

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

**The Espresso Group: 2006 Consolidated Net Profit equal to €103.6 millions; dividend equal to €0,16 per share (+10% over 2005)**

### **SUMMARY**

#### **2006 Consolidated Financial Statements**

The Board of Directors of Gruppo Editoriale L'Espresso S.p.A. met today in Rome under the chairmanship of Carlo De Benedetti, to examine the Consolidated Financial Statements of 2006.

The most important consolidated results, compared with the previous year, are summarized here below:

(€mn) consolidated data	2005	2006	Δ %
Revenues	1,079.9	1,102.6	+2.1%
Of which:			
• Circulation	466.6	458.9	-1.6%
• Advertising	585.7	615.8	+5.1%
Operating Profit before contributions	155.7	156.9	+0.8%
Operating Profit	177.5	163.3	-8%
Financial Income / (Expense)	(25.6)	(19.6)	
Net Profit	116.3	103.6	
Shareholders' Equity	550	562.8	
Net Financial Position	(252.6)	(262.7)	
Employees	3,397	3,384	

#### **Proposal of dividend**

The Board of Directors proposed to the Shareholders' Meeting, called to be held on April 18, 2007, to distribute a dividend, gross of legal deductions, amounting to €0.16 per share, for a total amount of €67.7mn, increased by 10%, compared with €0.145 per share in the previous year. The dividend will be paid on April 26, 2007, against detachment of coupon n. 11, on April 23, 2007.

## **PRESS RELEASE**

### **Comments on the Consolidated Financial Statements**

The Espresso Group closed 2006 with increased consolidated revenues and profits, compared with the previous year. The consolidated revenues increased by 2.1% and the consolidated Operating Profit - net of the impact of paper contributions granted in 2005 - reached €156.9mn, with a 0.8% increase and a stable operating margin exceeding 14%.

These results were produced through the improvement of profitability, achieved notwithstanding the slight decrease of optional products, whose profits are still remarkable, though reduced by the downward trend of the market. Notably, the increased volume of advertising (+5.1%) and the good trend of circulation enabled to enhance from 10.8% to 11.3% the incidence of *ante*-optionals Operating Margin, notwithstanding the increased price of paper (+4.5%) and printing materials (+3%), inertial increase of labour cost (+2.5% for journalists), and the start-up costs for the TV network All Music and for the new publishing initiatives (Metropoli, Velvet and RepubblicaTV).

Advertising increased from €585.7mn in 2005 to €615.8mn in 2006 and benefited from the competitive advantage that Espresso Group holds in the media sector as the only Italian company capable of proposing a multimedia portfolio of titles (daily newspapers, magazines, the Internet, radio, analog and digital TV) leaders in the reference markets. Since the second quarter of the year, advertising revenues in la Repubblica and local papers showed growth rates steadily holding more than 1 percentage point over the competitors, while magazines and supplements recorded a positive, almost doubled, variation, compared with the market (source FCP). The above results were possible mainly thanks to the acquisition of new clients - notably in the sector of consumer goods - who are migrating from the generalist TV, which is progressively losing audience and market share.

Circulation recorded a downward trend of 1.6%, that is a decrease to €458.9mn from €466.6mn of 2005, due to the reduced sales of optional products (22 millions paper and multimedia items in 2006, nearly 26 millions in 2005).

In contrast, the negative effect on revenues caused by strikes (12 days in 2006 for la Repubblica and 10 for the local dailies) was counterbalanced by the good trend of la Repubblica circulation (averaging 628 thousand daily copies) and L'espresso (395 thousand weekly copies), as well as by the increase to €1 cover price made by some local dailies. This variation did not produce any further negative effect on the circulation that totalled an average of 452 thousand copies per issue.

Over the year, the Group has recorded a positive performance of all media, also as regards readership and traffic.

La Repubblica confirmed itself, for the fifth consecutive survey and with a growing trend, the most widely read newspaper in Italy, with over 3 million readers; L'espresso recorded over 2.3 million readers and the local dailies 3.2 million readers (Audipress).

In December, the Group's network of Internet sites reached 9.5 million unique users and 339 million page views. With an increase of 45% over the year, Repubblica.it reached 6.7 million unique users, which is over 1/3 of the Italian internet users.

