

OFFERING CIRCULAR



GRUPPO EDITORIALE L'ESPRESSO S.p.A.

(Incorporated with limited liability under the laws of the Republic of Italy)

€300,000,000

5.125 per cent. Notes due 2014

Issue Price: 99.785 per cent.

The €300,000,000 5.125 per cent. Notes due 2014 (the “**Notes**”) are to be issued by Gruppo Editoriale L'Espresso S.p.A. (the “**Issuer**”). The Notes constitute *obbligazioni* pursuant to Articles 2410 – *et seq.* of the Italian Civil Code.

Interest on the Notes will be payable annually in arrear on 27 October in each year, the first such payment to be made on 27 October 2005. The Issuer will not be liable to pay any additional amounts to holders of the Notes or the interest coupons appertaining to the Notes (the “**Coupons**”) with respect to any withholding or deduction required pursuant to Italian Legislative Decree No. 239 of 1 April 1996 and any related implementing regulations, as more fully set out in “*Terms and Conditions of the Notes – Taxation*” and as described under “*Taxation – Italy*”. In addition, certain other customary exceptions to the Issuer's obligation to pay additional amounts to holders of the Notes or the Coupons with respect to the imposition of withholding or deduction in respect of payments relating to the Notes or the Coupons apply, also as more fully set out in “*Terms and Conditions of the Notes – Taxation*”.

Unless previously redeemed by the Issuer for taxation reasons in accordance with “*Terms and Conditions of the Notes – Redemption and Purchase*”, the Notes will be redeemed on 27 October 2014.

Application has been made to list the Notes on the Luxembourg Stock Exchange.

The Notes have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the “**Securities Act**”) and are subject to United States tax law requirements. The Notes are being offered outside the United States by the Lead Managers (as defined in “**Subscription and Sale**”) in accordance with Regulation S under the Securities Act (“**Regulation S**”), and may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

The Notes will initially be represented by a temporary global Note (the “**Temporary Global Note**”), without interest coupons, which will be deposited with a common depositary for the respective accounts of Euroclear Bank S.A./N.V., as operator of the Euroclear System (“**Euroclear**”) and Clearstream Banking, *société anonyme* (“**Clearstream, Luxembourg**”) on or about 27 October 2004 (the “**Closing Date**”). Interests in the Temporary Global Note will be exchangeable for interests in a permanent global Note (the “**Permanent Global Note**” and, together with the Temporary Global Note, the “**Global Notes**”), without interest coupons, on or after 6 December 2004, upon certification as to non-U.S. beneficial ownership. The Permanent Global Note will be exchangeable for definitive bearer Notes, with interest coupons attached, only in the limited circumstances set out in the Permanent Global Note as summarised in “*Summary of Provisions Relating to the Notes while in Global Form*”. The Notes are in the denominations of €50,000 and integral multiples of €1,000 above €50,000. For so long as the Notes are represented by Global Notes and the relevant clearing system(s) so permit, the Notes shall be tradeable in such denominations, subject always to the minimum denomination and trading amount of €50,000. There is no assurance, however, that the relevant clearing system(s) will enforce the minimum trading amount requirement.

Lead Managers

CABOTO
LEHMAN BROTHERS

JPMORGAN
MEDIOBANCA S.p.A.

Dated 26 October 2004

IMPORTANT NOTICE

The Issuer accepts responsibility for the information contained or incorporated by reference in this document. To the best of the knowledge and belief of the Issuer (which has taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

No person has been authorised to give any information or to make any representations other than those contained in this Offering Circular in connection with the offering or sale of the Notes and, if given or made, such information or representations must not be relied upon as having been authorised by the Issuer or the Lead Managers. Neither the delivery of this Offering Circular nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Notes is correct as of any time subsequent to the date indicated in the document containing the same. The Lead Managers expressly do not undertake to review the financial condition or affairs of the Issuer during the life of the Notes or to advise any investors in the Notes of any information coming to their attention. Investors should review, inter alia, the most recently published audited annual financial statements and, if published later, the most recently published interim financial statements (if any) of the Issuer when deciding whether or not to purchase any Notes.

The Lead Managers have not separately verified the information contained herein other than the information relating to the Lead Managers themselves. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Lead Managers as to the accuracy or completeness of the information contained in this Offering Circular which relates to the Issuer and/or the Notes or any other information provided by the Issuer in connection with the Notes.

Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer. Neither this Offering Circular nor any other information supplied in connection with the issue of any Notes constitutes an offer by or on behalf of the Issuer or any of the Lead Managers to any person to subscribe for or to purchase any Notes. Neither this Offering Circular nor any other information supplied in connection with the Notes (i) is intended to provide the basis of any credit or other evaluation or (ii) should be considered as a recommendation by the Lead Managers that any recipient of this Offering Circular or any other information supplied in connection with the Notes should purchase any Notes.

This Offering Circular is to be read in conjunction with all documents which are deemed to be incorporated herein by reference (see “Incorporation by Reference” below). This Offering Circular shall be read and construed on the basis that such documents are incorporated in and form part of this Offering Circular.

The Notes have not been and will not be registered under the Securities Act, and are subject to U.S. tax law requirements. The Notes may not be offered, sold or delivered within the United States or to U.S. persons.

This Offering Circular does not constitute, and may not be used for the purposes of, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation (see “Subscription and Sale” below). The distribution of this Offering Circular and the offer or sale of the Notes may be restricted by law in certain jurisdictions. The Lead Managers do not represent that this Offering Circular may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Lead Managers which would permit a public offering of any Notes or distribution of this Offering Circular in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Offering Circular nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Offering Circular or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Offering Circular and the offering and sale of the Notes.

This Offering Circular has not been submitted to the clearance procedure of the Commissione Nazionale per le Società e la Borsa (“CONSOB”) and may not be used in connection with the offering of the Notes in the Republic of Italy (“Italy”) other than to professional investors, as defined by and in accordance with applicable Italian securities laws and regulations, as more fully set out under “Subscription and Sale” below.

In this Offering Circular, references to “euros” and “€” are to the single currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended.

Certain figures included in this Offering Circular have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

In connection with this issue and distribution of the Notes, Lehman Brothers International (Europe) may over-allot or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail for a limited period after the Closing Date. Such stabilising, if commenced, may be discontinued at any time, and must be brought to an end after a limited period. All such transactions will be carried out in accordance with all applicable laws and regulations.

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INCORPORATION BY REFERENCE

The following financial statements are incorporated by reference into this Offering Circular:

- (i) the Annual Report of the Issuer as at and for the years ended 31 December 2002 and 2003; and
- (ii) the unaudited consolidated and non-consolidated interim financial statements of the Issuer as at and for the six-month periods ended 30 June 2003 and 2004.

A copy of this Offering Circular and any document incorporated by reference in this Offering Circular are made available free of charge at the offices of the Paying Agents. Written or oral requests for such documents should be directed to the specified offices of any Paying Agent or the specified office of the Listing Agent in Luxembourg as described in “*General Information*” below.

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions of the Notes which (subject to modification) will be endorsed on each Note in definitive form, if issued.

The €300,000,000 5.125 per cent. Notes due 2014 (the “**Notes**”, which expression shall in these Terms and Conditions include any further notes issued pursuant to Condition 14 and forming a single series with the Notes) of Gruppo Editoriale L’Espresso S.p.A. (the “**Issuer**”) are constituted by a Trust Deed dated 27 October 2004 (the “**Trust Deed**”) made between the Issuer and J.P. Morgan Corporate Trustee Services Limited (the “**Trustee**”, which expression shall include its successor(s)) as trustee for the holders of the Notes (the “**Noteholders**”) and the holders of the interest coupons appertaining to the Notes (the “**Couponholders**” and the “**Coupons**”, respectively).

The issue of the Notes has been authorised by a resolution of the Board of Directors of the Issuer passed on 30 September 2004, as implemented by a resolution of the Executive Committee of the Issuer dated 8 October 2004.

The statements in these Terms and Conditions include summaries of, and are subject to, the detailed provisions of and definitions in the Trust Deed. Copies of the Trust Deed and the Agency Agreement dated 27 October 2004 (the “**Agency Agreement**”) made between the Issuer, JPMorgan Chase Bank (the “**Principal Paying Agent**”, which expression shall include any successor), the other initial Paying Agents named therein (the “**Paying Agents**”, which expression shall include any successor(s) and, unless the context otherwise requires, the Principal Paying Agent) and the Trustee are available for inspection during normal business hours at the registered office for the time being of the Trustee (being at the date of issue of the Notes at Trinity Tower, 9 Thomas More Street, London, E1W 1YT) and at the specified office of each of the Paying Agents. The Noteholders and the Couponholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and the Agency Agreement applicable to them.

1. FORM, DENOMINATION AND TITLE

- (1) The Notes are in bearer form in the denominations of €50,000 and integral multiples of €1,000 above €50,000, each with Coupons attached on issue. Notes of one denomination cannot be exchanged for Notes of another denomination.
- (2) Title to the Notes and to the Coupons will pass by delivery.
- (3) The Issuer, any Paying Agent and the Trustee may (to the fullest extent permitted by applicable laws and except as otherwise provided for by a court of competent jurisdiction or an official authority) deem and treat the holder of any Note and the holder of any Coupon as the absolute owner for all purposes (whether or not the Note or Coupon shall be overdue and notwithstanding any notice of ownership or writing on the Note or Coupon or any notice of previous loss or theft of the Note or Coupon).

2. STATUS

The Notes and the Coupons are direct, unconditional and (subject to the provisions of Condition 3) unsecured obligations of the Issuer and (subject to the provisions of Condition 3) rank, and will rank, *pari passu*, without any preference among themselves, with all other outstanding unsecured and unsubordinated obligations of the Issuer, present and future, (save for such obligations as may be preferred by mandatory provision of law) but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors’ rights.

3. NEGATIVE PLEDGE

So long as any of the Notes remains outstanding (as defined in the Trust Deed), the Issuer will not, and will procure that no Principal Subsidiary will, create or permit to subsist any mortgage, charge, lien or other encumbrance or security interest (each a “**Security**”), other than a Permitted Encumbrance, upon the whole or any part of its present or future undertaking, assets or revenues to secure any Specified Indebtedness of any person or any guarantee or indemnity in respect thereof, unless the Issuer shall, in the case of the creation of Security, before or at the same time and, in any other case, promptly, take any and all action necessary to ensure that:

- (a) the benefit of such Security is extended to secure on a *pari passu* and pro rata basis the Issuer’s obligations under the Notes, the Coupons and the Trust Deed to the satisfaction of the Trustee; or

- (b) there is provided for the Issuer's obligations under the Notes, the Coupons and the Trust Deed such other security or such guarantee or other arrangement as either (i) the Trustee shall in its absolute discretion deem to be not materially less beneficial to the interests of the Noteholders or (ii) shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders.

Furthermore, the Issuer will not, and will procure that none of its Subsidiaries will, make any sale, disposal, transfer or surrender of all or a material part of the property or assets constituting the Issuer's intellectual property rights relating to the *la Repubblica* newspaper to any person other than another member of the Group, and provided further that the Issuer (or any other entity resulting from a Permitted Reorganisation) will at all times carry on the business of publishing the *la Repubblica* newspaper.

As used herein:

Group means the Issuer and its consolidated Subsidiaries;

Latest Consolidated Accounts means, at any date, the then latest annual audited consolidated accounts of the Group prepared in accordance with then prevailing Italian generally accepted accounting principles or, as the case may be, accounting principles issued by the International Accounting Standards Board;

Maturity means, in respect of any obligation, the period from the date on which it was first incurred to the earliest date on which by its terms it is to be repaid or paid or, if such date is extended, to the date on which it is repaid or paid or, if arrangements exist under which the person incurring such obligation (a) can require such obligation to be replaced by another obligation or (b) incurs successively a series of such obligations to the same person or group of persons, the final date for repayment or payment of any obligation arising under such arrangements;

Permitted Encumbrance means:

- (a) any lien arising by operation of law in the ordinary course of business;
- (b) any Security existing at 27 October 2004 (including any additional Security required to be given pursuant to that Security) so long as such security secures only that indebtedness which it secured at such date (together with interest thereon);
- (c) any Security created after 27 October 2004 on any asset acquired by the person creating such Security and securing only indebtedness incurred for the sole purpose of financing or re-financing that acquisition provided that the principal amount of such indebtedness so secured does not exceed the cost of that acquisition;
- (d) any Security created by any company upon the whole or any part of its undertaking or assets and subsisting at the time such company merges or consolidates with the Issuer or any Principal Subsidiary or at the time it becomes a Principal Subsidiary or at the time it sells all or substantially all of its assets to the Issuer or any Principal Subsidiary and not created in contemplation thereof provided that the principal amount of indebtedness secured by such Security shall not be increased; and
- (e) any Security which is created in connection with, or pursuant to, a limited-recourse financing, securitisation or other like arrangement where the payment obligations in respect of the indebtedness secured by the relevant Security are to be discharged solely from the revenues generated by assets over which such Security is created (including, without limitation, receivables), provided that the aggregate nominal amount of the assets over which such Security is created shall not exceed €100,000,000.

Principal Subsidiary means at any time any Subsidiary of the Issuer where (i) the aggregate revenues of, or attributable to, such Subsidiary as shown by the then most recent audited annual accounts of such Subsidiary constitutes 10 per cent. or more of the consolidated revenues of the Issuer and its consolidated Subsidiaries as shown by the Latest Consolidated Accounts or (ii) the total assets of such Subsidiary as shown by the then most recent audited annual accounts of such Subsidiary constitutes 10 per cent. or more of the consolidated total assets of the Issuer and its consolidated Subsidiaries as shown by the Latest Consolidated Accounts, provided that if a Subsidiary itself has Subsidiaries and produces, in respect of any year, audited consolidated accounts of such Subsidiary and its consolidated Subsidiaries, the reference above to the revenues or the total assets of such Subsidiary shall be construed as a reference to the consolidated revenues or consolidated total assets, as the case may be, of such Subsidiary and its consolidated Subsidiaries, and the reference to the then most recent audited accounts of such Subsidiary shall be construed as a reference to the then most recent audited annual consolidated

accounts of such Subsidiary and its consolidated Subsidiaries and provided further that any Subsidiary to which is transferred the whole or substantially the whole of the assets and undertaking of a Principal Subsidiary shall become a Principal Subsidiary.

A certificate signed by two Directors of the Issuer that, in their opinion, a company is or is not or was or was not at any particular time or throughout any specified period a Principal Subsidiary may be relied upon by the Trustee without further enquiry or evidence and, if relied upon by the Trustee, shall, in the absence of manifest or proven error, be conclusive and binding on all parties;

Specified Indebtedness means any present or future indebtedness for borrowed money in the form of or represented by notes, debentures or other similar debt securities which (with the consent of the Issuer) are, or are capable of being quoted, listed or ordinarily dealt in on any regulated stock exchange or other securities market (including securities markets located outside the European Union); and

Subsidiary means, in respect of any entity at any particular time, any company or corporation in which, as provided by Article 2359, paragraph 1, no. 1 and no. 2, of the Italian Civil Code:

- (a) the majority of the votes capable of being voted in an ordinary shareholders' meeting are held directly or indirectly, by such entity; or
- (b) such entity holds, directly or indirectly, a sufficient number of votes to give it a dominant influence (*influenza dominante*) in an ordinary shareholders' meeting of such company or corporation.

4. INTEREST

- (1) The Notes bear interest at the rate of 5.125 per cent. per annum from and including 27 October 2004 payable annually in arrear on 27 October in each year beginning on 27 October 2005 (each, an "**Interest Payment Date**"). Where interest is required to be calculated in respect of a period ending other than on an Interest Payment Date, it shall be calculated on the basis of the number of days in the period from and including the most recent Interest Payment Date (or, if none, 27 October 2004) to but excluding the relevant payment date divided by the actual number of days in the period from and including the most recent Interest Payment Date (or, if none, 27 October 2004) to but excluding the next (or first) Interest Payment Date.
- (2) Each Note will cease to bear interest from and including the due date for redemption unless, upon due presentation, payment of the principal in respect of the Note is improperly withheld or refused or unless default is otherwise made in respect of the payment in which event interest shall continue to accrue as provided in the Trust Deed.

