CAIRO COMMUNICATION

Press Release – Half-Year Financial Report at 30 June 2015

In 1H15, 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 133 million (Euro 142.2 million in 2014)**
- **consolidated gross operating profit (EBITDA) and operating profit (EBIT) came to approximately Euro 8.1 million and Euro 4.5 million (Euro 16 million and Euro 14 million in 1H14)**
- **consolidated profit was approximately Euro 5.5 million (Euro 14.5 million in 1H14)**
- **gross operating profit (EBITDA) and operating profit (EBIT) in the magazine publishing segment came to Euro 7.7 million and Euro 7.2 million, up 22.9% and 26.1% versus 1H14 (Euro 6.3 million and Euro 5.7 million).**

Milan, 5 August 2015: at its meeting today, the Board of Directors of Cairo Communication reviewed and approved the half-year financial report at 30 June 2015.

In 1H15, 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 22.9% and 26.1% versus 1H14 and reaching Euro 7.7 million and Euro 7.2 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 1H15, consolidated gross revenue came to approximately Euro 133 million (Euro 142.2 million in 2014). Consolidated gross operating profit (EBITDA) and operating profit (EBIT) came to approximately Euro 8.1 million and Euro 4.5 million (Euro 16 million and Euro 14 million in 1H14). Profit attributable to the owners of the parent came to approximately Euro 5.5 million (Euro 14.5 million in 1H14).

Specifically:

- in the **magazine publishing segment**, gross operating profit (EBITDA) and operating profit (EBIT) came to Euro 7.7 million and Euro 7.2 million (Euro 6.3 million and Euro 5.7 million in 1H14). The period under review confirmed the excellent circulation results, with revenue increasing to Euro 35.2 million (Euro 34.8 million in 1H14). Regarding weeklies, with over 1.7 million average copies sold in the January-May five-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 -1.5 million and Euro -4.3 million. Operating profit (EBIT) benefited in the consolidated financial statements from lower amortization and depreciation of Euro 6.1 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 1H14, gross operating profit (EBITDA) and operating profit (EBIT) came to approximately Euro 4.9 million and Euro 4 million and .operating profit (EBIT) benefited in the consolidated financial statements from lower amortization and depreciation of Euro 12.4 million. Mention should be made that in 1H13 - when La7 had not been included yet for the entire period in the scope of consolidation of the Cairo Communication Group - gross operating loss of La7 had amounted to approximately Euro 28.7 million.

- in the **advertising segment**, gross operating profit (EBITDA) and operating profit (EBIT) came to Euro 1.9 million and Euro 1.6 million (Euro 4.8 million and Euro 4,2 million in 1H14). In 1H15, gross advertising sales on La7 and La7d channels amounted to Euro 74.2 million (Euro 82.4 million in 2014).

The consolidated **net financial position** at 30 June 2015 came to a positive figure of approximately Euro 111.1 million (approximately Euro 124.1 million at 31 December 2014). Mention must be made that, at their Meeting on 28 April 2015, the shareholders approved the distribution of a dividend of 0.27 Euro per share, inclusive of tax, with coupon detachment date on 11 May 2015 (made payable on 13 May 2015), for a total of Euro 21.2 million. At 30 June 2015, the net financial position of La7 came to Euro 108.5 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.

Cairo Communication 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

in the section NOTICES AND DOCUMENTS / *PRESS RELEASES*

Summary of the main consolidated income statement figures at 30 June 2015

The main **consolidated income statement figures** in 1H15 can be compared as follows with those of 1H14:

(€ thousands)	**30/06/2015 (Half-year)**	**30/06/2014 (Half-year)**
Gross operating revenue	127,441	137,194
Advertising agency discounts	(12,449)	(13,829)
Net operating revenue	**114,992**	**123,365**
Change in inventory	(11)	(35)
Other revenue and income	5,570	5,042
Total revenue	**120,551**	**128,372**
Production cost	(82,062)	(81,353)
Personnel expense	(30,424)	(31,036)
Gross operating profit (EBITDA)	**8,065**	**15,983**
Amortization, depreciation, provisions and impairment losses	(3,573)	(2,025)
EBIT	**4,492**	**13,958**
Net financial income	399	1,207
Income (loss) on investments	-	(1)
Pre-tax profit	**4,891**	**15,164**
Income tax	579	(651)
Non-controlling interests	(10)	(8)
Profit from continuing operations attributable to the owners of the parent	**5,460**	**14,505**
Profit/ (loss) from discontinued operations attributable to the owners of the parent	-	-
Profit attributable to the owners of the parent	**5,460**	**14,505**

