

**PRESS RELEASE**

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

**GRUPPO EDITORIALE L'ESPRESSO S.P.A.**

*The Board of Directors approves the consolidated results as of March 31 2014*

**• DESPITE THE CONTINUING CRISIS IN THE SECTOR WHICH HAS NEGATIVELY AFFECTED**

**ITS REVENUES, THE ESPRESSO GROUP REPORTS:**

- NET INCOME OF **€2.1 MN**, IN LINE WITH THAT OF LAST YEAR (**€2.0 MN**)

- NET DEBT LOWER AT **€58.2 MN**

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**• AGREEMENT CONCLUDED FOR THE DEAL INTEGRATING RETE A AND TIMB NETWORK**

**OPERATOR ACTIVITIES**

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**• GROUP REFINANCING PROCESS CONCLUDED (MATURITY OF CURRENT BOND IN**

**OCTOBER 2014) WITH THE ISSUE OF A CONVERTIBLE BOND**

**ECONOMIC AND FINANCIAL RESULTS OF THE ESPRESSO GROUP AT MARCH 31 2014**

Consolidated results (€mn)	Jan-Mar 2013	Jan-Mar 2014
Revenues, of which :	182.1	157.8
•circulation	62.4	57.9
•add-on products	10.5	7.1
•advertising	101.2	86.5
•other	8.0	6.3
Gross operating margin	16.7	16.6
Operating income	8.8	8.6
Income before taxes	6.2	5.5
Net income	2.0	2.1

  

(€mn)	Dec 31 2013	March 31 2014
Net financial position	(73.5)	(58.2)
Equity including minority interests	562.2	565.9
•equity of the Group	560.2	563.9
•minority shareholders' equity	2.0	2.0
No. of employees	2,425	2,401

*Rome, April 16 2014* – 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 2014 presented by the Chief Executive Officer, Ms Monica Mondardini.

## **PERFORMANCE OF THE MARKET**

The publishing sector is continuing to report negative performance both in terms of advertising collected and in terms of the circulation of daily newspapers and magazines.

In the first two months of 2014 overall investment in advertising declined by 4.3% compared to the same period of 2013 (Nielsen Media Research figures), reflecting the general trend of the economy which is still critical.

As for the various media, television advertising was substantially stable (+0.2%), radio went up by 7.5%, while the indicators of the printed press were still strongly negative (-15.7%), with national advertising posting a sharper fall (-17.4%) than local advertising (-11.9%). Surprisingly a downturn of internet advertising in the first two months was also confirmed (-6.3%).

As far as circulation is concerned, ADS (Accertamento Diffusione Stampa) figures show a fall in sales of daily newspapers of 12% in the first two months of 2014.

## **PERFORMANCE OF OPERATIONS OF THE ESPRESSO GROUP IN THE FIRST QUARTER OF 2014**

Despite the market trend which is still strongly negative and which is having a significant impact on revenues, the Group closed the first quarter with a slightly positive result in line with that of the same period of last year.

The **consolidated net revenues** of the Group came in at €157.8mn and were down by 13.3% on first quarter 2013 (€182.1mn).

**Circulation revenues**, totalling €7.9mn, were down by 7.1% compared to the corresponding period of the previous year (€2.4mn) in a market which, as stated above, is continuing to experience a significant decline in the circulation of daily newspapers (-12%).

On the basis of the most recent ADS figures (February 2014), *la Repubblica* confirms its ranking as first newspaper in terms of copies sold (newsstands, subscriptions and other channels permitted by law).

The development is also continuing of the digital products of the newspaper (*Repubblica+* and *Repubblica Mobile*), which in March 2014 had more than 73 thousand subscribers.

Overall at the end of March the Group had more than 94 thousand subscribers to the digital editions of its published titles.

**Revenues from advertising in the Group media** declined by 9.7% (-14.6% if third-party concessions are included).

By sector, the printed press reported a 14.6% fall in the amount of advertising collected, although the contraction was less than that of the industry as a whole (-15.7% in February).

By contrast, the radio stations showed considerable growth, +6.3%, in line with the figure for the whole radio sector (+7.5% in February).

