GEDI
GRUPPO EDITORIALE

PRESS RELEASE

As per the terms of Consob Resolution 11971/99 and subsequent amendments and additions

GEDI GRUPPO EDITORIALE S.P.A.

ECONOMIC AND FINANCIAL RESULTS AS OF SEPTEMBER 30 2018

REVENUES AT €469.7MN
(€425.5mn in 2017)

EBITDA AT €31.4MN
(€33.7mn in 2017)

NET INCOME AT €7.8MN
(- €143.9 in 2017)

NET DEBT AT €124.7MN
(€115.1mn at end of 2017: in July disbursement of €35.1mn
as last instalment of tax dispute)

Milan, October 22 2018 – Today in Milan, under the chairmanship of Marco De Benedetti, the Board of Directors of GEDI Gruppo Editoriale S.p.A. met and approved the consolidated results as of September 30 2018 as presented by Chief Executive Laura Cioli.

GEDI
GRUPPO EDITORIALE

ECONOMIC AND FINANCIAL RESULTS OF THE GEDI GROUP AS OF SEPTEMBER 30 2018

Below are the main economic and financial indicators as of September 30 2018.

Consolidated results (€mn)	*Jan-Sept 2017*	*Jan-Sept 2018*
Revenues, of which:	425.5	469.7
• circulation	188.3	215.5
• advertising	203.2	221.8
• add-ons and others	34.0	32.3
Gross operating margin	33.7	31.4
Operating result	22.3	17.3
Result before taxes	15.1	9.7
Net result operations destined to continue	(145.0)	7.9
Result of discontinued operations/held for disposal (1)	1.2	-
Net result	(143.9)	7.8

(€mn)	*December 31 2017*	*September 30 2018*
Net financial position	(115.1)	(124.7)
Equity of Group and minority interests	557.6	565.0
• equity of the Group	557.1	564.4
• minority shareholders' equity	0.5	0.5
No. of employees	2,445	2,418

(Notes at the end of the text)

PERFORMANCE OF THE MARKET

At the end of August 2018 the advertising market had improved slightly (+0.3%) compared to the same period of the previous year (Nielsen Media Research figures).

All of the main media except for the printed press were showing a positive performance: radio reported advertising orders up by 6.3%, confirming the trend in progress since 2015, the internet, excluding search engines and social media, reported a rise of 4.3% and television a rise of +1.5%. By contrast, orders for the printed media again posted a loss, of 6.8%, with newspapers reporting -5.7% (-3.0% orders for the national papers and -7.8% for the local papers) and magazines -8.4%.

As for newspaper circulation, according to ADS (Accertamento Diffusione Stampa) figures, in the period from January to August 2018 there was a decline in sales, on the newsstands and by subscription, of 7.5% (-8.6% for national papers and -6.6% for local papers).

PERFORMANCE OF OPERATIONS OF THE GEDI GROUP IN THE FIRST NINE MONTHS OF 2018

It should be remembered that on June 27 2017 the merger was completed into GEDI of the ITEDI Group, publisher of the newspapers *La Stampa* and *il Secolo XIX*. As an effect of this deal, GEDI acquired control of the ITEDI Group, which entered the consolidation perimeter on June 30 2017. Thus, the income statement of the GEDI Group for the first nine months of 2017 only included the ITEDI Group from July 1 2017 onwards.

For the main economic indicators illustrated below, the change from the first nine months of 2017 is, therefore, also given on a like-for-like basis.

Consolidated revenues, totalling €469.7mn, rose by 10.4% compared to the first nine months of 2017 (-5.9% on a like-for-like basis). The revenues from all of the **digital activities** accounted for 11.3% of the Group's revenues.

Circulation revenues came to €215.5mn and were up by 14.5% on those of the same period of last year but were down by 8.4% on a like-for-like basis in a market that, as stated above, has continued to report a significant decline in newspaper circulation.

Advertising revenues rose by 9.2% compared to the first nine months of 2017 but were down by 2.5% on a like-for-like basis.

As for the Group media, advertising orders for radio grew by 4.7%, confirming the positive trend already seen in the previous year.