5. PAYMENTS

- (1) Payments of principal and interest in respect of each Note will be made against presentation and surrender (or, in the case of part payment only, endorsement) of the Note, except that payments of interest due on an Interest Payment Date will be made against presentation and surrender (or, in the case of part payment only, endorsement) of the relevant Coupons, in each case at the specified office (outside the United States) of any of the Paying Agents.
- (2) Payments will be made at the specified office of any Paying Agent (outside the United States), at the option of the holder, by credit or transfer to a euro account (or any other account to which euros may be credited or transferred) specified by the payee or, at the option of the payee, by a euro cheque, subject in all cases to any fiscal or other laws and regulations applicable in the place of payment, but without prejudice to the provisions of Condition 7.
- (3) Each Note should be presented for payment together with all relative unmatured Coupons, failing which the full amount of any relative missing unmatured Coupon (or, in the case of payment not being made in full, that proportion of the full amount of the missing unmatured Coupon which the amount so paid bears to the total amount due) will be deducted from the amount due for payment. Each amount so deducted will be paid in the manner mentioned above against presentation and surrender (or, in the case of part payment only, endorsement) of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 7(2)) in respect of the relevant Note (whether or not the Coupon would otherwise have become void pursuant to Condition 8), or, if later, five years after the date on which the Coupon would have become due, but not thereafter.

- (4) If the date for payment of any amount in respect of any Note or Coupon is not a Payment Date, the holder thereof shall not be entitled to payment until the next following Payment Date in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, “**Payment Date**” means any day which is or falls after the relevant due date and (subject to Condition 8) is:
- (a) day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the relevant place of presentation; and
 - (b) a day on which the Trans-European Automated Real-Time Automated Gross Settlement Express Transfer (TARGET) System is open.
- (5) The names of the initial Paying Agents and their initial specified offices are set out at the end of these Terms and Conditions. The Issuer reserves the right (with the prior written approval of the Trustee) at any time to vary or terminate the appointment of any Paying Agent and to appoint additional or other Paying Agents provided that: (i) it will at all times maintain a Principal Paying Agent; (ii) it will at all times maintain a Paying Agent having a specified office in a major European city which, so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of that exchange so require, shall be Luxembourg; and (iii) it undertakes that it will maintain a Paying Agent having a specified office in a European Union member state that will not be obliged to withhold or deduct tax pursuant to European Union Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive. Notice of any termination or appointment and of any changes in specified offices will be given to the Noteholders promptly by the Issuer in accordance with Condition 12.

6. REDEMPTION AND PURCHASE

- (1) Unless previously redeemed or purchased and cancelled as provided below, the Issuer will redeem the Notes at their principal amount on 27 October 2014.
- (2) If the Issuer satisfies the Trustee immediately prior to the giving of the notice referred to below that (a) as a result of any change in, or amendment to, the laws or regulations of Italy or any political sub-division of, or any authority in, or of, Italy having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective after 26 October 2004, on the next Interest Payment Date the Issuer would be required to pay additional amounts as provided or referred to in Condition 7 and (b) the requirement cannot be avoided by the Issuer taking reasonable measures available to it, the Issuer may at its option, having given not less than 30 nor more than 60 days’ notice to the Noteholders in accordance with Condition 12 (which notice shall be irrevocable) and to the Trustee, redeem all the Notes, but not some only, at any time, at their principal amount together with accrued interest thereon, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due. Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Trustee a certificate signed by two Directors of the Issuer stating that the requirement referred to in (a) above will apply on the next Interest Payment Date and cannot be avoided by the Issuer taking reasonable measures available to it and the Trustee shall be entitled to accept the certificate as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event they shall be conclusive and binding on the Noteholders and the Couponholders.
- (3) The Issuer or any of its Subsidiaries may at any time purchase Notes (provided that all unmatured Coupons appertaining to the Notes are purchased with the Notes) in any manner and at any price. If purchases are made by tender, tenders must be available to all Noteholders alike.
- (4) All Notes which are purchased by or on behalf of the Issuer or any of its Subsidiaries shall be surrendered to any Paying Agent for cancellation, together with all relative unmatured Coupons attached to the Notes or surrendered with the Notes, and may not be held, reissued or resold. All Notes which are redeemed or purchased and surrendered for cancellation will forthwith be cancelled. Notes or Coupons which are cancelled may not be reissued or resold.

- (5) Upon the expiry of any notice as is referred to in Condition 6(2), the Issuer shall be bound to redeem the Notes to which the notice refers in accordance with the terms of such Condition.

7. TAXATION

- (1) All payments in respect of the Notes by the Issuer shall be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature (“**Taxes**”) imposed or levied by or on behalf of Italy, or any political subdivision of, or any authority in, or of, Italy having power to tax, unless the withholding or deduction of the Taxes is required by law. In that event, the Issuer will pay such additional amounts as may be necessary in order that the net amounts received by the Noteholders and Couponholders after the withholding or deduction shall equal the respective amounts which would have been receivable in respect of the Notes or, as the case may be, Coupons in the absence of the withholding or deduction; except that no additional amounts shall be payable in relation to any payment in respect of any Note or Coupon:
- (a) to, or to a third party on behalf of, a holder who is liable to the Taxes in respect of the Note or Coupon by reason of his having some connection with Italy other than the mere holding of the Note or Coupon; or
 - (b) to, or to a third party on behalf of, a holder who would not be liable or subject to the withholding or deduction by making a declaration of non-residence or other similar claim for exemption to the relevant tax authority; or
 - (c) presented for payment more than 30 days after the Relevant Date except to the extent that a holder would have been entitled to additional amounts on presenting the same for payment on the last day of the period of 30 days assuming that day to have been a Payment Date; or
 - (d) presented for payment by, or on behalf of, a holder who would be able to avoid such withholding or deduction by presenting the relevant Note or Coupon to another Paying Agent in a member state of the European Union, but fails to do so; or
 - (e) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or
 - (f) to a non-Italian resident legal entity or a non-Italian resident individual which is resident in a country which does not allow for a satisfactory exchange of information with Italy; or
 - (g) in each case, in which the formalities to obtain an exemption from *imposta sostitutiva* or any alternative future system of deduction or withholding set forth in Italian Legislative Decree No. 239 of 1 April 1996 have not been complied with, except where such formalities have not been complied with due to the actions or omissions of the Issuer or its agents.
- (2) In these Terms and Conditions, “**Relevant Date**” means the date on which the payment first becomes due but, if the full amount of the money payable has not been received by the Principal Paying Agent or the Trustee on or before the due date, it means the date on which, the full amount of the money having been so received, notice to that effect shall have been duly given to the Noteholders by the Issuer in accordance with Condition 12.
- (3) Any reference in these Terms and Conditions to any amounts in respect of the Notes shall be deemed also to refer to any additional amounts which may be payable under this Condition or under any undertakings given in addition to, or in substitution for, this Condition pursuant to the Trust Deed.

8. PRESCRIPTION

Claims for payment in respect of a Note or Coupon will become void unless presentation for payment is made within a period of 10 years (in the case of principal) and five years (in the case of interest) from the Relevant Date in respect of the Note or, as the case may be, the Coupon, subject to the provisions of Condition 5.

9. EVENTS OF DEFAULT

The Trustee at its discretion may, and if so requested in writing by the holders of at least one-fifth in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution of the Noteholders shall, (subject in each case to being indemnified and/or secured to its satisfaction) give notice to the Issuer that the Notes are, and they shall accordingly forthwith become, immediately due and repayable at their principal amount, together with accrued interest as provided in the Trust Deed, in any of the following events (each, an “**Event of Default**” and together, “**Events of Default**”):

- (a) if default is made in the payment of any principal or interest due in respect of any of the Notes and the default continues for a period of seven days in the case of principal and 14 days in the case of interest; or
- (b) if the Issuer fails to perform or observe any of its other obligations under these Terms and Conditions or the Trust Deed and (except in any case where the Trustee considers the failure to be incapable of remedy when no continuation or notice as is hereinafter mentioned will be required) the failure continues for the period of 30 days (or such longer period as the Trustee may permit) next following the service by the Trustee on the Issuer of notice requiring the same to be remedied; or
- (c) if:
 - (i) any Indebtedness for Borrowed Money of the Issuer (other than the Notes) or of any Principal Subsidiary (in either case being Indebtedness for Borrowed Money of an aggregate principal amount of €10,000,000 or more, or its equivalent in any other currency) (A) becomes, or becomes capable of being declared, prematurely repayable by reason of a payment default, or (B) becomes or is declared immediately due and repayable by reason of default in respect of the terms thereof other than by reason of a payment default; or
 - (ii) (A) any Indebtedness for Borrowed Money of the Issuer (other than the Notes) or of any Principal Subsidiary (in either case being Indebtedness for Borrowed Money of an aggregate principal amount of €10,000,000 or more, or its equivalent in any other currency) is not paid when due and such failure to make payment shall continue for more than the grace period, if any, applicable thereto; or (B) any security given by the Issuer or any Principal Subsidiary for any Indebtedness for Borrowed Money becomes enforceable and any step is taken to enforce it (in either case relating to Indebtedness for Borrowed Money of an aggregate principal amount of €10,000,000 or more, or its equivalent in any other currency); or
 - (iii) any guarantee or indemnity in respect of Indebtedness for Borrowed Money in an aggregate principal amount of €10,000,000 or more, or its equivalent in any other currency, given by the Issuer or any Principal Subsidiary is not honoured when due; or
- (d) if a resolution is passed or a petition is presented by the Issuer to a court of competent jurisdiction for the Issuer or any Principal Subsidiary to be wound up or dissolved, except for the purposes of, or pursuant to, an amalgamation, merger, demerger, reconstruction, consolidation, voluntary solvent winding-up or other similar arrangement (not arising out of the bankruptcy or insolvency of the relevant entity) (i) which is, or is part of, a Permitted Reorganisation; or (ii) under which, in respect of any Principal Subsidiary, all of the assets of the Principal Subsidiary are transferred to a third party or parties (whether associated or not) for full consideration received by the Issuer or the Principal Subsidiary on an arm’s length basis; or (iii) on terms previously approved in writing by the Trustee, provided that the Trustee shall approve the terms of such amalgamation, merger, demerger, reconstruction, consolidation, voluntary solvent winding-up or other similar arrangement if the Issuer provides the Trustee with written advice (in form and content satisfactory to the Trustee) of an investment bank of international repute that the amalgamation, merger, demerger, reconstruction, consolidation, voluntary solvent winding-up or other similar arrangement will not have a material adverse effect on the financial condition, assets or liabilities of the Group and will not be materially prejudicial to the interests of the Noteholders; or (iv) on terms previously approved by an Extraordinary Resolution of the Noteholders; or
- (e) if a distress, execution or seizure is levied or enforced upon or sued out against any material part of the assets of the Issuer or a Principal Subsidiary and is not discharged within 60 days thereof, except where the Issuer or such Principal Subsidiary (as the case may be) satisfies the Trustee that it is taking appropriate steps in good faith to contest the relevant proceedings; or
- (f) if the Issuer or any Principal Subsidiary (otherwise than (i) for the purposes of an amalgamation, merger, demerger, reconstruction, consolidation, voluntary solvent winding-up or other similar arrangement (not

arising out of the bankruptcy or insolvency of the relevant entity) which is, or is part of, a Permitted Reorganisation or (ii) in respect of a Principal Subsidiary only, where all of the assets of such Principal Subsidiary are transferred to a third party or parties (whether associated or not) for full consideration received by the Issuer or such Principal Subsidiary on an arm's length basis) ceases or announces its intention to cease to carry on or to dispose of the whole or substantially the whole of its business; or

- (g) if the Issuer or any Principal Subsidiary is, or is deemed by law or by a court to be, insolvent or bankrupt or unable to pay its debts as and when they fall due, or stops, suspends or threatens to stop or suspend payment of all or a material part of its debts, or if (i) proceedings shall have been initiated against the Issuer or any Principal Subsidiary under any applicable bankruptcy or insolvency law or any encumbrancer takes possession or a trustee or a receiver is appointed of the whole or any material part of the assets or undertaking of the Issuer or any Principal Subsidiary and (ii) such proceedings or appointment shall not have been discharged or stayed within a period of 60 days (such period commencing, in the case of the Issuer or any Principal Subsidiary incorporated under Italian law, on the date of the first hearing of the relevant petition or application), except where the Issuer or such Principal Subsidiary (as the case may be) satisfies the Trustee that it is taking appropriate steps in good faith to contest the relevant proceedings; or
- (h) if the Issuer or any Principal Subsidiary initiates or formally consents to proceedings relating to any of them under any applicable bankruptcy or insolvency law (including, without limitation, controlled management and reprieve of payment) or makes a general conveyance or assignment for the benefit of, or enters into any general composition with, its creditors,

PROVIDED that, in the case of any Event of Default other than that described in sub-paragraph (a) above, the Trustee has certified to the Issuer that the Event of Default is, in its opinion, materially prejudicial to the interests of the Noteholders.

As used herein:

Controlling Company means CIR S.p.A.;

Controlling Group means the consolidated Subsidiaries of the Controlling Company (but excluding the Controlling Company);

Indebtedness for Borrowed Money means any indebtedness of any person for moneys borrowed or raised;

material part of the undertaking or assets of any Person means an aggregate amount equal to or greater than 10 per cent. of the aggregate value of such undertaking or assets (as the case may be) of such Person shown by the most recent audited accounts (where applicable, on a consolidated basis) of such Person;

Permitted Reorganisation means:

- (i) in respect of the Issuer or any Principal Subsidiary, any " *fusione* " (such expression bearing the meaning ascribed to it by the laws of Italy) or any other amalgamation, demerger, reorganisation or restructuring whilst solvent of the Issuer or such Principal Subsidiary which is part of a related sequence of events whereby, during or upon completion of the sequence, all or substantially all of the rights and obligations of the Issuer or of such Principal Subsidiary (including, in relation to the Issuer, all of the obligations of the Issuer under or in respect of the Notes and the Trust Deed) will be assumed in accordance with applicable Italian law by another Person which, immediately before such assumption, was a member of the Group; or
- (ii) in respect of the Issuer, any " *fusione* " (such expression bearing the meaning ascribed to it by the laws of Italy) or any other amalgamation, demerger, reorganisation or restructuring whilst solvent of the Issuer which is part of a related sequence of events whereby, during or upon completion of the sequence, all or substantially all of the rights and obligations of the Issuer (including all of the obligations of the Issuer under or in respect of the Notes and the Trust Deed) will be assumed in accordance with applicable Italian law by another Person which, immediately before such assumption, was a member of the Controlling Group and which continues all or substantially all of the business previously carried out by the Issuer; or
- (iii) in respect of any Principal Subsidiary, under which all or substantially all of the assets of the Principal Subsidiary are transferred to the Issuer or any of its other Subsidiaries (which shall thereby become a Principal Subsidiary for the purposes of these Terms and Conditions); and

Person means any individual, corporation, partnership, joint venture, trust or unincorporated organisation.

10. ENFORCEMENT

The Trustee may at any time, at its discretion and without notice, take such proceedings against the Issuer as it may think fit to enforce the provisions of the Trust Deed, these Terms and Conditions, the Notes and the Coupons, but it shall not be bound to take any such proceedings or any other action in relation to the Trust Deed, the Notes or the Coupons unless (a) it has been so directed by an Extraordinary Resolution of the Noteholders or so requested in writing by the holders of at least one-fifth in principal amount of the Notes then outstanding and (b) it has been indemnified and/or secured to its satisfaction.

No Noteholder or Couponholder shall be entitled to proceed directly against the Issuer unless the Trustee, having become bound so to proceed, fails so to do within a reasonable period and the failure shall be continuing.

