

PRESS RELEASE

pursuant to Consob resolution no. 11971/99 and subsequent amendments

GRUPPO EDITORIALE L'ESPRESSO S.P.A.

The Board of Directors has approved the consolidated results as at 30 June 2012

**CONSOLIDATED REVENUES AT €419.8M (-8.2%)
POSITIVE NET PROFIT AT €21.2M (€31.5M AT JUNE 2011)
NET INDEBTNESS AT €147.1M (€150.7M AT JUNE 2011)**

ESPRESSO GROUP FINANCIAL RESULTS AT JUNE 30, 2012

Consolidated results (€m)	<i>1st half 2011</i>	<i>1st half 2012</i>	<i>Δ% 2012/2011</i>
Revenues, of which:	457.4	419.8	-8.2%
• Circulation	129.2	127.1	-1.6%
• Advertising	274.4	251.1	-8.5%
• Add-on Products	40.8	25.6	-37.3%
• Others	13.0	16.0	+23.1%
Gross operating profit	81.5	60.8	-25.4%
Operating profit	63.0	42.1	-33.2%
Pre-tax profit	55.7	36.2	-35.0%
Net profit	31.5	21.2	-32.7%

(€m)	<i>30 June 2011</i>	<i>31 December 2011</i>	<i>30 June 2012</i>
Net financial position	(150.7)	(110.2)	(147.1)
Shareholders' Equity including minority interests	546.0	565.0	562.0
• Shareholders' equity	542.4	563.3	560.3
• Minority interests	3.6	1.7	1.7
Employees	2,752	2,673	2,632

Rome, 25 July 2012 –The Board of Directors of Gruppo Editoriale L'Espresso met today in Rome under the chairmanship of Carlo De Benedetti, and approved the consolidated results at 30 June 2012.

MARKET OUTLOOK

The deteriorating economic situation, characterised by a period of severe recession and great uncertainty about future prospects, has weighed heavily on the publishing industry.

Advertising investments are in sharp decline: in the first five months of 2012, they declined by 9.5% over the same period in 2011 (source: Nielsen Media Research).

The trend was negative for all traditional media: print was down 13.6%, television 10% and radio 5.5%. Advertising sales on the Internet, however, continued their favourable trend, rising by 10.6%.

As concerns the press in particular, dailies and periodicals posted similar declines, -13.5% and -13.8% respectively.

In terms of circulation, ADS data (moving average in February 2012, on a like-for-like basis) show a reduction in newsstand sales of 5.3% for dailies, 6% for weeklies and 9.7% for monthlies.

PERFORMANCE OF GRUPPO ESPRESSO RESULTS OVER THE FIRST HALF OF 2012.

Consolidated revenues amount to €419.8m, down 8.2% on the first half of 2011 (€457.4m). This decline is attributable to the performance of add-on products, which was extraordinarily positive in the first half of 2011, and to the decline in advertising revenue, due to market trends.

Circulation revenues, excluding add-on products, amounted to €27.1m, showing relative resilience when compared with the same period in the previous year (€29.2m), thanks in part to the gradual adjustment of newspaper cover prices.

The latest ADS (May 2012) and Audipress data (2012/I Survey) show that *la Repubblica* is once again the top daily newspaper in terms of newsstand sales and the top information daily in terms of readership (3.5 million).

The latest Audipress figures also show that *L'Espresso* is the top-ranking news magazine, with 2.6 million readers, up 4.2% on the previous survey.

Lastly, in June 2012, the significant programme to renovate the 18 local newspapers was completed, giving them new, full-colour graphics and a totally integrated press-Web publishing system.

Advertising revenue, which amounted to €251.1m, registered a decline of 8.5% over the first half of 2011, in a market that was down by 9.5% in May.

By individual sector, the trends reflect general market trends: the press was down 12.6% and radio 5%.

