



## Press release: Meeting of the Board of Directors of RCS MediaGroup

### Results at 31 March 2019 approved<sup>1</sup>

**Consolidated revenue €206.2 million**

**EBITDA €22.6 million<sup>2</sup>, €16.1 million net of IFRS 16 impact**

**Positive EBIT 9.9<sup>2</sup> million, €8.9 million net of IFRS 16 impact**

**Profit €4.9 million**

**Net Financial Debt €158.2 million (€-29.4 million versus 31.12.2018)**

Milan, May 9, 2019 - The Board of Directors of RCS MediaGroup met today under the chairmanship of Urbano Cairo to review and approve the consolidated results at 31 March 2019.

Income statement (€millions)	31/03/2019	31/03/2018
Consolidated revenue	206.2	216.3
EBITDA <sup>2</sup>	22.6	20.2
EBIT <sup>2</sup>	9.9	11.2
Net result	4.9	6.0

  

Statement of financial position (€millions)	31/03/2019	31/12/2018
Net financial debt <sup>1</sup>	158.2	187.6

The Group's **consolidated net revenue** at 31 March 2019 amounted to €206.2 million, down by €10.1 million versus 31 March 2018. The change is attributable to publishing revenue of €-4.5 million and

<sup>1</sup> For the definitions of *EBITDA*, *EBIT*, *net financial debt* and *total net financial debt*, reference should be made to "Alternative performance measures" in this press release.

<sup>2</sup> The interim report at 31 March 2019 incorporates the new IFRS 16 - *Leases*, which came into force as from 1 January 2019.

For the adoption of the new standard, the Group followed the modified retrospective transition method (i.e. with the cumulative effect of the adoption recognized as an adjustment to the opening balance of retained earnings at 1 January 2019, without restating comparative information). The income statement figures of first quarter 2019, therefore, cannot be immediately compared with the corresponding amounts of the same period of the prior year.

The application of the new standard at 31 March 2019 resulted in:

- the recognition under property, plant and equipment of rights of use for a total of €170.8 million;
- the recognition of a financial liability (financial payables from operating leases pursuant to IFRS 16) of approximately €186 million;
- an improvement in EBITDA in the quarter of €6.5 million, resulting from the reversal of lease payments, offset by higher amortization and depreciation of €5.5 million and higher financial expense of €0.9 million, with an impact on EBITDA, EBIT and profit for the period of €+6.5 million, €+1 million and €+0.1 million, respectively;
- a decrease in initial equity of €11.1 million, net of the accounting effects of the tax component, the latter recorded concurrently under non-current financial assets and other assets for €4.1 million.



advertising revenue of €-6.2 million, as a result of the performance of the advertising market, in Italy in particular, weaker than forecast. Other revenue was up instead by €0.6 million versus the same period of 2018. **Digital revenue**, which totaled approximately €38 million, **increased by approximately 8%** versus the same period of 2018, with a percentage **on total revenue of 18.4%**.

**Advertising revenue** came to €77.8 million versus €84 million in the same period of 2018. The decrease was due mainly to Newspapers Italy (€-3.3 million<sup>3</sup>), Unidad Editorial (€-2.2 million<sup>3</sup>) and Magazines Italy (€-1 million<sup>3</sup>). Advertising revenue from Sporting Events, instead, bucked the trend (€+0.7 million). Total **advertising sales on online media** amounted to €28.3 million, **up by approximately 6.5%** versus first quarter 2018.

**Publishing revenue** amounted to €101.5 million versus €106 million in the first three months of 2018. The decrease is due basically to the fall in sales of add-on products (€-3 million versus first quarter 2018) and the drop in circulation of print products in the Unidad Editorial and Magazines areas. Circulation-wise, the dailies *Corriere della Sera*, *La Gazzetta dello Sport* (ADS January-February), *Marca* and *Expansión* continue to lead their respective segments, while *El Mundo* was once again the second most popular general daily in Spain. The figures published by EGM (*Estudio General de Medios*: last update April 2019) confirm Unidad Editorial's leadership in the daily newspapers segment; through its brands, the daily reaches approximately 2.6 million readers/day, approximately 700 thousand readers more than its main competitors. In March, the total active customer base for *Corriere della Sera* (digital edition, membership and m-site) was 137 thousand subscribers, up by 22% versus the same period of 2018.