This steady increase was possible also thanks to the websites' multimediality (RepubblicaTV totalled over 410 thousand unique users), the interactivity created through blogs (27 thousand with 300 thousand unique users), the opening of sections dedicated to audio and video contents directly produced by users and the integration between web and mobile platforms, which enabled the delivery on demand of programmes and of the more interesting contents.

As regards the radio audience data, a 4% increase was recorded, compared with 2005. Radio DeeJay confirmed its first position among the Italian private radio stations, with 5.8 million average daily listeners, reaching 13.7 million weekly listeners; Radio Capital has reached over 2 million daily listeners and 6.6 million weekly listeners, while m2o reached 1.1 million daily listeners and 2.9 million weekly listeners (Audiradio).

Positive audience data were recorded also for All Music which - according to IPSOS - in October totalled more than 2.8 million viewers aged 15-34, thus confirming its first place as the TV channel dedicated to young people with the highest audience increase in the latest months. Since mid-June this channel is also delivered via satellite, through the Sky network.

Besides strengthening its existing products, in 2006 the Group has also launched new projects involving both print and multimedia publishing activities. A weekly publication devoted to the multiethnic community called Metropoli was launched, as well as Velvet, a monthly magazine dedicated to fashion and glamour. Moreover some new initiatives were tested on the Internet (DeeJay Store, an online music store, and MioJob, a job search portal); a substantial boost was given to the integration of the media distribution platforms, thus enabling the audience to see/listen to the same contents through numerous media even at different times: for example, the radio programme called *DeeJay Chiama Italia* was broadcast simultaneously through the Group's radio and TV stations and also made available for downloading from the Internet.

The consolidated Net financial indebtedness as of December 31, 2006 amounted to €262.7mn, with a modest increase of €10.1mn, compared with €252.6mn of end 2005, thanks to the good Operating Cash Flow trend (€121.9mn) counterbalanced by the distribution of dividends for a total amount of €62.5mn, purchases of 8,150,000 own shares for €32.8mn and investments for a total amount of €38.3mn.

### **Comment on the outstanding bond loan issues**

The company, with the BBB- with stable outlook rating awarded by Standard&Poor's, has an outstanding bond loan issue of € 300 million, expiring in October 2014. The bond issue is listed on the Luxembourg Stock Exchange and pays an annual coupon equal to 5.125%.

### **Financial Statements of the Parent Company**

The Parent Company closed the year with a Net Profit of €85.9mn, which has grown, compared with €83.1mn of the corresponding period of the previous year. Revenues were equal to €657.9mn, +1.3%, compared with € 649.2mn of 2005. The Operating Profit before contributions increased from €70.6mn to €73.8mn, thanks to the good trend of advertising and the substantially stable trend of optional products. Gross of contributions, which produce a differential impact higher than €13mn over the 2-year term, the Operating Profit decreased from € 87.3mn to € 77.1mn.

### **Operating performance over the first months of 2007**

Over the first months of the year advertising sales keep growing within all of the Group's media.

L'espresso circulation is keeping a good trend too, benefiting from the great interest arising from some important reportages made by the magazine.

Since January 1st, 2007 la Repubblica has increased its cover price to €1 and has not suffered from any negative effect on circulation, which is in line with the latest months of 2006.

Compared with the previous years' trend, the optional products are showing a decline, related to the lower absorption capability of the market and to the increasingly aggressive competition.

Considering the above framework, the management is expecting an increase in advertising revenues and a reduction in revenues and profits of the optional products. In any case, this year the Consolidated Net Profit will be lower than in 2006, because it will no longer benefit from the deferred tax assets related to accumulated losses of subsidiaries.

The Board, taking into account the difficult scenario of both the international and the domestic market, has recommended the management a growing attention to the costs trends and their improvement, deeming as not opportune, at the state of things, contrary to other publishing groups, the enforcing of generalized restructuring plans.

### **Verification of requisites for independence of the Members of the Board of Directors**

The Board of Directors has verified its Members' requisites for independence and confirmed that the following Members are entitled: Prof. (Ms) Agar Brugiavini, Mr. Mario Greco and Mr. Luca Paravicini Crespi.

