

## “PRICE SENSITIVE” PRESS RELEASE IN COMPLIANCE WITH THE FINANCE ACT AND CONSOB REGULATIONS

The Espresso Group: The Board of Directors approved the consolidated financial statements of the first half 2009.

### SUMMARY

The Board of Directors of Gruppo Editoriale L'Espresso S.p.A. met today in Rome at 11:00 a.m. under the chairmanship of Mr. Carlo De Benedetti, and approved the consolidated financial statements of the first half 2009.

The most significant results, compared with the corresponding period of 2008:

<b>(€mn) consolidated data</b>	<i>1st Half</i>	<i>1st Half</i>	<i>Δ% 2009/2008</i>
<b>Revenues, of which:</b>	<b>543,2</b>	<b>449,3</b>	<b>-17,3%</b>
Circulation	135.2	132.7	-1.9%
Advertising	323.3	246.2	-23.8%
add-on products	72.0	61.2	-15.0%
Gross Operating Profit	96.7	40.6	-58.1%
Operating Profit	75.5	19.3	-74.4%
Pre-tax Profit	66.7	10.6	
Net Profit	36.4	0.1	

<b>(€mn)</b>	<i>June 30 2008</i>	<i>December 31 2008</i>	<i>June 30 2009</i>
Net Financial Position	(328.8)	(278.9)	(249.1)
Shareholders' Equity including minority interests	508.3	489.3	488.7
Shareholders' Equity	497.7	478.4	478.3
Minority interests	10.6	10.8	10.4
Employees	3,450	3,344	3,208

### PRESS RELEASE

#### Market outlook

The results attained by the Espresso Group over the first half 2009 have to be analysed in the framework of the heavy crisis that is currently weighing on the economy and, in particular, on the reference market.

Since the fall of 2008 the serious recession that has hit the economy has produced - as widely publicized - a significant contraction of the advertising market, that in the last quarter of 2008 has recorded an overall decline equal to 9.5% and equal to 13.4% in the publishing sector.

According to the figures published by Nielsen Media Research, since January 2009 this contraction has significantly worsened: in the first five months of the year advertising investments have recorded an overall decline of 17.5%, and of 25.1% in the publishing sector, with daily newspapers dropping by 22.2% and magazines by 29.5%.

The abovementioned contraction has affected also the radio sector, in which advertising revenues dropped by 18.6%; the only performance with a positive trend was advertising on the Internet which, nonetheless, has equally recorded a slowdown (+7.8%).

As far as trends are concerned the recent monthly data show that the market has slightly improved, this being likely due more to the progressive decline recorded in 2008 than to the real appearance of a recovery.

Alongside the general decline in consumption, in the first half of 2009 circulation of daily newspapers and magazines equally recorded a slowdown: decline in sales was respectively 5.5% in daily newspapers, 6.1% in weekly magazines and 8.2% in monthly titles (source ADS).

## **Gruppo Espresso first-half 2009 financial report**

**The Group's consolidated net profit** over the first half 2009 was equal to €449.3mn, with a decline of 17.3% on the corresponding period of 2008 (€543.2mn).

**Advertising revenues**, amounting to €246.2mn, show an overall reduction of 23.8% with a slightly improving trend in the second quarter (-21.3%) on the previous quarter (-26.8%). Advertising revenues of daily newspapers, with a decline of 19%, are recording a decrease lower than the reference market, while the other Group's media are showing trends substantially in line with the trends of the respective markets.

**Circulation revenues**, net of add-on products, amounted to €132.7mn and show a good resiliency (-1.9% on the corresponding period of 2008). In particular, circulation revenues from daily newspapers are in line with 2008 thanks to the stability of sales of local dailies and to the increased newsstands sales of *la Repubblica* over the latest few months. In contrast, magazines show a decline in line with the market trends.

As far as circulation is concerned, the local daily newspapers have recorded values in line with the first half of 2008, thus confirming the higher resiliency of this sector and the

strength of the Group's titles; in contrast, *la Repubblica* and *L'espresso* have recorded a decline that was also determined by the decision to eliminate or reduce some highly promotional, but unprofitable, circulation initiatives.

Finally, **Revenues from add-on products** have suffered a reduction of 15% to €61.2mn, that, nonetheless, should be considered a positive performance as it was attained in a market recording a severe contraction.

**Consolidated Gross Operating Profit** amounts to €40.6mn with respect to €96.7mn of the first-half 2008, showing a decline of 58.1%. It must be noticed that the impact of the drastic reduction of advertising revenues was partially offset by the significant structural reduction on operating costs (-12.1%), realized thanks to the current reorganization plan that at full speed will produce a cost reduction of 17% (€140mn) with respect to year 2008. It must be noticed however that the implementation of the abovementioned plan entails extraordinary expense that has had an impact on the profit and loss account of the first half-year.

