FY13 Results

Investors's meeting

March 27th, 2014

Market highlights

- The macroeconomic scenario in Italy inFY13 was once again marked by a reduction in the main economic indicators
- Mondadori's major markets of reference showed further reduction affected also by the digital revolution underway

ITALY		MARKET FY13	MARKET 2012-2013
Trade Books*	-7.8%	-6.2%	-13.8%
Magazines			
*Advertising **	-24.5%	-23.9%	-38,0%
*Circulation****	-7,0%	-11.2%	-23.3%
*Add on sales ****	-13.7%	-23.4%	-35.2%
FRANCE			
*Advertising ***	-9.1%	-9.2%	-13.7%
*Circulation (newsstands)****	-6.8%	-6.7%	-11.7%

Sources: (*) Nielsen; (**) Kantar Media; (***) Internal data (like forlike)

FY13 main actions: (1/2)

A **fundamental restructuring plan for organization and operating processes** was put in place across the entire range of the Group's activities in order to:

- rightsize the cost structure in line with the falling trend in revenues from the traditional businesses
- provide resources to ensure the excellence of the products and the development of all the businesses

The plan, called "a change of pace" which foresees cost reductions of **€100 million** by the end of **2015**, has already identified and is in the process of realizing **90%** of the target:

- **the most significant results**, among the many activities underway are related to costs reduction:
  - industrial (printing), editorial, logistical (office space, retail outlets, distribution)
  - Personnel; in FY**13** the headcount was down by 267, the cost was down by **10.1%** vs FY**12** (net of restructuring costs)

FY13 main actions: (2/2)

The **most significant** organisational actions taken during the year were:

- The **redefinition of the responsibilities of the central** and business **functions** and the **change of more than half** of the **first line** of management and the appointment of highly experienced professionals in the retail, radio and digital sectors

- **The contribution** in the year of Mondadori’s advertising sales company to **Mediamond** (Jv with *Publitalia ’80),* effective from January 2014, which is now able to offer **the most extensive integrated commercial proposals: print, web and radio** (leading radio network with 9.7m average daily listeners*)

- **The creation of the digital innovation area** as a cross-company driver involving all of the Group’s activities, with the aim of developing both existing businesses and seizing new growth opportunities, also through acquisitions

** Source: Eurisko Radiomonitor 2013*

Results: highlights FY13 (1/2)

- **FY13 results feature:**

  - **Restructuring costs and non recurring charges of € 61.9m** mainly attributable to reorganization activities
  - **write-downs** *(impairment process)* **of € 145.4m** to align to current market values of both assets and holdings of the group

- **Main consolidated P&L figures:**

  - **Revenues**: € 1.275,8m; -9.9% vs FY12
  - **EBITDA net of restructuring costs and non recurring charges:** € 49.1m,-32.2% (€ 72.4m in FY12)
    - non recurring charges are related to :
      - restructuring charges of € 50.4m (€ 18.8m in FY12)
      - other charges € 11.5m (gains of € 14.5m in FY12)
  - **Consolidated EBITDA :** - € 12.8m vs + € 68.1m in FY 12

Results: highlights FY13 (2/2)

- **EBIT**: - € 183.1m (-€ 149.9m in FY12) after write down *(impairment)* of € 145.4m (€ 194.3m in FY12)

- **Write off are mainly related to:**
  - Mondadori France of € 99.3m (€140m in FY12)
  - Radio R101 of € 31.1 (€46.3m in FY12)
  - Other assets and holdings of € 15.0m (€ 8.0m in FY12)

- **Consolidated result before taxes** : - € 207.3m (- € 172.1 in FY12) with financial charges of € 24.2m (€ 22.2m in FY12)

- **Net result: :** - € 185.4m (- € 166.1m in FY12)

- **Net Financial position**: - € 363.2m (- € 267.6m in FY12) also particularly affected by restructurings

  - In November all the credit lines have been renegotiated

Profit and loss: FY13

€ mio	FY12*	FY13	Chg.	
Revenues	1.416,1	1275,8	-9,9%	
Personnel costs	-288,9	-290,5	0,6%	**(-10.1%)****
Cost of sales & other	-1.075,3	-994,5	-7,5%	
EBITDA of non recurring items	**72,4**	**49,1**	**-32,2%**	
Adjustment for non reciurring items	-4,3	-61,9	ns	
EBITDA	**68,1**	**-12,8**	ns	
Depreciation & Devaluation	-218,0	-170,3	ns	
EBIT	**-149,9**	**-183,1**	**ns**	
Financial charges	-22,2	-24,2	ns	
Pre tax profit	**-172,1**	**-207,3**	**ns**	
Taxes	-8,2	-23,8	ns	
Minority Interests	-2,2	-1,9	ns	
Net result	**-166,1**	**-185,4**	**ns**	

*FY12 figures are restated to include the new IAS 19 with a positive impact on EBITDA (+ € 1.6m) and on the Net result (+ € 1.2m)
** Like for like, excluding restructuring charges

