

**PRESS RELEASE**

pursuant to Consob resolution no. 11971/99 and subsequent amendments

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

*The Board of Directors has approved the consolidated results as at September 30, 2012*

**NET PROFIT AT €26.4M, DESPITE OF ECONOMIC AND SECTOR CRISIS**

**NET INDEBTNESS DECREASING AT €105.1M**

**CONSOLIDATED REVENUES AT €594.0M (-9.1%)**

**ESPRESSO GROUP FINANCIAL RESULTS AT SEPTEMBER 30, 2012**

<b>Consolidated results(€m)</b>	<i>Jan-Sept 2011</i>	<i>Jan-Sept 2012</i>	<i>Δ% 2012/2011</i>
Revenues, of which:	653.7	594.0	-9.1%
• Circulation	205.5	199.3	-3.0%
• Advertising	380.7	342.4	-10.1%
• Add-on products	52.4	34.0	-35.1%
• Others	15.1	18.3	+21.6%
Gross operating profit	112.0	82.8	-26.1%
Operating profit	84.3	54.3	-35.6%
Pre-tax profit	73.5	45.4	-38.3%
Net profit	41.4	26.4	-36.2%

  

<b>(€m)</b>	<i>September 30 2011</i>	<i>December 31 2011</i>	<i>September 30 2012</i>
Net Financial position	(112.4)	(110.2)	(105.1)
Shareholders' Equity including minority interests	550.4	565.0	567.8
• Shareholders' equity	548.6	563.3	566.1
• Minority interests	1.8	1.7	1.7
Employees	2.723	2.673	2.584

*Rome, October 24<sup>th</sup>, 2012* - The Board of Directors of Gruppo Editoriale L'Espresso S.p.A. met today in Rome under the chairmanship of Carlo De Benedetti, and approved the consolidated results at September 30, 2012.

## MARKET OUTLOOK

The deteriorating economic situation, characterised by a period of definitely severe recession and great uncertainty about future prospects, has heavily weighed on the publishing industry.

Advertising investments have recorded a sharp contraction: in fact, the first eight months of year 2012 evidenced a 10.5% downturn over the corresponding period of year 2011 (source: Nielsen Media Research). The negative performance of consumer spending induced all the most important economic sectors (food, transportation, TLC, fashion and cosmetics, housing, etc.) to heavily cut advertising.

Moreover, the contraction in advertising investments has worsened over the year, from -7.5% in the first quarter to -11.6% in the second quarter and, finally, to -14.9% in the two-month (July-August) period (source: Nielsen Media Research).

This trend was negative for all traditional media: between January and August, the press sector was down 14.8%, television 10.9% (-14.5% for traditional TV and +15.7% for satellite and digital terrestrial TV) and radio 7.4%. In contrast, advertising sales on the Internet - except for search engines not surveyed - have kept performing well, and posted an 11% increase.

As regards the press in particular, dailies and magazines have recorded considerable downturns (respectively -13.9% and -16.2%) with almost similar decreases in advertising at both the national and local levels.

In terms of circulation, as in the past years, the performance is still recording a decline which is affecting both dailies and magazines (no current ADS data are available for a comparison with the previous year however internal assessments have evidenced a decline near to 7% for dailies).

## PERFORMANCE OF GRUPPO ESPRESSO RESULTS IN THE FIRST NINE MONTHS OF YEAR 2012

**The Group's consolidated revenues** amount to €94M, down 9.1% on the corresponding period of year 2011 (€53.7M). This is due to the contraction of advertising revenues deriving from the market performance and contraction of activity in add-on products.

**Circulation revenues**, net of add-on products, amounted to €199.3M, down 3% on the corresponding period of the previous year (€205.5M); this might be considered a limited decline vis-à-vis a market situation characterized by severe decrease in consumer spending and gradual decline of interest in press media.

According to most recent ADS (August 2012) and Audipress data (2012/II Survey) once again *la Repubblica* ranks first among the Italian daily newspapers in terms of newsstand sales, and first information daily in terms of readership (3.2 million).

Moreover, a new kind of audience is taking shape - willing to buy daily newspaper digital products - which in September 2012 reached over 50 thousand active subscribers.

The latest Audipress figures also show that *L'Espresso* ranks first among the news magazines, with 2.7 million readers, up 1.6% on the previous survey.

