

## **“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 half 2007. With respect to the corresponding period of the previous year, advertising has increased by 7.1%.**

### **SUMMARY**

#### **First Half 2007 Consolidated Financial Statements**

The Board of Directors of Gruppo Editoriale L'Espresso S.p.A. met today in Rome at 11 a.m. under the chairmanship of Carlo De Benedetti and approved the consolidated financial statements as of the first half 2007. The most significant results of the first half, compared with the results of both the corresponding period of 2006 and the entire year 2006, are summarized here below:

(€mn) Consolidated Data	Year 2006	1st Half 2006	1st Half 2007	Δ % 1st Half 07/06
Revenues	1,102.6	601.5	561.6	(6.6%)
Of which:				
• Circulation	458.9	273.9	212.3	(22.5%)
• Advertising	615.8	313.6	335.8	7.1%
Gross Operating Profit	204.4	125.8	122.7	(2.5%)
Operating Profit	163.3	105.7	102.1	(3.4%)
Financial Income (Expense)	(19.6)	(10.3)	(9.2)	10.2%
Profit before taxes	143.6	95.5	92.9	(2.7%)
Net profit	103.6	54.8	50.4	(8.8%)
Shareholders' Equity	562.2	525.1	520.2	
Net Financial Position	(262.7)	(257.7)	(313.2)	
Employees	3,384	3,403	3,427	

## **PRESS RELEASE**

### **Comment on the first half 2007 consolidated financial statements**

The Consolidated Income Statement of the first half 2007, as a consequence of the different accounting applied to the employee termination indemnity (*TFR*) as of December 31, 2006, necessarily adopted - in compliance with the international accounting principles – to be in line with the legislative modifications regarding the *TFR*'s destination, has recorded a positive impact of €11.6 million reduction of labor costs. The impact on Net Profit is equal to €7.8 million, subsequent to a provision of €3.8 million for deferred tax liabilities.

Net of the abovementioned effect, the following are the main results of the period, as commented in the subsequent paragraphs:

(€mn) Consolidated Data	1st Half 2006	1st Half 2007	Δ % 1st Half 07/06
Gross Operating Profit (before TFR impact)	125.8	111.1	(11.7%)
Operating Profit (before TFR impact)	105.7	90.4	(14.4%)
Profit before taxes (before TFR impact)	95.5	81.2	(14.9%)
Net Profit (before TFR impact)	54.8	42.2	

The increase in advertising revenues, better than the market for all the Group's titles, and the increase of the cover price of all daily newspapers from €0.90 to €1 allowed the Espresso Group to partially counterbalance the foreseen slowdown of the optional products' revenues and profits due to the progressive saturation of the market and to the fact that in the previous year the most successful initiatives had been concentrated in the first half-year.

It is therefore possible to estimate that during the second half-year this negative difference should attenuate, even more so considering the current good trend of the outstanding initiatives.

Net of optional products, the most significant economic results are showing a positive trend: consolidated revenues have increased from €460.1mn in 2006 first half-year to €487mn (+5.8%) in 2007 first half-year; gross operating profit increased by from €78.6mn (17.1% on revenues) to €88.7mn (18.2% on revenues) and the operating profit improved both as absolute value to €68.1mn (+16.4%) and as margin, from 12.7% to 14%.

The first half-year advertising revenues totalled €335.8mn, with an increase of 7.1% with respect to the corresponding 2006 period. This positive trend was maintained also

in comparison with the Group's competitors. According to the *FCP* (advertising concessionaires association) most recent data as of May 2007, advertising in *la Repubblica* and the Group's local dailies grew by 5.3% *vis-à-vis* +3.8% of the market.

The differential with respect to the competitors is even more positive for the other media of the Group: in fact, in the first half-year advertising in the three radio stations has increased by 10.5% *vis-à-vis* +2.5% of the market, and advertising in the network of the internet sites has increased by over 65% (classified advertising has more than doubled), overcoming the wide – though not equally successful – expansion (+42.5%) of this sector as a whole.

Moreover, in fall, an experimental project will take place within a few local dailies: the online sale of advertising space, enabling to reach new clients that are difficult to contact through the traditional sale channels.

