Gruppo Editoriale L'Espresso Spa

**PRESS RELEASE**

"Price sensitive" press release in compliance with the Finance Act and Consob Regulations

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

*The Board of Directors examines results as of first half of 2011*

**CONSOLIDATED GROWING BY 2.8%, AT €457.4 MN**
**OPERATING PROFIT GROWING BY 11.1%, AT €63 MN**
**NET PROFIT GROWING BY 10.1%, AT €31.5 MN**

ESPRESSO GROUP FINANCIAL RESULTS AS OF JUNE 30, 2011

| **Consolidated data (€mn)** | *First Half 2010* | *First Half 2011* | *Delta % 2011/2010* |
|---|---|---|---|
| Revenues, of which: | 445.1 | 457.4 | +2.8% |
| • circulation | 171.2 | 170.0 | -0.7% |
| • advertising | 264.9 | 274.4 | +3.6% |
| • others | 8.9 | 13.0 | +45.0% |
| Gross operating profit | 74.7 | 81.5 | +9.0% |
| Operating profit | 56.7 | 63.0 | +11.1% |
| Pre-tax Profit | 51.4 | 55.7 | +8.4% |
| Net Profit | 28.6 | 31.5 | +10.1% |

| **(€mn)** | *June 30 2010* | *December 31 2010* | *June 30 2011* |
|---|---|---|---|
| Net Financial Position | (183.9) | (135.0) | (150.7) |
| Shareholders' Equity including minority interests | 525.2 | 543.3 | 546.1 |
| • Shareholders' Equity | 515.4 | 539.4 | 542.4 |
| • Minority interests | 9.8 | 3.9 | 3.6 |
| Employees | 2,908 | 2,789 | 2,752 |

*Rome, July 20, 2011* - 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 financial statements as of the first half of 2011.

## MARKET OUTLOOK

The Italian economy scenario of year 2010, characterized by weak signs of growth and uncertainty over future perspectives, is stretching over year 2011.

This framework has reflected over the advertising market that, in the first five months of year 2011 has recorded a 2.8% decline vis-à-vis the corresponding period of 2010 (Nielsen Media Research).

The negative performance has affected all the traditional media: TV has recorded a 2.3% overall negative performance despite the development of digital channels and *pay-tv*; radio and publishing have decreased respectively by 8.4% and 5%. Definitely bucking the trend, the Internet is the only medium which could realize a sharp increase (+15.6%) again.

More specifically, as far as publishing is concerned, daily newspapers sales have recorded a 7% contraction, that is -4% in paid newspapers and a sharp decline in free press; in contrast, the 1.4% decline of periodicals can be considered as a good result, with a slightly positive performance of weeklies.

In terms of circulation, ADS data (moving average over 12 months to March 2011, on a like-for-like basis) show a fall in newsstand sales equal to 5.3% for dailies, 1.5% for weeklies and 7.2% for monthlies.

## COMMENTS ON THE ESPRESSO GROUP RESULTS OVER THE FIRST HALF OF 2011

In spite of the above framework, over the first half of 2011the Espresso Group has recorded a positive performance, with an increase in revenues and financial performance.

The Group's **consolidated revenues** amount to €457.4mn, increasing by 2.8% vis-à-vis the first half of 2010 (€445.1mn).

**Circulation revenues** amount to €170mn, substantially in line with the corresponding period of the previous year (€171.2mn).

The performance of circulation revenues shows that sales of *la Repubblica*, periodicals and add-on products have confirmed their stability; circulation of local daily newspapers has recorded a weaker performance, still, revenues have benefited from the price increase applied, early in the year, to 7 of the Group's 18 local titles.

**Advertising revenues**, equal to €274.4mn, have increased by 3.6% over the first half of 2010, markedly bucking the trend with respect to the critical market performance.

The Group's publishing sector has increased by 0.9%, despite the difficulties affecting the whole sector (-5% in May) over the period under consideration; the positive performance has involved all the Group's titles, the national daily newspaper *la Repubblica* and all local dailies and periodicals; it could be attained also thanks to the successful renewall in particular of *L'Espresso* and of a number of local dailies.

The Internet advertising has realized a very positive evolution, recording a 15.5% increase, in line with this sector dynamics. After substituting the *All Music* TV station at the end of year 2009, also *DeejayTv*, with a 7.7% increase in advertising, has maintained its lively trend and confirmed that this channel repositioning has proved valuable.

Finally, radio advertising sales, including third-party sales, has recorded a 5.5% decrease, that is lower than the market decline (-8.4%).

**Other revenues**, equal to €13mn, have increased by 45% with respect to the first half of 2010, thanks to the outcomes of the renting of digital terrestrial television frequency bands to third parties.

