



CAIROCOMMUNICATION

Compensation Report
(art. 123^{ter} TUF and art. 84^{quater} Issuers' Regulations)
Approved by the Board of Directors on 12 March 2012
Financial Year 1 January - 31 December 2011

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Contents

- PART I: General Compensation Policy 3**
 - Introduction 3**
 - 1 Principles and purposes of the General Compensation Policy 3**
 - 1.1 Purposes..... 3
 - 1.2 Scope 3
 - 2. Governance 4**
 - 2.1 Drafting and approval of the Policy 4
 - 2.2 Role, composition and responsibilities of the Compensation Committee..... 5
 - 2.3 Role, composition and responsibilities of the Related Parties Committee..... 6
 - 3. Description of the General Compensation Policy 6**
 - 3.1 Compensation of the directors of Cairo Communication..... 6
 - 3.2 Compensation of executive directors and of Management 7
 - 3.2.1 Compensation structure and targets..... 7
 - 3.2.2 Compensation of executive directors and of managers with strategic responsibilities of the Cairo Communication Group 10
 - 4.2.3 Compensation of non-executive and independent directors 11
 - 4.2.4 Compensation of Editors-in-chief of publications and of Department Managers..... 11
 - 5. Allowance in the event of resignation, dismissal or termination of employment..... 12**
 - 6. Non-competition agreements..... 12**
- PART II: Information on Compensation..... 12**
 - 1. Information pursuant to art. 123^{ter} TUF, paragraph 2, letter (a) 12**
 - 2. Information pursuant to art. 123^{ter} TUF, paragraph 2, letter (b) 14**
- Investments held by members of the supervisory bodies and by managers with strategic responsibilities 21**

PART I: General Compensation Policy

Introduction

The General Compensation Policy for financial year 2012 illustrated in this Part I (“**Policy**”) sets out the principles and guidelines that the Cairo Communication Group (as hereinafter defined) is steadily introducing and to which it will conform in order to (i) determine and (ii) watch over the application of compensation practices.

The Policy has been drawn up in light of the recommendations held in art. 7 of the Code of Conduct of Borsa Italiana S.p.A., as amended in March 2010, to which Cairo Communication S.p.A. (hereinafter also the “**Company**”) has conformed, and in light of the Procedures for Related Parties’ Transactions approved by the Board of Directors of the Company on 11 November 2010.

1 Principles and purposes of the General Compensation Policy

1.1 Purposes

The Policy adopted by the Company has the purpose of:

- attracting, motivating and retaining human resources who possess the professional qualities required to profitably achieve the Group’s targets;
- align the interests of Management, as hereinafter defined, to those of shareholders, pursuing the primary goal of creating sustainable value in the medium to long term, by creating a strong connection between compensation, individual performance and performance by the Cairo Communication Group (as hereinafter defined), and;
- recognizing merit in order to duly reward individual achievements.

1.2 Scope

The Policy sets the principles and guidelines to which the Company and the following relevant directly-held subsidiaries conform: Cairo Editore S.p.A., Cairo Pubblicità S.p.A. and Cairo Publishing S.r.l. (hereinafter the “**Cairo Communication Group**” or “**Group**”).

The Policy applies to the members of the Company’s Board of Directors and to the Group’s managers with strategic responsibilities, meaning those managers as identified by the Board of Directors who hold the authority of or responsibility for the planning and control of activities carried out by Company or by Group companies, or the authority to adopt decisions that can impact on their business outlook or future prospects; managers with strategic responsibilities also include General Managers appointed by the

Board of Directors (or by the Boards of Directors of Group companies) in relation to the organizational structure of the Company and of the Group.

The Group also conforms to the principles of the Policy to establish compensation of:

- ***Editors-in-chief of publications***: journalists in charge of the content of the publication they manage and of the organization of staff work, within the editorial lines provided by the publisher and based on the relevant budgets;
- ***Department Managers***: those who report directly to the (i) executive directors and to (ii) Group General Managers, whose activities impact significantly on business results.

Management appearing hereinafter in this Report means Managers with strategic responsibilities, Editors-in chief of publications and Department Managers.

As at 31 December 2011, Managers with strategic responsibilities qualified as such in the Cairo Communication Group were:

- Giuseppe Ferrauto (board member and General Manager of Cairo Editore);
- Giuliano Cesari (executive director and General Manager of Cairo Pubblicità) and manager of Cairo Communication.

The Board of Directors, together with the Audit Committee, verifies, at least once a year, that such qualifications do not apply to other professional figures in the Company and/or in the Group. For this purpose, the delegated bodies provide the Board of Directors with the information required to make a thorough assessment.

2. Governance

The drafting of the Policy is the result of a clear and transparent process in which the Board of Directors and the Compensation Committee play a key role.

The governance model of Cairo Communication sets a system of clear and stringent rules designed also to ensure appropriate control of compensation policies, in keeping with standards of transparency and impartiality; to this end, in accordance with the Procedures for Related Parties' Transactions, the Related Parties Committee, within its specific functions, voices its opinion on the Policy to the Board of Directors.

2.1 Drafting and approval of the Policy

The Compensation Policy is prepared on an annual basis by the delegated bodies of the Parent Company, is submitted for approval to the Compensation Committee, prior to changes and additions if any, submitted to the opinion of the Related Parties Committee, and finally approved by the Board of Directors.