### **Proposal submitted to the Shareholders' Meeting to revoke the existing proxy and to authorize a new proxy for share buyback.**

The Board of Directors deliberated to propose to the Shareholders' Meeting to revoke, for the time left and for the non-utilized part, the existing proxy for share buyback and simultaneously confer a new proxy. Also considering the capital structure of the Group, the buyback could be a good lever to create value in favour of the shareholders. The required proxy has the following characteristics: a) duration: 18 months after the first day subsequent to approval by the Shareholders' Meeting; b) maximum number of ordinary shares that may be purchased: 20,000,000, equal to about 4,6% of Share Capital; c) the price of each share buyback must neither be 10% higher nor 10% lower of the reference price registered by ordinary shares in the regulated market trading session prior to each operation.

### **Bylaws amendment**

The Board of Directors deliberated to submit to the Extraordinary Shareholders' Meeting a number of Bylaws amendments aimed at complying with the new regulations on savings.

The main amendments provide that: 1) slate voting should be adopted to appoint the Board Members; some of them should be independent, and criteria for evaluation should be adopted; 2) shareholders holding a participation of at least 2.5% should be entitled to integrate the Shareholder's meeting agenda; 3) honorableness criteria should be

established as required for Board Members and General Managers; 4) the assignment of the Manager entrusted with the preparation of the accounting records should be introduced; 5) at least 2 Statutory Auditors should be entitled to call the Shareholders' Meeting and every single Auditor to call the Board of Directors Meeting.

### **Call of Ordinary and Extraordinary Shareholders' Meeting**

The Ordinary and Extraordinary Shareholders' Meeting will be called in first convocation at 11.00 a.m. on April 18, 2007 at FIEG headquarters in Rome, via Piemonte, 64 and, if necessary, in second convocation the next day, same time, same venue.

The Ordinary Shareholders' Meeting, besides approving the Annual Financial Statements and the proposal for the distribution of the Net Profit of the year, shall also deliberate on the appointment of the 2007 - 2015 independent auditors and the proposal of revoking the existing proxy and reassigning the new proxy to the Board for share buyback. Information concerning the incentive plans for Employees and the Managing Director will also be provided.

The Extraordinary Shareholders' Meeting shall deliberate on the above-mentioned Bylaws amendments.

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### **Company's contacts**

The text of this press release is also available on the Company's website [www.gruppoespresso.it](http://www.gruppoespresso.it)

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February 21, 2007

## Gruppo Espresso

### Consolidated Income Statement

(€ thousand)	Year 2005	Year 2006
Revenues	1.079.919	1.102.565
Change in inventories	2.094	(327)
Other operating income	34.454	17.284
Purchases	(158.922)	(171.407)
Services received	(433.297)	(439.622)
Other operating charges	(19.463)	(17.021)
Investments valued at equity	1.344	1.407
Personnel costs	(283.890)	(288.464)
Depreciation, amortization and write-downs	(44.772)	(41.165)
<b>Operating profit</b>	<b>177.468</b>	<b>163.250</b>
Financial income (expense)	(25.560)	(19.601)
<b>Pre-tax profit</b>	<b>151.908</b>	<b>143.649</b>
Income taxes	(35.116)	(39.750)
<b>Net profit</b>	<b>116.792</b>	<b>103.899</b>
Minority interests	(456)	(338)
<b>GROUP NET PROFIT</b>	<b>116.336</b>	<b>103.561</b>
Earnings per share, basic	0,271	0,243
Earnings per share, diluted	0,262	0,234

# Gruppo Espresso

## Consolidated Balance Sheet

<b>ASSETS</b> (€ thousand)	31 December 2005	31 December 2006
Intangible assets with an indefinite useful life	633.552	638.163
Other intangible assets	4.476	4.432
<b>Total intangible assets</b>	<b>638.028</b>	<b>642.595</b>
Property, plant and equipment	249.975	233.337
Investments valued at equity	23.925	27.007
Other investments	4.072	4.043
Non-current receivables	2.610	3.075
Deferred tax assets	47.494	68.667
<b>NON-CURRENT ASSETS</b>	<b>966.104</b>	<b>978.724</b>
Inventories	32.186	35.631
Trade receivables	266.391	285.804
Marketable securities	52	50
Tax receivables	59.921	37.205
Other receivables	22.631	25.437
Cash and cash equivalents	204.942	172.643
<b>CURRENT ASSETS</b>	<b>586.123</b>	<b>556.770</b>
<b>TOTAL ASSETS</b>	<b>1.552.227</b>	<b>1.535.494</b>