Divisional Results: FY13

REVENUES

€ million	FY12	FY13	Chg.
Books	370.6	334.3	-9.8%
Magazine Italy	383.9	326.1	-15.1%
Magazine France	381.6	353.9	-7.3%
Advertising	172.9	141.6	-18.1%
Retail	245.2	225.0	-8.2%
Radio	13.9	11.3	-18.7%
Holding & Other	38.3	35.0	-8.6%
Gross Revenues	**1,606.5**	**1,427.2**	**-11.2%**
Intercompany	-190.3	-151.4	-20.4%
Net Revenues	**1,416.1**	**1,275.8**	**-9.9%**

EBITDA

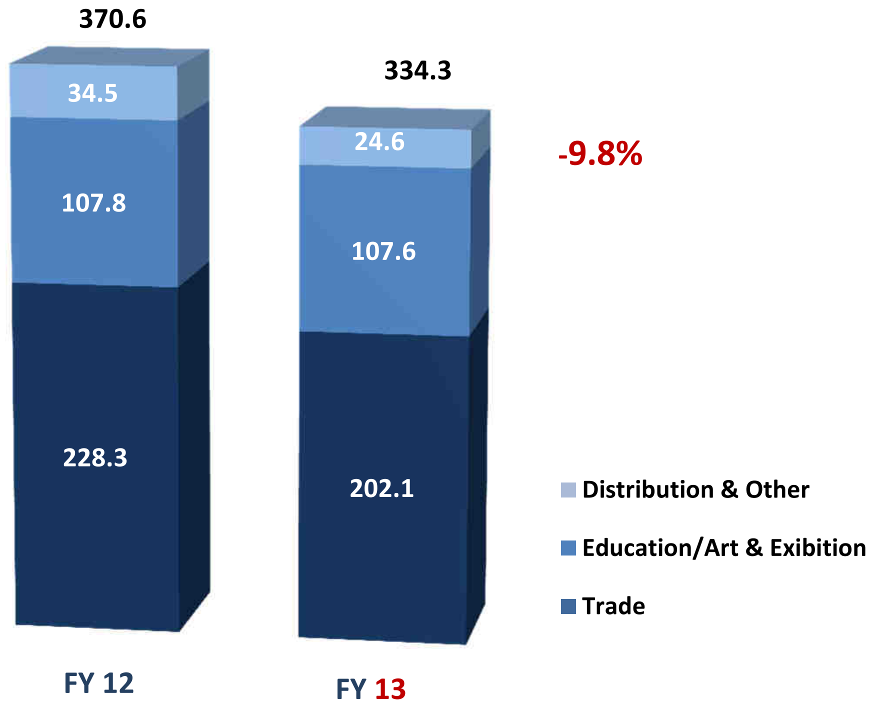
Net of restructurings and non recurring charges

€ million	FY12	FY13	Chg.
Books	58.0	49.9	-14.0%
Magazine Italy	6.4	-6.4	ns
Magazine France	41.0	35.7	-12.9%
Advertising	-7.8	-11.7	ns
Retail	-1.7	-0.3	ns
Radio	-2.1	-4.0	ns
Holding & Other	-21.4	-14.1	ns
Total	**72.4**	**49.1**	**-32.2%**

Business details
FY13

Books: financial highlights

Revenues (€ m)



EBITDA adjusted (€ m)

- *Trade* revenues (excluding third parties distribution) -7.9%. FY12 benefitted from the great success of the *"50 Shades"* phenomenon

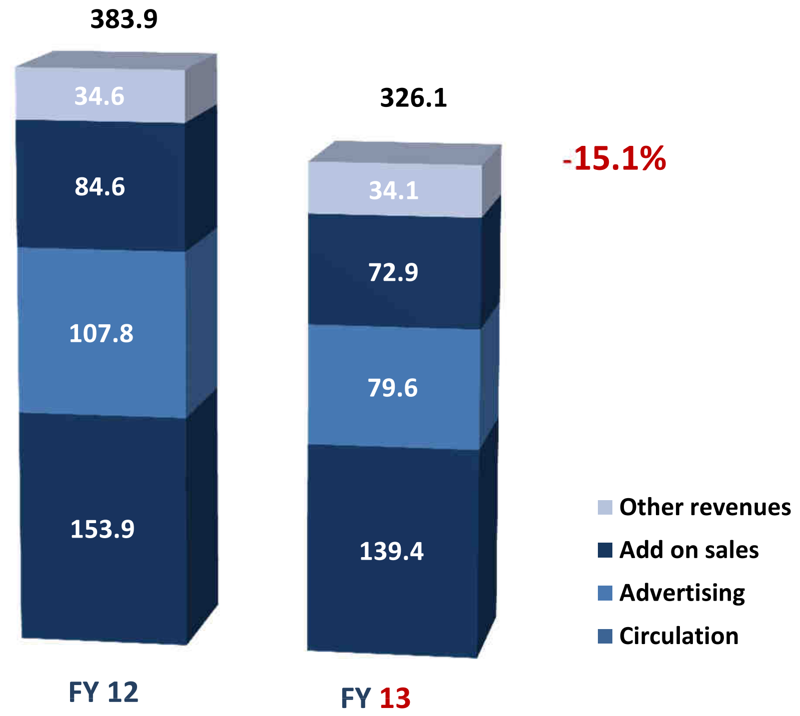
- *Leadership* confirmed:
  - 27% market share
  - 10 books out of the 20 best selling books
  - 23 weeks on top of the ranking of the best selling books

