<u>PRESS RELEASE</u>

As per the terms of Consob Resolution 11971/99 and subsequent amendments and additions

<u>GEDI GRUPPO EDITORIALE S.P.A.</u>

ECONOMIC AND FINANCIAL RESULTS AS OF JUNE 30 2018

REVENUES AT €322.5MN

EBITDA AT €22.1MN
(IN LINE WITH 2017)

NET INCOME AT €4.3MN

NET DEBT AT €111.4MN
DOWN FROM €115.1MN AT END OF 2017

Rome, July 25 2018 – Today in Rome the Board of Directors of GEDI Gruppo Editoriale S.p.A. met under the chairmanship of Marco De Benedetti and approved the consolidated results as of June 30 2018 as presented by Chief Executive Laura Cioli.

GEDI
GRUPPO EDITORIALE

ECONOMIC AND FINANCIAL RESULTS OF THE GEDI GROUP AS OF JUNE 30 2018

Below are the main economic and financial indicators as of June 30 2018.

Consolidated results (€mn)	*1st Half 2017*	*1st Half 2018*
Revenues, of which:	268.3	322.5
• circulation	108.5	141.9
• advertising	138.2	159.1
• optional products and miscellaneous	21.6	21.6
Gross operating margin	22.5	22.1
Operating result	15.6	12.6
Net result of assets destined to continue	6.4	4.4
Result discontinued operations/held for disposal (1)	1.0	-
Net result	7.4	4.3

(€mn)	*December 31 2017*	*June 30 2018*
Net financial position	(115.1)	(111.4)
Equity of the Group and Minority Interests	557.6	561.2
• Group equity	557.1	560.7
• Minority shareholders' equity	0.5	0.5
No. of employees	2,445	2,433

(1) The "Result of discontinued operations and those held for disposal" includes the effects of the deferred portion of consideration linked to the sale on January 30 2015 of All Music, the company of the Group that produces the mainstream national television channel *DeeJay TV*, to the new producer Discovery Italia. In the first half of 2017 this effect amounted to € 1.0mn.

On January 1 2018 the Group adopted the following new accounting standards:

- IFRS 15 - *Revenue from Contracts with Customers*, the application of which mainly involved the following:
  - The recognition of circulation revenues at their cover price or in any case at the actual price paid by the final buyer gross of all margins, including the part retained by the newsagent. Consequently, and this is where the difference from the previous accounting treatment lies, the commission is recognized separately as a distribution cost and is not deducted from the revenue figure as was previously the case.
  - Consolidated advertising revenues are stated net of the publisher fee resulting from the collection of advertising on behalf of third-party publishers, previously reported in costs for services.
- IFRS 9 - *Financial Instruments*, the application of which involved the following:
  - The introduction of new criteria for the classification and measurement of financial assets and liabilities, replacing the various rules given in IAS 39;
  - An estimate of the losses on certain assets calculated using the expected losses model (a method that involves early recognition of impairment compared to the previous terms of IAS 39) using supporting information that includes historical, current and projected data. The standard states that this impairment model is applied to all financial instruments, i.e. to financial assets measured at amortized cost and those measured at fair value through other comprehensive income, and to receivables from lease contracts and trade receivables.

To guarantee that the data are comparable, the items of circulation and advertising revenues in the income statement for the first half of 2017 have been restated, and the item costs for services has also been adjusted for the same amount, according to the new indications introduced by IFRS 15. This restatement does not have any impact on operating income, net income or shareholders' equity.

PERFORMANCE OF THE MARKET

In the first five months of 2018 advertising investments showed a slight decline (-1.4%) compared to the same period of the previous year (Nielsen Media Research figures).

The media that reported the most positive dynamic were radio, with an increase of 6.8%, confirming the trend in progress since 2015, and the internet which, excluding search engines and social media, reported an increase in advertising orders of 2.1%; television orders were substantially in line with those of the previous year (-1.0%), while orders for the printed press again fell by 8.2%, with newspapers posting -7.9% (-7.4% for national advertising and -8.3% for local advertising) and magazines -8.6%.