Internet orders showed growth of 17.8% (+4.9% on a like-for-like basis, which was slightly better than the market).

Lastly, orders for the printed press rose by 10.6% (-6.7% on a like-for-like basis, showing a performance in line with that of the sector as a whole).

Costs were 12.2% higher than in the first nine months of 2017 but fell by 4.0% on a like-for-like basis. More specifically, industrial fixed costs were lower (-7.0%), thanks to the ongoing reorganization of the production structure of the Group, and operational and administrative costs were also down (-5.6%), thanks to the measures adopted to reduce labour costs and overheads.

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Società soggetta all'attività di direzione e coordinamento di CIR S.p.A.

The **consolidated gross operating margin** was €31.4mn, which was substantially in line with the figure reported in the same period of 2017 (€33.7mn). .

The **consolidated operating result** came to €17.3mn, compared to €22.3mn in the first nine months of 2017.

The **consolidated net result** was €7.8mn, versus a loss of €143.9mn in the first nine months of 2017 (-€145.7mn on a like-for-like basis), which included an extraordinary tax charge from the settlement of a dispute, pending in the Court of Cassation, relating to tax-avoidance issues regarding the tax benefits resulting from the corporate reorganization of Gruppo Editoriale L'Espresso in 1991.

Net debt totalled €124.7mn at September 30 2018, compared to €115.1mn at the end of 2017. On July 2 2018, the Company made a payment of €35.1mn as the final instalment of the above-mentioned settlement of its tax dispute.

The **Group had 2,418 employees** at the end of September 2018 including temporary contracts, and the average number of employees for the period on a like-for like basis was 1.9% lower than in the first nine months of 2017.

KEY ECONOMIC RESULTS FOR THE THIRD QUARTER

Consolidated results (€mn)	*3rd Quarter 2017*	*3rd Quarter 2018*
Revenues	157.1	147.1
Gross operating margin	11.2	9.3
Operating result	6.7	4.7
Result before taxes	4.6	2.1
Net result of operations destined to continue	(151.4)	3.5
Result of discontinued operations/held for disposal	0.2	-
Net result	(151.2)	3.5

The performance of the third quarter confirms the trends already seen in the first half of the year.

Consolidated net revenues declined by 6.4% on the equivalent quarter of 2017, with circulation revenues falling by 7.6% and advertising revenues by 3.4%.

The consolidated operating result came in at €4.7mn versus €6.7mn in third quarter 2017; the **consolidated net result** was income of €3.5mn compared to a loss of €151.2mn in the same period of the previous year, taking into account that the entire extraordinary tax charge was reported in the third quarter.

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The Company's Director of Administration and Accounts, Mr Gabriele Acquistapace, the Executive responsible for the preparation of the company's Financial Statements, hereby attests in compliance with the terms of paragraph 2 of Art. 154-*bis* of the "Testo Unico delle Finanze" (Finance Consolidation Act) that the figures contained in this press release correspond to the results documented in the Company's accounts and general ledger.

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MAIN EVENTS THAT HAVE OCCURRED SINCE THE CLOSE OF THE FIRST NINE MONTHS OF THE YEAR AND OUTLOOK FOR THE REST OF THE YEAR

No significant events have taken place since the close of the first nine months of the year.

As far as the outlook for the year 2018 is concerned, based on the performance recorded in the first nine months, there are no signs of any significant improvement in the negative trends that have been affecting the newspaper and magazine sector for years, while the positive evolution of radio and the internet is consolidating. In this context, the Group is continuing in its commitment to reap all the benefits of the merger with ITEDI, to develop and evolve both its editorial products and its digital activities and to implement on a permanent basis rationalization measures to preserve profitability in a structurally difficult market. It can therefore be postulated that, in the absence of any events that are as yet unforeseeable, the Group should report a positive result at the end of the year.

Notes:

(1) The "Result of discontinued operations and those held for disposal" at September 30 2017 includes the effects of the deferred portion of consideration linked to the sale on January 30 2015 of All Music, the company of the Group that produced the mainstream national television channel *DeeJay TV*, to the producer Discovery Italia. It should also be noted that after the contractual conditions for payment of the portion of deferred consideration were met, the effects of the payment were recognized in the Financial Statements for the year ended December 31 2017, in accordance with the international accounting standards applicable.

