CAIRO COMMUNICATION

Annual Report at 31 December 2021

Cairo Communication S.p.A.
Head office: Corso Magenta 55, Milan
Share capital Euro 6,989,663.10

English translation for convenience of international readers. Only the Italian version is authentic

Governance

Board of Directors (*)

Urbano Cairo (**)	Chairman
Uberto Fornara	CEO
Daniela Bartoli	Director
Stefania Bedogni	Director
Giuseppe Brambilla di Civesio	Director
Laura Maria Cairo	Director
Roberto Cairo	Director
Massimo Ferrari	Director
Paola Mignani	Director
Marco Pompignoli	Director

Control, Risk and Sustainability Committee

Massimo Ferrari	Director
Daniela Bartoli	Director
Paola Mignani	Director

Remuneration and Appointments Committee

Paola Mignani	Director
Daniela Bartoli	Director
Giuseppe Brambilla di Civesio	Director

Board of Statutory Auditors (***)

Michele Paolillo	Chairman
Gloria Marino	Standing Auditor
Maria Pia Maspes	Standing Auditor
Emilio Fano	Alternate Auditor
Domenico Fava	Alternate Auditor

Independent Auditors (****)
Deloitte & Touche S.p.A.

(*) The Board of Directors was appointed by resolution of the Shareholders' Meeting held on 6 May 2020. The Directors are in office for the years 2020-2021-2022, therefore until the Shareholders' Meeting called to approve the 2022 financial statements

(**) Ordinary and extraordinary executive powers exercised with single signatory, as limited by the Board of Directors

(***) The Board of Statutory Auditors in office at the date of approval of this Report was appointed by resolution of the Shareholders' Meeting on 6 May 2020. The Statutory Auditors are in office for the years 2020-2021-2022, therefore until the Shareholders' Meeting called to approve the financial statements relating to the last of these years.

(****) In office until the Shareholders' Meeting called to approve the 2028 financial statements

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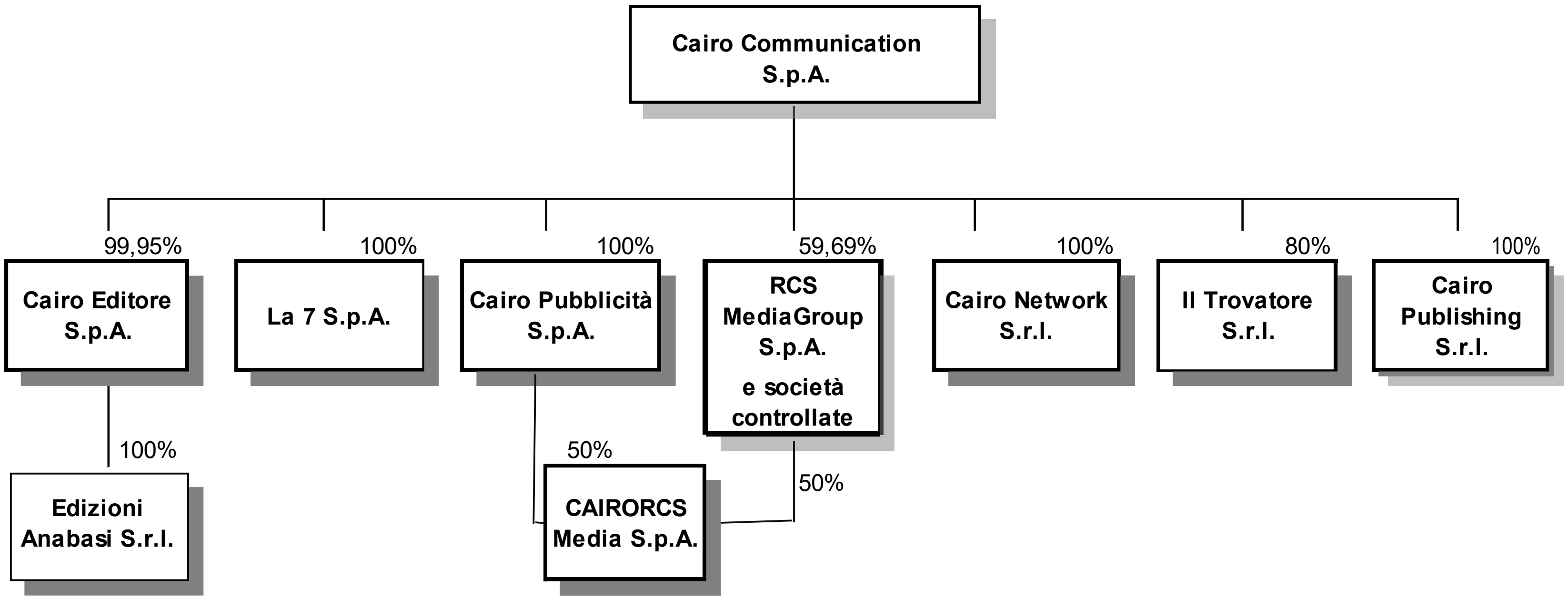
The Group at 31 December 2021



