



Press Release RCS MediaGroup: Board of Directors

Preliminary consolidated results at 31 December 2012 examined

Consolidated revenue dropped to EUR 1,598 million compared with 2011 of EUR 1,860 million.
EBITDA before non-recurring expense/income fell to EUR 61 million compared with 2011 of EUR 163 million.

EBITDA after non-recurring expense/income fell to EUR 1.3 million compared with 2011 of EUR 142 million.

Net financial debt at EUR 846 million, dropped EUR 92 million compared with 2011.
The Company remains in the situation referred to in article 2446 of the Italian Civil Code.

Development Plan for 2013-2015 approved including the economic and business component¹

From an editorial group to a multimedia company with an offer of top quality contents and services.

Main financial and economic targets of the Plan:

(Plan estimates have been updated excluding Dada and considering worsening of the industry crisis)

Revenue for 2015 substantially in line with 2012 revenue (approximately EUR 1,500 million on a like-for-like basis).

Digital revenue more than doubled, reaching 21% of the total in 2015.

Profit margin² increase from about 4% in 2012 to 10% in 2015.

Approximately EUR 250 million non core asset disposals expected in the first two years of the Plan.

NFP-EBITDA ratio around 4/4.5x at the end of 2014, with an additional decrease in 2015, including the absolute value.

Main terms of the recapitalisation transactions for a maximum amount of EUR 600 million examined

Proposed rights issue for capital injections totalling at least EUR 400 million by 2013 – necessary for a going concern status– after elimination of the nominal value and share capital reduction for losses, by reverse common stock split. Fairly significant dilutive effect.

Proposal to grant the Board an option to increase the rights issue by the end of 2015 for a total amount of EUR 600 million.

Progress on the maturing bank loan refinancing transaction, currently being renegotiated examined

Progress on non core asset disposals examined

¹ The Development Plan for 2013-2015 does not consider the contribution of Dada, due to its possible disposal following opening of the data room.

² The margin is the EBITDA ratio before non-recurring expense and income and revenue.



Milano, 27 March 2013 – At its meeting today, the Board of Directors of RCS MediaGroup, under the chairmanship of Angelo Provasoli, examined the preliminary consolidated results at 31 December 2012, approved the Development Plan for 2013-2015 including the economic and financial component and assessed measures aimed at providing financial stability and reinforcing the Group's equity structure referred to in article 2446 of the Italian Civil Code.

The worsening general economic situation and vast transformation of the publishing industry have had a significant impact on the Group's results, requiring a rapid implementation of the Plan approved today. This Plan integrates what was approved last 19 December and includes:

- updates related to the business and economic part based on recent market trends, deconsolidation of Dada and disposal of non core assets for approximately EUR 250 million;
- financial structure to back the objectives, which includes renegotiation of a loan maturing in 2013 for EUR 575 million and a capital injection of at least EUR 400 million by July 2013 necessary for a going concern status – with a proposal to grant the Board powers for an additional issue of shares by the end of 2015 for up to a total amount of EUR 600 million.

Preliminary consolidated results at 31 December 2012 examined

The Group's **consolidated net revenue** was EUR 1,597.7 million (EUR 1,860.3 million in 2011): the EUR 262.6 million decline – which reduces to EUR 231.9 million on a like-for-like basis – is due to a fall in advertising, circulation and other publishing revenue.

EBITDA before non-recurring expense/income dropped to EUR 61 million on a like-for-like basis compared to the EUR 160.8 million achieved in 2011. **EBITDA after non-recurring expense/income** fell from EUR 142.3 million in 2011 to EUR 1.3 million in 2012. Non-recurring net expense came to EUR 59.7 million in 2012 (EUR 21.1 million in 2011).

Net financial debt was down EUR 845.8 million at 31 December 2011 to EUR 92.4 million, mainly due to benefits from the sale of Flammarion, which offset negative cash flows from non-recurring expense, investments and, to a lesser extent, ordinary operations.

