

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 June 30 2014

IN A STILL CRITICAL GENERAL ECONOMIC CLIMATE, ESPRESSO GROUP CLOSED THE FIRST HALF OF THE YEAR WITH A SLIGHTLY POSITIVE RESULT (€3.8MN), IN LINE WITH THAT OF LAST YEAR (€3.7 MN)

NET DEBT REDUCED FURTHER:

€66.8MN (€73.5MN AT DECEMBER 2013)

ON JUNE 30 THE DEAL WAS COMPLETED FOR THE INTEGRATION OF “RETE A” AND “TIMB” NETWORK OPERATOR ACTIVITIES

**PLACEMENT ON APRIL 2 OF A 5 YEAR CONVERTIBLE BOND
FOR A NOMINAL €100MN**

ECONOMIC AND FINANCIAL RESULTS OF THE ESPRESSO GROUP AS OF JUNE 30 2014

Consolidated results (€mn)	<i>1st Half 2013</i>	<i>1st Half 2014</i>	<i>Δ% 2014/2013</i>
Revenues, of which:	369.4	332.5	-10.0%
• circulation	123.2	114.8	-6.8%
• advertising	209.6	188.2	-10.2%
• other revenues	36.7	29.5	-19.6%
Gross operating margin	33.3	33.7	+1.0%
Operating result	17.8	17.9	+0.8%
Result before taxes	12.5	10.8	
Net result	3.7	3.8	

(€mn)	<i>June 30 2013</i>	<i>Dec. 31 2013</i>	<i>June 30 2014</i>
Net financial position	(86.1)	(73.5)	(66.8)
Equity of Group and minority shareholders	559.6	562.2	567.7
• equity of the Group	557.7	560.2	565.8
• minority shareholders' equity	1.9	2.0	2.0
Employees	2,502	2,425	2,391

Rome, July 23 2014 - 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 as of June 30 2014 as presented by the Chief Executive Officer, Ms Monica Mondardini.

PERFORMANCE OF THE MARKET

In the first half of 2014, in a general economic climate that remains critical, the publishing sector continued to report negative performance, which affected both advertising orders and the circulation of newspapers and magazines.

In the first five months of this year, the negative trend that has characterized advertising investment for the last five years continued, albeit at a less intense rate: according to Nielsen Media Research figures, overall advertising investment in the period from January to May declined by 3.9% compared to the same period of 2013, but still with more significant reductions in advertising expense particularly in the sectors of telecommunications, fashion and cosmetics.

The evolution of advertising differed according to the various categories: advertising orders for television and radio were substantially in line with the same period of 2013 (-0.7% and -0.3% respectively), while that of the printed press suffered a further double-digit decline (-12.4%), which affected both newspapers and magazines (-12.8% and -11.6%) and advertising both at national and at local level (-13.2% and -10.0%). The slight downturn in internet advertising seen in the early part of the year has, surprisingly, continued (-2.1%).

As for circulation, ADS (*Accertamento Diffusione Stampa*) figures for the period from January to May 2014 show a decline in the sale of newspapers of 11.7%; it should be noted that at the same time digital subscriptions to the newspapers have been rising, but this increase does not compensate at present for the fall in the number of copies sold in the traditional format through the traditional channels.

PERFORMANCE OF OPERATIONS OF THE ESPRESSO GROUP IN THE FIRST HALF OF 2014

Despite the negative evolution of the market, which has had a significant effect on revenues, the Group closed the first half of the year with a slightly positive result that was in line with that of the same period of last year.

The **consolidated net revenues** of the Group came in at €332.5mn, posting a decline of 10.0% compared to the first half of 2013 (€369.4mn).

Circulation revenues, which came to €114.8mn, showed a decline of 6.8% compared to the same period of last year (€123.2mn), in a market that, as stated earlier, is continuing to experience a significant reduction in the circulation of newspapers (-11.7%).

On the basis of the latest ADS figures (May 2014), *la Repubblica* confirms its ranking as number one newspaper in terms of copies sold on the newsstands, subscriptions and other.

Growth is also continuing in the number of subscriptions to the digital products of the newspaper (*Repubblica+* e *Repubblica Mobile*): the average number of subscribers in the first half rose by 16.1% compared to the same period of 2013 and at the end of June were in the region of 80 thousand.

The local papers performed better in terms of circulation than the sector in general and they too saw a gradual increase in the number of digital copies, although to a less significant extent than the national newspaper.

Overall the Group at the end of June had more than 100 thousand subscribers to the digital editions of its publications.

The **advertising revenues from the Group's media** reported a decline of 7.8% (-10.2% including third party concessions, following changes to the perimeter).

By sector, the printed press reported a decline in advertising orders of 11.2%, with a slightly lower contraction than that of the whole segment (-12.4% in May).

The radio stations, however, substantially held up, +0.1% (-0.3% for the market in May).

Lastly, internet advertising orders declined by 0.9%, which was less than the market (-2.1% in May). On this subject it should be noted that *Repubblica.it* performed excellently, its average Total Digital Audience in the period January – March, according to a new Audiweb survey, amounting to 1.6 million unique users per day, confirming its leadership among the Italian news sites with a 35% lead over the second ranking site. Growth in the audience of the local newspaper websites was also significant (+18% just for PC access), with an average Total Digital Audience in the period January-March of 380 thousand unique users per day.

