GEDI
GRUPPO EDITORIALE

PRESS RELEASE

Under the terms of CONSOB Resolution 11971/99 and subsequent amendments and additions

GEDI GRUPPO EDITORIALE S.P.A.

ECONOMIC AND FINANCIAL RESULTS AS OF 30 September 2019

TURNOVER AT € 441.5 MN

ADJUSTED EBITDA AT € 35.9 MN

NET LOSS AT- € 18.3 MN
(effect of the sale of Persidera - € 16.9 MN; restructuring expenses - € 3.7 MN)

ADJUSTED OPERATING PROFIT/(LOSS) 3RD QUARTER SUBSTANTIALLY IN LINE WITH 2018

NET FINANCIAL DEBT AT € 118.4 MN

Rome, 21 OCTOBER 2019 - The Board of Directors of GEDI Gruppo Editoriale S.p.A. met today in Rome. The meeting was chaired by Marco De Benedetti.

In relation to the assessments expressed by Mr De Benedetti in his interview with the Corriere della Sera on the Group's performance, the Board of Directors wishes to specify that, although it acknowledges the difficulties it faces, deriving from the ongoing suffering of the print media sector which affects the results of all publishers, the GEDI Group maintains a solid leadership in daily newspapers, digital media and radio, and adopts measures capable of facing the future, investment and development, and creating sustainable value, fully aware of the significance and delicacy of the business and of the function that it performs in the country, with a sense of responsibility and respect for the work done by the management and by the editors of the publications and by all the women and men who work proudly in it.

The Board subsequently approved the consolidated results as at 30 September 2019 presented by the Chief Executive Officer Laura Cioli.

ECONOMIC AND FINANCIAL RESULTS FOR THE GEDI GROUP AT 30 SEPTEMBER 2019

Below are the main economic and financial indicators at 30 September 2019.

Consolidated results (€ million)	*Jan-Sept 2018 pre-IFRS 16*	*Jan-Sept 2019 post-IFRS 16*
Revenues, of which:	469.7	441.5
• circulation	215.5	205.2
• advertising	221.8	206.4
• add-ons and others	32.3	30.0
Adjusted gross operating margin	31.6	35.9
Gross operating profit	31.4	31.1
Adjusted operating result	17.5	12.0
Operating profit/(loss)	17.3	7.1
Net profit	7.8	(18.3)

(€ mn)	*31 December 2018*	*30 September 2019*
Net financial position pre-IFRS 16	(103.2)	(118.4)
Net financial position post-IFRS 16	N/A	(177.0)
Shareholders' Equity (incl. minority interests)	523.4	505.6
• Group Shareholders' Equity	522.8	505.1
• Minority interests	0.6	0.6
Employees	2,359	2,241

End note

MARKET PERFORMANCE

In the first eight months of 2019, advertising investments came down by 5.9% compared to the corresponding period of the previous year (Nielsen Media Research figures).

Among the main media only radio and the Internet (excluding Search and Social) showed a positive trend with growth respectively of 2.5% and 2.2%. Revenue of television fell by 6.4%, while printed media was the format that suffered most, recording a further drop of 12.5% with newspapers reporting -10.6% (-12.7% revenue for national papers and -7.7% for local papers) and magazines -15.5%.

According to ADS (Accertamento Diffusione Stampa) data, in the first eight months of 2019, newspaper subscriptions and sales at news stands fell by 8.2% (-6.7% for national newspapers and -9.0% for local newspapers). Including digital copies, overall circulation dropped by around -7.3%.

OPERATING PERFORMANCE OF THE GEDI GROUP IN THE FIRST NINE MONTHS OF 2019

Consolidated revenues, totalling € 441.5 million, fell by 6.0% compared to the first nine months of 2018. Revenue from all **digital activities** accounted for 12.0% of consolidated turnover (14.8% the Repubblica brand), and the digital products of the various Group publications at the end of September 2019 reached 126,000 subscribers.

Circulation revenues, amounting to € 205.2 million, decreased by 4.8% compared with the corresponding period of the previous financial year, in a market which, as indicated above, reported a decrease of 8.2% in the sales of daily newspapers at news-stands and via subscription.

Advertising revenue, at €206.4 mn, fell by 7.0% compared to the first nine months of 2018.

Costs, including **depreciation and amortisation**, were 5.2% lower compared to the first nine months of 2018. Personnel costs (-6.2%) and other costs (-4.5%) decreased. However, these reductions only partially reflect the effects of restructuring of the editorial team of *La Repubblica* (which became operational during March) and the closure of two printing sites (from April).

