

PRESS RELEASE

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

GRUPPO EDITORIALE L'ESPRESSO S.P.A.

The Board of Directors approves the consolidated results as of September 30 2014

**THE ESPRESSO GROUP CLOSED THE FIRST NINE MONTHS OF THE YEAR WITH A
POSITIVE RESULT OF €4.6MN IN LINE WITH THAT OF THE PREVIOUS YEAR**

NET DEBT DECLINES FURTHER:

€44.8MN (€73.5MN IN DECEMBER 2013)

ECONOMIC AND FINANCIAL RESULTS OF THE ESPRESSO GROUP AT SEPTEMBER 30 2014

Consolidated results (€mn)	<i>Jan - Sept 2013</i>	<i>Jan - Sept 2014</i>	<i>Δ% 2014/2013</i>
Revenues, of which:	512.6	471.2	-8.1%
• circulation	187.7	175.8	
• advertising	288.6	261.7	
• other revenues	36.3	33.8	
Gross operating margin	38.4	41.5	+8.1%
Operating income	22.8	26.1	+14.2%
Income before taxes	15.0	14.2	
Net income on businesses to be continued	3.9	4.9	
Net income on operating businesses sold	0.7	(0.3)	
Net income	4.5	4.6	

(€mn)	<i>September 30 2013</i>	<i>December 31 2013</i>	<i>September 30 2014</i>
Net financial position	(61.7)	(73.5)	(44.8)
Total equity of Group and minority interests	560.5	562.2	567.6
• equity of the Group	558.6	560.2	565.6
• minority shareholders' equity	1.9	2.0	2.0
No. of employees *	2,450	2,408	2,373

* with the same consolidation perimeter

Rome, October 22 2014 - The Board of Directors of Gruppo Editoriale L'Espresso S.p.A. met today in Rome under the chairmanship of Mr Carlo De Benedetti and approved the consolidated results as of September 30 2014 presented by the Chief Executive Officer, Ms Monica Mondardini.

PERFORMANCE OF THE MARKET

During 2014, in a general economic climate that remains one of recession, the publishing sector has continued to report negative performances affecting both advertising orders and the circulation of newspapers and magazines.

In the first eight months of this year the negative trend, which has characterized advertising investment for the last five years, continued albeit to a lesser degree: according to Nielsen Media Research figures, overall advertising in the period from January to August reported a decline of 2.7% compared to the same period of 2013, but still with significant cuts in advertising expense particularly in the telecommunications, transport, fashion and cosmetics sectors.

The evolution of orders by category of media shows that the trends were diverse: television and internet orders were substantially in line with the same period of 2013 (+0.9% for both media), while orders for the printed press experienced a further significant decline (-10.4%), which affected both newspapers and magazines (-10.3% and -10.5%) and national and local advertising (-10.7% and -10.0%). Even the radio stations reported a slight downturn (-3.9%).

As for circulation, ADS (Accertamento Diffusione Stampa) figures for the period from January to August 2014 show a decline in newspaper sales of 11.5%; it should be noted that at the same time digital subscriptions to newspapers rose but this increase does not at present compensate for the loss of copies in the traditional format and sales channel.

PERFORMANCE OF OPERATIONS OF THE ESPRESSO GROUP IN THE FIRST NINE MONTHS OF 2014

Despite the negative trend of the market, which is having a significant impact on revenues, the Group closed the first nine months of 2014 with a positive result which was in line with that of the same period of last year.

It should be noted that following the integration of the network operator activities into Persidera, the consolidation perimeter has now changed.

The **consolidated net revenues** of the Group came in at €471.2mn and were down by 8.1% compared to the first nine months of 2013 (€512.6mn).

Circulation revenues, totalling €175.8mn, were down by 6.3% compared to the same period of last year (€187.7mn) in a market which, as stated above, is continuing to experience a significant decline in the circulation of daily newspapers (-11.5%).

On the basis of the most recent ADS figures (August 2014), *la Repubblica* confirms its ranking as top newspaper in terms of copies sold on the newsstands, subscriptions and other channels and, on

the basis of Audipress figures, as the top newspaper in the traditional format for number of readers.

