

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

**The Espresso Group: The Board of Directors has approved the consolidated financial statements of the first nine months of 2008.**

### **SUMMARY**

#### **Consolidated Financial Statements of the first nine months of 2008**

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 of the first nine months of 2008. The related most significant results, compared with the results of both the corresponding period of 2007 and the entire year 2007, are summarized here below:

(€mn) consolidated data	Year 2007	Jan-Sept 2007	Jan-Sept 2008	Δ % Jan-Sept 08/07
Revenues	1,098.2	797.1	762.3	-4.4%
Of which:				
• Circulation	405.1	308.1	300.7	-2.4%
• Advertising	657.1	465.0	443.5	-4.6%
Gross Operating Profit	223.4	155.3	125.9	-19%
Operating Profit	180.6	123.9	93.9	-24.2%
Profit before taxes	163.0	109.9	80.3	-26.9%
Net profit	95.6	57.1	43.3	-24.1%

  

	31/12/2007	30/09/2007	30/09/2008
Net financial position	(264.9)	(266.2)	(283.3)
Employees	3,414	3,405	3,412

It should be noted that profits of the first nine months of 2007 benefited from the extraordinary positive effect of €11.6 million (€7.8 million as Net Profit) produced by the different accounting applied to the employee termination indemnity (TFR), subsequent to legislative modifications. Net of this occurrence, the comparable financial data are as follows:

(€mn) consolidated data	Year 2007	Jan-Sept 2007	Jan-Sept 2008	Δ % Jan-Sept 08/ 07
Revenues	1,098.2	797.1	762.3	-4.4%
<i>Gross Operating Profit (before TFR impact)</i>	<i>211.8</i>	<i>143.7</i>	<i>125.9</i>	<i>-12.4%</i>
<i>Operating Profit (before TFR impact)</i>	<i>169.0</i>	<i>112.2</i>	<i>93.9</i>	<i>-16.3%</i>
<i>Profit before taxes (before TFR impact)</i>	<i>151.4</i>	<i>98.3</i>	<i>80.3</i>	<i>-18.3%</i>
<i>Net profit (before TFR impact)</i>	<i>87.8</i>	<i>49.3</i>	<i>43.3</i>	<i>-12.1%</i>

## PRESS RELEASE

### Comment on the first nine months of 2008 consolidated financial statements

Espresso Group's results of the first nine months of 2008 are to be considered in the difficult market framework that is currently affecting the economies of the entire world. The increasingly worsening conditions of the current financial crisis and of the uncertainty involved at both the short and the medium terms have, actually, had a very negative impact on both the households' propensity to consume and on the companies' productive activity: over the first seven months of 2008 Italy has witnessed a decline in consumer demand equal to 2.2%, and between May and July also the industrial production has been decreasing to the lowest ever level of the last four years. The crisis has affected and will affect especially consumption, and therefore advertising, where the drop in orders and sales is already inducing companies to postpone any launch of new products and to reduce their expenditure budgets.

In a scenario like this, the revenues of the Espresso Group up to September have suffered from very negative factors (advertising and, to a lower extent, also circulation of dailies and magazines), just partially compensated by the holding of profits from optional products and by cost improvements. In order to face drop in revenues, which in part is cyclical but in part also structural, a series of actions have been started over costs which, on a steady regime - also through the company reorganization plans linked to the adoption of new technologies - shall enable to reduce costs by over €50 million with respect to 2007 (€13 million are the savings achieved up to September), and involve staff reduction by over 150 units over a three-year period.

As expectations have been further seriously disappointing as regards the general development of the macroeconomic framework, all the indications are that the decline in consumption and investments might get even worse. The current situation has induced and will induce the Espresso Group's management to identify in all the sectors of activity of the Group additional actions to reduce operating costs, even involving staff reduction.

