

PRESS RELEASE

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GRUPPO EDITORIALE L'ESPRESSO S.P.A.

The Board of Directors approves the consolidated financial statements as of first half of 2010.

CONSOLIDATED NET PROFIT AMOUNTS TO €28,6 MN

CLEAR IMPROVEMENT WITH RESPECT TO FIRST HALF OF 2009 (€0,1 MN)

ESPRESSO GROUP FINANCIAL STATEMENTS AS OF JUNE 30, 2010

(€mn) consolidated data	<i>1st Half 2009</i>	<i>1st Half 2010</i>	<i>Δ% 2010/2009</i>
Revenues, of which:	449.3	445.1	-0.9%
• Circulation	132.7	130.9	-1.3%
• Advertising	246.2	264.9	+7.6%
• add-on products	61.2	40.3	-34.1%
Gross Operating Profit	40.6	74.7	+84.3%
Operating Profit	19.3	56.7	n.s.
Pre-tax Profit	10.6	51.4	n.s.
Net Profit	0.1	28.6	n.s.

(€mn)	<i>June 30 2009</i>	<i>December 31 2009</i>	<i>June 30 2010</i>
Net Financial Position	(249.1)	(208.2)	(183.9)
Shareholders' Equity including minority interests	488.7	495.4	525.2
• Shareholders' Equity	478.3	485.6	515.4
• Minority interests	10.4	9.8	9.8
Employees	3,208	3,116	2,908

Rome, July 20, 2010 - 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 as of the first half of 2010.

MARKET OUTLOOK

In the first half 2010, in an economic context characterized by a very weak and still uncertain recovery, advertising investments have recorded a slight increase.

According to the most recent data published by Nielsen Media Research, during the first five months of the year advertising investments as a whole have recorded an increase of 3.8% vis-à-vis the corresponding period of 2009; taken into account that over that period investments had collapsed by 17.5%, this has still to be considered a weak recovery.

Radio, the Internet and TV have been the most dynamic media, increasing respectively by 14.6%, 11.6% and 6%.

In contrast, the publishing sector as a whole confirmed its decline (-3.9%), with different evolutions in the various sectors: while daily newspapers have confirmed their position (-0.7%), with +1.5% in national commercial advertising, periodicals are still recording a severe downward trend (-9.3%).

As regards circulation, the currently available ADS data (moving average of last 12 months up to March 2010, on a consistent perimeter) related to daily newspapers show a decline of 5% in newsstand's sales, 4.1% in sales of periodicals and 10.1% in monthly magazines.

COMMENTS ON THE ESPRESSO GROUP RESULTS OVER THE FIRST HALF OF 2010

The Group's **consolidated revenues** in the first half of 2010 are €445.1mn, an amount substantially in line (-0.9%) with the corresponding period of the previous year (€449.3mn). Net of add-on products, the increase in revenues is equal to 4.3%.

Circulation revenues, net of add-on products, amount to €130.9mn, vis-à-vis €132.7mn recorded in the corresponding period of the previous year.

The performance of circulation revenues, that is not benefiting from any price increase, reflects good resilience of sales of the Group's titles. In particular, both *la Repubblica* and *L'espresso* recorded slight increases in the newsstand's sales.

This positive evolution, which has been going on since year 2009, is also reflected in the results of the last Audipress readership investigation; in particular, *la Repubblica* confirms its position as first Italian daily newspaper with over 3.2 million daily readers, thus leading up its advantage over the second ranking daily newspaper to 11.8%. The local daily newspapers as a whole have recorded 3.5 million daily readers, and *L'espresso* 2.6 million weekly readers.

Advertising revenues, equal to €264.9mn, have increased by 7.6% with respect to the first half of 2009.

The Group radio stations have recorded the most positive evolution (+20.2%): this growth was supported by the concessionaire's enhanced commercial dynamism and by the good results attained in listenership, in particular as regards *Radio DeeJay*.

Finally, the advertising market in the Internet has recorded highly positive results (+17.6%), thanks also to the particular success of Repubblica.it, which in the first half of the year has reached over 1.6 million daily unique users, thus confirming its position as first Italian information website and recording again a remarkable increase over the corresponding period of the previous year (+29%).

Revenues from the publishing sector have resulted basically in line with the first half of 2009.

In all its sectors of activity (Internet, radio and publishing sector), the Group has increased its market shares.

Revenues from add-on products amount to €40.3mn, showing a 34.1% decline with respect to the corresponding period of 2009, the first half-year of which had been characterized by a high concentration of initiatives and therefore of revenues. In a market framework which was definitely recording a severe contraction, the Group decided to focus on a reduced number of initiatives, aiming at protecting the sector profitability.

Total operating costs have been cut by 9.7% with respect to the first half of 2009 and, net of extraordinary charges, recurrent costs have been cut by 7.2%; taking into account the savings already realized in the first half of 2009, the trend of costs is perfectly in line with the goal of the plan, which, as one may recall, envisages an overall 17% cost reduction with respect to year 2008 (reference base for the formulation of the Group's reorganization plan). This result was attained without reducing the Group's product perimeter and portfolio of titles and with no damage for their quality.

