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 31 MARCH 2019

TURNOVER AT € 145.6M

EBITDA AT € 8.4M

NET PROFIT AT € 2.0M

NET DEBT AT € 124.7M (Net of IFRS 16)
(Includes expenses for restructuring plans and annual partnership contract)

Rome, 19 April 2019 – Today in Rome, 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 31 March 2019 as presented by Chief Executive Officer Laura Cioli.

GEDI GRUPPO EDITORIALE

BOARD OF DIRECTORS REPORT AT 31 MARCH 2019

ECONOMIC AND FINANCIAL RESULTS FOR THE GEDI GROUP AT 31 MARCH 2019

Below are the main economic and financial indicators as at 31 March 2019.

Consolidated results (€m)	*Jan-Mar 2018*	*Jan-Mar 2019*
Revenues, of which:	155.8	145.6
• circulation	71.7	67.1
• advertising	73.4	67.5
• add-ons and others	10.6	11.0
Gross operating profit	11.4	8.4
Operating profit	6.6	0.5
Net profit	3.0	2.0

(€m)	*31 December 2018*	*31 March 2019*
Net financial position pre-IFRS 16	(103.2)	(124.7)
Payables for leasing and rights of use – IFRS 16	N/A	(62.8)
Net financial position post-IFRS 16	N/A	(187.5)
Shareholders' Equity (incl. minority interests)	523.4	525.3
• Group Shareholders' Equity	522.8	524.7
• Minority interests	0.6	0.6
Employees	2,359	2,295

End note

MARKET PERFORMANCE

In the first two months of 2019, advertising investments decreased by 3.6% compared to the corresponding period in the previous year (Nielsen Media Research figures).

Amongst the main formats, only online (excluding Search and Social Networks) saw a positive trend, with growth of 2.6%. Revenue for radio was basically consistent with figures for the corresponding period last year (+0.1%), while TV revenue was down 3.6%. Printed media was the format that suffered most, recording a further drop of 11.3%, with newspapers reporting -13.6% (-15.3% revenue for national papers and -12.5% for local papers) and magazines -6.9%.

According to ADS (Accertamento Diffusione Stampa) data, in the first two months of 2019, newspaper subscriptions and sales at newsstands fell by 7.1% (-5.4% for national newspapers and -8.5% for local newspapers). Including digital copies, overall circulation dropped by around -5.9%.

GEDI GROUP OPERATING PERFORMANCE FOR THE 1ST QUARTER OF 2019

Consolidated revenues, totalling € 145.6m, fell by 6.5% compared to the first quarter of 2018. Revenue from all **digital activities** accounted for 12.4% of consolidated revenue (17.5% for the Repubblica brand), and the digital products of the various Group publications at the end of 2019 reached 119,000 subscribers.

Circulation revenues, amounting to € 67.1m, decreased by 6.5% when compared with the previous financial year, in a market which, as indicated above, reports a decrease of 7.1% in the sales of daily newspapers at newsstands and via subscription.

Advertising revenue was down by 8.0% compared to the first quarter of 2018.

The development of revenue from the various formats of the Group reflects the trends of the relative markets. Online advertising grew 3.2%, radio remained basically in line with figures for the corresponding period of 2018 (-2.2%), while printed media saw a significant decrease of -12.7%.

Costs, including **depreciation**, are 5.5% lower compared to the first quarter of 2018. Personnel costs (-4.8%) and other costs (-6.1%) have decreased. However, these reductions still do not significantly reflect the effects of newsroom's organization restructuring of *La Repubblica* (which went operational during March) and the closure of two printing facilities (from April).

Consolidated gross operating profit was € 8.4m (€ 4.8m net of IFRS 16 effects) compared to € 11.4m in the first quarter of 2018.

Consolidated operating profit was € 0.5m (€ 0.3m prior to application of IFRS 16) compared to € 6.6m in the first quarter of 2018.

Consolidated net profit was € 2.0m (€ 2.3m excluding the effects of IFRS 16) against € 3.0m profit in the first quarter of 2018.

Net debt at 31 March 2019, prior to application of new accounting standard IFRS 16, totalled € 124.7m, up compared to the € 103.2m at the end of 2018, due to the effect of the first round of payments for restructuring plans in progress, as well as the trend in working capital, affected by expenses of € 8.4m for an annual partnership contract. Application of IFRS 16 has led to recording, at 31 March 2019, of payables for leasing and rights of use of € 62.8m, and therefore net debt after IFRS 16 application totals € 187.5m.

The **Group's workforce**, including fixed-term employees, at the end of March 2019, numbered 2,295 employees, down 64 compared to the 31 December 2018. The average workforce for the period was 4.5% lower than in the first quarter of the previous year.

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The Company's Director of Administration and Accounts, Mr Gabriele Acquistapace, the director 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" (Consolidated Law on Finance) 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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SUBSEQUENT EVENTS AND OUTLOOK

On 8 April 2019, the Company entirely repaid the expiring convertible bond loan with a value of € 100m, partially via a revolving credit line established in April 2018.

