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 30 JUNE 2019

REVENUES € 302.9M

EBITDA ADJUSTED AT €23.5M

Q2 ADJUSTED OPERATING PROFIT AT €6.1M, IN LINE WITH 2018

NET RESULT - € 19.1M
(effect of disposal of Persidera € 17.3m; restructuring expenses € 2.5m)

NET FINANCIAL DEBT € 123.1M

Rome, 26 July 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 30 June 2019 as presented by Chief Executive Officer Laura Cioli.

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

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

Consolidated results (€ m)	**1st Half 2018**	**1st Half 2019**
Revenues, of which:	322.5	302.9
• circulation	141.9	134.5
• advertising	159.1	147.3
• add-ons and others	21.6	21.1
Adjusted gross operating profit	21.9	23.5
Gross operating profit	22.1	20.2
Adjusted operating profit	12.4	7.6
Operating profit	12.6	4.3
Net profit	4.3	(19.1)

(€ m)	**31 Dec 2018**	**30 Jun 2019**
Net financial position pre-IFRS 16	(103.2)	(123.1)
Net financial position post-IFRS 16	N/A	(184.4)
Shareholders' Equity	523.4	504.7
Employees	2,359	2,259

Notes at the end of the text

MARKET PERFORMANCE

In the first five months of 2019, advertising investments fell by 4.0% compared to the corresponding period in the previous year (Nielsen Media Research figures).

Of the main segments, only radio and internet (excluding Search and Social) saw a positive trend, with respective growth of 2.2% and 2.0%. Television saw a decrease of 3.7%, while printed media was the format that suffered most, recording a further drop of 12.6%, with newspapers reporting -10.6% (-12.6% revenue for national papers and -7.9% for local papers) and magazines -15.4%.

According to ADS (Accertamento Diffusione Stampa) data, in the first five months of 2019, newspaper subscriptions and sales at newsstands fell by 7.7% (-6.1% for national newspapers and -8.8% for local newspapers). Including digital copies, overall circulation dropped by around 6.8%.

GEDI GROUP OPERATING PERFORMANCE FOR THE 1ST HALF OF 2019

Consolidated revenues, totalling € 302.9m, fell by 6.1% compared to the first half of 2018. Revenue from **digital activities** accounted for 12.2% of consolidated revenue (15.2% for the Repubblica brand). To consider that digital subscriptions grew more then 35%.

Circulation revenues, amounting to € 134.5m, decreased by 5.2% compared to the previous financial year, in a market which, as indicated above, reports a decrease of 7.7% in the sales of daily newspapers at newsstands and via subscription.

Advertising revenue totalling € 147.3m, was down by 7.4% compared to the first six months of 2018.

Costs, including **depreciation**, are 5.5% lower compared to the first half of 2018. Personnel costs (-6.0%) and other costs (-5.0%) have decreased. It should be noted that these reductions only partially reflect the effects of the restructuring of the editorial structure of *La Repubblica* (which became operational during March) and the closure of two additional printing sites (from April).

Adjusted gross operating profit comes to € 23.5m, € 16.3m prior to application of IFRS 16, to be compared with € 21.9m in the first half of 2018.
Gross operating profit amounted to € 20.2m (€ 13.0m net of the effects of IFRS 16), including restructuring charges totalling € 3.3m, mainly deriving from further rationalisation of the industrial structure and local sales structures of the Group's advertising concession holder.

Adjusted operating profit, excluding the restructuring expenses indicated above, comes to € 7.6m (€ 7.3m before application of IFRS 16), compared to € 12.4m in the first half of 2018.

In the second quarter, adjusted operating profit at €6.1m, in line with the same period of 2018. Consolidated operating profit came to € 4.3m (€ 4.0m after application of IFRS 16).

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The **net consolidated profit** indicates a loss of € 19.1m (€ -18.4m excluding the effects of IFRS 16), due to the effects of the sale of Persidera (€ -17.3m) and restructuring charges with an impact on the net result totalling € 2.5m. The first half of 2018 ended with net consolidated profit of € 4.3m.

More specifically, on 5 June 2019, the parent company GEDI Gruppo Editoriale SpA, in agreement with TIM SpA, the other seller, signed a binding agreement with F2i and Ei Towers to sell its 30% stake in Persidera, a non-core asset for the Group. The agreement involves a payment of € 74.5m to be received by GEDI, from which dividends distributed during 2019 will be subtracted at closing (equal to € 4.3m received in April). Interest accruing from 1 August through the closing date will instead be added to the payment.

Net financial debt at 30 June 2019 prior to application of the new accounting standard IFRS 16 amounts to € 123.1m, up over the € 103.2m recorded at the end of 2018 due to € 23.0m in payments relative to reorganisation plans in progress and the trend for working capital. Application of IFRS 16 has led to recording, at 30 June 2019, of payables for leasing and rights of use of € 61.2m, and therefore net debt after IFRS 16 application totals € 184.4m.
Recall that on 9 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.

The **Group's workforce**, including fixed-term employees, in June numbered 2,259 employees, down by 100 compared to 31 December 2018. The average workforce for the period was 5.8% lower than in the first half of the previous year.