The **Consolidated Gross Operating Profit** amounts to €74.7mn (€40.6mn in the first half of 2009) and the **consolidated operating profit** amounts to €6.7mn (€19.3mn in the first half of 2009).

Excepting periodicals, all the Group divisions are clearly enhancing their performance. The daily newspapers sector shows a remarkable recovery of profitability thanks to the drastic cost reduction related to the reorganization plans, even if these are not completed yet; the radio and the Internet sectors have benefited from the high increase occurred in revenues.

The **Consolidated net profit** amounts to €28.6mn, against the €0,1mn profit in the first half of 2009.

The **consolidated net financial position** shows further enhancement, from -€208.2mn at the end of 2009 to -€183,9mn as of June 30, 2010, with a net cash flow of €24.3mn, even though it has recorded extraordinary payments equal to over €15mn, in connection with the reorganization plans.

At the end of June 2010, the **Group staff** - including term contracts - totaled 2,908 persons, that is 542 less over the latest two years and 208 less with respect to end 2009, reflecting the effects of the ongoing restructuring plans.

Alessandro Alacevich, Central Director of Finance Administration, *dirigente preposto alla redazione dei documenti contabili societari* (manager in charge of drafting accounting and corporate records), 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.

SUBSEQUENT EVENTS AND OUTLOOK

The macroeconomic framework evolution over year 2010 is still characterized by a wide uncertainty, which does not favor a neat and generalized recovery of advertising investments.

The advertising market performance in the first five months of this year appears to be experiencing a slight recovery (+3.8%), however this is not sufficient to counterbalance the drastic cut in investments occurred in the corresponding period of 2009 (-17.5%).

In this framework, over the half-year under consideration, the Group has attained a remarkable growth in advertising revenues and, if no changes – that are at present unforeseeable to forecast - occur in the present frame of reference, the evolution of the advertising revenues will maintain a positive trend all along the current year.

Moreover, thanks to the ongoing cost reduction plans, the Group has recorded remarkable savings, thoroughly in line with its goals.

The Group's profitability has thus shown a vigorous recovery and one may foresee that, vis-à-vis the previous year, a remarkable increase shall characterize current year's results.

Finally, the Group sticks with its commitment to constantly enhance its titles and implement a powerful editorial development plan focused on the new media, that shall entail an increasingly larger distribution of its contents through all the new platforms. Great importance is to be attached to the launch of *Repubblica+*, the digital version of the daily newspaper that is now available on PC and also on i-Pad.

APPOINTMENT OF THE NEW EDITOR OF L'ESPRESSO

The Board of Directors has appointed Mr. Bruno Manfellotto as new editor of L'espresso.

Mr. Manfellotto, who is going to sign the Friday 6th August, 2010 edition, leaves editorship of the Group's local daily newspapers.

The Board of Directors has thanked Ms. Hamaui - who is leaving L'espresso editorship to become Editorial Manager of all *Repubblica* periodicals and Editorial Supervisor of the Espresso Division monthly magazines - for her positive work in strengthening prestige of L'espresso.

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 2009	1 st Half 2010
Revenues	449.295	445.056
Change in inventories	(136)	117
Other operating income	5.619	6.025
Purchases	(62.733)	(46.984)
Services received	(177.852)	(171.566)
Other operating charges	(11.227)	(11.634)
Investments valued at equity	443	529
Personnel costs	(162.858)	(146.807)
Depreciation, amortization and write-downs	(21.257)	(18.033)
Operating profit	19.294	56.703
Financial income (expense)	(8.739)	(5.271)
Pre-tax profit	10.555	51.432
Income taxes	(10.398)	(22.892)
Net profit	157	28.540
Minority interests	(36)	34
GROUP NET PROFIT	121	28.574
Earnings per share, basic	n.s.	0,070
Earnings per share, diluted	n.s.	0,066

Consolidated Comprehensive Income Statement

(€ thousand)	1 st Half 2009	1 st Half 2010
NET PROFIT	157	28.540
Other components of comprehensive income statement:		
Profit / (Loss) from valuation of available-for-sale assets	-	201
Taxes on other profits / (losses)	-	(55)
Other components of comprehensive income statement, after taxes	-	146
TOTAL COMPREHENSIVE INCOME STATEMENT	157	28.686
Total comprehensive income statement, of which:		
Parent Company's shareholders	121	28.720
Minority Interests	(36)	34

Not completely audited data

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Consolidated Balance Sheet

ASSETS (€ thousand)	December, 31 2009	June, 30 2010
Intangible assets with an indefinite useful life	656.419	656.419
Other intangible assets	3.119	2.520
Intangible assets	659.538	658.939
Property, plant and equipment	203.617	180.614
Investments valued at equity	28.334	28.104
Other investments	2.486	2.500
Non-current receivables	1.272	1.342
Deferred tax assets	48.561	39.018
NON-CURRENT ASSETS	943.808	910.517
Inventories	23.243	19.602
Trade receivables	229.945	232.513
Marketable securities and other financial assets	25.179	68.803
Tax receivables	20.630	26.311
Other receivables	17.368	19.561
Cash and cash equivalents	135.012	96.014
CURRENT ASSETS	451.377	462.804
TOTAL ASSETS	1.395.185	1.373.321

