



Moleskine

Contributing to the development and sharing of human knowledge and culture



WHAT WE DO

Moleskine is an aspirational, global brand, synonymous with the lifestyle-of-the-creative-class, with core values rooted in culture, travel, memory, creativity and personal identity. A symbol of contemporary nomadism, Moleskine connects with contemporary creativity and is present across a network of websites, blogs, online groups and virtual archives, not least within the brand's own online community, myMoleskine, which has circa 140,000 members.

With headquarters in Milan and offices in Cologne, New York, Hong Kong, Shanghai and Tokyo, the company sells its products through a multichannel distribution platform (Wholesale, Retail, E-commerce and B2B) in more than 115 countries and more than 29,000 outlets. The portfolio goes beyond the iconic paper-based product categories (notebooks, diaries and journals) to encompass bags, writing instruments, reading accessories, digital apps and hybrid products such as the Smart Writing System, which can migrate content from paper to digital devices and vice versa.

The company also runs freestanding Moleskine Cafés in Milan and Beijing and in two additional locations inside Geneva airport and at the Thalia bookstore in Hamburg. This innovative format provides a contemporary take on the "Café Littéraire" concept, adding Moleskine brand values and products to a unique café experience.



MESSAGE FROM

LORENZO VIGLIONE

CEO OF MOLESKINE

Given the scale of our ambition for the brand, we are making good progress on the execution of our strategy and our teams are energized by the opportunities that lie ahead.

The last year has been another one of growth, development and evolution for Moleskine.

The financial results were solid – with revenue increasing by 15% at constant exchange rates to more than EUR 174 million. This growth was fuelled by product innovation and strengthened distribution across all our main geographies.

Moleskine is a global brand characterized by a distinctive cultural positioning. To nurture this positioning, we have continued to innovate across existing core product ranges while still extending the brand beyond paper into adjacent categories. An important focus point was the bags category, where innovation was best exemplified by the launch of our iconic new backpack range. Leveraging the success of the Moleskine Classic Backpack, especially across direct-to-consumer channels, we decided to extend its single design into an entire collection with a wider selection of colours and materials.

Coherent with travel being one of our core values, we also launched a line of luggage to be distributed in the course of 2019.

We also pursued a multi-channel approach to distribution in 2018.

We held productive conversations with our wholesale partners and our major retailers on the evolution of our brand presence at their points of sale, while setting up a direct presence in Japan through our own subsidiary to better cover and develop that market.

B2B played a key role in delivering results thanks to the continued development of large projects mainly in EMEA and APAC. There was strong growth also in the Americas, where the market potential is beginning to open up.

After a few years of network expansion, store openings were a less important growth driver in 2018. We chose to focus on optimizing like-for-like sales growth by upgrading store interiors (in Milan we launched a new store format) and the in-store service proposition. Special focus was devoted to travel retail locations as the best-performing format where Moleskine's typical target audience is most likely to be found.

Our brand strategy remains focused on driving brand awareness: there is a clear opportunity to attract new consumers and to ensure our existing customers are aware both of the breadth of our heritage product range and our new products.

To deliver a consistent brand proposition remains key. We will continue to pursue consistency by applying best practices in each market and leveraging our global capabilities across all channels in merchandising and

range selection. Removing points of friction and making it easy for our customers to interact with the Moleskine brand across all channels will remain a priority in 2019.

Looking at less penetrated markets, the brand's strategy for China remains in line with our long-term plan. China is a promising market. Consumer tastes are evolving from luxury brands to those influenced by pop culture and we believe that Moleskine is well positioned for success. Furthermore, today's consumers are more connected to brands than ever before and use digital devices as their primary source of research. Future customer engagement and conversion therefore remains highly dependent on digital capabilities and innovation, hence our commitment to also upgrading the brand presence in this space.

Throughout the year, we continued to build the team to develop and deliver our strategy. This has included promoting internal talents and bringing in fresh expertise from outside.

We have continued to enrich the way we communicate with our customers, with several exciting initiatives like the Moleskine Café. We have refreshed our digital platforms, with more curated and editorialized content (The Fold), generating increased customer engagement.

Moleskine's purpose is clear: to contribute to the development and sharing of human knowledge and culture. Looking ahead to 2019, we will focus on embedding our vision into the organisation because I truly believe that corporate values should also define the way we do business.