The **consolidated operating profit** amounts to €19.3mn (€75.5mn in the first-half of 2008) and the **consolidated net profit** to €0.1mn (€36.4mn in the corresponding period of 2008); this year again the local daily newspapers and the radio sectors are showing a good profitability; while a loss was recorded by the divisions of *la Repubblica* and *L'espresso*, that have reflected the much more severe reductions in advertising revenues, that have hit their reference markets.

The **consolidated net financial position** improved from an indebtedness of €278.9mn at the end of 2008 to an indebtedness of €249.1mn as of June 30 2009, with a financial surplus of €29.8mn generated by a current cash flow of to €46mn, equal to the one generated during the first half of 2008, and by investments amounting to €14.6mn (vis-à-vis €33.9mn of the corresponding period of 2008).

At the end of June 2009 the **employees** of the Group - including term contracts - totalled 3,208 persons, 242 less (-7%) than at the end of June 2008 and 136 less with respect to the end of 2008, reflecting – even if still only partially – the effects of the ongoing restructuring plans.

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Alessandro Alacevich, Central Director of Finance and Administration, *dirigente preposto alla redazione dei documenti contabili societari* (manager in charge of drafting the accounting and corporate records), pursuant to subparagraph 2 article 154bis of Testo Unico della Finanza (Finance Act) states that the accounting information included in this

press release corresponds to the documented results, the books and the accounting records.

### **Expected trend of operations**

Over the first half-year the market recorded a drastic reduction in advertising investments on the previous year and the recent monthly performance shows an almost stable situation.

In the abovementioned extremely critical framework, the Group is implementing a complex plan of measures aimed at both counterbalancing the declining revenues' impact on profitability and to ensure the necessary development.

In particular, a number of necessary actions has been started to adjust the structure of costs to the decline of the market, setting out interventions that will entail overall structural savings equal to around €140mn (-17%) with respect to the costs of 2008: this amount will enable to significantly counterbalance the impacts on the Group's revenues produced by the current reduction of advertising investments.

A new impulse was given to the commercial activities that in the first-half of the year have already enabled the Group's media to show a recovery of competitiveness in the advertising market.

In addition, managerial skills were strengthened in order to better enhance the development of contents on the new platforms.

Finally, the quality of the journalistic effort of the Group's titles is supported also by the circulation trend that is better than the reference market.

The trend of operation for the rest of the year is tightly linked to the uncertainty of the development in the economic situation; nonetheless, at present no significant changes are foreseen vis-à-vis the reported results.

### **Company's Contacts**

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Rome, July 23 2009

## Gruppo Espresso

### Consolidated Income Statement

(€ thousand)	1 <sup>st</sup> Half 2008	1 <sup>st</sup> Half 2009
Revenues	543.201	449.257
Change in inventories	(1.605)	(136)
Other operating income	9.775	5.778
Purchases	(80.245)	(62.638)
Services received	(203.028)	(177.869)
Other operating charges	(12.969)	(11.445)
Investments valued at equity	478	443
Personnel costs	(158.910)	(162.838)
Depreciation, amortization and write-downs	(21.200)	(21.258)
<b>Operating profit</b>	<b>75.497</b>	<b>19.294</b>
Financial income (expense)	(8.843)	(8.739)
<b>Pre-tax profit</b>	<b>66.654</b>	<b>10.555</b>
Income taxes	(29.822)	(10.398)
<b>Net profit</b>	<b>36.832</b>	<b>157</b>
Minority interests	(395)	(36)
<b>GROUP NET PROFIT</b>	<b>36.437</b>	<b>121</b>
Earnings per share, basic	0,090	n.s.
Earnings per share, diluted	0,086	n.s.

*Not completely audited data*

# Gruppo Espresso

## Consolidated Balance Sheet

<b>ASSETS</b> (€ thousand)	December, 31 2008	June, 30 2009
Intangible assets with an indefinite useful life	656.093	656.473
Other intangible assets	4.311	3.356
Intangible assets	660.404	659.829
Property, plant and equipment	220.980	208.653
Investments valued at equity	27.750	27.744
Other investments	2.568	2.568
Non-current receivables	1.486	1.408
Deferred tax assets	47.633	49.687
<b>NON-CURRENT ASSETS</b>	<b>960.821</b>	<b>949.889</b>
Inventories	27.703	21.987
Trade receivables	258.309	225.041
Marketable securities and other financial assets	50	7.412
Tax receivables	20.848	29.299
Other receivables	23.507	25.234
Cash and cash equivalents	120.693	139.076
<b>CURRENT ASSETS</b>	<b>451.110</b>	<b>448.049</b>
<b>TOTAL ASSETS</b>	<b>1.411.931</b>	<b>1.397.938</b>