Growth is also continuing of subscriptions to the digital products of the newspaper (*Repubblica+* and *Repubblica Mobile*): the average number of subscribers in the first nine months of the year rose by 10% compared to the same period of 2013 and at the end of September stood at approximately 76 thousand.

The local papers reported better circulation figures than their sector and even here there was a gradual increase in the number of digital copies although to a lesser extent than that of the national newspaper.

Overall at the end of September the Group had more than 100 thousand subscribers to the digital editions of its published titles.

Revenues from advertising in the Group media declined by 7.7% (-9.3% if third-party concessions are included, following the changes to the perimeter).

By sector, the printed press reported a 10.5% fall in the amount of advertising collected, which was in line with the performance of the whole segment.

Advertising orders for the remaining media, internet, radio and TV, was substantially in line with that of the same period of last year.

It should be noted in particular that the performance of *Repubblica.it* was excellent, its average Total Digital Audience in the period January - July, according to the new Audiweb survey, amounting to 1.7 million unique users per day, confirming its leadership among Italian news sites with a 38% lead over the second site; audience growth for the local newspaper websites was also significant (+17% just on PCs), with an average Total Digital Audience in the period January – July of 403 thousand unique users per day.

Costs fell by 7.7% which was substantially equivalent to the fall in revenues; more specifically, industrial overheads decreased thanks to the ongoing reorganization of the production structure of the Group, distribution costs fell because of the rationalization made to transportation, and operating and administration costs went down mainly thanks to the measures adopted to contain labour costs.

The **consolidated gross operating margin** was €41.5mn, up slightly from €38.4mn in the same period of 2013.

Consolidated operating income came in at €26.1mn, which was a little higher than the figure of €22.8mn reported for the same period of the previous year.

The **consolidated net result**, with the same consolidation perimeter, was net income of €4.9mn, versus €3.9mn in the first nine months of 2013. Including the businesses sold, the net result came to €4.6mn compared to €4.5mn in the same period of last year.

Consolidated net debt, which stood at €44.8mn at September 30 2014, showed a further reduction from €73.5mn at the end of 2013 and from €61.7mn at September 30 2013; the financial surplus for the period was €28.7mn.

The **Group had 2,373 employees**, including temporary contracts, at the end of September and the average number of employees in the period, with the same consolidation perimeter, was 4.1% lower than in the first nine months of 2013.

MAIN ECONOMIC RESULTS OF THIRD QUARTER 2014

Consolidated results (€mn)	3rd Quarter 2013	3rd Quarter 2014	Δ% 2014/2013
Revenues	152.6	144.7	-5.2%
Gross operating margin	12.7	10.7	-15.7%
Operating income	7.4	5.8	-22.1%
Income before taxes	4.7	2.4	
Net income on businesses to be continued	1.6	0.8	
Net result of operating businesses sold	(0.9)	-	
Net income	0.8	0.8	

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

Consolidated net revenues declined by 5.2% with advertising orders falling by 7.0%; the remaining revenues were in line with those of the first half of the year.

The **consolidated operating result** came in at €5.8mn down from €7.4mn in the third quarter of 2013; the **consolidated net result** was €0.8mn.

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.

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

In 2014 the publishing sector has once again been showing signs of recession affecting both circulation and advertising.

Regarding circulation, the decline in hard copy sold on the newsstands has been continuing; at the same time there has been good growth in digital subscriptions, the revenues from which are however still insufficient to compensate for the decline in revenues from the traditional channel.

As far as the advertising market is concerned, the fall in total investment has become less pronounced (-12.3% for the whole year 2013 and -2.7% for the period January – August 2014) and this has benefited all the media; however, while television and the internet have remained substantially unchanged, the negative trend of advertising orders for the printed press has lessened but the decline still remains significant.