Regarding the comparability of the figures, it should be remembered that on June 27 2017 the merger of the ITEDI Group into GEDI was completed. Therefore, the consolidated income statement for the first nine months of 2017 includes the results of the ITEDI Group from July 1 2017 onwards.

On January 1 2018, the Group adopted the following new accounting standards:

- IFRS 15 - *Revenue from Contracts with Customers*, the application of which mainly involved the following:
  - The recognition of circulation revenues at their cover price or in any case at the actual price paid by the final buyer gross of all margins, including the part retained by the newsagent. Consequently, and this is where the difference from the previous accounting treatment lies, the commission is recognized separately as a distribution cost and is not deducted from the revenue figure as was previously the case;
  - Consolidated advertising revenues are stated net of the publisher fee resulting from the collection of advertising on behalf of third-party publishers, previously reported in costs for services.
- IFRS 9 - *Financial Instruments*, the application of which involved the following:
  - The introduction of new criteria for the classification and measurement of financial assets and liabilities, replacing the various rules given in IAS 39;
  - An estimate of the losses on certain assets calculated using the expected losses model (a method that involves early recognition of impairment compared to the previous terms of IAS 39) using supporting information that includes historical, current and projected data. The standard states that this impairment model is applied to all financial instruments, i.e. to financial assets measured at amortized cost and those measured at fair value through other comprehensive income, and to receivables from lease contracts and trade receivables.

To guarantee that the data are comparable, the items of circulation and advertising revenues in the income statement for the first nine months of 2017 have been restated, and the item “costs for services” has also been adjusted for the same amount, according to the new indications introduced by IFRS 15. This restatement does not have any impact on operating income, net income or shareholders’ equity.

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GEDI Gruppo Editoriale

Consolidated Income Statement

(€ million)	Jan - Sept 2017	Jan - Sept 2018
Revenues	425,5	469,7
Change in inventories	0,3	0,3
Other operating income	8,0	8,5
Purchases	(38,0)	(44,1)
Services received	(205,9)	(225,1)
Other operating charges	(7,0)	(7,3)
Personnel costs	(149,1)	(170,6)
Depreciation, amortization and write-downs	(11,4)	(14,1)
Operating profit	**22,3**	**17,3**
Financial income (expense)	(6,5)	(7,8)
Investments valued at equity	(0,7)	0,2
Pre-tax profit	**15,1**	**9,7**
Income taxes	(160,1)	(1,8)
Net profit from continuing operations	**(145,0)**	**7,9**
Net profit (loss) from discontinued operations	1,2	-
Net profit	**(143,8)**	**7,9**
Minority interests	(0,1)	(0,1)
GROUP NET PROFIT	**(143,9)**	**7,8**
Earnings per share, basic	(0,347)	0,016
Earnings per share, diluted	(0,302)	0,014

Consolidated Comprehensive Income Statement

(€ million)	Jan - Sept 2017	Jan - Sept 2018
NET PROFIT	**(143,8)**	**7,9**
Other components of comprehensive income statement:		
Profit / (Loss) from valuation of available-for-sale assets	-	-
Taxes on other profits / (losses)	-	-
Other components of comprehensive income statement, after taxes	**-**	**-**
TOTAL COMPREHENSIVE INCOME STATEMENT	**(143,8)**	**7,9**
Total comprehensive income statement, of which:		
Parent Company's shareholders	(143,9)	7,8
Minority Interests	0,1	0,1

Not audited data

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Consolidated Income Statement - 3rd Quarter

(€ million)	3rd Quarter 2017	3rd Quarter 2018
Revenues	157,1	147,1
Change in inventories	0,2	0,1
Other operating income	2,0	1,4
Purchases	(14,9)	(14,5)
Services received	(78,8)	(72,1)
Other operating charges	(2,0)	(1,7)
Personnel costs	(52,5)	(51,1)
Depreciation, amortization and write-downs	(4,5)	(4,6)
Operating profit	**6,7**	**4,7**
Financial income (expense)	(2,1)	(2,6)
Investments valued at equity	(0,0)	0,1
Pre-tax profit	**4,6**	**2,1**
Income taxes	(156,0)	1,4
Net profit from continuing operations	**(151,4)**	**3,5**
Net profit (loss) from discontinued operations	0,2	-
Net profit	**(151,2)**	**3,5**
Minority interests	(0,0)	(0,0)
GROUP NET PROFIT	**(151,2)**	**3,5**