Based on the trends already recorded in the first quarter, there are no significant changes in the market expected in 2019 other than those that have marked the sector for a number of years now. To counter these trends, the Group has and will continue to engage in developing its products, to implement the rationalization measures to preserve profitability, to achieve further advantages deriving from the merger with the ITEDI Group and to strengthen its leadership in digital activities. Amongst the activities with effects that will be visible in coming months: the relaunch of the *La Repubblica* newspaper and the effects of the newsroom's organization restructuring, the restructuring following closure of a further two printing facilities, 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.

NOTES:

From 1 January 2019, the Group has applied new accounting standard **IFRS 16 – Leases**, providing a new definition of "lease" and introducing a criterion based on the control (right of use) of an asset to distinguish leasing contracts from service contracts, identifying the following as determining: the identification of the asset, the right to replace the latter, the right to obtain all the financial benefits referring to the use of the asset, and the right to supervise 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 impact of IFRS 16 on the Group's consolidated net debt at 31 March 2019 was -€ 62.8m; the new standard has no effect on 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. Due to this new classification of lease instalments, the Group's consolidated income statement for the first quarter of 2019 shows an improvement in gross operating profit of € 3.6m, an increase in depreciation of € 3.4m and an increase in financial expenses of € 0.5m. The impact on net profit was -€ 0.3m.
- On application, the Group valued the asset representing right of use at a value equal to the figure for lease liabilities.

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GEDI Gruppo Editoriale
Consolidated Income Statement

(€ million)	Jan - Mar 2018	Jan - Mar 2019
Revenues	155,8	145,6
Change in inventories	0,1	(0,0)
Other operating income	4,3	1,3
Purchases	(14,4)	(13,7)
Services received	(73,8)	(65,1)
Other operating charges	(2,1)	(2,8)
Personnel costs	(58,5)	(57,0)
Depreciation, amortization and write-downs	(4,8)	(7,9)
Operating profit	**6,6**	**0,5**
Financial income (expense)	(2,4)	(3,2)
Investments valued at equity	0,4	0,1
Pre-tax profit	**4,6**	**(2,6)**
Income taxes	(1,6)	4,6
Net profit from continuing operations	**3,0**	**2,0**
Net profit (loss) from discontinued operations	-	-
Net profit	**3,0**	**2,0**
Minority interests	(0,0)	(0,0)
GROUP NET PROFIT	**3,0**	**2,0**
Earnings per share, basic	0,006	0,004
Earnings per share, diluted	0,006	0,004

Consolidated Comprehensive Income Statement

(€ million)	Jan - Mar 2018	Jan - Mar 2019
NET PROFIT	**3,0**	**2,0**
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	**3,0**	**2,0**

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

Not audited data

GEDI Gruppo Editoriale
Consolidated Balance Sheet

ASSETS (€ million)	December, 31 2018	March, 31 2019
Intangible assets with an indefinite useful life	556,7	556,7
Other intangible assets	10,1	9,4
Intangible assets	566,7	566,0
Rights of use	-	62,1
Property, plant and equipment	80,2	78,0
Investments valued at equity	109,4	109,5
Other investments	10,2	10,2
Non-current receivables	1,2	1,1
Deferred tax assets	39,2	39,7
NON-CURRENT ASSETS	**806,9**	**866,7**
Inventories	14,9	17,2
Trade receivables	187,2	163,2
Marketable securities and other financial assets	0,8	0,8
Tax receivables	6,6	6,0
Other receivables	22,2	32,5
Cash and cash equivalents	77,3	44,4
CURRENT ASSETS	**309,0**	**264,2**
TOTAL ASSETS	**1.115,9**	**1.130,8**

LIABILITIES AND SHAREHOLDERS' EQUITY (€ million)	December, 31 2018	March, 31 2019
Share capital	76,3	76,3
Reserves	227,3	227,3
Retained earnings (loss carry-forwards)	251,4	219,1
Net profit (loss) for the period	(32,2)	2,0
Group Shareholders' Equity	**522,8**	**524,7**
Minority interests	0,6	0,6
SHAREHOLDERS' EQUITY	**523,4**	**525,3**
Financial debt	3,5	3,5
Payables for rights of use	-	49,5
Provisions for risks and charges	24,5	20,4
Employee termination indemnity and other retirement benefits	54,8	52,6
Deferred tax liabilities	114,9	115,3
NON-CURRENT LIABILITIES	**197,8**	**241,3**
Financial debt	177,8	166,4
Payables for rights of use	-	13,2
Provisions for risks and charges	34,8	21,1
Trade payables	111,2	90,1
Tax payables	11,6	15,1
Other payables	59,5	58,2
CURRENT LIABILITIES	**394,8**	**364,2**
TOTAL LIABILITIES	**592,5**	**605,5**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**1.115,9**	**1.130,8**

