



Press Release

RCS MediaGroup: DEVELOPMENT PLAN FOR 2013-2015 CONCERNING ECONOMIC AND BUSINESS OBJECTIVES APPROVED

In an unfavorable market scenario and in light of the RCS economic and financial situation, the Plan, related to the Company's economic and business objectives to relaunch the Group, has been approved.

The Plan, from which will give foundation to a new RCS, ready for the challenges of the publishing market under a remarkable transformation, combines efficiencies, focus on "core" asset and a solid development program.

The Group accelerates its efforts both in the digital sector, which is expected to represent 25% of the total sales in 2015, and in its internationalization, adopting all the resources and necessary actions to support and strengthen the traditional activities of the "core" brands.

The key elements and the economic and business goal of the Plan

- **Focus on publishing innovation and on the qualitative reinforcement of power brands, also thanks to high quality 'digital first' publishing content**
- **Development and expansion of the digital offer to enhance the reader's experience**
- **Focusing of the portfolio towards the business areas in which RCS can show solid leadership**
- **Strong protection of profit margins with a focus on the recovery of efficiency**
- **"Non core" assets disposal**

2012-2015¹ forecast

- **Stable revenues of about 1,600 million Euros in 2015**
- **The digital market contribution in revenues to increase from 14% in 2012 to 25% in 2015**
- **Profit margin increase from about 4% in 2012 to 10% in 2015**
- **EBITDA for non-recurring charges increasing to about 160 million Euros in 2015 due to growth**

Both the implementation of the Plan, of its development goals and the strengthening of the financial and economic Group structure will require, on top of the planned costs' savings and "non core" assets disposal, also the injections of significant new equity resources.

Credit Suisse appointed as Financial Advisor.

¹ The 2012 results at the basis of the Plan refer to the most recent estimates.

² The margin is the EBITDA ratio before non-recurring expenses and revenues.



Milan, December 19, 2012 – In an unfavorable market scenario and in a deep transformation of the publishing sector, that strongly affects the Group’s results, the Plan combines tough sacrifices and a solid development program. A crucial effort and the strong and responsible solidarity between shareholders and collaborators are essential both for the preservation of the Group and for title of high relevancy in the Country.

As already communicated together with the approval of the economic and financial situation at June 30, 2012, the RCS MediaGroup S.p.A is in the situation referred to in Article 2446 of the Italian Civil Code. The Shareholders’ Meeting, held in October 16, 2012 resolved to postpone the adoption of those measures to a date to be proposed by the Board of Directors, in connection to the Development Plan’s approval and pursuing to art. 2446 of the Italian Civil Code, comma 2.

In this scenario urgent choices of portfolio focusing on “core” assets and efficiency measures must be taken. **The RCS MediaGroup Board of Directors**, meeting today under the chairmanship of Angelo Provasoli, **approved the Development Plan for 2013-2015** presented by CEO Peter Scott Jovane concerning the Company’s economic and business objectives.

In a publishing market undertaking a remarkable transformation, **RCS Group defined the objectives necessary to maintain its leadership position in the publishing industry in Italy and Spain**, and has laid out the foundation for accelerating the transition towards a new model based on digital, as well to undertake all the necessary measures to protect its traditional activities also on the printed medium, which continue to be relevant for the Group.

For years, the publishing industry has been heavily influenced by negative macroeconomic trends. The economic situation in Italy and especially in Spain has also, on the whole, shown a recessionary trend in 2012. The advertising markets have shown a gradual reduction at the beginning of the year. In fact, in Italy in the first nine months of 2012 investments decreased by 12% compared to 2011 (Nielsen Media Research), and in Spain by 16% (Arce Media). Great uncertainty still remains about future scenarios and some market logics are changed permanently.

In particular, concerning the areas of reference in which the Group operates, the following **trends** are changing significantly, quickly and irreversibly both user behaviors, more and more digital oriented, and advertising investors’ expectations as well as the competitive scenario in general. In this context, market players are growing in number, extending to new competitive sectors and to those “traditionally” not part of the publishing industry and in order to achieve better results it is necessary to make significant investments in the digital field and bold transformations of the business models, in addition to radical choices in terms of efficiency and focus of the product portfolio.

RCS Group is facing the above scenario and is moving promptly through a **comprehensive and very innovative Plan** resulting from a clear and strategic vision and geared towards discontinuity. In fact, the Plan calls for a **strong acceleration of the multimedia sector, the internationalization process and the protection of quality and the Group’s “core” brands, together with focusing the portfolio and performing a recovery of efficiency.**

The Group, strong of its prestigious past, which has been part of the culture and information markets globally, boasts strong and reliable brands as well as knowhow in the production of high quality contents and it strives to **continue its tradition of independent and relevant source of information**, expanding and adjusting its product offer and the contents under a “digital first” flag, in order to confirm its role of important publishing leader in its field.



