



CAIROCOMMUNICATION

Press Release – Interim Management Report at 31 March 2016

- **In 1Q16:**
 - **consolidated gross revenue, amounting to Euro 63.7 million, is in line with 1Q15 (Euro 64.1 million)**
 - **consolidated gross operating profit (EBITDA) and operating profit (EBIT), amounting to Euro 3.5 million and Euro 1.2 million, rise sharply by 33.2% and 56.5% versus 1Q15 (Euro 2.6 million and Euro 0.7 million)**
 - **consolidated profit amounts to Euro 1.7 million (Euro 1.9 million in 2015)**
- **The Group continued its growth strategy by launching in January the fortnightly magazine “Nuovo e Nuovo TV Cucina” (99 thousand average copies in the first 11 issues), and by planning and then launching, on 20 April 2016, “Enigmistica Più” (approximately 250 thousand copies sold with the first issue, at a launch price of 50 cents), a weekly packed with games and other diversions that marks the landing of Cairo Editore in the interesting sector of puzzle games**
- **The magazine publishing segment continued to achieve highly positive results, with circulation revenue of Euro 17.7 million, in line with 1Q15, and gross operating profit (EBITDA) and operating profit (EBIT) of Euro 2.9 million and Euro 2.6 million (Euro 3.2 million and Euro 3 million in 1Q15)**
- **The TV publishing segment (La7) achieved a positive gross operating profit (EBITDA) of approximately Euro 31 thousand (Euro -1.4 million in 1Q15)**
- **In 1Q16, gross advertising sales on La7 and La7d channels (Euro 36.6 million) grew by approximately 4% versus 1Q15. Advertising sales on Group publications (Euro 5.1 million) reported a highly positive trend, up by 16% versus 1Q15 (up by 6% on a comparable basis of titles and number of issues)**

Milan, 4 May 2016: at its meeting today, the Board of Directors of Cairo Communication reviewed and approved the Interim Management Report at 31 March 2016.

In 1Q16, despite an economic context in general and relevant markets (advertising and publishing) still marked by uncertainty, the Cairo Communication Group:

- increased its results versus 1Q15 - +33.2% and +56.5% gross operating profit (EBITDA) and operating profit (EBIT) - , thanks also to the trend of advertising sales on La7 and la7d channels and on Group publications;
- continued its growth strategy by launching “Nuovo e Nuovo TV Cucina”, the fortnightly magazine sold as an option with the two weeklies “Nuovo” and “Nuovo TV”, which posted average sales of approximately 99 thousand copies in the first 11 issues, and by planning and then launching, on 20 April 2016, “Enigmistica Più”, a weekly packed with games and other diversions that marks the landing of Cairo Editore in the interesting sector of puzzle games; with its first issue, at the launch price of 50 cents, it sold approximately 250 thousand copies;
- achieved highly positive results in the magazine publishing segment, with gross operating profit (EBITDA) and operating profit (EBIT) of Euro 2.9 million and Euro 2.6 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 2013-2015, posting also in 1Q16 a positive gross operating profit of approximately Euro 31 thousand.

In 1Q16, consolidated gross revenue amounted to approximately Euro 63.7 million (comprising gross operating revenue of Euro 62.1 million and other revenue and income of Euro 1.6 million), basically in line with the figures in 1Q15 (Euro 64.1 million, comprising gross operating revenue of Euro 60.1 million and other revenue and income of Euro 4 million). Consolidated gross operating profit (EBITDA) and operating profit (EBIT) came to Euro 3.5 million and Euro 1.2 million, up by 33.2% and 56.5% versus 1Q15 (Euro 2.6 million and Euro 0.7 million). Profit attributable to the owners of the parent came to approximately Euro 1.7 million (Euro 1.9 million in 1Q15).