We enter 2019 with considerable momentum, and our teams are focused on delivering on our strategic pillars, including:

- innovation - our product pipeline is strong, both in paper and non-paper product categories;
- continued expansion of our global footprint – focusing on key under-penetrated markets in APAC (particularly Japan and China);
- digital relevance – our digital ecosystem is just beginning to be fully exploited;
- people development – because when our people thrive, our business thrives;
- operational excellence – focusing on every part of our operations, seeking to increase efficiency, particularly in the supply chain and inventory management .

Given the scale of our ambition for the brand, we are making good progress on the execution of our strategy and our teams are energized by the opportunities that lie ahead. We are building on strong foundations and are fully focused on delivering our multi-year strategic plan successfully.



A word from our stakeholders

*Manfredi Ricca,
Chief Strategy Officer of Interbrand*

Manfredi Ricca is in charge of building and valuing highly influential brands across diverse industries worldwide. He is an influencer and thought leader in his field, contributing to Interbrand's Best Global Brand Studies. Moleskine and Interbrand have been working together for a few years on several projects, mainly related to Moleskine's brand development.

In today's ever-evolving business environment, what is driving consumer choices?

We live in an age of immediacy where, in markets where basic needs are broadly met, people not only expect more, better and different on a near daily basis, but also face an increasing abundance of choice. So while short-term business success still derives from getting the fundamentals right – product, distribution, cost structure, and so forth – sustainable competitive advantage depends on forming strong customer relationships.

This idea is not new - relationships are a prerequisite to loyalty and, therefore, to achieving enduring results. However, their very nature has changed in two fundamental ways. Firstly, relationships are no longer just an emotional bond - they are a deep, fact-based connection, founded on mutual understanding between businesses and individuals, fuelled by an ongoing exchange of data and experience. Today's customers expect businesses to know their desires and needs intimately and to deliver on them seamlessly.

Secondly, customer relationships increasingly orbit around a common sense of purpose - brands that thrive today are able to add meaning to customers' lives, capturing their imaginations and taking a clear stance on the societal issues of our times.

How can brands drive business growth today?

A fundamental trait of some of the world's most successful businesses is that they no longer create a promise around their capabilities, but rather build those capabilities around an overarching promise - from Google's 'relevant information' to Airbnb's 'belong anywhere'. Anchored to these promises, these brands cross and combine categories, building seamless ecosystems of products, services, experiences and partnerships that appear diverse, but are, in fact, all connected by that single promise. Similarly, Moleskine is a pure demand-side business, driven by people's desires, rather than limited by the company's capabilities. The Moleskine Café is a case in point, bringing the 'Inspiring Journeys' promise to life in an entirely different category. This concept makes the brand consistently relevant and meaningful and therefore more likely to achieve sustained growth.

How should the brand address the challenges created by the touchpoint clutter?

The key challenges for Moleskine are also its greatest opportunities. Three spring to mind. The first challenge for consumer-facing businesses today is to tear down the wall between digital and physical experiences – a divide that is no longer relevant to most individuals today, but that many businesses struggle to get behind their backs. Moleskine has demonstrated a certain agnosticism vis-à-vis this divide, a good example being its Smart Writing Set, which opens up opportunities in terms of new products, experiences and activations. A second challenge for many global brands will be their relevance at a local level – being meaningful in the here and now, capturing the 'zeitgeist' of a specific time and place. To this end, Moleskine has proved to be a powerful platform, for example by using limited editions to forge strong customer relationships. Finally, and perhaps most importantly, the future of brand experience is not about thinking in terms of touchpoints, but building the experience from the outside in, by starting from a deep understanding of the customer's world. What can Moleskine add to this world? What are the places, interfaces and moments where it can create meaningful experiences? The choice and configuration of touchpoints must be based on a deep understanding of the customer. Moleskine's in-depth analysis of its customers over the past few years provides a perfect springboard for a brand that can engage ever more strongly both with its core community and legions of new customers.