- Education/art and exhibition is confirmed as anti-cyclical sector:
  - education: market share increased to 13%
  - art and exhibition: revenues +12.8%

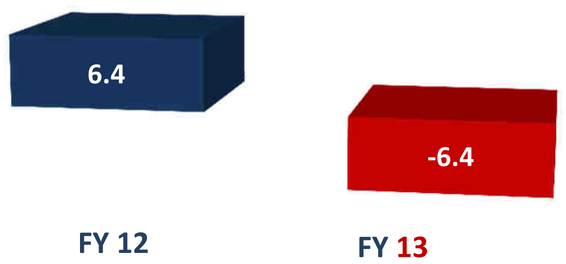
- *E-book*:
  - Market share over 40%
  - Revenues :+70%; over 2million *download*
  - 6.000 titles in the digital library

Magazines Italy: financial highlights

Revenues (€ m)



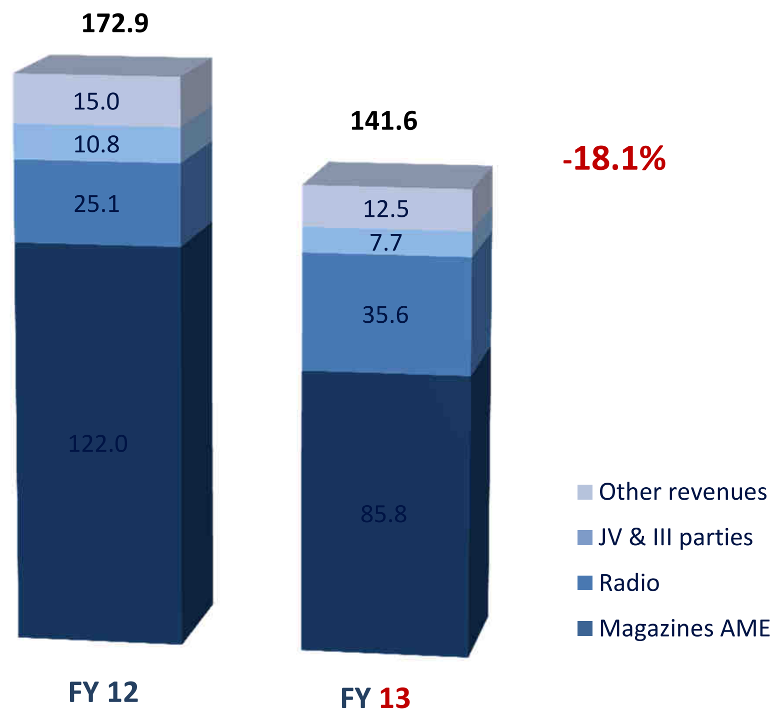
EBITDA adjusted (€ m)



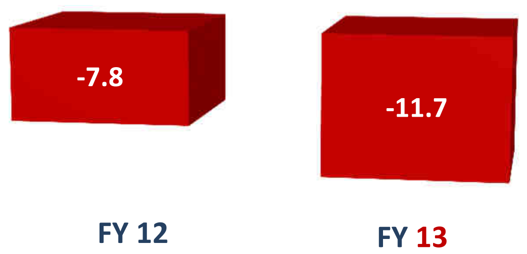
- Revenues (like for like): -13.7%
  - Circulation: -7.0%
  - Advertising: -24.5%
  - Add-on sales: -13.7%
- During the year relevant actions of:
  - costs reduction (printing , editorial, personnel)
  - editorial reorganization and closure of 4 magazines
  - change of editors for *Grazia* and *Donna Moderna*
- Market leadership confirmed also thanks to the excellent results of the re-launch of the most important magazines
- Add-on sales: 40% market leadership with a strategic decision to focus on high margins sales
- Web sites revenues: +7.3% in a market down by 1.8% with excellent performance of the most important

Mondadori Advertising: financial highlights

Revenues (€ m)