11. REPLACEMENT OF NOTES AND COUPONS

Should any Note or Coupon be lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of the Paying Agent in Luxembourg, subject to all applicable laws and stock exchange requirements upon payment by the claimant of the expenses incurred in connection with the replacement and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Notes or Coupons must be surrendered before replacements will be issued.

12. NOTICES

All notices to the Noteholders will be valid if published in a leading English language daily newspaper published in London or such other English language daily newspaper with general circulation in Europe as the Trustee may approve, in an Italian language daily newspaper with general circulation in Italy and, so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of that exchange so require, in one daily newspaper with general circulation in Luxembourg. Any notice shall be deemed to have been given on the date of first publication in all such newspapers. It is expected that publication will normally be made in the *Luxemburger Wort* in Luxembourg. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any stock exchange on which the Notes are for the time being listed. If publication as provided above is not practicable, notice will be given in such other manner, and shall be deemed to have been given on such date, as the Trustee shall determine. Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the Noteholders.

13. MEETINGS OF NOTEHOLDERS, MODIFICATION, WAIVER, AUTHORISATION, DETERMINATION AND SUBSTITUTION

- (1) The Trust Deed contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the modification by Extraordinary Resolution of any of these Terms and Conditions or any of the provisions of the Trust Deed. The directors of the Issuer and/or the Noteholders' Representative (as defined below), at their discretion may, and, if so requested in writing by the holders of at least five per cent. in principal amount of the Notes then outstanding shall, convene such a meeting. The quorum and the majority at any meeting convened for passing an Extraordinary Resolution shall be one or more persons present being or representing Noteholders holding the percentage of the then outstanding Notes set out in the third paragraph of Article 2415 of the Italian Civil Code. If the business of such meeting includes consideration of proposals, *inter alia* (i) to amend the date of maturity or redemption of the Notes or any date for payment of interest on the Notes; (ii) to reduce the rate of interest in respect of the Notes or to vary the method or basis of calculating the rate or amount of interest in respect of the Notes; or (iii) to vary the currency or currencies of payment or denomination of the Notes, in each such case the necessary quorum and majority shall be one or more persons present being or representing Noteholders holding the percentage of the then outstanding Notes set out in the second sentence of the third paragraph of Article 2415 of the Italian Civil Code which refers to the resolutions under item 2) of the first paragraph of the same Article. An Extraordinary Resolution passed at any meeting of the Noteholders will be binding on all Noteholders, whether or not they are present at the meeting, and on all Couponholders.
- (2) The Trustee may agree, without the consent of the Noteholders or Couponholders, to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of these Terms and Conditions or any of the provisions of the Trust Deed, or determine, without any such consent as aforesaid, that any Event of Default or Potential Event of Default (as defined in the Trust Deed) shall not be treated as such provided that, in any such case, it is not, in the opinion of the Trustee, materially prejudicial to the

interests of the Noteholders or may agree, without any such consent as aforesaid, to any modification which, in its opinion, is of a formal, minor or technical nature or to correct a manifest or proven (to the satisfaction of the Trustee) error. Any such modification, waiver, authorisation or determination shall be binding on the Noteholders and the Couponholders and, unless the Trustee agrees otherwise, any such modification shall be notified by the Issuer to the Noteholders as soon as practicable thereafter in accordance with Condition 12.

- (3) In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation, determination or substitution), the Trustee shall have regard to the general interests of the Noteholders as a class but shall not have regard to any interests arising from circumstances particular to individual Noteholders or Couponholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Noteholders or Couponholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof or therein and the Trustee shall not be entitled to require, nor shall any Noteholder or Couponholder be entitled to claim, from the Issuer, the Trustee or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders or Couponholders except to the extent already provided for in Condition 7 and/or any undertaking given in addition to, or in substitution for, Condition 7 pursuant to the Trust Deed.
- (4) A representative of the Noteholders (*rappresentante comune*) (the “**Noteholders’ Representative**”) (who might, subject to mandatory provisions of Italian Law, also be the same legal entity as the Trustee) may be appointed pursuant to Article 2417 of the Italian Civil Code. If the Noteholders’ Representative is not appointed by a meeting of the Noteholders, the Noteholders’ Representative shall be appointed by a decree of the President of the Court where the Issuer has its registered office at the request of one or more Noteholders or at the request of the directors of the Issuer. The Noteholders’ Representative shall be appointed for a maximum period of three years but may be re-appointed again thereafter.
- (5) The Trustee may, without the consent of the Noteholders or Couponholders, agree with the Issuer to the substitution in place of the Issuer (or of any previous substitute under this Condition) as the principal debtor under the Notes, the Coupons and the Trust Deed of any of its Subsidiaries, subject to:
 - (a) the Notes being unconditionally and irrevocably guaranteed by the Issuer; and/or
 - (b) the Trustee being satisfied that the interests of the Noteholders will not be materially prejudiced by such substitution,

and, in either case, certain other conditions set out in the Trust Deed being complied with.

In the case of such a substitution, the Trustee may agree, without the consent of the Noteholders or Couponholders, to a change of the law governing the Notes and/or the Trust Deed provided that such change would not in the opinion of the Trustee be materially prejudicial to the interests of the Noteholders. Upon the substitution of the Issuer and so long as the Notes are listed on the Luxembourg Stock Exchange, a Supplementary Offering Circular shall be filed with the Luxembourg Stock Exchange which will be made available to the Noteholders at the specified office of each of the Paying Agents free of charge. In addition, notification of any substitution of the Issuer shall be made to the Noteholders in accordance with Condition 12. For the avoidance of doubt, a substitution of the Issuer effected pursuant to a Permitted Reorganisation shall not require the approval of the Trustee, the Noteholders or the Couponholders.

14. FURTHER ISSUES

The Issuer is at liberty from time to time without the consent of the Noteholders or Couponholders to create and issue further notes or bonds (whether in bearer or registered form) either (a) ranking *pari passu* in all respects (or in all respects save for the first payment of interest thereon) and so that the same shall be consolidated and form a single series with the outstanding notes or bonds of any series (including the Notes) constituted by the Trust Deed or any supplemental deed or (b) upon such terms as to ranking, interest, conversion, redemption and otherwise as the Issuer may determine at the time of the issue. Any further notes or bonds which are to form a single series with the outstanding notes or bonds of any series (including the Notes) constituted by the Trust Deed or any supplemental deed shall, and any other further notes or bonds may (with the consent of the Trustee), be constituted by a deed supplemental to the Trust Deed. The Trust Deed contains provisions for convening a single

meeting of the Noteholders and the holders of notes or bonds of other series in certain circumstances where the Trustee so decides.

15. INDEMNIFICATION OF THE TRUSTEE AND ITS CONTRACTING WITH THE ISSUER

- (1) The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking action unless indemnified and/or secured to its satisfaction.
- (2) The Trust Deed also contains provisions pursuant to which the Trustee is entitled, *inter alia*, (a) to enter into business transactions with the Issuer and/or any of the Issuer's Subsidiaries and to act as trustee for the Issuer and/or any of the Issuer's Subsidiaries and/or the holders of any other securities issued or guaranteed by, or relating to, the Issuer and/or any of the Issuer's Subsidiaries, (b) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Noteholders or Couponholders, and (c) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.
- (3) The Trustee may retire on giving not less than 60 days' prior written notice to the Issuer without giving any reason, and the Noteholders may by Extraordinary Resolution remove the Trustee, in each case in accordance with the provisions of the Trust Deed.

16. RIGHTS OF THIRD PARTIES

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Note, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

17. GOVERNING LAW AND SUBMISSION TO JURISDICTION

- (1) The Trust Deed, the Notes and the Coupons are governed by, and will be construed in accordance with, English law.
- (2) The Issuer has, in the Trust Deed, irrevocably agreed for the benefit of the Trustee, the Noteholders and the Couponholders that the courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with the Trust Deed, the Notes or the Coupons and that accordingly any suit, action or proceedings arising out of or in connection therewith (together referred to as "**Proceedings**") may be brought in the courts of England.
- (3) The Issuer has in the Trust Deed irrevocably and unconditionally waived, and agreed not to raise, any objection which it may have now or subsequently to the laying of the venue of any Proceedings in the courts of England and any claim that any Proceedings have been brought in an inconvenient forum, and irrevocably and unconditionally agreed that a judgment in any Proceedings brought in the courts of England shall be conclusive and binding upon it, and may be enforced in the courts of any other jurisdiction. Nothing in this Condition shall limit any right to take Proceedings against the Issuer in any other court of competent jurisdiction, nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction, whether concurrently or not.
- (4) The Issuer has in the Trust Deed hereby irrevocably and unconditionally appointed Law Debenture Corporate Services Limited at its registered office for the time being as its agent for service of process in England in respect of any Proceedings and has, in the Trust Deed, undertaken that in the event of such agent ceasing so to act, it will appoint another person as its agent for that purpose.

SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

The following is a summary of the provisions to be contained in the Trust Deed to constitute the Notes and in the Global Notes which will apply to, and in some cases modify, the Conditions of the Notes while the Notes are represented by the Global Notes.

1. Exchange

The Notes will initially be in the form of the Temporary Global Note which will be deposited on or around the Closing Date with a common depository for Euroclear and Clearstream, Luxembourg. The Temporary Global Note will be exchangeable in whole or in part for interests in the Permanent Global Note not earlier than 40 days after the Closing Date upon certification as to non-U.S. beneficial ownership. No payments will be made under the Temporary Global Note unless exchange for interests in the Permanent Global Note is improperly withheld or refused. In addition, interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership.

The Permanent Global Note will be exchangeable in whole but not in part (free of charge to the holder) for definitive Notes only (i) upon the happening of any of the events defined in the Trust Deed as “**Events of Default**”, (ii) if either Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so and no alternative clearing system satisfactory to the Trustee is available, or (iii) if the Issuer would suffer a disadvantage as a result of a change in laws or regulations (taxation or otherwise) or as a result of a change in the practice of Euroclear and/or Clearstream, Luxembourg which would not be suffered were the Notes in definitive form and a certificate to such effect signed by two Directors of the Issuer is given to the Trustee. Thereupon (in the case of (i) and (ii) above) the holder of the Permanent Global Note (acting on the instructions of one or more of the Accountholders (as defined below)) may give notice to the Trustee and the Issuer, or the Trustee may give notice to the Issuer and (in the case of (iii) above) the Issuer may give notice to the Trustee and the Noteholders, of its intention to exchange the Permanent Global Note for definitive Notes on or after the Exchange Date (as defined below).

On or after the Exchange Date the holder of the Permanent Global Note may or, in the case of (iii) above, shall surrender the Permanent Global Note to or to the order of the Principal Paying Agent. In exchange for the Permanent Global Note the Issuer will deliver, or procure the delivery of, an equal aggregate principal amount of definitive Notes (having attached to them all Coupons in respect of interest which has not already been paid on the Permanent Global Note), security printed in accordance with any applicable legal and stock exchange requirements and in or substantially in the form set out in the Trust Deed. On exchange of the Permanent Global Note, the Issuer will procure that it is cancelled and, if the holder so requests, returned to the holder together with any relevant definitive Notes.

“**Exchange Date**” means a day specified in the notice requiring exchange falling not less than 60 days after that on which such notice is given and on which banks are open for business in the place in which the specified office of the Principal Paying Agent is located and, except in the case of exchange pursuant to (ii) above, in the place in which the relevant clearing system is located.

2. Payments

On and after 6 December 2004 no payment will be made on the Temporary Global Note unless exchange for an interest in the Permanent Global Note is improperly withheld or refused. Payments of principal and interest in respect of Notes represented by a Global Note will, subject as set out below, be made against presentation for endorsement and, if no further payment falls to be made in respect of the Notes, surrender of such Global Note to the order of the Principal Paying Agent or such other Paying Agent as shall have been notified to the Noteholders for such purposes. A record of each payment made will be endorsed on the appropriate part of the schedule to the relevant Global Note by or on behalf of the Principal Paying Agent, which endorsement shall be *prima facie* evidence that such payment has been made in respect of the Notes. Payments of interest on the Temporary Global Note (if permitted by the first sentence of this paragraph) will be made only upon certification as to non-U.S. beneficial ownership unless such certification has already been made.

3. Notices

For so long as all of the Notes are represented by one or both of the Global Notes and such Global Note(s) is/are held on behalf of Euroclear and/or Clearstream, Luxembourg notices to Noteholders will be given by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg (as the case may be) for communication to the

relative Accountholders rather than by publication as required by Condition 12, provided that for so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, notices to the Noteholders shall be given in accordance with Condition 12. Any such notice shall be deemed to have been given to the Noteholders on the seventh day after the day on which such notice is delivered to Euroclear and/or Clearstream, Luxembourg (as the case may be) as aforesaid.

4. Accountholders

For so long as all of the Notes are represented by one or both of the Global Notes and such Global Note(s) is/are held on behalf of Euroclear and/or Clearstream, Luxembourg, each person who is for the time being shown in the records of Euroclear or Clearstream, Luxembourg as the holder of a particular principal amount of such Notes (each an “**Accountholder**”) (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the principal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes) shall be treated as the holder of such principal amount of such Notes for all purposes (including for the purposes of any quorum requirements of, or the right to demand a poll at, meetings of the Noteholders) other than with respect to the payment of principal and interest on such Notes, the right to which shall be vested, as against the Issuer and the Trustee, solely in the bearer of the relevant Global Note in accordance with and subject to its terms and the terms of the Trust Deed. Each Accountholder must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for its share of each payment made to the bearer of the relevant Global Note.

5. Prescription

Claims against the Issuer in respect of principal and interest on the Notes represented by a Global Note will be prescribed after ten years (in the case of principal) and five years (in the case of interest) from the Relevant Date (as defined in Condition 7).

6. Cancellation

Cancellation of any Note represented by a Global Note and required by the Conditions of the Notes to be cancelled following its redemption or purchase will be effected by endorsement by or on behalf of the Principal Paying Agent of the reduction in the principal amount of the relevant Global Note on the relevant part of the schedule thereto.

7. Euroclear and Clearstream, Luxembourg

References therein and herein to Euroclear and/or Clearstream, Luxembourg shall be deemed to include references to any other clearing system approved by the Trustee.

USE OF PROCEEDS

The net proceeds of the sale of the Notes, offered through this Offering Circular, expected to amount to €298,005,000 (excluding expenses relating to the offering of the Notes), will be used:

- to repay the existing €200 million bond maturing in August 2005 (the “**Outstanding Eurobond**”); and
- to further expand the Issuer’s local newspaper business by acquiring further titles and to further expand the Issuer’s television business through the development of niche channels as brand extensions of the Group’s strongest titles and/or for other general corporate purposes.

GRUPPO EDITORIALE L'ESPRESSO S.p.A. – CAPITALISATION

The following table shows the unaudited consolidated capitalisation and indebtedness of Gruppo Editoriale L'Espresso S.p.A. as at 30 June 2004, on a historical basis and as adjusted to give effect to the Notes being issued hereunder. Save as disclosed herein, there has been no material change in the consolidated capitalisation and indebtedness of the Issuer since 30 June 2004.

	As at 30 June 2004 ⁽¹⁾	
	Actual	Adjusted
	<i>(€ in thousands)</i>	
Short-term debts.....	16,548	16,548
Long-term debts.....	24,590	24,590
Outstanding Eurobond ⁽²⁾	200,000	200,000
Notes being issued hereunder.....	–	300,000
	241,138	541,138
Total indebtedness.....		
Share capital ⁽³⁾	64,822	64,822
Share premium reserve.....	60,206	60,206
Legal reserve.....	12,964	12,964
Other reserves.....	148,014	148,014
Net profit.....	47,283	47,283
	333,289	333,289
Group shareholders' equity.....		
Minority interests.....	9,757	9,757
	584,184	884,184
Total capitalisation.....	584,184	884,184

(1) Data in this table has been derived from the unaudited consolidated financial statements of the Issuer as at and for the period ended 30 June 2004 which were approved by the Board of Directors of the Issuer at a meeting held on 28 July 2004.