Adjusted gross operating profit came to € 35.9 million, while it would have been € 25.1 million prior to application of IFRS 16, compared to € 31.6 million in the first nine months of 2018. The gross operating profit was € 31.1 million (€ 20.2 million net of the impacts of IFRS 16), including restructuring expenses for a total of € 4.9 million deriving mainly from the further rationalisations of the industrial structure and of the commercial structures of the Group's advertising concessionaire.

The **adjusted operating profit/(loss)**, excluding the above restructuring expenses, amounted to € 12.0 million (€ 11.5 million before the application of IFRS 16) compared to the € 17.5 million of the first nine months of 2018. Operating profit was € 7.1 million (€ 6.7 million net of the impacts of IFRS 16).

The **consolidated net loss** was € 18.3 million (- € 17.3 million excluding the effects of IFRS 16) including the effects of the sale of Persidera (- €16.9 million) and restructuring expenses with impact on the net profit/(loss) of € 3.7 million. Net of these effects there was a consolidated net profit of € 2.2 million; the first nine months of 2018 ended with consolidated net profit of € 7.8 million.

In particular, on 5 June 2019, the Parent Company GEDI Gruppo Editoriale SpA, in agreement with TIM SpA, the other seller, signed a binding agreement with F21 and Ei Towers for the sale of its 30% stake in the company Persidera, a non-core asset of the Group. The agreement sets a price for GEDI of € 74.5 million, from which will be deducted at the closing the dividends distributed during 2019 (of € 4.3 million received in April) and to which will be added the interest accrued from 1 August up to the closing date.

Therefore, the net loss includes the write-down on the value of the equity investment of € 16.9 million, made to adjust the book value to the sale price, increased by € 0.4 million for costs to sell and decreased by € 0.4 million related to the interest accrued from 1 August on the price.

The net financial debt at 30 September 2019 before the application of the new accounting standard IFRS 16 amounted to € 118.4 million, up compared to the € 103.2 million of the end of 2018 owing mainly to € 25.6 million of payments related to reorganisation plans in progress. Application of IFRS 16 led to recording, at 30 September 2019, of payables for leasing and rights of use of € 58.6 million, and therefore net financial debt after IFRS 16 application totalled € 177.0 million.

We can remind you that on 9 April 2019, the Company entirely repaid on maturity the convertible bond loan with a value of € 100 million, partially via a revolving credit line agreed in April 2018.

The **Group's workforce**, including fixed-term employees, at the end of September 2019, numbered 2,241 employees, down 118 compared to 31 December 2018. The average workforce for the period was 6.3% lower than in the first nine months of the previous year.

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The Company's Director of Administration and Accounts, Mr Gabriele Acquistapace, the company's Financial Reporting Manager, hereby attests, under the terms of paragraph 2 of Art. 154-*bis* of the "Testo Unico delle Finanze" (Consolidated Law on Finance) that the accounting disclosure contained in this press release corresponds to the results documented in the Company's accounts and ledgers.

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KEY RESULTS FOR THE THIRD QUARTER

Consolidated results (€ million)	*3rd Quarter 2018 pre-IFRS 16*	*3rd Quarter 2019 post-IFRS 16*
Revenues	147.1	138.6
Adjusted gross operating margin	9.8	12.4
Gross operating profit	9.3	10.9
Adjusted operating result	5.1	4.3
Operating profit/(loss)	4.7	2.8
Net profit	3.5	0.7

The performance in the third quarter, as already in the second, shows an improvement compared to the trends recorded in the early months of the year.

In the period July-September a drop was recorded in total **turnover** of 5.8%, substantially in line with that which characterised the first half of the year (-6.1%) but with non-uniform trends among the different components: the reduction in advertising revenue (-5.9%) and circulation revenue (-4.0%) was less than that of the previous months (-7.4% and -5.2% respectively in the first half of the year) while the reduction in revenue from add-ons and others was more significant (-17.5%) owing to a different calendar of activities.

The trend in **total costs**, including operating income/(expenses) , showed a drop of 5.4% compared to the corresponding period of 2018 and was in line with the reduction recorded in the first months of the year (4.7%).

The **adjusted operating profit/(loss)** was € 4.3 million, showing a reduction compared to the third quarter of 2018 (-15.9%) decidedly lower compared to that recorded in the first half of the year (-38.5%); the **consolidated net profit/(loss)** amounted to € 0.7 million (€ 3.5 million in the corresponding period of 2018).

SUBSEQUENT EVENTS AT THE CLOSE OF THE FIRST NINE MONTHS OF THE YEAR AND OUTLOOK

There were no significant events subsequent to the end of the first nine months of the year.