The trend in Internet advertising, on the other hand, was very positive, expanding by 13.2%, thus confirming the brilliant results of recent years, even in a decidedly unfavourable context.



Revenues from add-on products amounted to €25.6m, significantly down (-37.3%) on the same period in 2011; this reflects on the one hand the impact of a general decline in consumption and, on the other, the particular success that was obtained by these initiative in the first half of last year.

Other revenues, amounting to €6m, increased by over 20% compared with the first six months of 2011, thanks to growth in rental of digital terrestrial television bandwidth to third parties as well as positive developments in subscriptions to digital products.

Total costs show a reduction of 4.2%, mainly as a result of new plans to reduce headcount and cut costs, which were implemented during the course of 2011.

The **consolidated gross operating profit** amounts to €60.8m, 25.4% less than the €81.5m in the first half of 2011. About half of this decline is due to lower margins on add-on products and the remainder to press and radio activities, which were hit by the downturn in advertising revenues, while the results of Internet and television activities improved.

The **consolidated operating profit** amounts to €42.1m, down 33.2% compared with €63m in the same period of the previous year.

The **consolidated net result** recorded profits of €1.2m, down from €31.5m in first half of 2011.

The **consolidated net financial position**, taking into account dividends amounting to €25m and purchases of own shares amounting to €1.2m, came to -€147.1m at 30 June 2012, compared with -150.7m as of June 30, 2011.

The **Group staff**, including fixed-term contracts, amounted to 2,632 employees at end June, 41 down on 31 December, 2011. The average number of employees in the period was 4.8% lower than in the first half of 2011.

The company's Director of Administration and Accounts, Dottor Gabriele Acquistapace, manager in charge of drafting corporate and accounting records, pursuant to subparagraph 2 art 154 bis of "Testo Unico delle Finanze" (finance act), states that the accounting information included in this press release corresponds to the documents results, the books and the accounting record.

SUBSEQUENTS EVENTS AND OUTLOOK

In light of the general state of the economy and the negative prospects for the short to medium term, it can be expected that the difficulties observed in the sector in the first half of the year are destined to continue, particularly as regards advertising sales.

In spite of this, the Group closed the first half of the year with a significantly positive result, confirming the forecast of a positive result for the entire year, even though quite sharply down on 2011.

The structural nature of the current crisis means that the Group must once again be committed to actions to safeguard its profitability in the short and medium term.

It is recalled that, with ruling no. 64/9/2012, filed on 18 May 2012, the “Commissione Tributaria Regionale” (regional tax commission of Rome), ruled on assessments issued by the “Agenzia delle Entrate” (revenue office) concerning events dating back to the 1991 tax year, partially condemning the company.

In particular, the “Commissione Tributaria Regionale” declared as legitimate the application of ITL 440,824,125,000 tax on capital gains which, according to the commission, had been made but not declared and ITL 13,972,000,000 for costs indicated as non-deductible for dividends and tax credits, with the application of penalties set at the legal minimum and payment of court costs.

Considering the ruling to be patently unjustified as well as clearly unlawful on numerous aspects of ritual and merit, the Group appealed to the “Corte di Cassazione” (supreme commission) on 27 June 2012 and made a request for suspension of proceedings to the “Commissione Tributaria Regionale” on 28 June 2012.

On 19 July 2012, the “Commissione Tributaria Regionale” suspended the enforceability of the ruling.

