GRUPPO MONDADORI

FY18 Results

Investors Presentation

Ernesto Mauri – CEO
Oddone Pozzi – CFO

Milan, 14 March 2019

AGENDA

1. **FY 2018** Highlights
2. **FY 2018** Results
3. **FY 2018** Business
4. **FY 2019** Outlook

Disclaimer

In 2018, the "Adjusted result from discontinued operations" included the net result of Mondadori France in the current year, together with the recognition of the fair value adjustment of assets being sold, to reflect the negotiations in progress, previously measured at value in use. This item also includes the financial expense held by the Parent Company, but attributable to Mondadori France and charged to the latter under the intercompany loan agreement (approximately € 3 million). The "Adjusted result from continuing operations" and the "Adjusted result from discontinued operations" therefore differ by this amount from the amounts of the statements attached to this Report (equal to € -192.4 million in 2018 and € 12.6 million in 2017), prepared in accordance with IFRS international accounting standards.
To enable a like-for-like comparison, 2017 figures have been restated accordingly.

Beginning from 1 January 2018 (and to provide a consistent presentation, also for 2017), the Group has applied the new ***"IFRS 15 - Revenue from Contracts with Customers"*** *- revenue recognition standard, which applies to all contracts stipulated with customers, with the exception of those that fall within the scope of application of other IAS/IFRS standards such as leases, insurance contracts and financial instruments; the new standard provides for:*

- *the booking of circulation revenue based on the cover price or, in any case, on the price actually paid by the purchaser, gross of all commissions paid. Accordingly and unlike the previous accounting treatment, the commission has been recognized separately as distribution cost, no longer as a reduction in revenue. Magazines Italy and France, as a result, saw an increase in revenue;*
- *the presentation of revenue from the distribution of third publishers' products, net of relating acquisition costs, previously booked in cost of sold items. The Books Area, as a result, saw a decrease in revenue.*

The new IFRS 15 presents revenue and costs differently, with no effect on EBITDA.

Beginning from 2018, the result generated by associates (consolidated at equity), previously classified in adjusted EBITDA, is shown under EBIT; for consistency, 2017 has been reclassified accordingly.

FY18 Highlights

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In 2018 Mondadori Group successfully continued its **focalization plan on Books core business and a razionalization in the magazine business.**

May 2018	Sept. 2018	Oct. 2018	Feb. 2019
MONDADORI MAGAZINE	MONDADORI FRANCE	MONDADORI MAGAZINE	MONDADORI FRANCE
Inthera S.p.A. disposal	Exclusive negotiations for possible disposal	Newsmagazine *Panorama* disposal	Put option underwriting

In accordance with the requirements requested by **IFRS5**, the transaction is classified as **discontinued operation**

Mondadori France Operation

Mondadori signed a put option, whereby has guaranteed itself the right to sell its subsidiary Mondadori France S.A.S. to Reworld Media S.A..

- **Operation Structure :** disposal of the 100% of the stake held in Mondadori France
- **Disposal value:** €70mln + 5 *earn-out, cash and debt free*
- **Price payment:**
  - €50mn cash at the closing date
  - €10mn 24 months from the closing date
  - €10mn through issue of new Reworld Media S.A. shares
- **NFP Impact:** ≈ €60 mn
- **P&L Impact:** *impairment* at 31/12/2018 equal to €200,1mn (€198,1mn at 30/09/18)

FY18 Highlights

€ mn

	2018	2017	FY18	4Q18
Revenues	**891.1**	970.1	**-8.1%**	-11.4%
Adjusted EBITDA	**90.1**	84.5	**+5.6 € mn**	+3.6 € mn
EBITDA	**77.5**	86.7	**-9.2 € mn** (due to: less positive not ord. components, and more restructuring costs)	+1.1 € mn
Adjusted result from continuing operations	**20.3**	27.2	**-7.0 € mn**	+2.8 € mn
NFP	**-147.2**	-189.2	+42.0 € mn **+22.2%**	

FY18 Highlights

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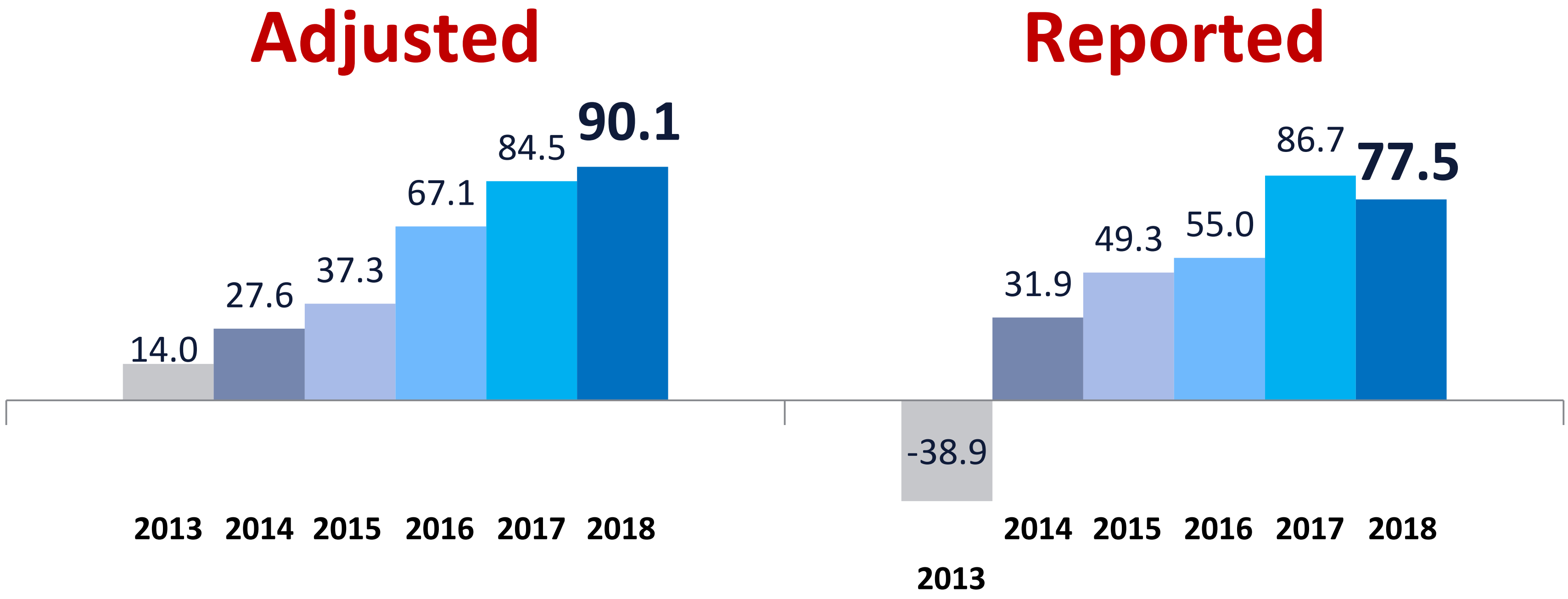
Results in line with the expectations

	TARGETS	RESULTS
REVENUES	High-single digit decrease	-8.1%
Adj. EBITDA	Slight increase	+5.6 € mn
Adjusted result from continuing operations	Ca. 7 € mn decrease due to more negative not ord. components	-7.0 € mn
Ordinary Cash Flow	≈ 50 € mn (55/60 € mn including assets held for sale)	+52 € mn (67 € mn including assets held for sale)
NFP / Adj. EBITDA	< 2.0x	1.6x

FY18 Highlights (proforma*)

€ mn

Improvement in EBITDA Adj. from 5 consecutive years



* Excluding Mondadori France

AGENDA

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FY18/4Q18 Revenues and Adj. EBITDA by Business Area