The results of the second and third quarters, which are substantially in line with the corresponding period of the previous year (- € 1.0 million), show much better performance compared to the first months of the year.

With regard to the prospects for 2019, there are no market developments that are significantly different from those affecting the first nine months.

For the fourth quarter we expect to see further effects from the measures implemented: the relaunch of the *La Repubblica* newspaper and the restructuring of the editorial team, the rationalisation following closure of a further two printing sites, reorganisation of GEDI News Network and consequent opportunities for further increased efficiency and synergy, and the development of technological platforms with particular reference to CRM and editorial systems.

It can therefore be expected that, in the absence of currently unforeseeable events, the Group will record a positive result at the end of the year, excluding the impact of the sale of Persidera and of any other non-ordinary components.

Note

From 1 January 2019, the Group has applied the new accounting standard **IFRS 16 – Leases**, which provides a new definition of "lease" and introduces a criterion based on control (right of use) of an asset to distinguish leasing contracts from contracts for the supply of services, identifying the following as determinants: the identification of the asset, the right to replace the same, the right to obtain all the financial benefits deriving from the use of the asset, and the right to control the use of the asset underlying the contract.

Application of the new accounting standard to the contracts identified has determined the following impacts on the Group's consolidated financial statements:

- Regarding the financial and capital position, the initial entry (i) of an asset representing a right of use pursuant to IFRS 16 (equal to the current value of mandatory minimum future instalments that the lessor must pay from 1 January 2019, including advance payments and direct costs incurred, where applicable) that will be subject to depreciation over the remaining period of validity of the contract, and (ii) of a financial payable equal to the current value of mandatory minimum future instalments that the lessor must pay from 1 January 2019, including accrued liabilities still to pay at the transition date. The payable, that shall be valued applying the "depreciated cost" criterion, shall subsequently be reduced following payment of lease instalments and increased for financial expenses. The application of IFRS 16 determined an increase in the Group's consolidated net debt at 30 September 2019 of € 58.6 million. The new standard has no effect on the determination of covenants.
- On the income statement, there is a different nature, qualification and classification for lease instalments, which are no longer entered under gross operating profit. Instead, the following is recorded: (i) depreciation of the right of use and (ii) financial expenses on the payable entered. Owing to this new classification of lease instalments, the Group's consolidated income statement for the first nine months of 2019 shows an improvement in gross operating profit of € 10.9 million, an increase in amortisation of € 10.4 million and an increase in financial expenses of € 1.5 million. The impact on net profit was - € 1.1 million.
- On first application, the Group measured the asset representing the right of use at an amount equal to the figure for lease liabilities**.**
- The Group adopted IFRS 16 as of 1 January 2019, using the modified retroactive application based on which comparative information was not redetermined.

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GEDI Gruppo Editoriale

Consolidated Income Statement

(€ million)	Jan-Sept 2018 *	Jan-Sept 2019
Revenues	469,7	441,5
Change in inventories	0,3	0,1
Other operating income	8,5	3,9
Purchases	(44,1)	(42,3)
Services received	(225,1)	(200,2)
Other operating charges	(7,3)	(7,5)
Personnel costs	(170,6)	(164,5)
Depreciation, amortization and write-downs	(14,1)	(24,0)
Operating profit	**17,3**	**7,1**
Financial income (expense)	(7,8)	(6,3)
Investments valued at equity	0,4	0,2
Pre-tax profit	**9,9**	**1,0**
Income taxes	(1,8)	(2,4)
Net profit from continuing operations	**8,1**	**(1,4)**
Net profit (loss) from discontinued operations	(0,2)	(16,9)
Net profit	**7,9**	**(18,3)**
Minority interests	(0,1)	(0,1)
GROUP NET PROFIT	**7,8**	**(18,3)**
Earnings per share, basic	0,016	(0,038)
Earnings per share, diluted	0,014	(0,037)

Consolidated Comprehensive Income Statement

(€ million)	Jan-Sept 2018 *	Jan-Sept 2019
NET PROFIT	**7,9**	**(18,3)**
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	**7,9**	**(18,3)**

Total comprehensive income statement, of which:		
Parent Company's shareholders	7,8	(18,3)
Minority Interests	0,1	0,1

Not audited data

*The Group adopted IFRS 16 as of 1 January 2019, using the modified retrospective approoch based on which comparative information was not stated. Comparative information has been reclassified to reflect the loss from discontinued operations.

