

A large, stylized graphic of an eye in shades of blue, positioned in the upper right quadrant of the slide. The eye is composed of concentric circles and a central pupil area, all rendered in a gradient of blue tones.

CAIRO COMMUNICATION

Company Overview and 2017-2018 Business Plan

Milan, June 17th 2016

Agenda

- **Group overview**
- **Business Plan 2017-2018**
- **Integration Plan with RCS**

Cairo Communication

A diversified player in the Media Industry

TV-LA7



Cairo Editore



Editoriale G.Mondadori



Advertising-Cairo Pubblicità



Cairo Publishing

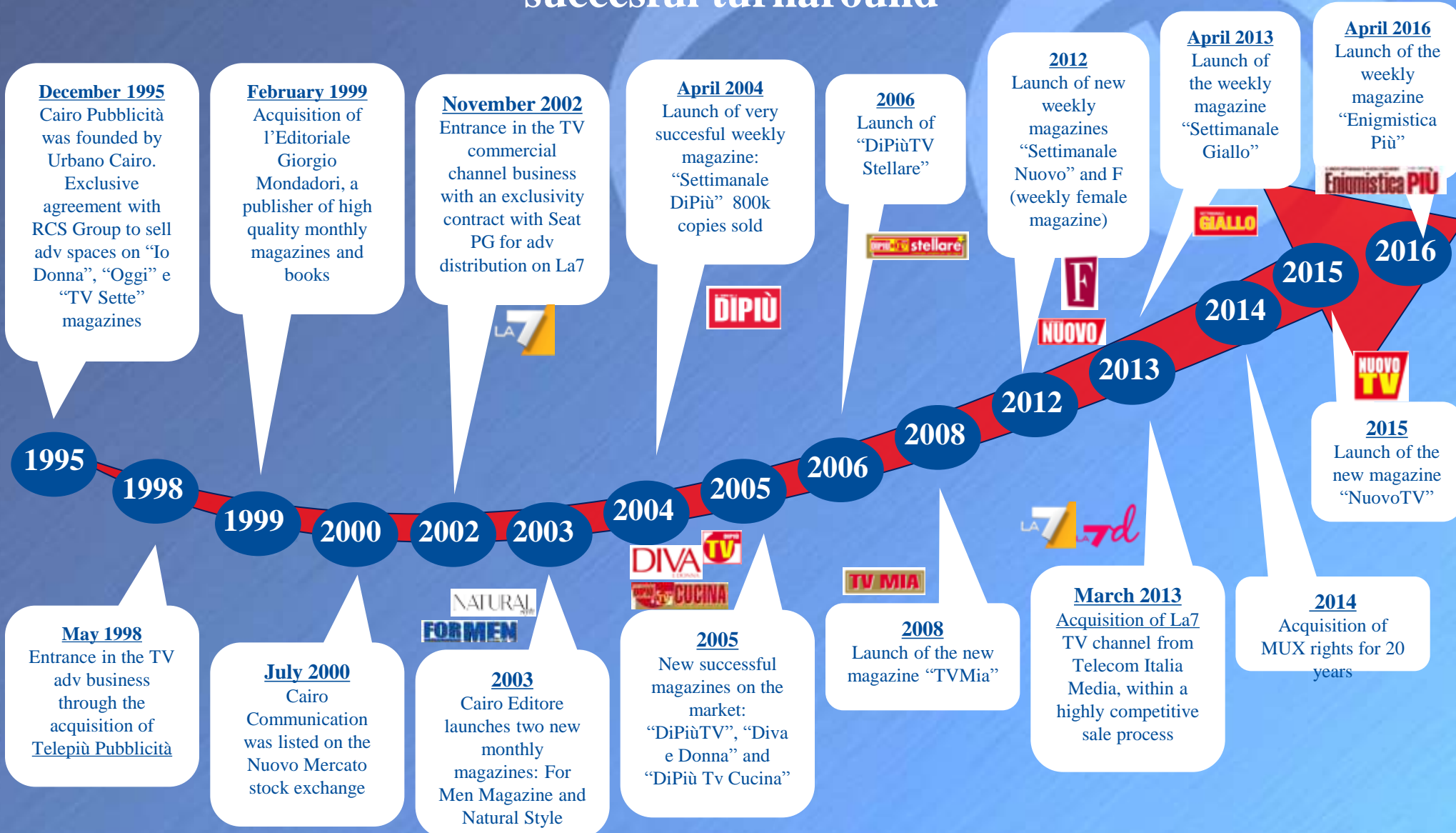


Internet



CAIRO COMMUNICATION

A history of growth, with a proven track-record of successful turnaround



Agenda



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Main macro-economic assumptions underlying the plans out of the management control

Cairo Communication Group and RCS Mediagroup operate in the media industry and their activity is influenced by the overall macro-economic scenario and the specific trends of this industry.