Circulation revenues (+4.3% net of optional products revenues) have benefited from the increase in the cover price, which just marginally affected the newspapers sales; in contrast, they have been slightly damaged by the journalists' strikes in support of the dispute for the national contract renewal.

*La Repubblica* circulation has averaged 618 thousand copies per issue (634 thousand in 2006 first half-year); the local dailies have attained 466 thousand copies, substantially in line with the corresponding period of the previous year.

*L'espresso* reached an average circulation of 420 thousand weekly copies (432 thousand in 2006 first half-year) even if, on the one hand it suffered from the decline in sales of optional products and, on the other hand, was supported by the manifest appreciation for the quality of its reportages and by an ever-increasing number of subscribers.

The Group's radio stations have recorded good audience results: as a whole they averaged 8.7 million daily listeners and 23 million weekly listeners (Audiradio 2007 1st half-year). Radio DeeJay is still the most popular Italian private radio station with 5.6 million daily listeners and 13.3 million weekly listeners. Radio Capital has confirmed 1.8 million daily listeners and 6.4 million weekly listeners; m2o attained a daily audience of 1.3 million listeners and 3.3 million weekly listeners.

Finally, All Music has reached over 2.8mn viewers (IPSOS) among the target people aged 15-34; growth rates being higher than those attained by other TV broadcasting stations dedicated to the young.

The strong upward trend of the Group's network of Internet sites in June 2007 reached 12 million unique users and 491 million page views. *Repubblica.it* has confirmed its place as the first Italian news broadcasting website with 9.3 million unique users, growing by 44% over the previous year. Also the audio-video sector data are quite remarkable ones, with *RepubblicaTv* that has recorded over 1.5 million unique users, the new service of classified ads (725 thousand unique users) and the job search site (*Miojob* has nearly attained 500 thousand visitors).

During this half-year new websites have been launched for the Group's local dailies, especially focused on the areas of local communities, interactivity and contributions from citizens, who can communicate and send their own texts to the newspaper.

A series of social networking services for the young people (m2o, DeeJay) has also been launched, along with [www.seidimoda.it](http://www.seidimoda.it), the website dedicated to the women's universe.

Finally, a number of tests are being conducted to finalize the distribution on mobile terminals of the contents produced daily by the various titles.

The consolidated Net financial indebtedness as of June 30, 2007 was equal to €313.2 million, increasing with respect to €262.7 million of end 2006: the distribution of dividends (€67.2mn), investments (€18.1mn), and purchase of own shares (€27mn) have exceeded the cash flow generated by the operating activities (€69.7mn).

### **Expected trend of operations**

Advertising estimates for July and August confirm the positive trend of radio stations and the Internet.

With respect to the previous year, forecasts for the current year expect both an increase in advertising revenues and a decline in revenues and profits of optional products. In any case, the 2007 Consolidated Net Profit will be lower than in the previous year, as it will no longer benefit from the deferred tax assets related to the accumulated losses of subsidiaries.

### **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 as of June 30, 2007**

The Parent Company closed this half-year with a decrease in revenues from €376.6 million to €319.7 million (-15%) as a consequence of the decline in sales of optional products coupled to the Group's titles. In contrast, compared to 2006 first half-year, the attained increase in advertising revenues is equal to 7.6%.

In 2007 first half-year operating profit decreased from €60.5 million to €39.8 million, (€34.4 million if one excludes the extraordinary positive impact produced by the reviewed calculation of the employee termination indemnity (*TFR*) which was necessarily carried out after the enforcement of the pension system reform.

Thanks to the higher dividends collected by the subsidiaries and the aforementioned employee termination indemnity (*TFR*) effect, net profit is €91mn, thus showing an upward trend if compared to €84.8mn of the previous year's corresponding period.

### **Own shares in portfolio**

In the first half 2007, a total number of 7,120,950 own shares has been purchased at an average market price of €3.8 per share for a total amount of €27 million.

At this date the total number of own shares in portfolio is 18,470,950, equal to 4.25% of the share capital.