(2) It is intended that the outstanding Eurobond is to be repaid at maturity with the net proceeds of the sale of the Notes being issued hereunder.

(3) Divided into 432,148,963 ordinary shares with a nominal value of €0.15 each. The Issuer's authorised share capital is €66,432,328.

GRUPPO EDITORIALE L'ESPRESSO S.p.A.

Overview

Gruppo Editoriale L'Espresso S.p.A., together with its subsidiaries (the “Group” or “Gruppo L'Espresso”), is one of the leading media groups in Italy operating daily newspaper (both national and local) and magazine publishing, radio and satellite television broadcasting, and advertising and internet services.

Gruppo L'Espresso publishes *la Repubblica*, one of the leading national newspapers in Italy, and *L'espresso*, one of the most popular weekly news magazines in Italy. Gruppo L'Espresso also publishes 16 widely distributed local newspapers and five other periodical titles in addition to *L'espresso*. The Group's broadcasting activities include operating three national commercial radio stations, including *Radio Deejay*, the most popular commercial radio station in Italy, and a satellite television music channel, *Deejay TV*. Advertising space for all group titles is sold by Gruppo L'Espresso's advertising subsidiary, which also operates, to a limited extent, for third-party publishers. The Group's internet activities are concentrated in its subsidiary Kataweb S.p.A., which offers on-line editorial, publishing, portal and web solutions services.

In 2003 Gruppo L'Espresso achieved consolidated revenues of €1,051.1 million compared to €963.7 million in 2002, representing an increase of approximately 9.1 per cent. over 2002. Consolidated revenues in 2003 consisted of 50.8 per cent. in advertising revenues (or €534.0 million) and 45.9 per cent. in circulation revenues (or €482.8 million). During 2003, Gruppo L'Espresso generated consolidated operating profits of €175.1 million compared to €122.4 million in 2002, an increase of approximately 43.0 per cent. The increase was largely attributable to the success of the new editorial initiatives by *la Repubblica* and *L'espresso*, the continuation of cost reduction initiatives, a restructuring of the internet division and reduced paper costs.

The sale of editorial products offered as optional “add-ons” together with *la Repubblica*, *L'espresso* and the local dailies represents a relatively new line of products, whose turnover is included within circulation revenues. The sale of these add-ons (including items such as books, CDs and DVDs) follows a strategy of brand extension and exploitation of the strong relationship existing between the Group's readers and the editors of the titles published by the Group. Since 2002, when this strategy was implemented, add-ons have proven to represent a successful, profitable and sustainable new line of business (with margins of 30 to 40 per cent.).

As of 31 December 2003, Gruppo L'Espresso, together with its subsidiaries, had 3,166 employees, including temporary staff, compared with 3,250 as of 31 December 2002.

Gruppo L'Espresso's ordinary shares are listed on the *Telematico*, the electronic stock market of the Borsa Italiana S.p.A. (the Italian stock exchange) and are a reference stock for the S&P/MIB index (the S&P/MIB Index is a capitalisation weighted index which includes the top 40 listed Italian companies ranked by free float) and for the MIDEX index (the MIDEX “Milan Mid-Cap Index” is a capitalisation-weighted index of 25 mid-sized stocks listed on the Italian stock exchange). The aggregate market capitalisation of Gruppo L'Espresso is approximately €2.0 billion.

History

In 1955 the company Nuove Edizioni Romane was formed and began publishing *L'Espresso* (which subsequently changed its name to *L'espresso*) in October of that year. In 1975 the company's name was changed to Editoriale L'Espresso S.p.A. The daily newspaper *la Repubblica* was launched a year later and was the product of a joint venture between Editoriale L'Espresso and Arnoldo Mondadori Editore. In 1984 Editoriale L'Espresso was listed on the Italian stock exchange. In 1991 control of Editoriale L'Espresso passed from Arnoldo Mondadori Editore to the CIR Group. Gruppo Editoriale L'Espresso S.p.A. was formed in 1998, following the merger of Editoriale L'Espresso and Editoriale La Repubblica. See “Principal Shareholders of the Issuer” and “—Corporate Structure”, below.

The expansion of Gruppo L'Espresso into local and niche markets began in 1977 and resulted from the acquisition, between 1977 and 1980, of several local Italian newspapers (*Il Tirreno*, *Il Mattino di Padova*, *La Nuova Sardegna*). Continuing its focus on local markets and the expansion of its product offerings, between 1984 and 1989 the Group founded the local newspapers *La Nuova Venezia* and *Il Centro* and launched *la Repubblica*'s supplements *Affari&Finanza* and *Il Venerdì*. Further supplements were subsequently launched, including *Musica* and *Salute* (both in 1995), *D-la Repubblica delle Donne* (1996) and *I Viaggi* (1997). In 1998 the Group acquired a majority interest in a publishing company controlling the local publications *Il Piccolo* and *Il Messaggero Veneto*. In the same year it also acquired the licence to publish the Italian edition of *National Geographic*.

With respect to its advertising activities, at the end of the 1970s, the Group acquired a 50 per cent. shareholding in the advertising company A. Manzoni & C, acquiring the remaining 50 per cent. of this company in 1992.

The Group's entry into the radio market began in 1989 with the acquisition of 50 per cent. of Radio DeeJay, which holding it increased to 86 per cent. in 1992. In 1997 the Group acquired Radio Capital and Italia Radio, and acquired 100 per cent. of Radio DeeJay. In 1998, these three radio stations were merged into a single company named Elemedia S.p.A. The Group further expanded in the broadcast arena through the acquisition of two radio stations in Eastern Europe in 2002. In addition, in 2000 the Group founded Ele TV for the realisation and development of the satellite television channel branded DeeJayTV.

The Group entered the internet sector in 1996 through the launch of its website www.repubblica.it. In 1999 the Group created its internet company Kataweb. Kataweb operates in three distinct areas: new publishing initiatives (content), consumer services (e-commerce), and the development of Internet projects for private companies (web solutions and services).

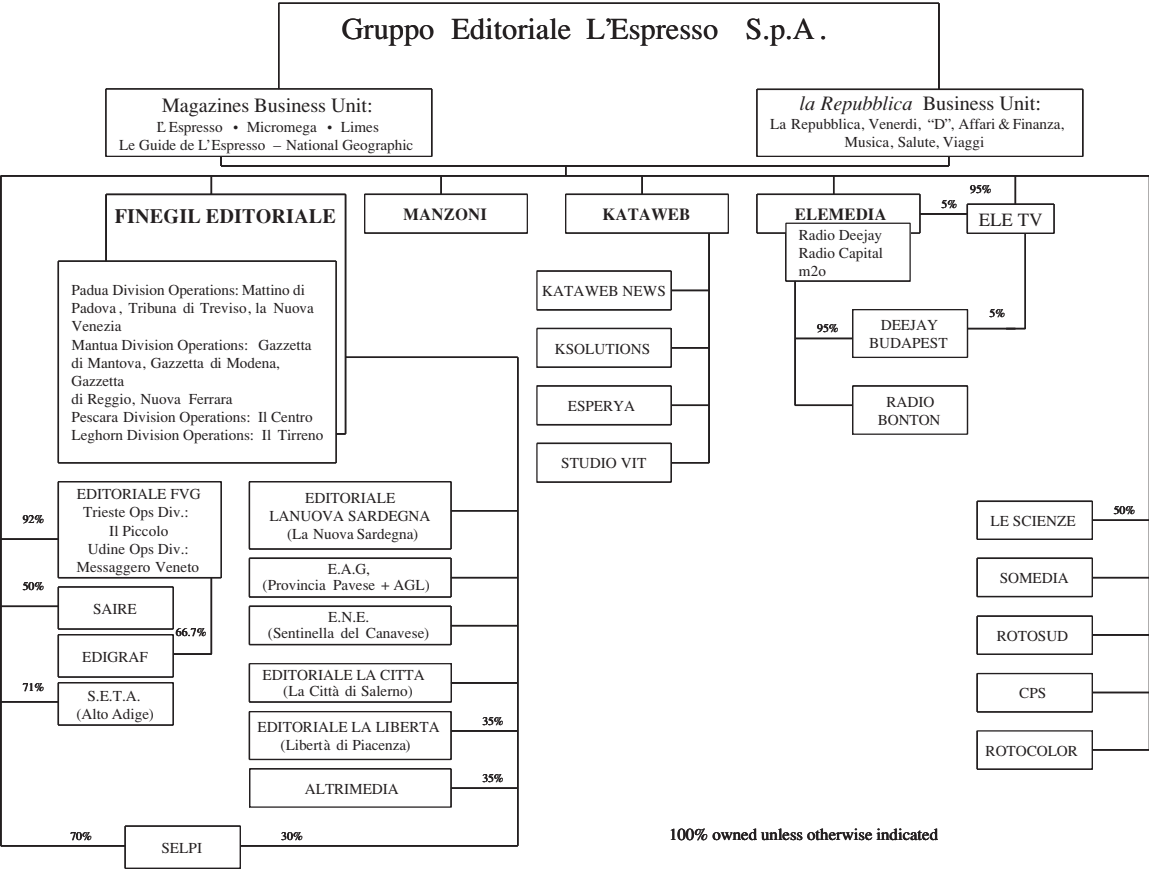
Major investments in printing technology and capacity were undertaken commencing in 1993, with the reorganisation of printing plant and video pagination technologies in the Group's Rome facilities, and again in 2003, when the Group's printing presses were converted to provide full colour capabilities.

Corporate Structure

The business of Gruppo L'Espresso is managed through the following business units:

- *la Repubblica* – national daily newspaper (which represented approximately 51.1 per cent. of the Group's consolidated revenues in 2003);
- Magazines – five weekly, monthly or quarterly magazines, including *L'espresso* (which represented approximately 10.5 per cent. of 2003 revenues);
- Local Newspapers – 16 local daily newspapers and one bi-weekly magazine (which represented approximately 23.2 per cent. of 2003 revenues);
- Broadcasting – three radio stations through Elemedia S.p.A. and one television station through Ele TV S.p.A. (which represented approximately 5.3 per cent. of 2003 revenues);
- Advertising – advertising sales for all Group titles are sold by the Group's fully controlled subsidiary, A. Manzoni & C. S.p.A.; and
- Internet – internet and new media activities through Kataweb S.p.A. (which represented approximately 2.2 per cent. of 2003 revenues).

A summary structure chart of Gruppo L'Espresso and its business units and significant subsidiaries at 30 June 2004 is set out below:



Strategy

Gruppo L'Espresso's strategic objectives are to:

- maintain a leading market position for and the editorial quality of *la Repubblica* newspaper through, among other things, the significant expansion of *la Repubblica*'s colour printing capacity by capitalising on its recent investments in new generation, high technology, labour saving printing presses capable of printing up to 128 four-colour pages in each issue, in order to attract additional higher-margin colour advertising;
- consolidate its new product initiatives (including items such as books, DVDs and CDs) into a sustainable new product line, based on brand-extension of the Group's existing titles;
- maintain a leading position in the news magazine publishing market with weekly magazine *L'espresso*. The Group is preparing to capitalise on opportunities which Management believes exist in the magazine market through the creation of new titles and the repositioning of existing titles;
- expand its local newspaper business through the acquisition of further titles and increase profitability by enhancing colour advertising capacity;
- maintain its leadership in the Italian commercial radio market, enhancing profitability principally by seeking to increase advertising revenues and brand extension initiatives;
- develop a new internet radio station to further exploit – with no additional investment – the existing capabilities of the Group;
- further develop its satellite television business, capitalising on Gruppo L'Espresso's name recognition and brand awareness; and

- focus its internet operations, after significant cost cutting, on on-line editorial and publishing activities including www.repubblica.it, Deejay.it and its other traditional titles; new advertising formats; integrated offerings to customers of web solutions together with content and value added services; and technical direction of all multimedia channels and services of the Group.

Business Units

la Repubblica business unit

This business unit publishes *la Repubblica*, reaching approximately 2.85 million readers on a daily basis (Audipress, 1st Cycle 2004), with an average of approximately 625,000 copies sold each day (ADS data for 2003).

The staff of the business unit, including temporary staff, was 755 at 31 December 2003, compared with 743 as of 31 December 2002.

Editorial Content and Process

la Repubblica publishes a newspaper of up to 96 pages seven days a week. While all copies of the newspaper carry identical national content, in nine different markets (Rome, Milan, Turin, Bologna, Genoa, Florence, Naples, Palermo and Bari) local daily editions are also published. *la Repubblica* is edited and published in Rome and transmitted for printing via satellite to printing facilities located in Italy, France, Canada and the United States.

Weekly supplements are published and distributed in conjunction with *la Repubblica*, in some cases without additional charge and in other cases for an increased cover price. The weekly supplements include: *Affari & Finanza* (business and finance); *Il Venerdì di Repubblica* (family, lifestyle and television programming); *D – la Repubblica delle Donne* (culture, fashion and lifestyles for women); *I Viaggi* (travel), *Musica* (music), *Salute* (health), *Trova Roma* and *Tutto Milano* (city guides).

Advertising

In 2003, approximately 44.5 per cent. of the revenues attributable to the *la Repubblica* business unit were derived from advertising (see “2003 Revenues and Financial Results”). Advertising is sold through the dedicated sales force of the Group’s subsidiary, A. Manzoni & C. (see “– Advertising – A. Manzoni & C. S.p.A.”), and comprises both national and local advertising.

Capital expenditure on printing facilities made by *la Repubblica* beginning in 2002 has, commencing in October 2004, allowed the newspaper to enhance its offering of colour advertising. The newspaper is now in a position to use the competitive advantage of its colour printing capabilities to capitalise on the expected recovery of the advertising market.

Markets and Distribution

la Repubblica is sold throughout Italy, with a reasonably balanced distribution of sales in northern, central and southern Italy. Its target audience is comprised of college and university graduates and the upper socio-economic range of Italian readers, including professionals and business people.

la Repubblica is sold almost entirely through retail distribution channels consisting of approximately 38,500 news stands in Italy and 5,000 other retail points of sale such as bars, tobacco shops, gas stations and department stores. Approximately 2.8 per cent. of *la Repubblica*’s total circulation is distributed directly to subscribers.

la Repubblica is also available online at the website www.repubblica.it, with news updated 24 hours a day, seven days a week. According to Red Sheriff data for June 2004, the newspaper’s internet site has retained its position as the leading Italian information site (excluding general portals), both in terms of individual users (approximately 3.5 million) and page visits (over 185 million) during the first six months of 2004.

2003 Revenues and Financial Results

The *la Repubblica* business unit generated total revenues of €537.6 million in 2003, representing an increase of approximately 11.7 per cent. over 2002 revenues. Revenues in 2003 were derived from advertising, which accounted for approximately 44.5 per cent. of total revenues, with the balance derived principally from sales of newspaper and editorial products sold optionally in conjunction with *la Repubblica*. Advertising revenues as a

percentage of sales declined from 51.2 per cent. for the year ended 31 December 2002 to 44.5 per cent. for the year ended 31 December 2003.

In 2003, the business unit generated operating profits of €112.3 million, representing an increase of approximately 25.7 per cent. over the previous year's operating profits. The positive performance is due in large part to the add-ons sold optionally with the newspaper and particularly the *l'Enciclopedia di Repubblica* series which, between September 2003 and April 2004, sold over 400 thousand copies per issue, generating approximately €126 million in revenues and margins in excess of 50 per cent., and contributing €78.4 million to total revenues for the year ended 31 December 2003.

The higher margins from add-on products sold optionally with the publications, the elimination of certain promotional materials given away free with the newspaper, a reduction in operating costs and a decrease in the price of paper resulted in an improved operating margin of 20.9 per cent. as compared to 18.6 per cent. in 2002.

Competition

la Repubblica had a readership market share of approximately 5.7 per cent., with approximately 2.85 million readers on a daily basis (Audipress, 1st Cycle 2004).