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Advertising revenues over the first nine months of 2008 (-4.6% over the first nine months of 2007) have been heavily affected in particular by both the drop of the national display advertising in *la Repubblica*, magazines and local dailies, and the decline of the radio and TV sectors; in contrast, increase was recorded in both local advertising and internet advertising, with rates over the average market trend.

Though faced with a slight decrease in revenues and volumes, profits from optional products have increased (over the first nine months of 2007 operating margin has been equal to 28.9% and in 2008 is equal to 32.2%) as well as their contribution to the consolidated operating

profit (from 25.3% to 30.5%), reaching positive results even in a heavily shrinking market framework.

The growth of the respective Internet sites' traffic has characterized all the Group's titles and, similarly, readerships have either kept stable or have increased, totaling 8.6 million contacts through the Group's media.

In contrast, circulation has registered different performances of the various titles also in connection with the decision to change some of the marketing initiatives. This situation has entailed a decrease in *la Repubblica* circulation, which reached a total number of 575 thousand average copies per issue (-6.6% with respect to the first nine months of 2007), and in *L'espresso* circulation, which showed a 4.7% decline (from 409 thousand average weekly copies over the first nine months of 2007 to 390 thousand in 2008) partly due to a lower impact of optional products' sales on newsstands' sales. Both titles have achieved positive results in terms of readership: *la Repubblica* maintained a total number of around 3.1 million daily readers and through the internet- confirming its first position among the Italian news websites - has reached 12.2 million unique users in September (over 1.1 million average daily unique users), *L'espresso* has confirmed its 2.4 million readers.

Local dailies have circulated 471 thousand average daily copies (477 thousand in the corresponding 2007 period) and reached over 3.1 million readers and 1.3 million unique users through their websites.

The latest *Audiradio* survey (fourth quarter of 2008) reported a decrease in *Radio DeeJay's* audience which has recorded 4.9 million average daily listeners (12.5 million weekly listeners) and lost the leadership among the Italian private commercial radio stations. In contrast, streaming and downloading of podcasts have recorded positive results: in fact, over 300 thousand files were downloaded each week from the *DeeJay website*, most of them being top of the Italian rankings. *m2o* has recorded a good performance having attained over one and a half million daily listeners (3.7 million weekly listeners), while *Radio Capital* has maintained its audience of around 1.6 million average daily listeners and 5.7 million weekly listeners.

Over this period the experiments of distribution of contents produced by the Group on a variety of digital platforms have continuously been carried out and new products have been developed for the mobile phone market which in the future will be the most promising sector for advertising. The expansion of services and contents offered to mobile users has enabled to reach in September a peak of 1.1 million pages views through connections via mobile phones.

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The consolidated Net financial indebtedness as of September 30, 2008 was equal to €283.3 million, increased vis-à-vis €264.9 million of end 2007: distribution of dividends (€68.8 million), net investments (€40.2million) and purchase of 3,930,000 own shares (€8.5million) have exceeded the cash flow generated by operations.

At the end of September the Group staff totaled 3,412 employees with respect to 3,414 employees as of December 31, 2007 and 3,405 employees at the end of September of the previous year. Net of the short-term contracts, as of September 30, 2008 the number of employees was equal to 3,305 persons (3,286 at the end of 2007 and 3,263 as of September 30, 2007), including 39 employees hired at the beginning of the year in connection with the insourcing of the Milan printing activities of *la Repubblica* - previously managed by a third party - which has enabled to reach efficiency and savings in production costs. The staff increase related to this operation was almost completely absorbed by the first effects of the company reorganization plans, which are being implemented within some of the Group's companies.

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Mr. Oliviero Maria Brega, today appointed "dirigente preposto alla redazione dei documenti contabili societari" (manager in charge of drafting the corporate accounting documents) - 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

The worsening of the financial crisis and the proclaimed recession are intensifying the alarm for a protracted slowdown of the economy. The publishing sector, in particular, is suffering and will suffer from a heavy and growing decrease in the households' consumption, and even more from the decline of the advertising investments; in fact the latest estimates available show that the fourth quarter will witness a further worsening in advertising revenues.