The following table summarizes the macro-economic variables considered in the Cairo Communication Plan and in the Integrated Plan:

	2016	2017	2018
GDP Italy (*) - %	0,95%	1,11%	1,04
GDP Spain (*) - %	2,64%	2,26%	1,97%
Private Consumption Italy (**) - € millions	1.013	1.039	1.068
Private Consumption Spain (**) - € millions	636	658	679

In addition Cairo Communication has considered the trend in the specific advertising markets segments in which Cairo Communication and RCS Mediagroup operate:

Cagr	Italy	Spain
Overall Advertiser	+2,0%%	+6,0%%
TV Advertiser	+1,0%	-
Newspapers and Magazines offline advertising	-4,5%	+2,0%
On line advertising	+8%	+12%

For the circulation Cairo Communication has assumed the same negative trend of the last two years both in Italy and Spain

2017-2018 Focus on growing products

Cairo Communication Group pursues **growth strategies for both publishing and tv divisions:**

Publishing

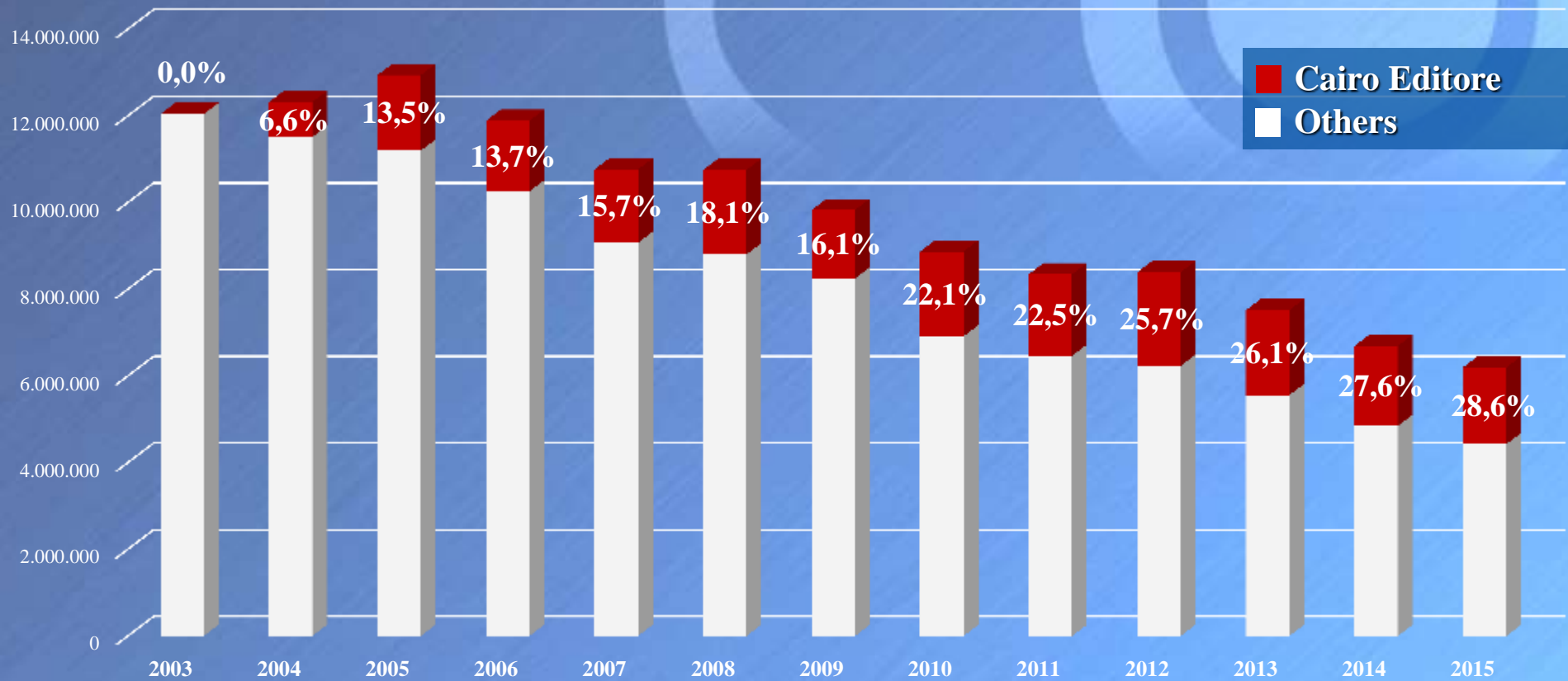
- Within **publishing division**, the Group aims at **increasing the top-line by:**
 - Reaching **full potential of existing products**
 - **Widening the range** of products offered (1 new launch in 2017)
 - **Consolidating the Group positioning** especially in some niches (e.g magazines for women)