La Repubblica's principal competitor is *Corriere della Sera*, which with approximately 2.93 million readers on a daily basis (Audipress, 1st Cycle 2004), competes directly with *la Repubblica* for readers and advertisers. Other significant market competitors include *La Stampa* (a regional daily newspaper) with approximately 1.6 million readers on a daily basis and *Il Sole 24 Ore* (a business and finance newspaper) with approximately 1.2 million readers on a daily basis (Audipress, 1st Cycle 2004).

Corriere della Sera's readers are located mostly in north-western Italy. *la Repubblica* has a more balanced distribution of sales throughout Italy and has a larger market share than *Corriere della Sera* in the central, north-eastern and southern areas of Italy.

Magazines business unit

The Magazines business unit includes the L'Espresso division of the Group, which publishes *L'espresso* magazine and other smaller niche titles, including *Limes* and *Micromega*. The Magazines business unit also publishes the Italian edition of *National Geographic* magazine (through a licensing arrangement with National Geographic) and *Le Scienze* (through a joint venture between Scientific American and Gruppo L'Espresso). In addition, the Magazines business unit publishes a series of restaurant, hotel, wine and other guides annually.

L'espresso enjoys a readership of approximately 2.3 million readers per issue (Audipress, 1st Cycle 2004) and in 2003 had the second-highest circulation among Italian news magazines, with average sales of approximately 404,000 copies per issue (ADS data for 2003).

The staff of the Magazines business unit, including temporary staff, was 137 as at 31 December 2003, the same number as at 31 December 2002.

Design, Editorial Content and Process

First launched in 1955, *L'espresso* is published weekly in full colour. *L'espresso*'s editorial content includes news and commentary on national and international politics, business, economics, society, the arts and general interest stories.

L'espresso is edited and published principally in Rome with a secondary office in Milan and correspondents in New York and Paris. *L'espresso* is printed in a printing plant in Italy owned by Rotosud S.p.A., a Gruppo L'Espresso subsidiary.

Content for titles published in collaboration or under joint venture with third parties is generated in a variety of ways. For *National Geographic Italia*, the content generally represents a translation of the U.S. edition of *National Geographic* magazine. For *Le Scienze*, the Magazine business unit may generate original content in addition to that supplied by Scientific American. With respect to the other titles, the Magazines business unit generates all original editorial material. *Limes*' editorial content relates to geo-politics and international affairs. *Micromega*'s content concerns Italian politics and political science.

Advertising

In 2003 approximately 29.2 per cent. of the revenues attributable to the Magazines business unit were derived from advertising, with most of the balance from circulation (see “– 2003 Revenues and Financial Results”). Advertising is sold through the dedicated sales force of Gruppo L’Espresso’s subsidiary, A. Manzoni & C. (see “– Advertising – A. Manzoni & C. S.p.A.”).

Markets and Distribution

Like *la Repubblica*, *L’espresso*’s target audience is comprised of college and university graduates and the upper socio-economic range of Italian readers, including professionals and business people. Approximately 37 per cent. of the magazine’s total circulation is distributed to subscribers by mail.

L’espresso is also accessible through the website www.espressonline.it, launched in 1998, and recently re-designed. The website provides the full text of recent editions of the magazine as well as web logs managed by well-known *L’espresso* columnists.

2003 Revenues and Financial Results

The Magazines business unit generated total revenues of €110.9 million in 2003, compared to €89.9 million in 2002, an increase of 23.4 per cent. Approximately 68.4 per cent. of 2003 total revenues were derived from sales of magazines, with approximately 29.2 per cent. from advertising. The Magazines business unit generated an operating profit of €13.4 million in 2003, as compared with an operating profit of €6.7 million in the prior year. The increase in circulation and strong sales of add-on products offered optionally in conjunction with the magazine contributed significantly to the growth in the Group’s operating profit. The margin on sales grew from 7.5 per cent. in 2002 to 12.1 per cent. in 2003.

The improvement in the operating profit of the Magazines business unit was also due in part to a restructuring of the management of subscriptions and the resulting cost reductions for subscription campaigns.

Competition

L’espresso’s principal competitor is *Panorama*, which is Italy’s leading news magazine, with an average weekly circulation of approximately 534,800 copies during 2003. *L’espresso*’s average weekly circulation during that period was approximately 404,000. In the first six months of 2004, *Panorama* had an average of approximately 3.3 million readers per issue and *L’espresso* had an average of approximately 2.3 million readers per issue (Audipress, 1st Cycle 2004).

Local Newspapers business unit

The Local Newspapers business unit includes Finegil Editoriale and its subsidiaries (Editoriale la Nuova Sardegna, Eag, Ene and Editoriale la Città), Seta, Editoriale FVG and its subsidiary (Edigraf).

Gruppo L’Espresso publishes 16 daily newspapers and a bi-weekly magazine with an aggregate average daily circulation in 2003 of 486,500 copies (ADS data 2003) through its subsidiaries. The Group’s newspaper network is the most extensive and established in Italy, reaching a total of 3.1 million readers in 10 Italian regions and 32 provinces within those regions each day.

The table below describes the titles in more detail:

Title	Market	Circulation
Il Tirreno	Tuscany	86,188
La Nuova Sardegna	Sardinia	61,640
Messaggero Veneto	Udine	52,598
Il Piccolo	Trieste	45,483
Alto Adige / Corriere delle Alpi	Bolzano	38,255 ⁽¹⁾
Gazzetta di Mantova	Mantua	35,821
Il Mattino di Padova	Padua	29,725
La Provincia Pavese	Pavia	23,881
Il Centro	Pescara	24,036
La Tribuna di Treviso	Treviso	18,708
Gazzetta di Reggio	Reggio	15,453
La Sentinella del Canavese (bi-weekly)	Ivrea	12,680
Nuova Gazzetta di Modena	Modena	12,486
La Nuova Ferrara	Ferrara	12,388
La Nuova Venezia	Venice	10,234
La Città di Salerno	Salerno	6,598

⁽¹⁾ Circulation represents combined circulation of *Alto Adige* and *Corriere delle Alpi* magazines.

The staff of the Local Newspapers business unit, including temporary staff, was 1,292 at 31 December 2003, compared with 1,299 at 31 December 2002.

Editorial Content and Process

Local newspapers typically consist of 48 pages and include up to between eight and 16 pages (including advertising) which are in colour.

Editorial content includes both regional and local news, sports and entertainment, as well as national and international news. The titles also benefit from the news gathering capabilities of Agenzia Giornali Locali (A.G.L.), a division of a wholly-owned subsidiary of Gruppo L'Espresso which acts as a central news agency for national and international news, as well as sports and entertainment features. Access to resources of a central news agency allows the Group's local newspapers to focus their operations on producing original content which is principally local in nature, therefore reducing operating costs.

Each local newspaper operates under the direction of its editor-in-chief who is autonomous from Gruppo L'Espresso and exercises independent decisions regarding production and presentation of local news and other content, as well as regarding the mix of national and international news content.

Advertising

Revenues attributable to the Local Newspapers business unit are split substantially equally between advertising and circulation revenues. Advertising is sold through the dedicated sales force of Gruppo L'Espresso's subsidiary, A. Manzoni & C. S.p.A. (see " – Advertising – A. Manzoni & C. S.p.A. ").

Markets and Distribution

The local newspapers are generally distributed only in the markets that they serve. The titles are sold principally by local third party distribution chains, and sometimes directly by the local newspaper, through local retail distribution channels.

2003 Revenues and Financial Results

The Local Newspapers business unit generated total revenues of €244.3 million in 2003, representing an increase of approximately 2.1 per cent. over the 2002 revenues of €239.3 million. Approximately 48.7 per cent. of total revenues in 2003 resulted from sales of newspapers, with approximately 43.2 per cent. from advertising.

Following the success of *La biblioteca di Repubblica*, an add-on book series first available on a national basis in 2002, in 2003 similar initiatives were carried out by the Local Newspapers business unit. Through these

initiatives the Group sold a total of approximately 2.0 million books, showing the effectiveness of this development model for the Group's local publications.

In 2003 advertising revenues for the Local Newspapers business unit declined by 0.7 per cent. compared to the previous year, reflecting a decrease in national advertising revenues, which declined 11.2 per cent., the effect of which was almost offset by an increase in local (as opposed to national) advertising revenues in this form of media, which grew by 4.1 per cent. primarily as a result of the increase in the sale of colour advertising space (up by 9.0 per cent.).

In 2003 the Local Newspapers business unit generated operating profits of €40.3 million, representing an increase of approximately 9.4 per cent. over the previous year. In 2003 the business unit enjoyed an operating margin of 16.5 per cent. as compared to 15.4 per cent. in 2002, mainly as a result of cost reductions and a decrease in the price of paper paid by the Group.

Competition

Each of the local newspapers compete with one or more other newspaper titles in their local markets. The local newspapers also face competition, to a lesser extent, from national and regional daily newspapers. All of the 16 local newspaper titles are among the market leaders in their respective local markets.

Radio and Television business unit

Through its subsidiary Elemedia S.p.A., Gruppo L'Espresso owns and operates the following three national commercial radio stations in Italy:

Radio DeeJay, which is targeted at young listeners, offers music and other entertainment, and is the market leader in commercial radio in Italy with an average of approximately 5.5 million daily listeners in the first six months of 2004 (Audiradio, 1st Cycle 2004);

Radio Capital, which is targeted at listeners who are between 25 and 40, offers news coverage and entertainment and reached an average of almost 2.0 million daily listeners in the first six months of 2004 (Audiradio, 1st Cycle 2004); and

m2o, launched in 2002, which is targeted at very young and teenage listeners, offers a programme consisting entirely of music, fast programming and new music trends, and reached an average of approximately 0.8 million daily listeners in the first six months of 2004 (Audiradio, 1st Cycle 2004).

Each of the radio stations also operates a website under its brand name.

In accordance with the Group's strategy to expand the Radio DeeJay format in Eastern Europe, in 2003 Elemedia S.p.A. increased to 100 per cent. its ownership in Czech company Radio Bonton a.s., thereby acquiring ownership of the Prague radio station now known as *Radio DeeJay Prague*. In addition, Elemedia S.p.A. owns and operates *DeeJay Budapest*.

As at 31 December 2003, the radio broadcasting network of Gruppo L'Espresso consisted of 834 frequencies compared with 829 frequencies in 2002 and provided comprehensive coverage throughout Italy.

Through its subsidiary Ele TV S.p.A., in 2001 Gruppo L'Espresso launched *DeeJay tv*, a satellite tv channel offering music targeted at a young audience. An agreement was reached with Sky Italia for the inclusion of satellite TV channel DeeJay Television in the pay-tv channel package of offerings it launched in September 2003.

The staff of the Radio and Television business unit, including temporary staff, was 146 at 31 December 2003, as compared with 124 at 31 December 2002.

Advertising

Revenues attributable to the Radio and Television business unit are derived almost entirely from advertising. Advertising is sold through the dedicated sales force of Gruppo L'Espresso's subsidiary, A. Manzoni & C. S.p.A. (see " – Advertising – A. Manzoni & C. S.p.A").

2003 Revenues and Financial Results

The Radio and Television business unit generated total revenues of approximately €58 million in 2003, representing an increase of approximately 18 per cent. over 2002 revenues of approximately €49 million.

In 2003, the Radio and Television business unit's operating profits were €12.4 million (21.3 per cent. of sales), compared to €7.0 million (14.2 per cent. of sales) in 2002. The improvement in the profitability of the Group's radio stations can be ascribed, on the revenue side, to the good performance of advertising revenues, up 19.7 per cent. with respect to radio advertising over the previous year – a stronger growth than the market average of 15.9 per cent. (Nielsen Media Research) – and, on the cost side, to the strong effort to keep key costs under control.

Competition

The Italian radio market comprises public radio stations (the state-run radio network includes the general interest radio stations RAI1, Italy's largest radio station measured by audience, RAI2, RAI3 and Isoradio), commercial radio stations and local radio stations and syndicated radio programmes.

Radio DeeJay's principal competitors include RAI2 (one of the state-owned national radio stations with 4,794,000 listeners daily), RTL 102.5 (commercial radio with 4,195,000 listeners daily) and *Radio Dimensione Suono* (commercial radio with 4,367,000 listeners daily) (Audiradio, 1st Cycle 2004).

Advertising – A. Manzoni & C. S.p.A.

A. Manzoni & C. S.p.A. ("Manzoni"), a wholly-owned subsidiary of Gruppo L'Espresso, sells advertising space in Gruppo L'Espresso's newspaper and magazine titles and on its radio and television stations and internet sites. Manzoni also generates a small amount of revenue through selling advertising on behalf of third-party media groups.

Manzoni has 42 branches, located throughout Italy, and a staff of 464 at 31 December 2003 (compared with 481 at 31 December 2002).

In 2003 Manzoni generated revenues of €591.1 million, compared with €587.4 in 2002. Advertising revenues are recorded as revenues by the business unit in which the advertising has been placed. In 2003 Manzoni had an operating profit of €1.8 million, compared with an operating loss of €0.9 million in 2002.

The recovery of the market in the second half of the year allowed annual advertising sales in 2003 on classic media – press, TV, radio, cinema and billboard advertising – to post a 3.3 per cent. growth over the previous year (*source*: Nielsen Media Research). A positive performance was registered by radio stations (in relation to which advertising revenues increased 15.9 per cent. over 2002), cinema (in relation to which advertising revenues increased 14.9 per cent. over 2002) and television (in relation to which advertising revenues increased 4.9 per cent. over 2002), while advertising revenues for the printed paper sector declined. This was due to the net effect of a modest increase in advertising revenues registered by magazines (in relation to which advertising revenues increased 1.0 per cent. over 2002) and a decline in newspaper advertising revenues (in relation to which advertising revenues decreased 1.3 per cent. over 2002), affected by the contraction of national commercial advertising (down 5.3 per cent. – *source*: Fcp-Fieg), only partly offset by the growth in local and classified advertising (up 5.9 per cent. – *source*: Fcp-Fieg).

Internet and New Media – Kataweb

Gruppo L'Espresso's internet activities are concentrated in Kataweb S.p.A. ("Kataweb"), which operates online editorial and publishing activities, offers software development and integrated solutions to the small to medium-size business market (through its subsidiary Ksolutions S.p.A.) and sells content and value added services to individuals and telephone and internet service providers.

Gruppo L'Espresso's newspapers are sold on the internet as a premium service through Kataweb's content distribution platform. Sales of the Group's newspapers on the internet are considered revenues of the Internet business unit. The www.repubblica.it site is the leading site for news in Italy, registering in June 2004 an average audience of 3,466,249 individual users (Red Sheriff Company).

Kataweb operates www.kataweb.it, a web portal featuring channels including financial news and stock quotes, weather, maps, telephone white pages and job search and recruiting. Content is published 24 hours a day, seven days a week in the telephone directory, in order to focus advertising on audience segments more effectively. According to data certified by Red Sheriff, in June 2004 the Group's site network recorded over 5.8 million individual users and 276 million page visits.

The staff of Kataweb, including that of its subsidiaries, was 165 at 31 December 2003 as compared to 268 at 31 December 2002. Reductions in personnel were as a result of the restructuring of the Internet business unit.

2003 Revenues and Financial Results

In 2003 Kataweb restructured its activities, increasing integration with Group publications and developing new forms of co-operation with domestic and international partners to exploit the potential offered by its customer base.

Kataweb continued to streamline its personnel and renegotiated agreements for freelance work, and editorial and technological services, achieving a significant reduction in the company's fixed and variable costs.

Despite a decline in revenues from web solutions, offset only in part by the growth in advertising revenues of the internet sites (up 8.1 per cent.), Kataweb experienced a strong improvement in consolidated gross operating result in large part because of these initiatives and restructuring. The consolidated gross operating result improved from a loss of €14.0 million in 2002, to a loss of €6.0 million in 2003. Net consolidated operating loss amounted to €12.5 million in 2003, compared with a loss of €23.7 million in 2002.

