

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

The Espresso Group: during the first nine months of 2006 consolidated revenues have increased by 3.3% over 2005; net profit to €65.4 millions.

SUMMARY

Quarterly report on the consolidated results as of September 30, 2006

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 analysed the consolidated results of the first nine months of 2006.

(€mn) consolidated data	Year2005	Jan-Sept 2005	Jan-Sept 2006	Δ% 2006/2005
Revenues	1,079.9	787.7	814.1	+3.3%
G.O.P. (before contributions)	200.5	149.2	141.7	-5%
Gross Operating Profit	222.2	166.8	145.2	-12.9%
Depreciation and devaluation	(44.8)	(32.2)	(30.3)	-5.6%
O.P. (before contributions)	155.7	117	111.3	-4.9%
Operating profit	177.5	134.6	114.9	-14.7%
Net Financial Income/ (Expense)	(25.6)	(17.4)	(15.1)	-13.3%
Profit before taxes	151.9	117.2	99.8	-14.9%
Net profit	116.3	65.4	65.6	+0.2%
Shareholders' Equity	550	496.4	525	
Net financial position	(252.6)	(241.8)	(240)	

The quarterly report as of September 2006 was prepared in accordance with the provisions of art. 82 of Consob Regulations n.11971/1999 (as amended by Resolution n. 14990 dated April 14, 2005) and Annex 3D of above-mentioned Regulations.

PRESS RELEASE

Comments on the consolidated results as of September 30, 2006

In the first nine months of 2006 the Espresso Group reported consolidated revenues equal to €814.1mn, an increase of 3.3% over the same period of the previous year. The growth was generated by advertising revenues (+5.3%) and in particular print media (+5% as a whole) and the Internet area (+60%).

Extending the comparison to competitors, the Group's daily newspapers have attained - in advertising revenues - growth rates higher than those of the reference markets: +2% in the first 8 months up to August (source FCP), with an acceleration starting from February.

In order to beat the competition - in a rather dull market - and attain a more brilliant trend for advertising sales, the idea of a multimedia portfolio (print, radio, TV, internet) was developed: a diversification that only the Espresso Group can offer and that permitted it to conquer new customers who are seeking a range of proposals alternative to the audience of generalist TV, which is currently in decline, at least as regards quality.

If compared with 2005, the consolidated operating profit for the first nine months of 2006 was affected by the lack of about €14mn contributions on paper purchases, discontinued for the current year. Net of all contributions, the consolidated operating profit declined from €117mn in 2005 to €111.3mn in 2006: the good trend of advertising sales and circulation has in fact only partly absorbed the reduced income from optional products, also due to the changes made in the timing of their issue over the months, the increased price of raw materials and labour cost, and the start up costs for *All Music*, *Repubblica Tv*, and *Metropoli* (la Repubblica supplement dedicated to immigrants).

In the same period, the market position of titles was likewise positive vis-à-vis circulation, users, and audience.

In September the Group's internet sites totaled 9.4 million unique users and 408 million page views. A decisive thrust towards this new attainment came through the innovation of the sites' graphics and contents, the launching of sections dedicated to podcasting and to the (audio-video) contributions directly produced by users.

La Repubblica confirmed - in the fourth consecutive survey and with an increasing trend - to be the most widely read newspaper in Italy, with over 3 million readers and it has reached an average daily circulation of 627 thousand copies per issue. *L'espresso*, with over 2.3 million readers, surpassed 405 thousand weekly copies, while the circulation of local dailies, which totaled 3.2 million readers, reached 478 thousand copies per issue.

The Group's radio stations, as a whole, confirmed their leadership among the Italian private radio stations with an audience of nearly 9 million daily listeners (equal to 3% increase over the previous survey) and 23 million weekly listeners (4% increase). *Radio DeeJay* reached 13.7 million weekly listeners and 5.8 million daily listeners; *Radio Capital* reached a daily audience of over 2 million listeners and a weekly audience of 6.5 million listeners; *m2o* has maintained 1 million daily listeners and 2.8 million weekly listeners.

An acknowledgment about the audience came also for *All Music* which, according to a survey carried out by IPSOS research institute, attained 2.7 million daily viewers of the audience aged between 15 and 34, one third of which were conquered in less than one year. Since mid-June this TV station is also broadcast via satellite within the Sky bouquet.

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Net Profit of third quarter and first nine months of 2006 benefited from a lower tax expense due to the allocation, in addition to the 2005 allocation, of deferred tax assets related to the losses carried forward by the subsidiary Elemedia SpA, which will be completed by 2006.

The consolidated net financial indebtedness from €252.6mn as of December 31, 2005 decreased to €240mn by end-September. The high cash flow generated by operating activities (€146.5mn) has, in fact, more than offset the payment of dividends (€62.5mn), the capital expenditure (€30.7mn) and the purchase of 7,700,000 own shares (€31mn), thus reducing the Group's indebtedness.

Main events following the first nine months of the current year, and expected evolution of operations

On November 9 it will be issued *Velvet*, monthly magazine supplement of la Repubblica which will bring an innovative outlook on fashion, luxury and glamour.