EBIT for the fourth quarter, including normal amortisation and is expected to remain stable before impairment currently being examined, mainly referred to Unidad Editorial.

The net consolidated loss at 30 September 2012 was EUR 381 million. To date the company remains in the situation referred to in article 2446 of the Italian Civil Code.

The breakdown of revenue and EBITDA before non-recurring income and expense by business is attached hereto (Attached A).

Development Plan for 2013-2015 including economic and business objectives approved

The Plan, as announced on 19 December 2012, involves the transition of the RCS Group **from a publishing group to a multimedia company**, by offering top quality contents and services, in particular by focussing and investing in strategic areas, new brands, development of “digital first” products and expansion of the offer and services for users.



Key elements of the Plan:

- **Focus on publishing innovation and on the qualitative reinforcement of power brands, also thanks to high quality “digital first” publishing content**
- **Digital development and expansion of the offer, including through M&A projects**
- **Portfolio focusing on the business areas in which RCS can express solid leadership**
- **Strong protection of profit margins with focus on efficiency and increase in productivity and flexibility**
- **Disposal of non core assets**

The first two months of 2013 witnessed a macroeconomic scenario worse than expected in Europe at the end of 2012. In light of these events and armed with the new information currently available, a decision was made to update some of the parameters of the Development Plan for 2013-2015 approved on 19 December 2012, aimed at ensuring that the Plan's economic and business targets are reached.

Specifically, in addition to a downturn in advertising investments recorded during the first months of 2013 and adjustment of the circulation trend compared to the end of 2012, the most significant contents of the update were:

- acceleration of digital development projects;
- definition and precise evaluation of additional efficiency measures;
- deconsolidation of Dada compared to Plan estimates, following the idea to dispose of Dada and open its data room.

The main Plan targets do not include Dada, which for comparison purposes has also been excluded from the 2012 starting values of the Plan.

The **Group's revenue in 2015 is expected to remain steady** compared to 2012 revenue excluding disposed assets (thus on a like-for-like basis of approximately EUR 1,500 million in 2012). This trend is due to a **strong growth in digital revenue** (including television business) during the Plan period: in 2012 it represents 9% of the Group's revenue (totalling EUR 142 million), **in 2015 it represents over 21%**, ranking the RCS Group among the most advanced international players. The more than double growth of digital revenue will be achieved by launching new development projects in the publishing area and by expanding the Group's digital offer. A **total growth for digital revenue is expected of EUR 170 million** from 2012 to 2015, offsetting the drop in traditional revenue net of disposed assets. Traditional revenue is expected to continue to drop over the Plan period, both in terms of advertising and publishing. This structural decrease will be accompanied by a contraction due to disposal of non core assets.

Thanks to these strong efficiency measures, the **profit margin is expected to grow around 10%** of revenue. **EBITDA should reach approximately EUR 150 million**, which will greatly contribute to savings on products and processes of approximately EUR 145 million between 2012 and 2015, half of which are forecast for 2013.

The results over the Plan period do not have a linear trend. Investments for development and Group restructuring actions will be mainly adopted in 2013 and be impacted by a still very weak and declining macroeconomic scenario. A percentage drop in revenue is forecast for the current year as well as positive EBITDA before non-recurring expense less than 3% of revenue and a strong incidence of expense related to the current restructuring, since there will only be partial benefit from the return on investments for development. Specifically, **prompt measures have already been implemented in the first quarter of 2013** to face the worsening scenario, particularly advertising, and **efficiency measures are forecast for the year which will generate total benefits for over EUR 80 million.**



The results for the first half of 2013 are expected to continue to be affected by the negative market effects as well as seasonal variations and restructuring expense which will have a major effect on the first quarter results. Net results for the period are forecast to show a significant loss.

Total investments of EUR 160 million (approximately 4% of total revenue for the three year period) are planned over the three years - in part to support growth and innovation strategies as well as payments for non-recurring expense totalling over EUR 120 million, highly concentrated in the first half of the three year period.

