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**GRUPPO24ORE**

## **1H 2015 Results**

**July 29, 2015**

GRUPPO24ORE

# Disclaimer

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## STATEMENT

The Manager mandated to draft corporate accounting documents of Il Sole 24 ORE S.p.A. Valentina Montanari, attests – as per art.154-bis comma 2 of the Testo Unico della Finanza (dlgs.58/1998) – that all the accounting information contained in this presentation correspond to the documented results, books and accounting of the Company.

# Agenda

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## Highlights

Key Financial Data

Financial data by segments

Outlook

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# Highlights

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- **Group consolidated revenue reaches €169.0m, (+€5.2m,+3.2% vs. 1H14)**, continuing the positive trend started in 2014, thanks to the strategy implemented to create a multimedia system with a chain of specialist digital dailies, which increases revenue from highly profitable digital information content, along with the good performance of advertising sales and training
  - **Digital revenue from information content** confirms the double-digit growth of 1Q15 and 2014, increasing by €4.3m, or 14% vs. 1H14. 1H15 also improves the performance of digital revenue over print media revenue reported in 1Q15, with the digital component accounting for over 51% of total revenue from information content versus 42% in 1H14. Over the last 18 months, digital revenue from information content has grown by 18%
  - **Overall Group digital revenue** amounts to €53.9m, contributing 31.9% of total revenue (29.6% in 1H14), up by 11.2% vs. 1H14
  - **Circulation revenue from the daily newspaper** confirms the positive trend, growing by 1.5% vs. 1H14, bucking the market's downward trend of 4.4%
  - **System advertising sales amount to €65.3m**, up by 8.7% versus 1H14 and versus the market's drop of 2.7%
  - Rise in revenues from **Training & Events Area (+€1.4m, +9.2%) and Culture (+6.8% yoy)**
- **Ebitda** comes to a positive €0.3m, improving by €1.6m versus a negative €1.2m in 1H14. A result achieved thanks to the increase in revenue, to the constant focus on cost containment, to the effects of the reorganization of a number of business areas, and to the reduction in operating costs of corporate functions
- **Net financial position** comes to -€20.0m (+2.2 million euro at 31 December 2014), improving by €1.2m versus 1Q15

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# Consolidated Key Financial Data

Financial data are presented on a like-for-like basis net of Business Media and Software Solutions disposals

| (€m - rounded figures)  | 2Q 2014      | 2Q 2015      | Δ%           | 1H 2014       | 1H 2015      | Δ%           |
|---|--------------|--------------|--------------|---------------|--------------|--------------|
| <b>Revenues</b>   | <b>79.4</b>  | <b>84.2</b>  | <b>6.0%</b>  | <b>163.8</b>  | <b>169.0</b> | <b>3.2%</b>  |
| Other operating income  | 3.4          | 3.6          | 5.2%         | 6.8           | 7.0          | 2.8%         |
| Personnel expense   | (26.4)       | (27.2)       | -3.1%        | (54.3)        | (54.9)       | -1.2%        |
| Direct & operating costs  | (57.4)       | (61.1)       | -6.4%        | (114.6)       | (119.3)      | -4.1%        |
| Provisions  | (1.7)        | (1.0)        | 42.7%        | (2.9)         | (1.4)        | 51.3%        |
| <b>EBITDA</b>   | <b>(2.7)</b> | <b>(1.5)</b> | <b>43.8%</b> | <b>(1.2)</b>  | <b>0.3</b>   | <b>n.m.</b>  |
| <i>EBITDA Margin %</i>  | -3.3%        | -1.8%        |              | -0.8%         | 0.2%         |              |
| <b>EBIT</b>   | <b>(6.5)</b> | <b>(4.7)</b> | <b>28.2%</b> | <b>(8.7)</b>  | <b>(6.7)</b> | <b>23.5%</b> |
| <i>EBIT Margin %</i>  | -8.2%        | -5.5%        |              | -5.3%         | -3.9%        |              |
| <b>Profit/(Loss) before tax</b>   | <b>(7.0)</b> | <b>(5.0)</b> | <b>27.9%</b> | <b>(9.9)</b>  | <b>(7.3)</b> | <b>26.4%</b> |
| <i>PBT Margin %</i>   | -8.8%        | -6.0%        |              | -6.1%         | -4.3%        |              |
| <b>Net Profit/(Loss) from continuing operations</b>   | <b>(7.5)</b> | <b>(5.1)</b> | <b>31.5%</b> | <b>(11.2)</b> | <b>(8.1)</b> | <b>27.8%</b> |
| Minorities  | 0.1          | 0.1          | n.m.         | 0.0           | 0.3          | n.m.         |
| Net profit/(Loss) from discontinued operations  | 22.1         | 0.0          | n.m.         | 21.3          | 0.0          | n.m.         |
| Net profit/(Loss) from other discontinued operations  | 0.0          | 0.0          | n.m.         | (1.2)         | 0.0          | n.m.         |
| <b>Net Profit/(Loss) after minorities</b>   | <b>14.7</b>  | <b>(5.0)</b> | <b>n.m.</b>  | <b>8.9</b>    | <b>(7.9)</b> | <b>n.m.</b>  |
| <i>Margin %</i>   | 18.5%        | -6.0%        |              | 5.4%          | -4.6%        |              |
| <b>Average n. of employees</b>  |              |              |              | <b>1,218</b>  | <b>1,230</b> | <b>12</b>    |
| <b>Average n. of employees net of the changes in the scope of consolidation scope in 2015</b> |              |              |              | <b>1,218</b>  | <b>1,205</b> | <b>(13)</b>  |