Lastly, internet advertising declined by 3.9%, which was less than the decline of the market (-6.3% in February).

**Costs** fell by 12.3%, which was substantially equivalent to the fall in revenues; excluding the digital editions and digital terrestrial television the costs of which rose as these businesses are developing, there was a 14% cost reduction, thanks to the further rationalization measures in progress particularly in the industrial and administrative areas.

The **consolidated gross operating margin** was €16.6mn, in line with the figure of €16.7mn for the first quarter of 2013.

By business area, the printed press and the internet were substantially stable in terms of profitability, while radio reported a slight recovery.

The **consolidated operating result** came in at €8.6mn and was in line with the figure of €8.8mn for the same period of the previous year.

The **consolidated net result** was income of €2.1mn, versus €2.0mn in the first quarter of 2013.

The **consolidated net financial position** showed a further reduction of the net debt, which went down from -€73.5mn at the end of 2013 to -€58.2mn at March 31 2014 with a financial surplus of €15.3mn.

The **Group had 2,401 employees**, including temporary contracts, at the end of March and the average number of employees in the period was 4.4% lower than in the first quarter of 2013.

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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 WHICH HAVE OCCURRED SINCE THE CLOSE OF THE FIRST QUARTER AND OUTLOOK FOR THE REST OF THE YEAR**

In the first two months of the year the advertising market was still showing a recessive trend with the various media evolving in different ways.

As for the outlook for the second quarter, the advertising orders booked would seem to suggest that the negative trend is becoming less pronounced.

In this environment, the Group managed to achieve positive results in the first quarter of 2014, maintaining profitability in line with last year; as for the outlook for the whole year, this is highly dependent on the performance of the advertising market which at present still seems uncertain.

During the first quarter the Group finalized two deals of strategic importance: the joint venture with TIMedia in the network operator business and the refinancing of the Company given that the ten-year bond will mature in October of this year.

On April 9 the contracts were signed for the integration of the network operator activities of the subsidiary Rete A with Telecom Italia Media Broadcasting (TIMB), controlled by Telecom Italia Media. This deal which is subject only to obtaining AGCOM authorization, will produce the most important independent network operator in Italy, equipped with five digital multiplexes (three belonging to TIMB and two to Rete A) with national coverage, which are broad-reaching and are based on latest generation technologies. The integration will be carried out through the transfer by the Espresso Group of 100% of the shares of Rete A into TIMB; after the transfer, TIMedia and the Espresso Group will own 70% and 30% respectively of the shares of TIMB which will own the whole capital of Rete A. The agreement signed also stipulates that once the integration has been carried out, there will be a valuation process and investors interested in the combined entity will be sought out.

On April 2 a five-year convertible bond for a nominal €100mn was placed with investors. It has an interest rate of 2.625% and a conversion price fixed at €2.1523 per share. The Bonds will be convertible into Shares, subject to the approval by the Extraordinary Meeting of the Shareholders of the Company, which will be held no later than July 31 2014, of a share capital increase. During the placement process requests were received for over €500mn, which confirms investor confidence in the Espresso Group.

**CONTACTS:**

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## Gruppo Espresso

### Consolidated Income Statement

(€million)	Jan - Mar 2013	Jan - Mar 2014
Revenues	182,1	157,8
Change in inventories	0,5	0,2
Other operating income	0,9	3,2
Purchases	(20,1)	(17,1)
Services received	(82,1)	(69,1)
Other operating charges	(2,6)	(1,7)
Investments valued at equity	0,1	0,0
Personnel costs	(62,2)	(56,7)
Depreciation, amortization and write-downs	(7,9)	(7,9)
<b>Operating profit</b>	<b>8,8</b>	<b>8,6</b>
Financial income (expense)	(2,6)	(3,2)
<b>Pre-tax profit</b>	<b>6,2</b>	<b>5,5</b>
Income taxes	(4,1)	(3,4)
<b>Net profit</b>	<b>2,1</b>	<b>2,1</b>
Minority interests	(0,0)	(0,0)
<b>GROUP NET PROFIT</b>	<b>2,0</b>	<b>2,1</b>
Earnings per share, basic	0,005	0,005
Earnings per share, diluted	0,005	0,005