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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" (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 to the close of the first half of the year and outlook

There were no significant events subsequent to the close of the first half of the year.

Based on the trends already recorded in the first half, 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.

Recent months showed improved performance with respect to the first quarter. Nonetheless, a high level of uncertainty continues in the sector, in particular reflected in the trends seen in the advertising market.

To counter these trends, the Group has and will continue to engage in developing its products, to implement the rationalisation 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 seen in coming months: the relaunch of the *La Repubblica* newspaper and the restructuring of the editorial team, new editorial products, the restructuring 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.

As a result of the actions implemented and on the basis of the the second quarter results trend, it is therefore possible to forecast, for the rest of the year, an improvement in profitability compared to the first half.

Note

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. Application of IFRS 16 led to an increase in Group net consolidated financial debt at 30 June 2019 in the amount of € 61.2m. The new standard had no impact 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 consolidated income statement for the first half of 2019 shows an improvement in gross operating profit of € 7.2m, an increase in depreciation of € 6.9m and an increase in financial expenses of € 1.0m. The impact on net profit was -€ 0.7m.

At first-time application, the Group valued the asset representing right of use at a value equal to the figure for lease liabilities.

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Consolidated Income Statement

(€ million)	Jan - Jun 2018	Jan - Jun 2019
Revenues	322,5	302,9
Change in inventories	0,2	0,2
Other operating income	7,1	3,0
Purchases	(29,5)	(28,5)
Services received	(153,1)	(135,7)
Other operating charges	(5,6)	(6,0)
Personnel costs	(119,5)	(115,7)
Depreciation, amortization and write-downs	(9,5)	(15,9)
Operating profit	**12,6**	**4,3**
Financial income (expense)	(5,2)	(4,8)
Investments valued at equity	0,3	0,2
Pre-tax profit	**7,7**	**(0,3)**
Income taxes	(3,2)	(1,4)
Net profit from continuing operations	**4,5**	**(1,7)**
Net profit (loss) from discontinued operations	(0,2)	(17,3)
Net profit	**4,4**	**(19,0)**
Minority interests	(0,0)	(0,1)
GROUP NET PROFIT	**4,3**	**(19,1)**
Earnings per share, basic	0,009	(0,039)
Earnings per share, diluted	0,008	(0,038)

Consolidated Comprehensive Income Statement

(€ million)	Jan - Jun 2018	Jan - Jun 2019
NET PROFIT	**4,4**	**(19,0)**
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	**4,4**	**(19,0)**

Total comprehensive income statement, of which:		
Parent Company's shareholders	4,3	(19,1)
Minority Interests	0,0	0,1

Not completely audited data

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Consolidated Balance Sheet

ASSETS (€ million)	December, 31 2018	June, 30 2019
Intangible assets with an indefinite useful life	556,7	557,0
Other intangible assets	10,1	9,1
Intangible assets	566,7	566,1
Rights of use	-	59,5
Property, plant and equipment	80,2	76,1
Investments valued at equity	109,4	17,6
Other investments	10,2	9,2
Non-current receivables	1,2	0,9
Deferred tax assets	39,2	38,2
NON-CURRENT ASSETS	**806,9**	**767,7**
Assets held for sale or transferred	-	70,2
Inventories	14,9	16,9
Trade receivables	187,2	174,8
Marketable securities and other financial assets	0,8	-
Tax receivables	6,6	3,4
Other receivables	22,2	22,4
Cash and cash equivalents	77,3	40,5
CURRENT ASSETS	**309,0**	**328,1**
TOTAL ASSETS	**1.115,9**	**1.095,7**

LIABILITIES AND SHAREHOLDERS' EQUITY (€ million)	December, 31 2018	June, 30 2019
Share capital	76,3	76,3
Reserves	227,3	223,5
Retained earnings (loss carry-forwards)	251,4	223,3
Net profit (loss) for the period	(32,2)	(19,1)
Group Shareholders' Equity	**522,8**	**504,1**
Minority interests	0,6	0,6
SHAREHOLDERS' EQUITY	**523,4**	**504,7**
Financial debt	3,5	3,3
Payables for rights of use	-	47,2
Provisions for risks and charges	24,5	9,9
Employee termination indemnity and other retirement benefits	54,8	51,4
Deferred tax liabilities	114,9	115,7
NON-CURRENT LIABILITIES	**197,8**	**227,5**
Financial debt	177,8	160,3
Payables for rights of use	-	14,0
Provisions for risks and charges	34,8	19,2
Trade payables	111,2	102,4
Tax payables	11,6	15,2
Other payables	59,5	52,5
CURRENT LIABILITIES	**394,8**	**363,6**
TOTAL LIABILITIES	**592,5**	**591,1**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**1.115,9**	**1.095,7**

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Changes in the Consolidated Net Financial Position

