



## CAIRO COMMUNICATION

### **Press Release – Interim Management Report at 31 March 2015**

In 1Q15, the Cairo Communication Group continued to achieve positive results in its traditional segments (magazine publishing and advertising) and worked on strengthening the results of the cost rationalization measures in the TV publishing segment (La7) implemented in 2013 and 2014:

- consolidated gross revenue amounted to Euro 64.1 million (Euro 68.5 million in 2014)
- consolidated gross operating profit (EBITDA) and operating profit (EBIT) came to approximately Euro 2.6 million and Euro 0.7 million (Euro 5.8 million and Euro 4.6 million in 1Q14)
- consolidated profit was approximately Euro 1.9 million (Euro 4.9 million in 1Q14)
- gross operating profit (EBITDA) and operating profit (EBIT) in the magazine publishing segment increased by 35% and 40% respectively versus 1Q14 to approximately Euro 3.2 million and Euro 3 million (Euro 2.4 million and Euro 2.1 million in 1Q14)

**Milan, 15 March 2015:** at its meeting today, the Board of Directors of Cairo Communication reviewed and approved the Interim Management Report at 31 March 2015.

In 1Q15, despite the high degree of uncertainty of the economic context in general and specifically of its relevant markets (advertising and publishing), and despite the drop reported by advertising revenue caused by the market trend, the Cairo Communication Group:

- achieved a strong growth in results in the magazine publishing segment, with gross operating profit (EBITDA) and operating profit (EBIT) increasing by approximately 35% and 40% respectively versus 1Q14 and reaching Euro 3.2 million and Euro 3 million, confirming the high circulation levels of the publications, and worked on improving the levels of efficiency reached in containing costs (production, publishing and distribution);
- continued to work on strengthening the results of the rationalization and cost-curbing measures achieved in the TV publishing segment (La7) in 2013 and 2014.

In 1Q15, consolidated gross revenue amounted to approximately Euro 64.1 million (Euro 68.5 million in 2014). Consolidated gross operating profit (EBITDA) and operating profit (EBIT) came to approximately Euro 2.6 million and Euro 0.7 million (Euro 5.8 million and Euro 4.6 million in 1Q14). Consolidated profit was approximately Euro 1.9 million (Euro 4.9 million in 1Q14).

Specifically,

- in the **magazine publishing segment**, gross operating profit (EBITDA) and operating profit (EBIT) came to Euro 3.2 million and Euro 3 million, with a strong growth versus 1Q14 (respectively Euro 2.4 million and Euro 2.1 million). The period under review confirmed the excellent circulation results, with circulation revenue increasing to Euro 17.7 million (Euro 17.5 million in 1Q14). Regarding weeklies, with over 1.8 million average copies sold in the January-March three-month period of 2015, the Group retains its position as the leading publisher in copies of weeklies sold at newsstands, with an over 25% market share;
- in the **TV publishing segment (La7)**, the Group continued to work on strengthening the results of the rationalization and cost-curbing measures achieved in 2013 and 2014. As a result of the trend of

advertising revenue, gross operating profit (EBITDA) and operating profit (EBIT) came to a negative figure of approximately Euro -1.4 million and Euro -2.7 million. Given the characteristics of La7's programming schedule and distribution of advertising revenue over the year, the first quarter usually has a higher percentage of costs incurred for in-house productions on revenue, compared to the rest of the year. Operating profit (EBIT) benefited in the consolidated financial statements from lower amortization and depreciation of Euro 3.5 million, due to the write-down of tangible and intangible assets made in 2013 in the purchase price allocation of the investment in La7. In 1Q14, gross operating profit (EBITDA) and operating profit (EBIT) came to a positive figure of approximately Euro 0.8 million and Euro 0.3 million and operating profit (EBIT) benefited in the consolidated financial statements from lower amortization and depreciation of Euro 7.6 million. Mention should be made that in 1Q13 - when La7 was not included in the scope of consolidation of the Cairo Communication Group - gross operating loss of La7 had amounted to approximately Euro 15.8 million.

- in the **advertising segment**, gross operating profit (EBITDA) and operating profit (EBIT) came to Euro 0.8 million and Euro 0.5 million (Euro 2.6 million and Euro 2.2 million in 1Q14). In 1Q15, gross advertising sales on La7 and La7d channels amounted to Euro 35.2 million (Euro 40.1 million in 2014).