## 1H 2015 HIGHLIGHTS

Group consolidated revenue improved by €5.2m (+3.2% yoy): increase in **newspaper circulation revenues** (+1.5% yoy), **advertising revenues** (+8.4%), **Training & Event** (+9.2% yoy) and **Culture** (+6.8%)

Overall costs up to 2.2% vs. 1H14

- Decrease in costs for: **raw materials and consumables (-€1.1m)**, **distribution costs** down by €1.0m, mainly due to lower print products distribution; **centralized services of corporate function** (-€2.2m yoy)
- Increase in revenues related costs
- Personnel expense up by €0.6m mainly due to the change in the scope of consolidation (MostraMi and Food Giuele 24)

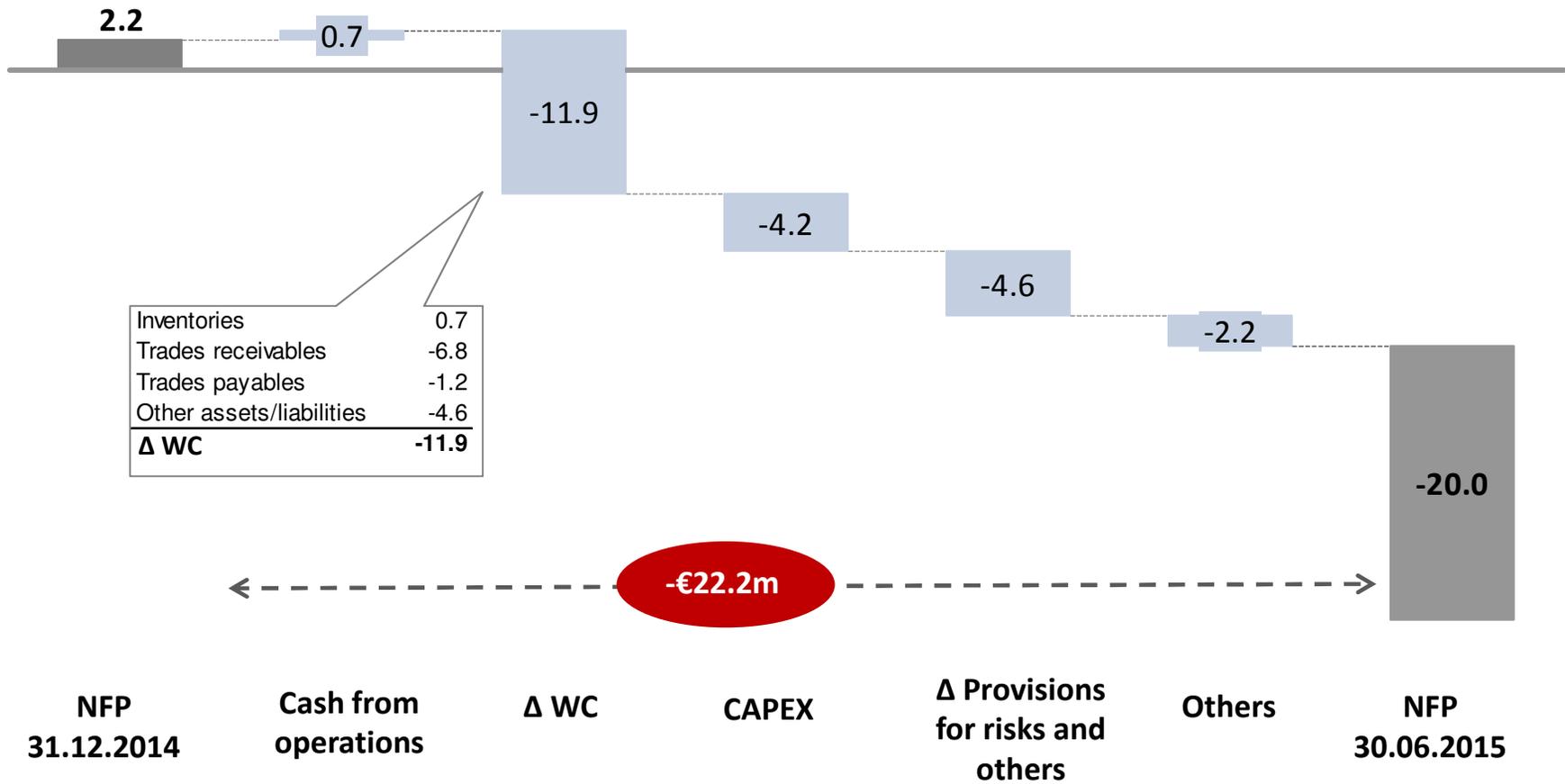
**Increase in EBITDA:** +€1.6m yoy as results of increase in revenues, constant focus on cost containment, structure optimization and corporate functions cost constrain