DIRECTORS' REPORT ON OPERATIONS

Separate and consolidated financial statements at 31 December 2021

Shareholders,

the separate and consolidated financial statements as at and for the year ended 31 December 2021, submitted for your approval, show, respectively, a profit of Euro 11.7 million and a profit attributable to the owners of the parent of Euro 51 million.

In 2021, the Group operated as a:

- publisher of magazines and books (Cairo Editore/Editoriale Giorgio Mondadori and Cairo Publishing);
- TV (La7, La7d) and Internet (La7.it, TG.La7.it) publisher and network operator (Cairo Network);
- multimedia agency for the sale of advertising space. Specifically, from 1 January 2021, the contribution by RCS and Cairo Pubblicità to CAIRORCS Media (on an equal basis) of their respective advertising sales business units, relating to the print and online titles in Italy of RCS, became effective;
- publisher of dailies and magazines (weeklies and monthlies) in Italy and in Spain, through RCS MediaGroup, also active in the organization of major world sporting events;

The first few months of the year saw completion of the purchase of 55% of m-Dis Distribuzione Media S.p.A., raising RCS's interest in the company to 100%.

In 2020, the comparative year, the national and international landscape had been swept by the spread of the Coronavirus and the ensuing restrictions for its containment adopted by the governments of all the countries involved; these restrictions had had a direct effect on the organization and timing of work and on the Group's activities.

In the initial phase (so-called phase 1, or lockdown), the measures adopted by the public authorities had resulted in the closure of non-essential activities and severe restrictions on people movement (unless authorized for specific reasons).

The situation had been rather critical in the first half of 2020. The curbing of infections, which had marked the end of the first half and part of third quarter 2020, had led to a gradual improvement in the situation.

Subsequently, as early as August 2020 in Spain and October in Italy, the curve of infections had started to rise again, leading the public authorities of the two countries to reintroduce a series of restrictive measures.

The beginning of 2021 continued to be marked by the health emergency and the containment measures implemented by the authorities, both in Italy and Spain.
Specifically, in Spain at the beginning of the year, and in Italy from the end of February 2021, the number of cases has risen, leading to the adoption again of restrictive measures. Starting from the second half of February in Spain, and from mid-April in Italy, the situation improved and the containment measures were gradually lifted.
In both countries, the vaccination campaign, together with the introduction of measures to boost vaccination, prevention and/or monitoring, has gradually brought great benefits in terms of cases, hospital and ICUs admission rates and deaths, which have allowed them to speed up the reduction of restrictive measures and improve the situation.
The vaccination campaign and the measures adopted have allowed the two countries to cope effectively with the spread of the Omicron variant at the end of 2021 and to curb its impact on business activities and people's lives.
Following the downtrend of 2020, the economic recovery that started in 2021 was marked by higher prices for transportation and a number of commodities, including printing paper and energy, and in some cases, supply difficulties. This situation is causing a general increase in production costs and difficulties in production processes for various sectors, whose current production is struggling to keep pace with the trend in demand. With regard to the Group, this economic context, and its development during the year, impacts on production costs and may also affect the performance of the advertising market, as it may influence the advertisers' propensity to spend.
The Group is monitoring developments on a daily basis to minimize the impacts in terms of health and safety in the workplace and on the operating and financial front, by defining and implementing flexible and timely action plans.