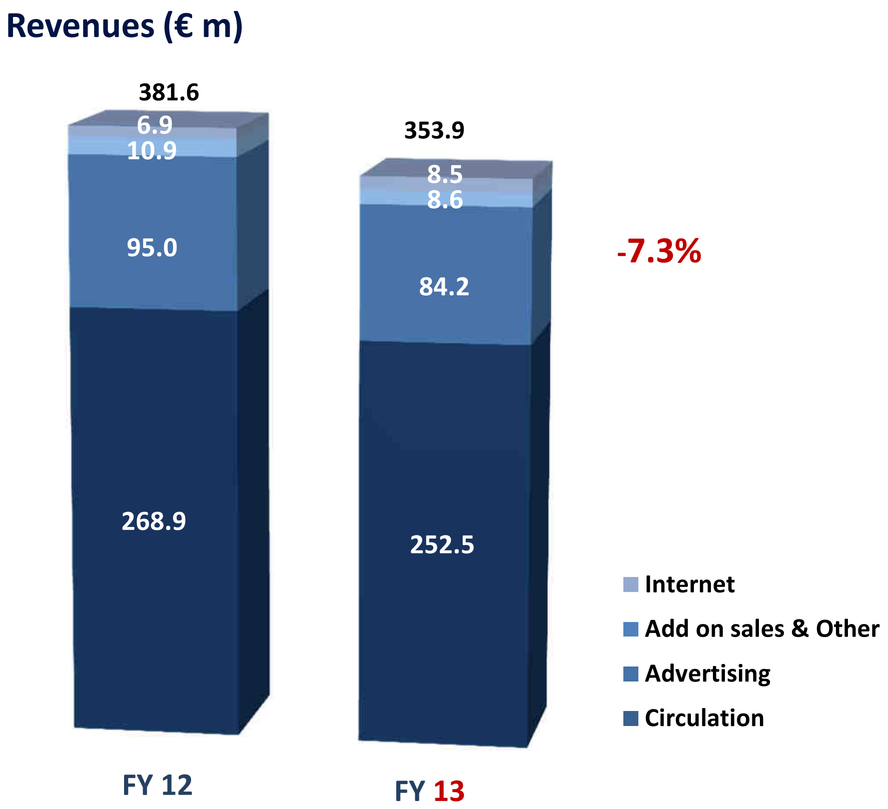


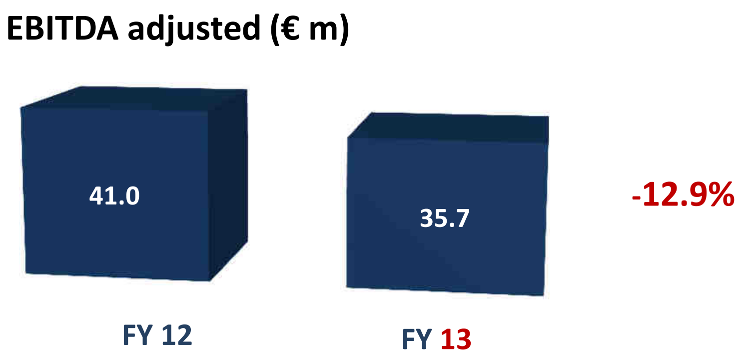
EBITDA adjusted (€ m)



- Revenues (Mondadori magazines:-l 23.6% (like for like)) in line with market trend
- Radio: +41.8% thanks to advertising sales on *R101* and also on *Radio Italia* (April) *Radio Norba* and *Radio Subasio* (September); created the first Italian network with over 9.7m average daily listeners (including n *Radio Sportiva* since Jan.'14)
- Since Jan.'14 the advertising sales is done through *Mediamond (non consolidated)* which reported 21.6% revenues increase to 45m €

France Magazines: financial highlights

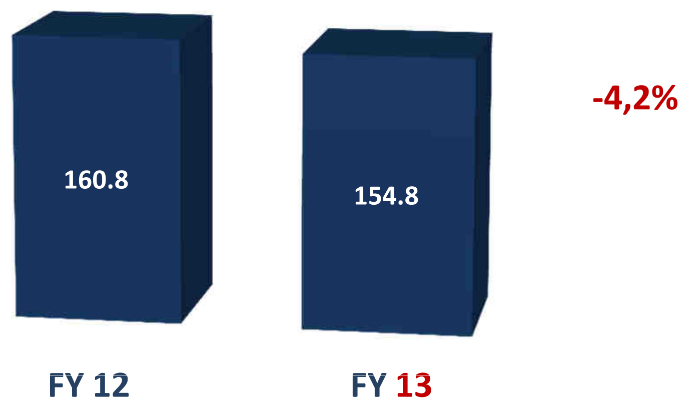




- Revenues:-7.3%
  - Circulation (newsstand): -6.8%
  - Advertising (like for like):-9.1%
  - Internet advertising: +23.8%
- Mondadori *France* is the second player for advertising sales with 11% market share
- Excellent success of new products' launches as brand extension; leadership confirmed for the most important magazines
- Digital:
  - Strong audience growth (+25% average growth); in December 6.3 unique users
  - Launched of the digital project for newsrooms in order to further costs reductions

