

PRESS RELEASE

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

Rome, April 27 2017 - The Board of Directors of Gruppo Editoriale l'Espresso S.p.A. met today in Rome under the chairmanship of Mr Carlo De Benedetti and approved the consolidated results as of March 31 2017 presented by Chief Executive Officer Monica Mondardini.

**SALES REVENUES AT €136.4MN (€135.9MN ON 2016)
NET RESULT AT €5.0MN (€5.5MN ON 2016)
NET FINANCIAL POSITION POSITIVE FOR €29.0MN**

ECONOMIC AND FINANCIAL RESULTS OF THE ESPRESSO GROUP AT MARCH 31 2017

Consolidated results (€mn)	Jan-Mar 2016	Jan-Mar 2016 pro-forma	Jan-Mar 2017
Revenues, of which:	140.8	135.9	136.4
• circulation	50.2	44.4	42.3
• optional products and other	11.0	11.9	9.1
• advertising	79.6	79.6	85.0
Gross operating margin	13.2	12.3	13.1
Operating result	9.5	8.8	9.7
Net result of operations destined to continue	6.0	5.4	4.8
Result of operations discontinued/held for disposal ⁽¹⁾	0.2	0.2	0.2
Net result	6.1	5.5	5.0

(€mn)	December 31 2016	March 31 2017
Net financial position	31.7	29.0
Equity of the Group and minority interests	598.4	603.4
• equity of the Group	597.9	602.8
• minority Shareholders' equity	0.5	0.5
No. of employees	1,940	1,946

⁽¹⁾"Result of operations discontinued/held for disposal" includes capital gain realized for the sale signed on 30 January 2015 of All Music, editor of the generalist national tv DeeJay TV to the new editor Discovery Italia.

FOREWORD

On July 30 2016 the Espresso Group and ITEDI, following the memorandum of understanding signed on March 2 2016, signed a general agreement to merge the two companies in order to create the leading publishing Group in Italy and one of the main groups in Europe in the sector of daily and digital news.

As part of the deconsolidation plan aimed at ensuring compliance with the print run thresholds set out in current regulations, in view of the future merger with La Stampa and Il Secolo XIX, during 2016 the Espresso Group completed the following transactions:

- the sale on October 28 2016 of the entire shareholding interest of 71% in Seta SpA, publisher of the titles Alto Adige and Il Trentino;
- the sale on November 1 2016 of the business arm including the newspapers Il Centro, and its printing centre, and La Città di Salerno;
- the lease from December 1 2016 of the business arm including the newspaper “La Nuova Sardegna” to the company DB Information SpA.

The advertising for all the newspapers has remained with the sales advertising company A.Manzoni&C.

To ensure that the figures are comparable, a pro-forma income statement was prepared for the first quarter of 2016 giving the results with the current consolidation perimeter, i.e. for the 5 titles that have been deconsolidated, taking into account only the revenues and costs of the concessionaire.

Later in this press release the comparisons with the previous year refer to the pro-forma figures.

PERFORMANCE OF THE MARKET

After the slight recovery in 2016, in the first two months of 2017 advertising investment underwent a decline of 2.3% compared to the corresponding period of 2016 (Nielsen Media Research figures).

The decline affected all of the media, but with a different intensity: whereas television and radio received orders for an almost equivalent amount as in the same period of 2016 (-0.5% and -0.3% respectively), the internet (excluding search and social) reported a decline of 2.9% and the printed press was down by 8.6% with daily newspapers posting -9.7% (-10.9% for national advertising and -9.1% for local advertising) and magazines -6.4%.

As far as newspaper circulation is concerned, according to ADS (Accertamento Diffusione Stampa) figures, in the first two months of 2017 there was a fall in sales on the newsstands and in subscription of 9.3%.

PERFORMANCE OF OPERATIONS OF THE ESPRESSO GROUP IN THE FIRST QUARTER OF 2017

The Group closed the first quarter of 2017 with a positive net result of €5.0mn.

Consolidated revenues, amounting to €136.4mn, were up by 0.4% on the first quarter of 2016 (-3.1% on a non like-for-like basis).

Circulation revenues, amounting to €42.3mn, were down by 4.6% from the same period of last year on a like-for-like basis in a market that, as stated above, has continued to see a significant reduction in the circulation of newspapers.

Advertising revenues were up by 6.8%, posting a decline of 6.6% for the Group media and a significant increase in third-party concessions, thanks to the new concessions of Radio Italia, La Stampa and Il Secolo XIX, for national advertising.

For the Group media, radio advertising orders rose by 1.5%, confirming the positive trend already seen in the previous year.

Internet orders underwent a slight decline (-1.5%) that was less than the market decline.

Lastly, the printed press reported a significant fall (-10.4%), reflecting the negative performance of the newspaper and magazine market, which particularly affected the national press, while local papers held up well.

Costs fell by 6.4% which affected both fixed personnel costs (-5.4%) and other costs (-7.2%).