Moleskine developed a new retail format to improve shopping experience (Milan store)

Overview of 2018

Building a multi-channel platform

In 2018 the company grew consolidated revenues by 15% vs 2017 at constant exchange rates, leveraging a multi-channel distribution platform and building on its brand strength and unique cultural positioning to attract global consumers. Connecting with customers through multiple meaningful touchpoints is a crucial pillar for achieving sustainable long-term growth. This is why the company has continued to strengthen its distribution capabilities across all channels.

In **Wholesale** (+7% vs 2017), the company continued to develop direct relationships with key retailers to strengthen brand experience at their stores through dedicated visual merchandising. In Japan, it established a subsidiary to improve coverage and to further capture that market's potential through increased customer proximity. The company also opened up new specialized distribution channels for non-paper products, with the bags and consumer electronics channels adding relevant touchpoints. In the US, in addition to the main large retailers such as Target, Barnes & Noble and Amazon, the company has continued to nurture brand visibility at leading independent booksellers, which have always been a historical pillar of our US distribution network, especially in the early stages of our presence there. This strategy is now raising awareness of our brand among US consumers.

Thanks to its capillarity and reach, Wholesale is an ideal channel to expose the company's corporate values and commitments. In September 2018, the "I had a Dream" exhibition, curated by the Moleskine Foundation and supported by Moleskine, was held at La Rinascente in Rome, showcasing a selection of 54 notebooks created by students who took part in one of the AtWork workshops organised by the Foundation. The event was aimed at strengthening the relationship with one of the key retailers in Italy, promoting the activities of the Moleskine Foundation and supporting the positioning of the brand as an enabler of art, culture and education.

B2B (+42% vs 2017) registered significant growth, leveraging our proven distribution capabilities. An excellent driver of brand awareness, B2B confirmed its business relevance, driven by the development of major projects with global corporations such as Starbucks in Korea. B2B is the company's second most important channel in terms of sales and is expected to make a significant contribution to future growth. In addition to representing an important and growing component of our sales, B2B is an effective strategic tool to raise awareness of the Moleskine brand as clients often offer customized products to employees and/or partners for marketing purposes (e.g. product launches, opening of sales outlets, internal communication campaigns, artistic and cultural exhibitions).

Direct Retail (+3% vs 2017) was confirmed as a strategic channel that increases customer proximity and awareness. 2018 was marked by moderate perimeter expansion (9 new store openings), network rationalization (16 closures) and a focus on performance. Revenues were driven by improved in-store execution. The optimized merchandising strategy led to an overall increase of the average value of transactions as the bags category continued to gain traction. In addition, store personnel development through ad-hoc training as well as in-store initiatives (e.g. embossing machines for product personalization) contributed positively to the increased conversion rate. Travel retail locations were again the most successful format, which is why all new openings in 2018 took place in the travel retail environment (London's Liverpool street station, Paris Montparnasse station, Naples airport, Paris Roissy airport, Naples railway station).

Finally, in September, a **new retail format** was launched at one of the Milanese stores. The aim is to deliver an improved shopping experience and forge closer links with the brand. Results were very positive during the end-of-year period.



Moleskine café (Beijing)

Expanding product portfolio and offer of services

In 2018, Moleskine registered healthy growth in both paper and non-paper (40% of total sales increase) collections, the latter mainly driven by bags, where the company is steadily building a reputation as the category increases its market penetration.

Within the paper collection, the company maintained its premium positioning thanks to the success of the Limited Edition collections. Key launches in 2018 included the celebration of iconic characters such as SuperMario, Barbie, James Bond, Astroboy and Looney Tunes and more regional projects like Sakura, which celebrates the beginning of the Japanese spring time with the cherry blossom. Sakura leaves are symbolic in Japan, representing a period of renewal and often referred to as an expression of life and death.

Other product launches in the paper space included the Passion Journals (thematic notebooks dedicated to popular subjects such as babies, travel, cooking, books, wellness, wine and weddings) and the Art collection, a rich selection of sketchbooks, notepads and manuscript notebooks dedicated to the core artistic segment of Moleskine's clientele.

