

PRESS RELEASE

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

GRUPPO EDITORIALE L'ESPRESSO S.P.A.

Board of Directors examines results for the year ended December 31 2014

**DESPITE THE CONTINUING CRISIS,
NET RESULT AT €8.5 MN
(€3.7 ON 2013)**

**NET DEBT
FROM €73.5 MN TO €34.3MN**

ECONOMIC AND FINANCIAL RESULTS OF THE ESPRESSO GROUP AS OF DECEMBER 31 2014

Consolidated results (€mn)	<i>Year 2013</i>	<i>Year 2014</i>	<i>Δ% 2014/2013</i>
Revenues, of which:	689.1	643.5	-6.6%
•circulation	248.0	232.9	-6.1%
•add-ons	33.6	32.8	-2.4%
•advertising	395.5	365.6	-7.6%
•other revenues	11.9	12.1	+1.7%
Gross operating margin	55.1	59.8	+8.6%
Operating result	37.8	29.9	-21.0%
Result before taxes	24.0	28.0	+16.7%
Net result of businesses to be continued	8.5	11.9	
attività dismesse e destinate alla dismissione ⁽¹⁾	(4.6)	(3.3)	
Net result	3.7	8.5	

(€mn)	<i>December 31 2013</i>	<i>December 31 2014</i>
Net financial position	(73.5)	(34.2)
Equity of the Group and minority interests	562.2	567.4
•equity of the Group	560.2	565.4
•minority shareholders' equity	2.0	2.0
No. of employees (with the same consolidation)	2,398	2,310

⁽¹⁾On June 30 2014 the integration was completed between the network operator business of Rete A and Telecom Italia Media Broadcasting (TIMB), controlled by Telecom Italia Media. The integration was carried out through the contribution by the Espresso Group of 100% of the shares of Rete A into TIMB; after the contribution, TIMedia and the Espresso Group now hold 70% and 30% respectively of the shares in "Persidera", the new name of TIMB.

On January 30 2015 the change of ownership was also completed of All Music, the company of the Group that produces the general entertainment tv *Deejay TV*, which was sold to the new publisher Discovery Italia. This deal was already considered highly probable at the end of the year.

In the light of the above-mentioned deals and in accordance with the terms of *IFRS 5 – Non-current assets held for sale and discontinued operations*, the two companies together representing the television business of the Group were qualified as "Discontinued Operations" and were shown as such in these financial statements. This presentation meant that the costs and revenues of the two companies until the date of the

actual contribution were classified in the item of the income statement "Result of discontinued businesses and businesses held for disposal" both for 2014 and, for the purposes of comparison, for the year 2013 as well.

Rome, February 25 2015 - Today in Rome, under the chairmanship of Mr Carlo De Benedetti, the Board of Directors of Gruppo Editoriale L'Espresso S.p.A. met and approved the consolidated results for the year ended December 31 2014 as presented by Chief Executive Officer Monica Mondardini.

PERFORMANCE OF THE MARKET

In 2014, in a general economic climate still of recession, the publishing sector continued to report negative performance, which affected both advertising and circulation of newspapers and magazines.

According to Nielsen Media Research figures, advertising investment declined by 2.5% compared to 2013, with even greater cuts in advertising costs by the telecommunications, transport, fashion and cosmetics sectors.

For television and radio, advertising was substantially in line with 2013 (-0.5% and -1.8% respectively) while advertising in the printed press again declined significantly (-8.5%), affecting both daily newspapers and magazines (-9.7% and -6.5%), and both national advertising and local advertising (-8.2% and -9.3%). Internet advertising increased slightly (+2.1%).

As for circulation, ADS (*Accertamento Diffusione Stampa*) figures show a decline in sales of daily newspapers of 11.4% in 2014; it should be noted, however, that digital subscriptions to the daily newspapers increased in the period but this growth does not compensate, at present, for the loss in copies in the traditional format and sales channel.

PERFORMANCE OF OPERATIONS OF THE ESPRESSO GROUP IN THE YEAR 2014

Despite the negative evolution of the market, which has had a significant impact on revenues, the Group closed 2014 with a positive result that was slightly better than that of the previous year.

The **consolidated net revenues** of the Group, totalling €643.5mn, posted a decline of 6.6% compared to 2013 (€689.1mn), as an effect of the crisis that has been affecting the whole sector.

Circulation revenues, amounting to €232.9mn, went down by 6.1% compared to last year (€248.0mn), in a market that, as stated above, continues to show a significant decline in the number of copies of newspapers sold (-11.4%).

Repubblica, according to ADS figures, confirms its ranking as the top newspaper in terms of copies sold on the newsstands, subscriptions and other channels, according to Audipress figures, as the top newspaper in the traditional format by number of readers.

Growth is also continuing in the number of subscriptions to the digital products *Repubblica+* and *Repubblica Mobile*: the average number of subscribers rose by 9% compared to 2013 and at the end of 2014 was in the region of 86 thousand.

The network of local papers, which according to Audipress surveys have an average of 3 million readers per day, reported a better performance in circulation than that of the sector as a whole with a gradual increase in digital subscriptions, although the latter are less significant than those of the national newspaper.

Overall, at the end of 2014, the Group had more than 108 thousand subscribers to the digital editions of its newspaper titles.

Advertising revenues declined by 7.6%, with the internet at +4.9%, radio substantially in line with last year and the printed press at -10.0%.