As for newspaper circulation, according to ADS figures (Accertamento Diffusione Stampa) in the period from January to May 2018 there was a decline in sales on the newsstands and by subscription of 7.4%.

PERFORMANCE OF OPERATIONS OF THE GEDI GROUP IN THE FIRST HALF OF 2018

It should be remembered that on June 27 2017 the merger was completed into GEDI of the ITEDI Group, publisher of the newspapers *La Stampa* and *il Secolo XIX*. As an effect of this deal, GEDI acquired control of the ITEDI Group, which entered the consolidation perimeter on June 30 2017. Thus, the income statement of the GEDI Group for the first half of 2017 did not include the ITEDI Group.

For the main economic indicators illustrated below, the change from the first six months of 2017 is therefore also shown on a like-for-like basis.

Consolidated revenues, totalling €322.5mn, rose by 20.2% compared to the first half of 2017 (-5.7% on a like-for-like basis). The revenues from all of the **digital activities** account for 11.3% of the Group's revenues.

Circulation revenues came to €141.9mn and were up by 30.7% on those of the same period of last year but were down by 8.7% on a like-for-like basis in a market that, as stated above, has continued to report a significant decline in newspaper circulation.

Advertising revenues rose by 15.1% compared to the first half of 2017 but were down by 2.1% on a like-for-like basis.

As for the Group media, advertising orders for radio grew by 7.0%, confirming the positive trend already seen in the previous year.

Internet orders showed growth of 21.5% (+2.7% on a like-for-like basis, outperforming the market).

Lastly, orders for the printed press rose by 20.0% (-6.3% on a like-for-like basis, showing a performance that was better than that of the sector as a whole).

Costs were 22.6% higher than in the first half of 2017 but were 3.5% lower on a like-for-like basis. More specifically, industrial fixed costs were lower (-7.0%), thanks to the ongoing reorganization of the production structure of the Group, and operational and administrative costs were also down (-3.7%), thanks to the measures adopted to reduce labour costs and overheads.

The **consolidated gross operating margin** was €22.1mn in line with the €22.5mn of the first half of 2017.

The **consolidated operating result** came to €12.6mn, compared to €15.6mn in the first half of 2017.

The **consolidated net result** was €4.3mn, down from €7.4mn in the first half of 2017 (€5.6mn on a like-for-like basis).

Net debt totalled €111.4mn at June 30 2018, down slightly from €115.1mn at the end of 2017. After the close of the first half of the year, on July 2 2018, the Company made a payment of €35.1mn as the final instalment of the settlement of its tax dispute.

The **Group had 2,433 employees** at the end of June 2018 including temporary contracts, and the average number of employees for the period on a like-for like basis was 1.8% lower than in the first half of 2017.

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The Company's Director of Administration and Accounts, Mr Gabriele Acquistapace, the Executive responsible for the preparation of the company's Financial Statements, hereby attests in compliance with the terms of paragraph 2 of Art. 154-*bis* of the "Testo Unico delle Finanze" (Finance Consolidation Act) that the figures contained in this press release correspond to the results documented in the Company's accounts and general ledger.

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MAIN EVENTS THAT HAVE OCCURRED SINCE THE CLOSE OF THE FIRST HALF AND OUTLOOK FOR THE REST OF THE YEAR

No significant events have taken place since the close of the first half of the year.

As far as the outlook for the year 2018 is concerned, based on the trends recorded in the first half, there is not likely to be any significantly different evolution from what has been affecting the sector for years. To counter these trends the Group is continuing in its commitment to reap all the benefits of the merger with ITEDI, to develop and evolve its publishing products, to develop its digital activities and to implement on a permanent basis rationalization measures to preserve profitability in a structurally difficult market. It can therefore be postulated that, in the absence of any events that are as yet unforeseeable, the Group should report a positive result at the end of the year.