The last quarter of the current year is showing positive trends as regards both advertising sales and the optional products sold with the Group's titles.

The initiatives currently on the market are being appreciated by the public, and their results will overcome those recorded in the fourth quarter of 2005 even if, over the year, the margins of collaterals will be slightly lower if compared with the previous year because of the heavier competition.

In connection with the above-mentioned aspects and considering the increased cover price of some of the Group's local titles, occurred in August, it is foreseeable that both revenues and results of the fourth quarter will exceed those of the previous year.

Annual consolidated operating profit, net of the effect of contributions, should be therefore basically in line with the one achieved in the previous year.

Third quarter 2006: most significant economic results

Consolidated quarterly results (€mn)	3 rd Quarter 2005	3 rd Quarter 2006	Δ% 2006/2005
Revenues	220.2	212.6	-3.5%
Operating profit before contributions	16.4	7.9	-51.6%
Operating profit	26.1	9.2	-64.9%
Net profit	10.6	10.8	+1.6%

Government contributions have significantly affected the third quarter results, as last year's records had reported all the 2005 contributions on paper purchases following,

in the second half of the year, the authorization granted to the Italian Government by the European authorities.

Moreover, the third quarter was negatively affected – as above described – by a different timing of the issue of optional products coupled to the Group's titles, only partly offset by the increased advertising revenues (+2.7%).

As described in the first part of this report, net profit includes the effect of the deferred tax assets related to the losses carried forward by the subsidiary Elemedia.

Comments on current bond issues

The Company, with a BBB- with positive outlook rating assigned by Standard&Poor's, in October 2004 placed a €300mn, 10-year bond (paying a 5.125% annual coupon), listed on the Luxembourg Stock Exchange.

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Company's contacts

The text of this press release is also available on the Company's website www.gruppoespresso.it.

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Rome, October 18, 2006

Gruppo Espresso

Consolidated Income Statement

(€ million)	Jan - Sept 2005	Jan - Sept 2006
Revenues	787,7	814,1
Change in inventories	1,2	(0,5)
Other operating income	23,2	11,1
Purchases	(114,7)	(126,8)
Services received	(311,6)	(327,5)
Other operating charges	(12,4)	(12,6)
Investments valued at equity	0,6	1,0
Personnel costs	(207,3)	(213,5)
Depreciation, amortization and write-downs	(32,2)	(30,3)
Operating profit	134,6	114,9
Financial income (expense)	(17,4)	(15,1)
Pre-tax profit	117,2	99,8
Income taxes	(51,4)	(33,9)
Net profit	65,8	65,9
Minority interests	0,4	0,3
GROUP NET PROFIT	65,4	65,6
Earnings per share, basic	0,152	0,153
Earnings per share, diluted	0,148	0,148

Unaudited figures

Gruppo Espresso

Consolidated Income Statement

(€ million)	3 rd Quarter 2005	3 rd Quarter 2006
Revenues	220,2	212,6
Change in inventories	1,2	1,3
Other operating income	10,7	2,9
Purchases	(35,7)	(37,2)
Services received	(94,7)	(92,6)
Other operating charges	(2,3)	(2,9)
Investments valued at equity	0,1	0,3
Personnel costs	(62,4)	(65,0)
Depreciation, amortization and write-downs	(11,0)	(10,2)
Operating profit	26,1	9,2
Financial income (expense)	(5,7)	(4,8)
Pre-tax profit	20,3	4,3
Income taxes	(9,6)	6,6
Net profit	10,8	10,9
Minority interests	0,2	0,1
GROUP NET PROFIT	10,6	10,8

Unaudited figures

Gruppo Espresso

Consolidated Balance Sheet

ASSETS (€ million)	December, 31 2005	September, 30 2006
Intangible assets with an indefinite useful life	633,6	636,3
Other intangible assets	4,5	4,1
Total intangible assets	638,0	640,4
Property, plant and equipment	250,0	234,4
Investments valued at equity	23,9	26,0
Other investments	4,1	4,0
Non-current receivables	2,6	3,2
Deferred tax assets	47,5	57,1
NON-CURRENT ASSETS	966,1	965,2
Inventories	32,2	33,4
Trade receivables	266,4	232,4
Marketable securities	0,1	0,1
Current financial receivables	0,4	1,0
Tax receivables	59,9	58,5
Other receivables	22,6	25,0
Cash and cash equivalents	204,5	218,6
CURRENT ASSETS	586,1	568,8
TOTAL ASSETS	1.552,2	1.534,0

LIABILITIES AND SHAREHOLDERS' EQUITY (€ million)	December, 31 2005	September, 30 2006
Share capital	65,1	65,1
Reserves	342,5	347,5
Retained earnings (loss carry-forwards)	26,1	46,8
Net profit (loss)	116,3	65,6
Group Shareholders' Equity	550,0	525,0
Minority interests	10,8	10,6
SHAREHOLDERS' EQUITY	560,8	535,6
Financial debt	432,6	422,4
Provisions for risks and charges	13,4	11,6
Employee termination indemnity and other retirement benefits	105,0	106,9
Deferred tax liabilities	102,6	108,0
NON-CURRENT LIABILITIES	653,5	649,0
Financial debt	25,0	37,1
Provisions for risks and charges	10,0	10,8
Trade payables	196,7	164,7
Tax payables	16,1	52,4
Other payables	90,1	84,4
CURRENT LIABILITIES	338,0	349,5
TOTAL LIABILITIES	991,4	998,5
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	1.552,2	1.534,0