In this framework, the economic results attainable over the current year will be positive, but considerably lower than those attained in 2007, even excluding the extraordinary *una tantum* beneficial events occurred over the past year.

It is therefore foreseeable that additional actions aimed at a structural reduction of costs will become necessary.

### Consolidated financial statements of third quarter 2008

The most significant consolidated data related to the third quarter 2008, compared to the corresponding period of 2007, are summarized here below:

(€mn) consolidated quarterly results	3rd quarter 2007	3rd quarter 2008	Δ % 08/ 07
Revenues	235,5	219,1	-7,0%
Gross Operating Profit	32,6	29,2	-10,6%
Operating Profit	21,8	18,4	-15,6%
Profit before taxes	17,1	13,7	-19,9%
Net profit	7,1	6,9	-3,3%

Over the July-September period advertising revenues have shown an amplification of the same serious problems affecting the previous quarters (-7% with respect to the corresponding 2007 period) but, on the other side, a cost reduction slightly below €6 million over the same period of the prior year has been achieved, following the effect of the cost improvement actions aimed at reducing the main expenditure items. In fact, over the period under consideration many interventions started during the first part of the year have become effective, reducing production costs (paper and printing) of the Group's titles and limiting operating costs in the various sectors of activity. Moreover, since July the cover price of *I/ Venerdì* and *D-la Repubblica delle Donne* supplements increased from €1.30 to €1.50 including the price of the newspaper.

Finally, Net Profit of third quarter 2008 has benefited from the lower regional tax (IRAP) and income tax (IRES) rates introduced by the 2008 Finance Law.

### Own shares in portfolio



Based on the Shareholders Meeting's authorization, since the beginning of this year the Board of Directors has purchased 4,385,000 own shares equal to a total disbursement of around €9 million, at an average market price of around €2.1 per share. To this date, having implemented the cancellation of 25,215,000 shares, with the consequent share capital reduction, the total number of own shares in portfolio is 6,635,000, equal to 1.62% of the share capital.

### **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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Rome, October 22, 2008

# Gruppo Espresso

## Consolidated Income Statement

(€ million)	Jan - Sept 2007	Jan - Sept 2008
Revenues	797,1	762,3
Change in inventories	(0,6)	(1,1)
Other operating income	10,9	12,0
Purchases	(122,3)	(113,5)
Services received	(310,8)	(290,9)
Other operating charges	(13,7)	(16,0)
Investments valued at equity	1,1	0,8
Personnel costs	(206,3)	(227,8)
Depreciation, amortization and write-downs	(31,4)	(32,0)
<b>Operating profit</b>	<b>123,9</b>	<b>93,9</b>
Financial income (expense)	(14,0)	(13,6)
<b>Pre-tax profit</b>	<b>109,9</b>	<b>80,3</b>
Income taxes	(52,3)	(36,4)
<b>Net profit</b>	<b>57,6</b>	<b>43,9</b>
Minority interests	(0,6)	(0,6)
<b>GROUP NET PROFIT</b>	<b>57,1</b>	<b>43,3</b>
Earnings per share, basic	0,136	0,107
Earnings per share, diluted	0,131	0,103

*Unaudited figures*

## Gruppo Espresso

### Consolidated Income Statement

(€ million)	3 <sup>rd</sup> Quarter 2007	3 <sup>rd</sup> Quarter 2008
Revenues	235,5	219,1
Change in inventories	0,9	0,5
Other operating income	1,9	2,2
Purchases	(38,8)	(33,2)
Services received	(97,7)	(87,9)
Other operating charges	(3,5)	(3,0)
Investments valued at equity	0,3	0,4
Personnel costs	(66,0)	(68,9)
Depreciation, amortization and write-downs	(10,8)	(10,8)
<b>Operating profit</b>	<b>21,8</b>	<b>18,4</b>
Financial income (expense)	(4,7)	(4,7)
<b>Pre-tax profit</b>	<b>17,1</b>	<b>13,7</b>
Income taxes	(9,8)	(6,6)
<b>Net profit</b>	<b>7,3</b>	<b>7,1</b>
Minority interests	(0,2)	(0,2)
<b>GROUP NET PROFIT</b>	<b>7,1</b>	<b>6,9</b>