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€ mn

Revenues

	FY2018	FY2017	Var. %
Books	450.4	483.0	*(6.7%)*
Retail	191.8	198.5	*(3.4%)*
Magazines Italy	287.0	326.1	*(12.0%)*
Corporate & Shared Services	34.7	26.2	*32.3%*
Intercompany	*(72.8)*	*(63.8)*	*14.2%*
Total	**891.1**	**970.1**	***(8.1%)***

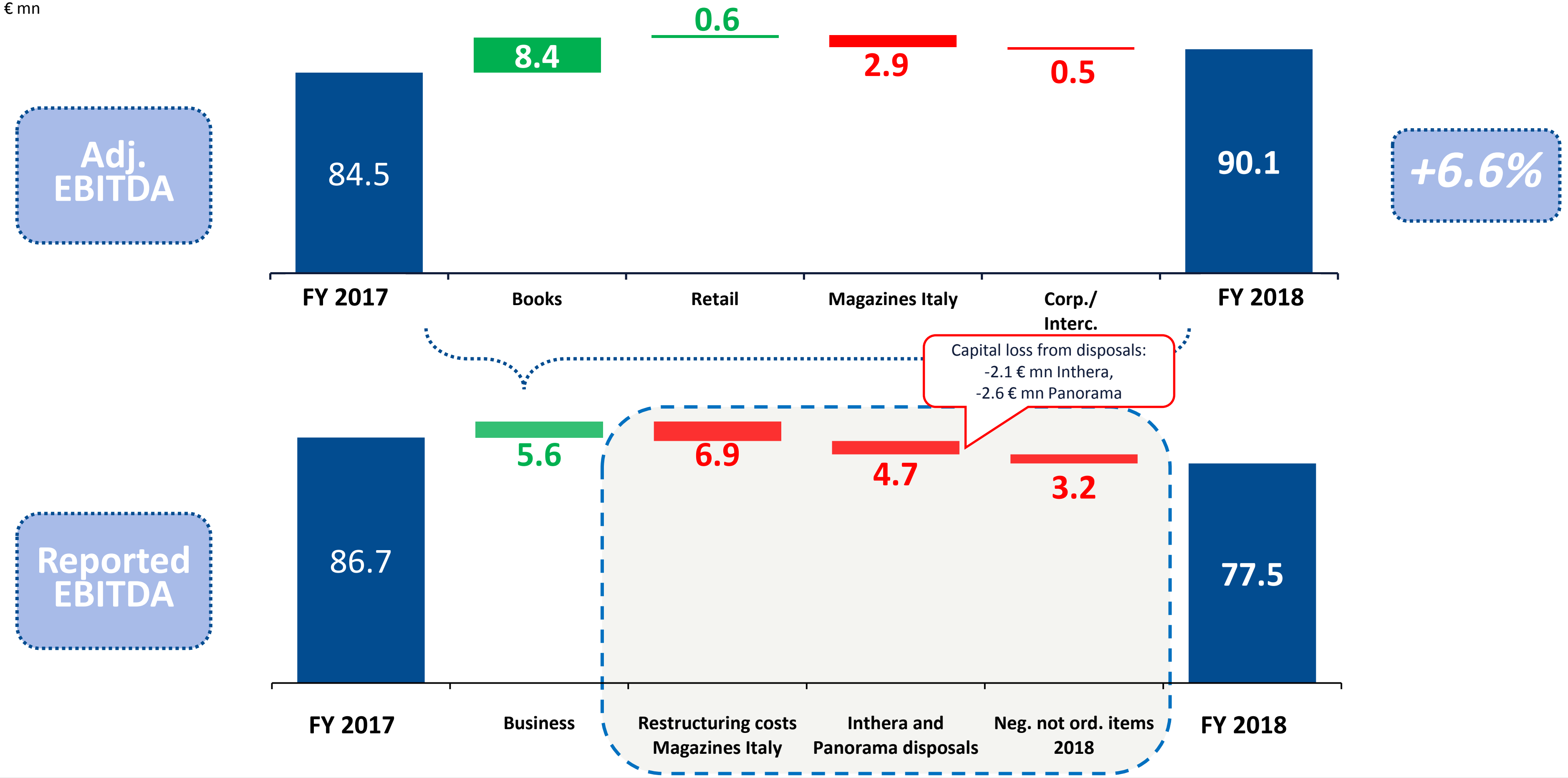
4Q2018	4Q2017	Var. %
110.8	125.8	*(11.9%)*
62.5	65.9	*(5.1%)*
71.0	82.5	*(13.9%)*
8.8	6.0	*46.8%*
(20.1)	*(17.2)*	*17.4%*
233.0	**263.1**	***(11.4%)***

Adj. EBITDA

	FY2018	FY2017	Var.
Books	84.7	76.3	*8.4*
Retail	1.4	0.7	*0.6*
Magazines Italy	11.9	14.8	*(2.9)*
Corporate & Shared Services	(7.3)	(7.8)	*0.5*
Intercompany	*(0.5)*	*0.5*	*(1.0)*
Total	**90.1**	**84.5**	***5.6***

4Q2018	4Q2017	Var.
16.7	13.8	*2.9*
4.7	4.6	*0.1*
7.8	6.7	*1.0*
(2.1)	(2.7)	*0.6*
0.2	*1.1*	*(0.9)*
27.3	**23.7**	***3.6***