International Magazines network: highlights

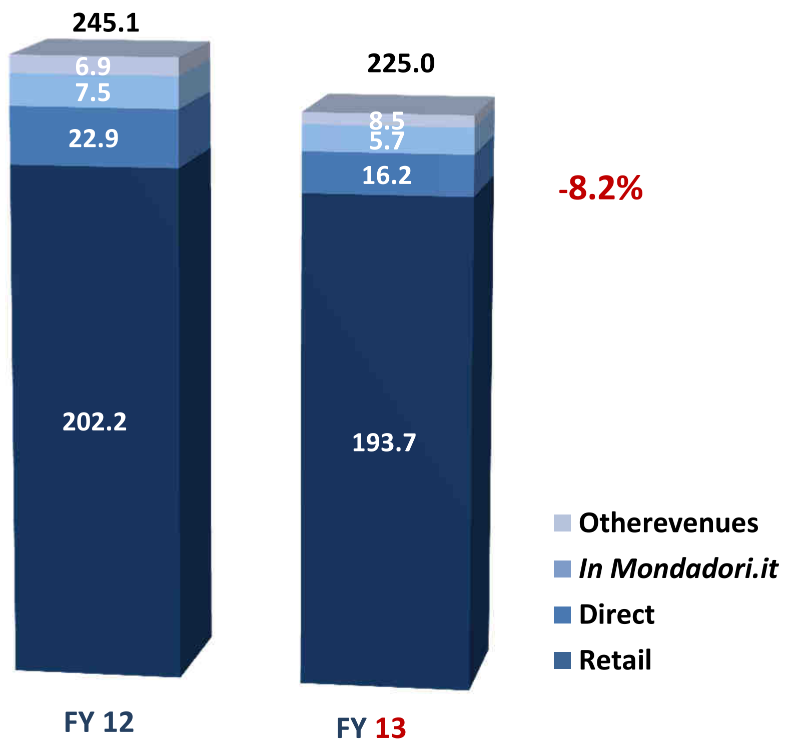
Total Turnover (€ m)



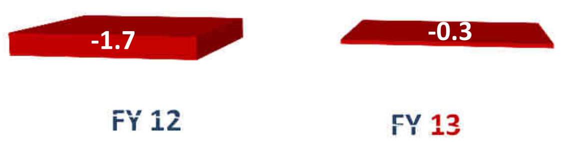
- Slight reduction of the sales mainly due to Attica's performance (-11%)
- *Grazia Network*: reached 23 editions including three launches in the year i (Spain, Korea and Mexico). *Icon* launched in Spain
- Advertising revenues: (+14%) also thanks to the portfolio increase of foreign third parties (*Robb Report, El Pais*)
- Excellent revenues results of the JV in China (+18%); stable Russia, while Attica showed a positive reversal trend in 4Q

Retail: financial highlights

Revenues (€ m)



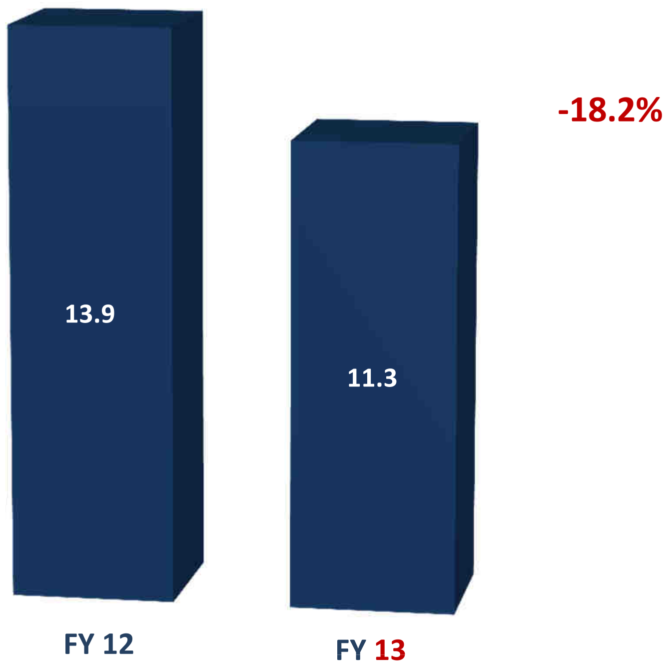
EBITDA adjusted (€ m)



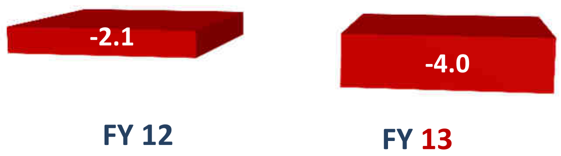
- Revenues:
  - 8.2% mainly due to *Bookclub* e *''InMondadori.it''*
- Positive performance of the retail network on a like for like basis (42 closures 20 openings)
- During FY13 actions have been taken on:
  - organization: appointment of highly experienced professionals at top level
  - network re launch both direct and indirect
  - Diversification through a "no book" products mix (toys, stationary, private label products)
  - Increase of the Card Mondadori (over 1,15m)

Radio R101: financial highlights

Revenues (€ m)



EBITDA adjusted (€ m)