Plan Guidelines

The Group is today in following financial situation: the parent company is in the situation referred to in Article 2446 of the Italian Civil Code and with a consolidated net financial position at September 30, 2012 of 875 millions Euro. Following the points above, the Plan revolves around these main guidelines. On the one hand, **development actions, innovation and offer enrichment** are all fundamental elements. On the other hand, it is necessary to introduce **efficiency and focusing actions**, with the aim of increasing productivity and flexibility.

The key elements of the Plan are the following:

- **Focus on publishing innovation and on the qualitative reinforcement of power brands, also thanks to high quality ‘digital first’ publishing content**

The Group’s power brands have already a strong pull in the printed medium market, which is replicated also on the digital market, and thus they represent a great opportunity, both concerning advertising revenues and paid content. Even today, the digital properties of the Group have 30 million users per month, through 85 million fixed and mobile devices, and 8 million fans on the social networks, numbers that are in constant growth. In this light, it is paramount for the Group, on the one hand, to maintain its leadership on the printed medium market, and on the other hand invest in technological and digital innovation, with the goal of expanding its offer on the web, tablet market and mobile market as well as developing digital vertical channels. Moreover, video production will be strengthened also through the creation of innovative “pure digital” video products, increasing the social engagement and focusing on profiling, with the development of community areas and social communities under a contribution approach. On the publishing processes side, a common element for these development guidelines is the evolution of the production logic, which will be based on the creation of high quality content created in digital format right from the start (“digital first”).

- **Digital development and expansion of the offer to enhance reader’s experience**

From an analysis carried out in the market sector, a few potential market areas could be captured through a focused digital offer, in addition to new services, in both the B2C and B2B markets. Thus, RCS will aim at the development of new target markets, without excluding strategic partnerships, in addition to the strengthening of the e-learning business sector, with many new and innovative solutions to meet the always increasing demand of businesses, to digitalize some processes. Other approaches will be the development of services simultaneously to the development of content and vertical content packets designed to offer to the readers a new complete, smooth and inclusive reading experience.

- **Portfolio focusing on the business areas in which RCS can express solid leadership**

The publishing and media market is changing radically and irreversibly and those players in the market that can move successfully under this new scenario face bold and swiftness choices with a targeted and strategic focus, identifying the truly profitable market areas and those with potential for growth. RCS Group, in order to allocate the necessary resources to sustain its innovation and development projects has, therefore, as its main priority focus on those publishing areas where it is possible to achieve a relevant market position and in which the Group’s background and knowhow make it a natural leader. Thus, investments will continue in reinforcing those systems that rotate around the “core” brands and that since now – thanks to the combination of knowhow, quality content including multimedia content and readers’ loyalty – represent a solid presence within the reference market.

- **Strong protection of profit margins with focus on efficiency**

A fundamental element of this Plan is the need to pursue efficiency on products and processes in order to optimize and simplify the structure that will face the Group’s challenges ahead and require an increase in productivity, flexibility and agility from an organizational point of view. The necessary financial resources will be dedicated to



this goal. The business and organizational model will change radically, orienting itself towards the digital market, with very efficient production methods and subsequent benefits in terms of efficiency. The primary objective is the restoration of adequate profit margins.

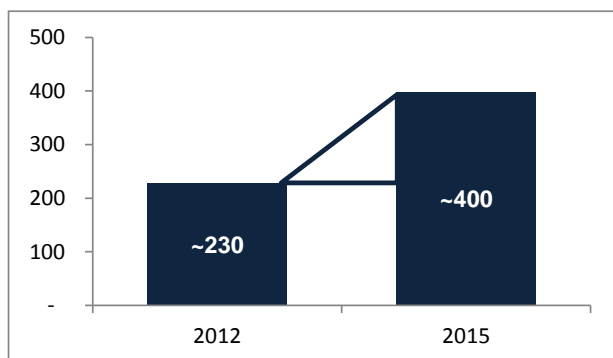
These actions will allow RCS to strengthen its position as the **leading publishing group in Italy and Spain**, focusing on the core reader's info-edutainment experiences based on its publishing quality and value contents.

The **digital sector revenues are forecast to experience strong growth** during the period of implementation of the Plan: in fact, when in 2012, they reach approximately 14% of the turnover of the Group, **in 2015, they will reach over 25%**; thus, positioning RCS at the level of the most advanced international leaders in the reference market. Thanks also to the contribution of the digital leverage, it is possible to **guarantee the expected volume of revenues forecast for the Group by the Plan, which are expected to be approximately 1,600 million Euros**, as well as **approximately 10% in profit margin growth**. In fact, **EBITDA before non-recurring charges of approximately 160 million Euros** is expected in 2015, which will contribute to savings on products and processes of approximately 100 million Euros.