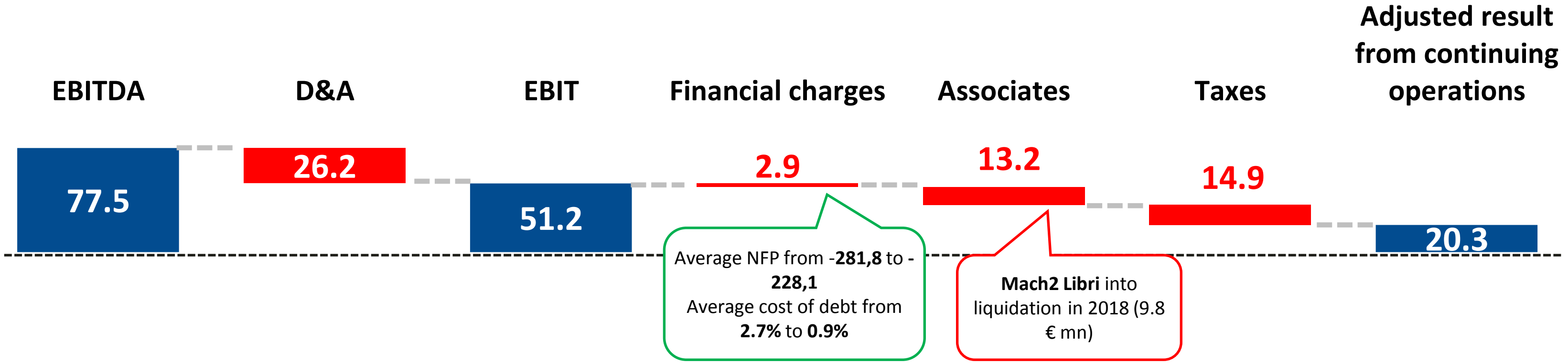
FY18 EBITDA evolution



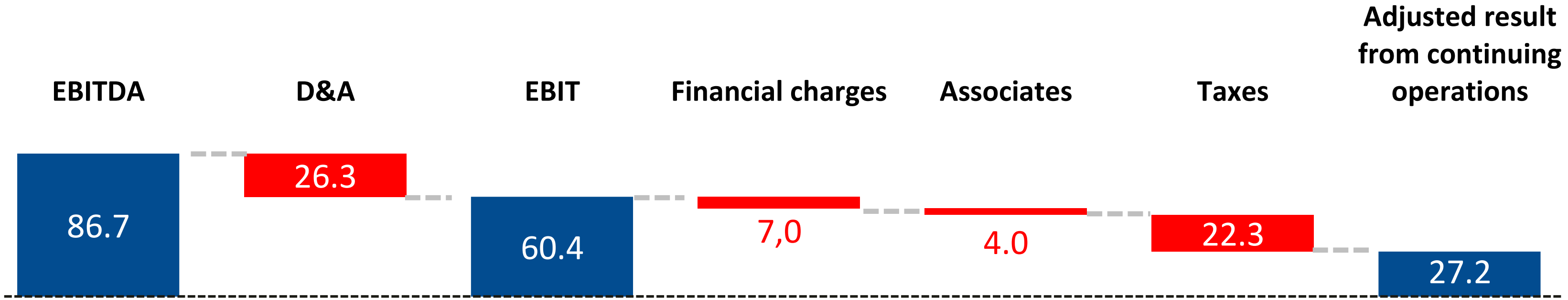
FY18 from EBITDA to Net Result

€ mn

FY 2018



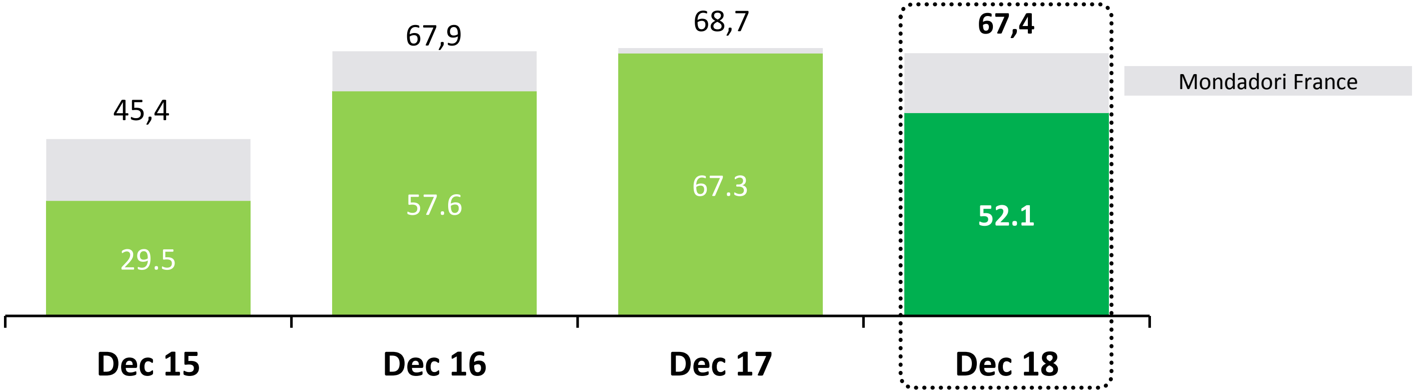
FY 2017



Cash Flow LTM **FY18**

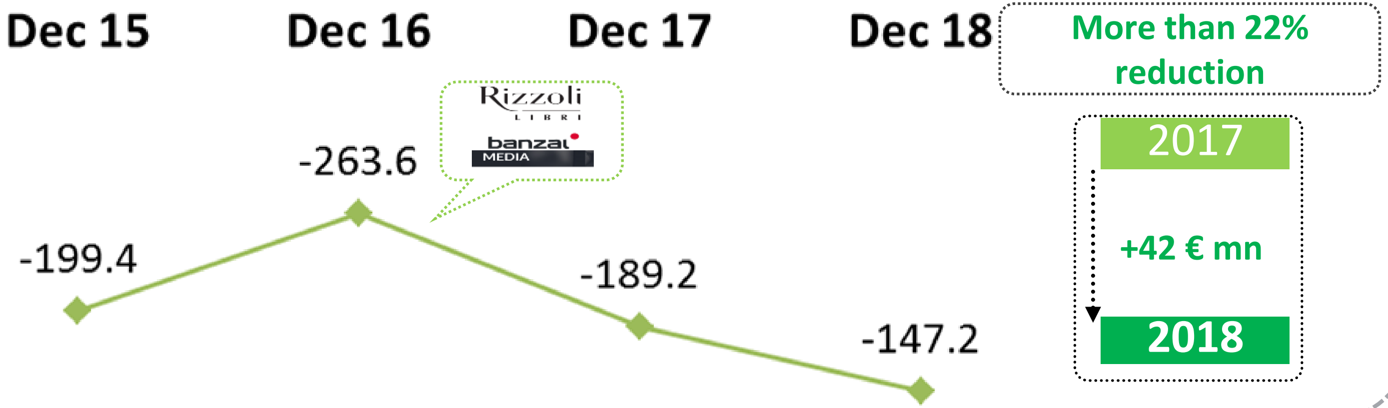
€ mn

Positive cash generation from business confirmed



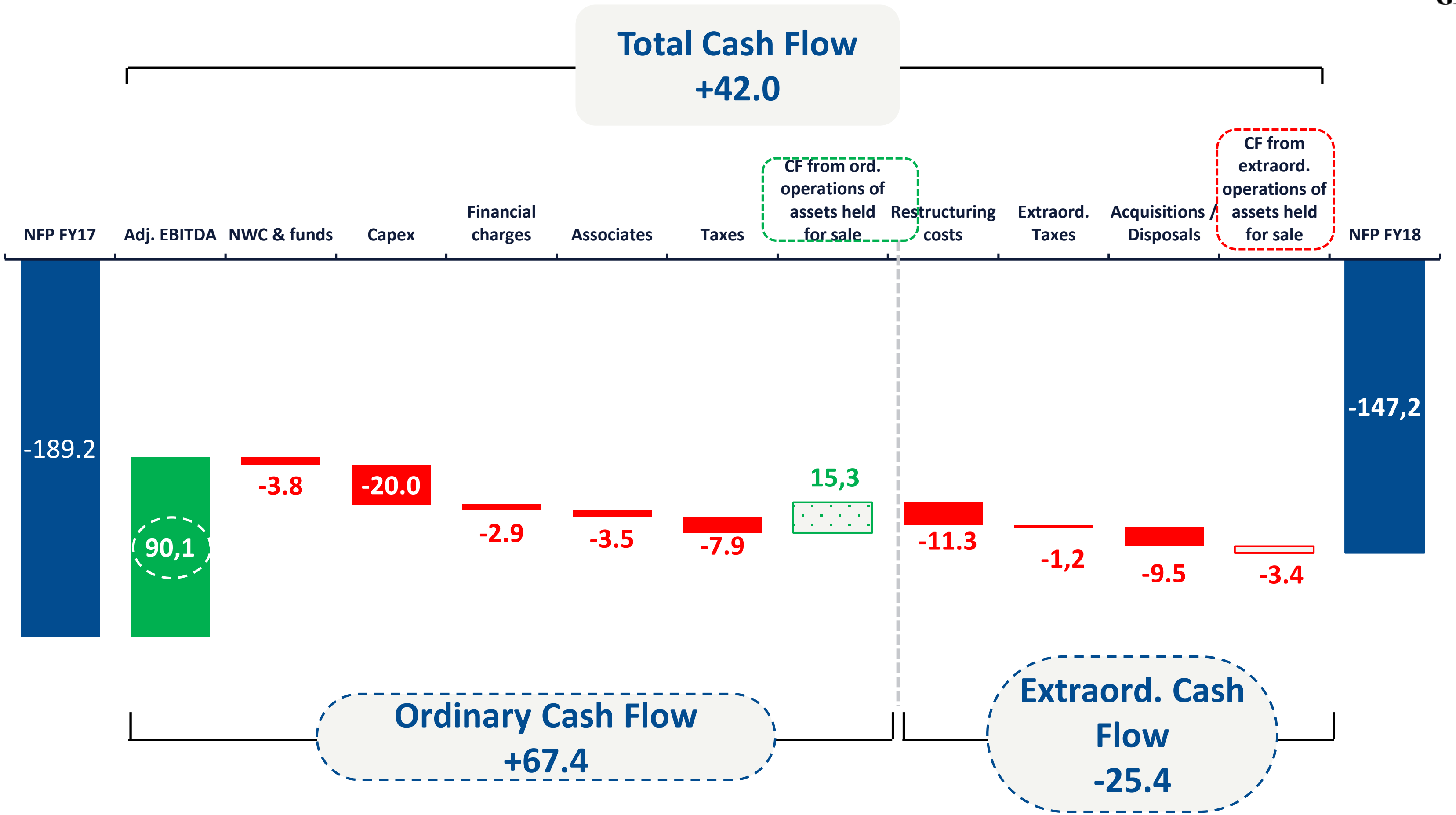
Ordinary Cash Flow = Operating CF net of taxes, associates and financial charges.