### Consolidated Comprehensive Income Statement

(€million)	Jan - Mar 2013	Jan - Mar 2014
<b>NET PROFIT</b>	<b>2,1</b>	<b>2,1</b>
<b>Other components of comprehensive income statement:</b>		
Profit / (Loss) from valuation of available-for-sale assets	(0,1)	(0,1)
Taxes on other profits / (losses)	0,0	0,0
<b>Other components of comprehensive income statement, after taxes</b>	<b>(0,1)</b>	<b>(0,1)</b>
<b>TOTAL COMPREHENSIVE INCOME STATEMENT</b>	<b>2,0</b>	<b>2,0</b>
<b>Total comprehensive income statement, of which:</b>		
Parent Company's shareholders	1,9	2,0
Minority Interests	0,0	0,0

*Not audited data*

# Gruppo Espresso

## Consolidated Balance Sheet

<b>ASSETS</b> (€ million)	December, 31 2013	March, 31 2014
Intangible assets with an indefinite useful life	523,6	523,8
Other intangible assets	135,1	132,2
Intangible assets	658,7	655,9
Property, plant and equipment	136,9	133,7
Investments valued at equity	21,6	21,6
Other investments	2,6	2,6
Non-current receivables	2,0	2,0
Deferred tax assets	25,7	24,2
<b>NON-CURRENT ASSETS</b>	<b>847,4</b>	<b>840,0</b>
Inventories	12,3	11,8
Trade receivables	202,8	176,9
Marketable securities and other financial assets	11,3	11,5
Tax receivables	22,3	22,8
Other receivables	22,9	28,2
Cash and cash equivalents	164,8	182,9
<b>CURRENT ASSETS</b>	<b>436,3</b>	<b>434,1</b>
<b>TOTAL ASSETS</b>	<b>1.283,7</b>	<b>1.274,1</b>

<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b> (€ million)	December, 31 2013	March, 31 2014
Share capital	61,6	61,6
Reserves	155,9	139,6
Retained earnings (loss carry-forwards)	339,1	360,6
Net profit (loss) for the period	3,7	2,1
<b>Group Shareholders' Equity</b>	<b>560,2</b>	<b>563,9</b>
Minority interests	2,0	2,0
<b>SHAREHOLDERS' EQUITY</b>	<b>562,2</b>	<b>565,9</b>
Financial debt	7,5	7,5
Provisions for risks and charges	47,1	46,7
Employee termination indemnity and other retirement benefits	65,1	63,2
Deferred tax liabilities	125,1	126,0
<b>NON-CURRENT LIABILITIES</b>	<b>244,8</b>	<b>243,4</b>
Financial debt	242,1	245,1
Provisions for risks and charges	43,6	40,4
Trade payables	113,3	105,6
Tax payables	10,8	13,6
Other payables	66,9	60,2
<b>CURRENT LIABILITIES</b>	<b>476,7</b>	<b>464,8</b>
<b>TOTAL LIABILITIES</b>	<b>721,5</b>	<b>708,2</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>1.283,7</b>	<b>1.274,1</b>