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Consolidated Income Statement - 3rd Quarter

(€ million)	3rd Quarter 2018 *	3rd Quarter 2019
Revenues	147,1	138,6
Change in inventories	0,1	(0,1)
Other operating income	1,4	0,9
Purchases	(14,5)	(13,8)
Services received	(72,1)	(64,5)
Other operating charges	(1,7)	(1,5)
Personnel costs	(51,1)	(48,8)
Depreciation, amortization and write-downs	(4,6)	(8,1)
Operating profit	**4,7**	**2,8**
Financial income (expense)	(2,6)	(1,5)
Investments valued at equity	0,1	0,1
Pre-tax profit	**2,2**	**1,3**
Income taxes	1,4	(1,0)
Net profit from continuing operations	**3,6**	**0,3**
Net profit (loss) from discontinued operations	(0,1)	0,4
Net profit	**3,5**	**0,7**
Minority interests	(0,0)	-
GROUP NET PROFIT	**3,5**	**0,7**
Utile per azione, base	0,007	0,002
Utile per azione, diluito	0,006	0,001

Consolidated Comprehensive Income Statement - 3rd Quarter

(€ million)	3rd Quarter 2018 *	3rd Quarter 2019
NET PROFIT	**3,5**	**0,7**
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	**3,5**	**0,7**

Total comprehensive income statement, of which:		
Parent Company's shareholders	3,5	0,7
Minority Interests	0,0	-

Not audited data

*The Group adopted IFRS 16 as of 1 January 2019, using the modified retrospective approoch based on which comparative information was not stated. Comparative information has been reclassified to reflect the loss from discontinued operations.

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Consolidated Balance Sheet

ASSETS (€ million)	December, 31 2018 *	September, 30 2019
Intangible assets with an indefinite useful life	556,7	557,0
Other intangible assets	10,1	9,0
Intangible assets	566,7	566,0
Rights of use	-	56,5
Property, plant and equipment	80,2	73,8
Investments valued at equity	109,4	17,7
Other investments	10,2	9,2
Non-current receivables	1,2	0,9
Deferred tax assets	39,2	38,5
NON-CURRENT ASSETS	**806,9**	**762,7**
Assets held for sale or transferred	-	70,6
Inventories	14,9	17,6
Trade receivables	187,2	146,0
Marketable securities and other financial assets	0,8	-
Tax receivables	6,6	3,2
Other receivables	22,2	22,2
Cash and cash equivalents	77,3	20,8
CURRENT ASSETS	**309,0**	**280,5**
TOTAL ASSETS	**1.115,9**	**1.043,2**

LIABILITIES AND SHAREHOLDERS' EQUITY (€ million)	December, 31 2018 *	September, 30 2019
Share capital	76,3	76,3
Reserves	227,3	223,8
Retained earnings (loss carry-forwards)	251,4	223,3
Net profit (loss) for the period	(32,2)	(18,3)
Group Shareholders' Equity	**522,8**	**505,1**
Minority interests	0,6	0,6
SHAREHOLDERS' EQUITY	**523,4**	**505,6**
Financial debt	3,5	3,3
Payables for rights of use	-	44,3
Provisions for risks and charges	24,5	9,4
Employee termination indemnity and other retirement benefits	54,8	51,2
Deferred tax liabilities	114,9	116,1
NON-CURRENT LIABILITIES	**197,8**	**224,3**
Financial debt	177,8	135,9
Payables for rights of use	-	14,3
Provisions for risks and charges	34,8	17,4
Trade payables	111,2	80,5
Tax payables	11,6	11,7
Other payables	59,5	53,4
CURRENT LIABILITIES	**394,8**	**313,2**
TOTAL LIABILITIES	**592,5**	**537,6**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**1.115,9**	**1.043,2**

Not audited data

*The Group adopted IFRS 16 as of 1 January 2019, using the modified retrospective approoch based on which comparative information was not stated.

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Changes in the Consolidated Net Financial Position