**Other revenue** amounted to €26.9 million versus €26.3 million in the first three months of 2018.

The RCS Group continued its efforts in 2019 to beef up its publishing products on both the digital and traditional channels. In Italy, the quarter under review saw the **restyling of Amica** (out on newsstands on 19 February 2019) and the new **Corriere Milano** (6 March 2019); the **Motors column** of *La Gazzetta dello Sport* was expanded (7 March 2019), **economia.corriere.it**, the new website of the business-related section of daily *Corriere della Sera* was launched (25 March 2019), **Corriere del Mezzogiorno-Puglia e Matera** made its debut (26 March), while 28 March saw the kick-off of the wide range of activities of **RCS Academy**, the Business School launched in January 2019. In Spain, the quarter saw the creation of **BeStory**, a digital content production area for social networks also involving *marketing influencers*, the restyling of **Telva** (20 February 2019) and the unveiling of the **El Mundo** website (4 March 2019).

After the end of the first quarter, the new **Gazzetta dello Sport** (renewed and improved in graphics and content) was launched (May 7, 2019), **gazzetta.it** new website was released (May 8, 2019), the new weekly supplement out on Thursday **Corriere Salute** was launched (9 May 2019), and the new **7** is expected on newsstands (10 May 2019).

As a result of the adoption of IFRS 16 from 1 January 2019, the following income statement amounts for first quarter 2019 are not immediately comparable with the corresponding amounts for the same period of the prior year.

**EBITDA** amounted to **€22.6 million**. Net of the effects of the new standard, pro-forma EBITDA (€16.1 million) fell by €4.1 million versus €20.2 million in the first three months of 2018, due also to the effect of net non-recurring expense and income (€-2.9 million the overall effect since they were totally negative of €-0.7 million at 31 March 2019 versus €+2.2 million positive at 31 March 2018, attributable mainly to a non-recurring income of 2.6 million made for a settlement agreement). Moreover, RCS's seasonality factors generally impact on the results of the first and third quarters of the year. The ongoing commitment to efficiency in the first three months of 2019 produced benefits on operating costs of €5.6 million, of which €2.7 million in Italy and €2.9 million in Spain.

The table below shows a breakdown of the trend in revenue, EBITDA and pro-forma EBITDA (i.e. net of the effects of the new IFRS 16) relating to each business segment.

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<sup>3</sup> Includes advertising revenue generated through the Group's ad agency.



(EUR million)	Figures at 31/03/2019 (1)					Figures at 31/03/2018		
	Revenue	EBITDA	% of revenue	EBITDA pro-forma	% of revenue	Revenue	EBITDA	% of revenue
Newspapers Italy	100,2	12,8	12,8%	11,8	11,8%	104,9	12,5	11,9%
Magazines Italy	18,7	0,2	1,1%	0,1	0,5%	20,4	0,0	0,0%
Advertising and Sport	53,1	1,9	3,6%	1,8	3,4%	57,3	4,4	7,7%
Unidad Editorial	70,0	8,6	2,3%	7,5	10,7%	72,5	6,9	9,5%
Other corporate activities	8,4	(0,9)	n/a	(5,1)	n/a	5,4	(3,6)	n/a
Other and eliminations	(44,2)	0,0	n/a	0,0	n/a	(44,2)	0,0	n/a
<b>Consolidated</b>	<b>206,2</b>	<b>22,6</b>	<b>11,0%</b>	<b>16,1</b>	<b>7,8%</b>	<b>216,3</b>	<b>20,2</b>	<b>9,3%</b>

(1) The adoption of IFRS 16 as from 1 January 2019, without restating the balances at 31 March 2018, led in the first three months of 2019 to an improvement in EBITDA of €6.5 million, resulting from the reversal of lease payments.