EBIT, improved by €2.0m yoy, benefits from €1m capital gain related to the sale of Verona production equipment

Net profit after minorities came to -€7.9m vs. +€8.8m in 1H14

# Net Financial Position walk

€m – rounded figures



# Revenues & EBITDA Breakdown

Financial data are presented on a like-for-like basis net of Business Media and Software Solutions disposals

| (€m - rounded figures)                              | 2Q 2014 | 2Q 2015 | Δ%          | 1H 2014 | 1H 2015 | Δ%          |
|---|---------|---------|-------------|---------|---------|-------------|
| <b>Publishing</b>                                   | 55.2    | 57.7    | 4.4%        | 115.4   | 115.9   | 0.4%        |
|   | (1.0)   | 0.3     | <i>n.m.</i> | 2.0     | 1.9     | -8.2%       |
|   | -1.7%   | 0.4%    |             | 1.8%    | 1.6%    |             |
| <b>Advertising<br/>(System)</b>                     | 27.9    | 32.0    | 14.7%       | 60.1    | 65.3    | 8.7%        |
|   | 0.1     | 1.4     | <i>n.m.</i> | 0.9     | 2.8     | <i>n.m.</i> |
|   | 0.4%    | 4.2%    |             | 1.4%    | 4.3%    |             |
| <b>Training &amp; Events</b>                        | 7.7     | 8.1     | 5.4%        | 15.4    | 16.9    | 9.2%        |
|   | 0.7     | 1.4     | <i>n.m.</i> | 2.0     | 2.6     | 31.8%       |
|   | 8.5%    | 17.6%   |             | 12.7%   | 15.3%   |             |
| <b>Culture</b>                                      | 6.0     | 6.6     | 11.0%       | 11.3    | 12.1    | 6.8%        |
|   | 0.3     | (1.5)   | <i>n.m.</i> | 0.8     | (1.7)   | <i>n.m.</i> |
|   | 5.1%    | -22.9%  |             | 6.9%    | -14.3%  |             |
| <b>Corporate,<br/>intercompany &amp;<br/>Others</b> | (17.4)  | (20.3)  | -16.3%      | (38.4)  | (41.2)  | -7.1%       |
|   | (2.8)   | (3.0)   | -8.7%       | (6.9)   | (5.2)   | 24.2%       |
|   |         |         |             |         |         |             |
| <b>Il Sole 24 ORE Group</b>                         | 79.4    | 84.2    | 6.0%        | 163.8   | 169.0   | 3.2%        |
|   | (2.7)   | (1.5)   | 43.8%       | (1.2)   | 0.3     | <i>n.m.</i> |
|   | -3.3%   | -1.8%   |             | -0.8%   | 0.2%    |             |