<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b> (€ thousand)	31 December 2005	31 December 2006
Share capital	65.072	65.150
Reserves	342.462	344.215
Retained earnings (loss carry-forwards)	26.138	49.828
Net profit (loss)	116.336	103.561
<b>Group Shareholders' Equity</b>	<b>550.008</b>	<b>562.754</b>
Minority interests	10.775	10.526
<b>SHAREHOLDERS' EQUITY</b>	<b>560.783</b>	<b>573.280</b>
Financial debt	432.606	413.898
Provisions for risks and charges	13.369	12.018
Employee termination indemnity and other retirement benefits	104.954	107.704
Deferred tax liabilities	102.556	110.818
<b>NON-CURRENT LIABILITIES</b>	<b>653.485</b>	<b>644.438</b>
Financial debt	25.015	21.517
Provisions for risks and charges	10.029	12.500
Trade payables	196.707	175.989
Tax payables	16.145	22.769
Other payables	90.063	85.001
<b>CURRENT LIABILITIES</b>	<b>337.959</b>	<b>317.776</b>
<b>TOTAL LIABILITIES</b>	<b>991.444</b>	<b>962.214</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>1.552.227</b>	<b>1.535.494</b>

# Gruppo Espresso

## Statement of Consolidated Cash Flows

(€ thousand)	Year 2005	Year 2006
<b>OPERATING ACTIVITIES</b>		
Net profit (loss), including minority interests	116.792	103.899
Adjustments:		
- Depreciation, amortization and write-downs	44.772	41.165
- Accruals to provisions for stock option costs	3.073	2.780
- Net change in provisions for personnel costs	7.866	2.750
- Net change in provisions for risks and charges	103	531
- (Gains) losses on disposal of fixed assets	(259)	(712)
- (Gains) losses on sale of investments and securities	(665)	-
- Adjustments for financial assets	977	603
- Adjustments for investments valued at equity	(209)	(142)
- Dividends (received)	(35)	(19)
<b>Cash flow from operating activities</b>	<b>172.415</b>	<b>150.855</b>
<b>Change in current assets and other flows</b>	<b>(58.541)</b>	<b>(28.921)</b>
<b>CASH FLOW FROM OPERATIONS</b>	<b>113.874</b>	<b>121.934</b>
of which:		
Interest received (paid) through banks	(23.600)	(17.439)
Received (outlay) for income taxes	(57.956)	(13.533)
<b>INVESTING ACTIVITIES</b>		
Outlay for purchase of fixed assets	(59.806)	(37.529)
Outlay for purchase of equity investments	(108.907)	(2.940)
Received on disposals of fixed assets	1.000	1.849
Public grants received	78	267
(Purchase) sale of securities and available-for-sale assets	20.437	2
Dividends received	35	19
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>(147.163)</b>	<b>(38.332)</b>
<b>FINANCING ACTIVITIES</b>		
Increases in capital and reserves	3.705	1.641
(Acquisition) of treasury stocks	(1.351)	(32.768)
Issue (repayment) of bonds	(190.980)	-
Issue (repayment) of other financial debt	99.064	(12.383)
(Dividends paid)	(55.833)	(62.468)
Other changes	(686)	(587)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>(146.081)</b>	<b>(106.565)</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>(179.370)</b>	<b>(22.963)</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>374.617</b>	<b>195.247</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>	<b>195.247</b>	<b>172.284</b>



# Gruppo Editoriale L'Espresso SpA

## Income Statement

(€ thousand)	Year 2005	Year 2006
Revenues	649.192	657.905
Change in inventories	2.043	(1.011)
Other operating income	22.852	7.222
Purchases	(116.232)	(122.957)
Services received	(334.793)	(332.543)
Other operating charges	(9.155)	(6.243)
Personnel costs	(111.837)	(112.035)
Depreciation, amortization and write-downs	(14.734)	(13.251)
<b>Operating profit</b>	<b>87.336</b>	<b>77.087</b>
Financial income (expense)	(21.503)	(14.958)
Dividends	47.176	56.320
<b>Pre-tax profit</b>	<b>113.009</b>	<b>118.449</b>
Income taxes	(29.880)	(32.521)
<b>NET PROFIT</b>	<b>83.129</b>	<b>85.928</b>