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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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Rome, July 25, 2007

# Gruppo Espresso

## Consolidated Income Statement

(€ thousand)	1 <sup>st</sup> Half 2006	1 <sup>st</sup> Half 2007
Revenues	601.534	561.569
Change in inventories	(1.826)	(1.463)
Other operating income	8.189	9.043
Purchases	(89.628)	(83.524)
Services received	(234.890)	(213.133)
Other operating charges	(9.714)	(10.216)
Investments valued at equity	688	762
Personnel costs	(148.531)	(140.334)
Depreciation, amortization and write-downs	(20.110)	(20.633)
<b>Operating profit</b>	<b>105.712</b>	<b>102.071</b>
Financial income (expense)	(10.252)	(9.228)
<b>Pre-tax profit</b>	<b>95.460</b>	<b>92.843</b>
Income taxes	(40.474)	(42.497)
<b>Net profit</b>	<b>54.986</b>	<b>50.346</b>
Minority interests	(191)	(395)
<b>GROUP NET PROFIT</b>	<b>54.795</b>	<b>49.951</b>
Earnings per share, basic	0,127	0,119
Earnings per share, diluted	0,123	0,114

*Not completely audited data*

# Gruppo Espresso

## Consolidated Balance Sheet

<b>ASSETS</b> (€ thousand)	31 December 2006	30 June 2007
Intangible assets with an indefinite useful life	638.163	643.071
Other intangible assets	4.432	3.857
Intangible assets	642.595	646.928
Property, plant and equipment	233.337	224.989
Investments valued at equity	27.007	26.800
Other investments	4.043	4.043
Non-current receivables	3.075	1.977
Deferred tax assets	68.667	59.953
<b>NON-CURRENT ASSETS</b>	<b>978.724</b>	<b>964.690</b>
Inventories	35.631	31.095
Trade receivables	285.804	308.735
Marketable securities and other financial assets	50	50
Tax receivables	37.205	46.146
Other receivables	25.437	31.038
Cash and cash equivalents	172.643	123.496
<b>CURRENT ASSETS</b>	<b>556.770</b>	<b>540.560</b>
<b>TOTAL ASSETS</b>	<b>1.535.494</b>	<b>1.505.250</b>

<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b> (€ thousand)	31 December 2006	30 June 2007
Share capital	65.150	65.167
Reserves	344.215	336.420
Retained earnings (loss carry-forwards)	49.828	68.617
Net profit (loss)	103.561	49.951
<b>Group Shareholders' Equity</b>	<b>562.754</b>	<b>520.155</b>
Minority interests	10.526	10.575
<b>SHAREHOLDERS' EQUITY</b>	<b>573.280</b>	<b>530.730</b>
Financial debt	413.898	405.039
Provisions for risks and charges	12.018	11.607
Employee termination indemnity and other retirement benefits	107.704	93.789
Deferred tax liabilities	110.818	118.184
<b>NON-CURRENT LIABILITIES</b>	<b>644.438</b>	<b>628.619</b>
Financial debt	21.517	31.677
Provisions for risks and charges	12.500	14.840
Trade payables	175.989	163.876
Tax payables	22.769	45.105
Other payables	85.001	90.403
<b>CURRENT LIABILITIES</b>	<b>317.776</b>	<b>345.901</b>
<b>TOTAL LIABILITIES</b>	<b>962.214</b>	<b>974.520</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>1.535.494</b>	<b>1.505.250</b>