First Half of 2004 Financial Results

The Group closed the first six months of 2004 reporting a consolidated turnover of €545.6 million, up 11.8 per cent. over the first six months of 2003. Consolidated net profit amounted to €47.3 million, almost doubling from €25.6 million in the first six months of 2003. Operating profit grew from €64.4 million to €94.4 million, with an increase in operating margin from 13.2 per cent. to 17.3 per cent.

Results for the first six months of the year showed an acceleration of growth in turnover and margins over the same period of the previous year, primarily as a result of strong sales of the final issues of the *l'Enciclopedia di Repubblica* series, concentrated in the first three months of the year (about 4.5 million copies sold in the quarter, with an average of over 322 thousand copies per issue).

The increase in revenues and margins generated by the sale of products sold at news stands in conjunction with Group publications in the first six months of 2004 confirmed the structural change of this new market, opened up by exploiting the strength of the Group's titles and the widespread distribution network, even independently from successes like *l'Enciclopedia di Repubblica* which, in 2003 and 2004, sold a total of 13 million volumes.

Advertising revenues for the first six months of 2004 were in line with national trends, registering growth in the Radio and Television business unit and Internet business unit, in addition to a recovery of *la Repubblica*'s commercial advertising (which was also due in part to an increase in prices).

In the first six months of the year, *la Repubblica*'s "full colour" project (whereby the entire paper could be printed in colour) entered its operating phase. Four printing centres (Milan, Bologna, Mantua and Salerno) having a joint printing capacity of around 210 thousand copies per issue, equal to 28 per cent. of the total number of copies printed, became operational. The installation of the other eight printing presses was completed in October 2004.

The increased expenditures in 2003 for the *full colour* project and the outfitting of office space to host the Group's business offices in Rome were the main factors contributing to the growth in capital expenditure for the period from €20.2 million in the previous year, to €61 million in the first half of 2004.

Despite the capital investments described above (€61 million), the payment of dividends (€47.1 million) and the repurchase of Group shares to service stock option plans (€4.9 million), debt declined between 31 December 2003 and 30 June 2004 mainly as a result of the strong cash flow generated from operating activities in the first six months of the year (€104.2 million). The consolidated net financial position as at 30 June 2004 amounted to an indebtedness of €145.9 million, improving slightly from an indebtedness of €149.5 million at 31 December 2003.

At 30 June 2004, the Group employed 3,184 persons, including those hired under term contracts, an increase of 18 persons over 3,166 at 31 December 2003.

Recent developments

Between July and September 2004 new *full colour* rotary presses also went into operation in the Group's printing sites in Bari, Padua and Livorno, and the new Rome printing centre dedicated to *la Repubblica* became fully operational. The new centres enable the Group to print the newspaper entirely in colour in all ten printing centres, on schedule, starting in the last quarter of the year.

On 30 August 2004, *la Repubblica* launched *La Storia*, a 16-volume series on the complete history of humanity. The initiative sold an average of over 260 thousand copies per issue in the first three issues (reprints are still underway).

The Group closed the first nine months 2004 with consolidated net profit equal to €53.3 million, as compared to €35 million in the corresponding period in the previous year. The operating profit improved as well, increasing from €98.5 million in the first nine months of 2003 to €113.3 million for the corresponding period of 2004 (an increase of 15 per cent.), and sales increased by 6.1 per cent., from €722 million to €766.2 million during the same period. The operating margin was 14.8 per cent., up from 13.6 per cent. in the first nine months of the previous year. Net financial debt as at 30 September 2004 amounted to €124.5 million, decreasing from €149.5 million as at 31 December 2003 and from €145.9 as at 30 June 2004, notwithstanding investments amounting to approximately €73 million and the payment of dividends equal to €47 million.

Third-quarter results were in line with the seasonality of the period. The Group recorded revenues amounting to €220.6 million (as compared to €234.2 million in the third quarter of 2003), operating profit equal to €18.9 million (as compared to €34.1 million in the third quarter 2003) and net profit equal to €6.0 million (as compared to €9.4 million in the third quarter 2003).

Advertising revenues in the third quarter were slightly lower in comparison with the third quarter of 2003, though due to increases in the first quarter (more than 5 per cent. over the first quarter of 2003) and second quarter (an increase of approximately 3.3 per cent. over the second quarter of 2003), advertising revenues for the nine months ended 30 September 2004 were slightly higher in comparison with the corresponding period in the previous year (an increase of 2.4 per cent.).

Circulation was substantially stable: *la Repubblica* sold an average of approximately 619,000 copies per issue, local dailies sold an average of approximately 482 thousand copies per issue and *L'espresso* sold an average of approximately 401,000 copies per week. In the latest surveys (Audiradio, 1st cycle 2004), Radio DeeJay was found to be the most listened to network in Italy on a weekly basis, with 12.2 million weekly listeners, and increased to 5.5 million daily listeners; Radio Capital reached almost 2 million daily listeners (an increase of 23.9 per cent.) and 4.8 million weekly listeners; and m2o had nearly 0.8 million daily listeners. Surveys conducted by Red Sheriff also showed record use for the Group's internet sites, which, in September recorded 6.2 million individual users and 284.8 million page visits. The newspaper's website, www.Repubblica.it, was also confirmed to be the most visited information site.

Regulatory Framework

The regulatory framework of competition in the Italian media sector has been substantially changed by Law n. 112/2004 ("**Law 112/2004**" or the "**Gasparri Law**"), which became effective on 6 May 2004. Law 112/2004 sets out, among other things, parameters for cross-ownership in the various sub-sectors of the Italian media sector and regulates acquisitions in the media sector.

Law 112/2004 prohibits the acquisition of a dominant position (as defined by Italian and EC antitrust legislation), within any of the sub-sectors of the Italian media sector, which are defined to include:

radio and television;

print-media, including newspapers, magazines, books and electronic-print;

cinema; and

advertising.

Furthermore Article 15 of Law 112/2004 provides, *inter alia*, the following competition limits for companies operating within the Italian media sector:

- (a) media companies cannot, either directly or through subsidiaries, produce revenues exceeding 20 per cent. of the total revenues of the Italian media sector, which in 2003 amounted to approximately Euro 26 billion; and
- (b) companies owning one or more television stations in Italy are not allowed (a) to purchase participations in any newspaper and (ii) to launch any new newspaper, either directly or through subsidiaries, before 31 December 2010.

Pursuant to Article 14 of Law 112/2004, any entity operating within the Italian media sector must submit any agreement which would result in a merger or any other concentration to the *Autorità per le Garanzie nelle Comunicazioni* (Italian Authority for the Media) for determination of compliance with these concentration requirements.

Employees

As at 31 December 2003, Gruppo L'Espresso employed 3,166 people. Employment agreements in Italy are generally collectively negotiated between the national association of companies within a particular industry and the representative national union of the category of employees within that industry (e.g. managerial and non-managerial). Gruppo L'Espresso believes that relations with its employees are good. Gruppo L'Espresso has occasionally experienced work stoppages related to national strikes and to a lesser extent industry specific strikes related to the renegotiation of the national agreements. None of the work stoppages has had a material adverse effect on the business or financial conditions of the Group.

Litigation

Gruppo L'Espresso or its subsidiaries have various litigation claims pending in connection with their normal business activities. In the view of the directors of Gruppo L'Espresso, none of these proceedings, individually or in aggregate, will have a material adverse effect on the business, financial condition or prospects of the Group. As at 31 December 2003 the Group had made a provision in its financial statements for all litigation in the amount of €25.7 million.

MANAGEMENT

Board of Directors

Under Italian law and pursuant to Gruppo L'Espresso's by-laws (the “**By-laws**”), the Board of Directors is responsible for managing the Group's business and supervising its operations and has the power to take any actions within the scope of the Group's stated corporate purposes other than actions reserved to the shareholders by law or by the By-laws. According to the By-laws, the Board of Directors consists of 17 members. Directors are elected at the ordinary meeting of shareholders and serve for such term as is established by the shareholders at the time of the election, but for no longer than three years. Directors may be elected for consecutive terms. Pursuant to Italian law, directors may be removed at any time by the shareholders at an ordinary meeting. In case of removal without cause, directors are entitled to claim damages from Gruppo L'Espresso. Directors may resign at any time by giving written notice to the Board of Directors and to the Chairman of the Board of Statutory Auditors. The Board of Directors will appoint replacements to fill any vacancies that may occur between shareholders' meetings, such replacements to serve until the next ordinary meeting of shareholders. If a majority of the positions of the Board of Directors become vacant, the entire Board will be considered dissolved, and a shareholders' meeting will be called to appoint a new Board.

The current Board of Directors of Gruppo L'Espresso is composed of the following members:

Chairman	Carlo Caracciolo
Managing Director	Marco Benedetto
Directors	Oliviero Maria Brega Cristina Busi Giulia Maria Crespi Mozzoni Carlo De Benedetti Rodolfo De Benedetti Francesco Dini Pierluigi Ferrero Milvia Fiorani Franco Girard Paolo Mancinelli Gianluigi Melega Alberto Milla Piero Ottone Alberto Piaser Vittorio Ripa di Meana

Executive Committee

Pursuant to Italian law and the By-laws, the Board of Directors has delegated certain of its powers to an Executive Committee. The By-laws provide that the Executive Committee shall be composed of between three and five members and its membership shall include the Group's Chairman and the Managing Director. The Board of Directors may delegate to the Executive Committee all or certain of its powers, except for those reserved by law to the Board.

The current Executive Committee of Gruppo L'Espresso is composed of the following members:

Carlo Caracciolo
Marco Benedetto
Oliviero Maria Brega
Rodolfo De Benedetti
Alberto Piaser

Board of Statutory Auditors

The current Board of Statutory Auditors of Gruppo L'Espresso is composed of the following members:

Chairman	Vittorio Bennani
Auditors	Claudio Berliri Federico Gamna

Corporate Governance

Gruppo L'Espresso has in place a corporate governance system which is in line with the new guidelines established by the Self Discipline Code for Companies Listed on Borsa Italiana S.p.A., as amended in July 2002 (the “Code”). Internal auditing is conducted exclusively by independent members, new rules of conduct for transactions involving related parties have been established, and a “Code of Conduct” has been adopted which regulates the flow of information on transactions involving the Company’s shares by “*persone rilevanti*” (those persons or entities specified by the *Regolamento dei Mercati Organizzati e Gestiti da Borsa Italiana S.p.A.*). In addition, the Group has determined that the composition of its Board of Directors is consistent with the independent director criteria established by the Code.

Auditors

Deloitte & Touche Italia S.p.A. have audited the financial statements of Gruppo L'Espresso at and for the years ended 31 December 2003 and 2002. PricewaterhouseCoopers S.p.A. were appointed as auditors for the Group for a three year term following the expiration of the term of Deloitte & Touche Italia S.p.A. and have engaged in a limited review (in accordance with CONSOB’s *Comunicazione* 97001574 of 20 February 1997) of the financial statements of Gruppo L'Espresso at and for the six months ended 30 June 2004.

PRINCIPAL SHAREHOLDERS OF THE ISSUER

As at 31 August 2004, approximately 50.2 per cent. of the ordinary shares of the Issuer was held by CIR S.p.A. – Compagnie Industriali Riunite S.p.A., a Milan-based public company which is effectively controlled, through Cofide S.p.A., by the De Benedetti family. A further 8.9 per cent. interest was held at that date by Carlo Caracciolo, the Chairman of the Board of Directors of the Issuer. To the knowledge of the Issuer, no other shareholder holds more than 5 per cent. of the ordinary shares of the Issuer.

**GRUPPO EDITORIALE L'ESPRESSO S.p.A. – SUMMARY CONSOLIDATED FINANCIAL
INFORMATION**

The following tables set forth summary consolidated financial information for the Group as at and for the years ended 31 December 2002 and 2003, which have been derived from the audited financial statements of the Issuer and its consolidated subsidiaries, and the unaudited reclassified consolidated financial information for the Group as at and for the six months ended 30 June 2003 and 2004.

**SUMMARY CONSOLIDATED STATEMENTS OF INCOME FOR THE YEARS ENDED
31 DECEMBER 2003 AND 2002**

	Year Ended 31 December	
	2002	2003
	<i>(in thousands of euro)</i>	
Production value		
Revenues from sales and services	963,654	1,051,069
Change in work in progress, semi-finished and finished goods inventories.....	404	342
Change in contract work in progress	3,220	1,660
Increase in self-developed capital improvements.....	3,025	57
Contributions received	3,909	1,558
Other revenues	12,707	10,246
Total production value	986,919	1,064,932
Production costs		
Raw materials, auxiliaries and goods.....	156,419	160,154
Services	322,382	341,799
Leases and rentals	55,233	61,723
Personnel:		
– Wages and salaries	172,085	173,580
– Social security contributions.....	53,131	54,679
– Employee severance.....	14,391	14,263
– Retirement benefits.....	982	1,168
– Other costs.....	5,384	5,534
Depreciation and write-downs		
– Amortisation of intangible assets	27,621	22,371
– Depreciation of tangible assets	30,749	33,964
– Write-down of intangible assets	2,138	11,872
– Write-down of tangible assets	1,993	512
– Write-down of current assets	2,875	4,585
Change in raw materials and merchandise inventories	4,653	(1,498)
Provisions for risks and charges.....	6,134	9,051
Sundry operating costs.....	8,342	8,615
Total production costs.....	864,512	902,372
Difference between production value and costs	122,407	162,560

**SUMMARY CONSOLIDATED STATEMENTS OF INCOME FOR THE YEARS ENDED
31 DECEMBER 2003 AND 2002 (CONTINUED)**

	Year Ended 31 December	
	2002	2003
	<i>(in thousands of euro)</i>	
Financial income and charges		
<i>Income from investments</i>		
Dividends	43	1,629
<i>Other financial income</i>		
From long-term receivables	71	83
From securities and other financial assets	5,285	5,248
<i>Income other than the above</i>		
From subsidiaries and affiliated companies	262	16
From third parties	10,146	11,041
<i>Interest and other financial charges</i>		
Payable to third parties	(18,260)	(45,257)
Total financial income and charges	<u>(2,453)</u>	<u>(27,240)</u>
Adjustments to the value of financial assets		
<i>Revaluations</i>		
of investments	725	1,186
<i>Write-downs</i>		
of investments	(5,298)	(107)
of other long-term financial assets	(2,050)	–
of marketable securities	–	(114)
Total adjustments	<u>(6,623)</u>	<u>965</u>
Extraordinary items		
<i>Profits</i>		
Gains on disposal of assets	78	20
Other income	2,017	1,071
<i>Charges</i>		
Other charges	(7,709)	(4,115)
Total extraordinary items	<u>(5,614)</u>	<u>(3,024)</u>
Profit before taxes	<u>107,717</u>	<u>133,261</u>
<i>Taxes payable:</i>		
Current	(70,214)	(71,927)
Prepaid	7,298	6,934
Profit before minority interests	<u>44,801</u>	<u>68,268</u>
<i>Minority interests</i>	1,292	(430)
Net profit	<u>46,093</u>	<u>67,838</u>

SUMMARY CONSOLIDATED BALANCE SHEETS AS AT 31 DECEMBER 2003 AND 2002

ASSETS	As at 31 December	
	2002	2003
	<i>(in thousands of euro)</i>	
Receivable from Shareholders	–	–
Fixed assets		
<i>Intangible assets</i>		
Incorporation and startup costs	4	–
Industrial patents and intellectual property rights	655	236
Concessions, licenses and trademarks	4,695	6,354
Goodwill	345,188	326,332
Work in progress and advances	1,257	361
Capital improvements on leased assets	3,739	2,434
Other	3,016	628
Total intangible assets	358,554	336,345
<i>Tangible assets</i>		
Land and buildings	29,478	32,657
Plant and equipment	73,268	56,081
Technical equipment	343	290
Other assets	15,613	12,360
Work in progress and advances	17,897	80,270
Total tangible assets	136,599	181,658
<i>Financial assets</i>		
Investments	26,446	25,597
<i>Receivables</i>		
Short-term	1,669	258
Long-term	5,422	4,593
Other financial fixed assets	4,993	–
Own shares	8,231	8,663
Total financial assets	46,761	39,111
Total fixed assets	541,914	557,114