CONTACTS:

DIREZIONE CENTRALE
RELAZIONI ESTERNE

Stefano Mignanego

Tel.: +39 06 84787434

e-mail: dir-relaz-esterne@gruppoespresso.it

www.gruppoespresso.it

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Consolidated Income Statement

(€ thousand)	1 st Half 2011	1 st Half 2012
Revenues	457.357	419.780
Change in inventories	535	(41)
Other operating income	6.549	15.032
Purchases	(49.075)	(46.745)
Services received	(185.315)	(176.185)
Other operating charges	(9.048)	(16.161)
Investments valued at equity	493	471
Personnel costs	(140.038)	(135.389)
Depreciation, amortization and write-downs	(18.464)	(18.704)
Operating profit	62.994	42.058
Financial income (expense)	(7.268)	(5.809)
Pre-tax profit	55.726	36.249
Income taxes	(24.280)	(15.112)
Net profit	31.446	21.137
Minority interests	8	27
GROUP NET PROFIT	31.454	21.164
Earnings per share, basic	0,078	0,053
Earnings per share, diluted	0,073	0,050

Consolidated Comprehensive Income Statement

(€ thousand)	1 st Half 2011	1 st Half 2012
NET PROFIT	31.446	21.137
Other components of comprehensive income statement:		
Profit / (Loss) from valuation of available-for-sale assets	(498)	1.440
Taxes on other profits / (losses)	137	(396)
Other components of comprehensive income statement, after taxes	(361)	1.044
TOTAL COMPREHENSIVE INCOME STATEMENT	31.085	22.181
Total comprehensive income statement, of which:		
Parent Company's shareholders	31.093	22.208
Minority Interests	(8)	(27)

Not completely audited data

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Consolidated Balance Sheet

ASSETS (€ thousand)	December, 31 2011	June, 30 2012
Intangible assets with an indefinite useful life	659.828	659.828
Other intangible assets	1.849	2.702
Intangible assets	661.677	662.530
Property, plant and equipment	162.828	153.593
Investments valued at equity	28.857	28.500
Other investments	2.518	2.518
Non-current receivables	1.073	1.123
Deferred tax assets	28.945	25.868
NON-CURRENT ASSETS	885.898	874.132
Inventories	22.006	20.635
Trade receivables	248.545	236.093
Marketable securities and other financial assets	48.735	49.796
Tax receivables	10.513	14.633
Other receivables	14.072	26.331
Cash and cash equivalents	141.407	75.725
CURRENT ASSETS	485.278	423.213
TOTAL ASSETS	1.371.176	1.297.345

LIABILITIES AND SHAREHOLDERS' EQUITY (€ thousand)	December, 31 2011	June, 30 2012
Share capital	61.534	61.534
Reserves	183.300	178.302
Retained earnings (loss carry-forwards)	259.796	299.306
Net profit (loss) for the period	58.648	21.164
Group Shareholders' Equity	563.278	560.306
Minority interests	1.719	1.657
SHAREHOLDERS' EQUITY	564.997	561.963
Financial debt	285.099	250.330
Provisions for risks and charges	39.969	32.019
Employee termination indemnity and other retirement benefits	68.100	66.334
Deferred tax liabilities	118.160	121.114
NON-CURRENT LIABILITIES	511.328	469.797
Financial debt	15.248	22.283
Provisions for risks and charges	38.970	39.327
Trade payables	133.270	111.587
Tax payables	31.632	23.204
Other payables	75.731	69.184
CURRENT LIABILITIES	294.851	265.585
TOTAL LIABILITIES	806.179	735.382
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	1.371.176	1.297.345

Not completely audited data

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Changes in the Consolidated Net Financial Position

