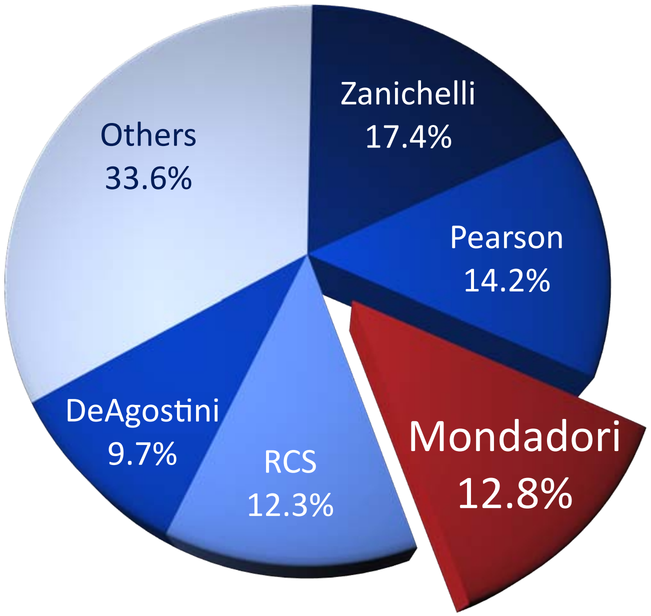
-8.1%

| | Hardcover | Paperback |
|---|---|---|
| | -7.1% | -11.9% |
| | **+2.5%** | **-12.2%** |
| RCS | -11.1% | -13.5% |
| GeMS | -11.0% | -16.3% |
| GIUNTI | -10.0% | +21.9% |
| la Feltrinelli | -5.1% | -6.4% |
| NEWTON COMPTON EDITORI | +24.8% | -19.2% |
| DeAGOSTINI | -12.8% | -14.4% |

Nielsen, by value, 9M12 vs 9M11, [Bookstores + web, excl. FMCG]

# Educational book market

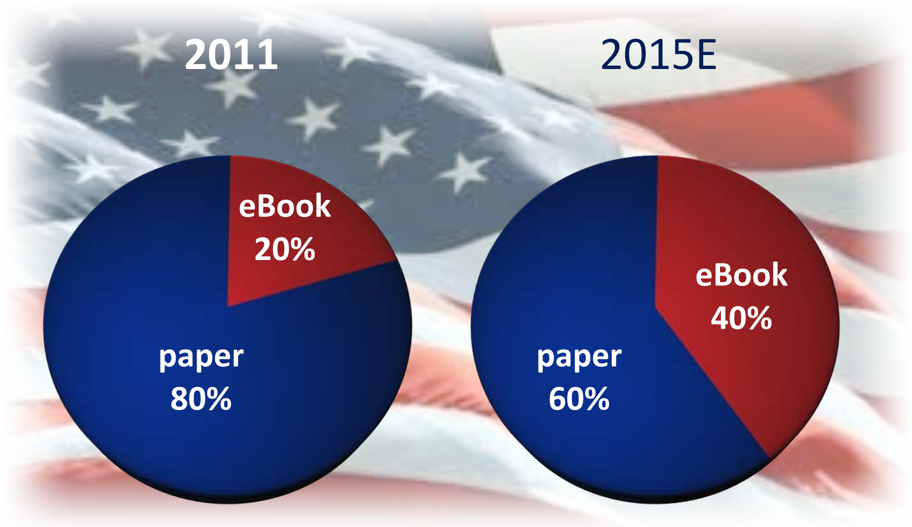
Market share per Editors
(value)

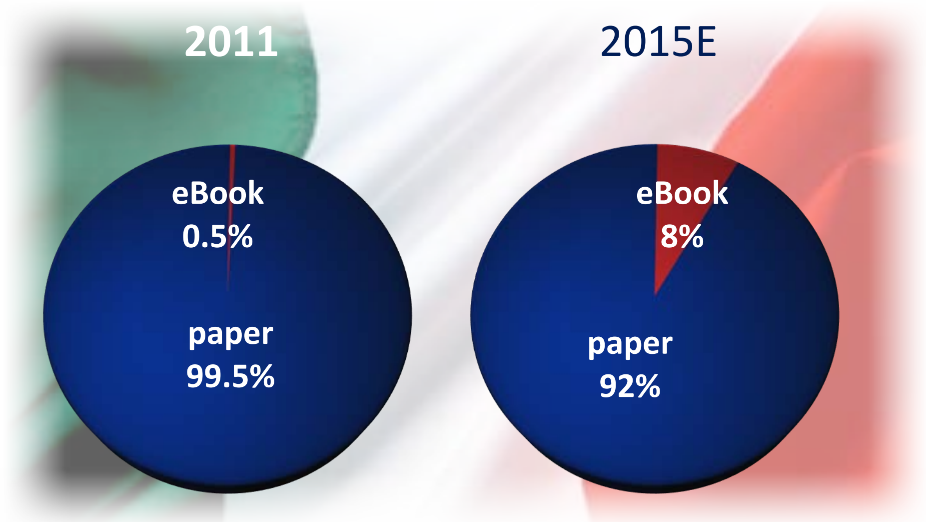



- Mondadori is the third operator in a fragmented market, maintaining the market share of FY11
- Strong editorial investments in line with secondary school reforms
- Ongoing integration between "print" and digital with significant investments in the web platform

Fonte: AIE

# Ebook market evolution by value




- In Italy the market is estimated at approx. €20 m or 1.5% on total with a double digit growth
- Mondadori is the Italian leader with 40% market share
- Mondadori recorded, in the first 9 months, more than 800,000 downloads (an average of 3,000 per day, 5,000 per day in August)

Internal research

# Ebook: Kobo... Mondadori's *eReader*

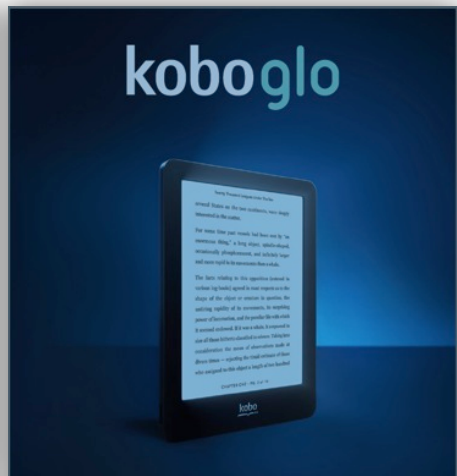
To fully exploit the expected growth in digital reading and facilitate the greater availability across different platforms of Mondadori content, in July an agreement was signed with Kobo Inc. for the creation of an open eReading platform