The consolidated **net financial position** at 31 March 2015 came to a positive figure of approximately Euro 133.5 million (approximately Euro 124.1 million at 31 December 2014). At 31 March 2015, the net financial position of La7 came to Euro 108 million (Euro 106.5 million at 31 December 2014).

In the following months of 2015, the Cairo Communication Group will continue to:

- pursue the development of its traditional segments (magazine publishing and advertising sales). Despite the economic and competitive backdrop, given the high quality of the publications and of the media under concession, the Group considers it a feasible target to continue to achieve positive operating results,
- work on strengthening the results of the rationalization and cost-curbing measures achieved in the TV publishing segment in 2013 and 2014.

However, the evolution of the general economic situation could affect the full achievement of these targets.

The Financial Reporting Manager of Cairo Communication S.p.A., Marco Pompignoli, declares, pursuant to paragraph 2 of Article 154-bis of the Consolidated Finance Law, that the accounting information contained in this document is consistent with the underlying accounting documents, books and records.

*The Cairo Communication Group is one of the leading groups in the weekly magazine, TV publishing and advertising sales segments, recognized as one of the first to have developed a multimedia sales approach, beginning with magazine and expanding later into free, digital and pay TV and the Internet.*

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This press release is also available on the Company's website [www.cairocommunication.it](http://www.cairocommunication.it)  
in the section NOTICES AND DOCUMENTS / PRESS RELEASES

## Summary of the main consolidated income statement figures at 31 March 2015

The main **consolidated income statement figures** in 1Q15 can be compared as follows with those of 1Q14:

(€ thousands)	<b>31/03/2015</b> <b>(Quarter)</b>	<b>31/03/2014</b> <b>(Quarter)</b>
Gross operating revenue	60,155	65,878
Advertising agency discounts	(5,714)	(6,589)
Net operating revenue	<b>54,441</b>	<b>59,289</b>
Change in inventory	4	(55)
Other revenue and income	3,993	2,650
<b>Total revenue</b>	<b>58,438</b>	<b>61,884</b>
Production cost	(41,519)	(41,018)
Personnel expense	(14,307)	(15,087)
<b>Gross operating profit (EBITDA)</b>	<b>2,612</b>	<b>5,779</b>
Amortization, depreciation, provisions and impairment losses	(1,863)	(1,121)
<b>EBIT</b>	<b>749</b>	<b>4,658</b>
Net financial income	161	730
Income (loss) on investments	0	0
<b>Pre-tax profit</b>	<b>910</b>	<b>5,388</b>
Income tax	1,019	(473)
Non-controlling interests	(2)	(4)
<b>Profit from continuing operations attributable to the owners of the parent</b>	<b>1,927</b>	<b>4,911</b>
Profit from discontinued operations attributable to the owners of the parent	-	-
<b>Profit attributable to the owners of the parent</b>	<b>1,927</b>	<b>4,911</b>

*Unaudited reclassified statements*

The Group **statement of comprehensive income** can be analyzed as follows:

(€ thousands)	<b>31/03/2015</b> <b>(Quarter)</b>	<b>31/03/2014</b> <b>(Quarter)</b>
<b>Consolidated statement of comprehensive income</b>		
Profit attributable to owners of the parent	<b>1,927</b>	<b>4,911</b>
<i>Other non-reclassifiable items of the comprehensive income statement</i>		
Actuarial profit (loss) from defined benefit plans	-	-
Tax effect	-	-
<b>Total comprehensive income for the year</b>	<b>1,927</b>	<b>4,911</b>

*Unaudited reclassified statements*

## Summary of the main consolidated statement of financial position figures at 31 March 2015

The main figures of the consolidated **statement of financial position** at 31 March 2015 can be analyzed versus the situation at 31 December 2014:

(€ thousands)	31/03/2015	31/12/2014
<b>Balance sheet</b>		
Property, plant and equipment	2,995	3,069
Intangible assets	59,205	56,871
Financial assets	1,967	1,175
Deferred tax assets	3,705	3,983
Net current assets	(29,635)	(19,071)
<b>Total assets</b>	<b>38,237</b>	<b>46,027</b>
Non-current borrowings and provisions	43,461	43,741
(Net financial position)/Net debt	(133,502)	(124,061)
Equity attributable to the owners of the parent	128,240	126,311
Equity attributable to non-controlling interests	38	36
<b>Total equity and liabilities</b>	<b>38,237</b>	<b>46,027</b>

*Unaudited reclassified statements*

The consolidated **net financial position** at 31 March 2015, versus the situation at 31 December 2014, can be summarized as follows:

(€ thousands)	31/03/2015	31/12/2014	Change
Cash and cash equivalents	157,252	149,061	8,191
Current financial assets	-	-	-
Bank loans	(23,750)	(25,000)	1,250
<b>Total</b>	<b>133,502</b>	<b>124,061</b>	<b>9,441</b>

*Unaudited reclassified statements*

## Segment reporting at 31 March 2015

The results in **1Q15** for **each main business segment** (magazine publishing, advertising, TV publishing (La7), network operator (Cairo Network) and Il Trovatore) can be analyzed as follows comparing them with the results of 1Q14:

31/03/2015	Magazine publishing	Advertising	TV publishing	Trovatore	Network operator	Intra-group	Total
(€ thousands)			La7		(Cairo Network)	and unallocated	
Gross operating revenue	21,674	39,939	25,617	232	-	(27,307)	60,155
Advertising agency discounts	-	(5,714)	-	-	-	-	(5,714)
<b>Net operating revenue</b>	<b>21,674</b>	<b>34,225</b>	<b>25,617</b>	<b>232</b>	<b>-</b>	<b>(27,307)</b>	<b>54,441</b>
Change in inventory	4	-	-	-	-	-	4
Other income	515	125	3,353	-	-	-	3,993
<b>Total revenue</b>	<b>22,193</b>	<b>34,350</b>	<b>28,970</b>	<b>232</b>	<b>-</b>	<b>(27,307)</b>	<b>58,438</b>
Production cost	(14,398)	(31,775)	(22,463)	(190)	-	27,307	(41,519)
Personnel expense	(4,585)	(1,753)	(7,948)	(21)	-	-	(14,307)
<b>Gross operating profit (EBITDA)</b>	<b>3,210</b>	<b>822</b>	<b>(1,441)</b>	<b>21</b>	<b>-</b>	<b>-</b>	<b>2,612</b>
Amortization, depreciation, provisions and impairment losses	(216)	(363)	(1,284)	-	-	-	(1,863)
<b>EBIT</b>	<b>2,994</b>	<b>459</b>	<b>(2,725)</b>	<b>21</b>	<b>-</b>	<b>-</b>	<b>749</b>
Income (loss) on investments	-	-	-	-	-	-	-
Net financial income	(25)	(6)	192	-	-	-	161
Non-recurring income from acquisition of La7 S.r.l.	-	-	-	-	-	-	-
<b>Pre-tax profit</b>	<b>2,969</b>	<b>453</b>	<b>(2,533)</b>	<b>21</b>	<b>-</b>	<b>-</b>	<b>910</b>
Income tax	(990)	(189)	2,206	(8)	-	-	1,019
Non-controlling interests	-	-	-	(2)	-	-	(2)
<b>Profit from continuing operations attributable to the owners of the parent</b>	<b>1,979</b>	<b>264</b>	<b>(327)</b>	<b>11</b>	<b>-</b>	<b>-</b>	<b>1,927</b>
Profit / (loss) from discontinued operations	-	-	-	-	-	-	-
<b>Profit</b>	<b>1,979</b>	<b>264</b>	<b>(327)</b>	<b>11</b>	<b>-</b>	<b>-</b>	<b>1,927</b>
<i>Unaudited reclassified statements</i>							
31/03/2014	Magazine publishing	Advertising	TV publishing	Trovatore	Network operator	Intra-group	Total
(€ thousands)			La7		(Cairo Network)	and unallocated	
Gross operating revenue	22,105	45,788	28,518	214	-	(30,747)	65,878
Advertising agency discounts	-	(6,589)	-	-	-	-	(6,589)
<b>Net operating revenue</b>	<b>22,105</b>	<b>39,199</b>	<b>28,518</b>	<b>214</b>	<b>-</b>	<b>(30,747)</b>	<b>59,289</b>
Change in inventory	(55)	-	-	-	-	-	(55)
Other income	552	380	1,718	-	-	-	2,650
<b>Total revenue</b>	<b>22,602</b>	<b>39,579</b>	<b>30,236</b>	<b>214</b>	<b>-</b>	<b>(30,747)</b>	<b>61,884</b>
Production cost	(15,433)	(35,378)	(20,779)	(175)	-	30,747	(41,018)
Personnel expense	(4,785)	(1,588)	(8,705)	(9)	-	-	(15,087)
<b>Gross operating profit (EBITDA)</b>	<b>2,384</b>	<b>2,613</b>	<b>752</b>	<b>30</b>	<b>-</b>	<b>-</b>	<b>5,779</b>
Amortization, depreciation, provisions and impairment losses	(251)	(461)	(409)	-	-	-	(1,121)
<b>EBIT</b>	<b>2,133</b>	<b>2,152</b>	<b>343</b>	<b>30</b>	<b>-</b>	<b>-</b>	<b>4,658</b>
Income (loss) on investments	-	-	-	-	-	-	-
Net financial income	30	200	500	-	-	-	730
Non-recurring income from acquisition of La7 S.r.l.	-	-	-	-	-	-	-
<b>Pre-tax profit</b>	<b>2,163</b>	<b>2,352</b>	<b>843</b>	<b>30</b>	<b>-</b>	<b>-</b>	<b>5,388</b>
Income tax	(876)	(839)	1,253	(11)	-	-	(473)
Non-controlling interests	-	-	-	(4)	-	-	(4)
<b>Profit from continuing operations attributable to the owners of the parent</b>	<b>1,287</b>	<b>1,513</b>	<b>2,096</b>	<b>15</b>	<b>-</b>	<b>-</b>	<b>4,911</b>
Profit / (loss) from discontinued operations	-	-	-	-	-	-	-
<b>Profit</b>	<b>1,287</b>	<b>1,513</b>	<b>2,096</b>	<b>15</b>	<b>-</b>	<b>-</b>	<b>4,911</b>