TV

- Within **tv division**, the Group plans to:
 - **Increase market share of La7 e La7D** thanks to audience increase, supported by significantly increased investments in program contents and new rights
 - Add **two channels over the business plan time horizon** (leveraging the new available transmission band)
 - consolidate **cost rationalization** by **managing MUX internally** (action already in place)

Magazine market still shrinking but Cairo Communication market share increases thanks to new launches

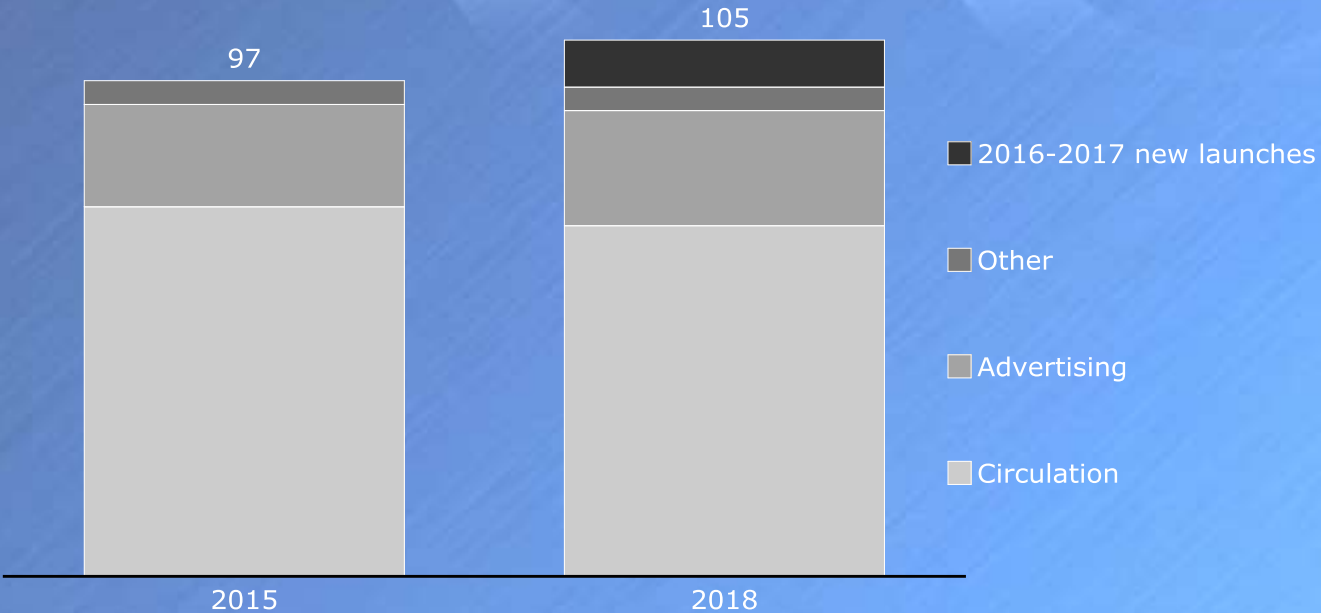
Weekly magazines (copies) market trend



Enigmistica Più and a new journal lead Cairo to increase its publishing revenues by ~10% in the next three years