Looking at the business segments, in 1Q16:

- in the **magazine publishing segment**, gross operating profit (EBITDA) and operating profit (EBIT) came to Euro 2.9 million and Euro 2.6 million (Euro 3.2 million and Euro 3 million in 1Q15). Total costs of approximately Euro 0.1 million were incurred for the launch of “Nuovo e Nuovo TV Cucina”. The period under review confirmed the excellent circulation results, amounting to Euro 17.7 million (Euro 17.7 million in 1Q15). Regarding weeklies, with approximately 1.7 million average copies sold in the two months of January and February 2016, the Group retains its position as the leading publisher in copies of weeklies sold at newsstands, with an approximately 30% market share. Considering the average sales of titles yet to be surveyed by ADS (“NuovoTV”, “Nuovo e Nuovo TV Cucina”) and the copies of the first issue of “Enigmistica Più”, average copies sold reach approximately 2,2 million.
- in the **TV publishing segment (La7)**, the Group continued to work on strengthening the results of the rationalization and cost-curbing measures achieved in the 2013-2015 three-year period, and succeeded in posting also in 1Q16 a positive gross operating profit (EBITDA) of approximately Euro 31 thousand. Operating profit (EBIT) came to approximately Euro -2 million and benefited in the consolidated financial statements from lower amortization and depreciation of Euro 1.9 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 1Q15, gross operating profit (EBITDA) and operating profit (EBIT) came to approximately Euro -1.4 million and Euro -2.7 million. Operating profit (EBIT) benefited in the consolidated financial statements from lower amortization and depreciation of Euro 3.5 million.
- in the **advertising segment**, gross operating profit (EBITDA) and operating profit (EBIT) came to Euro 0.6 million and Euro 0.5 million (Euro 0.8 million and Euro 0.5 million in 1Q15). In 1Q16, gross advertising sales on La7 and La7d channels amounted to Euro 36.6 million, up by approximately 4% versus 1Q15 (Euro 35.2 million). Advertising sales on Group publications also reported a positive trend, reaching Euro 5.1 million, up by 16% (up by 6% on a comparable basis of titles and number of issues) versus 1Q15 (Euro 4.4 million).

The consolidated net financial position at 31 March 2016 came to a positive figure of approximately Euro 108.6 million (approximately Euro 105.8 million at 31 December 2015). At their Meeting on 27 April 2016, the shareholders approved the distribution of a dividend of 0.20 Euro per share, inclusive of tax, with coupon detachment date on 9 May 2016. At 31 March 2016, this amount, equal to Euro 15.7 million, was still included in the equity reserves.

Following the end of the quarter, on 8 April 2016, the Board of Directors of Cairo Communication resolved to launch a voluntary public exchange offer, pursuant to articles 102 and 106, par. 4, of the TUF, on all ordinary shares issued by RCS Mediagroup S.p.A. (“RCS”). Such decision was announced to the market on the same day with a press release issued in accordance with art. 102, par. 1, of the TUF, and with art. 37 of the Issuer Regulations - available on the Company website www.cairocommunication.it, in the “Public Exchange Offer” section, which also illustrates the reasons of the offer, its main elements and the conditions precedent to the effectiveness of the offer is subject.

The Board of Directors also resolved to call the Extraordinary Shareholders' Meeting of the Company on 12 May 2016 to resolve on the capital increase for the purpose of issuing Cairo Communication shares to be offered as consideration for the RCS shares tendered to the offer. The following documents are available on the Company website www.cairocommunication.it in the "2016 Extraordinary Shareholders' Meeting" section: the explanatory report of the Company's Board of Directors on the single item on the agenda of the Extraordinary Shareholders' Meeting called on 12 May 2016, the fairness opinion of the Audit Firm, and the assessment of the independent expert certifying the value of RCS shares, pursuant to art. 2343-ter, par. 2, lett. b) of the Italian Civil Code. On 28 April 2016, Cairo Communication, pursuant to art. 102, par. 3 of the TUF, launched the above mentioned offer by submitting the offer document to Consob, which will be published following Consob's review.

In the following months of 2016, the Cairo Communication Group will continue to:

- pursue the development of its traditional segments (magazine publishing and advertising sales), also continuing, in the publishing segment, its growth strategy based on continuous expansion and enhancement of the product portfolio, in order to take advantage of market segments offering greater potential, with the launch of the new publication "Enigmistica Più", a weekly packed with games and other diversions that marks the landing of Cairo Editore in the interesting and high-potential sector of puzzle games; in these segments, 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 2013-2015 in the TV publishing segment and developing its business in such segment, which is forecast to achieve a positive gross operating profit (EBITDA) in 2016 too.

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 press release 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 magazines and expanding later into free, digital and pay TV and the Internet.