Regarding the internet, the position of the group in the sector showed further growth: *Repubblica.it*, whose average Total Digital Audience in 2014, according to a new Audiweb survey, was 1.6 million unique users per day, confirmed its position as leader among Italian news websites and its lead over the one in second place increased to 33%. Growth in the audience of the local newspaper websites was also significant (+14% just on PCs), with an average Total Digital Audience of 406 thousand unique users on a daily basis.

Costs went down by 6.5%, which was substantially the same as the decline in revenues. More specifically, industrial overheads declined thanks to the ongoing reorganization of the production structure of the Group, distribution costs fell because of the rationalization of transportation, and operating and administrative costs fell mainly thanks to the measures taken to cut labour costs.

The **consolidated gross operating margin** came in at €59.8mn, up from €55.1mn in 2013.

The **consolidated gross operating result** came to €29.9mn and included €14.4mn as the write-down of the value of the goodwill of the publishing titles made on the outcome of the impairment test. Net of this item, the operating result was €44.3mn, up from €37.8mn in the previous year.

The **consolidated net result** was €8.5mn, up from €3.7mn in the previous year.

The results for the year 2014 include some significant elements of a non-recurring nature: the above-mentioned write-downs were made to the goodwill of the publishing titles and to equity investments for a total of €18.4mn on the outcome of impairment tests and a financial gain of €17.1mn was recognized from the fair value measurement of the call option embedded in the convertible bond placed in April 2014.

Consolidated net debt, which stood at €34.2mn at December 31 2014, showed a further reduction of €39.3mn from €73.5mn at the end of 2013. The financial surplus for the period from current

operations came to €24.8mn, to which should be added the effect of the fair market value of the call option embedded in the bond.

The **Group had 2,310 employees**, excluding the businesses sold, at December 31 2014, and this figure includes temporary contracts. The average number of employees in 2014 was 3.8% lower than in the previous year.

The Company's Director of Administration and Accounts, Mr Gabriele Acquistapace, the Executive responsible for the preparation of the company's financial statements and corporate documents, 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.

THE FINANCIAL STATEMENTS FOR 2014 OF THE PARENT COMPANY

The revenues of the Parent Company of the Group came in at €313.6mn (€342.7mn in 2013). The operating result was €11.0mn (€1.2mn in 2013). The net result was a loss of €5.2mn (net income of €21.5mn in 2013).

PROPOSAL

The Board of Directors will propose to the Shareholders' Meeting convened for April 23 2015 that the loss for the year of Euro 5,200,396.53 be covered using the available reserves recorded in the balance sheet at 31/12/2014.

The Board of Directors verified the existence of the requisites of independence of the Directors, confirming that Ms Agar Brugiavini, Mr Giorgio di Giorgio, Ms Silvia Merlo, Ms Elisabetta Oliveri, Mr Tiziano Onesti, Mr Luca Paravicini Crespi and Mr Michael Zaoui can indeed be qualified as independent. The Board also verified the requisites of independence and integrity of the members of the Board of Statutory Auditors.

MAIN EVENTS THAT HAVE OCCURRED SINCE THE CLOSE OF THE YEAR AND OUTLOOK FOR THIS YEAR

In 2014 the publishing sector again showed signs of recession, which affected both circulation and advertising.

Regarding circulation, the decline in sales of printed versions on the newsstands is continuing. At the same time, digital subscriptions are increasing at a good rate but revenues from these are still insufficient to counter the decline in revenues from the traditional channel.

As for the advertising market, the fall in total investment has eased (from -12.3% in 2013 to -2.5% in 2014) for all media. However, orders for television and radio have substantially stabilized while the negative trend of orders for the printed press has moderated but the downward trend is still significant.

In this environment, the Group nonetheless managed to achieve a positive net result in 2014 and a slight rise in profitability, thanks to the further reduction in overheads.

Moreover, during 2014 the Group successfully completed two transactions of strategic importance:

- the integration of its network operator businesses with those of Telecom Italia Media, creating the main independent network operator in Italy (Persidera);
- the refinancing of the Company, through the issue of a five-year Convertible Bond for a nominal amount of €100mn and the completion of a program for the sale of the receivables of A.Manzoni&C., both through factoring deals (contracts already signed) and securitization deals (being defined). As from 2015 the Group will have significantly lower financial expense than it has currently.

Following the resolution adopted by the Board of Directors on January 21 2015 and the subsequent signing of a deed poll on January 28 2015, the Parent Company unilaterally waived the right to repay the convertible bonds, in the event of exercise of the conversion right, by cash settlement instead of in ordinary shares. This waiver is definitive, irrevocable and unconditional and substantially means, according to English law to which the deed poll is subject, that there has been an amendment to the regulations of the loan.

Therefore, as from February 28 2015 the Company has revised the liability-equity classification made at the date on which the option was first recognized (as the call option has irrevocably ceased to exist), reclassifying the resulting fair value in Shareholders' equity.

After the close of the year 2014, on January 30 2015 the Espresso Group and Discovery Italia completed the change of ownership of All Music, the company that produces the general entertainments tv *Deejay TV*. Under the deal the new publisher Discovery Italia will produce the channel in partnership with Elemedia (the company that produces the radio and television channels of the Espresso Group) continuing to use the *Deejay TV* brand. *Deejay TV* will thus be



able to benefit from the experience and competence of Discovery Italia, which, while maintaining the characteristics of the channel, will enhance its target and content.

Lastly, regarding the outlook for the year 2015, evidence available today does not indicate any change in the trends that characterized 2014 but only a reduction of the decline.

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