Group NFP



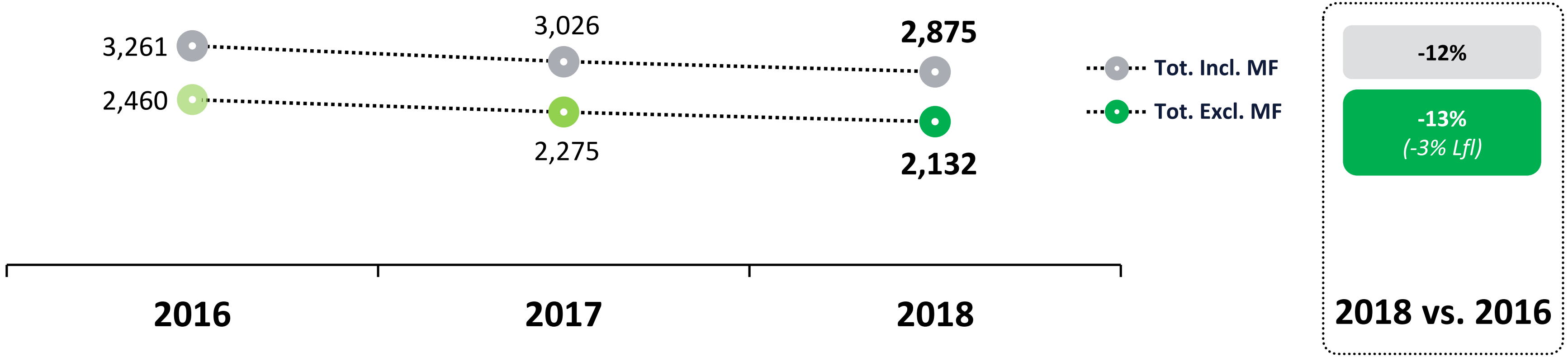
FY18 Cash Flow

€ mn

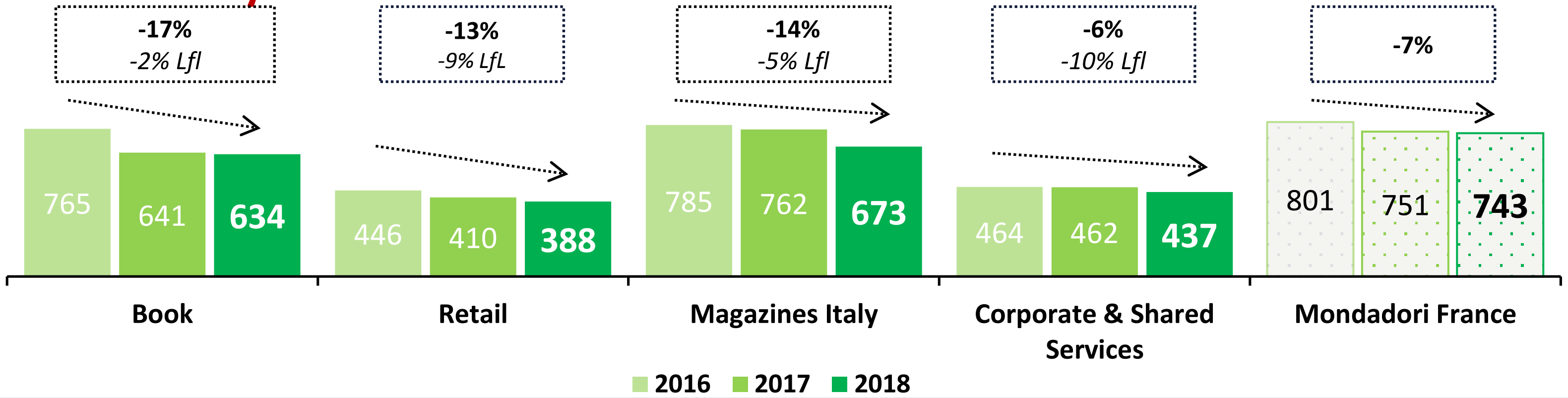


FY18 Headcount evolution

Group Headcount



Headcount by BU



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FY18 Business – Trade Books

MONDADORI LIBRI
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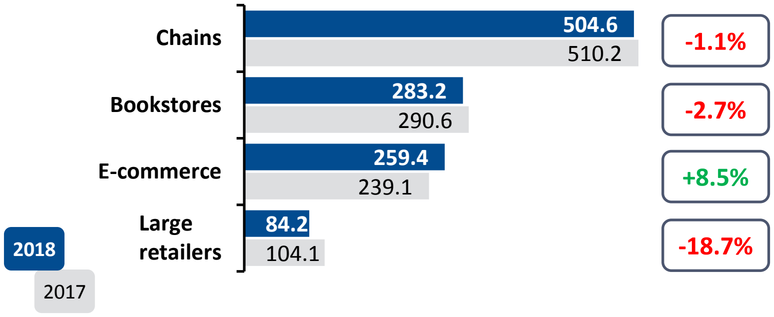
Trade Market – € 1.1 mld

-1.1%

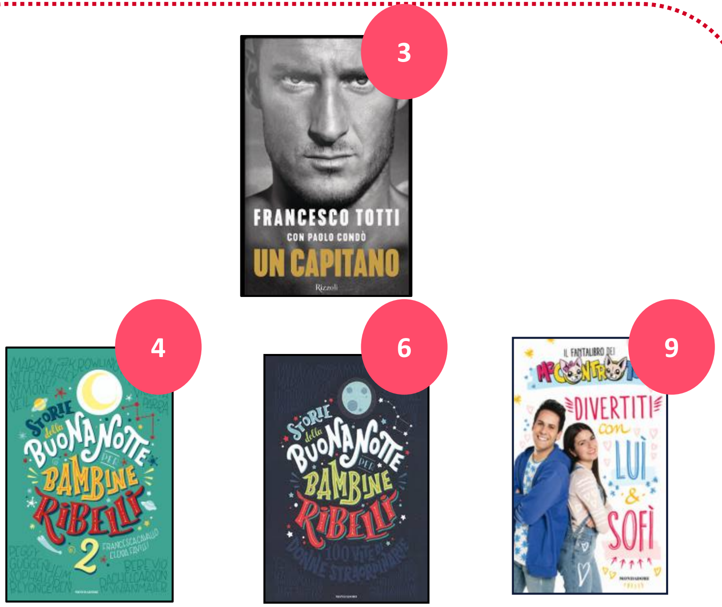


Trade market shares

	2018	2017
GRUPPO MONDADORI	27.4%	30.0%
GEMS	10.0%	10.3%
GIUNTI	8.7%	8.2%
la Feltrinelli	5.1%	4.9%
NEWTON COMPTON EDITORI	1.8%	2.1%
DeAGOSTINI LIBRI	1.7%	1.5%
Altro	45.3%	43.0%