Unaudited reclassified statements

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

(€ thousands)	**30/06/2015 (Half-year)**	**30/06/2014 (Half-year)**
Consolidated statement of comprehensive income		
Profit attributable to owners of the parent	**5,460**	**14,505**
Other non-reclassifiable items of the comprehensive income statement		
Actuarial profit (loss) from defined benefit plans	477	(695)
Tax effect	(131)	191
Total comprehensive income for the year	**5,806**	**14,001**

Unaudited reclassified statements

Summary of the main consolidated statement of financial position figures at 30 June 2015

The main figures of the consolidated **statement of financial position** at 30 June 2015 can be analyzed versus the situation at 31 December 2014:

(€ thousands)	**30/06/2015**	**31/12/2014**
Statement of financial position		
Property, plant and equipment	2,901	3,069
Intangible assets	60,533	56,871
Financial assets	1,702	1,175
Deferred tax assets	3,440	3,983
Net current assets	(26,034)	(19,071)
Total assets	**42,542**	**46,027**
Non-current borrowings and provisions	42,595	43,741
(Net financial position)/Net debt	(111,062)	(124,061)
Equity attributable to the owners of the parent	110,963	126,311
Equity attributable to non-controlling interests	46	36
Total equity and liabilities	**42,542**	**46,027**

Unaudited reclassified statements

The consolidated **net financial position** at 30 June 2015, versus the situation at 31 December 2014, can be summarized as follows:

(€ thousands)	**30/06/2015**	**31/12/2014**	**Change**
Cash and cash equivalents	133,562	149,061	(15,499)
Current financial assets	-	-	
Bank loans	(22,500)	(25,000)	2,500
Total	**111,062**	**124,061**	**(12,999)**

Unaudited reclassified statements

Consolidated cash flow statement

The **consolidated cash flow statement** at 30 June 2015 can be compared with the cash flow statement at 30 June 2014:

Cash flow statement (€ thousands)	30/06/2015	30/06/2014
Cash and cash equivalents	**149,061**	**172,915**
Profit for the period	5,470	14,513
Amortization/Depreciation	1,290	1,290
Income / (loss) on investments	-	1
Net financial income	(399)	(1,207)
Income tax	(579)	846
Change in provision for post-employment benefits	(536)	685
Change in provisions for risks and charges	(610)	(933)
Cash flow from operating activities before changes in working capital	**4,636**	**15,195**
(Increase) decrease in trade and other receivables	6,427	4,708
Increase (decrease) in trade and other payables	105	(14,599)
(Increase) decrease in inventories	436	640
Total cash flow from operating activities	**11,604**	**5,944**
Income tax paid	1,117	(1,792)
Financial expense paid	(172)	(248)
Total cash flow from operating activities (A)	**12,549**	**3,904**
(Acquisition) net disposals of PPE and intangible assets	(4,784)	(4,197)
Interest and financial income received	571	1,455
Net increase in other non-current assets	(527)	76
Net cash flow used in investing activities (B)	**(4,740)**	**(2,666)**
Dividends paid	(21,152)	(21,152)
Re-measurement of defined benefit plans inclusive of tax effect	346	(504)
Refund of loans	(2,500)	-
Other changes in equity	(2)	9
Net cash flow used in financing activities (C)	**(23,308)**	**(21,647)**
Cash flow of the year (A)+(B)+(C)	**(15,499)**	**(20,409)**
Net cash and cash equivalents closing balance	**133,562**	**152,506**

Unaudited reclassified statements

Segment reporting at 30 June 2015

The results in **1H15** 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 1H14:

2015 (Half-year) (€ thousands)	Magazine Publishing	Adver tising	TV publishing La7	Trovatore	Network operator (Cairo Network)	Intra-group and unallocated	Total
Gross operating revenue	46,005	87,307	53,907	456	-	(60,234)	127,441
Advertising agency discounts	-	(12,449)	-	-	-	-	(12,449)
Net operating revenue	**46,005**	**74,858**	**53,907**	**456**	**-**	**(60,234)**	**114,992**
Change in inventory	(11)	-	-	-	-	-	(11)
Other income	923	415	4,227	2	3	-	5,570
Total revenue	**46,917**	**75,273**	**58,134**	**458**	**3**	**(60,234)**	**120,551**
Production cost	(29,472)	(69,748)	(42,687)	(365)	(24)	60,234	(82,062)
Personnel expense	(9,744)	(3,631)	(16,967)	(41)	(41)	-	(30,424)
Gross operating profit (EBITDA)	**7,701**	**1,894**	**(1,520)**	**52**	**(62)**	**-**	**8,065**
Amortization, depreciation, provisions and impairment losses	(482)	(327)	(2,763)	-	(1)	-	(3,573)
EBIT	**7,219**	**1,567**	**(4,283)**	**52**	**(63)**	**-**	**4,492**
Income (loss) on investments	-	-	-	-	-	-	-
Net financial income	(5)	62	338	4	-	-	399
Pre-tax profit	**7,214**	**1,629**	**(3,945)**	**56**	**(63)**	**-**	**4,891**
Income tax	(2,479)	(703)	3,750	(6)	17	-	579
Non-controlling interests	-	-	-	(10)	-	-	(10)
Profit from continuing operations attributable to the owners of the parent	**4,735**	**926**	**(195)**	**40**	**(46)**	**-**	**5,460**
Profit / (loss) from discontinued operations	-	-	-	-		-	-
Profit	**4,735**	**926**	**(195)**	**40**	**(46)**	**-**	**5,460**

Unaudited reclassified statements

2014 (Half-year) (€ thousands)	Magazine Publishing	Adver tising	TV publishing La7	Trovatore	Network operator (Cairo Network)	Intra-group and unallocated	Total
Gross operating revenue	46,543	96,738	59,361	431	-	(65,879)	137,194
Advertising agency discounts	-	(13,829)	-	-	-	-	(13,829)
Net operating revenue	**46,543**	**82,909**	**59,361**	**431**	**-**	**(65,879)**	**123,365**
Change in inventory	(35)	-	-	-	-	-	(35)
Other income	864	481	3,697	-	-	-	5,042
Total revenue	**47,372**	**83,390**	**63,058**	**431**	**-**	**(65,879)**	**128,372**
Production cost	(31,437)	(75,287)	(40,155)	(353)	-	65,879	(81,353)
Personnel expense	(9,667)	(3,316)	(18,035)	(18)	-		(31,036)
Gross operating profit (EBITDA)	**6,268**	**4,787**	**4,868**	**60**	**-**	**-**	**15,983**
Amortization, depreciation, provisions and impairment losses	(542)	(606)	(877)	-	-	-	(2,025)
EBIT	**5,726**	**4,181**	**3,991**	**60**	**-**	**-**	**13,958**
Income (loss) on investments	-	(1)	-	-	-	-	(1)
Net financial income	17	325	865	-	-	-	1,207
Pre-tax profit	**5,743**	**4,505**	**4,856**	**60**	**-**	**-**	**15,164**
Income tax	(2,063)	(1,537)	2,970	(21)	-	-	(651)
Non-controlling interests	-	-	-	(8)	-	-	(8)
Profit from continuing operations attributable to the owners of the parent	**3,680**	**2,968**	**7,826**	**31**	**-**	**-**	**14,505**
Profit / (loss) from discontinued operations	-	-	-	-	-	-	-
Profit	**3,680**	**2,968**	**7,826**	**31**	**-**	**-**	**14,505**

Unaudited reclassified statements

Details of consolidated revenue at 30 June 2015

The breakdown of **gross operating revenue** in 1H15, 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 1H14:

Gross revenue (€ thousands)	**Half-year at 30/06/2015 (six months)**						
	Magazine publishing	**Advertising**	**TV publishing (La7)**	**Trovatore**	**Network operator (Cairo Network)**	**Intra-group eliminations and unallocated**	**Total**
Magazine over-the-counter sales	35,168	-	-	-	-	-	35,168
Print media advertising	9,707	12,806	-	-	-	(9,564)	12,949
TV advertising	-	72,135	52,539		-	(49,757)	74,917
Stadium signage	-	1,691	-	-	-	-	1,691
Internet advertising	-	375	213	286	-	(491)	383
Revenue from programming schedule space	-	-	594	-	-	-	594
Other TV revenue	-	-	561	-	-	-	561
Subscriptions	1,434	-	-	-	-	-	1,434
Books and catalogues	325	-	-	-	-		325
Other revenue	2	300	-	170	-	(422)	50
VAT relating to publications	(631)	-	-	-		-	(631)
Total gross operating revenue	**46,005**	**87,307**	**53,907**	**456**	**-**	**(60,234)**	**127,441**
Other revenue	923	415	4,227	2	3	-	5,570
Total revenue	**46,928**	**87,722**	**58,134**	**458**	**3**	**(60,234)**	**133,011**