The **net financial position is expected to benefit from the disposal of approximately EUR 250 million non core assets by the end of 2014**, this should result in the achievement of a **NFP/EBITDA ratio before recurring income and expense around 4/4.5x**. Starting in 2014 the **cash flow generated by operating activities should be positive**, therefore in 2015 an additional decrease in the net financial position is forecast with a significant improvement of the ratio with EBITDA.

The Plan's main targets for the individual business areas show a significant reduction in 2013 and a recovery in the two subsequent years based on the increase in digital revenue, with the exception of Books, which has a more linear trend. The details for each area are provided below:

- **Newspapers in Italy:** strengthening of the digital publishing offer and creation of “digital first” contents, including paid-for, integrated newsrooms, additional development of channels and increase of visits on the website, launch of a social community, reinforcement of the video offer and protection of traditional printed media.
Single digit % revenue drop in 2013; CAGR for 2013-2015 2%; EBITDA profit margin approximately 15% in 2015.
- **Unidad Editorial:** strengthening of the digital offer with additional evolution and development of digital edition products, reinforcement of the presence of the paid-for tablet and mobile markets, strengthening of integrated newsroom and content factory, expansion of video on-line, e-commerce and entertainment sectors, expansion in Central and South America and further development of the Sports and e-learning sectors.
Single digit % revenue drop in 2013; CAGR for 2013-2015 3+%; EBITDA estimated profit margin for 2015 is approximately 10%.
- **Magazines/Vertical Systems:** focusing and reinforcement of the vertical system digital properties, turning the offer into multi-media ecosystems, expansion of the digital and multi-platform offers, international development, strengthening of the video and e-commerce offer and creation of theme-based social communities.
Double digit % revenue drop in 2013; CAGR for 2013-2015 8+%; EBITDA profit margin is estimated at approximately 13% in 2015 (including Digicast activities).
- **Books:** focus on the growth of the e-book business, reinforcement of the scouting activities, greater interaction with readers, uses of contents in non-traditional markets and renewal of the distribution model and logistics
Slight decrease in revenue in 2013; CAGR for 2013-2015 3/4%; EBITDA margin is estimated at approximately 8% in 2015.

Main terms of the recapitalisation transactions for a maximum amount of EUR 600 million examined

The implementation of the Plan is subject to the successful completion of the refinancing transaction for EUR 575 million for the maturing loan – currently being negotiated and the equity injection transactions for a total of EUR 600 million, as specified below.



The main terms of the recapitalisation transaction include:

a) the proposal to issue shares for at least EUR 400 million, including the share premium, in accordance with article 2441, first paragraph, of the Italian Civil Code, after elimination of the indication of the nominal share value and reduction of share capital for losses in accordance with article 2446 of the Italian Civil Code, as resulting from the Financial Statements at 31 December 2012 and the financial position at 31 March 2013. This is to be implemented by a reverse stock split of just common shares in order to maintain the same accounting equality of the common shares and preferred shares, deferred, in accordance with article 24 of the Articles of Association. The subscription price shall be established, by applying a discount on the RCS theoretical ex-rights price (TERP) close to the time of the offer taking into account the company's limited float. Due to the share capital reduction and consequent reverse stock split of only common shares, dimensions of the offer compared to current capitalisation and TERP discount, it is expected that the share capital increase may have a fairly significant dilutive effect for common shareholders who do not take part in the offer. The offer should start during the first half of this year, once all of the necessary resolutions are passed and authorisations obtained and should be completed by July 2013.

b) the proposal to grant the Board of Directors the option, in accordance with article 2443 of the Italian Civil Code, to increase the issue of shares by 31 December 2015 for an additional amount compared to the above point up to a total amount of EUR 600 million, including any share premium, to be offered as an option to the Company's shareholders. The Board of Directors may exercise these powers and implement a share capital increase to obtain additional equity to cover the economic needs connected with complete implementation of the Development Plan for 2013-2015.