The Board of Directors of Cairo Communication, after viewing and approving the Policy, submits it to the non-binding vote of the Shareholders' Meeting, in accordance with art. 123-ter of Legislative Decree

58/1998 (hereinafter “TUF”). Given the relatively small amount of functions affected by the Compensation Policies, there was no need to resort to external consultants for the drafting of the Policies. Regarding the financial year from 1 January to 31 December 2012, the Compensation Committee approved a proposal on the Compensation Policy in the meeting on 9 March 2012; the Related Parties Committee voiced its favourable opinion in the meeting on 12 March 2012, and the Board of Directors reviewed and approved the Policy in the meeting on 12 March 2012.

2.2 Role, composition and responsibilities of the Compensation Committee

The Board of Directors of Cairo Communication adopted a “Compensation Committee” within itself some time ago.

Specifically, on 3 May 2011, the Board of Directors appointed for a three-year period, therefore, until approval of the financial statements as at 31 December 2013, the current members of the “Compensation Committee”: non-executive directors Antonio Magnocavallo, Chairman, Roberto Rezzonico (independent) and Marco Janni (independent). The Compensation Committee has advisory and propositional functions to the Board of Directors, specifically of:

- submitting proposals to the Board of Directors for the drafting of a general compensation policy for executive directors, for other directors holding particular responsibilities and for managers with strategic responsibilities;
- regularly assessing the appropriateness, overall consistency and actual application of the general policy adopted for compensation of executive directors, of other directors holding particular responsibilities and of managers with strategic responsibilities, drawing, for the latter, on information provided by the managing directors, and submitting relevant proposals to the Board of Directors;
- submitting proposals to the Board of Directors on the compensation of managing directors and of other directors holding particular responsibilities, and on the setting of performance targets connected to the variable component of compensation, watching over application of the decisions adopted by the Board and verifying, in particular, actual achievement of the performance targets;
- regularly assessing the criteria adopted for compensation of managers with strategic responsibilities, and for stock option plans if any (none are currently underway), watching over their application based on information provided by the managing directors and suggesting relevant general recommendations to the Board of Directors.

The Compensation Committee will also be responsible for assessing the assignment and amount of long-term incentive plans, if any, once drafted.

2.3 Role, composition and responsibilities of the Related Parties Committee

On 11 November 2010, the Board of Directors established the Related Parties Committee, currently composed of three independent directors: Marco Janni, Chairman, Roberto Rezzonico and Mauro Sala, appointed by the Board of Directors with a resolution adopted on 3 May 2011.

The Related Parties Committee also plays an important role in the Compensation Policies. The Procedures for Related Parties' Transactions, in fact, specify that resolutions adopted by the Board of Directors on the compensation of directors, of board members and of managers with strategic responsibilities be excluded from the application of the Procedures solely in the case the Related Parties Committee has participated in the approval of the Policies, and provided the Compensation Policies be submitted to the advisory vote of the Shareholders' Meeting and compensation actually granted be consistent with such Policies.

3. Description of the General Compensation Policy

3.1 Compensation of the directors of Cairo Communication

The Board of Directors of Cairo Communication includes:

- (i) executive directors:
 - Chairman Urbano Cairo, who is holder of the main executive and management powers, without prejudice to the responsibilities of the Board for significant transactions, as identified by the Board, and for transactions of greater importance with related parties, is the main person in charge of defining corporate and management strategies. The Chairman is also the controlling shareholder of Cairo Communication;
 - CEO Uberto Fornara, who is granted with powers related to the research and development of activities regarding the sale of advertising space and/or advertising brokerage, management of the development of advertising sales, and management of staff and of the sales network involved in advertising sales;
 - Marco Pompignoli, who is responsible for overseeing and supervising the Group's administration, finance and management control functions;
- (ii) non-executive directors (Antonio Magnocavallo and Roberto Cairo);
- (iii) non-executive independent directors (Marco Janni, Mauro Sala and Roberto Rezzonico).

On 28 April 2011, the ordinary Shareholders' Meeting of Cairo Communication S.p.A. had resolved, for the three-year period of 2011-13, on overall annual compensation of the Board of Directors of Euro 220 thousand, authorizing the Board to decide on its division.

On 3 May 2011, the Board of Directors divided the amount as follows:

- Euro 20 thousand for each board member;

- Euro 20 thousand overall for the three members of the Audit Committee;
- Euro 20 thousand overall for the three members of the Compensation Committee;
- Euro 20 thousand overall for the three members of the Related Parties Committee.

The Board of Directors of 12th march 2012 divided as follows the amount granted to each of the Committees (Audit Committee, Compensation Committee and Related Parties Committee): Euro 8 thousand for the chairman and Euro 6 thousand for each of the other members.

The Board Members are entitled to a refund of expenses incurred by reason of their duties.

Furthermore, a so-called D&O (*Directors & Officers*) *Liability* insurance policy for third-party liability is provided for the company bodies and General Managers in the performance of their functions.

In line with best practices, the Board of Directors decided not to establish variable compensation components for non-executive directors.

3.2 Compensation of executive directors and of Management

3.2.1 Compensation structure and targets

The composition of the compensation package for executive directors and for Management is increasingly defined to be consistent with the following criteria:

- guaranteeing an overall balanced compensation structure with a suitable balance of fixed and variable components, in order to prevent conduct that is not aligned to the creation of sustainable value in the medium to long term;
- guaranteeing a direct connection between compensation and performance through mechanisms that provide for non-payment of rewards if targets are not met;
- guaranteeing overall compensation levels that recognize the professional quality of human resources and their contribution to creating sustainable value in the medium to long term.