Finally, in June 2012, the significant programme aimed at renovating the 18 local newspapers was completed, through which all these titles will share new, full-colour graphics; in addition, a totally integrated press-Web publishing system was introduced.

**Advertising revenues**, equal to €342.4M, have recorded a 10.1% downturn over the corresponding period of the previous year, in a market which in August has recorded a 10.5% decline.

The trend of each single media is basically a reflection of general market performances; anyway, the results displayed on all the above media are slightly more favorable to the Group.

During the first nine months of the year, the Group's press media suffered a 14.2% downturn (market in August: -14.8%) and radio a 6.7% downturn (market in August: -7.4%).

The performance of advertising in the Internet, expanding by 14.3% vis-à-vis +11% of the market, was absolutely positive and confirmed the brilliant results of the most recent years, even in a definitely unfavourable framework.

The Group can rely upon a daily audience of 1.7 million users; once again *Repubblica.it* ranks first among the information websites displayed in Italian, and is 20% ahead of the second-placed. Moreover, audiences of the Group's local daily newspapers and "D" (the website dedicated to women) are increasing in a remarkable way.

**Revenues from add-on products** amount to €34M and are suffering a severe downturn (-35.1%) over the corresponding period of year 2011, produced by generalized consumer spending depression and gradual contraction of the specific market, that is going on since year 2007, after a phase of intense activity.

**Other revenues**, amounting to €18.3M, have increased by over 20% vis-à-vis the first nine months of 2011, thanks to the growing rental of digital terrestrial television bandwidth to third parties.

**Total costs** show a 5.2% reduction, mainly as a result of the new plans aimed at reducing headcount and costs, implemented during the course of year 2011.

The average staff of the period has decreased by 4.8% over the corresponding period of the previous year, from 2,765 to 2,632 employees. Further cost reduction implemented in year 2012 has mostly concerned the Group's industrial and administrative areas.

The **consolidated gross operating profit** amounts to €2.8M, down 26.1% on €12M of the corresponding period of year 2011.

About half of this downturn is due to lower margins on add-on products, and the remainder to press and radio activities, which were hit by a decrease in advertising revenues.

In contrast, the Internet area is improving results, thanks to the grow of revenues, likewise the television sector, thanks to the increased bandwidth rental activity.

The **consolidated operating profit** amounts to €4.3M, down 35.6% on €8.3M reached in the corresponding period of the previous year (€8.3M).

The **consolidated net result** has recorded €6.4M profits vis-à-vis €11.4M reached in the first nine months of year 2011.

The **consolidated net financial position**, taking into account dividends amounting to €25M and purchases of own shares amounting to €1.6M, as of September 30, 2012 came to -€05.1M, vis-à-vis -€12.4M as of September 30, 2011.

End of September 2012 the Group staff, including term contracts, was reduced to 2.584 employees, 89 down as of December 31, 2011. The average staff of the period is 4.8% down on the first nine months of year 2011.

## MAIN ECONOMIC RESULTS OF THE FIRST QUARTER OF YEAR 2012

Consolidated results(€m)	Third Quarter	Third Quarter	Δ% 2012/2011
	2011	2012	
Revenues	196.3	174.2	-11.3%
Gross operating profit	30.5	22.0	-27.9%
Operating profit	21.3	12.2	-42.7%
Pre-tax profit	17.8	9.1	-48.7%
Net profit	9.9	5.2	-47.4%

The third quarter performance confirms the trend lines identified during the course of the first half-year, with a slightly more pronounced decrease in revenues and results due to a more critical performance of advertising sales.

**Consolidated revenues** have decreased by 11.3%, with a 14.2% decline in advertising sales; the remaining revenues show performances in line with the first half-year.

**Consolidated operating profit** amounts to €12.2M vis-à-vis €11.3M of the third quarter of year 2011; **Consolidated Net Profit** amounts to €5.2M (€9.9M in the corresponding period of year 2011).

\*\*\*

The company's Director of Administration and Accounts, Gabriele Acquistapace, manager in charge of drafting corporate and accounting records, pursuant to subparagraph 2 art. 154 bis of "Testo Unico delle Finanze" (finance act), states that the accounting information included in this press release corresponds to the documents results, the books and the accounting record.