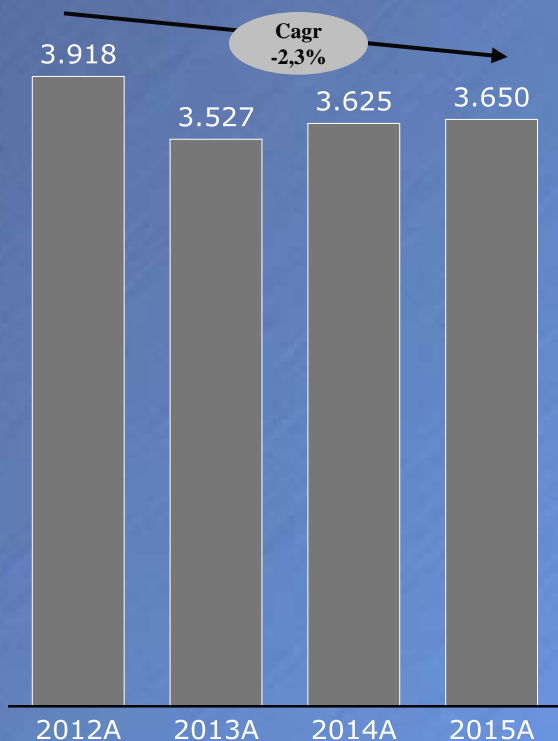
Cairo Communication - Publishing revenues 2015A – 2018E

Publishing Revenues
[Mln €]

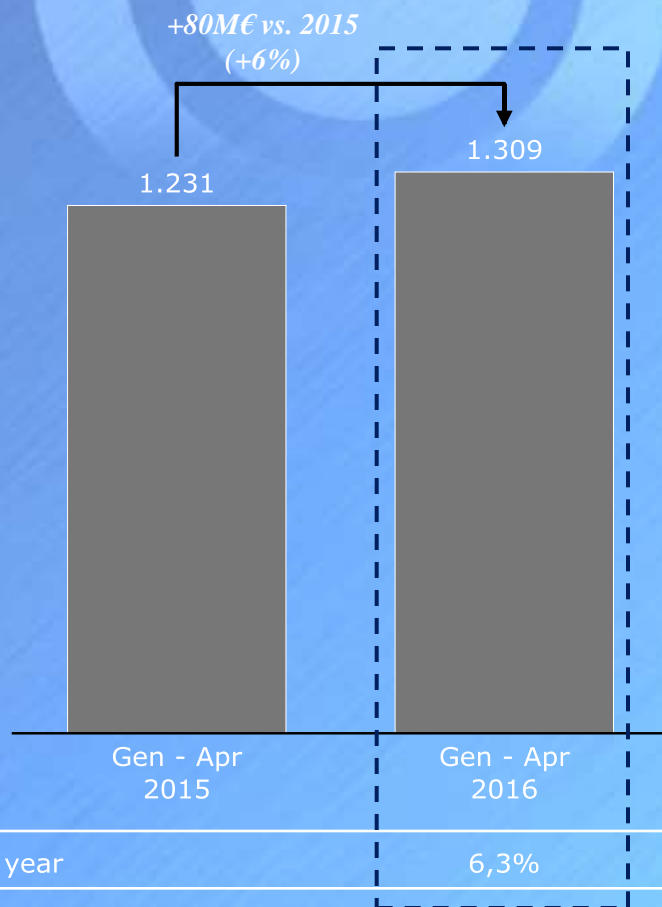


TV advertising market shows recovery signs

TV ADVERTISING MARKET
2012 – 2015 (M€)