Fixed component

The fixed component of compensation rewards the role held in terms of scope of responsibilities and impact on business, reflecting experience, capabilities and skills required for each position, as well as the level of excellence demonstrated and the overall quality of the contribution to business results. The weight of the fixed component on the overall compensation package is such as to reduce risk-oriented conduct.

Variable component

The variable component of compensation, provided only if a series of conditions (gates) are met, is designed to acknowledge the results achieved by Management, establishing a connection between compensation and performance. The incentives reward the achievement of quantitative and qualitative targets, resulting in payment of a variable reward. Caps are set to the variable component of compensation.

Targets are set in accordance with the Group's strategic priorities in order to guarantee the creation of value for shareholders in the medium to long term.

Targets must be:

- connected directly to the Company's medium to long-term strategy;
- clear and tangible in the expected results;
- measurable using clear and pre-set indicators;
- challenging, considered, however, achievable and therefore realistic;
- set in a particular timeframe.

The expected results are pre-set and measurable by using specific and different performance indicators based on each business sector of the Group:

- magazines and books, whose main targets are to (i) maintain a growth strategy through the study, planning and launch of new publications, (ii) confirm the high circulation levels of the publications (iii) improve the levels of efficiency reached in containing production, publishing and distribution costs and, therefore (iv) increase the business sector's profitability;
- the sale of advertising spaces on TV, on publications, the Internet and stadiums, whose main targets are to (i) increase advertising revenues based on the high quality of resources under concession (ii) improve the levels of efficiency and profitability and (iii) develop business.

Regarding the publishing sector, the performance indicators are mainly definable in terms of:

- earnings (EBIT) achieved by the sector;
- achievement of targets related to overall circulation of publications, with respect to circulation targets of each title;
- for other quantitative aspects:
 - o measurement against budget targets;
 - o performance versus historical performance;
- for other qualitative aspects:
 - o launch of new titles and, generally speaking, development of the product portfolio and of new businesses;
 - o the Group's positioning and market share in the publishing sector.

Regarding the advertising sector, the performance indicators are mainly definable in terms of:

- earnings (EBIT) achieved by the sector;
- achievement of growth targets for overall advertising revenues, in accordance with the growth targets of advertising revenues for each resource (print, TV, etc.);
- achievement of targets to contain the weight of the main direct costs;
- achievement of growth targets for average sales prices;
- for other quantitative aspects:
 - o measurement against budget targets;

- performance versus historical performance;
- for other qualitative aspects:
 - stipulation of new concession agreements;
 - Group's positioning and market share in the advertising sector;
 - customer relations quality.

For professionals working in the accounting and control areas, the variable component of compensation - which has generally an overall minor impact than for the Management of the above-mentioned sectors - is assigned on an annual basis, *ex post*, based on quality and efficiency criteria such as:

- assessment that the income statement and financial figures are accurately represented in the financial statements of the Group and of the Parent Company;
- proper fulfillment of financial reporting obligations to the markets;
- control of the efficiency and accuracy of accounting processes and related electronic procedures;
- alignment between corporate strategies and policies regarding their representation in the financial statements and compliance with tax and legal requirements;
- reliability of budgets and pre-closing data;
- constant monitoring and control of the Group's processes and operations, carried out to prevent risk situations developing and to ensure that irregular conduct is swiftly identified.

For 2012, as for previous years, MBO variable components have been established based on the results of the year; from 2012, a significant portion of such compensation (up to 20%) will be paid in the following year, depending on whether further conditions regarding such financial year have materialized.

The MBO targets for executive directors and for Managers with strategic responsibilities are set by the Board of Directors of Cairo Communication, upon the proposal of the Compensation Committee, which is called to verify the Directors' performance in the following financial year in order to assess whether the MBO targets of the previous year have been achieved.

The MBO of Department Managers and of Editors-in-chief of publications are established by the Chairman and/or by the CEO, in concert with the Management Control Unit of the Group, and may include, in addition to performance related to the Company and/or to the Group, also targets related to the business performance and/or quality performance of the relevant unit/department.

A medium to long term incentive system is currently being developed (LTI Plan), whose structure will be defined in 2012. To this end, an assessment will be performed also on the procedures to adopt mechanisms of partial deferral of the variable component accrued, in line with the risk profile of the Company, and acknowledging the subordination of the deferred portion of the bonus to further conditions (such as, for instance, positive economic results achieved by the Company and by the business sector, consolidated financial statements showing a profit, possible additional individual performance conditions, proper conduct by the individual not having been subject to disciplinary measures in

accordance, *inter alia*, with Code of Conduct, Organization Model and other internal regulations of Cairo Communication) which, in the deferral years, could result in its cancellation.

Analysis of compensation positioning

Given the relatively small amount of functions involved in the Compensation Policies, there was no need to resort to external consultants for the analysis of compensation positioning, the composition and, generally speaking, the competitiveness of the compensation of executive directors and of Management, which is performed by the Compensation Committee with measurement against organizations of the same size or operating in the same industry.

3.2.2 Compensation of executive directors and of managers with strategic responsibilities of the Cairo Communication Group

In general and in principle, compensation of executive directors and of Managers with strategic responsibilities is composed of the following elements:

- a gross annual fixed component, which may be formed of: (i) employment salary, (ii) compensation for the position held pursuant to art. 2389 paragraph III of the Civil Code in the Company and/or in Group companies, or (iii) a combination of the two elements;
- an annual variable component rewarded for the achievement of pre-set targets (so-called MBO), paid also as compensation for the position held pursuant to art. 2389 paragraph III of the Civil Code in the Company and/or in Group companies;
- non-monetary benefits, mainly in the form of a company car and of insurance policies.