Not audited data

# Gruppo Espresso

## Changes in the Consolidated Net Financial Position

(€ million)	Jan - Mar 2013	Jan - Mar 2014
<b>SOURCES OF FUNDS</b>		
Net profit (loss) for the period, including minority interests	2,1	2,1
Depreciation, amortization and write-downs	7,9	7,9
Accruals to provisions for stock option costs	0,3	0,3
Net change in provisions for personnel costs	(1,3)	(1,8)
Net change in provisions for risks and charges	(1,2)	(3,6)
Losses (gains) on disposal of fixed assets	(0,0)	0,0
Adjustments for investments valued at equity	(0,1)	(0,0)
<b>Cash flow from operating activities</b>	<b>7,6</b>	<b>4,8</b>
Decrease (Increase) in non-current receivables	0,0	0,0
Increase in liabilities/Decrease in deferred tax assets	1,4	2,3
Increase in payables/Decrease in tax receivables	4,3	2,2
Decrease (Increase) in inventories	(1,3)	0,5
Decrease (Increase) in trade and other receivables	33,3	20,6
Increase (Decrease) in trade and other payables	(10,3)	(12,3)
<b>Change in current assets</b>	<b>27,5</b>	<b>13,3</b>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>35,1</b>	<b>18,1</b>
Increases in share capital and reserves	-	1,6
<b>TOTAL SOURCES OF FUNDS</b>	<b>35,1</b>	<b>19,7</b>
<b>USES OF FUNDS</b>		
Net investments in fixed assets	(7,8)	(4,1)
Net equity investments	(2,0)	-
(Acquisition) sale of treasury stocks	(0,5)	(0,2)
Other changes	(0,1)	(0,1)
<b>TOTAL USES OF FUNDS</b>	<b>(10,4)</b>	<b>(4,4)</b>
<b>Financial surplus (deficit)</b>	<b>24,7</b>	<b>15,3</b>
<b>BEGINNIG NET FINANCIAL POSITION</b>	<b>(108,1)</b>	<b>(73,5)</b>
<b>ENDING NET FINANCIAL POSITION</b>	<b>(83,5)</b>	<b>(58,2)</b>

*Not audited data*

# Gruppo Espresso

## Statement of Consolidated Cash Flows

(€ million)	Jan - Mar 2013	Jan - Mar 2014
OPERATING ACTIVITIES		
Net profit (loss) for the period, including minority interests	2,1	2,1
Adjustments:		
- Depreciation, amortization and write-downs	7,9	7,9
- Accruals to provisions for stock option costs	0,3	0,3
- Net change in provisions for personnel costs	(1,3)	(1,8)
- Net change in provisions for risks and charges	(1,2)	(3,6)
- Losses (gains) on disposal of fixed assets	(0,0)	0,0
- Adjustments for investments valued at equity	(0,1)	(0,0)
<b>Cash flow from operating activities</b>	<b>7,6</b>	<b>4,8</b>
<b>Change in current assets and other flows</b>	<b>30,4</b>	<b>15,9</b>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>38,0</b>	<b>20,7</b>
of which:		
Interest received (paid) through banks	0,6	0,1
Received (outlay) for income taxes	-	-
INVESTING ACTIVITIES		
Outlay for purchase of fixed assets	(8,0)	(4,1)
Outlay for purchase of equity investments	(2,0)	-
Received on disposals of fixed assets	0,1	0,0
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>(9,8)</b>	<b>(4,1)</b>
FINANCIAL ACTIVITIES		
Increases in capital and reserves	-	1,6
(Acquisition) sale of treasury stocks	(0,5)	(0,2)
Issue (repayment) of other financial debt	(0,0)	-
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>(0,5)</b>	<b>1,4</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>27,7</b>	<b>18,0</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>128,6</b>	<b>164,6</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>	<b>156,3</b>	<b>182,6</b>

*Not audited data*



## Gruppo Espresso

### Consolidated Net Financial Position

(€million)	March, 31 2013	December, 31 2013	March, 31 2014
Financial receivables from Group companies	0,2	0,2	0,2
Financial payables to Group companies	-	-	-
Cash and bank deposits	156,1	164,6	182,7
Current account overdrafts	-	(0,2)	(0,3)
<b>Net cash and cash equivalents</b>	<b>156,3</b>	<b>164,6</b>	<b>182,6</b>
Marketable securities and other financial assets	22,9	11,3	11,5
Bond issue	(234,8)	(230,7)	(233,2)
Other bank debt	(27,9)	(16,6)	(16,8)
Other financial debt	(0,0)	(2,2)	(2,3)
<b>Other financial assets (liabilities)</b>	<b>(239,7)</b>	<b>(238,2)</b>	<b>(240,8)</b>
<b>NET FINANCIAL POSITION</b>	<b>(83,5)</b>	<b>(73,5)</b>	<b>(58,2)</b>

*Not audited data*