Consolidated Comprehensive Income Statement - 3rd Quarter

(€ million)	3rd Quarter 2017	3rd Quarter 2018
NET PROFIT	**(151,2)**	**3,5**
Other components of comprehensive income statement:		
Profit / (Loss) from valuation of available-for-sale assets	-	-
Taxes on other profits / (losses)	-	-
Other components of comprehensive income statement, after taxes	**-**	**-**
TOTAL COMPREHENSIVE INCOME STATEMENT	**(151,2)**	**3,5**

Total comprehensive income statement, of which:		
Parent Company's shareholders	(151,2)	3,5
Minority Interests	0,0	0,0

Not audited data

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Consolidated Balance Sheet

ASSETS (€ million)	December, 31 2017	September, 30 2018
Intangible assets with an indefinite useful life	577,0	578,2
Other intangible assets	9,0	8,4
Intangible assets	586,0	586,6
Property, plant and equipment	90,6	83,7
Investments valued at equity	124,3	120,9
Other investments	10,3	10,2
Non-current receivables	1,4	1,4
Deferred tax assets	36,7	37,9
NON-CURRENT ASSETS	**849,3**	**840,8**
Inventories	12,9	15,8
Trade receivables	208,3	158,2
Marketable securities and other financial assets	0,2	0,9
Tax receivables	18,8	18,8
Other receivables	30,6	28,4
Cash and cash equivalents	63,5	33,9
CURRENT ASSETS	**334,3**	**256,0**
TOTAL ASSETS	**1.183,6**	**1.096,7**

LIABILITIES AND SHAREHOLDERS' EQUITY (€ million)	December, 31 2017	September, 30 2018
Share capital	76,3	76,3
Reserves	236,3	229,2
Retained earnings (loss carry-forwards)	367,8	251,1
Net profit (loss) for the period	(123,3)	7,8
Group Shareholders' Equity	**557,1**	**564,4**
Minority interests	0,5	0,5
SHAREHOLDERS' EQUITY	**557,6**	**565,0**
Financial debt	95,7	6,4
Provisions for risks and charges	29,2	27,0
Employee termination indemnity and other retirement benefits	59,2	56,7
Deferred tax liabilities	113,5	114,6
NON-CURRENT LIABILITIES	**297,5**	**204,7**
Financial debt	83,2	153,1
Provisions for risks and charges	27,5	19,9
Trade payables	113,2	91,7
Tax payables	45,9	8,1
Other payables	58,8	54,2
CURRENT LIABILITIES	**328,5**	**327,1**
TOTAL LIABILITIES	**626,0**	**531,7**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**1.183,6**	**1.096,7**

Not audited data

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Changes in the Consolidated Net Financial Position