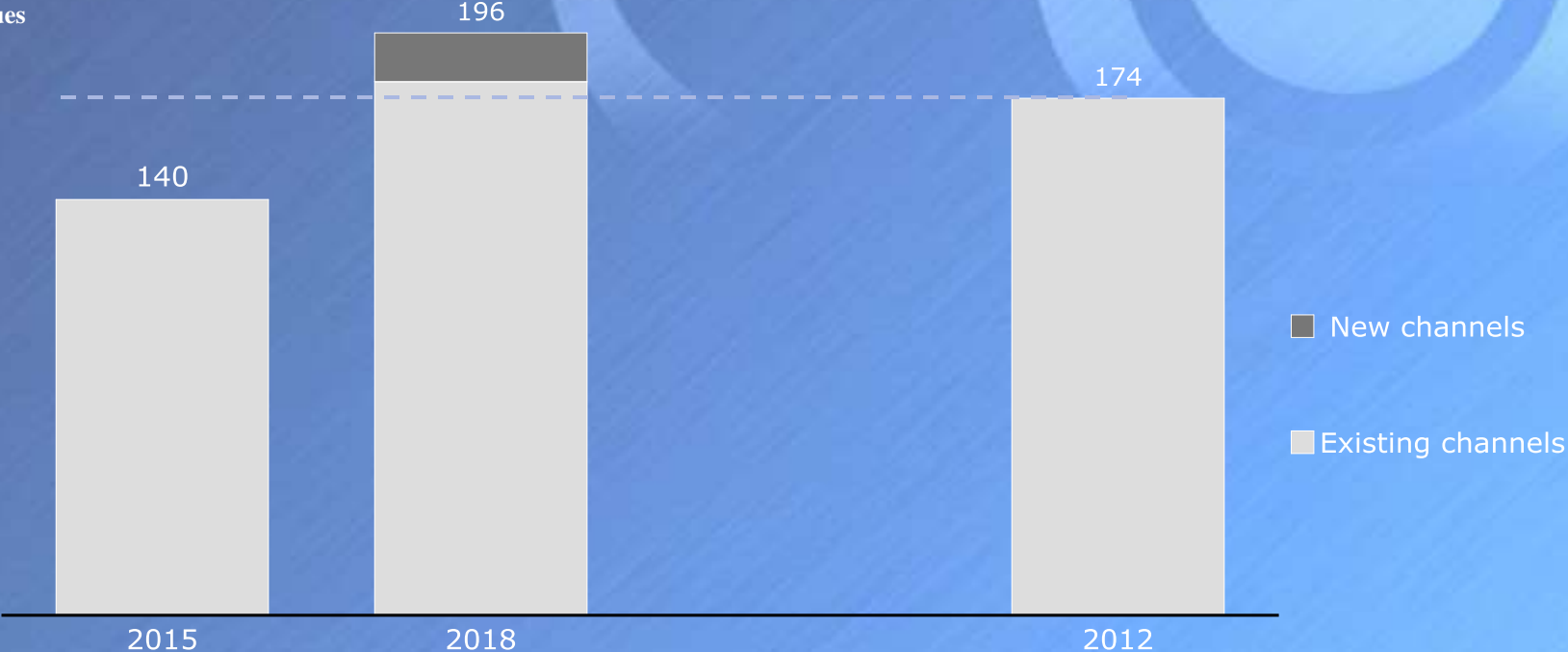
TV ADVERTISING MARKET
FOUR MONTHS PERIOD TREND (M€)



TV advertising revenues expected to grow versus 2013-2015 weak levels and to benefit from revenues generated by new channels