In 2021, the international scenario was marked by economic recovery after the decline in 2020 associated with the spread of the Coronavirus and the restrictive measures implemented by the public authorities of the countries involved. Italy's GDP for the full year 2021 increased by 6.5% (*ISTAT*), while Spain recorded an annual GDP growth rate of 5.2% (*Institute of National Statistics - INE*).
After several years of virtual price stability, in 2021 the national consumer price index was up by 3.9% on an annual basis in Italy (*ISTAT*) and by 6.5% in Spain (*Institute of National Statistics -INE*) versus a 5% growth in the Euro Zone.

In Italy, in 2021, the advertising market (*Nielsen*) increased by 12.8% versus 2020, with the television, online (net of search, social media and over the top), newspaper and magazine advertising markets up by 14.4%, 17.6%, 4.3% and 3.6%, respectively.
In 2021, the Spanish advertising sales market was up by 11.5% versus 2020 (*i2p, Arce Media*). Specifically, the newspaper and magazine markets declined by 1.5% and 5.8%, respectively. Conversely, advertising sales on the Internet (excluding social media, search, etc.) were up by 19.5%.
Economic uncertainty and the general scenario also hit daily newspaper and magazine sales figures.
In terms of circulation, in Italy the adverse trend of the print products market persisted in 2021 too. Specifically, in 2021 generalist newspapers and sports newspapers in Italy saw a drop in print and digital circulation versus 2020 of 5.7% and 2.7%, respectively (*ADS January-December 2021*).
In Spain, in 2021 circulation figures show a decline for generalist newspapers (-15%), business newspapers (-23.6%) and sports newspapers (-19.6%) (*OJD*). Mention should be made that, owing to the pandemic, no official circulation figure had been published for the period from 14 March 2020 to 30 June 2020, so the 2020 comparison figure expresses an average without considering such period.

In 2021 (in the first months of the year in particular), in a context still dominated by the uncertainty brought by the health emergency:

- the **Group**'s revenue, gross operating profit (EBITDA), operating profit (EBIT) and profit attributable to the owners of the parent grew sharply versus the figures of 2020. At year end, the net financial position stands at Euro 37 million, improving by Euro 100.2 million versus end 2020 (when the Group had a net financial debt of Euro 63.2 million);
- **RCS** achieved a net positive result of Euro 72.4 million[1] and continued to generate positive cash flows, with an improvement in the net financial position of Euro 76.3 million. *Corriere della Sera* achieved remarkable newsstand circulation results and continued the growth of digital operations: at end December, its total active digital customer base (digital edition, membership and m-site) counted 384 thousand subscriptions. At end December, the customer base for *Gazzetta*'s pay products *(G ALL*, *G+*, *GPRO* and *Magic*) counted 80 thousand subscriptions. Digital subscriptions grew

[1] RCS 2021 Annual Report, approved on 21 March 2022.

significantly in Spain too, reaching 80 thousand subscriptions for *El Mundo* and 41 thousand subscriptions for *Expansión* at end December 2021;

- the **TV publishing (La7) and network operator segment**[2] achieved a sharp rise in results and confirmed the high audience levels of the La7 channel (3.17% in the all-day share and 4.43% in prime time). In 2021, advertising sales on La7 and La7d totaled approximately Euro 155.5 million (Euro 145.2 million in 2020), up by +7.1% versus the prior year (when revenue had performed more than 7 percentage points better than the TV advertising market), exceeding the figures recorded in 2019;
- the **magazine publishing segment Cairo Editore** achieved higher results than in 2020 and confirmed high circulation levels of the publications.