**EBIT** in the quarter amounted to **€9.9 million**. Net of the effects of IFRS 16 (€1 million), the period saw a decrease of €2.3 million, due also to the effects of net non-recurring expense (€-2.9 million) and income described above, partly offset by lower assets' amortization (€1.8 million).

The Group's **profit** in first quarter 2019 amounted to **€4.9 million** (€6 million at 31 March 2018) and reflects the overall performance described above.

**Net financial debt** stood at €158.2 million (€-29.4 million versus 31 December 2018). The improvement was propelled by ordinary operations, which came to €+34 million (€+30.8 million at 31 March 2018), only partly offset by outlays for capital expenditure incurred in the period (€4 million), and by the amount paid for net non-recurring expense (€0.6 million). Net financial debt improved by €101 million versus 31 March 2018. Mention should be made that the Shareholders' Meeting of 2 May 2019 approved the distribution of a dividend of €0.06 per outstanding ordinary share, gross of tax, with coupon detachment date on 20 May 2019, for a total of €31 million. At 31 March 2019, these amounts were still included in the Group's equity reserves and net financial position. **Total net financial debt**, including financial payables from operating leases pursuant to IFRS 16 (mainly rents), amounting to €186 million, stood at €344.2 million.

## Business outlook

Against a persistently uncertain backdrop and shrinking main relevant markets, the Italian advertising market in particular, which performed weaker than forecast, in first quarter 2019 the Group continued to generate positive margins and cash flows and achieved its targets to gradually reduce financial debt.

In consideration of the actions already implemented and those planned and currently being defined to develop products and revenue, as well as for the ongoing pursuit of operating efficiency, in the absence of unforeseeable events at this time, the Group believes that it can confirm its target of achieving, in the following months of 2019, operating margins and cash flows basically in line with those achieved in 2018, allowing a further significant reduction in net financial debt.

However, developments in the overall economic climate and in the core segments could affect the full achievement of these targets.

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*Under paragraph 2, article 154-bis of the Consolidated Finance Law (TUF), Roberto Bonalumi, in his capacity as Financial Reporting Manager, attests that the accounting information contained herein is consistent with the Company's document results, books and accounting records.*

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RCS MediaGroup is one of the leading multimedia publishing groups, active mainly in Italy and Spain across all publishing segments, spanning from newspapers to magazines and books, from TV to new media and training, as well as being one of the top players in the advertising market, organizing iconic events and prominent sports formats such as the Giro d'Italia. The RCS Group publishes the daily newspapers *Corriere della Sera*, *La Gazzetta dello Sport*, *El Mundo*, *Marca* and *Expansion*, and numerous magazines, the most popular including *Oggi*, *Amica*, *Io Donna*, *7* and *Telva*.

For further information

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## RCS MediaGroup

### Reclassified consolidated income statement

Unaudited figures)