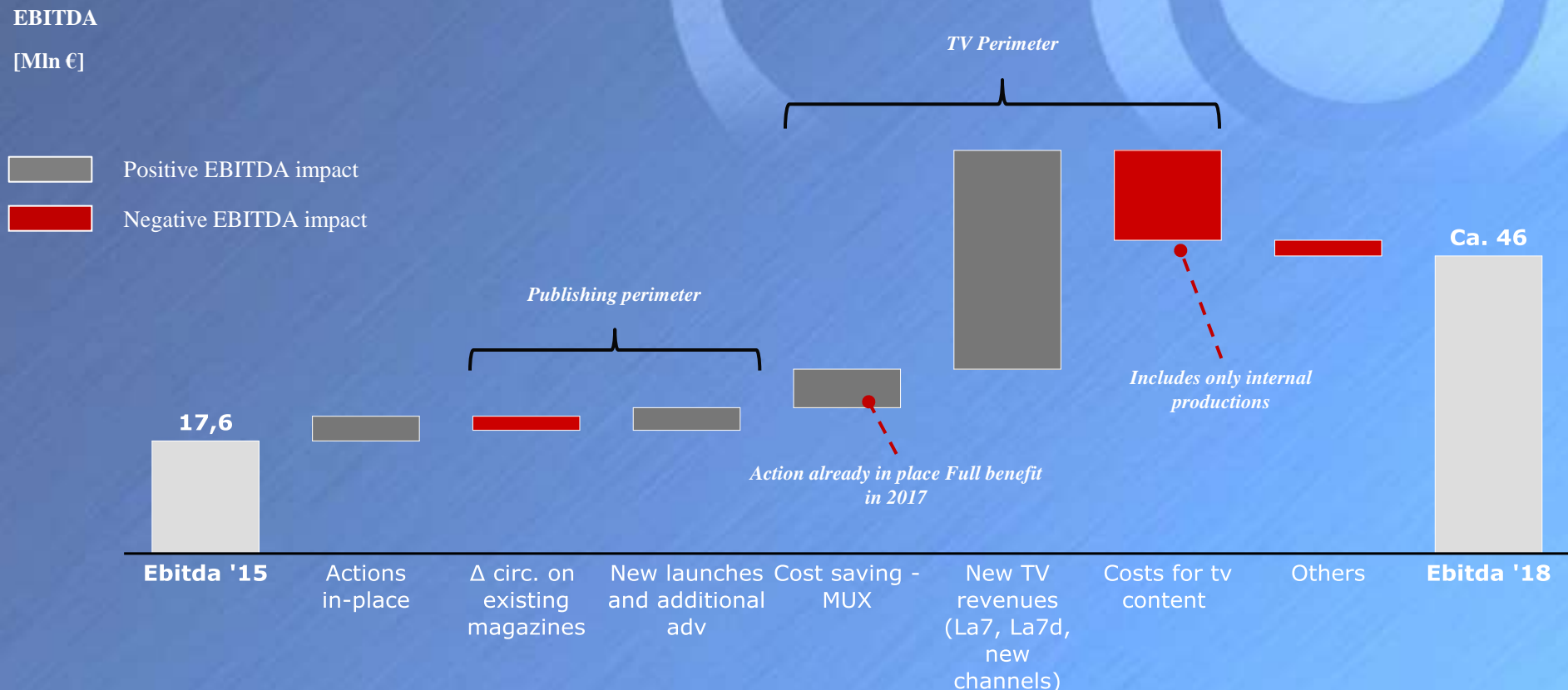
CAIRO COMMUNICATION – TV GROSS ADVERTISING REVENUES TREND

Advertising Revenues
[Mln €]



Increase of La7 and La7d market share and new channels have the major impact on EBITDA improvement 2018 vs 2015