## Details of consolidated revenue at 31 March 2015

The breakdown of **gross operating revenue** in 1Q15, split up by main business segment (magazine publishing, advertising, TV publishing (La7), network operator (Cairo Network) and Il Trovatore) can be analyzed as follows by comparing the amounts in 1Q14:

<b>Gross revenue</b>							
<b>Interim Management Report at 31/03/2015</b>							
<b>(€ thousands)</b>							
	<b>Magazine publishing</b>	<b>Advertising</b>	<b>TV publishing (La7)</b>	<b>Trovatore</b>	<b>Network operator (Cairo Network)</b>	<b>Intra-group eliminations and unallocated</b>	<b>Total</b>
Magazine over-the-counter sales	17,689	-	-	-	-	-	17,689
Print media advertising	3,394	4,476	-	-	-	(3,340)	4,530
TV advertising	-	34,252	24,899	-	-	(23,499)	35,652
Stadium signage	-	860	-	-	-	-	860
Internet advertising	-	201	155	3	-	(113)	246
Revenue from concession of programming schedule spaces	-	-	298	-	-	-	298
Other TV revenue	-	-	265	-	-	-	265
Subscriptions	732	-	-	-	-	-	732
Books and catalogues	150	-	-	-	-	-	150
Other revenue	-	150	-	229	-	(355)	24
VAT relating to publications	(291)	-	-	-	-	-	(291)
<b>Total gross operating revenue</b>	<b>21,674</b>	<b>39,939</b>	<b>25,617</b>	<b>232</b>		<b>(27,307)</b>	<b>60,155</b>
Other revenue	515	125	3,353	-	-	-	3,993
<b>Total revenue</b>	<b>22,189</b>	<b>40,064</b>	<b>28,970</b>	<b>232</b>		<b>(27,307)</b>	<b>64,148</b>

<b>Gross revenue</b>							
<b>Interim Management Report at 31/03/2014</b>							
<b>(€ thousands)</b>							
	<b>Magazine publishing</b>	<b>Advertising</b>	<b>TV publishing (La7)</b>	<b>Trovatore</b>	<b>Network operator (Cairo Network)</b>	<b>Intra-group eliminations and unallocated</b>	<b>Total</b>
Magazine over-the-counter sales	17,521	-	-	-	-	-	17,521
Print media advertising	4,058	5,388	-	-	-	(4,046)	5,400
TV advertising	-	39,265	27,654	-	-	(26,293)	40,626
Stadium signage	-	792	-	-	-	-	792
Internet advertising	-	193	73	4	-	(73)	197
Revenue from concession of programming schedule spaces	-	-	286	-	-	-	286
Other TV revenue	-	-	505	-	-	-	505
Subscriptions	715	-	-	-	-	-	715
Books and catalogues	103	-	-	-	-	-	103
Other revenue	5	150	-	210	-	(335)	30
VAT relating to publications	(297)	-	-	-	-	-	(297)
<b>Total gross operating revenue</b>	<b>22,105</b>	<b>45,788</b>	<b>28,518</b>	<b>214</b>		<b>(30,747)</b>	<b>65,878</b>
Other revenue	552	380	1,718	-	2	-	2,650
<b>Total revenue</b>	<b>22,657</b>	<b>46,168</b>	<b>30,236</b>	<b>214</b>	<b>2</b>	<b>(30,747)</b>	<b>68,528</b>