In 2021, consolidated gross revenue amounted to approximately Euro 1,176 million (comprising gross operating revenue of Euro 1,136.9 million and other revenue and income of Euro 39.1 million) versus Euro 1,048.7 million in 2020 (comprising gross operating revenue of Euro 1,030.1 million and other revenue and income of Euro 18.5 million), up by Euro 127.3 million. Revenue for the year benefited (Euro 42 million) from the full consolidation of the amounts of m-dis.

Gross operating profit (EBITDA) and operating profit (EBIT) came to Euro 179.4 million and Euro 103.2 million (Euro 109.6 million and Euro 30.5 million in 2020). Net non-recurring income and expense amounted to Euro 3.8 million (Euro -15.1 million in 2020, referring primarily to provisions related to personnel measures).

In 2021, cost-cutting measures continued in order to promptly adapt the company's organization to the changed environment resulting from the health emergency. The benefits of these cost containment actions in 2021 amounted to approximately Euro 12.8 million, of which Euro 7.8 million in Italy and Euro 5 million in Spain.

Profit attributable to the owners of the parent came to approximately Euro 51 million (Euro 16.5 million in 2020).

[2] As a result of the changes to the Group's organizational structure, also in terms of decision-making levels, resource allocation, performance monitoring and reporting, the business segments have been reviewed, with the aggregation into a single area named "TV Publishing (La7) and Network Operator" of the two previous "TV Publishing (La7)" and "Network Operator", both mutually synergistic and functional; their aggregation within the Group ensures an effective and efficient management.

Looking at the business segments, in 2021:

- in the **magazine publishing segment (Cairo Editore)**, gross operating profit (EBITDA) and operating profit (EBIT) came to Euro 9.2 million and Euro 7.4 million (Euro 7.4 million and Euro 5.6 million in 2020). Regarding weeklies, with approximately 1.1 million average copies sold in the period January-December 2021 (ADS), Cairo Editore retains its position as the leading publisher in copies of weeklies sold at newsstands, with an approximately 29% market share. Including the average sales of titles out of the ADS survey (comprising copies sold of *"Enigmistica Più"* and of "*Enigmistica Mia"*), average copies sold were approximately 1.3 million;
- in the **TV publishing (La7) and network operator segment**[3], the Group achieved gross operating profit (EBITDA) of approximately Euro 15.5 million, improving by Euro 6.3 million versus 2020 (Euro 9.2 million). Operating profit (EBIT) was approximately Euro -0.7 million (Euro -6.4 million in 2020);
- in the **advertising segment**, gross operating profit (EBITDA) amounted to Euro 2.9 million (basically break-even in 2020), while operating profit (EBIT) came to Euro 0.8 million (Euro -2.1 million in 2020). The 2021 advertising figures are not immediately comparable to the 2020 figures as they did not include the results of the advertising sales business for RCS. As mentioned earlier, the "Advertising" segment includes mainly the results of the new company, CAIRORCS Media.
- in the **RCS segment**, in the consolidated financial statements of Cairo Communication, gross operating profit (EBITDA) and operating profit (EBIT) amounted to Euro 151.5 million[4] and Euro 95.5 million respectively (Euro 93 million and Euro 33.5 million in 2020). Net operating revenue amounted to Euro 846.2 million, with total digital revenue (Italy and Spain) amounting to approximately Euro 205 million and accounting for approximately 24.2% of total revenue. Total advertising sales from RCS online media amounted to Euro 154.7 million in 2021, making for 44.4% of total advertising revenue. Online advertising on RCS media grew by 20% in Italy and by 29.2% in Spain in 2021 versus 2020.