In this context, in the first nine months of 2014 the Group managed to achieve a positive net result, albeit a small one, maintaining its profitability in line with that of last year, thanks to the continuing reduction of structure costs; as for the outlook for the whole year, it is reasonable to suppose that the year-end net income will be substantially in line with that of the previous year.

In the first nine months of 2014 the Group successfully completed two deals of strategic importance: the integration with Telecom Italia Media of its network operator activities and the refinancing of the Company, in view of the maturity of the ten-year bond in October of this year.

On June 30, after receiving the authorizations required by the regulations applicable, the integration was completed of the digital terrestrial network operator activities of the subsidiary Rete A and Telecom Italia Media Broadcasting (TIMB), controlled by Telecom Italia Media. This deal gives rise to the largest independent network operator in Italy, equipped with five digital multiplexes (three belonging to TIMB and two to Rete A) with an infrastructure with national coverage, which is very broad-reaching, and is able to supply services of a very high standard in terms of quality.

On April 2 a five-year Convertible Bond was placed with investors for a nominal €100mn. It has an interest rate of 2.625% and a conversion price set at €2.1523 per share. During the placement process requests were received for over €500mn, which confirms the confidence that investors have in the Espresso Group. The Extraordinary Meeting of the Shareholders of the Company, which was held on July 23 2014, approved a share capital increase through the issuance of a maximum of 46,461,925 ordinary shares of the Company, with the same characteristics as the ordinary shares in circulation, reserved irrevocably and exclusively to service the conversion of

the bonds. With the completion of this deal, the Group has refinanced its business activity not only through the above-mentioned issue of Convertible Bonds, but also through programs for the sale of the receivables of A. Manzoni & C. involving both factoring deals (already entered into) and securitization deals (which are currently being finalized), being able also to count on significantly lower interest expense from 2015 onwards compared to that of today.

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Consolidated Income Statement

(€ million)	Jan - Sept 2013	Jan - Sept 2014
Revenues	512,6	471,2
Change in inventories	0,4	0,4
Other operating income	4,6	10,4
Purchases	(56,6)	(51,1)
Services received	(228,8)	(213,5)
Other operating charges	(8,0)	(7,1)
Investments valued at equity	0,1	0,4
Personnel costs	(185,8)	(169,3)
Depreciation, amortization and write-downs	(15,6)	(15,4)
Operating profit	22,8	26,1
Financial income (expense)	(7,8)	(11,9)
Pre-tax profit	15,0	14,2
Income taxes	(11,1)	(9,3)
Profit from continuing operations	3,9	4,9
Profit (loss) from discontinued operations	0,7	(0,3)
Net profit	4,6	4,6
Minority interests	(0,1)	(0,0)
GROUP NET PROFIT	4,5	4,6
Earnings per share, basic	0,011	0,012
Earnings per share, diluted	0,011	0,011

Consolidated Comprehensive Income Statement

(€ million)	Jan - Sept 2013	Jan - Sept 2014
NET PROFIT	4,6	4,6
Other components of comprehensive income statement:		
Profit / (Loss) from valuation of available-for-sale assets	(0,3)	0,1
Taxes on other profits / (losses)	0,1	(0,0)
Other components of comprehensive income statement, after taxes	(0,2)	0,1
TOTAL COMPREHENSIVE INCOME STATEMENT	4,3	4,6
Total comprehensive income statement, of which:		
Parent Company's shareholders	4,2	4,6
Minority Interests	0,1	0,0

Not audited data

Gruppo Espresso

Consolidated Income Statement - 3rd Quarter

(€ million)	3 rd Quarter 2013	3 rd Quarter 2014
Revenues	152,6	144,7
Change in inventories	0,4	0,1
Other operating income	1,8	1,2
Purchases	(17,6)	(15,8)
Services received	(68,3)	(66,9)
Other operating charges	(1,5)	(2,9)
Investments valued at equity	(0,1)	0,3
Personnel costs	(54,8)	(49,9)
Depreciation, amortization and write-downs	(5,3)	(4,9)
Operating profit	7,4	5,8
Financial income (expense)	(2,6)	(3,4)
Pre-tax profit	4,7	2,4
Income taxes	(3,1)	(1,6)
Profit from continuing operations	1,6	0,8
Profit (loss) from discontinued operations	(0,9)	-
Net profit	0,8	0,8
Minority interests	0,0	-
GROUP NET PROFIT	0,8	0,8