Cairo Communication – EBITDA bridge '15-'18

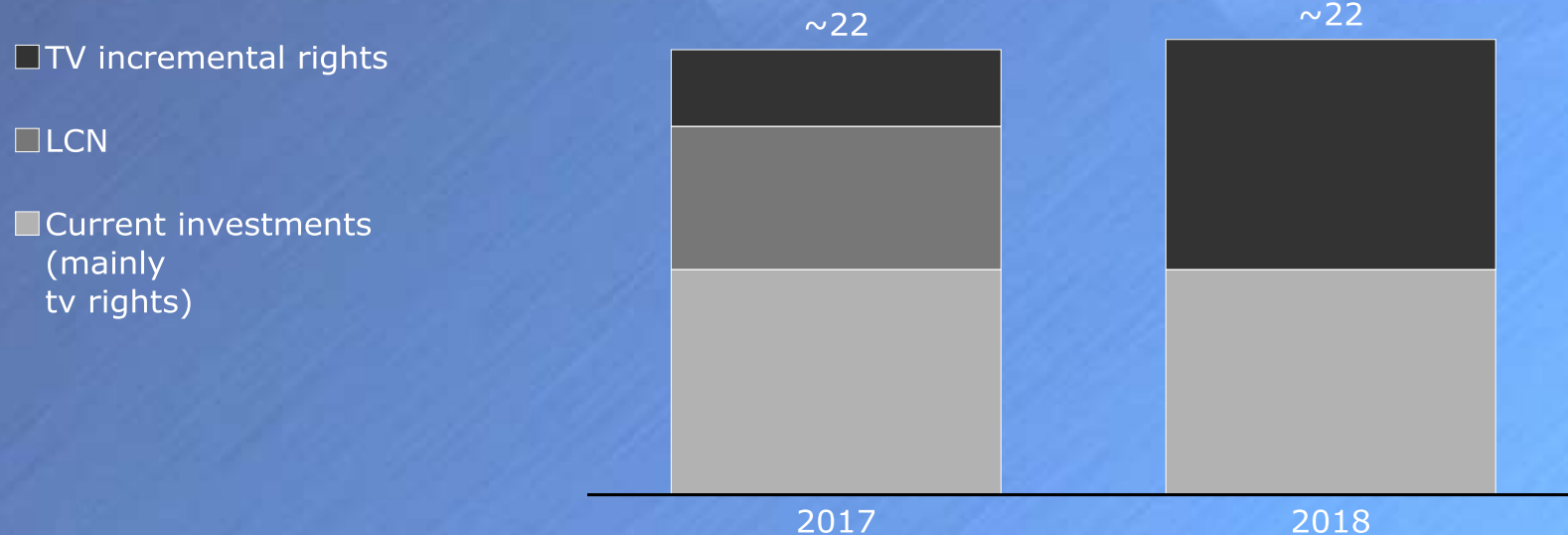


Note: Others include changes in personnel costs and changes in other revenues

Source: Company data; Management projections

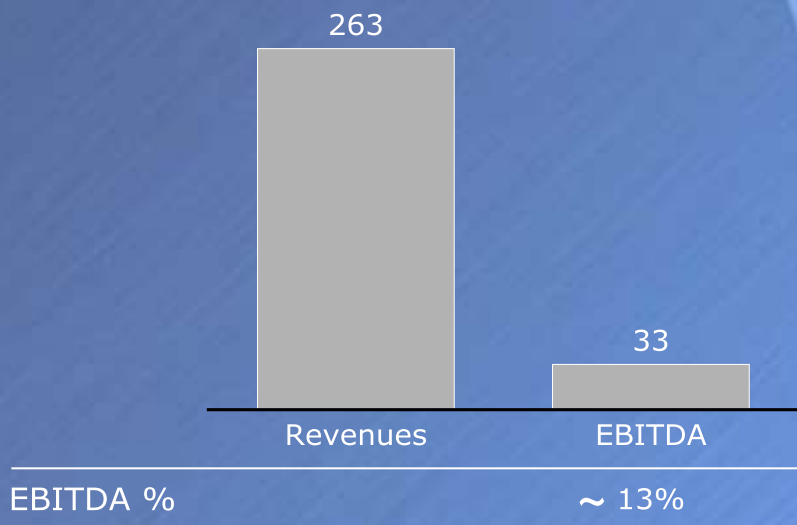
Cairo Communication to invest about 45M€ to support its business plan, entirely covered by operating cash flow generated

CAPEX EVOLUTION 2017-2018

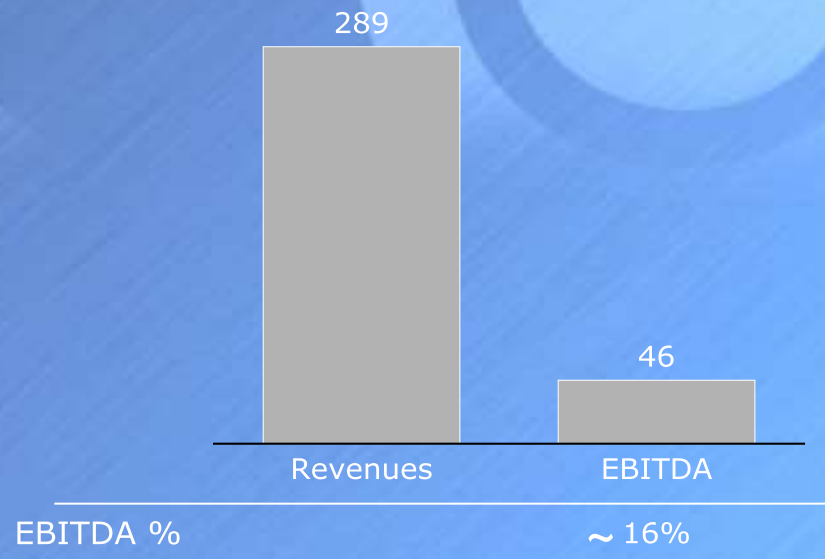


Cairo Communication expected results

REVENUES AND EBITDA 2017 (M€)



REVENUES AND EBITDA 2018 (M€)



Note: EBITDA is defined as Operating profit before amortization and depreciation, bad debt impairment losses and provisions for risks

Source: Company data; Management projections

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2017-2018 Integrated plan is focused on two main strategic pillars

1

Cost structure
efficiency

2

Revenues
full potential

2017-2018 INTEGRATED PLAN

① Actions underlying cost optimization

Rationalization of all operating costs

- Review of all external costs, evaluating also the re-insourcing of selected activities, with a zero cost base approach
- Increase production plants saturation, also through partnership with other national players
- Continue the integration between on-line and off-line newsrooms
- Review all procurement processes

Cost Synergies with Cairo Communication

- Establishment of shared services activities to reduce general expenses costs
- Integration of the magazines distribution
- Achievement of economies of scale for common purchases (e.g. paper, advertising, professional services, ...)
- Synergies between the advertising agencies creating common multi-media programs and rationalizing
- Concentration of the magazines production in common production centres