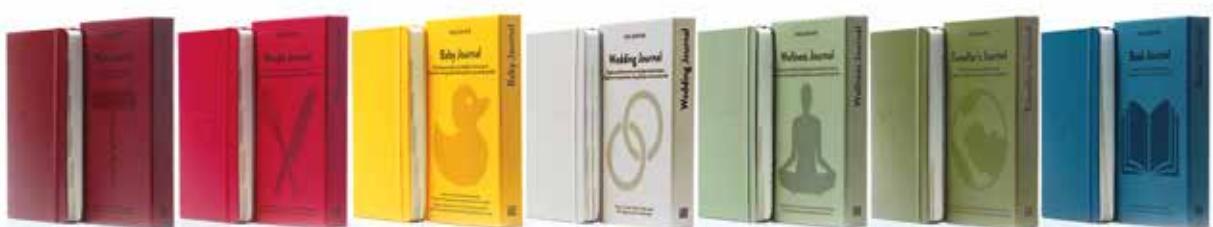
In E-commerce (+12% vs 2017), the company focused on fine-tuning its strategy by improving governance. 2018 also saw the foundations laid for a digital strategy to be deployed in 2019 aimed at delivering a more meaningful user experience. A special focus was placed on China leveraging continued growth on the main local platforms (e.g. JD, TMall).

The Moleskine Café confirmed its status as an innovative format that exposes consumers to the brand and to the creative content it generates, either directly or through its community of passionate followers. Priority was given to defining a replicable and scalable format to leverage the experiences of Milan and Beijing. The Moleskine Café confirms itself as a key pillar of the Moleskine Creative Hub, a project aimed at encouraging and sustaining creativity among its target audience. In 2018 ten cultural events were organized in our Moleskine Cafés in Milan, Hamburg and Beijing. Of these, we mention the Design of Words, a journey through the timeless art of calligraphy. The event included the presentation of the book The Design of Words, edited by Moleskine, a talk with world famous calligraphers Milen Balbuzanov and Viktor Kamswill, followed by a live performance and an exhibition of original notebooks donated by some of the world's greatest calligraphers. A number of other events were held in partnership with Calligraphy Masters, the global community of calligraphers.

In the M+ category, which aims to bridge the analogue-digital gap experienced in our everyday lives, the Company rolled-out the new 'Ellipse' Smart Pen, designed to be used in conjunction with the Smart Notebooks and Planners to combine the natural immediacy of writing on the pages of a notebook with all the advantages of borderless digital creativity. The Smart Writing ecosystem (Paper Tablet notebook, Smart Pen+ and Moleskine Notes companion app) targets today's digitally-connected professionals, knowledge workers and students, who prefer to create their plans and develop their ideas on paper first, without abandoning the convenience of digital technology.

In 2018 Moleskine returned to the Pitti trade fair with three new bag collections, each conceived to simply and effortlessly sync with productive, dynamic lifestyles on the move: the Moleskine Backpack Collection took an iconic Moleskine product – the Classic Backpack, with its simple, essential design and rigid shell-like case – and re-visited it with innovative materials that add a new dimension and ethos; the Classic Match Collection is designed for professionals on the move; while the Metro Bag Collection is designed for contemporary urban lifestyles, as its name suggests.

Adopting a local approach remains crucial to gaining a better understanding of consumer preferences and other local-specific requirements.



The new Passion Journals collection



The "Sakura" notebook is a limited edition developed for the Japanese market.



Iconicity beyond paper: The Backpack

The Classic Backpack has become one of Moleskine's most-loved bags, which is why the company decided to extend the single design created by Italian industrial designer and Moleskine Creative Director Giulio Iacchetti into an entire collection with a wider selection of colours and materials that each speak to a different facet of our personalities. Conceived as roaming containers of identity and amplifiers of contemporary lifestyles and beings, the new Backpack collection is available in four new fabrics and with a sophisticated, subtle colour palette that embraces earthy tones. Wherever their journeys may take them, the Backpacks in this collection become perfect inspirational carriers of life's essentials, not unlike Moleskine notebooks, which are a receptacle for ideas and inspiration. The expanded Backpack Collection seals Moleskine's reputation for creating iconic non-paper products.