**Total operating costs** have recorded a 1.5% increase, fully ascribable to the development of digital editions and digital terrestrial television network; costs of the traditional *core business* (publishing and radio), after a 17% reduction realized at December 31, 2010, show a further 0.9% cost-saving, as structural reduction of costs has offset increases in paper costs, postal service, and higher promotion costs aimed at supporting products.

The **consolidated Gross Operating Profit** amounts to €81.5mn, increasing by 9% vis-à-vis €74.7mn of the first half of 2010.

The **consolidated Operating Profit** amounts to €63mn, increasing by 11.1% with respect to €56.7mn of the corresponding period of the previous year, and shows profitability equal to 13.8% (12.7% in the first half of 2010).

Improvement regards in particular the national publishing sector (*la Repubblica* and periodicals), thanks to good revenue performance and to a further decline in operating costs, which enabled the absorption of raw material price increase. Moreover, the digital sector contribution is increasing as determined by revenue increase, even if with higher operating costs linked to the products development and promotion.

Local dailies maintain 15% profitability, even if they are recording a slight performance decline due to operating cost increase linked to raw materials prices and full color extension; some new reorganization measures were adopted in the course of the year, aimed at restoring the balance in future.

Finally, as far as radio is concerned, profitability is still over 40%, in spite of a slight operating profit decline ascribable to the weak performance of the advertising market.

The **consolidated Net Profit** has realized a €31.5mn profit, as compared to €28.6mn of the first half of 2010.

In the first half of 2011, before dividend distribution, **net cash flow** amounted to €14mn, vis-à-vis €9.3mn of the corresponding period of the previous year (plus €15mn of capital gains from disposal of investments). Taking into account dividends amounting to €29.8mn, the **consolidated net financial position**, from -€135mn at the end of year 2010, has attained -€150.7mn as of June 30, 2011.

The **Group staff** - including term contracts – at the end of June totaled 2,752 people, and the average staff of the period is 5.9% lower than in the first half of 2010.

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Alessandro Alacevich, Central Director of Finance and Administration, Manager in charge of drafting corporate and accounting records, pursuant to subparagraph 2 article 154bis of Testo Unico delle Finanze (Finance Act), states that the accounting information included in this press release corresponds to the documented results, the books and the accounting records.

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Gruppo Editoriale
**L'Espresso** Spa

**SUBSEQUENT EVENTS AND OUTLOOK**

The first months of 2011 have disclosed again a difficult market situation for the publishing sector, characterized by a fall in advertising, while circulation dynamics are confirming the same erosion suffered over the latest years.

For the second half-year, the persistence of a low growth of the economy and of uncertainty over the macro-economic perspectives does not enable to foresee any market performance notably different from the current one.

In this framework, as demonstrated by the performance improvement of the first half-year, the Group is going on with the activity aimed at fighting against the unfavorable trend of the reference sector, through a series of interventions to be carried out on the traditional products, development of the digital sector, good dynamics of the concessionaire and uninterrupted attention to cost-saving.

During the first half-year of 2011, a totally new version of *L'Espresso* was launched; the vast program to renew the Group's 18 local daily newspapers was launched starting with *Il Piccolo* and *Il Messaggero Veneto*, with interventions on formats, graphics, and full color. Finally, the launch of the new edition of *Velvet* was implemented.

As regards the digital sector development, the new brand "D" site dedicated to the women was launched in the traditional web, while L'Espresso and Velvet were made available on Tablets, in new versions especially conceived for these platforms.

Moreover, consistently with the plan to *switch off* towards digital terrestrial television, the Group is carrying out a network infrastructure development for its two multiplexes, and the commercialization of the available transmission capacity.

In view of the above, and if the economic scenario does not further deteriorate, at the end of the year the Group should presumably be in a position to register improvements of both revenues and results with respect to the previous year.

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# Gruppo Espresso
## Consolidated Income Statement

| (€ thousand) | 1st Half 2010 | 1st Half 2011 |
|---|---|---|
| Revenues | 445.056 | 457.357 |
| Change in inventories | 117 | 535 |
| Other operating income | 6.025 | 6.549 |
| Purchases | (46.984) | (49.075) |
| Services received | (171.566) | (185.315) |
| Other operating charges | (11.634) | (9.048) |
| Investments valued at equity | 529 | 493 |
| Personnel costs | (146.807) | (140.038) |
| Depreciation, amortization and write-downs | (18.033) | (18.464) |
| **Operating profit** | **56.703** | **62.994** |
| Financial income (expense) | (5.271) | (7.268) |
| **Pre-tax profit** | **51.432** | **55.726** |
| Income taxes | (22.892) | (24.280) |
| **Net profit** | **28.540** | **31.446** |
| Minority interests | 34 | 8 |
| **GROUP NET PROFIT** | **28.574** | **31.454** |
| Earnings per share, basic | 0,070 | 0,078 |
| Earnings per share, diluted | 0,066 | 0,073 |