*Unaudited figures*

# Gruppo Espresso

## Consolidated Balance Sheet

<b>ASSETS</b> (€ million)	December, 31 2007	September, 30 2008
Intangible assets with an indefinite useful life	649,2	656,1
Other intangible assets	4,0	3,4
Intangible assets	653,2	659,5
Property, plant and equipment	220,4	223,5
Investments valued at equity	26,9	27,5
Other investments	4,1	4,0
Non-current receivables	1,9	1,9
Deferred tax assets	45,6	40,3
<b>NON-CURRENT ASSETS</b>	<b>952,1</b>	<b>956,6</b>
Inventories	30,5	30,5
Trade receivables	303,3	238,7
Marketable securities and other financial assets	0,1	0,1
Tax receivables	23,0	37,4
Other receivables	27,6	30,6
Cash and cash equivalents	152,1	144,6
<b>CURRENT ASSETS</b>	<b>536,5</b>	<b>481,9</b>
<b>TOTAL ASSETS</b>	<b>1.488,6</b>	<b>1.438,5</b>

<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b> (€ million)	December, 31 2007	September, 30 2008
Share capital	65,2	61,4
Reserves	310,4	246,4
Retained earnings (loss carry-forwards)	64,2	150,5
Net profit (loss) for the period	95,6	43,3
<b>Group Shareholders' Equity</b>	<b>535,4</b>	<b>501,7</b>
Minority interests	11,1	10,8
<b>SHAREHOLDERS' EQUITY</b>	<b>546,5</b>	<b>512,5</b>
Financial debt	396,5	388,0
Provisions for risks and charges	10,8	10,1
Employee termination indemnity and other retirement benefits	92,6	89,6
Deferred tax liabilities	102,9	106,5
<b>NON-CURRENT LIABILITIES</b>	<b>602,9</b>	<b>594,3</b>
Financial debt	20,5	40,0
Provisions for risks and charges	15,5	16,3
Trade payables	187,0	142,7
Tax payables	24,7	43,3
Other payables	91,4	89,5
<b>CURRENT LIABILITIES</b>	<b>339,2</b>	<b>331,8</b>
<b>TOTAL LIABILITIES</b>	<b>942,1</b>	<b>926,0</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>1.488,6</b>	<b>1.438,5</b>

Unaudited figures



# Gruppo Espresso

## Statement of Consolidated Cash Flows

(€ million)	Jan - Sept 2007	Jan - Sept 2008
<b>OPERATING ACTIVITIES</b>		
Net profit (loss) for the period, including minority interests	57,6	43,9
Adjustments:		
- Depreciation, amortization and write-downs	31,4	32,0
- Accruals to provisions for stock option costs	1,7	0,3
- Net change in provisions for personnel costs	(14,9)	(3,0)
- Net change in provisions for risks and charges	2,6	0,1
- Losses (gains) on disposal of fixed assets	(0,7)	(1,5)
- Adjustments for investments valued at equity	(0,1)	(0,6)
- Dividends (received)	-	(0,1)
<b>Cash flow from operating activities</b>	<b>77,7</b>	<b>71,1</b>
<b>Change in current assets and other flows</b>	<b>69,3</b>	<b>40,7</b>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>147,0</b>	<b>111,8</b>
of which:		
Interest received (paid) through banks	2,8	2,5
Received (outlay) for income taxes	(18,9)	(18,9)
<b>INVESTING ACTIVITIES</b>		
Outlay for purchase of fixed assets	(33,9)	(46,0)
Received on disposals of fixed assets	2,1	2,5
Public grants received	1,3	3,2
Dividends received	-	0,1
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>(30,5)</b>	<b>(40,2)</b>
<b>FINANCING ACTIVITIES</b>		
Increases in capital and reserves	0,3	-
(Acquisition) sale of treasury stocks	(41,2)	(8,5)
Issue (repayment) of other financial debt	(8,7)	(8,9)
Dividends (paid)	(67,2)	(68,8)
Other changes	(0,3)	(0,8)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>(117,1)</b>	<b>(87,1)</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>(0,6)</b>	<b>(15,5)</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>172,3</b>	<b>152,1</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>	<b>171,6</b>	<b>136,7</b>