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Consolidated Income Statement

(€ million)	Jan - Jun 2017	Jan - Jun 2018
Revenues	268,3	322,5
Change in inventories	0,2	0,2
Other operating income	6,0	7,1
Purchases	(23,1)	(29,5)
Services received	(127,1)	(153,1)
Other operating charges	(5,1)	(5,6)
Personnel costs	(96,7)	(119,5)
Depreciation, amortization and write-downs	(6,9)	(9,5)
Operating profit	**15,6**	**12,6**
Financial income (expense)	(4,4)	(5,2)
Investments valued at equity	(0,7)	0,2
Pre-tax profit	**10,6**	**7,6**
Income taxes	(4,1)	(3,2)
Net profit from continuing operations	**6,4**	**4,4**
Net profit (loss) from discontinued operations	1,0	-
Net profit	**7,4**	**4,4**
Minority interests	(0,1)	(0,0)
GROUP NET PROFIT	**7,4**	**4,3**

Consolidated Comprehensive Income Statement

(€ million)	Jan - Jun 2017	Jan - Jun 2018
NET PROFIT	**7,4**	**4,4**
Other components of comprehensive income statement:		
Profit / (Loss) from valuation of available-for-sale assets	-	-
Taxes on other profits / (losses)	-	-
Other components of comprehensive income statement, after taxes	**-**	**-**
TOTAL COMPREHENSIVE INCOME STATEMENT	**7,4**	**4,4**
Total comprehensive income statement, of which:		
Parent Company's shareholders	7,4	4,3
Minority Interests	0,1	0,0

Not completely audited data

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Consolidated Balance Sheet

ASSETS (€ million)	December, 31 2017	June, 30 2018
Intangible assets with an indefinite useful life	577,0	577,9
Other intangible assets	9,0	8,6
Intangible assets	586,0	586,5
Property, plant and equipment	90,6	85,8
Investments valued at equity	124,3	120,8
Other investments	10,3	10,3
Non-current receivables	1,4	1,4
Deferred tax assets	36,7	35,5
NON-CURRENT ASSETS	**849,3**	**840,3**
Inventories	12,9	14,8
Trade receivables	208,3	193,0
Marketable securities and other financial assets	0,2	0,9
Tax receivables	18,8	18,3
Other receivables	30,6	28,6
Cash and cash equivalents	63,5	67,6
CURRENT ASSETS	**334,3**	**323,3**
TOTAL ASSETS	**1.183,6**	**1.163,6**

LIABILITIES AND SHAREHOLDERS' EQUITY (€ million)	December, 31 2017	June, 30 2018
Share capital	76,3	76,3
Reserves	236,3	228,9
Retained earnings (loss carry-forwards)	367,8	251,2
Net profit (loss) for the period	(123,3)	4,3
Group Shareholders' Equity	**557,1**	**560,7**
Minority interests	0,5	0,5
SHAREHOLDERS' EQUITY	**557,6**	**561,2**
Financial debt	95,7	7,0
Provisions for risks and charges	29,2	26,9
Employee termination indemnity and other retirement benefits	59,2	58,0
Deferred tax liabilities	113,5	114,2
NON-CURRENT LIABILITIES	**297,5**	**206,1**
Financial debt	83,2	173,0
Provisions for risks and charges	27,5	23,5
Trade payables	113,2	101,2
Tax payables	45,9	43,7
Other payables	58,8	54,9
CURRENT LIABILITIES	**328,5**	**396,2**
TOTAL LIABILITIES	**626,0**	**602,3**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**1.183,6**	**1.163,6**

Not completely audited data

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Changes in the Consolidated Net Financial Position