Channel mix and 2017 best-seller

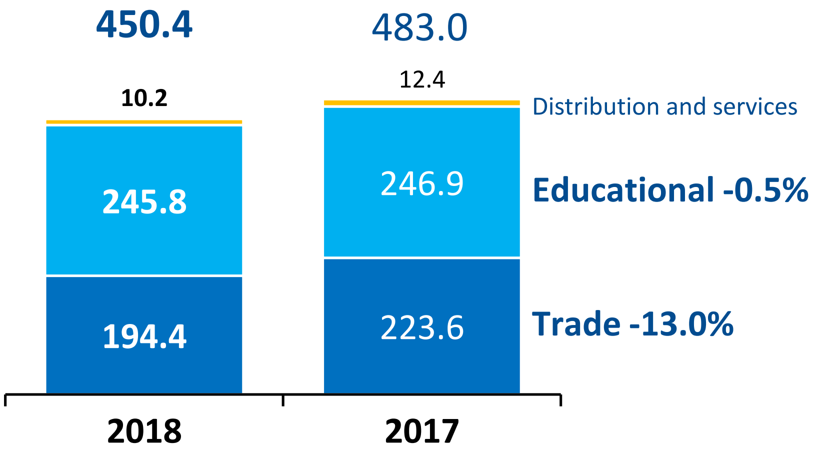
4 titles in first Top 10 sellers



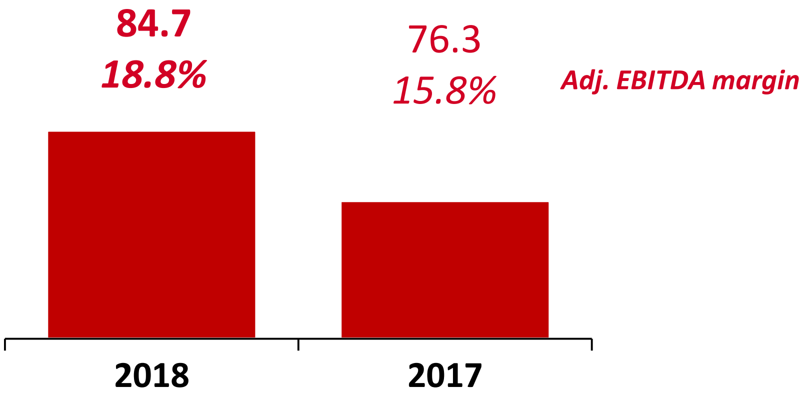
FY18 Business – Books

€ mn

Revenues -6.7%



Adj. EBITDA +8.4 € mn



REVENUES

- **Trade:** -13.0% decrease, as a result of:
  - the channel mix,
  - the comparison with 2017 marked by the strong concentration of bestsellers;
- **Educational:** performance in line with the market.

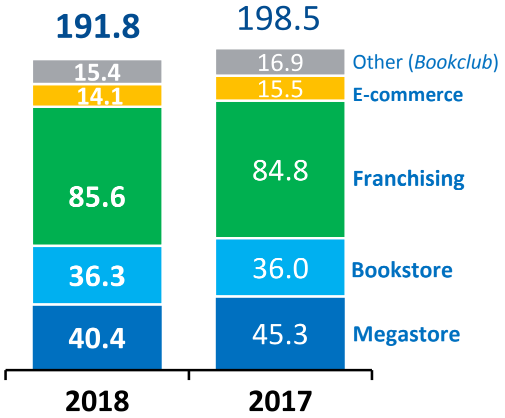
Adj. EBITDA

- **Significant improvement** due to:
  - completion of Rizzoli integration process,
  - ongoing optimization of operating processes across all segments.

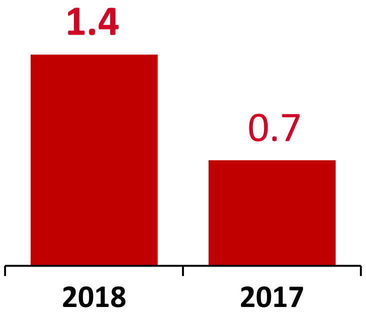
FY18 Business – Retail

€ mn

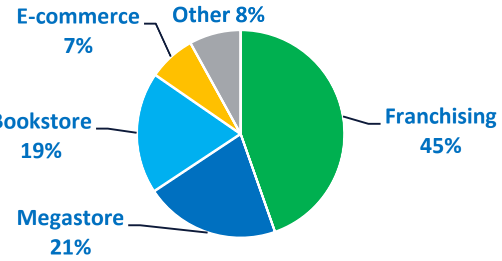
Revenues -3.4%



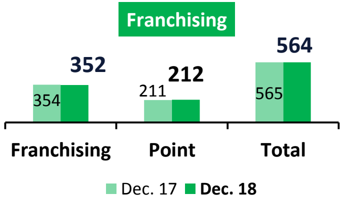
Adj. EBITDA +0.6 € mn

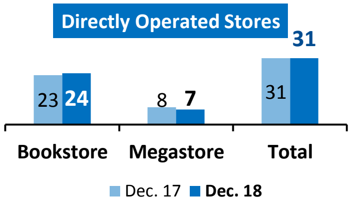


Revenues by channel*



595
-1 PoS





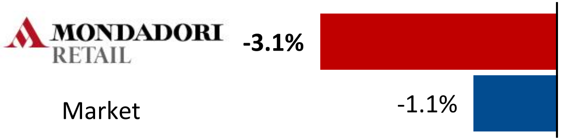
REVENUES

- **Bookstores +0.9%** (-2.9% lfl);
- **Franchising +0.9%** (-0.4% lfl);
- **Megastore** -10.9% due to Consumer Electronics performance and Palermo/S. Pietro all'Orto stores closures (-4.4% lfl);
- **On-line** -9.3%.

Adj. EBITDA

- **Improvement** thanks to the cost cutting measures and the sale of non-profitable stores.

80% revenues in Book market*



14.4% market share

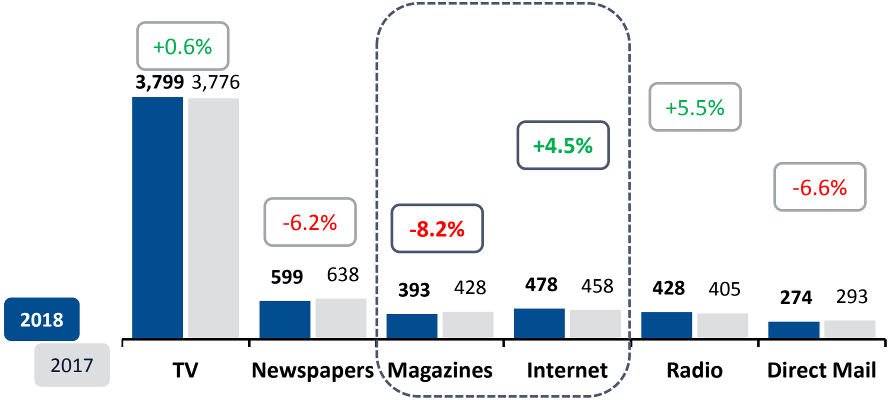
Fonte: GFK Dec. 2018 (sell-out market value data)