# Agenda

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Highlights

Key Financial Data

**Financial data by segments**

- Publishing
- System (Advertising)
- Training & Events
- Culture

Outlook

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# Publishing

The division heads up:

- the daily newspaper **Il Sole 24 ORE** (paper and digital version) and its bundled add-ons and magazines, the new digital products
- **www.ilsole24ore.com** website and the paid online content
- **Professional publishing** include integrated product systems of technical and regulatory content targeting professionals, companies and the Public Administration
- The national “news & talk” radio station **Radio 24**
- **Radiocor** news agency

| (€m - rounded figures)     | 2Q 2014      | 2Q 2015     | Δ%          | 1H 2014      | 1H 2015      | Δ%           |
|----------------------------|--------------|-------------|-------------|--------------|--------------|--------------|
| Circulation/other revenues | 37.8         | 37.4        | -1.2%       | 76.8         | 74.6         | -2.9%        |
| Revenues from advertising  | 17.4         | 20.3        | 16.4%       | 38.6         | 41.3         | 7.0%         |
| <b>Total Revenues</b>      | <b>55.2</b>  | <b>57.7</b> | <b>4.4%</b> | <b>115.4</b> | <b>115.9</b> | <b>0.4%</b>  |
| <b>EBITDA</b>              | <b>(1.0)</b> | <b>0.3</b>  | <b>n.m.</b> | <b>2.0</b>   | <b>1.9</b>   | <b>-8.2%</b> |
| <i>EBITDA Margin %</i>     | <i>-1.7%</i> | <i>0.4%</i> |             | <i>1.8%</i>  | <i>1.6%</i>  |              |

## Highlights

- ✓ Overall revenues area increased by 0.4% yoy as result of opposite trends:
  - **Increase in revenues from advertising vs. 1H14 (+7.0% yoy)** as result of increase in radio and magazines advertising revenues and steady newspaper advertising revenues
  - **Digital revenue from information content up by €4.3m**, or 14.0% versus 1H14, has outperformed revenue from print content, now accounting for more than 51% of total revenue from information content (42% vs. 1H14)
  - **Increase in newspaper (print+digital) circulation revenues: +1.5% yoy**
  - **Overall circulation revenues decline by €2.2m vs. 1H14** due to decrease in paper products revenues add-ons, magazines, professional publishing and books related to a market shrinking and a strategic decision to reduce the paper products portfolio
- ✓ **Ebitda** came to a positive €1.9m, confirming the trend of the prior year associated with the digital innovation strategies and product portfolio rationalization and development, and with cost containment and process efficiency

# Publishing: Newspaper and website

## IL SOLE 24 ORE NEWSPAPER

- Newspaper circulation revenues (paper + digital) grows (+1.5% yoy) bucking market trend (-4.4%)
- With a digital circulation of over **215k copies in May 2015 (+17.5% yoy)**, **Il Sole 24 ORE ranks first among the national newspapers** and it firmly ranks second in national digital and paper circulation ranking with approx. 378k copies (**+2.6% yoy**). In addition to print+digital copies, the Sole system is completed by 32.000 digital subscribers
- Enhancement of vertical newspapers launched in 1H15: **Financial Services, Consulente Finanziario24, Assicurazioni24, Quotidiano della Sanità, Italy24**
- Positive trend for advertising collection revenues on the international magazine **How to Spend It**, focused on luxury and lifestyle markets