The **consolidated gross operating margin** came in at €13.1mn (€12.3mn in the first quarter of 2016 pro-forma).

The **consolidated operating margin** came to €9.7mn (€8.8mn in the same period of last year pro-forma).

The **consolidated net result** was €5.0mn, versus €5.5mn in the first quarter of 2016 pro-forma.

The **net financial position** at the end of March 2017 was a positive €29.0mn, compared to €31.7mn at year end 2016 and €15.5mn at March 31 2016.

The **Group had 1,946 employees**, including temporary contracts, at the end of March and the average number of employees in the period was 2.3% lower on a like-for-like basis than in the first quarter of 2016.

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.

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

In the early months of 2017 the conditions for implementation of the merger of the Espresso Group with ITEDI, submitted today to the approval of the Annual General Meeting of the Shareholders of the Espresso Group, were fulfilled positively.

More specifically, on March 9 2017 the AGCM authorized the deal, subject to certain corrective measures being put in place and these have today been adopted by the Group.

Moreover, on March 17 2017 the AGCOM published the newspaper print run figures in Italy for the year 2016, which showed that the merger of the Espresso Group with ITEDI does not give them a dominant position in the newspaper market.

As far as the prospects for financial year 2017 are concerned, based on the performance of the first quarter, there are no signs of an improvement in the trends that have been affecting the sector for some years; to counter these trends, the Group is continuing to engage in the development of its digital business, in which it is a leader in its sector, and in reducing costs.

The merger with ITEDI will open up new opportunities on both of these fronts.

CONTACTS:

CENTRAL MANAGEMENT

EXTERNAL RELATIONS

Stefano Mignanego

Tel.: +39 06 84787434

e-mail: dir-relaz-esterne@gruppoespresso.it

www.gruppoespresso.it

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Consolidated Income Statement

(€ million)	Jan - Mar 2016	Jan - Mar 2016 pro-forma	Jan - Mar 2017
Revenues	140,8	135,9	136,4
Change in inventories	0,4	0,4	0,4
Other operating income	4,1	4,1	4,8
Purchases	(14,4)	(13,5)	(11,5)
Services received	(61,3)	(63,1)	(68,3)
Other operating charges	(1,7)	(1,6)	(1,5)
Personnel costs	(54,7)	(49,8)	(47,2)
Depreciation, amortization and write-downs	(3,7)	(3,5)	(3,4)
Operating profit	9,5	8,8	9,7
Financial income (expense)	(2,3)	(2,3)	(2,3)
Investments valued at equity	0,8	0,8	(0,5)
Pre-tax profit	8,0	7,3	6,9
Income taxes	(2,0)	(2,0)	(2,1)
Net profit from continuing operations	6,0	5,4	4,8
Net profit (loss) from discontinued operations	0,2	0,2	0,2
Net profit	6,1	5,5	5,0
Minority interests	(0,0)	(0,0)	(0,0)
GROUP NET PROFIT	6,1	5,5	5,0
Earnings per share, basic	0,016	0,014	0,013
Earnings per share, diluted	0,013	0,012	0,011

Consolidated Comprehensive Income Statement

(€ million)	Jan - Mar 2016	Jan - Mar 2016 pro-forma	Jan - Mar 2017
NET PROFIT	6,1	5,5	5,0
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	6,1	5,5	5,0
Total comprehensive income statement, of which:			
Parent Company's shareholders	6,1	5,5	5,0
Minority Interests	0,0	0,0	0,0

Not audited data

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Consolidated Balance Sheet

ASSETS (€ million)	December, 31 2016	March, 31 2017
Intangible assets with an indefinite useful life	466,4	466,4
Other intangible assets	3,7	3,5
Intangible assets	470,1	469,9
Property, plant and equipment	83,9	81,6
Investments valued at equity	129,1	128,5
Other investments	3,3	3,3
Non-current receivables	2,0	2,1
Deferred tax assets	16,0	15,4
NON-CURRENT ASSETS	704,4	701,0
Assets held for sale or transferred	-	-
Inventories	10,2	9,6
Trade receivables	174,5	159,3
Marketable securities and other financial assets	0,2	-
Tax receivables	15,5	16,5
Other receivables	23,4	36,6
Cash and cash equivalents	148,5	155,2
CURRENT ASSETS	372,3	377,2
TOTAL ASSETS	1.076,7	1.078,1

LIABILITIES AND SHAREHOLDERS' EQUITY (€ million)	December, 31 2016	March, 31 2017
Share capital	61,8	61,8
Reserves	174,7	167,8
Retained earnings (loss carry-forwards)	351,0	368,3
Net profit (loss) for the period	10,4	5,0
Group Shareholders' Equity	597,9	602,8
Minority interests	0,5	0,5
SHAREHOLDERS' EQUITY	598,4	603,4
Financial debt	83,5	84,6
Provisions for risks and charges	46,8	46,7
Employee termination indemnity and other retirement benefits	47,8	46,8
Deferred tax liabilities	89,1	89,6
NON-CURRENT LIABILITIES	267,3	267,7
Financial debt	33,6	41,5
Provisions for risks and charges	20,6	19,8
Trade payables	96,0	91,3
Tax payables	10,0	10,6
Other payables	50,8	43,8
CURRENT LIABILITIES	211,1	207,1
TOTAL LIABILITIES	478,4	474,8
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	1.076,7	1.078,1