*"Total Store" revenues; channels do not include Bookclub

FY18 Business – Magazines Italy

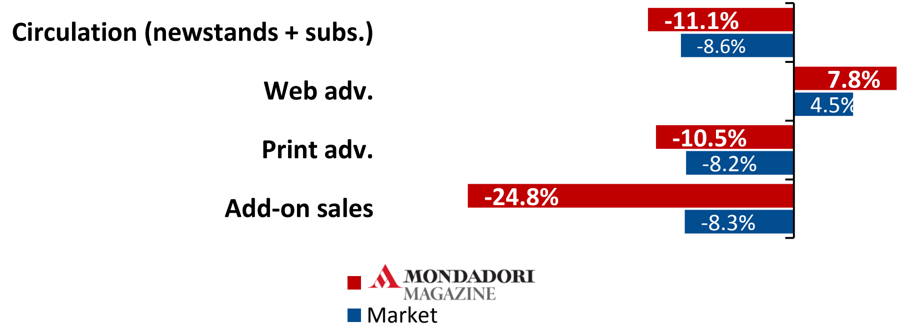
Adv. market – € 6.2 mld

-0.2%



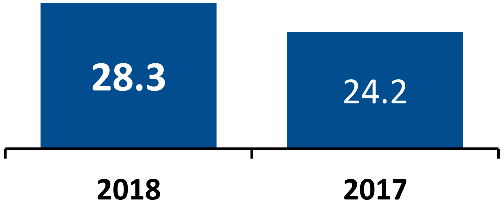
Circulation market shares

	2018	2017
Mondadori Magazine	30.7%	31.8%
Cairo Editore	20.5%	19.6%
RCS	5.7%	5.2%
Casa Editrice Universo	11.1%	11.0%
Hearst magazines	5.4%	5.3%
Condé Nast	3.2%	3.2%
Other	23.4%	23.9%



Web Total Audience (mn/month)

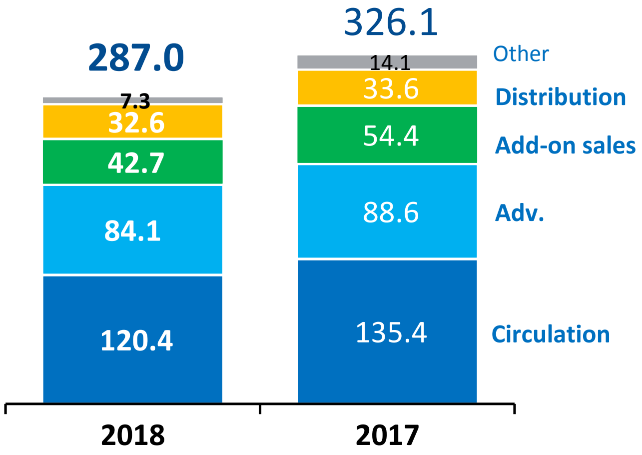
+17% yoy



FY18 Business – Magazines Italy

€ mn

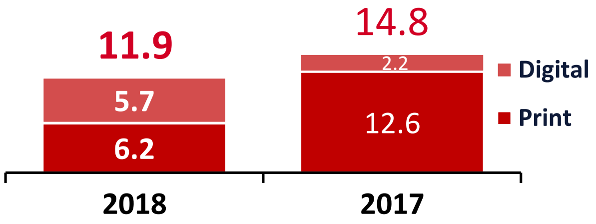
Revenues -12.0%



Adj. EBITDA -2.9 € mn

Adj. EBITDA 4Q +1.0 € mn

7.8 6.7



REVENUES

- **Circulation revenues** -11.1%
- **Adv. revenues** -5.1% (print+web):
  - +7.8% increase in web (**digital at 32%** of total adv. collection),
  - print in line with the market (lfl).
- **Distribution and revenues toward third parties** -3.0%, lower contraction vs. market driven by the continous commitment in the development of third parties portfolio.

Adj. EBITDA

- Decrease due to the fall in print revenue, partly offset by the positive performance of digital operations.

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FY19 Outlook*

CONTINUING OPERATIONS SCOPE

REVENUES	**Slight decrease**
Adj. EBITDA	**Single digit increase**
Adj. result from continuing operations	**In increase,** **expected in the *range* 30-35 € mn**
Ordinary Cash Flow	**≈ 45 € mn,** **creating sustainable conditions for a possible return in the future to the dividend**

* Before IFRS 16 (Leasing) adoption

Outlook FY19

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2014-2017

✓**Economic and financial rebalance** phase completed
✓**Strategic re-positioning** phase completed with the acquisition of **Rizzoli Libri e Banzai (digital).**
✓Benefits from **acquisition sinergies achieved**.

✓**Ebitda adj.** from **50** € mn to **111** € mn (MF included)

✓All **Business** area with **positive adj. EBITDA**

✓**Ordinary Cash flow up to 60** € mn with Rizzoli synergies

✓NFP/EBITDA from **>7x to <1.9x**

2018

✓**Economic and financial improvement** path confirmed
✓Second phase of the **strategic re-positioning** with the Magazines Italy portfolio revision and with **meaningful advancement of the transfer of MF.**

✓**Ebitda adj.** continuing operations growing from **85** € mn to **90** € mn (excl. Ebitda Adj. MF 25 € mn)

✓Yearly **ordinary cash flow** at **52** € mn (excl. MF **15** € mn)

✓NFP/EBITDA at **1.9x**
(incl. MF, 1.2x France proceeds proforma)

2019

✓Create the conditions for a further **focus on the core business**
✓Continuing in the **strategic repositioning** with a further Magazines Italy portfolio revision and the completion of M. France disposal
✓Identifying new development opportunities