For further information: Mario Cargnelutti, Investor Relations, +39 02 74813240, m.cargnelutti@cairocommunication.it

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

Summary of the main consolidated income statement figures at 31 March 2016

The main **consolidated income statement figures** in 1Q16 can be compared as follows with those of 1Q15:

| (€ thousands) | 31/03/2016 (Quarter) | 31/03/2015 (Quarter) |
|--|-------------------------|-------------------------|
| Gross operating revenue | 62,149 | 60,155 |
| Advertising agency discounts | (5,831) | (5,714) |
| Net operating revenue | 56,318 | 54,441 |
| Change in inventory | (33) | 4 |
| Other revenue and income | 1,513 | 3,993 |
| Total revenue | 57,798 | 58,438 |
| Production cost | (38,127) | (41,519) |
| Personnel expense | (16,191) | (14,307) |
| Gross operating profit (EBITDA) | 3,480 | 2,612 |
| Amortization, depreciation, provisions and impairment losses | (2,308) | (1,863) |
| EBIT | 1,172 | 749 |
| Net financial income | 152 | 161 |
| Income (loss) on investments | - | - |
| Pre-tax profit | 1,324 | 910 |
| Income tax | 349 | 1,019 |
| Non-controlling interests | (4) | (2) |
| Profit from continuing operations attributable to the owners of the parent | 1,669 | 1,927 |
| Profit/ (loss) from discontinued operations attributable to the owners of the parent | - | - |
| Profit attributable to the owners of the parent | 1,669 | 1,927 |

Unaudited reclassified statements

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

| (€ thousands) | 31/03/2016 (Quarter) | 31/03/2015 (Quarter) |
|--|-------------------------|-------------------------|
| Consolidated statement of comprehensive income | 1,669 | 1,927 |
| Profit attributable to the owners of the parent | | |
| Other non-reclassifiable items of the comprehensive income statement | (33) | - |
| Actuarial profit (loss) from defined benefit plans | 13 | - |
| Tax effect | | |
| Total comprehensive income for the period | 1,649 | 1,927 |

Unaudited reclassified statements

Summary of the main consolidated statement of financial position figures at 31 March 2016

The main figures of the **consolidated statement of financial position** at 31 March 2016 can be analyzed versus the situation at 31 December 2015:

| (€ thousands) | 31/03/2016 | 31/12/2015 |
|--|---------------|---------------|
| Statement of financial position | | |
| Property, plant and equipment | 3,032 | 3,080 |
| Intangible assets | 61,443 | 60,917 |
| Financial assets | 1,022 | 1,702 |
| Deferred tax assets | 3,944 | 4,186 |
| Net current assets | (19,153) | (17,438) |
| Total assets | 50,188 | 52,447 |
| Non-current borrowings and provisions | 40,871 | 41,973 |
| (Net financial position)/Net debt | (108,586) | (105,776) |
| Equity attributable to the owners of the parent | 117,845 | 116,196 |
| Equity attributable to non-controlling interests | 58 | 54 |
| Total equity and liabilities | 50,188 | 52,447 |

Unaudited reclassified statements

The consolidated **net financial position** at 31 March 2016, versus the situation at 31 December 2015, can be summarized as follows:

| (€ thousands) | 31/03/2016 | 31/12/2015 | Change |
|---------------------------|----------------|----------------|--------------|
| Cash and cash equivalents | 127,336 | 125,776 | 1,560 |
| Current financial assets | - | - | - |
| Bank loans | (18,750) | (20,000) | 1,250 |
| Total | 108,586 | 105,776 | 2,810 |

Unaudited reclassified statements

Segment reporting at 31 March 2016

The results in **1Q16** 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 1Q15:

| 31/03/2016 | Magazine Publishing | Adver tising | TV publishing | Trovatore | Network operator | Intra- group | Total |
|---|--------------------------------|-------------------------|--------------------------|------------------|-----------------------------|----------------------------|---------------|
| (€ thousands) | | | La7 | | (Cairo Network) | and unallocated | |
| Gross operating revenue | 22,177 | 40,922 | 26,870 | 231 | 218 | (28,269) | 62,149 |
| Advertising agency discounts | - | (5,831) | - | - | - | - | (5,831) |
| Net operating revenue | 22,177 | 35,091 | 26,870 | 231 | 218 | (28,269) | 56,318 |
| Change in inventory | (33) | - | - | - | - | - | (33) |
| Other income | 590 | 106 | 783 | 1 | 33 | - | 1,513 |
| Total revenue | 22,734 | 35,197 | 27,653 | 232 | 251 | (28,269) | 57,798 |
| Production cost | (14,975) | (32,620) | (18,351) | (187) | (263) | 28,269 | (38,127) |
| Personnel expense | (4,897) | (1,973) | (9,271) | (13) | (37) | - | (16,191) |
| Gross operating profit (EBITDA) | 2,862 | 604 | 31 | 32 | (49) | - | 3,480 |
| Amortization, depreciation, provisions and impairment losses | (243) | (62) | (2,003) | - | - | - | (2,308) |
| EBIT | 2,619 | 542 | (1,972) | 32 | (49) | - | 1,172 |
| Income (loss) on investments | - | - | - | - | - | - | - |
| Net financial income | (4) | 11 | 146 | (1) | - | - | 152 |
| Pre-tax profit | 2,615 | 553 | (1,826) | 31 | (49) | - | 1,324 |
| Income tax | (926) | (216) | 1,489 | (11) | 13 | - | 349 |
| Non-controlling interests | - | - | - | (4) | - | - | (4) |
| Profit from continuing operations attributable to the owners of the parent | 1,689 | 337 | (337) | 16 | (36) | - | 1,669 |
| Profit / (loss) from discontinued operations | - | - | - | - | - | - | - |
| Profit for the period | 1,689 | 337 | (337) | 16 | (36) | - | 1,669 |

Unaudited reclassified statements

| 31/03/2015 | Magazine Publishing | Adver tising | 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) |
| Net operating revenue | 21,674 | 34,225 | 25,617 | 232 | - | (27,307) | 54,441 |
| Change in inventory | 4 | - | - | - | - | - | 4 |
| Other income | 515 | 125 | 3,353 | - | - | - | 3,993 |
| Total revenue | 22,193 | 34,350 | 28,970 | 232 | - | (27,307) | 58,438 |
| Production cost | (14,398) | (31,775) | (22,463) | (190) | - | 27,307 | (41,519) |
| Personnel expense | (4,585) | (1,753) | (7,948) | (21) | - | - | (14,307) |
| Gross operating profit (EBITDA) | 3,210 | 822 | (1,441) | 21 | - | - | 2,612 |
| Amortization, depreciation, provisions and impairment losses | (216) | (363) | (1,284) | - | - | - | (1,863) |
| EBIT | 2,994 | 459 | (2,725) | 21 | - | - | 749 |
| Income (loss) on investments | - | - | - | - | - | - | - |
| Net financial income | (25) | (6) | 192 | - | - | - | 161 |
| Pre-tax profit | 2,969 | 453 | (2,533) | 21 | - | - | 910 |
| Income tax | (990) | (189) | 2,206 | (8) | - | - | 1,019 |
| Non-controlling interests | - | - | - | (2) | - | - | (2) |
| Profit from continuing operations attributable to the owners of the parent | 1,979 | 264 | (327) | 11 | - | - | 1,927 |
| Profit / (loss) from discontinued operations | - | - | - | - | - | - | - |
| Profit for the period | 1,979 | 264 | (327) | 11 | - | - | 1,927 |

Unaudited reclassified statements

Details of consolidated revenue at 31 March 2016

The breakdown of **gross operating revenue** in **1Q16**, 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 1Q15:

| Interim Management Report at 31/03/2016 | | | | | | | |
|--|---------------------|---------------|---------------------|------------|----------------------------------|--|---------------|
| Gross revenue | | | | | | | |
| (€ thousands) | | | | | | | |
| | Magazine publishing | Advertising | TV publishing (La7) | Trovatore | Network operator (Cairo Network) | Intra-group eliminations and unallocated | Total |
| Magazine over-the-counter sales | 17,690 | - | - | - | - | - | 17,690 |
| Print media advertising | 3,964 | 5,170 | - | - | - | (3,904) | 5,230 |
| TV advertising | - | 34,555 | 26,407 | - | - | (23,791) | 37,171 |
| Stadium signage | - | 1,023 | - | - | - | - | 1,023 |
| Internet advertising | - | 24 | - | 144 | - | (143) | 25 |
| Revenue from concession of programming schedule spaces | - | - | 142 | - | - | - | 142 |
| Other TV revenue | - | - | 321 | - | - | - | 321 |
| Subscriptions | 686 | - | - | - | - | - | 686 |
| Books and catalogues | 138 | - | - | - | - | - | 138 |
| Other revenue | 13 | 150 | - | 87 | - | (213) | 37 |
| Signal transport services | - | - | - | - | 218 | (218) | - |
| VAT relating to publications | (314) | - | - | - | - | - | (314) |
| Total gross operating revenue | 22,177 | 40,922 | 26,870 | 231 | 218 | (28,269) | 62,149 |
| Other revenue | 590 | 106 | 783 | 1 | 33 | - | 1,513 |
| Total revenue | 22,767 | 41,028 | 27,653 | 232 | 251 | (28,269) | 63,662 |