As mentioned earlier, a long to medium term incentive system is being developed (LTI).

All the elements of compensation form the **overall annual compensation**, that is, the sum (i) of the gross annual fixed component of compensation, and (ii) the annual variable component rewarded for the achievement of set targets.

The fixed component amounts generally to no less than 40% and up to a maximum of 85% of overall annual compensation.

The variable component amounts generally to no less than 15% and up to a maximum of 60% of overall annual compensation, however, up to a cap.

In 2012, as for 2011, the Board deemed not to decide on a result-based variable component for Urbano Cairo and for Marco Pompignoli, given that Cairo is the controlling shareholder, and for Pompignoli, by reason of the functions held, believing it, instead, appropriate to decide on a variable supplement of annual compensation, resolved *ex post*, based on business results achieved for the former and on quality and efficiency criteria for the latter, with a weight on overall compensation consistent with the above.

In addition to the above and by analogy with the guarantees of law and/or of the National Collective Labour Agreements for the Italian managers of the Group, executive directors who are not employed under a management contract may be granted:

- an end-of-service bonus (T.F.M.) pursuant to art. 17, paragraph 1, letter c) of the T.U.I.R. n. 917/1986, with characteristics similar to those typical of Severance Pay (TFR) pursuant to art. 2120 of the Civil Code granted by law to the managers of the Group;
- a policy (i) against accidents occurring while fulfilling their service and (ii) against non-occupational accidents with premiums charged to the Company; for the latter accidents, the premium is payable by the Company according to tax and fiscal regulations;
- compensation in case of permanent disability;
- further benefits typical of their office and currently acknowledged within the Group to Management.

The Board of Directors may provide (or if required by law, may propose to the Shareholders' Meeting), for executive directors and for Management, the adoption of incentive mechanisms by granting financial instruments or options on financial instruments which, if approved, are made public according to the procedures of law and to regulations. As at the date of this Report, the Company has no incentive plans through financial instruments.

The Board of Directors, upon the proposal of the Compensation Committee, may reward bonuses to these figures for specific transactions considered exceptional in terms of strategic importance and effects on the results of the Company and/or of the Group.

The Compensation Committee and the Board of Directors assess and approve, respectively, in advance further compensation granted to directors for any other particular positions assigned within the Board of Directors of subsidiary companies.

4.2.3 Compensation of non-executive and independent directors

As previously mentioned, in line with best practices, for non-executive and for independent directors, the Board of Directors has deemed not to provide for variable compensation components. Their compensation is, therefore, equivalent to the sum of the compensation for the office of Board Member, as resolved by the Shareholders' Meeting and divided by the Board of Directors (currently Euro 20 thousand), and of compensation for their attendance in Committees in which each of them is member.

4.2.4 Compensation of Editors-in-chief of publications and of Department Managers

The compensation of Editors-in-chief of publications and of Department Managers generally follows the above-mentioned policy.

Annual bonus to each individual (without prejudice to individual agreements, if any) is granted, unlike that to executive directors and Management, the Chairman and/or the CEO, based on an annual

performance assessment which underscores the importance of merit and professional quality, to ensure the retention of key resources.

In general, compensation of resources employed in staff and support areas is determined on the basis of positioning relative to the reference market (gradated according to the value of the resources, their role and retention strategies). For these resources, the variable component, which is normally of modest proportions, tends to increase on the basis of quality and efficiency criteria, rather than on the Group's economic performance.

5. Allowance in the event of resignation, dismissal or termination of employment

In general, the Cairo Communication Group does not enter with Directors and Management into agreements that govern, *ex ante*, the financial aspects arising in the event of early termination of their employment decided by the Company or by the individual (so-called "golden parachutes"); it must be mentioned that there are currently no agreements between the Company and directors that provide for allowance in the event of resignation or unjust dismissal, or in the event of termination of their employment relationship following a takeover bid.

6. Non-competition agreements

The Group may enter with the executive directors and with Management, into non-competition agreements that provide for payment of consideration.

It must be noted that agreements are in place:

- between the Company and Uberto Fornara which provide, prior to non-competition commitments in the year following termination of his employment as manager with the Company, for payment of a gross monthly consideration, throughout the year non-competition is effective, of 150% solely of the gross monthly salary in his capacity as manager, which will become effective upon termination of his relationship;
- between the Company and Giuseppe Ferrauto (general manager of Cairo Editore), which provide, prior to non-competition commitments in the 18 months following termination of his employment as manager with such Company, payment of a gross monthly consideration paid during an on-going employment relationship.