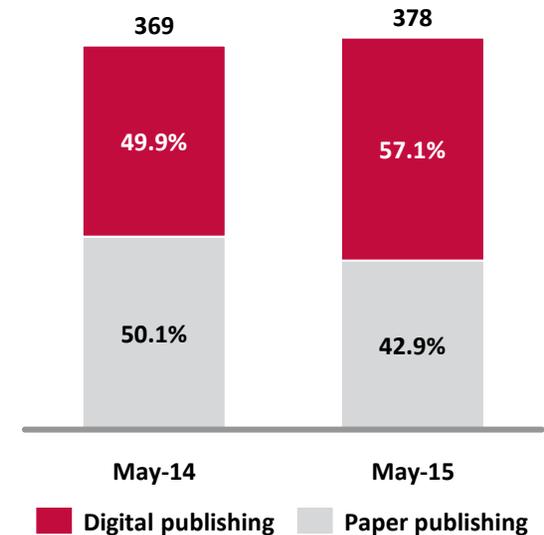
## WWW.ILSOLE24ORE.COM WEBSITE

- First fee-based website in Italy, reports in 1H15 an average of almost 727 thousand unique browsers, up by 7.2%, and an increase in page views by 13.4% versus the average in 1H14
- Web site mobile version: increase in unique browsers (+88.9% yoy) and in page views (+42.8% yoy)\*\*)

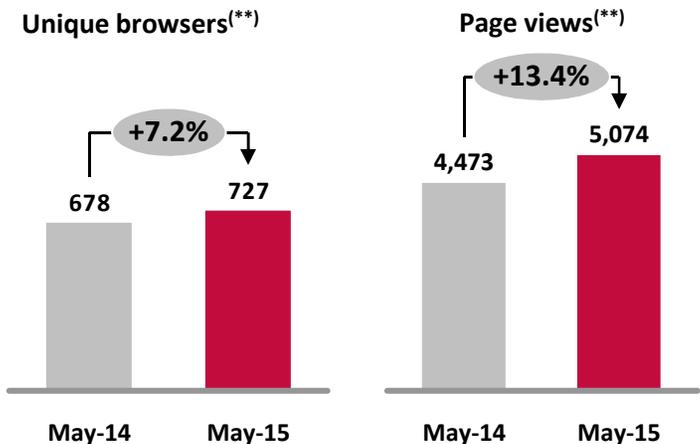
(\*) Source: ADS May 2015 (\*\*\*) Source: Nielsen Site Census/Omniture Site Catalyst

## 1H 15 Data

Il Sole 24 ORE: digital and paper circulation\*\*)



www.ilsole24ore.com: main metrics



# Publishing: Professional Publishing, Radio & Agency and P.A.

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## PROFESSIONAL PUBLISHING

- Ongoing development of professional digital publishing products: focus on technological platforms innovation, integration and development process which allowed to enrich Group's contents
- Positive trend for *PlusPlus24Fisco* and *PlusPlus24 Lavoro*, databases focused on tax and labour markets targeted to high-end market
- Development of new database *BancaDati24*, targeted to big clients and enriched with tailored contents
- Decrease in paper products revenues (magazines and book, -23.0% yoy) due to market shrinking and paper products portfolio rationalization. Positive trend in professional paper products sold with newspaper (+5% yoy) focused on law updates and technical issues

## RADIO

- Radio 24 steadily ranks 9th among national radios market with approx. 2 millions listeners on average day with ratings up by 4.4% from Monday to Friday in 2Q15 versus 2Q14, reaching 2,175,000 listeners
- Radio 24 grows by 8.9% on Saturdays, driven by the new programmes launched starting from last February. During the whole week in 2Q15, listeners increase by +2.6% (*GFK Eurisko; RadioMonitor*). Share, average quarter-hour audience and listening time performance are all confirmed
- Increase in podcast listening (+32% yoy) with more than 9 million downloaded files

## AGENCY & P.A.

- Revenues down by €0.5m vs. 1H14: focus on integration and content sharing between the agency and Il Sole 24 ORE multimedia system and on costs containment in order to improve results

# System (Advertising)

| (€m - rounded figures)              | 2Q 2014     | 2Q 2015     | Δ%           | 1H 2014     | 1H 2015     | Δ%          |
|-------------------------------------|-------------|-------------|--------------|-------------|-------------|-------------|
| Revenues from Group's products      | 21.6        | 25.3        | 17.1%        | 47.8        | 51.8        | 8.4%        |
| Revenues from 3rd parties' products | 6.3         | 6.8         | 6.5%         | 12.3        | 13.5        | 10.2%       |
| <b>Total Revenues</b>               | <b>27.9</b> | <b>32.0</b> | <b>14.7%</b> | <b>60.1</b> | <b>65.3</b> | <b>8.7%</b> |
| <b>EBITDA</b>                       | <b>0.1</b>  | <b>1.4</b>  | <b>n.m.</b>  | <b>0.9</b>  | <b>2.8</b>  | <b>n.m.</b> |
| <i>EBITDA Margin %</i>              | <i>0.4%</i> | <i>4.2%</i> |              | <i>1.4%</i> | <i>4.3%</i> |             |