**SUMMARY CONSOLIDATED BALANCE SHEETS AS AT 31 DECEMBER 2003 AND 2002
(CONTINUED)**

ASSETS (continued)	As at 31 December	
	2002	2003
	<i>(in thousands of euro)</i>	
Current assets		
<i>Inventories</i>		
Raw materials and merchandise	27,465	27,318
Work in progress, semi-finished and finished products	1,644	3,642
Contract work in progress	4,537	5,508
Total inventories	<u>33,646</u>	<u>36,468</u>
<i>Receivables</i>		
Trade receivables – short-term	223,243	231,285
Affiliated companies – short-term	25	205
Contributions receivable – short-term	2,593	2,388
<i>Other receivables</i>		
Short-term	47,508	40,571
Long-term	4,688	18,687
Total receivables	<u>278,057</u>	<u>293,136</u>
<i>Marketable securities</i>		
Investments	1	–
Other securities	154,414	20,326
Total marketable securities	<u>154,415</u>	<u>20,326</u>
<i>Cash and cash equivalents</i>		
Banks	23,269	69,580
Cheques	222	55
Cash	159	180
Total cash and cash equivalents	<u>23,650</u>	<u>69,815</u>
Total current assets	<u>489,768</u>	<u>419,745</u>
Accrued income and prepaid expenses		
Accrued income	6,869	255
Prepaid expenses	10,890	5,261
Total accrued income and prepaid expenses	<u>17,759</u>	<u>5,516</u>
Total assets	<u>1,049,441</u>	<u>982,375</u>

**SUMMARY CONSOLIDATED BALANCE SHEETS AS AT 31 DECEMBER 2003 AND 2002
(CONTINUED)**

LIABILITIES	As at 31 December	
	2002	2003
	<i>(in thousands of euro)</i>	
Shareholders' equity		
Share capital	64,599	64,769
Share premium reserve	118,900	63,991
Restatement reserve	2,789	2,533
Legal reserve	12,920	12,954
Reserve for own shares	8,231	8,663
Other reserves	148,356	111,259
Net profit for the year	46,093	67,838
Group shareholders' equity	401,888	332,007
Minority interests	9,679	9,853
Consolidated shareholders' equity	411,567	341,860
Provisions for risks and charges		
Provision for retirement benefits	7,227	7,849
Deferred taxes	7,648	5,409
Other reserves	24,204	25,933
Total provisions for risks and charges	39,079	39,191
Employee severance reserve	85,416	90,607
Payables		
Bonds	200,000	200,000
<i>Banks</i>		
Short-term	10,335	12,703
Long-term	38,576	27,119
<i>Other financial institutions</i>		
Short-term	102	–
Long-term	3	–
Advances – short-term	1,255	614
Trade payables – short-term	158,565	179,867
Affiliated companies – short-term	291	585
Taxes payable – short-term	33,490	16,159
Health and social security institutions – short-term	12,975	13,607
Other payables – short-term	27,067	29,796
Total payables	482,659	480,450
Accrued liabilities and deferred income	30,720	30,267
Total liabilities and consolidated shareholders' equity	1,049,441	982,375
Memorandum accounts		
Guarantees	2,618	2,335
Other commitments	26,216	47,769

**SUMMARY RECLASSIFIED CONSOLIDATED STATEMENTS OF INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2004 AND 2003**

	Six Months Ended 30 June	
	2003	2004
	<i>(in thousands of euro)</i>	
Revenues		
Circulation	205,509	249,640
Advertising	265,229	276,328
Other revenues	17,071	19,622
Total revenues	487,809	545,590
Production costs		
Paper	(51,897)	(49,057)
Printing and other supplies	(40,298)	(41,924)
Maintenance and technological costs	(12,113)	(12,346)
Other production costs	(20,133)	(42,028)
Total production costs	(124,441)	(145,355)
Operating costs		
Promotion	(19,028)	(19,966)
Distribution	(13,560)	(14,678)
Publisher fees	(9,231)	(11,081)
Agent/agency fees	(13,308)	(14,302)
Copyrights	(17,424)	(16,160)
Other operating costs	(70,875)	(71,509)
Total operating costs	(143,426)	(147,696)
Labour costs	(128,615)	(133,243)
Gross operating profit	91,327	119,296
Depreciation of fixed assets	(18,708)	(17,326)
Amortisation of goodwill	(8,190)	(7,560)
Operating profit	64,429	94,410
Financial expense	(14,631)	(5,994)
Leasing payments	(719)	(715)
Income on investments	1,784	367
Extraordinary expense	(150)	(669)
Profit before taxes	50,713	87,399
Taxes	(24,984)	(39,869)
Profit before minority interests	25,729	47,530
Minority interests	(154)	(247)
Net profit	25,575	47,283

SUMMARY RECLASSIFIED CONSOLIDATED BALANCE SHEETS AS AT 30 JUNE 2004 AND 2003

	As at 30 June	
	2003	2004
	<i>(in thousands of euro)</i>	
Net fixed assets.....	134,598	222,712
Capitalised costs.....	12,027	12,313
Goodwill.....	343,574	318,830
Net investments.....	26,108	24,916
Own shares.....	9,953	13,505
Trade receivables, net.....	222,426	220,535
Inventories.....	29,874	30,182
Trade payables.....	(134,110)	(148,717)
Net current assets.....	118,190	102,000
Income taxes receivable.....	21,680	14,268
Other taxes (payable) receivable.....	(878)	9,647
Payable to personnel, health and social security institutions.....	(33,560)	(36,364)
Employee severance indemnities and similars.....	(94,683)	(100,595)
Other reserves.....	(37,278)	(26,093)
Payable on capital expenditure.....	(5,405)	(35,894)
Other assets (liabilities).....	4,305	(30,261)
Net capital employed.....	498,631	488,984
Short-term financial assets.....	140,075	95,207
Short-term debt.....	(14,464)	(16,555)
Long-term debt.....	(229,910)	(224,590)
Net financial position.....	(104,299)	(145,938)
Share capital.....	64,599	64,822
Other reserves.....	294,539	221,184
Net profit.....	25,575	47,283
Group shareholders' equity.....	384,713	333,289
Minority interests.....	9,619	9,757
Consolidated shareholders' equity.....	394,332	343,046

TAXATION

The statements herein regarding taxation are based on the laws in force as at the date of this Offering Circular and are subject to any changes in law occurring after such date, which changes could be made on a retroactive basis. The following summary does not purport to be a comprehensive description of all the tax considerations which may be relevant to a decision to subscribe for purchase, own or dispose of the Notes and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities or commodities) may be subject to special rules. Prospective purchasers of the Notes are advised to consult their own tax advisers concerning the overall tax consequences of their ownership of the Notes.

Law No. 80 of 7 April 2003 for the reform of the Italian tax system was approved by the Italian Parliament on 26 March 2003 and authorises the Italian Government, inter alia, to issue, within two years of the entering into force of such law, legislative decrees introducing a general reform of the tax treatment of financial income, which may impact the tax regime of the Notes, as described under “Italian Taxation” below.

Legislative Decree No. 344 of 12 December 2003 published in Italian Official Gazette of 16 December 2003 No. 261 (Ordinary Supplement No. 190), effective as of 1 January 2004 introduced the reform of taxation of corporations and of certain financial income amending the Italian Income Taxes Consolidated Code.

Italian taxation

Tax treatment of Notes

Legislative Decree no. 239/1996, as amended and restated, provides for a specific regime with respect to the tax treatment of interest, premium and other proceeds (including the difference between the redemption amount and the issue price) from Notes issued, *inter alia*, by Italian listed corporations, provided that such Notes are issued for a duration of not less than 18 months.

Italian resident Noteholders

Where an Italian resident Noteholder, for tax purposes, is (i) an individual, holding Notes not in connection with entrepreneurial activities (unless he has entrusted the management of his financial assets, including the Notes, to an authorised intermediary and has opted for the so-called *risparmio gestito* regime according to Article 7 of Legislative Decree No. 461/1997 – the “**Asset Management Option**”), (ii) a non-commercial partnership, (iii) a non-commercial private or public entity other than companies, not carrying out commercial activities as its exclusive or principal purpose (including the Italian State and public entities), or (iv) an investor exempt from Italian corporate income taxation, interest payments relating to the Notes are subject to a tax, referred to as *imposta sostitutiva*, levied at the rate of 12.5 per cent.

The 12.5 per cent. final *imposta sostitutiva* will be applied by the Italian resident qualified financial intermediaries (“**Intermediaries**” and each “**Intermediary**”) that will intervene, in any way, in the collection of interest and other proceeds on the Notes or in the transfer of the Notes.

Where the Notes are not deposited with an Intermediary, the *imposta sostitutiva* is applicable and withheld by any entity paying interest to a Noteholder.

Italian resident individuals holding Notes not in connection with entrepreneurial activity who have opted for the Asset Management Option are subject to a 12.5 per cent. annual substitute tax (the “**Asset Management Tax**”) on the increase in value of the managed assets accrued at the end of each tax year (which increase would include interest and other proceeds accrued on the Notes). The Asset Management Tax is applied on behalf of the taxpayer by the managing authorised intermediary.

Where a Noteholder resident in Italy for tax purposes is (i) a corporation, a commercial partnership, an individual entrepreneur holding Notes in connection with entrepreneurial activities or permanent establishments in Italy of a non-resident corporation to which the Notes are effectively connected provided that the Notes are deposited with an Intermediary, (ii) a collective investment fund, SICAV and Italian pension fund referred to in Legislative Decree No. 124/1993, (iii) an individual holding Notes not in connection with entrepreneurial activity who has entrusted the management of its financial assets, including the Notes, to an Italian authorised financial intermediary and has opted for the Asset Management Option, and (iv) a real estate investment fund (“**Fondo comune di investimento immobiliare**”), payments of principal and other proceeds will not be subject to *imposta sostitutiva*.

Interest and other proceeds accrued on the Notes held by Italian resident corporations, commercial partnerships, individual entrepreneurs holding the Notes in connection with entrepreneurial activities or permanent establishments in Italy of non-resident corporations to which the Notes are effectively connected, are included in the taxable base for the purposes of: (i) corporate income tax (*imposta sul reddito delle società*, “**IRES**”) at 33 per cent.; or (ii) individual income tax (*imposta sul reddito delle persone fisiche*, “**IRPEF**”), at progressive rates, plus local surtaxes, if applicable; under certain circumstances, such interest is included in the taxable basis of the regional tax on productive activities (*imposta regionale sulle attività produttive*, “**IRAP**”), at a rate of 4.25 per cent. (regions may vary the rate up to 1 per cent.).

Where an Italian resident Noteholder is an open-ended or a closed-ended investment fund (the “**Fund**”) or a SICAV and the Notes are deposited with an authorised intermediary, interest, premium and other income relating to the Notes and accrued during the holding period will not be subject to *imposta sostitutiva*, but to a 12.5 or to a 5 per cent. annual substitute tax (each the “**Collective Investment Fund Tax**”). The 12.5 per cent. substitute tax is calculated on the net result accrued at the end of the tax period. Pursuant to Article 12 of Law Decree 30 September 2003, No. 269 (“**Decree No. 269**”), the 5 per cent. substitute tax on the net result accrued at the end of the tax period applies, if: (i) according to the Fund management regulation or to the SICAV by-laws, the Fund or the SICAV hold a participation of at least 2/3 of their portfolio in small or medium capitalised companies listed on EU Stock Exchanges; and, (ii) following the first year from the application of this tax regime and during the subsequent years (with certain days of tolerance in each year), the participation in small or medium capitalised companies is equal at least to 2/3 of the portfolio of the Fund or of the SICAV. For the purpose of Article 12 of Decree No. 269, a small or medium capitalised company is a company with a market capitalisation not greater than Euro 800,000,000, calculated with reference to the market price as registered in the last trading day of each quarter.

Starting from 1 January 2001, Italian resident pension funds (subject to the regime provided for by Articles 14, 14-ter and 14-quarter, paragraph 1, of legislative Decree No. 124/1993) are subject to an 11 per cent. annual substitute tax (the “**Pension Fund Tax**”) on the increase in value of the managed assets accrued at the end of each tax year.

Italian real estate funds created under Article 37 of Legislative Decree No. 58/1998 and Article 14bis of Law No. 86/1994 (the “**Real Estate Funds**”), as clarified by the Italian Revenue Agency through Circular No. 47/2003 are not subject to any substitute tax at the fund level, but any income realised by certain investors is subject to 12.5 per cent. withholding tax.

Non-Italian resident Noteholders

Where the Noteholders are non-Italian resident for tax purposes, an exempt regime has been introduced with respect to any beneficial owner with no permanent establishment in Italy to which the Notes are effectively connected, provided that:

- (a) they are resident in a country which allows an adequate exchange of information with Italy. With reference to the above condition, according to Ministerial Decree of 12 December 2001, the present list of the countries allowing an adequate exchange of information is that contained in the Ministerial Decree 4 September 1996 – as subsequently amended and supplemented – which contemplates all the countries with which Italy has entered into a double taxation treaty providing for an exchange of information clause. The exemption from “*imposta sostitutiva*” also applies to (i) non resident “institutional investors” (i.e. entities the activity of which consists of making or managing investments on their own behalf or on behalf of other persons, as defined by *Circolare dell’Agenzia delle Entrate* dated 1 March 2002 No. 23/E), even if they are not treated as taxpayers in their country of residence, but provided that they are resident in a country which allows an adequate exchange of information with Italy, (ii) international organisations created pursuant to international treaties that are effective in Italy, and (iii) central banks or entities managing also the official reserves of the State;
- (b) the Notes are deposited directly or indirectly: (i) with a bank or an Italian securities dealing firm (“**SIM**”) resident in Italy; (ii) with the Italian permanent establishment of a non-resident bank or brokerage company which is electronically connected with the Italian Ministry of Economy and Finance; (iii) with a non-resident entity or company which has an account with a centralised clearance and settlement system (such as Euroclear or Clearstream Luxembourg) which has a direct relationship with the Italian Ministry of Economy and Finance; or (iv) a centralised managing company of financial instruments, authorised in accordance with Article 80 of Legislative Decree no. 58 of 24 February 1998;

- (c) the banks or brokers mentioned in (b) above receive a self-declaration from the beneficial owner of the interest which states that the beneficial owner is a resident of that country. The self-declaration, which must be in conformity with the model approved by the Ministry of Economy and Finance (approved by Decree of the Ministry of Economy and Finance 12 December 2001, published on the Ordinary Supplement No. 287 to the Official Journal No. 301 of 29 December 2001), is valid until revoked by the investor and does not have to be filed if an equivalent self-declaration (including Form 116/IMP) has been submitted to the same intermediary for the same or different purposes; in the case of institutional investors not subject to tax, the institutional investor shall be regarded as the beneficial owner and the relevant self-declaration shall be produced by the management company; and
- (d) the banks or brokers mentioned in (b) and (c) above receive all necessary information to identify the non-resident beneficial owner of the deposited debt securities, and all necessary information in order to determine the amount of interest that such beneficial owner is entitled to receive.

Non-resident Noteholders are subject to the 12.5 per cent. substitute tax on interest and other proceeds on the Notes if any of the above conditions (a), (b), (c) and (d) is not satisfied.

Early redemption

Without prejudice to the above provisions, in the event that Notes are redeemed in full or in part prior to 18 months from their date of issue, the issuer, in the case that the issuer is an Italian resident entity, will be required to pay an amount equal to 20 per cent. of the interest and other amounts accrued up to the time of the early redemption. The payment above will be made by the issuer and will not affect the amounts to be received by the Noteholder by way of interest or other amounts, if any, under the note.