PART II: Information on Compensation

1. Information pursuant to art. 123^{ter} TUF, paragraph 2, letter (a)

With regard to financial year 2012, compensation of the Chairman and of other executive directors is provided as follows:

- to Urbano Cairo (Chairman and holder of the main executive and management powers): a Group-level gross annual fixed component for a total of Euro 1,005 thousand, and a variable component, determined *ex post* by the Board of Directors, based on overall quality assessments of activities carried out, in accordance with the Policy adopted for 2012, in addition to the non-monetary benefits illustrated in § 2 in this Part II;
- to Uberto Fornara (CEO): a Group-level gross annual fixed component for a total of Euro 500 thousand (comprising gross salary as manager) and an incentive-based variable component, in line with the the Policy illustrated in Part I, based on set targets mainly related to revenue growth in the advertising sector, subject to containment of the weight of the main variable items of cost of the sector and of the maximum weight on overall compensation in addition to the non-monetary benefits described in § 2 in this Part II;
- to Marco Pompignoli (board member responsible for overseeing the administration, finance and management control areas and also Financial Reporting Manager): a Group-level gross annual fixed component for a total of Euro 400 thousand, comprising gross salary as manager, and a premium-based variable component, determined *ex post* by the Board of Directors, based on overall quality assessments of activities carried out, in accordance with the Policy adopted for 2012, in addition to the non-monetary benefits described in § 2 in this Part II.

The variable components will be determined and paid in accordance with the policies under Part I of this Report.

In 2012, non-executive and independent directors are entitled to a portion of overall compensation decided on 28 April 2011 by the ordinary Shareholders' Meeting of Cairo Communication S.p.A., divided as follows between them (also considering the resolution of the Board of Directors of 12th march 2012): Euro 34 thousand to Antonio Magnocavallo (of which Euro 14 thousand for his participation in the Compensation Committee and the Audit Committee), Euro 20 thousand to Roberto Cairo, Euro 34 thousand to Marco Janni (of which Euro 14 thousand for his participation in the Compensation Committee and the Related Parties Committee), Euro 32 thousand to Mauro Sala (of which Euro 12 thousand for his participation in the Audit Committee and the Related Parties Committee) and Euro 40 thousand to Roberto Rezzonico (of which Euro 20 thousand for his participation in the Audit Committee, Compensation Committee and Related Parties Committee).

All board members are provided with a so-called *D&O (Directors & Officers) Liability* insurance policy for third-party liability of the company bodies and General Managers in the performance of their duties.

Managers with strategic responsibilities are provided with Group-level gross annual fixed compensation for a total of approximately Euro 660 thousand (comprising gross salary as manager) and incentive-based variable components established in accordance with the policy adopted in 2012, in addition to the non-monetary benefits described in § 2 in this Part II.

2. Information pursuant to art. 123^{ter} TUF, paragraph 2, letter (b)

The following information regards compensation paid for 2011 to the management and supervisory bodies.

As previously mentioned, the Board of Directors is composed of:

- (i) executive directors, who are granted with specific powers, Chairman Urbano Cairo, CEO Uberto Fornara and Marco Pompignoli;
- (ii) non-executive directors: Antonio Magnocavallo, Roberto Cairo;
- (iii) non-executive independent directors: Marco Janni, Mauro Sala and Roberto Rezzonico.

As at 31 December 2011, the Managers with strategic responsibilities qualified as such in the Cairo Communication Group were:

- Giuseppe Ferrauto (board member and General Manager and manager of Cairo Editore);
- Giuliano Cesari (executive director and General Manager of Cairo Pubblicità) and manager of Cairo Communication.

On 28 April 2011, the ordinary Shareholders' Meeting of Cairo Communication S.p.A. had resolved on overall annual compensation of Directors of Euro 220 thousand, assigning the Board of Directors the task of dividing the amount. On 3 May 2011, the Board of Directors divided the amount as follows: Euro 20 thousand for each board member and Euro 6.3 thousand for each of the three members of each of the three established Committees.

Specifically, compensation of non-executive and of independent directors in 2011 amounted to Euro 33 thousand for Antonio Magnocavallo, Euro 20 thousand for Roberto Cairo, Euro 33 thousand for Marco Janni, Euro 33 thousand for Mauro Sala and Euro 40 thousand for Roberto Rezzonico.

A so-called D&O (*Directors & Officers*) Liability insurance policy for third-party liability is provided for the company bodies and General Managers in the performance of their functions.

Compensation for 2011 of Chairman Urbano Cairo, holder of the main executive and management powers, is composed of a gross annual fixed component (for a total of Euro 1,005 thousand, of which Euro 500 thousand from Cairo Communication, Euro 500 thousand from Cairo Editore and Euro 5 thousand from Cairo Pubblicità) and of an incentive-based quality component, resolved *ex post* (amounting to Euro 200 thousand), for a total of Euro 1,205 thousand at Group level, in addition to various non-monetary benefits described below:

- on 12 May 2011, the Board of Directors, upon the proposal of the Compensation Committee and with the favourable opinion of the Related Parties Committee, having regard also to compensation received in other Group companies, resolved, for Urbano Cairo, pursuant to art. 2389, paragraph III of the Civil Code, fixed compensation of Euro 480 thousand for his position as Chairman, further to compensation of Euro 20 thousand as Board Member. The Board had deemed, instead, not to decide on variable compensation of the Chairman, being the controlling

shareholder, believing it, instead, appropriate to decide on a supplement of annual compensation, resolved *ex post*, based on business results achieved, for a substantial portion determined by his activity as Chairman;

- on 14 February 2012, the Board of Directors, based on the final results of financial year 2011, upon the proposal of the Compensation Committee, and with the favourable opinion of the Related Parties Committee, based on overall quality assessments of activities carried out, resolved, for the Chairman, on supplementary compensation for 2011 amounting to Euro 200 thousand (approximately 17% of his overall Group-level compensation); partial deferred payment of this variable component is not provided;
- for 2011, Urbano Cairo received from Cairo Editore fixed compensation, pursuant to art. 2389, paragraph III of the Civil Code, of Euro 500 thousand, and from the subsidiary Cairo Pubblicità, fixed compensation for his position of Euro 5 thousand;
- Urbano Cairo is not employed under a management contract with the Group, therefore, by analogy with the guarantees of law and/or of the National Collective Labour Agreements for managers, is granted insurance policies similar to those currently acknowledged within the Group to managers: an insurance policy against occupational and non-occupational accidents; a permanent disability policy and a policy for healthcare expenses, in addition to the use of a company car;
- for the sake of completeness, mention must be made that the Chairman is not included in incentive-based plans through financial instruments - none are in place as at the date of this Report - and that there are no agreements entered into between the Company and the Chairman providing for allowance in the event of early termination of employment as at the date of this Report.