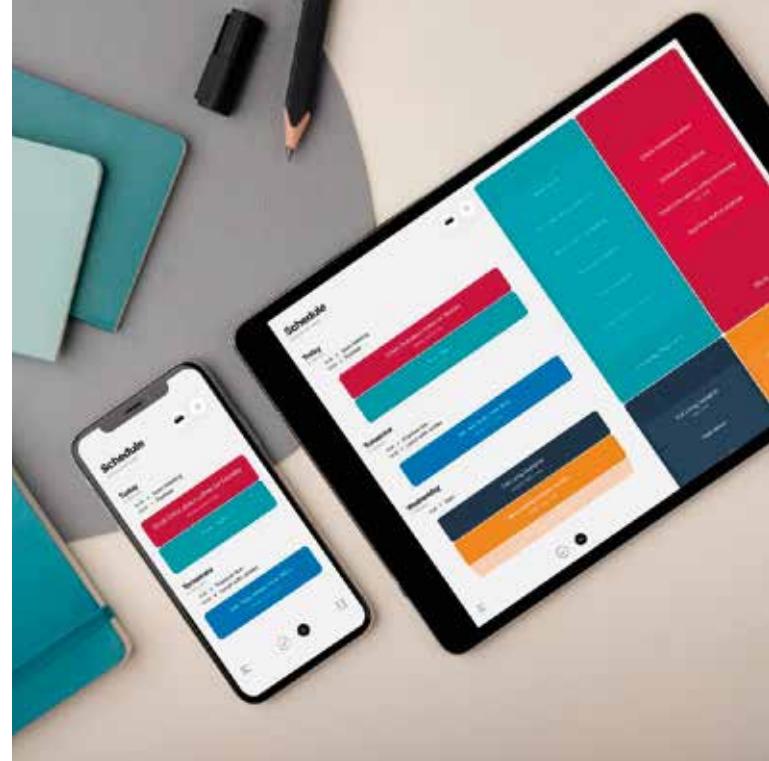


The Ellipse Smart Pen is the last-born of Moleskine's Smart Writing products

Pursuing digital Innovation

In 2018 Moleskine launched Actions, another successful application aimed at increasing personal productivity, with approximately 600,000 downloads since its launch in April.

Moleskine has always innovated along the analogue-digital continuum. In 2017 it launched the Moleskine Open Innovation Programme, a call for innovative ideas to add to the growing Moleskine+ ecosystem of smart objects and services. The project invited talented start-ups to submit concepts, projects and proposals in return for the chance to work closely with Moleskine – sharing expertise, building know-how and turning inspiring ideas into business reality. The twelve most successful applicants from all over the world were invited to the Moleskine headquarters in Milan to present their projects. In 2018, three finalists were selected to work with a group of Moleskine mentors, facilitators and entrepreneurs as part of a 6-month incubator programme to bring their proposals to life and to market. Moleskine is currently exploring routes for long-term collaboration with one of the three start-ups that has launched an innovative application in the area of personal productivity.



Actions, the latest Moleskine app, is aimed at fostering personal productivity.

Thinking globally, acting locally

In 2018 the company continued to grow. At year-end, Moleskine had 491 FTEs, up 23 on 2017. In particular, 2018 was marked by the strengthening of regional operations in an effort to find the most effective balance between centralized and local functions, as knowledge of local customers and localized execution are deemed as crucial to developing the brand's competitive edge in each market. In essence, the guiding principle behind the organisational overhaul was 'think globally and execute locally', with each region holding full responsibility for profits and losses.

Adopting a local approach remains crucial to gaining a better understanding of consumer preferences and other local-specific requirements. It is only with this understanding that we can adapt the marketing mix and other business strategies so as to respond fully to consumer desires.

Focusing on organisation and people to deliver the brand promise

In 2018, starting from the belief that a strong corporate culture is the most powerful way to create a purpose-driven organisation, the company launched the "Culture Project" with the aim of defining a set of corporate values that will enable Moleskine to grow. These values and their ability to benefit the company in its day-to-day operations were identified in 2018. In 2019, the project will be rolled-out across the organisation.

Moleskine also implemented an integrated plan christened the "Total Rewards System", with the aim of nurturing employee engagement and increasing staff retention. The latter implies that investing in people is not only linked to monetary reward (the base salary and variable incentive bonuses), but is also related to a more general investment in the corporate well-being of employees (workplace, learning, engagement). Following this approach, Moleskine dedicated 600+ hours to initiatives related to training and development over the year, involving about 200 people across the group. In addition, about 300 hours were devoted to training for senior management.



For Moleskine, a strong corporate culture is the most powerful way to create a purpose-driven organisation.