\*\*\*

#### **SUBSEQUENTS EVENTS AND OUTLOOK**

The present economic scenario, uncertain prospects in the short and medium term, and structural evolutions taking place in the press and more general in communication media, have determined, again in year 2012, considerable reductions in revenues of the publishing sector. Early signs from the fourth quarter, concerning in particular advertising sales, do not suggest improvement.

The above situation negative impact on the publishing sector results is extremely evident, and well mirrored by the half-year financial statements published by leading operators of this sector.

Despite the foregoing, the Group has closed the first nine months with a meaningfully positive result, and confirms the positive results in net profit can be achieved all along the year, even if sensibly down on year 2011.

The structural nature of the current crisis requires the Group to be once again committed to take actions to safeguard its profitability in the short and medium term, address to further cost reduction and boost digital products.

CONTACTS:

**DIREZIONE CENTRALE**

**RELAZIONI ESTERNE**

Stefano Mignanego

Tel.: +39 06 84787434

e-mail: [dir-relaz-esterne@gruppoespresso.it](mailto:dir-relaz-esterne@gruppoespresso.it)

[www.gruppoespresso.it](http://www.gruppoespresso.it)

## Gruppo Espresso

### Consolidated Income Statement

(€ million)	Jan - Sept 2011	Jan - Sept 2012
Revenues	653,7	594,0
Change in inventories	0,5	0,1
Other operating income	7,9	16,3
Purchases	(71,5)	(66,5)
Services received	(266,9)	(251,8)
Other operating charges	(11,3)	(18,2)
Investments valued at equity	0,7	0,7
Personnel costs	(201,1)	(191,8)
Depreciation, amortization and write-downs	(27,7)	(28,5)
<b>Operating profit</b>	<b>84,3</b>	<b>54,3</b>
Financial income (expense)	(10,8)	(8,9)
<b>Pre-tax profit</b>	<b>73,5</b>	<b>45,4</b>
Income taxes	(32,1)	(19,0)
<b>Net profit</b>	<b>41,4</b>	<b>26,4</b>
Minority interests	0,0	(0,0)
<b>GROUP NET PROFIT</b>	<b>41,4</b>	<b>26,4</b>
Earnings per share, basic	0,104	0,067
Earnings per share, diluted	0,097	0,062

### Consolidated Comprehensive Income Statement

(€ million)	Jan - Sept 2011	Jan - Sept 2012
<b>NET PROFIT</b>	<b>41,4</b>	<b>26,4</b>
<b>Other components of comprehensive income statement:</b>		
Profit / (Loss) from valuation of available-for-sale assets	(1,5)	2,1
Taxes on other profits / (losses)	0,4	(0,6)
<b>Other components of comprehensive income statement, after taxes</b>	<b>(1,1)</b>	<b>1,5</b>
<b>TOTAL COMPREHENSIVE INCOME STATEMENT</b>	<b>40,3</b>	<b>28,0</b>
<b>Total comprehensive income statement, of which:</b>		
Parent Company's shareholders	40,3	27,9
Minority Interests	(0,0)	0,0

*Not audited data*

Gruppo Espresso  
Consolidated Income Statement - 3<sup>rd</sup> Quarter

(€million)	3 <sup>rd</sup> Quarter 2011	3 <sup>rd</sup> Quarter 2012
Revenues	196,3	174,2
Change in inventories	(0,1)	0,1
Other operating income	1,4	1,2
Purchases	(22,4)	(19,7)
Services received	(81,6)	(75,6)
Other operating charges	(2,3)	(2,1)
Investments valued at equity	0,2	0,2
Personnel costs	(61,1)	(56,5)
Depreciation, amortization and write-downs	(9,2)	(9,8)
<b>Operating profit</b>	<b>21,3</b>	<b>12,2</b>
Financial income (expense)	(3,5)	(3,1)
<b>Pre-tax profit</b>	<b>17,8</b>	<b>9,1</b>
Income taxes	(7,8)	(3,8)
<b>Net profit</b>	<b>9,9</b>	<b>5,3</b>
Minority interests	0,0	(0,1)
<b>GROUP NET PROFIT</b>	<b>9,9</b>	<b>5,2</b>