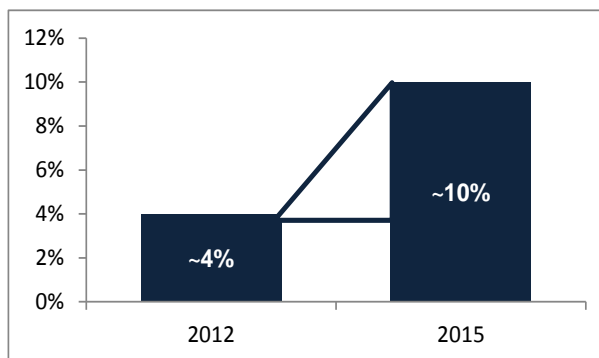
Specifically in the digital sector, the Group has a goal in advertising revenues greater than the market forecast (internal estimates): **in Italy, a CAGR in digital advertising revenues of approximately 18%** is expected, with a forecast market growth of 11%, while **in Spain, growth of 9% is forecast**, respect to the +6% expected on the market. The **digital market contribution in the broadcast sector is expected to hit considerable growth, reaching up to 36% in Italy and up to 23% in Spain**. Also, the e-book market is expected to grow up to reaching 15% of sales.

Within the Plan – also in support of the strategies of growth and innovation – it is necessary to make **investments for a total of approximately 300 million Euros**, including non recurring costs and further cash out for M&A operations. The Group indeed intends to catch eventual market opportunities and therefore the Plan will have periodical updates.

Digital Revenues (millions of Euros)



Total Profit Margins of the Group



In details, the development guidelines are:

- **Newspapers in Italy:** strengthening of the digital publishing offer and creation of “digital first” contents as part of a strategy for an enhanced presence on the tablet and mobile markets, additional development of channels and increase of visits on the website, launch of a social community and strengthening of the program schedule and differentiation of the user experience. These development guidelines cannot be separate from the protection of the traditional printed medium.
The EBITDA profit margin is estimated at approximately 14% in 2015.



- **Unidad Editorial:** strengthening of the digital offer with additional evolution and development of digital edition products and through the creation of paid digital products, strengthening of the integrated newsroom success experiences and content factory, reinforcement of the presence of the tablet and mobile markets, expansion of the video on-line, e-commerce and entertainment sectors, international presence expansion thanks to the strength and success of the power brands, with particular focus on Latin America and on Northern America Hispanic communities, strong social media push and further development of the Sports sector. The EBITDA estimated profit margin for 2015 is approximately 10%.
- **Magazines:** focusing and reinforcement of the vertical system digital properties, turning the offer of the strategic brands in actual multi-media ecosystems, through a decisive expansion of the digital and multi-platform offers, the development under an international perspective of the vertical channels, replicating internal business models of proven success; the strengthening of the video and e-commerce offer, the creation of theme-based social communities also at the local level, with consequent development of dedicated services. The EBITDA profit margin is estimated at approximately 16% in 2015, including Digicast activities.
- **Books:** focus and investments for the growth of the e-book business, to be ready to capture at its best the new distribution opportunities and marketing of our titles, reinforcement of the “scouting” activities, greater interaction with the reader through web and social platforms, exploration of the uses of contents in non-traditional markets, renewal of the distribution model and logistics as a consequence of the digital market development. The EBITDA margin is estimated at approximately 7% in 2015.

The 2015 forecasts do not include, except marginally, M&A operations, which, however, are subject to evaluation and monitoring, also according to market trends and valorization opportunities.

The realization of the Plan and of its development goals and the strengthening of the financial and economic Group structure will require, on top of the planned costs’ savings and “non core” assets disposal, also the injections of significant new equity resources. The Board appointed the CEO, also with the support of **Credit Suisse securities Limited Milan Branch**, the **Advisor** appointed today by the Board, to carry out the appropriate evaluations concerning the prompt preparation of the financial structure that will support the implementation of the Plan, including equity measures. As anticipated last December 14, the full approval of the Plan, therefore including the information related to the necessary financial structure supporting the Plan itself, and the presentation to the financial community shall take place at the time of the approval of the Board of Directors of the 2012 financial results.

The Board acknowledges the resignation, tendered on December 17, 2012, due to the upcoming public commitments, of advisor Umberto Ambrosoli (independent non-executive director part of the Audit and Risk Committee), thanking him for the activities carried out and his commitment.

Finally, the Board resolved on the adoption of the recommendations of the Self-discipline Code for Public Companies published December of last year, accepting the related principles and application criteria with a few limited changes, stated what already applied following the Board appointment on May 2, 2012..

For additional information:

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