*Not completely audited data*

# Gruppo Espresso

## Statement of Consolidated Cash Flows

(€ thousand)	1 <sup>st</sup> Half 2006	1 <sup>st</sup> Half 2007
OPERATING ACTIVITIES		
Net profit (loss) for the period, including minority interests	54.986	50.346
Adjustments:		
- Depreciation, amortization and write-downs	20.110	20.633
- Accruals to provisions for stock option costs	1.269	1.328
- Net change in provisions for personnel costs	1.102	(13.915)
- Net change in provisions for risks and charges	(1.151)	1.929
- (Gains) losses on disposal of fixed assets	(51)	(818)
- Adjustments for financial assets	543	-
- Adjustments for investments valued at equity	577	207
- Dividends (received)	(19)	-
<b>Cash flow from operating activities</b>	<b>77.366</b>	<b>59.710</b>
<b>Change in current assets and other flows</b>	<b>24.769</b>	<b>10.014</b>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>102.135</b>	<b>69.724</b>
of which:		
Interest received (paid) through banks	1.020	(792)
Received (outlay) for income taxes	975	(18.644)
INVESTING ACTIVITIES		
Outlay for purchase of fixed assets	(16.376)	(20.231)
Outlay for purchase of equity investments	(2.400)	-
Received on disposals of fixed assets	321	2.141
(Purchase) sale of securities and available-for-sale assets	1	-
Dividends received	19	-
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>(18.435)</b>	<b>(18.090)</b>
FINANCING ACTIVITIES		
Increases in capital and reserves	750	345
(Acquisition) sale of treasury stocks	(19.251)	(27.043)
Issue (repayment) of other financial debt	(3.704)	(8.878)
Dividends (paid)	(62.468)	(67.180)
Other changes	(438)	(346)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>(85.111)</b>	<b>(103.102)</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>(1.411)</b>	<b>(51.468)</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>195.247</b>	<b>172.284</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>	<b>193.836</b>	<b>120.816</b>

*Not completely audited data*



# Gruppo Espresso

## Consolidated Statement of Changes in the Net Financial Position

(€ thousand)	1 <sup>st</sup> Half 2006	1 <sup>st</sup> Half 2007
<b>SOURCES OF FUNDS</b>		
Net profit (loss) for the period, including minority interests	54.986	50.346
Depreciation, amortization and write-downs	20.110	20.633
Accruals to provisions for stock option costs	1.269	1.328
Net change in provisions for personnel costs	1.102	(13.915)
Net change in provisions for risks and charges	(1.151)	1.929
Losses (Gains) on disposal of fixed assets	(51)	(818)
Write-down (revaluation) of equity investments	543	-
Adjustments for investments valued at equity	577	207
<b>Cash flow from operating activities</b>	<b>77.385</b>	<b>59.710</b>
Decrease (Increase) in non-current receivables	561	1.098
Increase in liabilities/Decrease in deferred tax assets	3.989	16.080
Increase in payables/Decrease in tax receivables	35.433	13.395
Decrease (Increase) in inventories	79	4.536
Decrease (Increase) in trade and other receivables	(25.266)	(28.532)
Increase (Decrease) in trade and other payables	2.644	(3.878)
<b>Change in current assets</b>	<b>17.440</b>	<b>2.699</b>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>94.825</b>	<b>62.409</b>
Increases in capital and reserves	750	345
<b>TOTAL SOURCES OF FUNDS</b>	<b>95.575</b>	<b>62.754</b>
<b>USES OF FUNDS</b>		
Net investment in fixed assets	(16.055)	(18.633)
Net equity investments	(2.400)	-
(Acquisition) sale of treasury stocks	(19.251)	(27.043)
Dividends (paid)	(62.468)	(67.180)
Other changes	(438)	(346)
<b>TOTAL USES OF FUNDS</b>	<b>(100.612)</b>	<b>(113.202)</b>
<b>Financial surplus (deficit)</b>	<b>(5.037)</b>	<b>(50.448)</b>
<b>BEGINNIG NET FINANCIAL POSITION</b>	<b>(252.627)</b>	<b>(262.722)</b>
<b>ENDING NET FINANCIAL POSITION</b>	<b>(257.664)</b>	<b>(313.170)</b>

*Not completely audited data*

# Gruppo Editoriale L'Espresso SpA

## Income Statement

(€ thousand)	1 <sup>st</sup> Half 2006	1 <sup>st</sup> Half 2007
Revenues	376.637	319.713
Change in inventories	(2.494)	(1.592)
Other operating income	2.517	3.425
Purchases	(66.316)	(57.111)
Services received	(180.780)	(157.616)
Other operating charges	(3.968)	(5.405)
Personnel costs	(58.673)	(54.847)
Depreciation, amortization and write-downs	(6.441)	(6.808)
<b>Operating profit</b>	<b>60.482</b>	<b>39.759</b>
Financial income (expense)	(7.444)	(7.707)
Dividends	56.320	75.500
<b>Pre-tax profit</b>	<b>109.358</b>	<b>107.552</b>
Income taxes	(24.547)	(16.543)
<b>NET PROFIT</b>	<b>84.811</b>	<b>91.009</b>