Compensation of CEO Uberto Fornara for 2011 is composed of a fixed annual gross component (for a total of Euro 464 thousand, of which Euro 359 thousand from Cairo Communication, comprising Euro 279 thousand as gross salary as manager, Euro 100 thousand from Cairo Pubblicità and Euro 5 thousand from Cairo Editore) and of an incentive-based variable component (amounting to Euro 395 thousand); overall Group-level compensation amounted to Euro 859 thousand, in addition to various non-monetary benefits described below:

- Uberto Fornara is also manager of Cairo Communication, with an annual gross salary in 2011 of Euro 279 thousand and further benefits currently acknowledged within the Group to managers, specifically, a company car and a supplementary policy for healthcare expenses;
- on 12 May 2011, the Board of Directors, upon the proposal of the Compensation Committee, and with the favourable opinion of the Related Parties Committee, having regard to compensation received in other Group companies, resolved, for Uberto Fornara, pursuant to art. 2389, paragraph III of the Civil Code, on fixed compensation of Euro 60 thousand for his position as

CEO, further to compensation of Euro 20 thousand for his position as Board Member, and on an incentive-based variable component based on set targets mainly related to revenue growth in the advertising sector, subject to containment of the weight of main variable items of cost of the sector, up to a maximum of Euro 500 thousand.

- Under the resolutions adopted by the Board of Directors on 12 May 2011, on 14 February 2012, the Board of Directors, based on the final results of financial year 2011, upon the proposal of the Compensation Committee, and with the favourable opinion of the Related Parties Committee, acknowledged the achievement by Uberto Fornara of a variable compensation of Euro 395 thousand; partial deferral of payment is not provided for such variable compensation;
- for 2011, Uberto Fornara received from Cairo Pubblicità, where he is CEO, fixed compensation pursuant to art. 2389, paragraph III of the Civil Code, of Euro 100 thousand, and compensation for his position from the subsidiary Cairo Editore of Euro 5 thousand;
- for the sake of completeness, mention must be made that the CEO is not included in incentive-based plans through financial instruments - none are in place as at the date of this Report - and that there are no agreements entered into between the Company and the CEO providing for allowance in the event of early termination of employment;
- agreements are in place between the Company and Uberto Fornara which provide, prior to non-competition commitments in the year following termination of his employment as manager with the Company, for payment of a gross monthly consideration, throughout the year non-competition is effective, of 150% solely of the gross monthly salary in his capacity as manager, which will become effective upon termination of his relationship.

Compensation for 2011 of Board Member Marco Pompignoli, who is responsible for overseeing Group administration, finance and management control areas and is also Financial Reporting Manager, in accordance with the above-mentioned general policy, is composed of a gross annual fixed component (for a total of Euro 389 thousand, of which Euro 294 thousand from Cairo Communication, comprising Euro 184 thousand as gross salary as manager, Euro 90 thousand from Cairo Pubblicità and Euro 5 thousand from Cairo Editore) and of a quality incentive-based component, resolved *ex post* (amounting to Euro 110 thousand), for a total of Euro 499 thousand, in addition to various non-monetary benefits described below:

- Marco Pompignoli is also manager of Cairo Communication, with a gross annual salary in 2011 of Euro 184 thousand and further benefits currently recognized within the Group to managers, specifically, a company car and a supplementary policy for healthcare expenses;
- on 12 May 2011, the Board of Directors, upon the proposal of the Compensation Committee, and with the favourable opinion of the Related Parties Committee, having regard also to compensation received in other Group companies, resolved, for Marco Pompignoli, pursuant to art. 2389, paragraph III of the Civil Code, on a fixed compensation of Euro 90 thousand for

specific powers granted with, further to compensation of Euro 20 thousand for his position as Board Member. The Board deemed, instead, not to resolve for Pompignoli on a result-based variable compensation, by reason of his functions, believing it, instead, appropriate to decide on a supplement of annual compensation, resolved *ex post*, based on an overall assessment of quality and efficiency criteria.

- on 14 February 2012, the Board of Directors, taking into account the final results of 2011, upon the proposal of the Compensation Committee, and with the favourable opinion of the Related Parties Committee, based on overall quality assessments of activities carried out, resolved, for Marco Pompignoli, on a supplementary compensation for 2011 of Euro 110 thousand (approximately 20% of his overall Group-level compensation);
- for 2011, Marco Pompignoli received from Cairo Editore a fixed compensation, pursuant to art. 2389, paragraph III of the Civil Code, of Euro 5 thousand and compensation for his position from the subsidiary Cairo Pubblicità of Euro 90 thousand;
- for the sake of completeness, mention must be made that Marco Pompignoli is not included in incentive-based plans through financial instruments - none are in place as at the date of this Report - and that there are no agreements entered into between the Company and the director providing for allowance in the event of early termination of employment.