**€ 99**
6' eInk Perl
Touchscreen + WIFI

IN STORE


**€ 79**
5' eInk
Touchscreen + WIFI

IN STORE




**€ 129**
6' eInk con
*Glowlight*
Touchscreen + WIFI

IN STORE


**€ 199**
7' LCD HD - 16GB
WIFI - Multimediale

FROM DECEMBER

kobo™
READ FREELY

# Kobo: strategic rationals

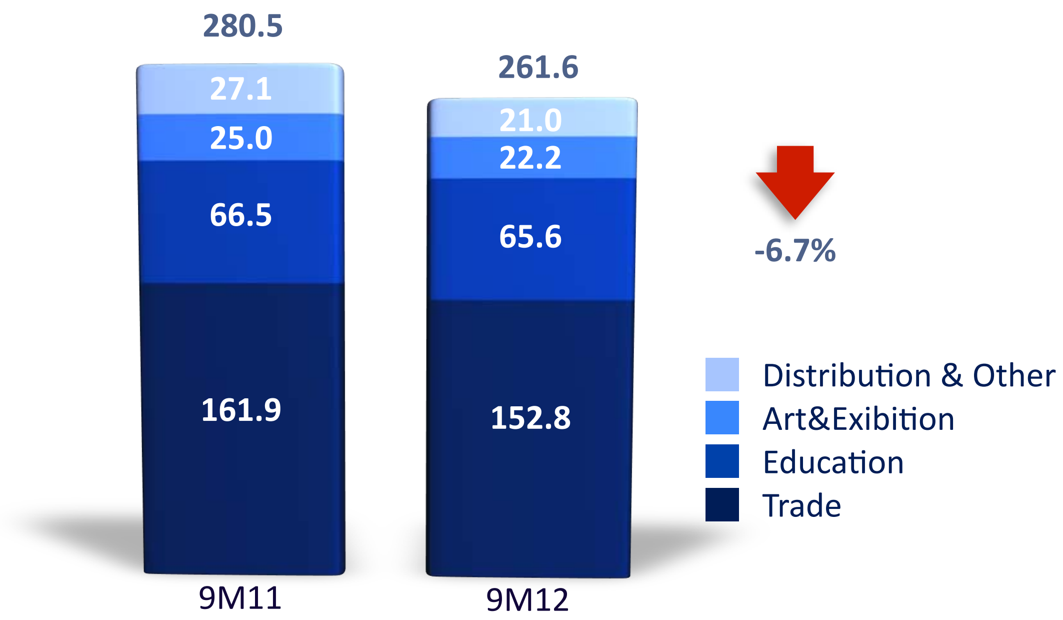
- To have a significantly higher market share in ebooks than in print

- To be the only operator in the world with “3 dimensions”
  - Physical + digital sales through 500 stores and the InMondadori.it web site
  - High quality “open” platform device
  - Leader in the trade segment

- Initial sales significantly beyond expectations for the October and for FY12

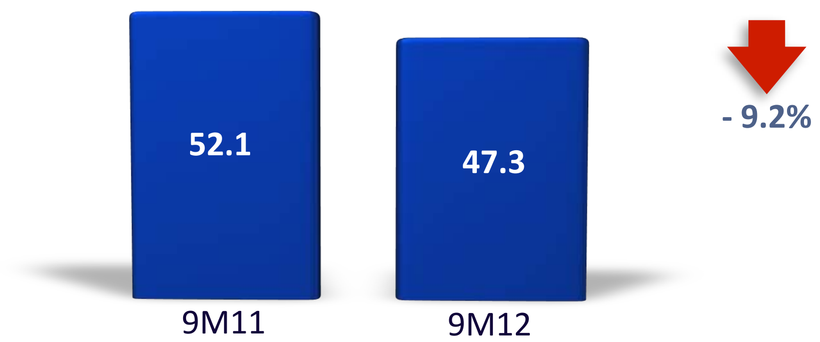
# Books: financial highlights

Revenues (€ m)




- Trade revenues: strong increase in 3Q and -5.6 YoY thanks to:
  - the positive impact of the Fifty shades phenomenon, success in important literary prizes and very good initial sales for the new book by Ken Follett
  - strong editorial programme in 4Q (Giordano, Manfredi, Littizzetto, Connelly, King, Murakami, McEwan, etc.)

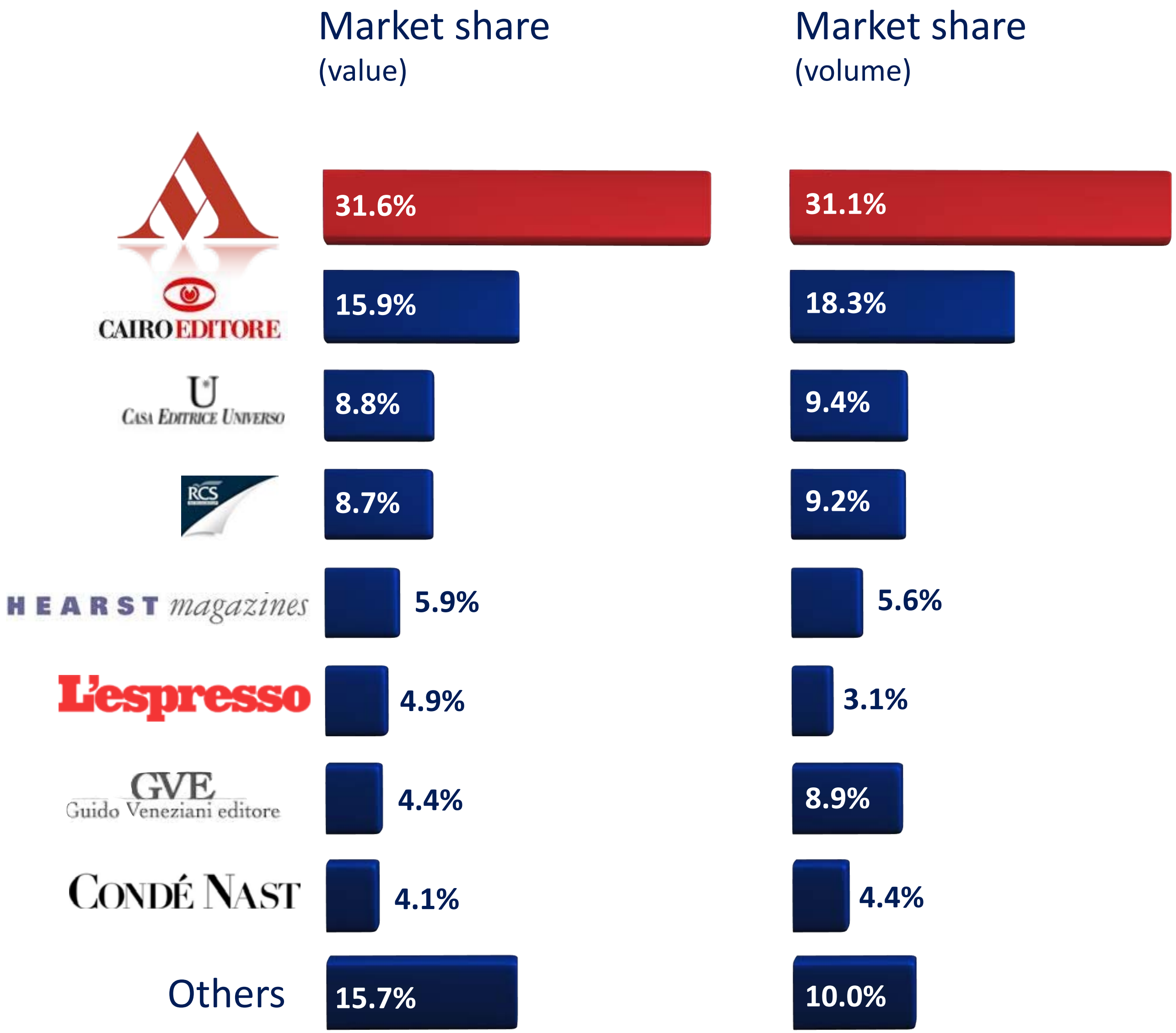
EBITDA (€ m)