[3] As a result of the changes to the Group's organizational structure, also in terms of decision-making levels, resource allocation, performance monitoring and reporting, the business segments have been reviewed, with the aggregation into a single area named "TV Publishing (La7) and Network Operator" of the two previous "TV Publishing (La7)" and "Network Operator", both mutually synergistic and functional; their aggregation within the Group ensures an effective and efficient management.

[4] Mention should be made that RCS adopts a different definition of EBITDA from the one used by the Cairo Communication Group, as indicated in the above section "Alternative Performance Measures". As a result of these differences - relating to allocations to the provisions for risks and charges and the allowance for impairment, totaling Euro 7 million in 2021 - EBITDA reported in the RCS 2021 Annual Report approved on 21 March 2022 amounts to Euro 144.5 million.

Both Italian newspapers, *Corriere della Sera* and *La Gazzetta dello Sport,* and in Spain *Marca* and *Expansión,* retained their circulation leadership in their respective market segments in 2021 (*ADS* for Italy and *OJD* for Spain). The main digital performance indicators confirm the top market position of RCS, with the *Corriere della Sera* and *La Gazzetta dello Sport* brands, which counted in 2021 28.4 million and 19.6 million average monthly unique users and 3.8 million and 3 million average daily unique users respectively (*Audiweb 2.0*). With an aggregate figure of 32.2 million average monthly unique users (net of duplications) in 2021, RCS is once again the leading online publisher in Italy. In Spain, as part of the online activities, *elmundo.es, marca.com* and *expansión.com* reached 52.8 million, 94.5 million and 11.3 million average monthly unique browsers respectively in 2021, comprising both domestic and foreign browsers and including apps (*Google Analytics*). The international English-language version of *Marca* reached 14.5 million average monthly unique browsers versus 2 million in 2020 (*Google Analytics*).

In 2021, La7's average all-day share was 3.17% and 4.43% in prime time (from 8:30 PM to 10:30 PM), confirming a high-quality target audience.

La7d's share was 0.48% in all-day and 0.36% in prime time. The channel's news and discussion programmes all continued to deliver remarkable results: *Otto e Mezzo* with 7.4% average share from Monday to Friday, *TgLa7 edizione delle 20* 5.5% from Monday to Friday, *diMartedì* 5.6%, *Piazzapulita* 5.5%, *Propaganda Live* 5.3%, *Non è l'Arena* 5.8%, *Omnibus La7* 3.6%, *Coffee Break* 3.8%, *L'Aria che tira* 5.4%, and *Tagadà* 3.2%.

La7 retains its position as the top generalist TV for hours of information broadcast (5,010 hours, equal to 57% of the total schedule), and the second generalist TV for hours of live broadcasting, both in terms of all-day coverage (3,570 hours, behind only Rai1) and in prime time (764 hours, behind Rete 4).

In 2021, the channel ranked (i) fifth in the morning slot (7:00-12:00) with a 3.48% share, (ii) for the "graduate" audience fourth in all-day (7:00-2:00) with a 6.50% share, second in prime time (20:30-22:30) with a 9.13% share behind only Rai1, (iii) fourth on the high spending audience both in all-day and prime time respectively with a 5.90% and 7.85% share.