The figures that qualify as Managers with strategic responsibilities, Giuseppe Ferrauto (board member and General Manager and manager of Cairo Editore) and Giuliano Cesari (executive director and General Manager of Cairo Pubblicità and manager of Cairo Communication) received in financial year 2011 a total of Euro 763 thousand, comprising Group-level gross annual fixed compensation for a total of Euro 629 thousand (comprising gross salary as manager) and incentive-based variable components of Euro 134 thousand, in addition to further benefits currently recognized within the Group to managers, specifically, a company car and a supplementary insurance policy for healthcare expenses.

To date, no share-based incentive plans (stock options) are provided for directors and/or managers with strategic responsibilities.

For 2011, no incentive plans were provided for directors and/or managers with strategic responsibilities based on financial instruments other than *stock options (restricted stocks, performance shares, phantom stocks, etc.)*, nor monetary incentive plans.

No agreements have been entered into between the Issuer and the directors providing for allowance in the event of resignation or unjust dismissal/revocation or in the event of termination of the employment relationship following a takeover bid.

Chart 1- Compensation paid to members of the management and supervisory bodies, to general managers and to other managers with strategic responsibilities

Name and surname	Position	Period during which the position was held	Expiry of position	Fixed compensation	Compensation for attendance in committees	Non-equity variable compensation		Non-monetary benefits	Other compensation	Total	Fair value of equity compensation	End of service or termination of employment allowance
						Bonuses and other incentives	Profit sharing					
Urbano Cairo	Chairman	1/1-31/12 2011	App. f.s 2013									
(I) Compensation in the company preparing the accounts				500	-	200	-	16	-	716	-	-
(II) Compensation from subsidiaries and associates				505	-	-	-	-	-	505	-	-
(III) Total				1,005	-	200	-	16	-	1,221	-	-
Uberto Fornara	CEO	1/1-31/12 2011	App. f.s 2013									
(I) Compensation in the company preparing the accounts				359	-	395	-	4	-	758	-	-
(II) Compensation from subsidiaries and associates				105	-	-	-	-	-	105	-	-
(III) Total				186	-	395	-	4	279	863	-	-
Marco Pompignoli	Board member	1/1-31/12 2011	App. f.s 2013									
(I) Compensation in the company preparing the accounts				294	-	110	-	4	-	408	-	-
(II) Compensation from subsidiaries and associates				95	-	-	-	-	-	95	-	-
(III) Total				205	-	110	-	4	184	503	-	-
Roberto Cairo	Board member	1/1-31/12 2011	App. f.s 2013									
(I) Compensation in the company preparing the accounts				20	-	-	-	-	-	20	-	-
(II) Compensation from subsidiaries and associates				-	-	-	-	-	-	-	-	-
(III) Total				20	-	-	-	-	-	20	-	-
Marco Janni	Board member	1/1-31/12 2011	App. f.s 2013									
(I) Compensation in the company preparing the accounts				20	13	-	-	-	-	33	-	-
(II) Compensation from subsidiaries and associates				-	-	-	-	-	-	-	-	-
(III) Total				20	13	-	-	-	-	33	-	-
Antonio Magnocavallo	Board member	1/1-31/12 2011	App. f.s 2013									
(I) Compensation in the company preparing the accounts				20	13	-	-	-	-	33	-	-
(II) Compensation from subsidiaries and associates				-	-	-	-	-	-	-	-	-
(III) Total				20	13	-	-	-	-	33	-	-
Roberto Rezzonico	Board member	1/1-31/12 2011	App. f.s 2013									
(I) Compensation in the company preparing the accounts				20	20	-	-	-	-	40	-	-
(II) Compensation from subsidiaries and associates				-	-	-	-	-	-	-	-	-
(III) Total				20	20	-	-	-	-	40	-	-
Mauro Sala	Board member	1/1-31/12 2011	App. f.s 2013									
(I) Compensation in the company preparing the accounts				20	13	-	-	-	-	33	-	-
(II) Compensation from subsidiaries and associates				-	-	-	-	-	-	-	-	-
(III) Total				20	13	-	-	-	-	33	-	-
Managers with strategic responsibilities		n/a	n/a									
(I) Compensation in the company preparing the accounts				167	-	-	-	4	-	171	-	-
(II) Compensation from subsidiaries and associates				462	-	134	-	4	-	600	-	-
(III) Total				629	-	134	-	8	-	771	-	-

(A)	(B)	(C)	(D)	(1)	(2)	(3)		(4)	(5)	(6)	(7)	(8)
Name and surname	Carica	Periodo per cui è stata ricoperta la Carica	Scadenza della carica	Compensi fissi	Compensi per la partecipazione a comitati	Compensi variabili non equity		Benefici non monetari	Altri compensi	Total	Fair Value dei compensi equity	Indennità di fine carica o di cessaz. rapporto di lavoro
						Bonuses and other incentives	Partecipazione agli utili					
Marco Moroni	Chairman auditor	1/1-31/12 2011	App. f.s 2013									
(I) Compensation in the company preparing the accounts				30	-	-	-	-	-	30	-	-
(II) Compensation from subsidiaries and associates				16	-	-	-	-	-	16	-	-
(III) Total				46	-	-	-	-	-	46	-	-
Marco Moroni	Standing auditor	1/1-31/12 2011	App. f.s 2013									
(I) Compensation in the company preparing the accounts				20	-	-	-	-	-	20	-	-
(II) Compensation from subsidiaries and associates				10	-	-	-	-	-	10	-	-
(III) Total				30	-	-	-	-	-	30	-	-
Marco Moroni	Standing auditor	1/1-31/12 2011	App. f.s 2013									
(I) Compensation in the company preparing the accounts				20	-	-	-	-	-	20	-	-
(II) Compensation from subsidiaries and associates				-	-	-	-	-	-	-	-	-
(III) Total				20	-	-	-	-	-	20	-	-