Not audited data

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Changes in the Consolidated Net Financial Position

(€ million)	Jan - Mar 2018	Jan - Mar 2019
SOURCES OF FUNDS		
Net profit (loss) for the period, including minority interests	3,0	2,0
Depreciation, amortization and write-downs	4,8	7,9
Accruals to provisions for stock option costs	0,2	0,2
Net change in provisions for personnel costs	(0,8)	(2,2)
Net change in provisions for risks and charges	(4,5)	(17,8)
Adjustments for investments valued at equity	(0,4)	(0,1)
Cash flow from operating activities	**2,2**	**(10,1)**
Decrease (Increase) in non-current receivables	(0,0)	0,1
Increase in liabilities/Decrease in deferred tax assets	0,5	(0,1)
Increase in payables/Decrease in tax receivables	(3,8)	4,1
Decrease (Increase) in inventories	(1,1)	(2,3)
Decrease (Increase) in trade and other receivables	29,4	13,7
Increase (Decrease) in trade and other payables	(21,7)	(18,7)
Change in current assets	**3,3**	**(3,3)**
CASH FLOW FROM OPERATING ACTIVITIES	**5,5**	**(13,4)**
Cash flow from discontinued operations	6,2	-
TOTAL SOURCES OF FUNDS	**11,7**	**(13,4)**
USES OF FUNDS		
Net investments in fixed assets	(5,2)	(8,0)
(Acquisition) sale of treasury stocks	(0,1)	0,1
Other changes	(1,3)	(0,3)
TOTAL USES OF FUNDS	**(6,5)**	**(8,2)**
Financial surplus (deficit)	**5,1**	**(21,6)**
BEGINNIG NET FINANCIAL POSITION	**(115,1)**	**(103,2)**
BEGINNIG NET FINANCIAL POSITION PRE-IFRS 16	**(110,0)**	**(124,7)**
Payables for leasing and rights of use-IFRS 16	-	(62,8)
ENDING NET FINANCIAL POSITION POST-IFRS 16	**(110,0)**	**(187,5)**

Not audited data

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Statement of Consolidated Cash Flows

(€ million)	Jan - Mar 2018	Jan - Mar 2019
OPERATING ACTIVITIES		
Net profit (loss) for the period, including minority interests	3,0	2,0
Adjustments:		
- Depreciation, amortization and write-downs	4,8	4,5
- Accruals to provisions for stock option costs	0,2	0,2
- Net change in provisions for personnel costs	(0,8)	(2,2)
- Net change in provisions for risks and charges	(4,5)	(17,8)
- Adjustments in value of financial assets	-	(0,0)
- Adjustments for investments valued at equity	(0,4)	(0,1)
Cash flow from operating activities	**2,2**	**(13,6)**
Change in current assets and other flows	**5,2**	**(1,5)**
CASH FLOW FROM OPERATING ACTIVITIES	**7,4**	**(15,1)**
of which:		
Interest received (paid) through banks	0,0	(0,3)
Received (outlay) for income taxes	-	-
INVESTING ACTIVITIES		
Outlay for purchase of fixed assets	(6,6)	(4,6)
Received on disposals of fixed assets	1,4	0,1
Cash flow from discontinued operations	6,2	-
CASH FLOW FROM INVESTING ACTIVITIES	**1,0**	**(4,5)**
FINANCING ACTIVITIES		
(Acquisition) sale of treasury stocks	(0,1)	0,1
Issue (repayment) of other financial debt	(17,0)	(13,3)
Other changes	(1,3)	(0,1)
CASH FLOW FROM FINANCING ACTIVITIES	**(18,3)**	**(13,3)**
Increase (decrease) in cash and cash equivalents	**(9,9)**	**(32,9)**
Cash and cash equivalents at beginning of the period	**63,5**	**77,2**
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	**53,5**	**44,3**

Not audited data

GEDI Gruppo Editoriale
Consolidated Net Financial Position

(€ million)	March, 31 2018	December, 31 2018	March, 31 2019
Financial receivables from Group companies	0,2	0,2	0,2
Financial payables to Group companies	-	-	-
Cash and bank deposits	54,1	77,1	44,2
Current account overdrafts	(0,8)	(0,1)	(0,1)
Net cash and cash equivalents	**53,5**	**77,2**	**44,3**
Marketable securities and other financial assets	-	0,8	0,8
Bond issue	(95,6)	(98,9)	(100,8)
Other bank debt	(8,7)	(6,3)	(6,2)
Other financial debt	(59,2)	(76,0)	(62,8)
Other financial assets (liabilities)	**(163,5)**	**(180,4)**	**(169,0)**
NET FINANCIAL POSITION PRE-IFRS 16	**(110,0)**	**(103,2)**	**(124,7)**
Payables for leasing and rights of use-IFRS 16			(62,8)
NET FINANCIAL POSITION POST-IFRS 16	**n.a**	**n.a**	**(187,5)**

Not audited data