(€ thousand)	Jan-June 2011	Jan-June 2012
SOURCES OF FUNDS		
Net profit (loss) for the period, including minority interests	31.446	21.137
Depreciation, amortization and write-downs	18.464	18.704
Accruals to provisions for stock option costs	1.292	958
Net change in provisions for personnel costs	(2.237)	(1.766)
Net change in provisions for risks and charges	(2.598)	(7.593)
Losses (gains) on disposal of fixed assets	(2.305)	9
Adjustments for investments valued at equity	236	357
Cash flow from operating activities	44.298	31.806
Decrease (Increase) in non-current receivables	(41)	(50)
Increase in liabilities/Decrease in deferred tax assets	6.398	6.031
Increase in payables/Decrease in tax receivables	1.773	(12.548)
Decrease (Increase) in inventories	(1.700)	1.371
Decrease (Increase) in trade and other receivables	(9.411)	193
Increase (Decrease) in trade and other payables	(15.280)	(25.304)
Change in current assets	(18.261)	(30.307)
CASH FLOW FROM OPERATING ACTIVITIES	26.037	1.499
Increases in share capital and reserves	580	-
Other changes	-	1.044
TOTAL SOURCES OF FUNDS	26.617	2.543
USES OF FUNDS		
Net investments in fixed assets	(11.669)	(13.257)
Net equity investments	(59)	-
(Acquisition) sale of treasury stocks	(210)	(1.172)
Dividends (paid)	(29.751)	(24.966)
Other changes	(638)	(35)
TOTAL USES OF FUNDS	(42.327)	(39.430)
Financial surplus (deficit)	(15.710)	(36.887)
BEGINNIG NET FINANCIAL POSITION	(135.005)	(110.205)
ENDING NET FINANCIAL POSITION	(150.715)	(147.092)

Not completely audited data

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Statement of Consolidated Cash Flows

(€ thousand)	Jan-June 2011	Jan-June 2012
OPERATING ACTIVITIES		
Net profit (loss) for the period, including minority interests	31.446	21.137
Adjustments:		
- Depreciation, amortization and write-downs	18.464	18.704
- Accruals to provisions for stock option costs	1.292	958
- Net change in provisions for personnel costs	(2.237)	(1.766)
- Net change in provisions for risks and charges	(2.598)	(7.593)
- Losses (gains) on disposal of fixed assets	(2.305)	9
- Losses (gains) on disposal of equity investments and marketable securities	-	(31)
- Adjustments for investments valued at equity	236	357
- Dividends (received)	(24)	(19)
Cash flow from operating activities	44.274	31.756
Change in current assets and other flows	(13.236)	(26.503)
CASH FLOW FROM OPERATING ACTIVITIES	31.038	5.253
of which:		
Interest received (paid)	(409)	111
Received (outlay) for income taxes	(13.990)	(26.850)
INVESTING ACTIVITIES		
Outlay for purchase of fixed assets	(16.142)	(13.624)
Outlay for purchase of equity investments	(59)	-
Received on disposals of fixed assets	4.473	367
(Acquisition) sale of marketable securities and available-for-sale assets	(21.126)	1.502
Dividends received	24	19
CASH FLOW FROM INVESTING ACTIVITIES	(32.830)	(11.736)
FINANCIAL ACTIVITIES		
Increases in capital and reserves	580	-
(Acquisition) sale of treasury stocks	(210)	(1.172)
Issue (repayment) of bond	-	(28.775)
Issue (repayment) of other financial debt	(7.015)	(5.500)
Dividends (paid)	(29.751)	(24.966)
Other changes	(277)	(35)
CASH FLOW FROM FINANCING ACTIVITIES	(36.673)	(60.448)
Increase (decrease) in cash and cash equivalents	(38.465)	(66.931)
Cash and cash equivalents at beginning of the period	134.450	141.400
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	95.985	74.469

Not completely audited data

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Consolidated Net Financial Position

(€ thousand)	June, 30 2011	December, 31 2011	June, 30 2012
Financial receivables from Group companies	157	157	158
Financial payables to Group companies	-	-	-
Cash and bank deposits	96.960	141.250	75.567
Current account overdrafts	(1.132)	(7)	(1.256)
Net cash and cash equivalents	95.985	141.400	74.469
Marketable securities and other financial assets	82.614	48.735	49.796
Bond issue	(284.241)	(261.741)	(238.258)
Other bank debt	(44.630)	(38.482)	(33.043)
Other financial debt	(443)	(117)	(56)
Other financial assets (liabilities)	(246.700)	(251.605)	(221.561)
NET FINANCIAL POSITION	(150.715)	(110.205)	(147.092)

Not completely audited data