With regard to the single items shown in Chart 1, for those not treated in the first section of this Part II, mention must be made of:

- Compensation for participation to the committees: Antonio Magnocavallo is member of the Compensation Committee and of the Audit Committee; Marco Janni is member of the Compensation Committee and of the Related Parties Committee; Mauro Sala is member of the Audit Committee and of the Related Parties Committee; Roberto Rezzonico is member of the Compensation Committee, of the Audit Committee and of the Related Parties Committee: compensation of directors for their attendance in each committee in 2011 amounted to Euro 6.3 thousand;
- Non-monetary benefits: these refer, for Urbano Cairo, to the amount for tax purposes of insurance policies for Euro 9 thousand and to the company car for Euro 7 thousand; for Uberto Fornara, to the amount for tax purposes of insurance policies for Euro 1 thousand and to the company car for Euro 3 thousand; for Marco Pompignoli, to the amount for tax purposes of insurance policies for Euro 1 thousand and to the company car for Euro 3 thousand; for the Managers with strategic responsibilities, to the amount for tax purposes of insurance policies for Euro 2 thousand and to the company car for Euro 6 thousands.
- Board of Auditors: the Shareholders' Meeting appointed for a three-year period, until approval of the financial statements as at 31 December 2013, the three statutory auditors Marco Moroni, Chairman, Maria Pia Maspes and Marco Giuliani, establishing the amount of Euro 70 thousand as overall annual compensation of the Board, divided in Euro 30 thousand for the Chairman and Euro 20 thousand for each of the two other auditors; Marco Moroni is also chairman of the Board of Auditors of Cairo

Editore, with a compensation of Euro 10.5 thousand, and of Cairo Pubblicità, with a compensation of Euro 6 thousand; Maria Pia Maspes is also Auditor of Cairo Editore, with a compensation of Euro 6 thousand, and of Cairo Pubblicità, with a compensation of Euro 4 thousand.

Chart 2. Monetary incentive plans to members of the management body, to general managers and to other managers with strategic responsibilities (€ thousands)

(A)	(B)	(1)	(2)			(3)			(4)
Surname	Position	Plan	Bonus of the year			Bonus of previous years			Other bonuses
			(A)	(B)	(C)	(A)	(B)	(C)	
Cairo Urbano	Chairman		Payable/Paid	Deferred	Deferral period	No longer payable	Payable/Paid	Still deferred	
(I) Compensation in the company preparing the accounts	Plan A (date of relating resolution)		-	-	-	-	-	-	200
(II) Compensation from subsidiaries and associates			-	-	-	-	-	-	-
(III) Total			-	-	-	-	-	-	200
Uberto Fornara	CEO								
(I) Compensation in the company preparing the accounts	Plan A (12 May 2011)		395	-	-	-	-	-	-
(II) Compensation from subsidiaries and associates			-	-	-	-	-	-	-
(III) Total			395	-	-	-	-	-	-
Marco Pompignoli	Board Member								
(I) Compensation in the company preparing the accounts	Plan A (date of relating resolution)		-	-	-	-	-	-	110
(II) Compensation from subsidiaries and associates			-	-	-	-	-	-	-
(III) Total			-	-	-	-	-	-	110
Managers with strategic resp.									
(I) Compensation in the company preparing the accounts	Plan A (date of relating resolution)		-	-	-	-	-	-	-
(II) Compensation from subsidiaries and associates			-	-	-	-	-	-	134
(III) Total			-	-	-	-	-	-	134

Chart 2 summarizes the variable monetary component of compensation previously shown in Chart 1.

Investments held by members of the supervisory bodies and by managers with strategic responsibilities

The following information regards investments held by members of the management and supervisory bodies, by general managers and by other managers with strategic responsibilities:

Name and surname	Invested company	Number of shares held at the end of the previous financial year	Number of shares purchased/ Other movements	Number of shares sold/ Other movements	Number of shares held at the end of the current financial year
Urbano R. Cairo *	Cairo		-	-	
	Communication	57,120,000			57,120,000
	Cairo Editore	510	-	-	510
“					
“	Diellesei S.r.l. in liquidation	800,000	-	-	800,000
Roberto Cairo		100,000	-	-	100,000
Uberto Fornara		229,120		-	229,120
Marco Janni		-	-	-	-
Antonio Magnocavallo		-	-	-	-
Marco Pompignoli		114,000			114,000
Roberto Rezzonico		-	-	-	-
Mauro Sala		-	-	-	-
Marco Moroni		-	-	-	-
Marco Giuliani		-	-	-	-
Maria Pia Maspes		-	-	-	-
Managers with strategic responsibilities		88,200	-	-	88,200

- *Shares held directly and/or through “U.T. COMMUNICATIONS S.p.A.” and its subsidiaries*

For the Board of Directors
Chairman
Urbano Cairo