PERFORMANCE

Cairo Communication Group – Consolidated figures

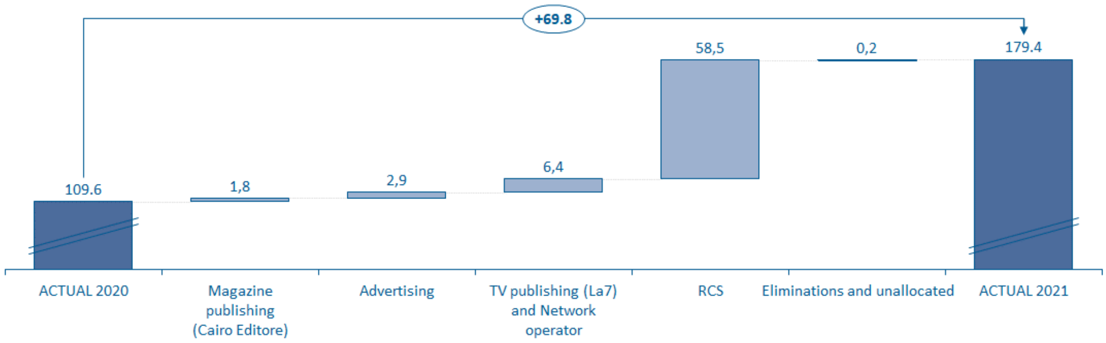
The main **consolidated income statement figures** in 2021 can be compared with the figures in 2020:

(€ millions)	**2021**	**2020**
Gross operating revenue	1,136.9	1,030.1
Advertising agency discounts	(66.2)	(60.5)
Net operating revenue	**1,070.7**	**969.6**
Change in inventory	0.4	(1.9)
Other revenue and income	39.1	18.5
Total revenue	**1,110.3**	**986.3**
Production costs	(605.5)	(556.3)
Personnel expense	(321.6)	(305.3)
Non-recurring income (expense)	(3.8)	(15.1)
Gross operating profit	**179.4**	**109.6**
Amortization, depreciation, provisions and write-downs	(76.2)	(79.0)
Operating profit	**103.2**	**30.5**
Other gains (losses) from financial assets/liabilities	4.6	3.2
Net financial income	(11.1)	(10.2)
Profit (loss) before tax	**96.8**	**23.5**
Income tax	(16.8)	5.5
Non-controlling interests	(28.9)	(12.6)
Profit (loss) from continuing operations	**51.0**	**16.5**
Profit (loss) from discontinued operations	-	-
Profit (loss) attributable to the owners of the parent	**51.0**	**16.5**

In 2021, consolidated gross revenue amounted to approximately Euro 1,176 million (comprising gross operating revenue of Euro 1,136.9 million and other revenue and income of Euro 39.1 million) versus Euro 1,048.7 million in 2020 (comprising gross operating revenue of Euro 1,030.1 million and other revenue and income of Euro 18.5 million), up by Euro 127.3 million. Revenue for the year benefited (Euro 42 million) from the full consolidation of the amounts of m-dis.

Gross operating profit (EBITDA) and operating profit (EBIT) came to Euro 179.4 million and Euro 103.2 million versus Euro 109.6 million and Euro 30.5 million in 2020. Net non-recurring income and expense amounted to Euro 3.8 million (Euro -15.1 million in 2020, referring primarily to provisions related to personnel measures).

The **EBITDA** trend between 2020 and 2021 is shown below:



Mention should be made that the item "Net income (expense) from equity-accounted investees" (amounting in 2021 to a net expense of Euro -2.1 million), previously classified under EBITDA, as of 2021, was reclassified after EBIT under financial items; consistently, the item was also reclassified for the comparative year 2020, when net expense amounted to Euro -2.9 million.

As already commented, the Group continued in 2021 to pursue a series of actions to counter the impact of the health emergency both in terms of health and safety in the workplace and on the operating and financial front.

Profit attributable to the owners of the parent came to approximately Euro 51 million (Euro 16.5 million in 2020).

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

€ millions	2021	2020
Profit (loss) for the period	**79.9**	**29.0**
Reclassifiable items of the comprehensive income statement		
Gains (losses) from cash flow hedges	0.1	(0.4)
Reclassification of gains (losses) from cash flow hedges	0.6	0.6
Tax effect	(0.1)	-
Non-reclassifiable items of the comprehensive income statement		
Actuarial gains (losses) from defined benefit plans	0.5	(2.1)
Tax effect	(0.1)	0.5
Gains (losses) from the fair value measurement of equity instruments	(0.1)	(0.1)
Total comprehensive income for the period	**80.8**	**27.5**
- Owners of the parent	51.5	15.3
- Non-controlling interests - continuing operations	29.3	12.2
	80.8	**27.5**

The Group's performance can be read better by analyzing the 2021 results by **main business segment** (magazine publishing Cairo Editore, advertising, TV publishing La7, network operator and RCS) versus those of 2020.