LIABILITIES AND SHAREHOLDERS' EQUITY (€ thousand)	December, 31 2009	June, 30 2010
Share capital	61.439	61.447
Reserves	217.096	193.766
Retained earnings (loss carry-forwards)	201.245	231.632
Net profit (loss) for the period	5.825	28.574
Group Shareholders' Equity	485.605	515.419
Minority interests	9.824	9.790
SHAREHOLDERS' EQUITY	495.429	525.209
Financial debt	348.582	319.901
Provisions for risks and charges	40.407	39.215
Employee termination indemnity and other retirement benefits	83.907	75.328
Deferred tax liabilities	110.999	111.730
NON-CURRENT LIABILITIES	583.895	546.174
Financial debt	19.804	28.858
Provisions for risks and charges	48.844	41.997
Trade payables	147.553	124.248
Tax payables	12.735	30.104
Other payables	86.925	76.731
CURRENT LIABILITIES	315.861	301.938
TOTAL LIABILITIES	899.756	848.112
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	1.395.185	1.373.321

Not completely audited data

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Changes in the Consolidated Net Financial Position

(€ thousand)	Jan-June 2009	Jan-June 2010
SOURCES OF FUNDS		
Net profit (loss) for the period, including minority interests	157	28.540
Depreciation, amortization and write-downs	21.258	18.033
Accruals to provisions for stock option costs	843	1.114
Net change in provisions for personnel costs	(5.752)	(8.579)
Net change in provisions for risks and charges	12.824	(8.039)
Losses (gains) on disposal of fixed assets	17	(618)
Losses (gains) on disposal of equity investments	-	(3.499)
Write-down (revaluation) of investments	-	6
Adjustments for investments valued at equity	6	210
Cash flow from operating activities	29.353	27.168
Decrease (Increase) in non-current receivables	78	(70)
Increase in liabilities/Decrease in deferred tax assets	(516)	10.274
Increase in payables/Decrease in tax receivables	135	11.688
Decrease (Increase) in inventories	5.716	3.641
Decrease (Increase) in trade and other receivables	31.541	(4.759)
Increase (Decrease) in trade and other payables	(20.345)	(28.364)
Change in current assets	16.609	(7.590)
CASH FLOW FROM OPERATING ACTIVITIES	45.962	19.578
Deconsolidation of assets of sold subsidiaries	-	14.233
Net disinvestments in equity	-	3.499
Increases in share capital and reserves	-	71
Other changes	-	146
TOTAL SOURCES OF FUNDS	45.962	37.527
USES OF FUNDS		
Net investment in fixed assets	(14.578)	(13.183)
(Acquisition) sale of treasury stocks	(1.087)	(91)
Dividends paid	-	-
Other changes	(478)	-
TOTAL USES OF FUNDS	(16.143)	(13.274)
Financial surplus (deficit)	29.819	24.253
BEGINNIG NET FINANCIAL POSITION	(278.948)	(208.195)
ENDING NET FINANCIAL POSITION	(249.129)	(183.942)

Not completely audited data

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Statement of Consolidated Cash Flows

(€ thousand)	Jan-June 2009	Jan-June 2010
OPERATING ACTIVITIES		
Net profit (loss) for the period, including minority interests	157	28.540
Adjustments:		
- Depreciation, amortization and write-downs	21.258	18.033
- Accruals to provisions for stock option costs	843	1.114
- Net change in provisions for personnel costs	(5.752)	(7.312)
- Net change in provisions for risks and charges	12.824	(8.039)
- Losses (gains) on disposal of fixed assets	17	(618)
- Losses (gains) on disposal of equity investments and marketable securities	(1.822)	(4.010)
- Adjustments in value of financial assets	-	6
- Adjustments for investments valued at equity	6	210
- (Dividends received)	(24)	-
Cash flow from operating activities	27.507	27.924
Change in current assets and other flows	23.417	2.461
CASH FLOW FROM OPERATING ACTIVITIES	50.924	30.385
of which:		
Interest received (paid)	(952)	(816)
Received (outlay) for income taxes	(12.430)	(2.379)
INVESTING ACTIVITIES		
Outlay for purchase of fixed assets	(16.186)	(13.975)
Received on disposals of fixed assets	1.608	2.766
Public grants received	155	-
(Acquisition) sale of marketable securities and available-for-sale assets	(7.210)	(42.046)
Dividends received	24	-
CASH FLOW FROM INVESTING ACTIVITIES	(21.609)	(53.255)
FINANCIAL ACTIVITIES		
Increases in capital and reserves	-	71
(Acquisition) sale of treasury stocks	(1.087)	(91)
Issue (repayment) of bond	(3.250)	(12.524)
Issue (repayment) of other financial debt	(8.218)	(7.108)
Other changes	(478)	-
CASH FLOW FROM FINANCING ACTIVITIES	(13.033)	(19.652)
Increase (decrease) in cash and cash equivalents	16.282	(42.522)
Cash and cash equivalents at beginning of the period	120.670	134.400
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	136.952	91.878

Not completely audited data