## Consolidated Comprehensive Income Statement

| (€ thousand) | 1st Half 2010 | 1st Half 2011 |
|---|---|---|
| **NET PROFIT** | **28.540** | **31.446** |
| **Other components of comprehensive income statement:** | | |
| Profit / (Loss) from valuation of available-for-sale assets | 201 | (498) |
| Taxes on other profits / (losses) | (55) | 137 |
| **Other components of comprehensive income statement, after taxes** | **146** | **(361)** |
| **TOTAL COMPREHENSIVE INCOME STATEMENT** | **28.686** | **31.085** |
| **Total comprehensive income statement, of which:** | | |
| Parent Company's shareholders | 28.720 | 31.093 |
| Minority Interests | (34) | (8) |

*Not completely audited data*

# Gruppo Espresso
## Consolidated Balance Sheet

| **ASSETS**<br>(€ thousand) | December, 31<br>2010 | June, 30<br>2011 |
|---|---|---|
| Intangible assets with an indefinite useful life | 656.419 | 656.402 |
| Other intangible assets | 2.230 | 1.903 |
| Intangible assets | 658.649 | 658.305 |
| Property, plant and equipment | 181.730 | 168.406 |
| Investments valued at equity | 28.602 | 28.366 |
| Other investments | 2.530 | 2.589 |
| Non-current receivables | 1.286 | 1.327 |
| Deferred tax assets | 33.884 | 30.137 |
| **NON-CURRENT ASSETS** | **906.681** | **889.130** |
| Inventories | 17.044 | 18.744 |
| Trade receivables | 234.738 | 243.382 |
| Marketable securities and other financial assets | 60.390 | 82.614 |
| Tax receivables | 10.898 | 17.864 |
| Other receivables | 18.771 | 19.538 |
| Cash and cash equivalents | 134.957 | 97.117 |
| **CURRENT ASSETS** | **476.798** | **479.259** |
| **TOTAL ASSETS** | **1.383.479** | **1.368.389** |

| **LIABILITIES AND SHAREHOLDERS' EQUITY**<br>(€ thousand) | December, 31<br>2010 | June, 30<br>2011 |
|---|---|---|
| Share capital | 61.463 | 61.534 |
| Reserves | 196.118 | 189.205 |
| Retained earnings (loss carry-forwards) | 231.705 | 260.220 |
| Net profit (loss) for the period | 50.123 | 31.454 |
| **Group Shareholders' Equity** | **539.409** | **542.413** |
| Minority interests | 3.906 | 3.621 |
| **SHAREHOLDERS' EQUITY** | **543.315** | **546.034** |
| Financial debt | 313.339 | 307.230 |
| Provisions for risks and charges | 40.117 | 39.439 |
| Employee termination indemnity and other retirement benefits | 71.957 | 69.720 |
| Deferred tax liabilities | 114.362 | 117.013 |
| **NON-CURRENT LIABILITIES** | **539.775** | **533.402** |
| Financial debt | 17.013 | 23.216 |
| Provisions for risks and charges | 35.555 | 33.635 |
| Trade payables | 143.856 | 128.758 |
| Tax payables | 22.058 | 30.797 |
| Other payables | 81.907 | 72.547 |
| **CURRENT LIABILITIES** | **300.389** | **288.953** |
| **TOTAL LIABILITIES** | **840.164** | **822.355** |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | **1.383.479** | **1.368.389** |

*Not completely audited data*

# Gruppo Espresso

## Changes in the Consolidated Net Financial Position

| (€ thousand) | Jan-June 2010 | Jan-June 2011 |
|---|---|---|
| SOURCES OF FUNDS | | |
| Net profit (loss) for the period, including minority interests | 28.540 | 31.446 |
| Depreciation, amortization and write-downs | 18.033 | 18.464 |
| Accruals to provisions for stock option costs | 1.114 | 1.292 |
| Net change in provisions for personnel costs | (8.579) | (2.237) |
| Net change in provisions for risks and charges | (8.039) | (2.598) |
| Losses (gains) on disposal of fixed assets | (618) | (2.305) |
| Losses (gains) on disposal of equity investments | (3.499) | - |
| Write-down (revaluation) of investments | 6 | - |
| Adjustments for investments valued at equity | 210 | 236 |
| **Cash flow from operating activities** | **27.168** | **44.298** |
| Decrease (Increase) in non-current receivables | (70) | (41) |
| Increase in liabilities/Decrease in deferred tax assets | 10.274 | 6.398 |
| Increase in payables/Decrease in tax receivables | 11.688 | 1.773 |
| Decrease (Increase) in inventories | 3.641 | (1.700) |
| Decrease (Increase) in trade and other receivables | (4.759) | (9.411) |
| Increase (Decrease) in trade and other payables | (28.364) | (15.280) |
| **Change in current assets** | **(7.590)** | **(18.261)** |
| **CASH FLOW FROM OPERATING ACTIVITIES** | **19.578** | **26.037** |
| Deconsolidation of assets of sold subsidiaries | 14.233 | - |
| Net disinvestments in equity | 3.499 | - |
| Increases in share capital and reserves | 71 | 580 |
| Other changes | 146 | - |
| **TOTAL SOURCES OF FUNDS** | **37.527** | **26.617** |
| USES OF FUNDS | | |
| Net investment in fixed assets | (13.183) | (11.669) |
| Net equity investments | - | (59) |
| (Acquisition) sale of treasury stocks | (91) | (210) |
| Dividends paid | - | (29.751) |
| Other changes | - | (638) |
| **TOTAL USES OF FUNDS** | **(13.274)** | **(42.327)** |
| **Financial surplus (deficit)** | **24.253** | **(15.710)** |
| **BEGINNIG NET FINANCIAL POSITION** | **(208.195)** | **(135.005)** |
| **ENDING NET FINANCIAL POSITION** | **(183.942)** | **(150.715)** |