(€millions)	31 March 2019	%	31 March 2018	%	Difference	Difference
	(1)					
	A		B		A-B	%
<b>Revenue</b>	<b>206,2</b>	<b>100,0</b>	<b>216,3</b>	<b>100,0</b>	<b>(10,1)</b>	<b>(4,7%)</b>
<i>Publishing revenue</i>	<i>101,5</i>	<i>49,2</i>	<i>106,0</i>	<i>49,0</i>	<i>(4,5)</i>	<i>(4,2%)</i>
<i>Advertising revenue</i>	<i>77,8</i>	<i>37,7</i>	<i>84,0</i>	<i>38,8</i>	<i>(6,2)</i>	<i>(7,4%)</i>
<i>Sundry revenue (2)</i>	<i>26,9</i>	<i>13,0</i>	<i>26,3</i>	<i>12,2</i>	<i>0,6</i>	<i>2,3%</i>
Operating costs	(115,9)	(56,2)	(128,4)	(59,4)	12,5	9,7%
Personnel expense	(67,3)	(32,6)	(66,4)	(30,7)	(0,9)	(1,4%)
Provisions for risks	(0,7)	(0,3)	(2,0)	(0,9)	1,3	65,0%
Allowance for impairment	0,2	0,1	(0,1)	(0,0)	0,3	n.s.
Share of profits (losses) of equity-accounted investees	0,1	0,0	0,8	0,4	(0,7)	(87,5%)
<b>EBITDA (3)</b>	<b>22,6</b>	<b>11,0</b>	<b>20,2</b>	<b>9,3</b>	<b>2,4</b>	<b>11,9%</b>
Amortization of intangible assets	(4,3)	(2,1)	(5,8)	(2,7)	1,5	
Depreciation of property, plant and equipment	(8,3)	(4,0)	(3,0)	(1,4)	(5,3)	
Depreciation of investment property	(0,1)	(0,0)	(0,2)	(0,1)	0,1	
Other impairment losses on non-current assets	0,0	0,0	0,0	0,0	0,0	
<b>EBIT (3)</b>	<b>9,9</b>	<b>4,8</b>	<b>11,2</b>	<b>5,2</b>	<b>(1,3)</b>	
Financial income (expense)	(3,9)	(1,9)	(4,4)	(2,0)	0,5	
Other income (expense) from financial assets/liabilities	0,0	0,0	0,0	0,0	0,0	
<b>Profit (loss) before tax</b>	<b>6,0</b>	<b>2,9</b>	<b>6,8</b>	<b>3,1</b>	<b>(0,8)</b>	
Income tax	(1,0)	(0,5)	(0,7)	(0,3)	(0,3)	
<b>Profit (loss) from continuing operations</b>	<b>5,0</b>	<b>2,4</b>	<b>6,1</b>	<b>2,8</b>	<b>(1,1)</b>	
Profit (loss) from assets held for sale and discontinued operatic	0,0	0,0	0,0	0,0	0,0	
<b>Profit (loss) before non-controlling interests</b>	<b>5,0</b>	<b>2,4</b>	<b>6,1</b>	<b>2,8</b>	<b>(1,1)</b>	
(Profit) loss attributable to non-controlling interests	(0,1)	(0,0)	(0,1)	(0,0)	0,0	
<b>Profit (loss) attributable to owners of the parent</b>	<b>4,9</b>	<b>2,4</b>	<b>6,0</b>	<b>2,8</b>	<b>(1,1)</b>	

(1) The adoption of IFRS 16 as from 1 January 2019, without restating the balances at 31 March 2018, led in first quarter 2019 to an improvement in EBITDA of €6.5 million, resulting from the reversal of lease payments, offset by higher amortization and depreciation of €5.5 million and higher financial expense of €0.9 million, with an impact on the Group's EBITDA, EBIT and profit for the period of €+6.5 million, €+1 million and €+0.1 million, respectively.

(2) Sundry revenue includes mainly revenue from television activities, the organization of events and shows, e-commerce activities, the sale of customer lists and boxed sets, and betting activities in Spain only.

(3) For the definitions of EBITDA and EBIT, reference should be made to "Alternative Performance Measures" in this Press Release.



## RCS MediaGroup

### Reclassified consolidated statement of financial position (1)

Unaudited figures)