Consolidated Comprehensive Income Statement - 3rd Quarter

(€ million)	3 rd Quarter 2013	3 rd Quarter 2014
NET PROFIT	0,8	0,8
Other components of comprehensive income statement:		
Profit / (Loss) from valuation of available-for-sale assets	(0,1)	(0,0)
Taxes on other profits / (losses)	0,0	0,0
Other components of comprehensive income statement, after taxes	(0,1)	(0,0)
TOTAL COMPREHENSIVE INCOME STATEMENT	0,7	0,8
Total comprehensive income statement, of which:		
Parent Company's shareholders	0,7	0,8
Minority Interests	(0,0)	-

Not audited data

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Consolidated Balance Sheet

ASSETS (€ million)	December, 31 2013	September, 30 2014
Intangible assets with an indefinite useful life	523,6	491,8
Other intangible assets	135,1	4,1
Intangible assets	658,7	495,9
Property, plant and equipment	136,9	101,8
Investments valued at equity	21,6	147,6
Other investments	2,6	2,6
Financial receivables	-	21,3
Other non-current receivables	2,0	3,7
Deferred tax assets	25,7	23,3
NON-CURRENT ASSETS	847,4	796,2
Inventories	12,3	10,9
Trade receivables	202,8	160,1
Marketable securities and other financial assets	11,3	6,3
Tax receivables	22,3	22,0
Other receivables	22,9	27,6
Cash and cash equivalents	164,8	271,7
CURRENT ASSETS	436,3	498,7
TOTAL ASSETS	1.283,7	1.294,9

LIABILITIES AND SHAREHOLDERS' EQUITY (€ million)	December, 31 2013	September, 30 2014
Share capital	61,6	61,8
Reserves	155,9	139,3
Retained earnings (loss carry-forwards)	339,1	359,9
Net profit (loss) for the period	3,7	4,6
Group Shareholders' Equity	560,2	565,6
Minority interests	2,0	2,0
SHAREHOLDERS' EQUITY	562,2	567,6
Financial debt	7,5	104,6
Provisions for risks and charges	47,1	46,5
Employee termination indemnity and other retirement benefits	65,1	61,0
Deferred tax liabilities	125,1	91,9
NON-CURRENT LIABILITIES	244,8	304,0
Financial debt	242,1	218,2
Provisions for risks and charges	43,6	36,3
Trade payables	113,3	92,6
Tax payables	10,8	16,9
Other payables	66,9	59,5
CURRENT LIABILITIES	476,7	423,4
TOTAL LIABILITIES	721,5	727,3
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	1.283,7	1.294,9

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Changes in the Consolidated Net Financial Position

(€ million)	Jan-Sept 2013	Jan-Sept 2014
SOURCES OF FUNDS		
Net profit (loss) for the period, including minority interests	3,9	4,9
Net profit (loss) from discontinued operations	0,7	(0,3)
Depreciation, amortization and write-downs	15,6	15,4
Accruals to provisions for stock option costs	0,9	1,1
Net change in provisions for personnel costs	(3,0)	(3,6)
Net change in provisions for risks and charges	2,3	(5,1)
Losses (gains) on disposal of fixed assets	(1,5)	(0,2)
Write-down (revaluation) of investments	(0,1)	2,0
Adjustments for investments valued at equity	0,4	(0,3)
Cash flow from operating activities	19,2	13,8
Decrease (Increase) in non-current receivables	(0,8)	(1,8)
Increase in liabilities/Decrease in deferred tax assets	1,6	5,7
Increase in payables/Decrease in tax receivables	6,9	7,8
Decrease (Increase) in inventories	2,6	1,3
Decrease (Increase) in trade and other receivables	61,1	27,6
Increase (Decrease) in trade and other payables	(33,9)	(23,3)
Change in current assets	37,6	17,3
CASH FLOW FROM OPERATING ACTIVITIES	56,8	31,1
Increases in share capital and reserves	-	1,7
Cash flow from discontinued operations	-	6,5
TOTAL SOURCES OF FUNDS	56,8	39,4
USES OF FUNDS		
Net investments in fixed assets	(1,9)	(8,6)
Net equity investments	(2,5)	(0,1)
(Acquisition) sale of treasury stocks	(0,7)	(1,3)
Dividends (paid)	-	-
Other changes	(0,3)	(0,7)
Cash flow from discontinued operations	(4,8)	-
TOTAL USES OF FUNDS	(10,4)	(10,6)
Financial surplus (deficit)	46,4	28,7
BEGINNIG NET FINANCIAL POSITION	(108,1)	(73,5)
ENDING NET FINANCIAL POSITION	(61,7)	(44,8)