Unaudited figures

Gruppo Espresso

Statement of Consolidated Cash Flows

(€ million)	Jan - Sept 2005	Jan - Sept 2006
OPERATING ACTIVITIES		
Net profit (loss) for the period, including minority interests	65,8	65,9
Adjustments:		
- Depreciation, amortization and write-downs	32,2	30,3
- Accruals to provisions for stock option costs	1,9	2,0
- Net change in provisions for personnel costs	5,6	2,0
- Net change in provisions for risks and charges	(1,6)	(1,5)
- Losses (gains) on disposal of equity investments	0,0	-
- Write-down (revaluation) of equity investments	-	0,6
- Adjustments for investments valued at equity	(0,2)	0,3
- Dividends received	(0,0)	(0,0)
- Losses (gains) on sale of fixed assets	(0,0)	0,0
Cash flow from operating activities	103,6	99,5
Change in current assets and other flows	24,6	47,0
CASH FLOW FROM OPERATING ACTIVITIES	128,2	146,5
of which:		
Interests received (paid)	(7,3)	1,3
Received (outlay) for income taxes	(22,7)	0,0
INVESTING ACTIVITIES		
Outlay for purchase of fixed assets	(162,2)	(31,1)
Received on disposal of fixed assets	0,3	0,4
Public grants received	0,1	1,3
Dividends received	0,0	0,0
CASH FLOW FROM INVESTING ACTIVITIES	(161,8)	(29,3)
FINANCING ACTIVITIES		
Increases in capital and reserves	3,2	0,8
Acquisition of treasury stocks	(1,1)	(31,0)
Issue (repayment) of bonds	(191,0)	-
Issue (repayment) of other financial debt	(8,9)	(4,1)
Net change in marketable securities and available-for-sale assets	20,1	0,0
Dividends paid	(55,8)	(62,5)
Other changes	(0,4)	(0,4)
CASH FLOW FROM FINANCING ACTIVITIES	(233,9)	(97,2)
Increase (decrease) in cash and cash equivalents	(267,5)	20,0
Cash and cash equivalents at beginning of the period	374,5	194,8
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	107,0	214,8

Unaudited figures

Gruppo Espresso

Changes in the Net Financial Position

(€ million)	Jan - Sept 2005	Jan - Sept 2006
SOURCES OF FUNDS		
Net profit (loss) for the period, including minority interests	65,8	65,9
Depreciation, amortization and write-downs	32,2	30,3
Accruals to provisions for stock option costs	1,9	2,0
Net change in provisions for personnel costs	6,8	2,0
Net change in provisions for risks and charges	(1,6)	(1,5)
Losses (gains) on disposal of fixed assets	(0,0)	0,0
Losses (gains) on disposal of equity investments	0,0	-
Write-down (revaluation) of equity investments	-	0,6
Adjustments for investments valued at equity	(0,2)	0,3
Cash flow from operating activities	104,8	99,6
Increase in payables / Decrease in deferred tax assets	6,1	(4,1)
Increase in payables / Decrease in tax receivables	11,5	37,7
Decrease (increase) in inventories	1,1	(1,2)
Decrease (increase) in current receivables	33,6	32,0
Decrease (increase) in current payables	(31,1)	(27,6)
Changes in current assets	21,2	36,9
CASH FLOW FROM OPERATING ACTIVITIES	126,0	136,4
Increases in capital and reserves	3,2	0,8
TOTAL SOURCES OF FUNDS	129,2	137,2
USES OF FUNDS		
Net investment in fixed assets	(168,9)	(27,3)
Net investment in equity investments and other long-term financial assets	(0,0)	(3,4)
Acquisition of treasury stocks	(1,4)	(31,0)
Dividends paid	(55,8)	(62,5)
Other changes	(1,8)	(0,4)
TOTAL USES OF FUNDS	(227,9)	(124,6)
Financial surplus (deficit)	(98,7)	12,7
BEGINNING NET FINANCIAL POSITION	(143,2)	(252,6)
ENDING NET FINANCIAL POSITION	(241,8)	(240,0)

Unaudited figures

Gruppo Espresso Net Financial Position

(€ million)	December, 31 2005	September, 30 2006
Marketable securities	0,1	0,1
Financial receivables	0,4	1,0
Cash and cash equivalents	194,8	214,8
Total financial assets	195,3	215,9
Bonds	(309,1)	(320,2)
Bank debt and loans	(134,5)	(133,0)
Other financial debt	(4,3)	(2,7)
Total financial liabilities	(447,9)	(455,8)
NET DEBT	(252,6)	(240,0)

Unaudited figures