| Interim Management Report at 31/03/2015 | | | | | | | |
|--|---------------------|---------------|---------------------|------------|----------------------------------|--|---------------|
| Gross revenue | | | | | | | |
| (€ thousands) | | | | | | | |
| | Magazine publishing | Advertising | TV publishing (La7) | Trovatore | Network operator (Cairo Network) | Intra-group eliminations and unallocated | Total |
| 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 |
| Network services | - | - | - | - | - | - | - |
| VAT relating to publications | (291) | - | - | - | - | - | (291) |
| Total gross operating revenue | 21,674 | 39,939 | 25,617 | 232 | - | (27,307) | 60,155 |
| Other revenue | 515 | 125 | 3,353 | - | - | - | 3,993 |
| Total revenue | 22,189 | 40,064 | 28,970 | 232 | - | (23,307) | 64,148 |

Summary of the main income statement figures of the Parent at 31 March 2016

The main **income statement figures of Cairo Communication S.p.A.** in **1Q16** can be compared as follows with those of 1Q15:

| (€ thousands) | 31/03/2016 | 31/03/2015 |
|--|---------------|---------------|
| Gross operating revenue | 26,258 | 26,166 |
| Advertising agency discounts | - | - |
| Net operating revenue | 26,258 | 26,166 |
| Other revenue and income | 52 | 39 |
| Total revenue | 26,310 | 26,205 |
| Production cost | (25,176) | (25,085) |
| Personnel expense | (744) | (743) |
| Gross operating profit (EBITDA) | 390 | 377 |
| Amortization, depreciation, provisions and impairment losses | (60) | (60) |
| EBIT | 330 | 317 |
| Net financial income | 1 | 13 |
| Income (loss) on investments | - | - |
| Pre-tax profit | 331 | 330 |
| Income tax | (125) | (123) |
| Profit from continuing operations | - | - |
| Loss from discontinued operations | 206 | 207 |
| Profit for the period | 206 | 207 |

Unaudited reclassified statements

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

| (€ thousands) | 31/03/2016 | 31/03/2015 |
|---|------------|------------|
| Statement of comprehensive income of the Parent | 206 | 207 |
| Profit for the period | | |
| <i>Other non-reclassifiable items of the comprehensive income statement</i> | 53 | - |
| Actuarial profit (loss) from defined benefit plans | | |
| Tax effect | (13) | - |
| Total comprehensive income | 246 | 207 |

Unaudited reclassified statements

Summary of the main figures of the statement of financial position of the Parent at 31 March 2016

The main figures of the **statement of financial position** of Cairo Communication S.p.A. at 31 March 2016 can be analyzed versus the situation at 31 December 2015:

| (€ thousands) | 31/03/2016 | 31/12/2015 |
|---|---------------|---------------|
| <u>Statement of financial position</u> | | |
| Property, plant and equipment | 361 | 368 |
| Intangible assets | 276 | 296 |
| Financial assets | 23,226 | 23,027 |
| Other non-current financial assets | 10,263 | 8,963 |
| Net current assets | 1,234 | 3,908 |
| Total assets | 35,360 | 36,562 |
| Non-current borrowings and provisions | 1,283 | 1,452 |
| (Net financial position)/Net debt | (10,318) | (9,039) |
| Equity | 44,395 | 44,149 |
| Total equity and liabilities | 35,360 | 36,562 |

Unaudited reclassified statements

The **net financial position** of the Parent at 31 March 2016, versus the situation at 31 December 2015, is summarized as follows:

| (€ thousands) | 31/03/2016 | 31/12/2015 | Change |
|---------------------------|---------------|--------------|--------------|
| Cash and cash equivalents | 10,318 | 9,039 | 1,279 |
| Current financial assets | - | - | - |
| Total | 10,318 | 9,039 | 1,279 |

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.