## Advertising yoy by Area vs Market\*

|                    | G. 24 ORE |    | Market     |
|--------------------|-----------|----|------------|
| • Radio            | + 21.3%   | ✓. | +5.5%      |
| • Online           | + 8.1%    | ✓. | VS. - 2.2% |
| • Paper Publishing | + 6.5%    | ✓. | - 5.0%     |

(\*) Source Nielsen Media Research Jan – May 2015 for market data

## Highlights

- **System has strongly outperformed its reference market (+8.7% yoy vs. reference market at -2.7%)** as result of its new business policy, based on an increase in sales prices, portfolio products enlargement, multimedia projects development and on the engagement of a broader diversified client portfolio
- **Radio24 outperforms its reference market** (+21.3% yoy vs. +5.5% yoy) thanks to high quality contents and sale policy, special projects development across the country with customers' sponsored activities
- **Positive trend in revenues on paper products** (+6.5% yoy vs. market at -5.0%) also boosted by advertising collection on HTSI
- Strong increase in advertising collection on internet +8.1% yoy vs. market at -2.2%
- The new organization model put in place starting from the second half of 2014, has positively affected System's performance and its profitability : +€1.9m vs. 1H14

# Training & Events

| (€m - rounded figures) | 2Q 2014 | 2Q 2015 | Δ%          | 1H 2014 | 1H 2015 | Δ%    |
|------------------------|---------|---------|-------------|---------|---------|-------|
| <b>Total Revenues</b>  | 7.7     | 8.1     | 5.4%        | 15.4    | 16.9    | 9.2%  |
| <b>EBITDA</b>          | 0.7     | 1.4     | <i>n.m.</i> | 2.0     | 2.6     | 31.8% |
| <i>EBITDA Margin %</i> | 8.5%    | 17.6%   |             | 12.7%   | 15.3%   |       |

## Highlights

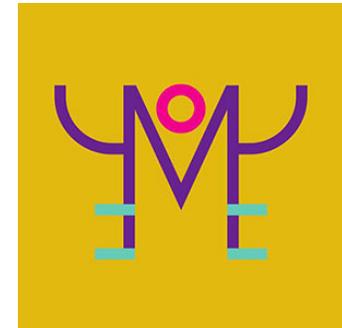
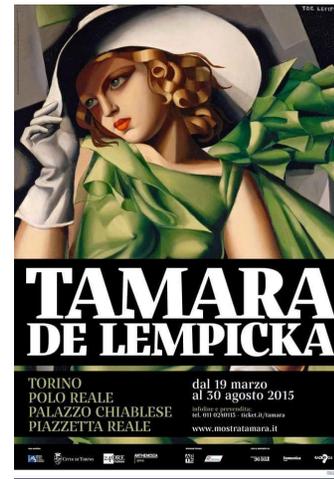
- **Increase in revenues** (+€1.4m, +9.2% vs. 1H14:) thanks to the good performance of the Business School in 1H15, driven by the increase in initiatives completed and in classroom and online attendance, particularly in the Specialization and Executive Masters
- The Annual and Events products grow, thanks to the increase in events accomplished
- Rise in revenues and average profitability in events organised in 1H15 vs. 1H14 led to an increase in overall area Ebitda

# Culture

| (€m - rounded figures) | 2Q 2014 | 2Q 2015 | Δ%    | 1H 2014 | 1H 2015 | Δ%   |
|------------------------|---------|---------|-------|---------|---------|------|
| <b>Total Revenues</b>  | 6.0     | 6.6     | 11.0% | 11.3    | 12.1    | 6.8% |
| <b>EBITDA</b>          | 0.3     | (1.5)   | n.m.  | 0.8     | (1.7)   | n.m. |
| <b>EBITDA Margin %</b> | 5.1%    | -22.9%  |       | 6.9%    | -14.3%  |      |