(€ million)	Jan - Sept 2018 *	Jan - Sept 2019
SOURCES OF FUNDS		
Net profit (loss) for the period, including minority interests	7,9	(18,3)
Net profit (loss) from discontinued operations	-	16,9
Depreciation, amortization and write-downs	14,1	24,0
Accruals to provisions for stock option costs	0,6	0,6
Net change in provisions for personnel costs	(2,5)	(3,6)
Net change in provisions for risks and charges	(9,7)	(32,5)
Losses (gains) on disposal of fixed assets	(0,0)	(0,1)
Losses (gains) on disposal of equity investments	(0,1)	(0,1)
Adjustments for investments valued at equity	3,4	4,6
Cash flow from operating activities	**13,8**	**(8,5)**
Decrease (Increase) in non-current receivables	(0,0)	0,2
Increase in liabilities/Decrease in deferred tax assets	(0,1)	1,9
Increase in payables/Decrease in tax receivables	(37,9)	3,5
Decrease (Increase) in inventories	(2,9)	(2,7)
Decrease (Increase) in trade and other receivables	46,1	41,2
Increase (Decrease) in trade and other payables	(22,4)	(33,6)
Change in current assets	**(17,2)**	**10,6**
CASH FLOW FROM OPERATING ACTIVITIES	**(3,4)**	**2,0**
Net equity divestments	0,1	1,1
Cash flow from discontinued operations	6,2	-
TOTAL SOURCES OF FUNDS	**2,8**	**3,1**
USES OF FUNDS		
Net increases in rights of use	-	(66,9)
Net investments in fixed assets	(11,3)	(9,9)
(Acquisition) sale of treasury stocks	0,0	0,2
Other changes	(1,1)	(0,3)
TOTAL USES OF FUNDS	**(12,4)**	**(76,9)**
Financial surplus (deficit)	**(9,6)**	**(73,8)**
BEGINNIG NET FINANCIAL POSITION	**(115,1)**	**(103,2)**
ENDING NET FINANCIAL POSITION POST-IFRS 16	**(124,7)**	**(177,0)**

Not audited data

*The Group adopted IFRS 16 as of 1 January 2019, using the modified retrospective approoch based on which comparative information was not stated.

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Statement of Consolidated Cash Flows

(€ million)	Jan - Sept 2018 *	Jan - Sept 2019
OPERATING ACTIVITIES		
Net profit (loss) for the period, including minority interests	7,9	(18,3)
Adjustments:		
- Depreciation, amortization and write-downs	14,1	24,0
- Accruals to provisions for stock option costs	0,6	0,6
- Net change in provisions for personnel costs	(2,5)	(3,6)
- Net change in provisions for risks and charges	(9,7)	(32,5)
- Losses (gains) on disposal of fixed assets	(0,0)	(0,1)
- Losses (gains) on disposal of equity investments and marketable secu	(0,1)	(0,1)
- Adjustments in value of financial assets	(0,0)	(0,1)
- Adjustments for investments valued at equity	3,4	4,6
- Profit (loss) from discontinued operations	-	16,9
Cash flow from operating activities	**13,7**	**(8,6)**
Change in current assets and other flows	**(12,6)**	**13,1**
CASH FLOW FROM OPERATING ACTIVITIES	**1,1**	**4,5**
of which:		
Interest received (paid) through banks	(1,6)	(2,7)
Received (outlay) for income taxes	(0,0)	(3,6)
INVESTING ACTIVITIES		
Outlay for purchase of fixed assets	(11,4)	(10,1)
Received on disposals of fixed assets	0,2	1,3
Cash flow from discontinued operations	6,2	-
CASH FLOW FROM INVESTING ACTIVITIES	**(5,1)**	**(8,8)**
FINANCING ACTIVITIES		
(Acquisition) sale of treasury stocks	0,0	0,2
Issue (repayment) of bond	-	(99,7)
Outlay for rights of use leasing	-	(10,1)
Issue (repayment) of other financial debt	(24,7)	57,7
Other changes	(1,1)	(0,3)
CASH FLOW FROM FINANCING ACTIVITIES	**(25,8)**	**(52,2)**
Increase (decrease) in cash and cash equivalents	**(29,8)**	**(56,5)**
Cash and cash equivalents at beginning of the period	**63,5**	**77,2**
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	**33,7**	**20,7**

Not audited data

*The Group adopted IFRS 16 as of 1 January 2019, using the modified retrospective approoch based on which comparative information was not stated.

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Consolidated Net Financial Position

(€ million)	September, 30 2018	December, 31 2018	September, 30 2019
Financial receivables from Group companies	0,2	0,2	0,2
Financial payables to Group companies	-	-	-
Cash and bank deposits	33,7	77,1	20,7
Current account overdrafts	(0,2)	(0,1)	(0,2)
Net cash and cash equivalents	**33,7**	**77,2**	**20,7**
Marketable securities and other financial assets	0,9	0,8	-
Bond issue	(98,2)	(98,9)	-
Other bank debt	(7,5)	(6,3)	(84,0)
Other financial debt	(53,6)	(76,0)	(55,0)
Other financial assets (liabilities)	**(158,4)**	**(180,4)**	**(139,1)**
NET FINANCIAL POSITION PRE-IFRS 16	**(124,7)**	**(103,2)**	**(118,4)**
Payables for leasing and rights of use-IFRS 16			(58,6)
NET FINANCIAL POSITION POST-IFRS 16	**n.a**	**n.a**	**(177,0)**

Not audited data