- EBITDA: the reduction in 3Q is due to a slowdown in paperback sales and investments digitisation, also in the education sector

# Magazines Italy

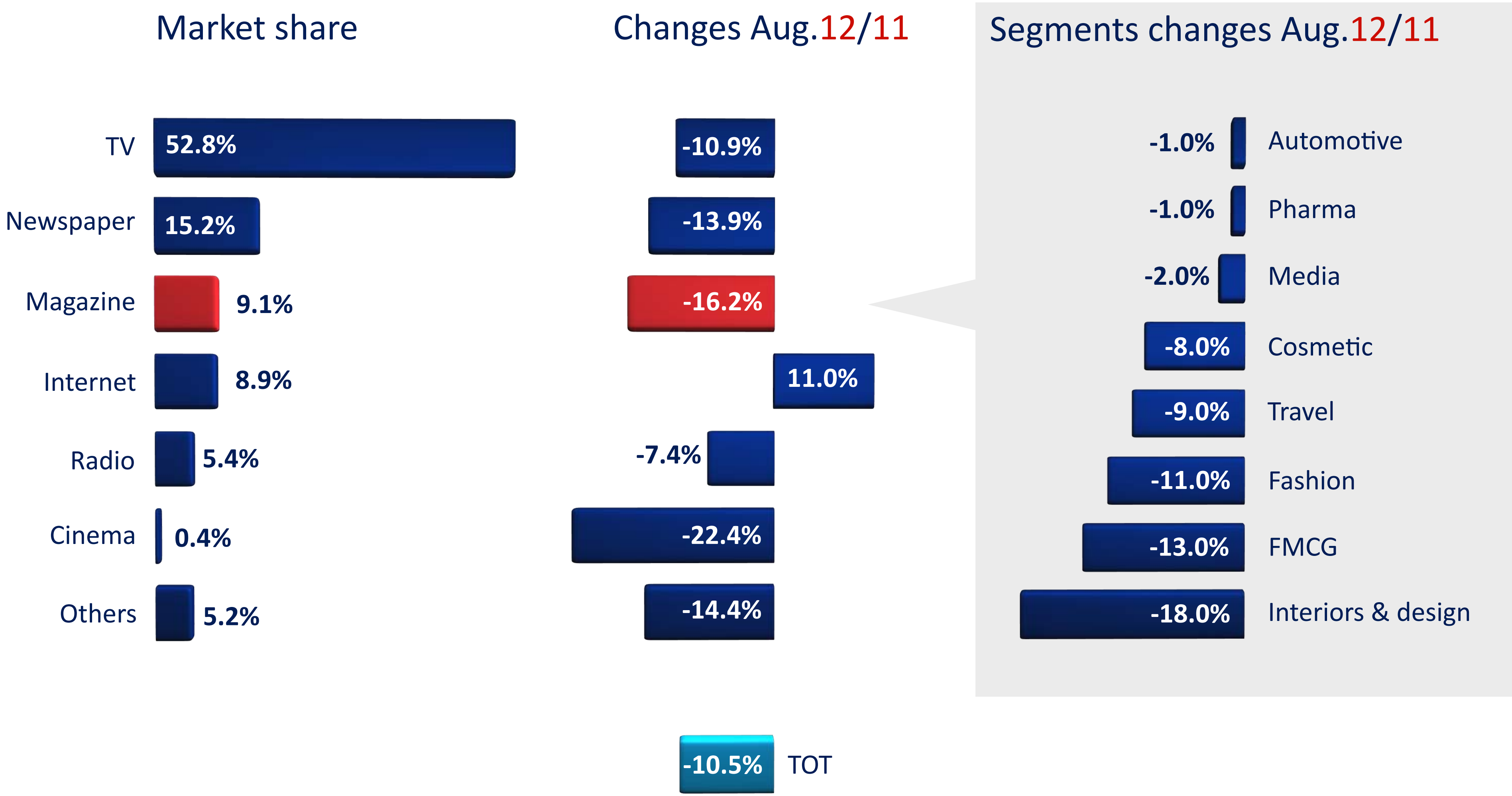
# Magazines Italy: market share




- Market down -11.5% in terms of value (on a like-for-like) basis
- YoY slowdown in all channels: newsstands (-12.3%) and subscriptions (-6.6%)