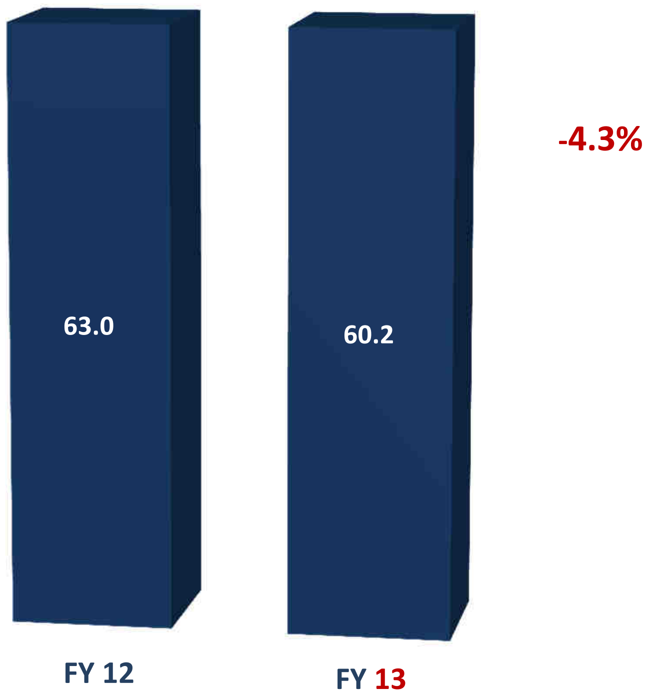


- Advertising revenues were impacted by the investments reductions of the major spenders (Auto, FMCG and Tlc)

- During the year actions focused on:
  - increase the audience though the creation of a network with other radios that reached (Jan'14) 9.7 million average daily listeners, becoming one of the leading Italian network
  - given to highly experienced professionals (already actors of the re-launch of *Radio Italia)* all the management of all the editorial and marketing activities

Digital: highlights*

Revenues (€ m)



- Constitution of the digital innovation division as a cross-company driver with the appointment of highly experienced professionals aiming at:
- further increasing the growth in the digital market also for the existing businesses (magazines, books, retail)
- seizing new growth opportunities, also through acquisitions
- Revenues reduction is related to ‘’*In Mondadori*’’ while:
- E-book: revenues +70% (€ 7.8m)
- Properties Italy:
  - revenues +7.3%: all major websites showing a growing trends; *Donna Moderna* (+5.5%). *Grazia* (+16.2%) and Panorama Auto (+9%)
  - Unique users: total 17m for the year
  - Total pages views: over 157m
- Properties France:
  - Revenues: +23.8%, (growing trend for all web sites)
  - Unique users: 6.3m

*Revenues are already included in the different Group business units

GRAZIA on all the devices

GRAZIA
news fashion magazine

Magazines: 182 830 ex (DFP 2013)

Tablet: 4.000 sold (Dec. 2013)

Mobile: 1,4 M visits

Web: 1,1 Million displays Nielsen (Dec. 2013) +122%

Social: 160 000 fans

New developments: On all the N°

Polo Auto: searching for diversification

Leader in all sectors

On the web: 2.4 M display

800.000+ miniature vendute

Partners for special initiavtives

1 M + apps downloaded

#1 for auto information 24/24

High range diversification

Closer: strengthening the diversification

1° Women app

4 M downloads
60 M di page views

Leading women magazine since 2008

344.195 ex

Closer

100 000 fans

A successful Web site

2.9 M displays
+ 70 % in 1 year

facebook

240 000 fans

Leader for market contacts

389.600 sold
In 2013

Outlook: FY14

- In a market in which there are still no clear signals of a reversal in the current downward trend, the **performance** of the Group's businesses in the first three months of the year **is positive and above expectations**: in addition to encouraging results from the business and from editorial products, there are also the effects of the reorganisation and cuts in operating costs introduced in FY**13**

- The above, and the substantial reduction, for the current year, of non-recurring charges, makes it possible to predict a strong **increase of the EBITDA even higher vs 2012**

First months 2014

achievements

Launch of ***«Il mio Papa»*** the world's first weekly entirely dedicated to the Holy Father, after the success of the first run, also the following publication had more than 300,000 copies. On March 25th the web site *www.miopapa.it* was launched

- Brand and Assets acquisition of **Anobii Ltd.**, the global social reading platform with more than 1 million users worldwide of which 300,000 in Italy

- Launch of the ***new R101*** with an completely renewed editorial approach, a new logo, a new pay off “ the Music”, a new jingle produced by a some of the most famous artists and also a new advertising campaign on *Mediaset* TV network

France: **excellent success of *Closer*** (sales hit new record with more than 600,000 copies) thanks to the scoop on the France president *Holland*. The magazine is the reference point for the press *People* in the country

Launch of the ***"new Panorama"*** in the first run 110 advertising pages (40 of which dedicated to fashion)

Guidances for 2014-2016

Snapshot: actions from the FY14-16 plan

- **The macroeconomic forecast for 2014 does not present any significant changes compared with 2013** apart form an expected reversal of the trend in GDP. Albeit volatile, an improvement is expected in the two-year period 2015-2016

- **Trends in the main markets in which the Mondadori Group operates indicate a probable continuation of the decline, even if less marked than in the past three years**

- In this context Mondadori, thanks to the actions put in place in 2013, aims to achieve a level of profitability at the end of the plan, at the gross operating level (EBITDA), of **more than €100 million** with **all businesses profitable**

Snapshot: actions from the FY14-16 plan

Efficiency measures, a review of processes and a reduction in costs that will **continue** to affect all areas of the Group will be of fundamental importance

For the traditional businesses the focus will be on:

Snapshot: actions from the FY14-16 plan

Books:

- **Trade:** confirming an unchallenged leadership in “print”
- ***Education***: the continuous improvement of market share
- **Significant digital development** thanks to the importance of the Group’s library of titles (with a a rise in revenues from the current **5%** to **16%** of the division’s total revenues and with **higher margins** than the physical product