*Not completely audited data*

# Gruppo Editoriale L'Espresso SpA

## Balance Sheet

<b>ASSETS</b> (€ thousand)	31 December 2006	30 June 2007
Intangible assets with an indefinite useful life	220.661	220.661
Other intangible assets	2.811	2.165
Intangible assets	223.472	222.826
Property, plant and equipment	68.035	64.999
Other investments	391.694	391.694
Non-current receivables	348	356
Deferred tax assets	14.734	14.013
<b>NON-CURRENT ASSETS</b>	<b>698.283</b>	<b>693.888</b>
Inventories	30.398	26.527
Trade receivables	119.112	117.802
Tax receivables	25.117	31.763
Other receivables	11.194	14.149
Cash and cash equivalents	219.313	189.137
<b>CURRENT ASSETS</b>	<b>405.134</b>	<b>379.378</b>
<b>TOTAL ASSETS</b>	<b>1.103.417</b>	<b>1.073.266</b>

<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b> (€ thousand)	31 December 2006	30 June 2007
Share capital	65.150	65.167
Reserves	131.897	106.475
Retained earnings (loss carry-forwards)	49.827	68.617
Net profit (loss)	85.928	91.009
<b>SHAREHOLDERS' EQUITY</b>	<b>332.802</b>	<b>331.268</b>
Financial debt	338.744	335.872
Provisions for risks and charges	6.970	6.452
Employee termination indemnity and other retirement benefits	47.576	41.010
Deferred tax liabilities	40.677	44.825
<b>NON-CURRENT LIABILITIES</b>	<b>433.967</b>	<b>428.159</b>
Financial debt	168.319	139.344
Provisions for risks and charges	2.848	5.406
Trade payables	115.232	104.471
Tax payables	12.128	23.462
Other payables	38.121	41.156
<b>CURRENT LIABILITIES</b>	<b>336.648</b>	<b>313.839</b>
<b>TOTAL LIABILITIES</b>	<b>770.615</b>	<b>741.998</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>1.103.417</b>	<b>1.073.266</b>

*Not completely audited data*

# Gruppo Editoriale L'Espresso SpA

## Statement of Cash Flows

(€ thousand)	1 <sup>st</sup> Half 2006	1 <sup>st</sup> Half 2007
<b>OPERATING ACTIVITIES</b>		
Net profit (loss), including minority interests	84.811	91.009
Adjustments:		
- Depreciation, amortization and write-downs	6.441	6.808
- Accruals to provisions for stock option costs	1.269	1.328
- Net change in provisions for personnel costs	571	(6.566)
- Net change in provisions for risks and charges	482	2.040
- (Gains) losses on disposal of fixed assets	1	(7)
- Dividends (received)	(56.320)	(75.500)
<b>Cash flow from operating activities</b>	<b>37.255</b>	<b>19.112</b>
<b>Change in current assets and other flows</b>	<b>43.920</b>	<b>12.514</b>
<b>CASH FLOW FROM OPERATIONS</b>	<b>81.175</b>	<b>31.626</b>
of which:		
Interest received (paid) through banks	2.127	837
Received (outlay) for income taxes	1.213	(8.325)
<b>INVESTING ACTIVITIES</b>		
Outlay for purchase of fixed assets	(3.244)	(4.307)
Received on disposals of fixed assets	86	45
Dividends received	56.320	75.500
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>53.162</b>	<b>71.238</b>
<b>FINANCING ACTIVITIES</b>		
Increases in capital and reserves	750	345
(Acquisition) sale of treasury stocks	(19.251)	(27.043)
Issue (repayment) of other financial debt	(1.209)	(3.123)
Dividends (paid)	(62.468)	(67.180)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>(82.178)</b>	<b>(97.001)</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>52.159</b>	<b>5.863</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>69.359</b>	<b>60.231</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>	<b>121.518</b>	<b>66.094</b>

*Not completely audited data*