Nielsen

# Italy: adv investiments evolution by value



# Add-on sales: highlights

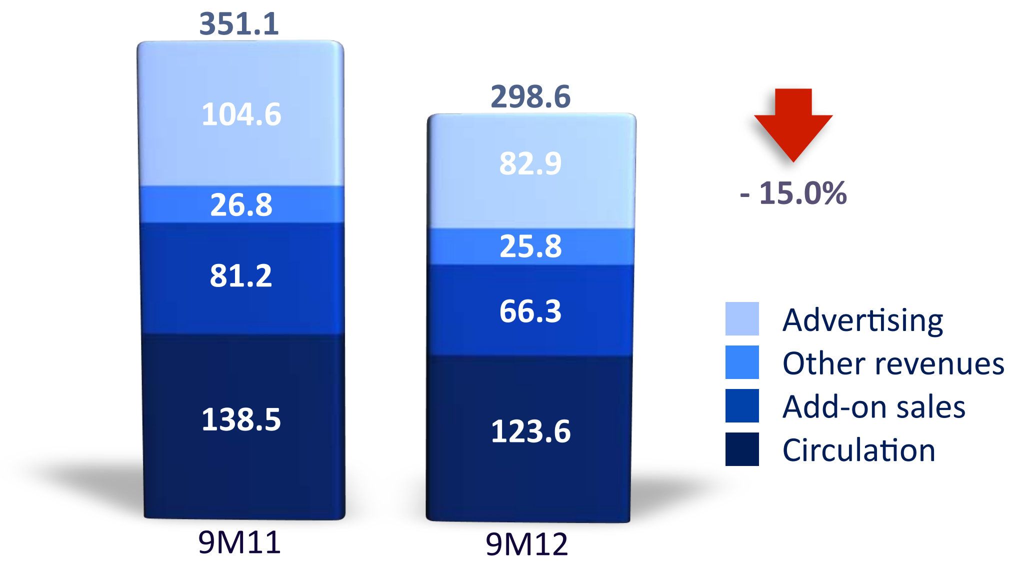
| | | Market |
|---|---|---|
| Revenues change | -18.3% | -20.7% |
| N° issued | 1,390 (+6.8% vs 9M11) | 3,381 (+26.6% vs 9M11) |
| Avg. price | 7.3 € (+8% vs 9M11) | 5.2 € (-25.7% vs 9M11) |

- Average YoY price increase and +40% vs the market
- Slight increase in music CDs thanks to successful initiatives (e.g. The Beatles)
- Downturn in books and collectables

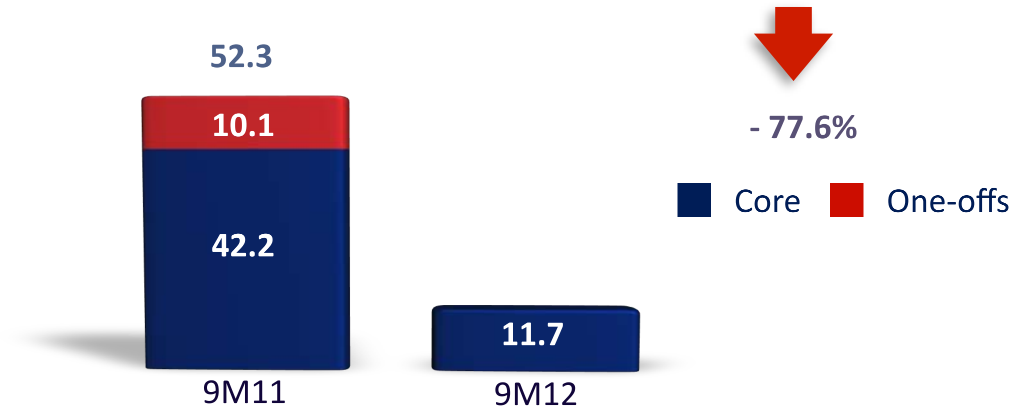
- All other products suffered from piracy (Home Video) and digital downloads (Music, Books)
- A marked reduction for initiatives with dailies vs magazines
- Reduction in the number of distribution outlets (art. 39 liberalization law)

# Magazines Italy: financial highlights

Revenues (€ m)



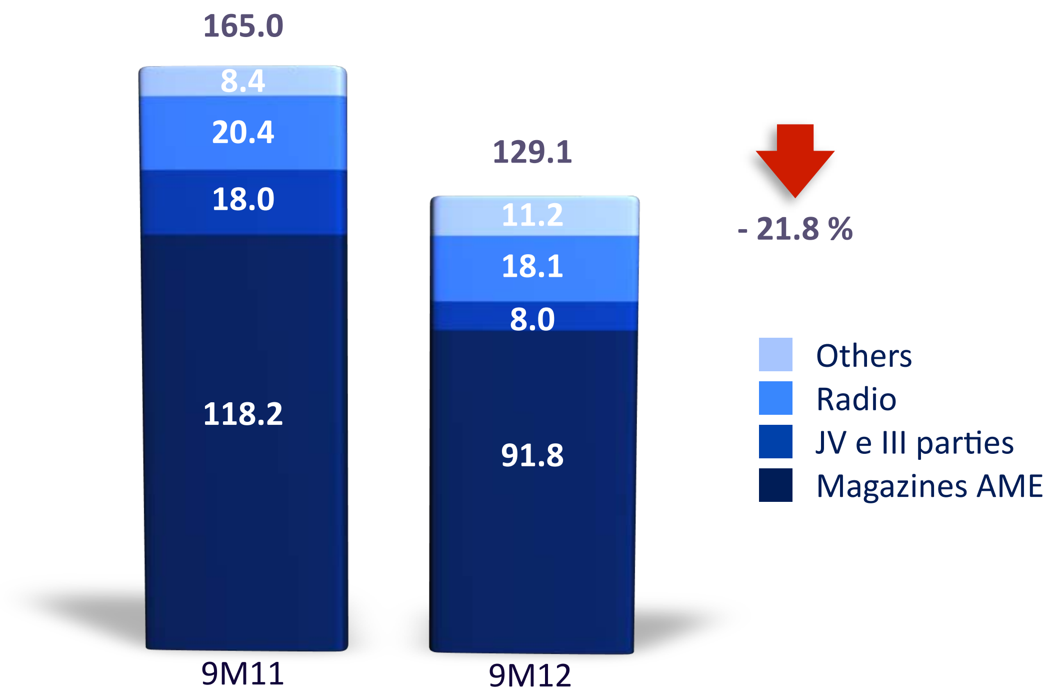

EBITDA (€ m)




- Total Revenues: -15% with the following breakdown:
  - adv: -20.7% (continued growth for internet +40.6% and International +27.1%)
  - circulation: -10.8%
  - add-on sales: -18.3%
- The group continued the redesign and relaunching of titles: Chi, Panorama and Starbene, followed by TV Sorrisi e canzoni and Grazia in 3Q12
- EBITDA: strong reduction due to a slowdown in advertising, a lower contribution from add-on sales and non-recurring capital gains in FY11