# Gruppo Editoriale L'Espresso SpA

## Balance Sheet

<b>ASSETS</b> (€ thousand)	31 December 2005	31 December 2006
Intangible assets with an indefinite useful life	220.661	220.661
Other intangible assets	3.369	2.811
<b>Total intangible assets</b>	<b>224.030</b>	<b>223.472</b>
Property, plant and equipment	74.133	68.035
Other investments	379.552	391.694
Non-current receivables	727	348
Deferred tax assets	16.668	14.734
<b>NON-CURRENT ASSETS</b>	<b>695.110</b>	<b>698.283</b>
Inventories	27.791	30.398
Trade receivables	118.861	119.112
Tax receivables	38.766	25.117
Other receivables	9.894	11.194
Cash and cash equivalents	230.093	219.313
<b>CURRENT ASSETS</b>	<b>425.405</b>	<b>405.134</b>
<b>TOTAL ASSETS</b>	<b>1.120.515</b>	<b>1.103.417</b>

<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b> (€ thousand)	31 December 2005	31 December 2006
Share capital	65.072	65.150
Reserves	163.350	131.896
Retained earnings (loss carry-forwards)	26.133	49.828
Net profit (loss)	83.129	85.928
<b>SHAREHOLDERS' EQUITY</b>	<b>337.684</b>	<b>332.802</b>
Financial debt	345.250	338.744
Provisions for risks and charges	7.582	6.970
Employee termination indemnity and other retirement benefits	45.556	47.576
Deferred tax liabilities	35.117	40.677
<b>NON-CURRENT LIABILITIES</b>	<b>433.505</b>	<b>433.967</b>
Financial debt	168.377	168.319
Provisions for risks and charges	2.993	2.848
Trade payables	132.589	115.232
Tax payables	6.803	12.128
Other payables	38.564	38.121
<b>CURRENT LIABILITIES</b>	<b>349.326</b>	<b>336.648</b>
<b>TOTAL LIABILITIES</b>	<b>782.831</b>	<b>770.615</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>1.120.515</b>	<b>1.103.417</b>

# Gruppo Editoriale L'Espresso SpA

## Statement of Cash Flows

(€ thousand)	Year 2005	Year 2006
OPERATING ACTIVITIES		
Net profit (loss), including minority interests	83.129	85.928
Adjustments:		
- Depreciation, amortization and write-downs	14.734	13.251
- Accruals to provisions for stock option costs	3.073	2.780
- Net change in provisions for personnel costs	3.776	2.020
- Net change in provisions for risks and charges	(1.292)	(757)
- (Gains) losses on disposal of fixed assets	7	22
- (Gains) losses on sale of investments and securities	142	-
- Adjustments for financial assets	-	6
- Dividends (received)	(47.176)	(56.320)
<b>Cash flow from operating activities</b>	<b>56.393</b>	<b>46.930</b>
<b>Change in current assets and other flows</b>	<b>(29.340)</b>	<b>6.386</b>
<b>CASH FLOW FROM OPERATIONS</b>	<b>27.053</b>	<b>53.316</b>
of which:		
Interest received (paid) through banks	(22.527)	(13.653)
Received (outlay) for income taxes	(17.588)	(5.162)
INVESTING ACTIVITIES		
Outlay for purchase of fixed assets	(15.705)	(9.008)
Outlay for purchase of equity investments	(123.532)	(12.148)
Received on disposals of fixed assets	-	303
(Purchase) sale of securities and available-for-sale assets	20.204	-
Dividends received	47.176	56.320
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>(71.857)</b>	<b>35.467</b>
FINANCING ACTIVITIES		
Increases in capital and reserves	3.705	1.641
(Acquisition) of treasury stocks	(1.351)	(32.768)
Issue (repayment) of bonds	(190.980)	-
Issue (repayment) of other financial debt	28.123	(4.316)
(Dividends paid)	(55.833)	(62.468)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>(216.336)</b>	<b>(97.911)</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>(261.140)</b>	<b>(9.128)</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>330.499</b>	<b>69.359</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>	<b>69.359</b>	<b>60.231</b>