## Summary of the main income statement figures of the Parent at 31 March 2015

The main **income statement figures of Cairo Communication S.p.A.** in 1Q15 can be compared as follows with those of 1Q14:

(€ thousands)	31/03/2015 (Quarter)	31/03/2014 (Quarter)
Gross operating revenue	26,166	30,246
Advertising agency discounts	-	-
<b>Net operating revenue</b>	<b>26,166</b>	<b>30,246</b>
Other revenue and income	39	85
<b>Total revenue</b>	<b>26,205</b>	<b>30,331</b>
Production cost	(25,085)	(27,835)
Personnel expense	(743)	(724)
<b>Gross operating profit (EBITDA)</b>	<b>377</b>	<b>1,772</b>
Amortization, depreciation, provisions and impairment losses	(60)	(58)
<b>EBIT</b>	<b>317</b>	<b>1,714</b>
<i>Net financial income</i>	<i>13</i>	<i>182</i>
Income (loss) on investments	-	(1)
<b>Pre-tax profit</b>	<b>330</b>	<b>1,895</b>
Income tax	(123)	(626)
Non-controlling interests	-	-
<b>Profit from continuing operations</b>	<b>207</b>	<b>1,269</b>
Loss from discontinued operations	-	-
<b>Profit</b>	<b>207</b>	<b>1,269</b>

*Unaudited reclassified statements*

The **statement of comprehensive income** of the Parent can be analyzed as follows:

(€ thousands)	31/03/2015	31/03/2014
<b>Statement of comprehensive income of the Parent</b>	207	1,269
Profit for the year		
<i>Other non-reclassifiable items of the comprehensive income statement</i>		-
Actuarial profit (loss) from defined benefit plans	-	-
Tax effect	-	-
<b>Total comprehensive income</b>	<b>207</b>	<b>1,269</b>

*Unaudited reclassified statements*

**Summary of the main figures of the statement of financial position of the Parent at 31 March 2015**

The main figures of the **statement of financial position** of Cairo Communication S.p.A. at 31 March 2015 can be analyzed versus the situation at 31 December 2014:

(€ thousands)	31/03/2015	31/12/2014
<b>Balance sheet</b>		
Property, plant and equipment	442	457
Intangible assets	322	320
Financial assets	23,123	23,124
Other non-current assets	4,231	1,663
Net current assets	(1,121)	7,325
<b>Total assets</b>	<b>26,997</b>	<b>32,889</b>
Non-current borrowings and provisions	1,493	1,485
(Net financial position)/Net debt	(31,875)	(25,768)
Equity	57,379	57,172
<b>Total equity and liabilities</b>	<b>26,997</b>	<b>32,889</b>

*Unaudited reclassified statements*

The **net financial position** of the Parent at 31 March 2015, versus the situation at 31 December 2014, is summarized as follows:

(€ thousands)	31/03/2015	31/12/2014	Change
Cash and cash equivalents	31,875	25,768	6,107
Current financial assets	-	-	-
<b>Total</b>	<b>31,875</b>	<b>25,768</b>	<b>6,107</b>



### **Alternative performance indicators:**

In this press release, in order to provide a clearer picture of the financial performance of the Cairo Communication Group, besides of the conventional financial indicators required by IFRS, a number of alternative performance indicators are shown that should, however, not be considered substitutes of those adopted by IFRS.

The alternative indicators are:

- **EBITDA**: used by Cairo Communication as a target to monitor internal management, and in public presentations (to financial analysts and investors). It serves as a unit of measurement to evaluate Group and Parent operational performance, with the **EBIT**, and is calculated as follows:

#### **Profit from continuing operations, pre tax**

+/- Net finance income

+/- Share in associates

EBIT- Operating profit

+ Amortization & depreciation

+ Bad debt impairment losses

+ Provisions for risks

#### **EBITDA – Operating profit, before amortization, depreciation, write-downs and impairment losses**

The Cairo Communication Group also considers the **net financial position** as a valid indicator of the Group's ability to meet financial obligations, both current and future. As can be seen in the table used in this Report, which details the equity figures used for the calculation of Group net financial position, this figure includes cash and other cash equivalents, bank deposits, securities and other current financial assets, reduced by current and non-current bank borrowings.