# Mondadori Pubblicità: financial highlights

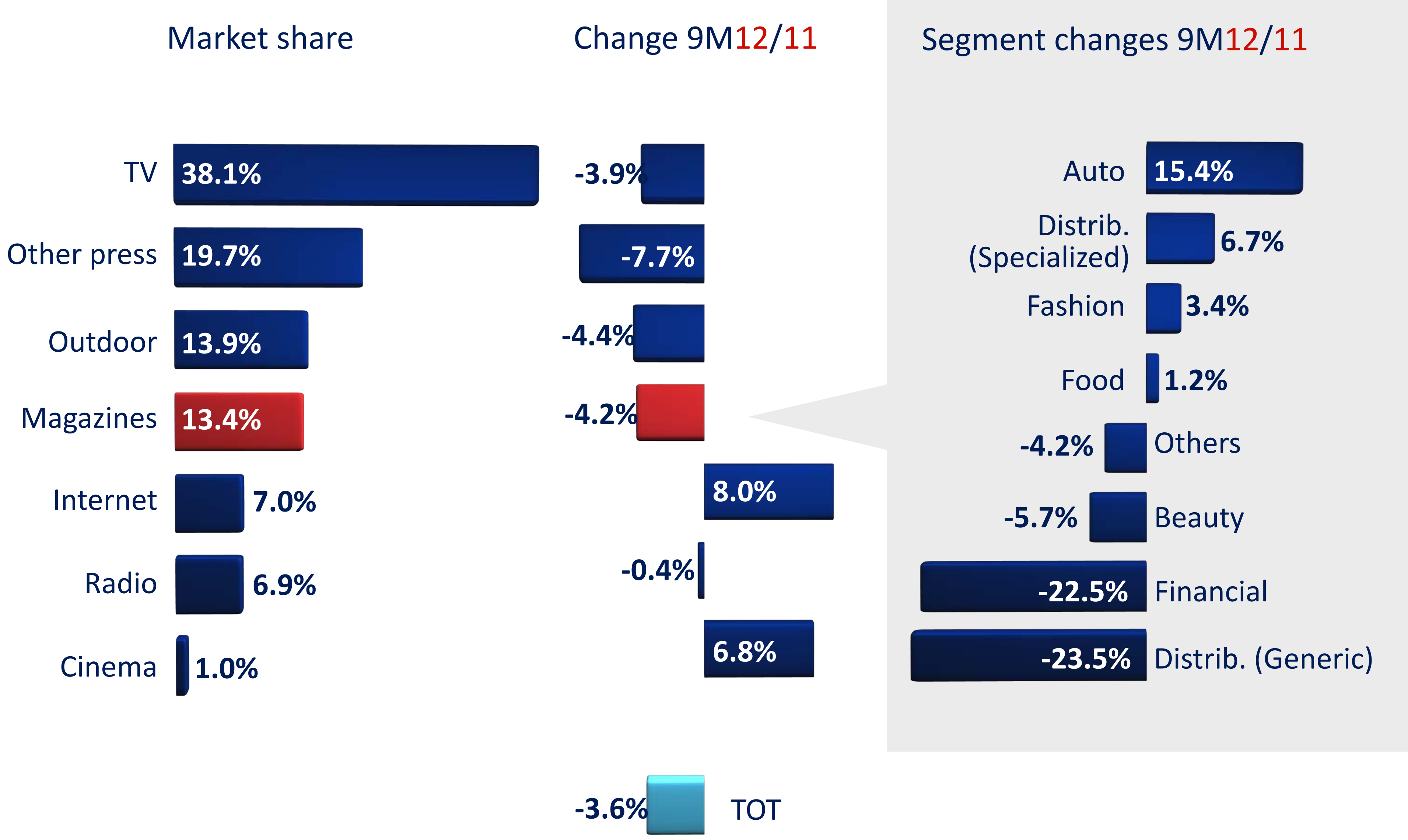
Revenues (€ m)




- Revenues -21.8% :
  - Mondadori magazines (-22.3%) affected by the negative trend of the most important sectors (-26.7%, including JVs e third parties)
  - Radio (*R101* and *Kiss Kiss*) revenues -11.3%, in a difficult market
  - Mediamond JV confirmed excellent results with revenues up by 63.7%