Gross revenue (€ thousands)	**Half-year at 30/06/2014 (six months)**						
	Magazine publishing	**Advertising**	**TV publishing (La7)**	**Trovatore**	**Network operator (Cairo Network)**	**Intra-group eliminations and unallocated**	**Total**
Magazine over-the-counter sales	34,849	-	-	-	-	-	34,849
Print media advertising	10,517	14,013	-	-	-	(10,495)	14,035
TV advertising	-	80,744	57,311	-	-	(54,478)	83,577
Stadium signage	-	1,159	-	-	-	-	1,159
Internet advertising	-	521	231	261	-	(485)	528
Revenue from concession of programming schedule space	-	-	521	-	-	-	521
Other TV revenue	-	-	1,298	-	-	-	1,298
Subscriptions	1,460	-	-	-	-	-	1,460
Books and catalogues	330	-	-	-	-	-	330
Other revenue	-	301	-	170	-	(421)	50
VAT relating to publications	(613)	-	-	-		-	(613)
Total gross operating revenue	**46,543**	**96,738**	**59,361**	**431**	**-**	**(65,879)**	**137,194**
Other revenue	864	481	3,697	-	-	-	5,042
Total revenue	**47,407**	**97,219**	**63,058**	**431**	**-**	**(65,879)**	**142,236**

Summary of the main income statement figures of the Parent at 30 June 2015

The main **income statement figures of Cairo Communication S.p.A.** in 1H15 can be compared as follows with those of 1H14:

(€ thousands)	**30/06/2015 (Half-year)**	**30/06/2014 (Half-year)**
Gross operating revenue	55,468	62,578
Advertising agency discounts	-	-
Net operating revenue	**55,468**	**62,578**
Other revenue and income	264	144
Total revenue	**55,732**	**62,722**
Production cost	(53,003)	(57,880)
Personnel expense	(1,499)	(1,480)
Gross operating profit (EBITDA)	**1,230**	**3,362**
Amortization, depreciation, provisions and impairment losses	(121)	(100)
EBIT	**1,109**	**3,262**
Net financial income	21	310
Income (loss) on investments	7,465	1,039
Pre-tax profit	**8,595**	**4,611**
Income tax	(493)	(1,171)
Profit from continuing operations	**8,102**	**3,440**
Loss from discontinued operations	-	-
Profit	**8,102**	**3,440**

Unaudited reclassified statements

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

(€ thousands)	**30/06/2015 (Half-year)**	**30/06/2014 (Half-year)**
Statement of comprehensive income of the Parent		
Profit for the period	**8,102**	**3,440**
Other non-reclassifiable items of the comprehensive income statement		-
Actuarial profit (loss) from defined benefit plans	96	(39)
Tax effect	(26)	11
Total comprehensive income	**8,172**	**3,412**

Unaudited reclassified statements

Summary of the main statement of financial position figures of the Parent at 30 June 2015

The main figures of the **statement of financial position** of Cairo Communication S.p.A. at 30 June 2015 can be analyzed versus the situation at 31 December 2014:

(€ thousands)	**30/06/2015**	**31/12/2014**
Statement of financial position		
Property, plant and equipment	414	457
Intangible assets	299	320
Financial assets	23,123	23,124
Other non-current financial assets	5,563	1,663
Net current assets	5,600	7,325
Total assets	**34,999**	**32,889**
Non-current borrowings and provisions	1,448	1,485
(Net financial position)/Net debt	(10,641)	(25,768)
Equity	44,192	57,172
Total equity and liabilities	**34,999**	**32,889**

Unaudited reclassified statements

The **net financial position** of the Parent at 30 June 2015, versus the situation at 31 December 2014, is summarized as follows:

(€ thousands)	**30/06/2015**	**31/12/2014**	**Change**
Cash and cash equivalents	10,641	25,768	(15,127)
Current financial assets	-	-	-
Total	**10,641**	**25,768**	**(15,127)**

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.