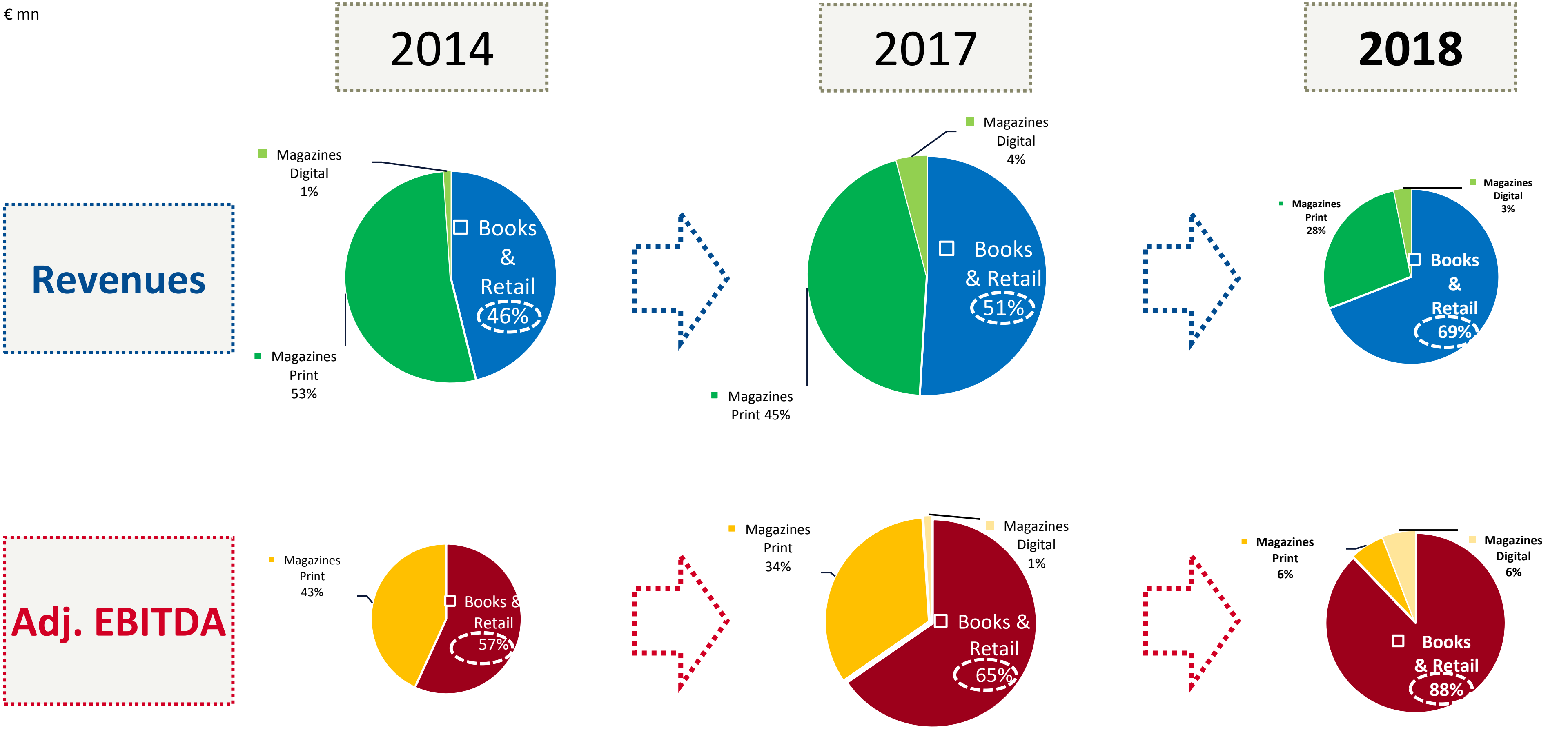
✓**Adj. Ebitda single digit growth**

✓Ordinary **Cash flow** at **≈45** € mn

✓NFP/EBITDA at **0.8x (incl. MF disposal)**

Strategic repositioning

€ mn



* Magazines Digital EBITDA: negative

Summary 2013- 2019

Revenues	500+ mn€	From 1,370 mn€ in 2013 to <900 mn€ in 2019
Adj. Ebitda	40+ mn€	From 51 mn€ in 2013 to >90 mn€ in 2019
NFP	≈300mn€	From -363 mn€ in 2013 to ≈-65 mn€ in 2019

BACKUP

FY18 P&L

€ mn

€ millions	2018	*Percentage on revenue*	2017	*Percentage on revenue*	*Var. %*
Revenue from sales and services	**891,1**	***100,0%***	**970,1**	***100,0%***	***-8,1%***
Cost of sold items	271,4	*30,5%*	302,4	*31,2%*	*-10,2%*
Variable costs	300,9	*33,8%*	330,9	*34,1%*	*-9,1%*
Fixed costs	69,1	*7,8%*	81,3	*8,4%*	*-15,0%*
Cost of personnel*	159,5	*17,9%*	171,0	*17,6%*	*-6,7%*
Adjusted EBITDA	***90,1***	***10,1%***	***84,5***	***8,7%***	***6,6%***
Restructuring costs	11,7		5,1		*n.s.*
Non-ordinary negative/(positive) items	0,9		-7,3		*n.s.*
EBITDA	**77,5**	***8,7%***	**86,7**	***8,9%***	***-10,6%***
Amortization, depreciation and impairment	26,2	*2,9%*	26,3	*2,7%*	*-0,2%*
EBIT	**51,2**	***5,8%***	**60,4**	***6,2%***	***-15,2%***
Net financial expense (income)	2,9	*0,3%*	7,0	*0,7%*	*-58,7%*
Expense (income) from associates	13,2	*1,5%*	4,0	*0,4%*	*n.s.*
Expense (income) from other investments	0,0	*0,0%*	0,0	*0,0%*	
Result before tax for the year	**35,2**	***4,0%***	**49,5**	***5,1%***	***-28,9%***
Income tax	14,9	*1,7%*	22,3	*2,3%*	*-33,4%*
Adjusted result from continuing operations**	**20,3**	***2,3%***	**27,2**	***2,8%***	***-25,2%***
Adjusted result from discontinued operations**	-195,5	*-21,9%*	5,8	*0,6%*	*n.s.*
Result attributable to non-controlling interests	2,0	*0,2%*	2,5	*0,3%*	*-21,6%*
Net result	**-177,1**	***-19,9%***	**30,4**	***3,1%***	***n.s.***

Magazines Italy restructuring costs

Impairment MF: 200.1 € m.n
Net Result MF: 2.6 € mn (2018)
3.3 € mn (2017)

4Q18 P&L

€ mn

€ millions	4th Quarter 2018	Percentage on revenue	4th Quarter 2017	Percentage on revenue	Var. %
Revenue from sales and services	**233,0**	***100,0%***	**263,1**	***100,0%***	***-11,4%***
Cost of sold items	70,1	*30,1%*	88,8	*33,7%*	*-21,0%*
Variable costs	79,5	*34,1%*	85,0	*32,3%*	*-6,4%*
Fixed costs	17,2	*7,4%*	21,7	*8,2%*	*-20,7%*
Cost of personnel*	38,8	*16,7%*	43,9	*16,7%*	*-11,5%*
Adjusted EBITDA	***27,3***	***11,7%***	***23,7***	***9,0%***	***15,1%***
Restructuring costs	5,8		2,9		*97,5%*
Non-ordinary negative/(positive) items	-2,9		-2,7		*8,2%*
EBITDA	**24,5**	***10,5%***	**23,5**	***8,9%***	***4,1%***
Amortization, depreciation and impairment	10,7	*4,6%*	10,9	*4,2%*	*-1,7%*
EBIT	**13,7**	***5,9%***	**12,6**	***4,8%***	***9,2%***
Net financial expense (income)	0,8	*0,3%*	2,1	*0,8%*	*-61,8%*
Expense (income) from associates	3,3	*1,4%*	1,8	*0,7%*	*83,7%*
Expense (income) from other investments	0,0	*0,0%*	0,0	*0,0%*	
Result before tax for the year	**9,6**	***4,1%***	**8,7**	***3,3%***	***11,1%***
Income tax	5,1	*2,2%*	7,0	*2,7%*	*-26,9%*
Adjusted result from continuing operations**	**4,5**	***1,9%***	**1,7**	***0,6%***	***n.s.***
Adjusted result from discontinued operations**	0,2	*0,1%*	-1,9	*-0,7%*	*n.s.*
Result attributable to non-controlling interests	0,4	*0,2%*	0,6	*0,2%*	*-33,3%*
Net result	**4,3**	***1,9%***	**-0,8**	***-0,3%***	***n.s.***

Impairment MF: 2.0 € mn
Net Result MF: 1.9 € mn (2018)
(2.4) € mn (2017)

FY18 Balance Sheet

€ mn

	Dec. 18	Dec. 17
Trade receivables	219,0	254,1
Inventory	122,3	120,8
Trade payables	(333,4)	(368,0)
Other assets (liabilities)	46,1	46,4
NWC	54,1	53,3
Intangible assets	226,7	224,5
Property, plant and equipment	19,1	23,1
Investments	32,3	37,6
NET FIXED ASSETS	278,2	285,2
Provisions and post-employment benefits	(103,3)	(101,7)
Assets/liabilities held for sale	89,1	297,7
NET INVESTED CAPITAL	**317,9**	**534,6**
Share capital	68,0	68,0
Reserves	251,1	217,4
Profit (loss) for the year	(177,1)	30,4
Share capital and reserves attributable to non-controlling in	28,7	29,5
EQUITY	170,7	345,3
NET FINANCIAL POSITION (DEBT)	147,2	189,2
TOTAL EQUITY	**317,9**	**534,6**