As a result of the changes to the Group's organizational structure, also in terms of decision-making levels, resource allocation, performance monitoring and reporting, the business segments have been reviewed, with the aggregation into a single area named "TV Publishing (La7) and Network Operator" of the two previous "TV Publishing (La7)" and "Network Operator", both mutually synergistic and functional; their aggregation within the Group ensures an effective and efficient management.

Given the material amounts versus the Group's other operating segments, the results of "Il Trovatore" are classified under "Eliminations and unallocated items".

Consistently, the corresponding analysis of 2020 segment results has also been restated.

2021 (€ millions)	Magazine publishing Cairo Editore	Advertising	TV publishing La7 and network operator	RCS	Eliminations and unallocated	Total
Gross operating revenue	84.2	425.3	112.3	886.3	(371.2)	1,136.9
Advertising agency discounts	-	(55.5)	-	(40.1)	29.4	(66.2)
Net operating revenue	**84.2**	**369.8**	**112.3**	**846.2**	**(341.8)**	**1,070.7**
Change in inventory	(0.0)	-	-	0.4	-	0.4
Other revenue and income	4.2	4.1	2.8	33.0	(4.9)	39.1
Total revenue	**88.4**	**373.9**	**115.2**	**879.5**	**(346.7)**	**1,110.3**
Production costs	(61.7)	(346.6)	(61.6)	(482.4)	347.0	(605.5)
Personnel expense	(17.4)	(24.4)	(38.0)	(241.8)	(0.1)	(321.6)
Non-recurring income (expense)	-	-	-	(3.8)	-	(3.8)
Gross operating profit (EBITDA)	**9.2**	**2.9**	**15.5**	**151.5**	**0.2**	**179.4**
Amortization, depreciation, provisions and write-downs	(1.9)	(2.1)	(16.2)	(56.0)	(0.0)	(76.2)
Operating profit (EBIT)	**7.4**	**0.8**	**(0.7)**	**95.5**	**0.2**	**103.2**
Other gains (losses) from financial assets/liabilities	-	-	-	4.6	-	4.6
Net financial income	(0.0)	(0.4)	(0.1)	(10.6)	0.0	(11.1)
Profit (loss) before tax	**7.3**	**0.4**	**(0.7)**	**89.6**	**0.2**	**96.8**
Income tax	(0.9)	(0.5)	2.7	(18.0)	(0.1)	(16.8)
Non-controlling interests	-	-	-	(28.9)	(0.0)	(28.9)
Profit (loss) from continuing operations	**6.4**	**(0.1)**	**1.9**	**42.7**	**0.1**	**51.0**
Profit (loss) from discontinued operations	-	-	-	-	-	-
Profit (loss) for the period attributable to the owners of the parent	**6.4**	**(0.1)**	**1.9**	**42.7**	**0.1**	**51.0**