Consolidated Comprehensive Income Statement - 3<sup>rd</sup> Quarter

(€million)	3 <sup>rd</sup> Quarter 2011	3 <sup>rd</sup> Quarter 2012
<b>NET PROFIT</b>	<b>9,9</b>	<b>5,3</b>
<b>Other components of comprehensive income statement:</b>		
Profit / (Loss) from valuation of available-for-sale assets	(1,0)	0,7
Taxes on other profits / (losses)	0,3	(0,2)
<b>Other components of comprehensive income statement, after taxes</b>	<b>(0,7)</b>	<b>0,5</b>
<b>TOTAL COMPREHENSIVE INCOME STATEMENT</b>	<b>9,2</b>	<b>5,8</b>
<b>Total comprehensive income statement, of which:</b>		
Parent Company's shareholders	9,2	5,7
Minority Interests	(0,0)	0,1

*Not audited data*



# Gruppo Espresso

## Consolidated Balance Sheet

<b>ASSETS</b> (€ million)	December, 31 2011	September, 30 2012
Intangible assets with an indefinite useful life	659,8	659,8
Other intangible assets	1,8	6,5
<b>Intangible assets</b>	<b>661,7</b>	<b>666,3</b>
Property, plant and equipment	162,8	149,7
Investments valued at equity	28,9	28,7
Other investments	2,5	2,6
Non-current receivables	1,1	1,1
Deferred tax assets	28,9	25,2
<b>NON-CURRENT ASSETS</b>	<b>885,9</b>	<b>873,7</b>
Inventories	22,0	18,9
Trade receivables	248,5	197,6
Marketable securities and other financial assets	48,7	40,9
Tax receivables	10,5	18,4
Other receivables	14,1	26,8
Cash and cash equivalents	141,4	132,4
<b>CURRENT ASSETS</b>	<b>485,3</b>	<b>435,0</b>
<b>TOTAL ASSETS</b>	<b>1.371,2</b>	<b>1.308,6</b>

<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b> (€ million)	December, 31 2011	September, 30 2012
Share capital	61,5	61,5
Reserves	183,3	178,8
Retained earnings (loss carry-forwards)	259,8	299,3
Net profit (loss) for the period	58,6	26,4
<b>Group Shareholders' Equity</b>	<b>563,3</b>	<b>566,1</b>
Minority interests	1,7	1,7
<b>SHAREHOLDERS' EQUITY</b>	<b>565,0</b>	<b>567,8</b>
Financial debt	285,1	250,2
Provisions for risks and charges	40,0	32,2
Employee termination indemnity and other retirement benefits	68,1	64,8
Deferred tax liabilities	118,2	122,6
<b>NON-CURRENT LIABILITIES</b>	<b>511,3</b>	<b>469,7</b>
Financial debt	15,2	28,2
Provisions for risks and charges	39,0	36,7
Trade payables	133,3	110,2
Tax payables	31,6	27,0
Other payables	75,7	69,1
<b>CURRENT LIABILITIES</b>	<b>294,9</b>	<b>271,2</b>
<b>TOTAL LIABILITIES</b>	<b>806,2</b>	<b>740,9</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>1.371,2</b>	<b>1.308,6</b>

*Not audited data*

# Gruppo Espresso

## Changes in the Consolidated Net Financial Position

(€ million)	Jan-Sept 2011	Jan-Sept 2012
<b>SOURCES OF FUNDS</b>		
Net profit (loss) for the period, including minority interests	41,4	26,4
Depreciation, amortization and write-downs	27,7	28,5
Accruals to provisions for stock option costs	1,9	1,4
Net change in provisions for personnel costs	(4,6)	(3,3)
Net change in provisions for risks and charges	0,4	(10,1)
Losses (gains) on disposal of fixed assets	(2,6)	(0,0)
Adjustments for investments valued at equity	0,0	0,1
<b>Cash flow from operating activities</b>	<b>64,1</b>	<b>43,1</b>
Decrease (Increase) in non-current receivables	(0,0)	(0,0)
Increase in liabilities/Decrease in deferred tax assets	8,6	8,2
Increase in payables/Decrease in tax receivables	6,2	(12,5)
Decrease (Increase) in inventories	(2,8)	3,1
Decrease (Increase) in trade and other receivables	28,3	38,2
Increase (Decrease) in trade and other payables	(29,3)	(29,8)
<b>Change in current assets</b>	<b>10,9</b>	<b>7,1</b>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>75,0</b>	<b>50,2</b>
Increases in share capital and reserves	0,6	-
Other changes	-	1,5
<b>TOTAL SOURCES OF FUNDS</b>	<b>75,6</b>	<b>51,7</b>
<b>USES OF FUNDS</b>		
Net investments in fixed assets	(15,8)	(20,0)
Net equity investments	(2,2)	(0,0)
(Acquisition) sale of treasury stocks	(3,9)	(1,6)
Dividends (paid)	(29,8)	(25,0)
Other changes	(1,3)	(0,0)
<b>TOTAL USES OF FUNDS</b>	<b>(53,0)</b>	<b>(46,6)</b>
<b>Financial surplus (deficit)</b>	<b>22,6</b>	<b>5,1</b>
<b>BEGINNIG NET FINANCIAL POSITION</b>	<b>(135,0)</b>	<b>(110,2)</b>
<b>ENDING NET FINANCIAL POSITION</b>	<b>(112,4)</b>	<b>(105,1)</b>