(€ million)	Jan - Sept 2017	Jan - Sept 2018
SOURCES OF FUNDS		
Net profit (loss) for the period, including minority interests	(145,0)	7,9
Net profit (loss) from discontinued operations	1,2	-
Depreciation, amortization and write-downs	11,4	14,1
Accruals to provisions for stock option costs	0,5	0,6
Net change in provisions for personnel costs	(1,5)	(2,5)
Net change in provisions for risks and charges	(24,8)	(9,7)
Losses (gains) on disposal of fixed assets	(0,5)	(0,0)
Losses (gains) on disposal of equity investments	(1,2)	(0,1)
Adjustments for investments valued at equity	5,0	3,4
Cash flow from operating activities	**(154,9)**	**13,8**
Decrease (Increase) in non-current receivables	0,0	(0,0)
Increase in liabilities/Decrease in deferred tax assets	2,2	(0,1)
Increase in payables/Decrease in tax receivables	174,1	(37,9)
Decrease (Increase) in inventories	0,4	(2,9)
Decrease (Increase) in trade and other receivables	24,7	46,1
Increase (Decrease) in trade and other payables	(26,9)	(22,4)
Change in current assets	**174,6**	**(17,2)**
CASH FLOW FROM OPERATING ACTIVITIES	**19,6**	**(3,4)**
Net equity divestments	3,2	0,1
Cash flow from discontinued operations	2,0	6,2
TOTAL SOURCES OF FUNDS	**24,8**	**2,8**
USES OF FUNDS		
Net investments in fixed assets	(7,4)	(11,3)
Net financial position from ITEDI Group	(7,8)	-
(Acquisition) sale of treasury stocks	0,3	0,0
Other changes	(1,1)	(1,1)
TOTAL USES OF FUNDS	**(16,0)**	**(12,4)**
Financial surplus (deficit)	**8,8**	**(9,6)**
BEGINNIG NET FINANCIAL POSITION	**31,7**	**(115,1)**
ENDING NET FINANCIAL POSITION	**40,5**	**(124,7)**

Not audited data

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Statement of Consolidated Cash Flows

(€ million)	Jan - Sept 2017	Jan - Sept 2018
OPERATING ACTIVITIES		
Net profit (loss) for the period, including minority interests	(145,0)	7,9
Adjustments:		
- Depreciation, amortization and write-downs	11,4	14,1
- Accruals to provisions for stock option costs	0,5	0,6
- Net change in provisions for personnel costs	(1,5)	(2,5)
- Net change in provisions for risks and charges	(24,8)	(9,7)
- Losses (gains) on disposal of fixed assets	(0,5)	(0,0)
- Losses (gains) on disposal of equity investments and marketable securities	(1,2)	(0,1)
- Adjustments in value of financial assets	-	(0,0)
- Adjustments for investments valued at equity	5,0	3,4
- Profit (loss) from discontinued operations	1,2	-
Cash flow from operating activities	**(154,9)**	**13,7**
Change in current assets and other flows	**178,8**	**(12,6)**
CASH FLOW FROM OPERATING ACTIVITIES	**23,8**	**1,1**
of which:		
Interest received (paid) through banks	(1,1)	(1,6)
Received (outlay) for income taxes	(2,3)	(0,0)
ATTIVITA' DI INVESTIMENTO		
Outlay for purchase of fixed assets	(8,1)	(11,4)
Outlay for purchase of equity investments	(0,0)	-
Received on disposals of fixed assets	3,9	0,2
Cash flow from ITEDI Group	9,0	-
Cash flow from discontinued operations	2,0	6,2
FLUSSO DELL'ATTIVITA' DI INVESTIMENTO	**6,7**	**(5,1)**
FINANCING ACTIVITIES		
(Acquisition) sale of treasury stocks	0,3	0,0
Issue (repayment) of other financial debt	(8,2)	(24,7)
Other changes	(1,1)	(1,1)
CASH FLOW FROM FINANCING ACTIVITIES	**(8,9)**	**(25,8)**
Increase (decrease) in cash and cash equivalents	**21,6**	**(29,8)**
Cash and cash equivalents at beginning of the period	**148,5**	**63,5**
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	**170,1**	**33,7**

Not audited data

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Consolidated Net Financial Position

(€ million)	September, 30 2017	December, 31 2017	September, 30 2018
Financial receivables from Group companies	0,2	0,2	0,2
Financial payables to Group companies	-	-	-
Cash and bank deposits	170,1	63,3	33,7
Current account overdrafts	(0,1)	(0,1)	(0,2)
Net cash and cash equivalents	**170,1**	**63,5**	**33,7**
Marketable securities and other financial assets	0,1	0,2	0,9
Bond issue	(93,1)	(93,7)	(98,2)
Other bank debt	(9,1)	(8,8)	(7,5)
Other financial debt	(27,5)	(76,2)	(53,6)
Other financial assets (liabilities)	**(129,7)**	**(178,6)**	**(158,4)**
NET FINANCIAL POSITION	**40,5**	**(115,1)**	**(124,7)**

Not audited data