AtWork is an itinerant educational format and is a key tool of the Quality Education Programme of the Moleskine Foundation.

Engaging with communities

In 2018 the company maintained its commitment to strengthening the relationship with the Moleskine Foundation in a joint mission to promote creativity as an engine for positive social change. The Moleskine Foundation is a non-profit organisation that believes that quality education is key to producing positive change in society and driving our collective future. Its mission is to provide young people with unconventional educational tools and experiences that help foster critical thinking, creativity and life-long learning, with a focus on communities affected by cultural and social deprivation. In 2018 the Moleskine Foundation ran four AtWork Workshops (in Rome, Ndjamen, Harare and Kampala) involving 100 students from 19 countries. AtWork is an itinerant educational format that uses the creative process to stimulate critical thinking and debate among participants. It aims to encourage the emergence of a new generation of thinkers.

The core component of each AtWork event is a workshop conducted by an artist or a curator on a specific topic. The topic stimulates collective discussion and personal self-reflection on issues such as identity, culture and community. To conclude the workshop each student produces a personalized notebook – each with its own unique character – that illustrates the process of self-reflection triggered by the event. The resulting notebooks are then displayed in an exhibition co-curated by the students themselves.

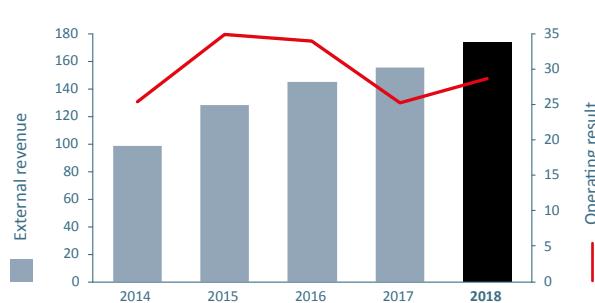


Moleskine | Key Figures

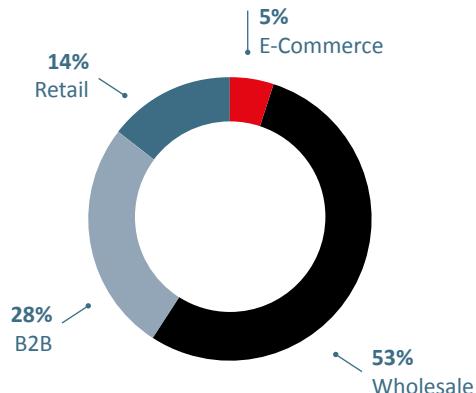
(EUR million)	2014	2015	2016	2017	2018
External revenue	98.8	128.2	145.2	155.4	174.1
Operating result	25.3	34.8	34.0	25.2	28.6
<i>Operating margin</i>	25.6%	27.2%	23.4%	16.2%	16.4%
Result before tax	24.1	34.6	32.9	15.2	18.9
Result after tax	16.5	27.1	23.3	10.1	22.8
Number of stores	41	58	79	87	80
Number of employees (year-end)	278	359	401	468	491

Note: Moleskine's results are fully consolidated in D'leteren's accounts as from 1 October 2016.

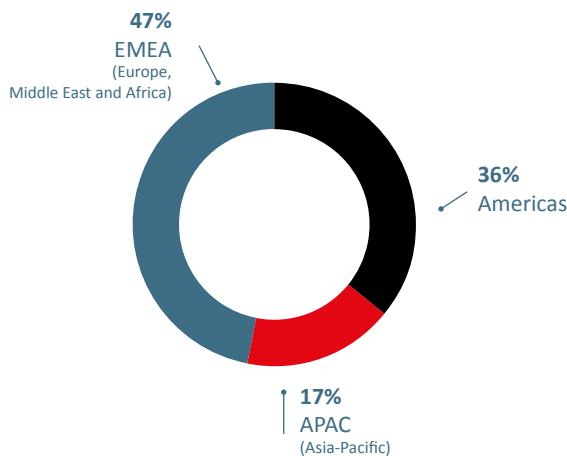
**REVENUE AND OPERATING RESULT
(EUR million)**



**REVENUE BREAKDOWN
BY CHANNEL**



**REVENUE BREAKDOWN
BY GEOGRAPHY**



**REVENUE BREAKDOWN
BY PRODUCT RANGE**