## Highlights

- Revenues at €12.1m yoy, +6.8% vs. 1H14
- Decrease in Ebitda (-€2.5m) as results of a lower profitability of exhibitions launched in 1H15 and decrease in number of sponsorships and events
- On 26 March 2015, the **Museum of Cultures - MUDEC** opened on the former Ansaldo site, with the start of exhibitions. The Museum is managed on a public-private partnership basis between the Municipality of Milan and 24 ORE Cultura. The structure will hold a variety of entertainment opportunities, ranging from the bistrot to the restaurant, from the design store to the bookshop, from the auditorium to the *Mudec Academy*, including spaces for the education of younger visitors
- Exhibitions launched in 1H15: *Henry Rousseau*, *Tamara De Lempika*, *Africa e Mondi a Milano*, *Nuova Oggettività: Arte in Germania al tempo della Repubblica di Weimar*



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# FY 2015 OUTLOOK

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## STRATEGIC KEY PILLARS

Digital innovation of targeted products and services focus on high-end spending target

Content integration (Sistema Sole) leveraged by Newspaper leadership & Brand strength

Culture and Training & Events national and international development

Development of advertising communication integrated projects

Ongoing organizational, production and process efficiency

Continuing migration of all Group's business to the digital side

Reduction in operating costs of corporate functions

Focus on cash generation from operations

## FINANCIAL GOALS

### Revenues vs. 2014



Single digit

### Ebitda vs. 2014



Double digit

### NFP vs. 2014

Negative affected by Capex and restructuring cash out

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Strategic path

Financial data by segments

**Appendix**

# Consolidated Balance Sheet

| (€m - rounded figures)                           | As at 31 Dec 2014 | As at 30 Jun 2015 |
|--|-------------------|-------------------|
| Non-current assets                               | 208.7             | 206.6             |
| Current assets                                   | 168.6             | 184.7             |
| <b>Total assets</b>                              | <b>377.3</b>      | <b>391.3</b>      |
| Equity attributable to shareholders of parent    | 109.8             | 102.4             |
| Equity attributable to non controlling interests | 0.8               | 0.3               |
| <b>Total equity</b>                              | <b>110.6</b>      | <b>102.8</b>      |
| Non-current liabilities                          | 60.5              | 55.8              |
| Current liabilities                              | 206.3             | 232.8             |
| <b>Total liabilities</b>                         | <b>266.8</b>      | <b>288.6</b>      |
| <b>Total equity &amp; liabilities</b>            | <b>377.3</b>      | <b>391.3</b>      |

# Consolidated Cash Flow

| (€m - rounded figures)   | 1H 2014       | 1H 2015       |
|--|---------------|---------------|
| Pre tax Profit/(Loss) attributable to owners of the parent         | 10.1          | (7.0)         |
| Adjustments  | (9.4)         | 3.1           |
| Changes in net working capital                                     | (17.2)        | (11.9)        |
| <b>Total net cash generated (absorbed) by operating activities</b> | <b>(16.4)</b> | <b>(15.9)</b> |
| Total net cash absorbed by investing activities                    | 87.8          | (4.2)         |
| <b>Free cash flow</b>  | <b>71.4</b>   | <b>(20.0)</b> |
| Net cash generated (absorbed) by financing activities              | (4.6)         | 1.2           |
| <b>Net increase (decrease) in cash &amp; cash equivalents</b>      | <b>66.8</b>   | <b>(18.9)</b> |

# Consolidated Net Financial Position

| (€m - rounded figures)                         | As at 31 Dec 2014 | As at 30 Jun 2015 |
|--|-------------------|-------------------|
| Cash & cash equivalents                        | 34.5              | 41.0              |
| Bank overdrafts and loans due within 1 year    | (17.2)            | (46.0)            |
| <b>Short-term net financial position</b>       | <b>17.3</b>       | <b>(5.0)</b>      |
| Non-current financial liabilities              | (15.0)            | (15.0)            |
| Fair value of hedging instruments              | (0.0)             | 0.0               |
| <b>Medium/long-term net financial position</b> | <b>(15.1)</b>     | <b>(15.0)</b>     |
| <b>Total net financial position</b>            | <b>2.2</b>        | <b>(20.0)</b>     |