# Mondadori France

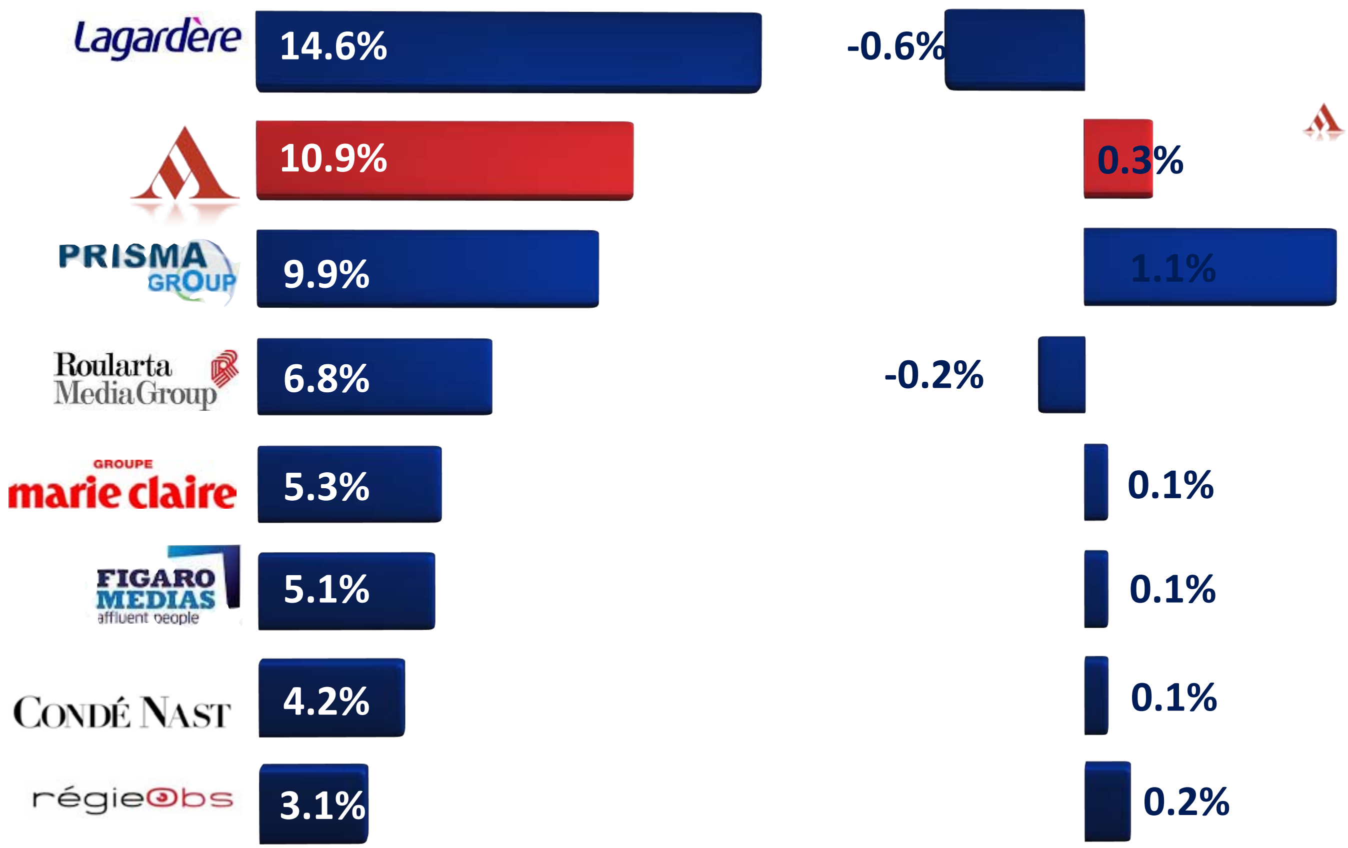
# France: adv market evolution by value




Kantar Media, 9M12

# France: market share by volume

Market share | Change 9M12/11

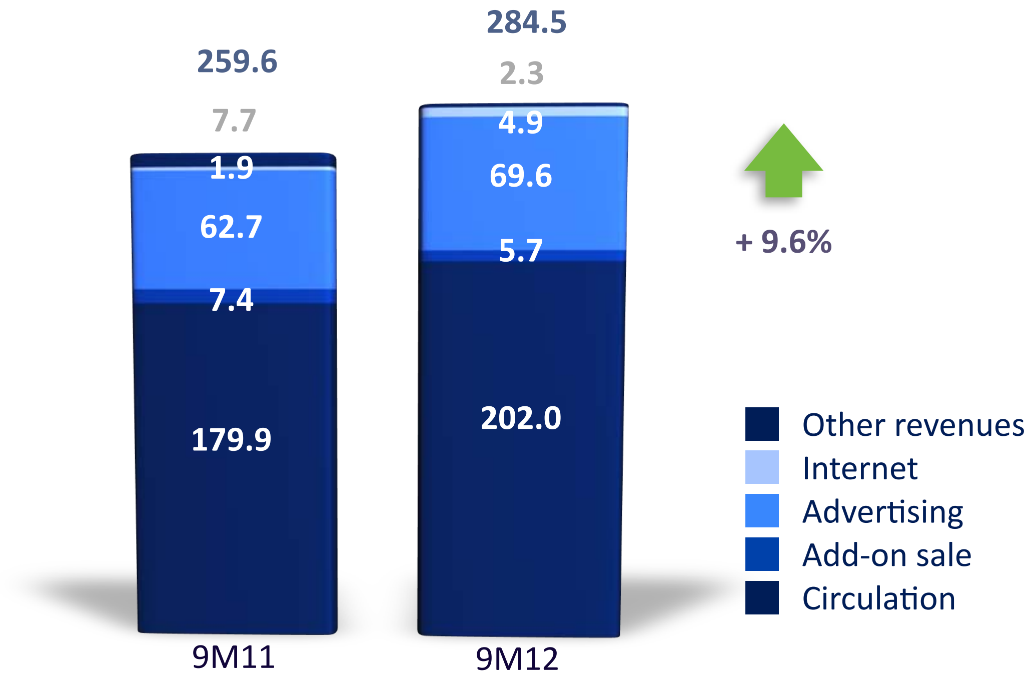



In a falling market (-4.8% in terms of volume) Mondadori is the second player

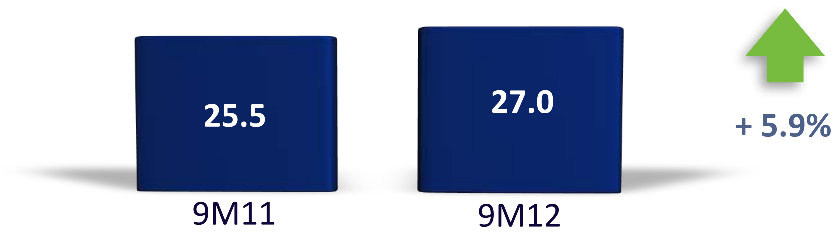
Kantar Media, 9M12

# Mondadori France: financial highlights

Revenues (€ m)




EBITDA (€ m)




- Revenues +9.6%(-2.3% on a like-for-like basis):
  - Advertising: -1.9% vs -4.2% of the market. The better performance was due mainly to the women's upscale and auto segments
  - Circulation: -2.3% with rising subscriptions (33.8% of total revenues)
- Grazia achieved average sales of 193,000 copies (+3.4%) and rising advertising sales (+6.6% YoY)
- Continuous focus on brand extensions *AutoPlus Classiques*, *Closer C'est leur historie* and *Closer Jeux*
- EBITDA: +5.9% despite digital investments and restructuring costs

Magazines

International network

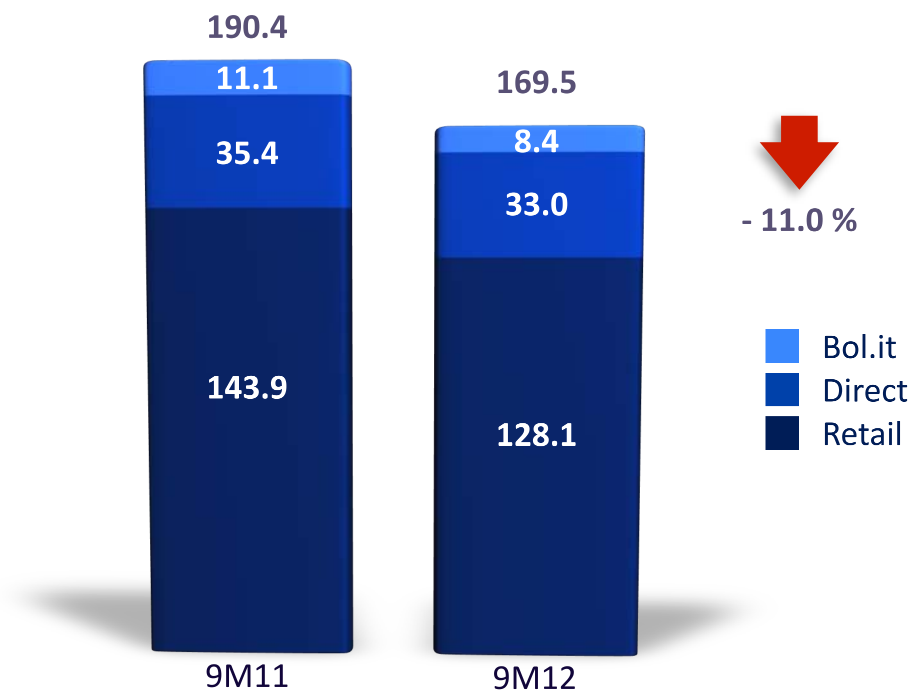
# Magazines international network: highlitghts