(€millions)	31 March 2019	%	31 December 2018	%
Intangible assets	367,7	62,1	369,4	83,6
Property, plant and equipment	234,0	39,5	65,4	14,8
Investment property	20,0	3,4	20,1	4,5
Non-current financial assets and other assets	158,7	26,8	154,1	34,9
<b>Non-current assets</b>	<b>780,4</b>	<b>131,7</b>	<b>609,0</b>	<b>137,8</b>
Inventory	23,9	4,0	19,6	4,4
Trade receivables	185,7	31,3	212,0	48,0
Trade payables	(217,0)	(36,6)	(204,7)	(46,3)
Other assets/liabilities	(45,8)	(7,7)	(57,8)	(13,1)
<b>Net working capital</b>	<b>(53,2)</b>	<b>(9,0)</b>	<b>(30,9)</b>	<b>(7,0)</b>
Provisions for risks and charges	(45,7)	(7,7)	(47,6)	(10,8)
Deferred tax liabilities	(52,2)	(8,8)	(51,5)	(11,6)
Employee benefits	(36,8)	(6,2)	(36,9)	(8,3)
<b>Net capital employed</b>	<b>592,5</b>	<b>100,0</b>	<b>442,1</b>	<b>100,0</b>
<b>Equity</b>	<b>248,3</b>	<b>41,9</b>	<b>254,5</b>	<b>57,6</b>
Non-current financial payables	96,9	16,4	141,6	32,0
Current financial payables	74,2	12,5	58,8	13,3
Current financial liabilities recognized for derivatives	0,1	0,0	0,1	0,0
Non-current financial liabilities recognized for derivatives	1,2	0,2	1,0	0,2
Cash and cash equivalents and current financial receivables	(14,2)	(2,4)	(13,9)	(3,1)
<b>Net financial debt (2)</b>	<b>158,2</b>	<b>26,7</b>	<b>187,6</b>	<b>42,4</b>
<b>Financial payables from operating leases pursuant to IFRS 16</b>	<b>186,0</b>	<b>31,4</b>	-	-
<b>Total financial sources (3)</b>	<b>592,5</b>	<b>100,0</b>	<b>442,1</b>	<b>100,0</b>

(1) The application of the new IFRS 16 on balance sheet items resulted in:

- the recognition under property, plant and equipment of rights of use for a total of €170.8 million;
- the recognition of a financial liability (financial payables from operating leases pursuant to IFRS 16) of approximately €186 million;
- a decrease in initial equity of €11.1 million, net of the accounting effects of the tax component, the latter recorded concurrently under non-current financial assets and other assets for €4.1 million.

(2) For the definitions of net financial debt and total net financial debt, reference should be made to "Alternative performance measures" in this press release.

(3) The Shareholders' Meeting of 2 May 2019 resolved to distribute a dividend of €0.06 per outstanding ordinary share, gross of tax, with coupon detachment date on 20 May 2019, for a total of €31 million. At 31 March 2019, these amounts were still included in the Group's equity reserves and net financial position.



## **Alternative performance measures**

In order to provide a clearer picture of the financial performance of the RCS Group, besides of the conventional financial measures required by IFRS, a number of **alternative performance measures** are shown that should, however, not be considered substitutes of those adopted by IFRS. In accordance with CESR/05-178b recommendation published on 3 November 2005, shown below are the methods used for building the main alternative performance measures deemed effective by Management to monitor the Group's performance; until the presentation of the first consolidated financial statements for the year, which include the date of first application of IFRS 16, the statements may undergo thorough review in light of possible developments arising from the entry into force of IFRS 16.

**EBITDA:** to be understood as earnings before interest, tax, amortization/depreciation and impairment losses on non-current assets. Includes income and expense from equity-accounted investees as the associates and joint ventures held are considered to be of an operating nature with respect to the activities of the RCS Group. The measure is used by the RCS Group as a target to monitor internal management, and in public presentations (to financial analysts and investors). It serves as a unit of measurement to evaluate the operational performance of the RCS Group.

**EBITDA before non-recurring income/expense:** to be understood as EBITDA as specified above before components of income (positive and/or negative) deriving from events or transactions, the occurrence of which is non-recurring, or deriving from transactions or events that are unlikely to occur frequently in the normal course of business.

**EBIT:** to be understood as the Result before tax, gross of "Financial Expense and Income" and "Other gains (losses) on financial assets/liabilities".

**Net Financial Position (or net financial debt):** this is a valid measure of the financial structure of the RCS Group. It is calculated as current and non-current financial payables less cash and cash equivalents, and current and non-current financial assets recognized for derivatives, excluding financial liabilities (current and non-current) relating to operating leases recorded in the financial statements in accordance with IFRS 16.

**Total net financial position (or net financial debt):** also includes financial liabilities from leases previously classified as operating leases and recorded in the financial statements pursuant to IFRS 16.