Progress on the maturing bank loan refinancing transaction currently being renegotiated examined

The Board examined the progress of the maturing bank loan refinancing transaction, currently being negotiated with a group of leading Italian banks, which entails a new medium term loan for a total amount of EUR 575 million, composed of three lines of credit:

- a line of credit due in three years, repaid using part of the cash flow from disposal of non core assets;
- a line of credit with final due date in five years and with an interest-only period of three years;
- a revolving line of credit with due date in five years.

Disbursement of the loan shall be subject to performance and release of a share capital increase for an amount not less than EUR 400 million.

Progress on non core asset disposal examined

The Board examined the progress on non core asset disposal, currently underway.

The Board acknowledges the resignation, starting as of the next shareholders' meeting, of director Giuseppe Vita (independent non-executive director) due to professional commitments and thanks him for the activities carried out and his commitment.



Roberto Bonalumi, the Director responsible for drawing up the company's accounting statements, hereby declares, pursuant to article 154-bis, paragraph 2 of the Consolidated Law on Finance (Testo Unico della Finanza, TUF), that the information contained in this press release accurately represents the figures contained in the Group's accounting records.

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ATTACHMENT A

RCS MediaGroup

Breakdown of revenue and EBITDA before non-recurring income and expense by business

(EUR million)	Figures at 31/12/2012			Figures at 31/12/2011		
	Revenue	EBITDA before non-recurring	EBITDA % of revenue	Revenue	EBITDA before non-recurring	EBITDA % of revenue
Italian Newspapers	563	63	11%	634	104	16 %
Spanish Newspapers	415	3	1%	496	36	7%
Books	273	7	3%	299	18	6%
Magazines (2)	181	(9)	(5)%	223	6	3%
Advertising	365	(9)	(3)%	431	(10)	(2)%
Dada (1)	85	12	14%	111	12	10%
Television	15	7,6	51%	24	9	39%
Corporate (2)	56	(13)	(24)%	63	(11)	(18)%
Sundry and eliminations	(354)	(0)	0.0%	(419)		0%
Consolidated	1,598	61	4%	1,860	163	9%

(1) 31 May 2011 saw the completion of the sale of the entire share capital of Dada.net S.p.A., a company operating in the sector of paid-for products and services offered to Community, Entertainment & Gaming industries. Dada.net S.p.A. operates through a number of direct subsidiaries. The company contributed EUR 30.7 million in revenue and EUR 2.6 million in EBITDA in 2011.

(2) Following the merger of ten companies of RCS MediaGroup S.p.A. the segment reporting was reconsidered and part of RCS Direct's business which was previously part of Italian Magazines was included under Corporate. For a like-on-like comparison and as required by IFRS 8, the comparative figures for 2011 have been reclassified.

The figures have not been subject to an audit.



ATTACHMENT B

RCS MediaGroup

Main Development Plan parameters

(EUR million)	2012 (without Dada)	2013	2015
Revenue	~1500	Single digit % decrease compared to 2012	Stable compared to 2012 (like-on-like)
<i>Of which digital</i>	9%		21%
EBITDA³ % of revenue	4%	positive <3%	~10%
Savings		~80 compared to 2012	~145 compared to 2012
Investments		~160 over Plan	
Non-recurring expense		~120 over Plan	
Non core asset disposal		~250 over Plan	
NFP/EBITDA ratio³		Around 4/4.5x at end of 2014, with NFP and ratio decreasing in 2015	

(EUR million)	2012	Revenue 2013 vs 2012	CAGR Revenue 2013-2015	EBITDA % of revenue
Italian Newspapers	563	Single digit % drop	2%	~15%
Unidad Editorial	415	Single digit % drop	3+%	~10%
Magazines (with television)	196	Double digit % drop	8+%	~13%
Books	273	Slight single digit % drop	3/4 %	~8%

³ EBITDA before non-recurring income and expense