- Licensing: +6.7% thanks to continuous network expansion
  - Grazia 2 new editions in FY12 (a total of 19) to which will be added Poland in Q4 and Spain and Korea in 2013
  - Flair: launched in Germany in August
- Advertising revenues: +27.1%, with a strong interest from the fashion and design sectors in Italy for investments in the international network, the expansion of activities in France and Switzerland is underway
- Joint Ventures:
  - marked increase in advertising revenues (Russia +17% and China +57%)
  - Attica: results in line with forecasts, despite tough market conditions and thanks to an increase in market share, success in add-on sales and effective cost controls

# Direct & Retail

# Direct & Retail: financial highlights

Revenues (€ m)




- Retail:- 11.0% (-3% on a like-for-like basis) due to the rationalisation of the sales network, both directly owned and franchised outlets. Positive result for new the product lines Emporio Mondadori and Box For You (also through the large-scale retail channel)

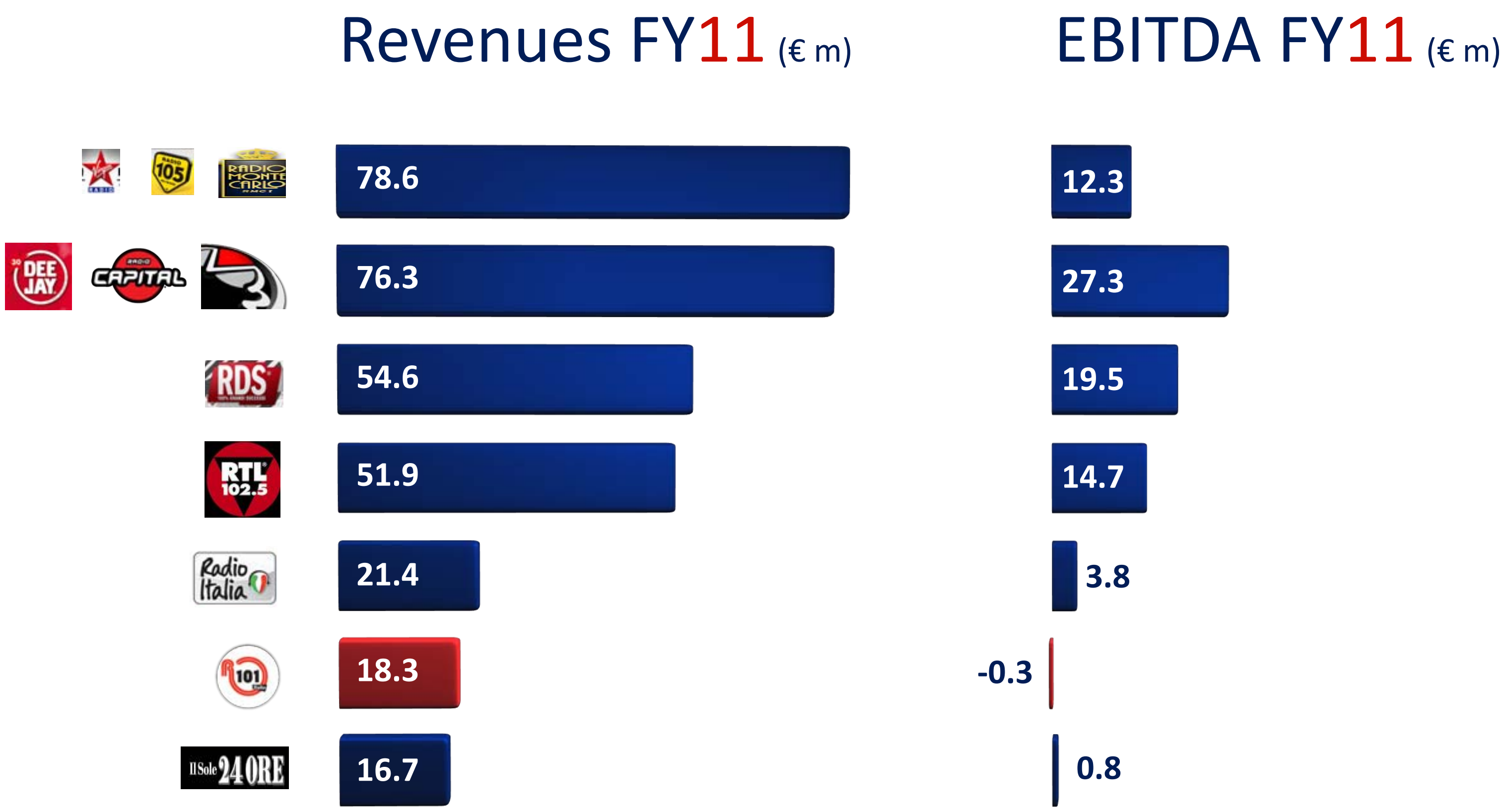
- Direct: -6.8% as a result of reductions in advertising investments (market -10.0%)

- eCommerce: (from November InMondadori.it) revenues down by 24.3% as a result of the new law on discounts (DDL Levi) and a highly competitive scenario

- From 2 October, exclusive sales of the Kobo eReader series in Italy through the web site and a nationwide chain of sales outlets. Initial results beyond expectations

# Radio

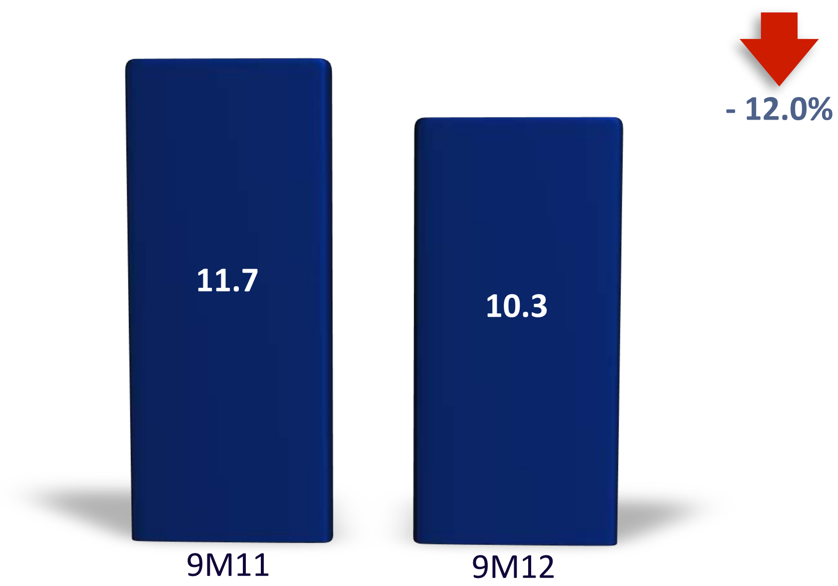
# Radio: major Italian players*




* 75% of the total market
Internal data

# Radio: financial highlights

Revenues (€ m)