*Unaudited figures*

# Gruppo Espresso

## Changes in the Consolidated Net Financial Position

(€ million)	Jan - Sept 2007	Jan - Sept 2008
<b>SOURCES OF FUNDS</b>		
Net profit (loss) for the period, including minority interests	57,6	43,9
Depreciation, amortization and write-downs	31,4	32,0
Accruals to provisions for stock option costs	1,7	0,3
Net change in provisions for personnel costs	(14,9)	(3,0)
Net change in provisions for risks and charges	2,6	0,1
Losses (gains) on disposal of fixed assets	(0,7)	(1,5)
Adjustments for investments valued at equity	(0,1)	(0,6)
<b>Cash flow from operating activities</b>	<b>77,7</b>	<b>71,2</b>
Decrease (Increase) in non-current receivables	1,1	0,0
Increase in liabilities/Decrease in deferred tax assets	19,3	9,0
Increase in payables/Decrease in tax receivables	22,6	4,2
Decrease (Increase) in inventories	6,0	0,0
Decrease (Increase) in trade and other receivables	15,9	61,5
Increase (Decrease) in trade and other payables	(5,7)	(42,6)
<b>Change in current assets</b>	<b>59,1</b>	<b>32,2</b>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>136,8</b>	<b>103,4</b>
Net disinvestments in equity investments	-	0,1
Increases in capital and reserves	0,3	-
<b>TOTAL SOURCES OF FUNDS</b>	<b>137,2</b>	<b>103,5</b>
<b>USES OF FUNDS</b>		
Net investment in fixed assets	(31,8)	(43,7)
(Acquisition) sale of treasury stocks	(41,2)	(8,5)
Dividends (paid)	(67,2)	(68,8)
Other changes	(0,3)	(0,9)
<b>TOTAL USES OF FUNDS</b>	<b>(140,6)</b>	<b>(121,9)</b>
<b>Financial surplus (deficit)</b>	<b>(3,4)</b>	<b>(18,5)</b>
<b>BEGINNIG NET FINANCIAL POSITION</b>	<b>(262,7)</b>	<b>(264,9)</b>
<b>ENDING NET FINANCIAL POSITION</b>	<b>(266,2)</b>	<b>(283,3)</b>

*Unaudited figures*

## Gruppo Espresso

### Consolidated Net Financial Position

(€ million)	September, 30 2007	December, 31 2007	September, 30 2008
Financial receivables from Group companies	-	-	-
Financial payables to Group companies	-	-	-
Cash and bank deposits	176,6	152,1	144,6
Current account overdrafts	(5,0)	(0,0)	(8,0)
<b>Net cash and cash equivalents</b>	<b>171,6</b>	<b>152,1</b>	<b>136,7</b>
Marketable securities and other financial assets	0,1	0,1	0,1
Bond issue	(319,5)	(307,9)	(318,9)
Other bank debt	(116,6)	(107,8)	(100,4)
Other financial debt	(1,7)	(1,4)	(0,8)
<b>Other financial assets (liabilities)</b>	<b>(437,8)</b>	<b>(417,0)</b>	<b>(420,0)</b>
<b>NET FINANCIAL POSITION</b>	<b>(266,2)</b>	<b>(264,9)</b>	<b>(283,3)</b>

*Unaudited figures*