*Not completely audited data*

# Gruppo Espresso

## Statement of Consolidated Cash Flows

| (€ thousand) | Jan-June 2010 | Jan-June 2011 |
|---|---|---|
| OPERATING ACTIVITIES | | |
| Net profit (loss) for the period, including minority interests | 28.540 | 31.446 |
| Adjustments: | | |
| - Depreciation, amortization and write-downs | 18.033 | 18.464 |
| - Accruals to provisions for stock option costs | 1.114 | 1.292 |
| - Net change in provisions for personnel costs | (7.312) | (2.237) |
| - Net change in provisions for risks and charges | (8.039) | (2.598) |
| - Losses (gains) on disposal of fixed assets | (618) | (2.305) |
| - Losses (gains) on disposal of equity investments and marketable securities | (4.010) | - |
| - Adjustments in value of financial assets | 6 | - |
| - Adjustments for investments valued at equity | 210 | 236 |
| - (Dividends received) | - | (24) |
| **Cash flow from operating activities** | **27.924** | **44.274** |
| **Change in current assets and other flows** | **2.461** | **(13.236)** |
| **CASH FLOW FROM OPERATING ACTIVITIES** | **30.385** | **31.038** |
| of which: | | |
| Interest received (paid) | (816) | 624 |
| Received (outlay) for income taxes | (2.379) | (13.990) |
| INVESTING ACTIVITIES | | |
| Outlay for purchase of fixed assets | (13.975) | (16.142) |
| Outlay for purchase of equity investments | - | (59) |
| Received on disposals of fixed assets | 2.766 | 4.473 |
| (Acquisition) sale of marketable securities and available-for-sale assets | (42.046) | (21.126) |
| Dividends received | - | 24 |
| **CASH FLOW FROM INVESTING ACTIVITIES** | **(53.255)** | **(32.830)** |
| FINANCIAL ACTIVITIES | | |
| Increases in capital and reserves | 71 | 580 |
| (Acquisition) sale of treasury stocks | (91) | (210) |
| Issue (repayment) of bond | (12.524) | - |
| Issue (repayment) of other financial debt | (7.108) | (7.015) |
| Dividends paid | - | (29.751) |
| Other changes | - | (277) |
| **CASH FLOW FROM FINANCING ACTIVITIES** | **(19.652)** | **(36.673)** |
| **Increase (decrease) in cash and cash equivalents** | **(42.522)** | **(38.465)** |
| **Cash and cash equivalents at beginning of the period** | **134.400** | **134.450** |
| **CASH AND CASH EQUIVALENTS AT END OF THE PERIOD** | **91.878** | **95.985** |

*Not completely audited data*

# Gruppo Espresso
## Consolidated Net Financial Position

| (€ thousand) | June, 30 2010 | December, 31 2010 | June, 30 2011 |
|---|---|---|---|
| Financial receivables from Group companies | 950 | 153 | 157 |
| Financial payables to Group companies | - | - | - |
| Cash and bank deposits | 95.064 | 134.804 | 96.960 |
| Current account overdrafts | (4.136) | (507) | (1.132) |
| **Net cash and cash equivalents** | **91.878** | **134.450** | **95.985** |
| Marketable securities and other financial assets | 68.803 | 60.390 | 82.614 |
| Bond issue | (285.753) | (278.015) | (284.241) |
| Other bank debt | (58.484) | (51.577) | (44.630) |
| Other financial debt | (386) | (253) | (443) |
| **Other financial assets (liabilities)** | **(275.820)** | **(269.455)** | **(246.700)** |
| **NET FINANCIAL POSITION** | **(183.942)** | **(135.005)** | **(150.715)** |

*Not completely audited data*