- A market in ongoing decline
  - -8.1% 9M12 vs 9M11
  - -14.6% in 3Q (source: FcP Assoradio)
- Ongoing reductions in structural costs
- Targeted marketing initiatives, R101 is the media partner of the Giro d'Italia, sponsor of the Winter Tour "Quota 101" and the Stramilano
- Present on all the main social networks with official fan pages and proprietary channels
- The site recorded significant traffic with over 1.2 million page views since the opening of the Web TV

# Digital: highlights

- 9M12 overall revenues up by 10.3% to €25.0 m and EBITDA of -€16.8 m
- All of the web sites of Mondadori's main titles, both in Italy and France, saw a marked increase in both traffic and advertising revenues (+39.3% in Italy, +29% in France)
- Investment continued in business support activities: the digitisation of books, CRM, digital platform for sites and subscriptions, etc.
- At the end of August, Mondadori France bought 60% of the web site naturabuy.fr, marketplace leader in classified ads, auctions and a "boutique" for hunting and fishing products, with annual intermediary sales of over €24.0 m

Due to organizatonal changes (occured in 1Q12), results of digital activities are booked in each single business areas

# 2012 Outlook

In the current market situation, we can only repeat what was said after the half-yearly report

- The Group's priorities are to continue to improve product quality, develop its digital and international activities and intensify the review of processes and structures with a view to achieving further reductions in operating costs

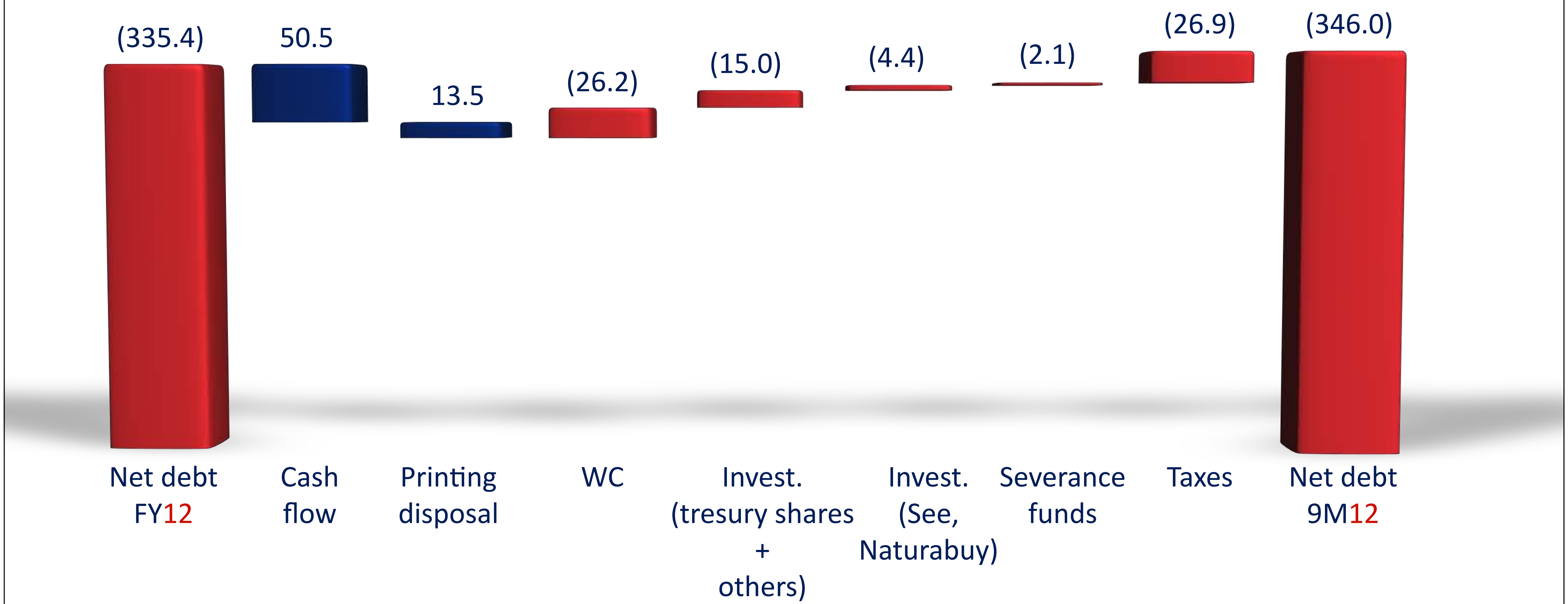
- As previously predicted, operating profitability will be lower than the previous year also in the final quarter

# Annexes

1. Net debt evolution

2. Results breakdown

# 1. Net debt evolution (€m)



# 2. Results breakdown

## Revenues

| € m | 9M11 | 9M12 | Change |
|---|---|---|---|
| Books | 280.5 | 261.6 | -6.7% |
| Magazines Italy | 351.1 | 298.6 | -15.0% |
| Magazines France | 259.6 | 284.5 | +9.6% |
| Mondadori Adv. | 165.0 | 129.1 | -21.8% |
| Direct & Retail | 190.4 | 169.5 | -11.0% |
| Radio | 11.7 | 10.3 | -12.0% |
| Holding&Others | 18.6 | 16.0 | -14.0% |
| Gross revenues | 1,276.9 | 1,169.6 | -8.4% |
| Intercompany | -164.9 | -141.2 | -14.4% |
| Net revenues | 1,112.0 | 1,028.4 | -7.5% |

## EBITDA

| € m | 9M11 | 9M12 | Change |
|---|---|---|---|
| Books | 52.1 | 47.3 | -9.2% |
| Magazines Italy | 52.3 | 11.7 | -77.6% |
| Magazines France | 25.5 | 27.0 | +5.9% |
| Mondadori Adv. | -4.6 | -6.3 | nm |
| Direct & Retail | -3.6 | -5.6 | nm |
| Radio | -1.1 | -1.6 | nm |
| Holding&Others | -16.0 | -9.4 | nm |
| Total | 104.6 | 63.1 | -39.7% |