Not audited data

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Changes in the Consolidated Net Financial Position

(€million)	Jan - Mar 2016	Jan - Mar 2017
SOURCES OF FUNDS		
Net profit (loss) for the period, including minority interests	6,0	4,8
Net profit (loss) from discontinued operations	0,2	0,2
Depreciation, amortization and write-downs	3,7	3,4
Accruals to provisions for stock option costs	0,4	0,2
Net change in provisions for personnel costs	(1,1)	(1,0)
Net change in provisions for risks and charges	(2,4)	(0,9)
Losses (gains) on disposal of equity investments	(0,2)	(0,2)
Adjustments for investments valued at equity	(0,8)	0,5
Cash flow from operating activities	5,8	7,0
Decrease (Increase) in non-current receivables	0,1	(0,1)
Increase in liabilities/Decrease in deferred tax assets	1,0	1,0
Increase in payables/Decrease in tax receivables	(1,0)	(0,4)
Decrease (Increase) in inventories	0,2	0,6
Decrease (Increase) in trade and other receivables	23,9	2,1
Increase (Decrease) in trade and other payables	(1,6)	(9,1)
Change in current assets	22,6	(5,9)
CASH FLOW FROM OPERATING ACTIVITIES	28,4	1,1
Cash flow from discontinued operations	1,0	-
TOTAL SOURCES OF FUNDS	29,4	1,1
USES OF FUNDS		
Net investments in fixed assets	(2,6)	(3,6)
Net equity investments	(0,2)	-
(Acquisition) sale of treasury stocks	(0,2)	(0,0)
Other changes	(0,3)	(0,1)
TOTAL USES OF FUNDS	(3,2)	(3,7)
Financial surplus (deficit)	26,2	(2,6)
BEGINNIG NET FINANCIAL POSITION	(10,7)	31,7
ENDING NET FINANCIAL POSITION	15,5	29,0

Not audited data

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Statement of Consolidated Cash Flows

(€ million)	Jan - Mar 2016	Jan - Mar 2017
OPERATING ACTIVITIES		
Net profit (loss) for the period, including minority interests	6,0	4,8
Adjustments:		
- Depreciation, amortization and write-downs	3,7	3,4
- Accruals to provisions for stock option costs	0,4	0,2
- Net change in provisions for personnel costs	(1,1)	(1,0)
- Net change in provisions for risks and charges	(2,4)	(0,9)
- Losses (gains) on disposal of fixed assets	-	(0,2)
- Losses (gains) on disposal of equity investments and marketable securities	(0,2)	-
- Adjustments for investments valued at equity	(0,8)	0,5
- Profit (loss) from discontinued operations	0,2	0,2
Cash flow from operating activities	5,8	7,0
Change in current assets and other flows	24,5	(4,1)
CASH FLOW FROM OPERATING ACTIVITIES	30,3	3,0
of which:		
Interest received (paid) through banks	0,0	(0,0)
Received (outlay) for income taxes	-	-
INVESTING ACTIVITIES		
Outlay for purchase of fixed assets	(2,6)	(3,6)
Outlay for purchase of equity investments	(0,2)	-
(Acquisition) sale of marketable securities and available-for-sale assets	0,6	0,2
Cash flow from discontinued operations	1,0	-
CASH FLOW FROM INVESTING ACTIVITIES	(1,2)	(3,4)
FINANCING ACTIVITIES		
(Acquisition) sale of treasury stocks	(0,2)	(0,0)
Issue (repayment) of other financial debt	(5,5)	6,8
(Dividends paid)	-	-
Other changes	(0,3)	(0,1)
CASH FLOW FROM FINANCING ACTIVITIES	(5,9)	6,7
Increase (decrease) in cash and cash equivalents	23,2	6,3
Cash and cash equivalents at beginning of the period	110,5	148,5
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	133,7	154,8

Not audited data

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Consolidated Net Financial Position

(€ million)	March, 31 2016	December, 31 2016	March, 31 2017
Financial receivables from Group companies	0,2	0,2	0,2
Financial payables to Group companies	-	-	-
Cash and bank deposits	133,5	148,4	155,0
Current account overdrafts	(0,0)	(0,0)	(0,4)
Net cash and cash equivalents	133,7	148,5	154,8
Marketable securities and other financial assets	-	0,2	-
Bond issue	(86,3)	(88,9)	(90,7)
Other bank debt	-	-	-
Other financial debt	(32,0)	(28,1)	(35,0)
Other financial assets (liabilities)	(118,2)	(116,8)	(125,7)
NET FINANCIAL POSITION	15,5	31,7	29,0

Not audited data