Costs fell by 8.3% which was substantially equivalent to the fall in revenues. More specifically there was a decline in industrial overheads, thanks to the continuing of the reorganization of the production structure of the Group, a decline also in distribution costs due to the rationalization of transport, and a reduction in operating and administrative costs mainly as a result of the measures adopted to cut labour costs.

The **consolidated gross operating margin** came in at €33.7mn, in line with the €33.3mn reported in the first half of 2013.

By area of activity, the newspaper and magazine sector held up in terms of profitability, internet substantially maintained its result despite the weakness in the advertising market and the investments made to develop it, while radio showed a slight recovery.

The **consolidated operating result** was €17.9mn, in line with the €17.8mn of the same period of last year.

The **consolidated net result** was net income of €3.8mn, versus €3.7mn in the first half of 2013.

The **consolidated net debt**, which amounted to €66.8mn at June 30 2014, showed a further reduction from the €73.5mn reported at the end of 2013 and the €86.1mn at June 30 2013; the financial surplus for the period was €6.7mn.

The Group had 2,391 **employees**, including temporary contracts, at the end of June and the average number of employees in the period was 4.5% lower than in the first half of 2013.

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.

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

In the first five months of the year the publishing sector has once again been showing signs of recession in relation to both circulation and advertising.

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

As for advertising, the fall in total investment by the market has become less pronounced for television and radio in particular; while the performance of orders for the printed press remains extremely critical.

In this context, the Group managed to achieve a slightly positive net result for the first half of 2014, maintaining its profitability in line with that of last year, thanks to the continuing reduction of structure costs. Regarding the outlook for the whole year, this will be strongly dependent on the trend of the advertising market, which still appears to be uncertain.

During the first half of the year 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. The Bonds will be convertible into Shares subject to approval by the Extraordinary General Meeting of the Shareholders, which has been convened for July 23 2014, of a share capital increase. During the placement process requests were received for over €500mn, which confirms the confidence that investors have in the Espresso Group. 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

(€ thousand)	1 st Half 2013	1 st Half 2014
Revenues	369.422	332.520
Change in inventories	(57)	267
Other operating income	2.918	9.568
Purchases	(39.012)	(35.362)
Services received	(161.516)	(148.282)
Other operating charges	(7.014)	(5.392)
Investments valued at equity	135	112
Personnel costs	(131.555)	(119.778)
Depreciation, amortization and write-downs	(15.557)	(15.741)
Operating profit	17.764	17.912
Financial income (expense)	(5.277)	(7.124)
Pre-tax profit	12.487	10.788
Income taxes	(8.682)	(7.021)
Net profit	3.805	3.767
Minority interests	(78)	(8)
GROUP NET PROFIT	3.727	3.759
Earnings per share, basic	0,053	0,009
Earnings per share, diluted	0,050	0,009

Consolidated Comprehensive Income Statement

(€ thousand)	1 st Half 2013	1 st Half 2014
NET PROFIT	3.805	3.767
Other components of comprehensive income statement:	-	-
Profit / (Loss) from valuation of available-for-sale assets	(217)	106
Taxes on other profits / (losses)	60	(29)
Other components of comprehensive income statement, after taxes	(157)	77
TOTAL COMPREHENSIVE INCOME STATEMENT	3.648	3.844
Total comprehensive income statement, of which:		
Parent Company's shareholders	3.570	3.836
Minority Interests	78	8

Not completely audited data

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Consolidated Balance Sheet

ASSETS (€ thousand)	December, 31 2013	June, 30 2014
Intangible assets with an indefinite useful life	523.598	492.165
Other intangible assets	135.054	4.846
Intangible assets	658.652	497.011
Property, plant and equipment	136.946	104.200
Investments valued at equity	21.588	147.297
Other investments	2.573	2.542
Financial receivables	-	21.300
Other non-current receivables	1.981	3.581
Deferred tax assets	25.672	23.622
NON-CURRENT ASSETS	847.412	799.553
Inventories	12.253	12.082
Trade receivables	202.756	188.709
Marketable securities and other financial assets	11.332	6.828
Tax receivables	22.261	26.428
Other receivables	22.924	26.290
Cash and cash equivalents	164.793	232.515
CURRENT ASSETS	436.319	492.852
TOTAL ASSETS	1.283.731	1.292.405

LIABILITIES AND SHAREHOLDERS' EQUITY (€ thousand)	December, 31 2013	June, 30 2014
Share capital	61.583	61.795
Reserves	155.859	140.188
Retained earnings (loss carry-forwards)	339.096	360.009
Net profit (loss) for the period	3.685	3.759
Group Shareholders' Equity	560.223	565.751
Minority interests	1.994	1.973
SHAREHOLDERS' EQUITY	562.217	567.724
Financial debt	7.512	102.444
Provisions for risks and charges	47.122	46.321
Employee termination indemnity and other retirement benefits	65.053	61.949
Deferred tax liabilities	125.132	90.580
NON-CURRENT LIABILITIES	244.819	301.294
Financial debt	242.129	203.697
Provisions for risks and charges	43.550	38.584
Trade payables	113.283	104.171
Tax payables	10.792	15.520
Other payables	66.941	61.415
CURRENT LIABILITIES	476.695	423.387
TOTAL LIABILITIES	721.514	724.681
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	1.283.731	1.292.405