Not audited data

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Statement of Consolidated Cash Flows

(€ million)	Jan-Sept 2013	Jan-Sept 2014
OPERATING ACTIVITIES		
Net profit (loss) for the period, including minority interests	3,9	4,9
Adjustments:		
- Depreciation, amortization and write-downs	15,6	15,4
- Accruals to provisions for stock option costs	0,9	1,1
- Net change in provisions for personnel costs	(3,0)	(3,6)
- Net change in provisions for risks and charges	2,3	(5,1)
- Losses (gains) on disposal of fixed assets	(1,5)	(0,2)
- Losses (gains) on disposal of equity investments and marketable securities	0,0	0,9
- Adjustments in value of financial assets	(0,1)	2,0
- Adjustments for investments valued at equity	0,4	(0,3)
- Dividends (received)	-	(0,0)
- Profit (loss) from discontinued operations	0,7	(0,3)
Cash flow from operating activities	19,2	14,8
Change in current assets and other flows	45,6	23,5
CASH FLOW FROM OPERATING ACTIVITIES	64,8	38,3
of which:		
Interest received (paid) through banks	2,0	0,1
Received (outlay) for income taxes	(1,5)	4,3
INVESTING ACTIVITIES		
Outlay for purchase of fixed assets	(11,5)	(10,6)
Outlay for purchase of equity investments	(2,6)	-
Received on disposals of fixed assets	9,6	2,0
(Acquisition) sale of marketable securities and available-for-sale assets	5,0	4,7
Dividends received	-	0,0
Cash flow from discontinued operations	(4,8)	6,6
CASH FLOW FROM INVESTING ACTIVITIES	(4,3)	2,8
FINANCING ACTIVITIES		
Increases in capital and reserves	-	1,7
(Acquisition) sale of treasury stocks	(0,7)	(1,3)
Issue (repayment) of bond	-	55,8
Issue (repayment) of other financial debt	(5,5)	9,3
Dividends (paid)	-	-
Other changes	(0,1)	(0,0)
CASH FLOW FROM FINANCING ACTIVITIES	(6,3)	65,4
Increase (decrease) in cash and cash equivalents	54,2	106,5
Cash and cash equivalents at beginning of the period	128,6	164,6
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	182,8	271,2

Not audited data

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Consolidated Net Financial Position

(€ million)	September, 30 2013	December, 31 2013	September, 30 2014
Financial receivables from Group companies	0,2	0,2	0,4
Financial payables to Group companies	-	-	-
Cash and bank deposits	184,0	164,6	271,3
Current account overdrafts	(1,3)	(0,2)	(0,5)
Net cash and cash equivalents	182,8	164,6	271,2
Marketable securities and other financial assets	17,6	11,3	6,3
Bond issue	(239,8)	(230,7)	(274,6)
Other bank debt	(22,3)	(16,6)	(11,2)
Other financial debt	(0,0)	(2,2)	(36,4)
Other financial assets (liabilities)	(244,5)	(238,2)	(316,0)
NET FINANCIAL POSITION	(61,7)	(73,5)	(44,8)

Not audited data