2017-2018 INTEGRATED PLAN

② Actions underlying revenue full potential (Italy and Spain)

Newspapers content enrichment

- **Leverage on the existing excellences and media competences** in order to **preserve the strong identity and editorial independence**
- Offer **high level quality contents** to capture more sophisticated market segments with higher growth potential
- **Take advantage of the synergies between Corriere della Sera and La7 tv**, both focused on similar audience

Re-focus magazines

- **Re-focus selected magazines** (e.g. IoDonna, Sette, ...) on specific customers segments
 - Fashion, Luxury and Style
 - Newsmagazine
 - Economy and Finance
- Achieve **full potential of the magazines with high brand awareness** (e.g. Oggi)

Sport Events

- Leverage the sport leadership in the Italian and Spanish market creating a **pan-European rights and contents platform to become the source of choice for specific sport**
- **Strengthen Giro d'Italia and other events revenues** (e.g. tv rights, advertising, etc) **and margins in line with international benchmark** (e.g. Tour de France)

2017-2018 INTEGRATED PLAN

② Actions underlying revenue full potential (Italy and Spain)

Digital platforms enhancement

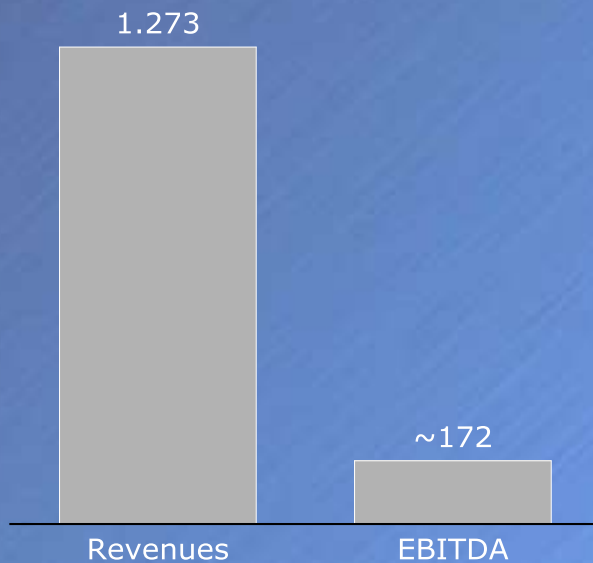
- Increase traffic thanks to the contents enrichment and quality enhancement
- Optimization of traffic monetization
 - A more efficient and structured users profiling enabling to address selected contents
 - Increase sales thanks to dedicated advertising sales force
- The achievement of these results will be supported by investments in dedicated capabilities, also considering partnerships with internet players, social media and start-ups

Product offer expansion

- Pursue expansion of magazines in Spain through the approach implemented by Cairo Communication in Italy
- Development of new content verticals (e.g. real-estate, healthy and beauty, ...)
- Multimedia programs between advertising agencies

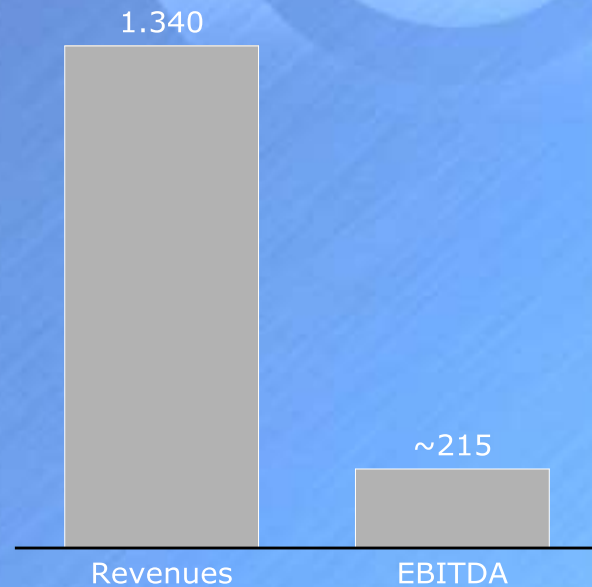
Integrated Plan expected results

REVENUES AND EBITDA 2017 (M€)



EBITDA % ~ 13%

REVENUES AND EBITDA 2018 (M€)



EBITDA % ~ 16%

Note: EBITDA is defined as operating profit before share of profits of equity-accounted investees, amortization and depreciation and impairment losses on non-current assets

The Integrated Plan capex projection

CAPEX EVOLUTION 2017-2018