*Not audited data*

# Gruppo Espresso

## Statement of Consolidated Cash Flows

(€ million)	Jan-Sept 2011	Jan-Sept 2012
<b>OPERATING ACTIVITIES</b>		
Net profit (loss) for the period, including minority interests	41,4	26,4
Adjustments:		
- Depreciation, amortization and write-downs	27,7	28,5
- Accruals to provisions for stock option costs	1,9	1,4
- Net change in provisions for personnel costs	(4,6)	(3,3)
- Net change in provisions for risks and charges	0,4	(10,1)
- Losses (gains) on disposal of fixed assets	(2,6)	(0,0)
- Losses (gains) on disposal of equity investments and marketable securities	0,1	0,2
- Adjustments for investments valued at equity	0,0	0,1
- Dividends (received)	(0,0)	(0,0)
<b>Cash flow from operating activities</b>	<b>64,1</b>	<b>43,2</b>
<b>Change in current assets and other flows</b>	<b>19,2</b>	<b>13,4</b>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>83,4</b>	<b>56,6</b>
of which:		
Interest received (paid)	0,4	0,9
Received (outlay) for income taxes	(14,0)	(26,9)
<b>INVESTING ACTIVITIES</b>		
Outlay for purchase of fixed assets	(20,7)	(20,4)
Outlay for purchase of equity investments	(2,2)	(0,0)
Received on disposals of fixed assets	4,8	0,4
(Acquisition) sale of marketable securities and available-for-sale assets	(6,4)	11,7
Dividends received	0,0	0,0
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>(24,4)</b>	<b>(8,3)</b>
<b>FINANCIAL ACTIVITIES</b>		
Increases in capital and reserves	0,6	-
(Acquisition) sale of treasury stocks	(3,9)	(1,6)
Issue (repayment) of bond	(10,6)	(28,8)
Issue (repayment) of other financial debt	(7,0)	(5,5)
Dividends (paid)	(29,8)	(25,0)
Other changes	(0,3)	(0,0)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>(51,0)</b>	<b>(60,9)</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>8,0</b>	<b>(12,6)</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>134,5</b>	<b>141,4</b>
<b>NET CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>	<b>142,4</b>	<b>128,8</b>

*Not audited data*

## Gruppo Espresso

### Consolidated Net Financial Position

(€million)	September, 30 2011	December, 31 2011	September, 30 2012
Financial receivables from Group companies	0,2	0,2	0,2
Financial payables to Group companies	-	-	-
Cash and bank deposits	142,4	141,3	132,2
Current account overdrafts	(0,2)	(0,0)	(3,6)
<b>Net cash and cash equivalents</b>	<b>142,4</b>	<b>141,4</b>	<b>128,8</b>
Marketable securities and other financial assets	67,8	48,7	40,9
Bond issue	(277,4)	(261,7)	(241,4)
Other bank debt	(45,1)	(38,5)	(33,4)
Other financial debt	(0,2)	(0,1)	(0,0)
<b>Other financial assets (liabilities)</b>	<b>(254,9)</b>	<b>(251,6)</b>	<b>(233,9)</b>
<b>NET FINANCIAL POSITION</b>	<b>(112,4)</b>	<b>(110,2)</b>	<b>(105,1)</b>

*Not audited data*