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Changes in the Consolidated Net Financial Position

(€ thousand)	Jan-June 2013	Jan-June 2014
SOURCES OF FUNDS		
Net profit (loss) for the period, including minority interests	3.805	3.767
Depreciation, amortization and write-downs	15.557	15.741
Accruals to provisions for stock option costs	598	698
Net change in provisions for personnel costs	(2.477)	(2.774)
Net change in provisions for risks and charges	2.757	(2.610)
Losses (gains) on disposal of fixed assets	(66)	159
Write-down (revaluation) of investments	(57)	485
Adjustments for investments valued at equity	322	(9)
Cash flow from operating activities	20.439	15.457
Decrease (Increase) in non-current receivables	17	(1.694)
Increase in liabilities/Decrease in deferred tax assets	2.308	2.614
Increase in payables/Decrease in tax receivables	5.722	2.952
Decrease (Increase) in inventories	1.414	171
Decrease (Increase) in trade and other receivables	26.629	3.673
Increase (Decrease) in trade and other payables	(21.734)	(9.071)
Change in current assets	14.356	(1.355)
CASH FLOW FROM OPERATING ACTIVITIES	34.795	14.102
Net divestments in equity investments	-	31
Increases in share capital and reserves	-	1.629
Other changes	-	77
TOTAL SOURCES OF FUNDS	34.795	15.839
USES OF FUNDS		
Net investments in fixed assets	(9.743)	(8.457)
Net equity investments	(2.158)	-
(Acquisition) sale of treasury stocks	(615)	(81)
Dividends (paid)	-	-
Other changes	(212)	(583)
TOTAL USES OF FUNDS	(12.728)	(9.121)
Financial surplus (deficit)	22.067	6.718
BEGINNIG NET FINANCIAL POSITION	(108.135)	(73.516)
ENDING NET FINANCIAL POSITION	(86.068)	(66.798)

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Statement of Consolidated Cash Flows

(€ thousand)	Jan-June 2013	Jan-June 2014
OPERATING ACTIVITIES		
Net profit (loss) for the period, including minority interests	3.805	3.767
Adjustments:		
- Depreciation, amortization and write-downs	15.557	15.741
- Accruals to provisions for stock option costs	598	698
- Net change in provisions for personnel costs	(2.477)	(2.774)
- Net change in provisions for risks and charges	2.757	(2.610)
- Losses (gains) on disposal of fixed assets	(66)	159
- Losses (gains) on disposal of equity investments and marketable securities	49	943
- Adjustments in value of financial assets	(57)	485
- Adjustments for investments valued at equity	322	(9)
- Dividends (received)	-	(14)
Cash flow from operating activities	20.488	16.386
Change in current assets and other flows	19.681	1.668
CASH FLOW FROM OPERATING ACTIVITIES	40.169	18.054
of which:		
Interest received (paid) through banks	1.314	(619)
Received (outlay) for income taxes	(1.453)	(1.249)
INVESTING ACTIVITIES		
Outlay for purchase of fixed assets	(9.892)	(10.196)
Outlay for purchase of equity investments	(2.214)	-
Received on disposals of fixed assets	207	1.522
(Acquisition) sale of marketable securities and available-for-sale assets	4.999	4.236
Dividends received	-	14
CASH FLOW FROM INVESTING ACTIVITIES	(6.900)	(4.424)
FINANCING ACTIVITIES		
Increases in capital and reserves	-	1.629
(Acquisition) sale of treasury stocks	(615)	(81)
Issue (repayment) of bond	-	55.816
Issue (repayment) of other financial debt	(5.488)	(3.095)
Dividends (paid)	-	-
Other changes	(55)	(23)
CASH FLOW FROM FINANCING ACTIVITIES	(6.158)	54.246
Increase (decrease) in cash and cash equivalents	27.111	67.876
Cash and cash equivalents at beginning of the period	128.618	164.635
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	155.729	232.511

Not completely audited data

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Consolidated Net Financial Position

(€ thousand)	June, 30 2013	December, 31 2013	June, 30 2014
Financial receivables from Group companies	161	163	164
Financial payables to Group companies	-	-	-
Cash and bank deposits	156.016	164.630	232.351
Current account overdrafts	(448)	(158)	(4)
Net cash and cash equivalents	155.729	164.635	232.511
Marketable securities and other financial assets	17.594	11.332	6.828
Bond issue	(237.282)	(230.719)	(270.968)
Other bank debt	(22.104)	(16.606)	(11.093)
Other financial debt	(5)	(2.158)	(24.076)
Other financial assets (liabilities)	(241.797)	(238.151)	(299.309)
NET FINANCIAL POSITION	(86.068)	(73.516)	(66.798)

Not completely audited data