(€ million)	Jan - Jun 2017	Jan - Jun 2018
SOURCES OF FUNDS		
Net profit (loss) for the period, including minority interests	6,4	4,4
Net profit (loss) from discontinued operations	1,0	-
Depreciation, amortization and write-downs	6,9	9,5
Accruals to provisions for stock option costs	0,3	0,4
Net change in provisions for personnel costs	(1,2)	(1,2)
Net change in provisions for risks and charges	(1,2)	(6,2)
Losses (gains) on disposal of fixed assets	(0,0)	-
Losses (gains) on disposal of equity investments	(1,0)	-
Adjustments for investments valued at equity	4,9	3,5
Cash flow from operating activities	**16,2**	**10,4**
Decrease (Increase) in non-current receivables	0,0	(0,0)
Increase in liabilities/Decrease in deferred tax assets	1,6	1,9
Increase in payables/Decrease in tax receivables	(1,5)	(1,7)
Decrease (Increase) in inventories	0,8	(1,9)
Decrease (Increase) in trade and other receivables	0,9	11,0
Increase (Decrease) in trade and other payables	(13,1)	(12,1)
Change in current assets	**(11,3)**	**(2,8)**
CASH FLOW FROM OPERATING ACTIVITIES	**4,9**	**7,6**
Net equity divestments	3,2	-
Cash flow from discontinued operations	1,0	6,2
TOTAL SOURCES OF FUNDS	**9,1**	**13,7**
USES OF FUNDS		
Net investments in fixed assets	(5,8)	(8,9)
Net financial position from ITEDI Group	(7,8)	-
(Acquisition) sale of treasury stocks	0,2	0,0
Other changes	(1,0)	(1,1)
TOTAL USES OF FUNDS	**(14,3)**	**(10,0)**
Financial surplus (deficit)	**(5,3)**	**3,7**
BEGINNIG NET FINANCIAL POSITION	**31,7**	**(115,1)**
ENDING NET FINANCIAL POSITION	**26,4**	**(111,4)**

Not completely audited data

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Statement of Consolidated Cash Flows

(€ million)	Jan - Jun 2017	Jan - Jun 2018
OPERATING ACTIVITIES		
Net profit (loss) for the period, including minority interests	6,4	4,4
Adjustments:		
- Depreciation, amortization and write-downs	6,9	9,5
- Accruals to provisions for stock option costs	0,3	0,4
- Net change in provisions for personnel costs	(1,2)	(1,2)
- Net change in provisions for risks and charges	(1,2)	(6,2)
- Losses (gains) on disposal of fixed assets	(0,0)	-
- Losses (gains) on disposal of equity investments and marketable securities	(1,0)	-
- Adjustments in value of financial assets	-	0,0
- Adjustments for investments valued at equity	4,9	3,5
- Profit (loss) from discontinued operations	1,0	-
Cash flow from operating activities	**16,2**	**10,4**
Change in current assets and other flows	**(9,0)**	**(0,3)**
CASH FLOW FROM OPERATING ACTIVITIES	**7,2**	**10,1**
of which:		
Interest received (paid) through banks	(1,2)	(1,5)
Received (outlay) for income taxes	(2,3)	(0,0)
INVESTING ACTIVITIES		
Outlay for purchase of fixed assets	(5,8)	(9,0)
Outlay for purchase of equity investments	(0,0)	-
Received on disposals of fixed assets	3,2	0,1
Decrease (Increase) in receivables and financial assets	0,2	0,2
Cash flow from ITEDI Group	9,0	-
Cash flow from discontinued operations	1,0	6,2
CASH FLOW FROM INVESTING ACTIVITIES	**7,6**	**(2,5)**
FINANCING ACTIVITIES		
(Acquisition) sale of treasury stocks	0,2	0,0
Issue (repayment) of other financial debt	7,3	(2,4)
Other changes	(1,0)	(1,1)
CASH FLOW FROM FINANCING ACTIVITIES	**6,6**	**(3,5)**
Increase (decrease) in cash and cash equivalents	**21,4**	**4,1**
Cash and cash equivalents at beginning of the period	**148,5**	**63,5**
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	**169,9**	**67,6**

Not completely audited data

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Consolidated Net Financial Position

(€ million)	June, 30 2017	December, 31 2017	June, 30 2018
Financial receivables from Group companies	0,2	0,2	0,2
Financial payables to Group companies	-	-	-
Cash and bank deposits	169,9	63,3	67,4
Current account overdrafts	(0,1)	(0,1)	(0,0)
Net cash and cash equivalents	**169,9**	**63,5**	**67,6**
Marketable securities and other financial assets	0,1	0,2	0,9
Bond issue	(91,3)	(93,7)	(96,3)
Other bank debt	(9,3)	(8,8)	(7,8)
Other financial debt	(43,0)	(76,2)	(75,9)
Other financial assets (liabilities)	**(143,5)**	**(178,6)**	**(179,0)**
NET FINANCIAL POSITION	**26,4**	**(115,1)**	**(111,4)**

Not completely audited data