FY18 Net Financial Position

€ mn

(€mn)	Dec. 18	Dec. 17
NFP beginning of period	**(189,2)**	**(263,6)**
Adjusted EBITDA	90,1	84,5
Change in NWC + provisions	(3,8)	13,6
CAPEX	(20,0)	(18,7)
Cash flow from operations	66,3	79,4
Financial expense	(2,9)	(7,0)
Management of investments in associates	(3,5)	(1,8)
Tax	(7,9)	(3,2)
Cash flow from ordinary operations assets held for sale	15,3	1,4
Cash flow from ordinary operations	**67,4**	**68,7**
Restructuring costs	(11,3)	(8,8)
Extraordinary tax amounts / prior years	(1,2)	6,8
Acquisition/disposal of assets	(9,5)	3,8
Cash flow from extraordinary operations assets held for sale	(3,4)	3,8
Cash flow from non-ordinary operations	(25,4)	5,6
Total Cash Flow	42,0	74,3
NFP end of period	**(147,2)**	**(189,2)**

FY18/4Q18 Reported EBITDA by Business Area

€ mn

Rep. EBITDA	FY2018	FY2017	*Var.*
Books	82.9	76.2	*6.7*
Retail	(0.0)	0.6	*(0.6)*
Magazines Italy	(0.2)	12.1	*(12.3)*
Corporate & Shared Services	(4.6)	(2.7)	*(1.9)*
Intercompany	(0.5)	0.5	*(1.0)*
Total	**77.5**	**86.7**	***(9.2)***

4Q2018	4Q2017	*Var.*
16.1	14.2	*1.8*
3.7	5.2	*(1.6)*
2.8	4.5	*(1.7)*
1.7	(1.7)	*3.4*
0.2	1.1	*(0.9)*
24.5	**23.5**	***1.0***

Non-ordinary items impact

FY18 Business – Magazines France

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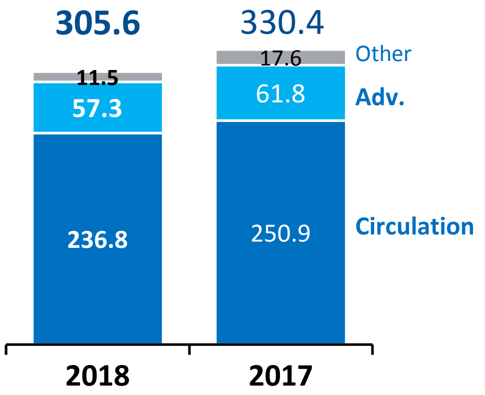
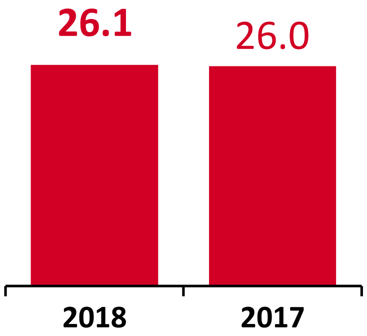
€ mn

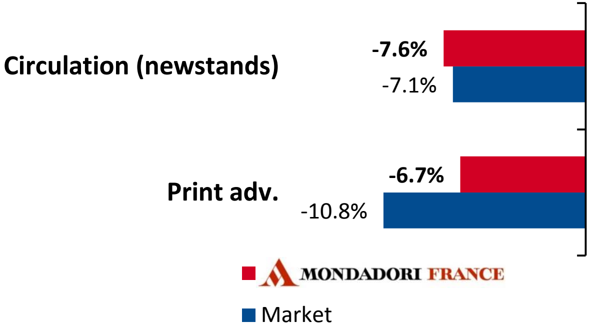
Revenues -7.5%



Adj. EBITDA +0.1€ mn



Mondadori vs market



Source: Circulation – Mondadori France Dec. 2018, Adv. – Net Index Dec. 2018

Print adv market shares

	2018	2017
MONDADORI FRANCE	11.0%	11.1%

	2018	2017		2018	2017
Lagardère	11.5%	11.1%	altice	4.4%	4.9%
PM	9.5%	9.9%	CONDÉ NAST	4.1%	4.5%
LE FIGARO	6.3%	5.8%	Bayard	1.7%	1.7%
M	5.2%	5.5%	Reworld Media	1.5%	1.6%
marie claire	4.5%	4.4%	Other	40.3%	39.5%

REVENUES

- **Circulation revenues** (77% of the total) decreasing -5.6%:
  - newstands -7.6%,
  - subscriptions -3.4%.
- **Adv. revenues** -7.3% (print+web):
  - print (88% of the total adv. revenues) -6.7%;
  - digital -11.2%, worst than the market (-0.5%).

Adj. EBITDA

- **+0.1 € mn.** excluding NaturaBuy (company sold in May 2017)

Source: Adv. – Kantar Media Dec. 2018

IFRS 16

The standard is applicable as of 1 January 2019, but early adoption is allowed only for those companies that have previously adopted IFRS 15.

The new standard provides a **new definition of lease** (**operating leases**) and introduces a **criterion based on the control (right of use)** of an asset to distinguish leases from service contracts, the differences lying in the:

- identification of the asset,
- right to replace the asset,
- right to essentially receive all the financial benefits arising from the use of the asset and
- right to control the use of the asset underlying the contract.

The standard introduces a single lessee accounting model, by which **an asset under an operating lease is recognized in assets with an offsetting financial liability**.

P/L will no longer record lease payments as operating/general costs, rather the **depreciation of the booked asset** and the **financial expense** implicit in the lease payment.

An exception to this accounting model are leases regarding low-value assets and those with a term of 12 months or less.

IFRS 16

The Mondadori Group will apply IFRS 16 (Leases) as from 1 January 2019. The new standard introduces a different system for recognizing leases for the lessee in the financial statements.

The main impacts on the Group's consolidated financial statements are estimated as follows:

- **Balance sheet at 1 January 2019**: recording of fixed assets and financial liabilities for approximately € 112 million;

- **Consolidated income statement in 2019:** as a result of the agreements in place at 1 January 2019, the consolidated income statement for 2019 is forecast to see an improvement in EBITDA of approximately € 16.4 million, an increase in amortization and depreciation of approximately € 15.1 million and an increase in financial expense of approximately € 2.5 million.

The combination of the straight-line depreciation of "user rights on the asset" and the actual interest rate method applied to financial payables under IFRS 16 results in higher expense charged to the income statement in the opening years of the lease contract and lower expense in the final years.

Glossary

- **EBITDA** is equal to earnings before interest, tax, depreciation and amortization. The Group also provides information on the percentage of EBITDA on net sales.
  EBITDA computed by the Group allows operating results to be compared with those of other companies, net of any effects from financial and tax items, and of depreciation and amortization, which may vary from company to company for reasons unrelated to general operating performance.

- **Adjusted EBITDA** is gross operating profit as explained above, net of income and expenses of a non-ordinary nature such as
  (i) income and expenses from restructuring, reorganization and business combinations;
  (ii) clearly identified income and expenses not directly related to the ordinary course of business;
  (iii) as well as any income and expenses from nonrecurring events and transactions as set out in Consob communication DEM6064293 of 28/07/2006.

- **EBIT** net result for the period before income tax, and other income and expenses.

- **Net Invested Capital** is equal to the algebraic sum of Fixed Capital, which includes non-current assets and non-current liabilities (net of non-current financial liabilities included in the Net Financial Position) and Net Working Capital, which includes current assets (net of cash and cash equivalents and current financial assets included in the Net Financial Position), and current liabilities (net of current financial liabilities included in the Net Financial Position).

- **Operating Cash Flow** adjusted EBITDA, as explained above, plus or minus the decrease/(increase) in working capital in the period, minus capital expenditure (CAPEX/Investment).

- **Ordinary Cash Flow** is cash flow from operations as explained above, net of financial expenses, taxes paid in the period, and income/expenses from investments in associates.

- **LTM Ordinary Cash Flow** cash flow from ordinary operations in the last twelve months.

- **Extraord. Cash Flow** cash flow generated/used in transactions that are not considered ordinary, such as company restructuring and reorganization, share capital transactions and acquisitions/disposals.

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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.