Snapshot: actions from the FY14-16 plan

Magazines & Advertising:

- Continued actions to renew the product portfolio in order to consolidate leadership in all sectors
- The rationalisation of editorial structures and their integration with digital
- Properties: profitable in both Italy and France from 2016
- Full effects of the integration of advertising sales in *Mediamond* with a consequent recovery in market share

Snapshot: actions from the FY14-16 plan

International Network:

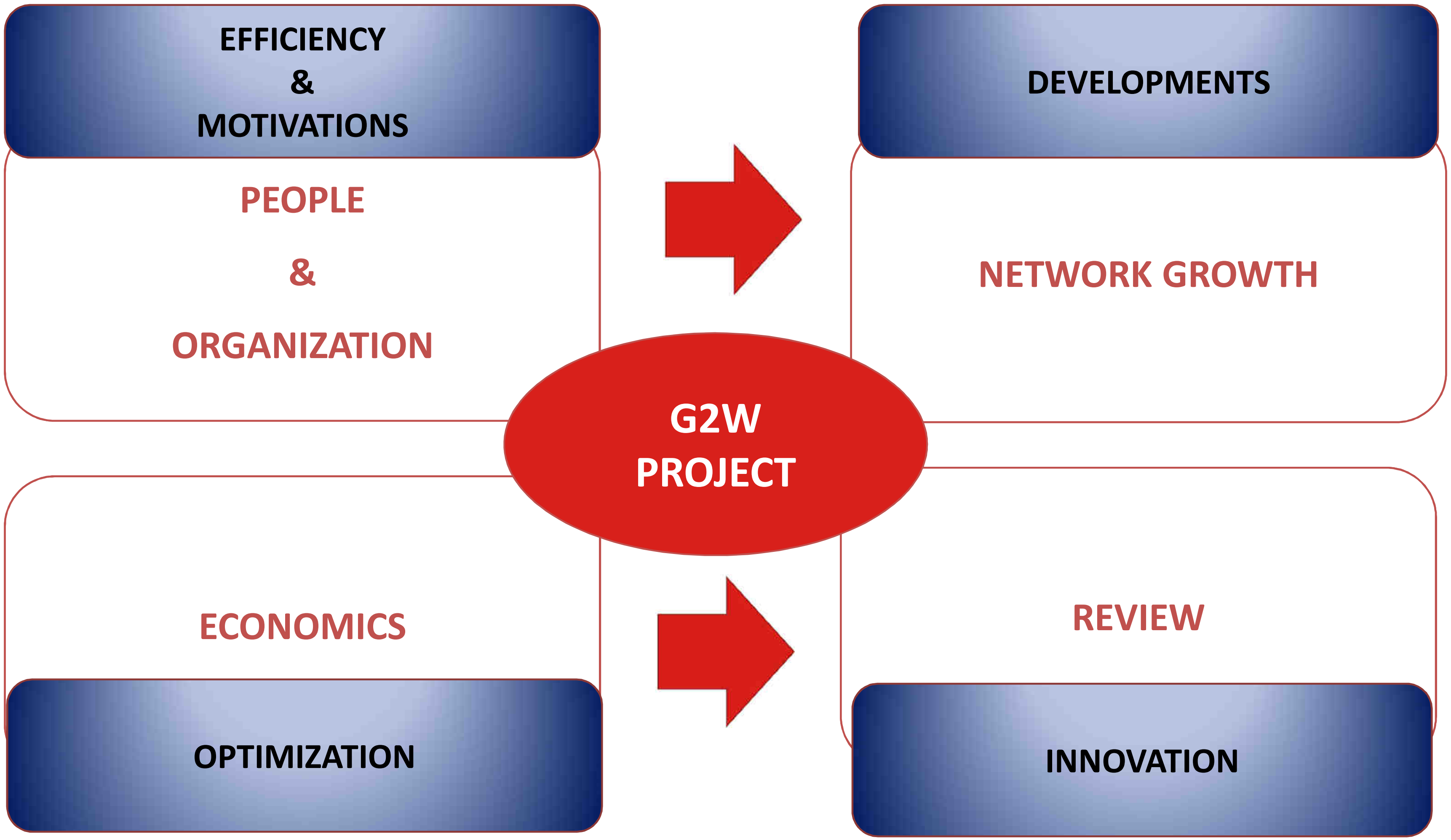
- Increase in the number of editions of *Grazia* and other titles in emerging countries
- Develop of e-commerce activities for all of the 23 *Grazia* editions around the world
- JV China: *Grazia* will go weekly (in April 2014) with significant effects on increasing circulation and, especially, in advertising
- Brand extension initiatives that leverage the *Grazia* brand (collections, café, *etc.*)

Snapshot: actions from the FY14-16 plan

Retail:

- Extensive development of the franchising network and the rationalisation of sale outlets
- Optimisation of logistics (both office and shop space and distribution)
- Diversification of the offer with the expansion of stationery, toys, food, etc.