(€ million)	Jan - Jun 2018	Jan - Jun 2019
SOURCES OF FUNDS		
Net profit (loss) for the period, including minority interests	4,4	(19,0)
Net profit (loss) from discontinued operations	0,2	17,3
Depreciation, amortization and write-downs	9,5	15,9
Accruals to provisions for stock option costs	0,4	0,4
Net change in provisions for personnel costs	(1,2)	(3,4)
Net change in provisions for risks and charges	(6,2)	(30,2)
Losses (gains) on disposal of fixed assets	-	(0,1)
Losses (gains) on disposal of equity investments	-	(0,1)
Adjustments for investments valued at equity	3,3	4,7
Cash flow from operating activities	**10,4**	**(14,6)**
Decrease (Increase) in non-current receivables	(0,0)	0,2
Increase in liabilities/Decrease in deferred tax assets	1,9	1,8
Increase in payables/Decrease in tax receivables	(1,7)	6,8
Decrease (Increase) in inventories	(1,9)	(2,0)
Decrease (Increase) in trade and other receivables	11,0	12,3
Increase (Decrease) in trade and other payables	(12,1)	(14,3)
Change in current assets	**(2,8)**	**4,9**
CASH FLOW FROM OPERATING ACTIVITIES	**7,6**	**(9,7)**
Net equity divestments	-	1,1
Cash flow from discontinued operations	6,2	-
TOTAL SOURCES OF FUNDS	**13,7**	**(8,6)**
USES OF FUNDS		
Net increases in rights of use	-	(66,4)
Net investments in fixed assets	(8,9)	(6,0)
(Acquisition) sale of treasury stocks	0,0	0,1
Other changes	(1,1)	(0,2)
TOTAL USES OF FUNDS	**(10,0)**	**(72,6)**
Financial surplus (deficit)	**3,7**	**(81,2)**
BEGINNIG NET FINANCIAL POSITION	**(115,1)**	**(103,2)**
ENDING NET FINANCIAL POSITION POST-IFRS 16	**(111,4)**	**(184,4)**

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Statement of Consolidated Cash Flows

(€ million)	Jan - Jun 2018	Jan - Jun 2019
OPERATING ACTIVITIES		
Net profit (loss) for the period, including minority interests	4,4	(19,0)
Adjustments:		
- Depreciation, amortization and write-downs	9,5	15,9
- Accruals to provisions for stock option costs	0,4	0,4
- Net change in provisions for personnel costs	(1,2)	(3,4)
- Net change in provisions for risks and charges	(6,2)	(30,2)
- Losses (gains) on disposal of fixed assets	-	(0,1)
- Losses (gains) on disposal of equity investments and marketable securities	-	(0,1)
- Adjustments in value of financial assets	0,0	(0,0)
- Adjustments for investments valued at equity	3,3	4,7
- Profit (loss) from discontinued operations	0,2	17,3
Cash flow from operating activities	**10,4**	**(14,6)**
Change in current assets and other flows	**(0,3)**	**7,1**
CASH FLOW FROM OPERATING ACTIVITIES	**10,1**	**(7,6)**
of which:		
Interest received (paid) through banks	(1,5)	(2,1)
Received (outlay) for income taxes	(0,0)	(3,6)
INVESTING ACTIVITIES		
Outlay for purchase of fixed assets	(9,0)	(6,2)
Received on disposals of fixed assets	0,1	1,2
(Increase) decrease in paybles and and other financial assets	0,2	-
Cash flow from discontinued operations	6,2	-
CASH FLOW FROM INVESTING ACTIVITIES	**(2,5)**	**(4,9)**
FINANCING ACTIVITIES		
(Acquisition) sale of treasury stocks	0,0	0,1
Issue (repayment) of bond	-	(99,7)
Outlay for rights of use leasing	-	(6,5)
Issue (repayment) of other financial debt	(2,4)	82,1
Other changes	(1,1)	(0,2)
CASH FLOW FROM FINANCING ACTIVITIES	**(3,5)**	**(24,3)**
Increase (decrease) in cash and cash equivalents	**4,1**	**(36,8)**
Cash and cash equivalents at beginning of the period	**63,5**	**77,2**
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	**67,6**	**40,4**

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Consolidated Net Financial Position

(€ million)	June, 30 2018	December, 31 2018	June, 30 2019
Financial receivables from Group companies	0,2	0,2	0,2
Financial payables to Group companies	-	-	-
Cash and bank deposits	67,4	77,1	40,3
Current account overdrafts	(0,0)	(0,1)	(0,1)
Net cash and cash equivalents	**67,6**	**77,2**	**40,4**
Marketable securities and other financial assets	0,9	0,8	-
Bond issue	(96,3)	(98,9)	-
Other bank debt	(7,8)	(6,3)	(89,9)
Other financial debt	(75,9)	(76,0)	(73,6)
Other financial assets (liabilities)	**(179,0)**	**(180,4)**	**(163,6)**
NET FINANCIAL POSITION PRE-IFRS 16	**(111,4)**	**(103,2)**	**(123,1)**
Payables for leasing and rights of use-IFRS 16			(61,2)
NET FINANCIAL POSITION POST-IFRS 16	**n.a**	**n.a**	**(184,4)**

Not completely audited data