Capital gains tax

Any capital gain realised upon the sale for consideration or redemption of the Notes would be treated for the purpose of corporate income tax and of individual income tax as part of the taxable business income of Noteholders (and, in certain cases, depending on the status of the Noteholders, may also be included in taxable basis of the regional tax on productive activities), and therefore subject to tax in Italy according to the relevant tax provisions, if derived by Noteholders who are:

- (a) Italian resident corporations;
- (b) Italian resident commercial partnerships;
- (c) permanent establishments in Italy of foreign corporations to which the Notes are effectively connected; or
- (d) Italian resident individuals carrying out a commercial activity, as to any capital gains realised within the scope of the commercial activity carried out.

Pursuant to Legislative Decree No. 461 of 21 November 1997, any capital gain realised by Italian resident individuals holding Notes not in connection with entrepreneurial activity and certain other persons upon the sale for consideration or redemption of the Notes would be subject to an *imposta sostitutiva* at the current rate of 12.5 per cent. Under the tax declaration regime, which is the standard regime for taxation of capital gains realised by Italian resident individuals not engaged in entrepreneurial activity, *imposta sostitutiva* on capital gains will be chargeable, on a cumulative basis, on all capital gains, net of any incurred capital loss. These individuals must report overall capital gains realised in any tax year, net of any relevant incurred capital loss, in the annual tax declaration to be filed with the Italian tax authorities for such year and pay *imposta sostitutiva* on such gains together with any balance income tax due for such year. Capital losses in excess of capital gains may be carried forward against capital gains realised in any of the four succeeding tax years.

As an alternative to the tax declaration regime, Italian resident individual noteholders holding Notes not in connection with entrepreneurial activity may elect to pay *imposta sostitutiva* separately on capital gains realised on each sale or redemption of the Notes (the “**Risparmio Amministrato**” regime). Such separate taxation of capital gains is allowed subject to: (i) the Notes being deposited with Italian banks, *società di intermediazione mobiliare* (SIM) or certain authorised financial intermediaries; and (ii) an express election for the *Risparmio Amministrato* regime being timely made in writing by the relevant Noteholder. The financial intermediary, on the basis of the information provided by the taxpayer, accounts for *imposta sostitutiva* in respect of capital gains realised on each sale or redemption of Notes (as well as in respect of capital gains realised at revocation of its mandate), net of any incurred capital loss, and is required to pay the relevant amount to the Italian fiscal

authorities on behalf of the taxpayer, deducting a corresponding amount from proceeds to be credited to the Noteholder. Under the *Risparmio Amministrato* regime, where a sale or redemption of Notes results in capital loss, such loss may be deducted from capital gains subsequently realised in the same tax year or in the following tax years up to the fourth. Under the *Risparmio Amministrato* regime, the Noteholder is not required to declare capital gains in its annual tax declaration and remains anonymous.

Any capital gains realised by Italian resident individuals holding Notes not in connection with entrepreneurial activity who have elected for the Asset Management Option will be included in the computation of the annual increase in value of the managed assets accrued, even if not realised, at year end, subject to the Asset Management Tax to be applied on behalf of the taxpayer by the managing authorised intermediary. Under the Asset Management Option, any depreciation of the managed assets accrued at year end may be carried forward against increase in value of the managed assets accrued in any of the four succeeding tax years. Under the Asset Management Option, the Noteholder is not required to report capital gains realised in its annual tax declaration and remains anonymous.

Any capital gains realised by Noteholders who are Italian resident collective investment funds and SICAVs will be included in the computation of the taxable basis of the Collective Investment Fund Tax.

Any capital gains realised by Noteholders who are Italian resident pension funds will be included in the computation of the taxable basis of Pension Fund Tax.

The tax regime of capital gains in respect of the Notes realised by real estate funds depends on the funds status and the applicable legislation. Capital gains realised by Italian real estate funds set up after 26 September 2001 on the disposal of the Notes are not subject to any withholding or substitute tax.

The 12.5 per cent. final *imposta sostitutiva* may in certain circumstances be payable on capital gains realised upon sale for consideration or redemption of Notes by non-Italian resident persons or entities without a permanent establishment in Italy to which the Notes are effectively connected, if the Notes are held in Italy.

However, pursuant to Article 23 of Legislative Decree of 12 December 2003, No. 344, any capital gains realised, by non-Italian residents without a permanent establishment in Italy to which the Notes are effectively connected, through the sale for consideration or redemption of Notes are exempt from taxation in Italy to the extent that the Notes are listed on a regulated market in Italy or abroad (including the Luxembourg Stock Exchange) and in certain cases subject to filing of required documentation, even if the Notes are held in Italy and regardless of the provisions set forth by any applicable double taxation treaty.

Italian inheritance and gift tax

Italy no longer applies inheritance and gift taxes.

However, according to Law No. 383 of 18 October 2001, for donees other than spouses, direct descendants or ancestors and other relatives within the fourth degree, if and to the extent that the value of gift attributable to each such donee exceeds Euro 180,759.91, the gift of Notes is subject to the ordinary transfer taxes provided for the transfer thereof for consideration.

Article 16 of Law. No. 383 of 18 October 2001, provides certain anti-avoidance provisions in case of abusive transactions, the application of which may deny the benefits of the exemption on inheritance and gift tax as described above.

Transfer tax

General

Pursuant to Italian Legislative Decree No. 435 of 21 November 1997, which amended the regime laid down by Royal Decree No. 3278 of 30 December 1923, the transfer of the Notes may be subject to Italian transfer tax (*tassa sui contratti di borsa*) in the following cases and at the following rates:

- (i) contracts entered into directly between private parties or between the parties through entities other than authorised intermediaries (banks, SIMs or other professional intermediaries authorised to perform investment services, pursuant to the Legislative Decree No. 415 of 23 July 1996, as superseded by Legislative Decree No. 58 of 24 February 1998, or stockbrokers) are subject to a transfer tax of Euro 0.0083 for every Euro 51.65 (or a fraction thereof) of the price at which the Notes are transferred;

- (ii) contracts between private parties through banks, SIMs or other authorised professional intermediaries or stockbrokers, or between private parties and banks, SIMs or other authorised intermediaries or stockbrokers, are subject to a transfer tax of Euro 0.00465 for every Euro 51.65 (or a fraction thereof) of the price at which the Notes are transferred; and
- (iii) contracts between banks, SIMs or other authorised professional intermediaries or stockbrokers are subject to a transfer tax of Euro 0.00465 for every Euro 51.65 (or a fraction thereof) of the price at which the Notes are transferred.

In the cases listed above under (ii) and (iii), however, the amount of transfer tax cannot exceed Euro 929.62 for each transaction.

Exemptions

In general, transfer tax is not levied, *inter alia*, in the following cases:

- (i) contracts relating to listed securities entered into on regulated markets (e.g. the Luxembourg Stock Exchange);
- (ii) contracts relating to securities which are admitted to listing on regulated markets and finalised outside such markets and entered into:
 - a. between banks or SIMs or other professional intermediaries authorised to perform investment services, pursuant to the Legislative Decree No. 415 of 23 July 1996, as superseded by Legislative Decree No. 58 of 24 February 1998, or stockbrokers among themselves; or
 - b. between authorised intermediaries as referred to in paragraph (a) above and non-Italian residents; or
 - c. between authorised intermediaries as referred to in paragraph (a) above, also non-Italian residents, and undertakings for collective investment in transferable securities;
- (iii) contracts relating to public sale offers for the admission to listing on regulated markets or relating to financial instruments already admitted to listing on said markets;
- (iv) contracts for a consideration of less than Euro 206.58; and
- (v) contracts regarding securities not listed on a regulated market entered into between authorised intermediaries as referred to in (ii) (a) above, on the one hand, and non-Italian residents, on the other hand.

EU Savings Directive

On 3 June 2003, the European Council of Economics and Finance Ministers adopted a Directive on the taxation of savings income under which Member States will be required, from a date not earlier than 1 July 2003, to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State, except that, for a transitional period, Belgium, Luxembourg and Austria will instead be required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries).

SUBSCRIPTION AND SALE

Banca Caboto s.p.a., J.P. Morgan Securities Ltd., Lehman Brothers International (Europe) and Mediobanca-Banca di Credito Finanziario S.p.A. (the “**Lead Managers**”) have, pursuant to a Subscription Agreement dated 26 October 2004 (the “**Subscription Agreement**”), agreed with the Issuer to subscribe or procure subscribers for €300,000,000 principal amount of the Notes at the issue price of 99.785 per cent. The Issuer will pay to the Lead Managers a combined management, underwriting and selling commission of 0.45 per cent. of the principal amount of the Notes. The Issuer has agreed to pay certain of the expenses of the Lead Managers. The Lead Managers are entitled to terminate the Subscription Agreement in certain circumstances.

General

No action has been or will be taken by the Issuer or the Lead Managers that would permit a public offer of the Notes in any country or jurisdiction where action for that purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this Offering Circular nor any circular, prospectus, form of application, advertisement or other material may be distributed in or from or published in any country or jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations.

United States

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code and regulations thereunder.

Each Lead Manager has represented and agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Notes, (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the Closing Date within the United States or to, or for the account or benefit of, United States persons, and it will have sent to each dealer to which it sells Notes, during the restricted period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States, or to, or for the account or benefit of, United States persons.

In addition, until 40 days after the commencement of the offering, an offer or sale of Notes within the United States by any dealer that is not participating in the offering may violate the registration requirements of the Securities Act.

United Kingdom

Each Lead Manager has represented and agreed that:

- (1) it has not offered or sold and, prior to the expiry of the period of six months from the Closing Date, will not offer or sell any Notes to persons in the United Kingdom, except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995 (as amended);
- (2) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of FSMA) received by it in connection with the issue of the Notes in circumstances in which section 21(1) of FSMA does not apply to the Issuer; and
- (3) it has complied and will comply with all applicable provisions of FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Italy

The offering of the Notes has not been registered pursuant to the Italian securities legislation and, accordingly, each Lead Manager has represented and agreed that it has not offered or sold, and will not offer or sell, any Notes

in Italy in a solicitation to the public, and that sales of the Notes in Italy shall be effected in accordance with all Italian securities, tax and exchange control and other applicable laws and regulations.

Each of the Lead Managers has represented and agreed that it will not offer, sell or deliver any Notes or distribute copies of this Offering Circular or any other document relating to the Notes in Italy except (i) to “**Professional Investors**” (*operatori qualificati*) as defined in Article 31.2 of CONSOB Regulation No. 11522 of 1 July 1998 as amended (“**Regulation No. 11522**”), pursuant to Articles 30.2 and 100.1(a), of Legislative Decree No. 58 of 24 February 1998 as amended (“**Decree No. 58**”), or (ii) in any other circumstances where an expressed exemption from compliance with the solicitation restrictions provided by Decree No. 58 or CONSOB Regulation No. 11971 of 14 May 1999 as amended applies.

Any such offer, sale or delivery of the Notes or distribution of copies of the Offering Circular or any other document relating to the Notes in Italy must be:

- (a) made by investment firms, banks or financial intermediaries permitted to conduct such activities in Italy in accordance with Legislative Decree No. 385 of 1 September 1993 as amended (“**Decree No. 385**”), Decree No. 58, CONSOB Regulation No. 11522 and any other applicable laws and regulations;
- (b) in compliance with Article 129 of Decree No. 385 and the implementing instructions of the Bank of Italy, pursuant to which the issue, offering or placement of securities in Italy is subject to a prior notification to the Bank of Italy, unless an exemption, depending, *inter alia*, on the aggregate amount and the characteristics of the Notes issued or offered in Italy, applies; and
- (c) in compliance with any other applicable notification requirement or limitation which may be imposed by CONSOB or the Bank of Italy.

GENERAL INFORMATION

Listing

In connection with the application for the Notes to be listed on the Luxembourg Stock Exchange, copies of the deed of incorporation (*atto costitutivo*) and the by-laws (*statuto*) of the Issuer (together with an English translation thereof) and a legal notice relating to the issue of the Notes will be registered prior to listing with the *Registre de Commerce et des Sociétés à Luxembourg*, where they may be inspected and copies obtained upon request.

Corporate

Gruppo Editoriale L'Espresso S.p.A. is a public limited liability company incorporated under the laws of the Republic of Italy. The Issuer's registered office is Via Po 12, 00198 Rome, Italy. The share capital of the Issuer is €64,871,056.95, divided into 432,473,713 ordinary shares with a nominal value of €0.15 each.

Authorisation

The issue of the Notes has been authorised by a resolution dated 30 September 2004 of the Board of Directors of the Issuer, as implemented by a resolution dated 8 October 2004 of the Executive Committee of the Issuer.

Accounts

Copies in English of each of the following financial statements, together with such financial statements as are published thereafter for the life of the Notes, will be available on request at the principal office of the Paying Agent in Luxembourg so long as the Notes are listed on the Luxembourg Stock Exchange:

the audited consolidated and non-consolidated financial statements of the Issuer as at and for the years ended 31 December 2002 and 2003; and

the unaudited consolidated and non-consolidated interim financial statements of the Issuer as at and for the six-month periods ended 30 June 2003 and 2004.

No Material Adverse Change

Save as disclosed herein, there has been no material adverse change, or any development reasonably likely to involve a material adverse change, in the condition (financial or otherwise), prospects, results of operations or general affairs of the Issuer since 31 December 2003.

Litigation

Save as disclosed under "*Gruppo Editoriale L'Espresso S.p.A. – Litigation*", there are no legal or arbitration proceedings (including any proceedings which are pending or threatened of which the Issuer is aware) which may have (or have had in the past 12 months) a significant effect on the financial position of the Issuer.

Auditors

Deloitte & Touche Italia S.p.A., in their capacity as the Group's prior independent auditors, have audited the accounts of the Issuer, without qualification, at and for the years ended 31 December 2003 and 2002. PricewaterhouseCoopers S.p.A. are the Group's current independent auditors. They were appointed as independent auditors for the Group for a three year term following the expiration of the mandate of Deloitte & Touche Italia S.p.A.

Clearing

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg with a Common Code of 020334142 and an ISIN of XS0203341424.

Documents available

Copies of each of the following documents will be available for inspection (and, in the case of (b), for collection) on request at the specified office of each Paying Agent:

- (a) the constitutional documents (with an English translation thereof) of the Issuer;
- (b) the Offering Circular, together with any future Offering Circulars, information memoranda and supplements to the Offering Circular;

- (c) the Trust Deed;
- (d) the Agency Agreement; and
- (e) the Subscription Agreement.

Definitive Notes

In the event that definitive bearer Notes are issued by the Issuer, it shall give prior notice to the Luxembourg Stock Exchange of the denomination(s) of such definitive bearer Notes.

THE ISSUER

Gruppo Editoriale L'Espresso S.p.A.
Via Po, 12
00198 Rome

TRUSTEE

J.P. Morgan Corporate Trustee Services Limited
Trinity Tower
9 Thomas More Street
London E1W 1YT

PRINCIPAL PAYING AGENT

JPMorgan Chase Bank
Trinity Tower
9 Thomas More Street
London E1W 1YT

PAYING AGENT

J.P. Morgan Bank Luxembourg S.A.
5, rue Plaetis
L-2338 Luxembourg

LEGAL ADVISERS

To the Issuer

As to English law

Latham & Watkins
99 Bishopsgate
London EC2M 3XF

Latham & Watkins
Via San Maurilio, 20
20123 Milan

As to Italian law

Bonelli Erede Pappalardo
Via Paisiello, 39
00198 Rome

To the Lead Managers

As to English and Italian law

Allen & Overy
Corso Vittorio Emanuele II, 284
00186 Rome

To the Trustee

Allen & Overy LLP
One New Change
London EC4M 9QQ

INDEPENDENT AUDITORS

PricewaterhouseCoopers S.p.A.
Largo Angelo Fochetti, 28
00154 Rome

LISTING AGENT

J.P. Morgan Bank Luxembourg S.A.
5, rue Plaetis
L-2338 Luxembourg