RETAIL: FOUR PILLARS FOR THE RELAUNCH

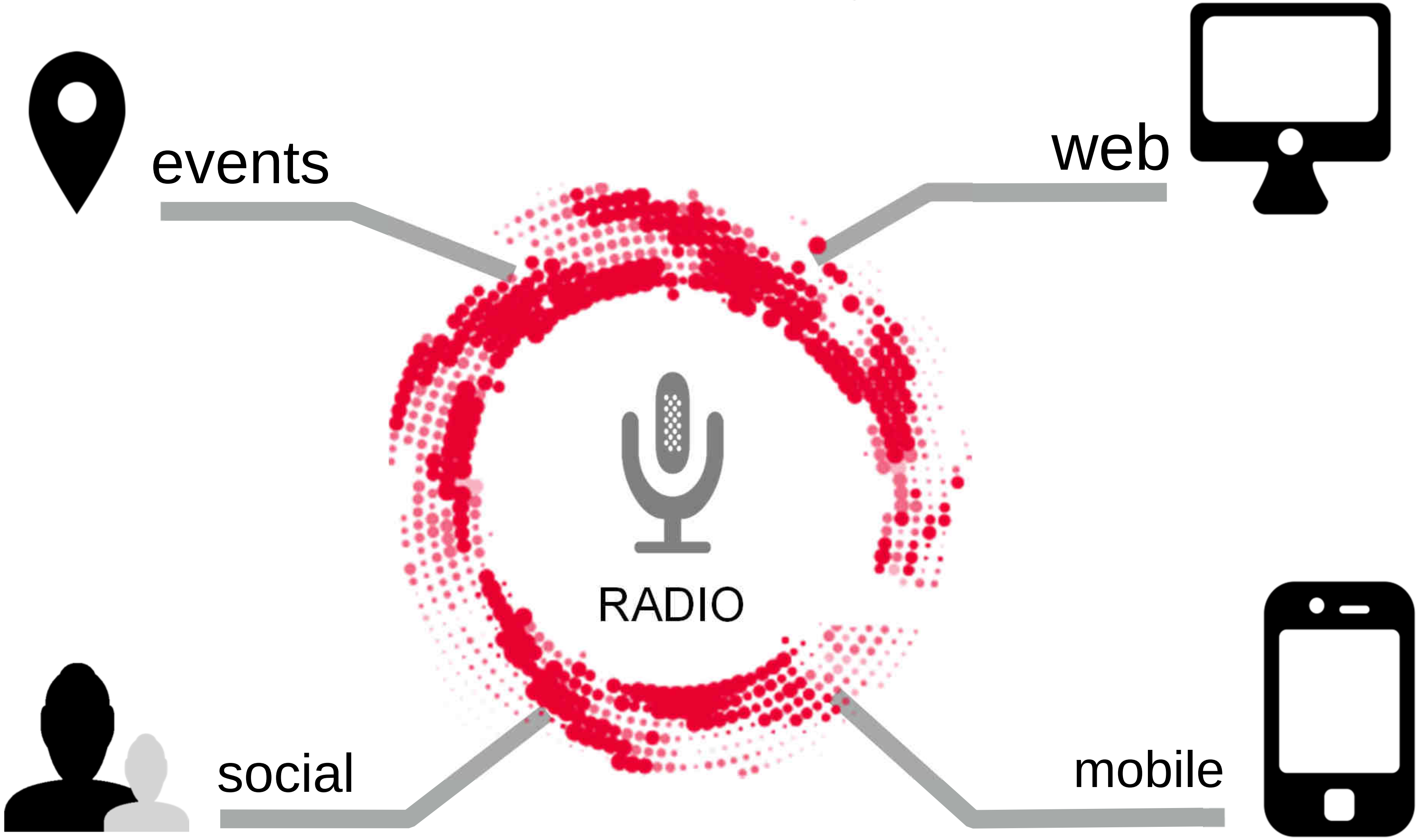


Snapshot: actions from the FY14-16 plan

- **Radio:**
  - Further development of the cooperation with Radio Italia’s management and strengthening the leadership position of the network in order to increase the audience and advertising revenues

R101

an integrated system



Snapshot: actions from the FY14-16 plan

Digital Innovation:

will be the cross-company driver of growth for all the Group's businesses

- completion of the organisation to ensure the necessary professional skills
- transformation of the Group through the introduction and integration of new businesses and technology
- growth and reinforcement of the digital activities of existing businesses: e-book properties (TV, cooking and health) e-commerce
- diversification and development of new revenue streams from non-traditional activities: marketing services
- search for partnerships with third parties and strategic and synergic acquisitions for the core business

Target: a weighting for digital revenues of 13% of the total by the end of 2016 (4,7% in FY13)

ANNEX

EBITDA reported

€ million	FY12	FY13	Chg.
Books	60,2	46,2	-23,3%
Magazine Italy	3,1	-20,6	ns
Magazine France	39,6	26,7	-32,6%
Advertising	-8,1	-19,9	ns
Retail	-0,4	-8,5	ns
Radio	-2,0	-4,3	ns
Holding & Other	-24,3	-32,4	ns
Total	**68,1**	**-12,8**	**ns**