<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b> (€ thousand)	December, 31 2008	June, 30 2009
Share capital	61.385	61.385
Reserves	245.853	215.634
Retained earnings (loss carry-forwards)	150.583	201.182
Net profit (loss) for the period	20.624	121
<b>Group Shareholders' Equity</b>	<b>478.445</b>	<b>478.322</b>
Minority interests	10.813	10.371
<b>SHAREHOLDERS' EQUITY</b>	<b>489.258</b>	<b>488.693</b>
Financial debt	379.768	366.425
Provisions for risks and charges	24.123	23.615
Employee termination indemnity and other retirement benefits	90.946	85.194
Deferred tax liabilities	108.032	109.570
<b>NON-CURRENT LIABILITIES</b>	<b>602.869</b>	<b>584.804</b>
Financial debt	19.923	29.192
Provisions for risks and charges	34.739	48.071
Trade payables	147.595	131.272
Tax payables	19.263	27.849
Other payables	98.284	88.057
<b>CURRENT LIABILITIES</b>	<b>319.804</b>	<b>324.441</b>
<b>TOTAL LIABILITIES</b>	<b>922.673</b>	<b>909.245</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>1.411.931</b>	<b>1.397.938</b>

*Not completely audited data*

# Gruppo Espresso

## Changes in the Consolidated Net Financial Position

(€ thousand)	1 <sup>st</sup> Half 2008	1 <sup>st</sup> Half 2009
<b>SOURCES OF FUNDS</b>		
Net profit (loss) for the period, including minority interests	36.832	157
Depreciation, amortization and write-downs	21.200	21.258
Accruals to provisions for stock option costs	255	843
Net change in provisions for personnel costs	(1.135)	(5.752)
Net change in provisions for risks and charges	322	12.824
Losses (gains) on disposal of fixed assets	(1.502)	17
Adjustments for investments valued at equity	(217)	6
<b>Cash flow from operating activities</b>	<b>55.755</b>	<b>29.353</b>
Decrease (Increase) in non-current receivables	43	78
Increase in liabilities/Decrease in deferred tax assets	7.149	(516)
Increase in payables/Decrease in tax receivables	2.693	135
Decrease (Increase) in inventories	(385)	5.716
Decrease (Increase) in trade and other receivables	(773)	31.541
Increase (Decrease) in trade and other payables	(19.281)	(20.345)
<b>Change in current assets</b>	<b>(10.554)</b>	<b>16.609</b>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>45.201</b>	<b>45.962</b>
Net disinvestments in equity investments	120	-
<b>TOTAL SOURCES OF FUNDS</b>	<b>45.321</b>	<b>45.962</b>
<b>USES OF FUNDS</b>		
Net investment in fixed assets	(33.942)	(14.578)
(Acquisition) sale of treasury stocks	(5.560)	(1.087)
Dividends (paid)	(68.821)	-
Other changes	(893)	(478)
<b>TOTAL USES OF FUNDS</b>	<b>(109.216)</b>	<b>(16.143)</b>
<b>Financial surplus (deficit)</b>	<b>(63.895)</b>	<b>29.819</b>
<b>BEGINNIG NET FINANCIAL POSITION</b>	<b>(264.870)</b>	<b>(278.948)</b>
<b>ENDING NET FINANCIAL POSITION</b>	<b>(328.765)</b>	<b>(249.129)</b>

*Not completely audited data*

# Gruppo Espresso

## Statement of Consolidated Cash Flows

(€ thousand)	1 <sup>st</sup> Half 2008	1 <sup>st</sup> Half 2009
<b>OPERATING ACTIVITIES</b>		
Net profit (loss) for the period, including minority interests	36.832	157
Adjustments:		
- Depreciation, amortization and write-downs	21.200	21.258
- Accruals to provisions for stock option costs	255	843
- Net change in provisions for personnel costs	(1.135)	(5.752)
- Net change in provisions for risks and charges	322	12.824
- Losses (gains) on disposal of fixed assets	(1.502)	17
- Losses (gains) on disposal of investments and marketable securities	-	(1.822)
- Adjustments for investments valued at equity	(217)	6
- Dividends (received)	(99)	(24)
<b>Cash flow from operating activities</b>	<b>55.656</b>	<b>27.507</b>
<b>Change in current assets and other flows</b>	<b>(6.210)</b>	<b>23.417</b>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>49.446</b>	<b>50.924</b>
of which:		
Interest received (paid)	797	(952)
Received (outlay) for income taxes	(18.286)	(12.430)
<b>INVESTING ACTIVITIES</b>		
Outlay for purchase of fixed assets	(36.195)	(16.186)
Received on disposals of fixed assets	2.470	1.608
Public grants received	2.956	155
(Purchase) sale of marketable securities and available-for-sale assets	-	(7.210)
Dividends received	99	24
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>(30.670)</b>	<b>(21.609)</b>
<b>FINANCING ACTIVITIES</b>		
(Acquisition) sale of treasury stocks	(5.560)	(1.087)
Issue (repayment) of bond	-	(3.250)
Issue (repayment) of other financial debt	(8.863)	(8.218)
Dividends (paid)	(68.821)	-
Other changes	(773)	(478)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>(84.017)</b>	<b>(13.033)</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>(65.241)</b>	<b>16.282</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>152.127</b>	<b>120.670</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>	<b>86.886</b>	<b>136.952</b>

*Not completely audited data*