2020 (€ millions)	Magazine publishing Cairo Editore	Advertising	TV publishing La7 and network operator	RCS	Eliminations and unallocated	Total
Gross operating revenue	90.6	166.8	103.2	786.4	(116.8)	1,030.1
Advertising agency discounts	-	(23.9)	-	(36.9)	0.3	(60.5)
Net operating revenue	**90.6**	**142.9**	**103.2**	**749.5**	**(116.5)**	**969.6**
Change in inventory	(0.0)	-	-	(1.8)	-	(1.9)
Other revenue and income	0.1	0.9	3.9	13.6	-	18.5
Total revenue	**90.6**	**143.8**	**107.1**	**761.2**	**(116.5)**	**986.3**
Production costs	(66.5)	(134.3)	(61.3)	(410.9)	116.5	(556.3)
Personnel expense	(16.7)	(9.6)	(36.7)	(242.2)	(0.1)	(305.3)
Non-recurring income (expense)	-	-	-	(15.1)	-	(15.1)
Gross operating profit (EBITDA)	**7.4**	**(0.0)**	**9.2**	**93.0**	**(0.0)**	**109.6**
Amortization, depreciation, provisions and write-downs	(1.8)	(2.1)	(15.6)	(59.5)	(0.0)	(79.0)
Operating profit (EBIT)	**5.6**	**(2.1)**	**(6.4)**	**33.5**	**(0.0)**	**30.5**
Other gains (losses) from financial assets/liabilities	-	-	-	3.2	-	3.2
Net financial income	(0.0)	(0.4)	(0.5)	(9.3)	(0.0)	(10.2)
Profit (loss) before tax	**5.6**	**(2.6)**	**(6.9)**	**27.5**	**(0.0)**	**23.5**
Income tax	(0.8)	0.7	2.1	3.5	(0.0)	5.5
Non-controlling interests	-	-	-	(12.6)	0.0	(12.6)
Profit (loss) from continuing operations	**4.8**	**(1.9)**	**(4.8)**	**18.4**	**(0.0)**	**16.5**
Loss from discontinued operations	-	-	-	-	-	-
Profit (loss) for the period attributable to the owners of the parent	**4.8**	**(1.9)**	**(4.8)**	**18.4**	**(0.0)**	**16.5**

Gross operating revenue in 2021, split up by main business segment, can be analyzed as follows versus the amounts of 2020:

2021 (€ millions)	**Magazine publishing Cairo Editore**	**Advertising**	**TV publishing La7 and network operator**	**RCS**	**Eliminations and unallocated**	**Total**
TV advertising	-	157.3	106.1	0.5	(107.1)	156.8
Advertising on print media, Internet and sporting events	10.4	266.1	2.5	388.0	(253.1)	413.9
Other TV revenue	-	-	1.2	2.8	(0.4)	3.6
Magazine over-the-counter sales and subscriptions	74.6	-	-	378.4	(2.6)	450.5
VAT relating to publications	(0.8)	-	-	(2.6)	-	(3.4)
Other revenue	-	1.9	2.5	119.3	(8.1)	115.6
Total gross operating revenue	**84.2**	**425.3**	**112.3**	**886.3**	**(371.2)**	**1,136.9**
Other revenue	4.2	4.1	2.8	33.0	(4.9)	39.1
Total gross revenue	**88.3**	**429.3**	**115.2**	**919.3**	**(376.1)**	**1,176.0**

2020 (€ millions)	**Magazine publishing Cairo Editore**	**Advertising**	**TV publishing La7 and network operator**	**RCS**	**Eliminations and unallocated**	**Total**
TV advertising	-	146.2	98.8	0.6	(100.1)	145.6
Advertising on print media, Internet and sporting events	11.4	20.0	2.4	349.1	(14.9)	368.0
Other TV revenue	-	-	1.5	4.7	(0.7)	5.6
Magazine over-the-counter sales and subscriptions	80.1	-	-	346.7	(0.4)	426.4
VAT relating to publications	(0.9)	-	-	(2.9)	-	(3.8)
Other revenue	-	0.6	0.4	88.2	(0.8)	88.3
Total gross operating revenue	**90.6**	**166.8**	**103.2**	**786.4**	**(116.8)**	**1,030.1**
Other revenue	0.1	0.9	3.9	13.6	0.0	18.5
Total gross revenue	**90.5**	**167.7**	**107.1**	**800.0**	**(116.8)**	**1,048.7**

As a result of the consolidation of m-dis (i) the item "sale of publications and subscriptions" includes Euro 27.9 million in circulation revenue from the distribution of products of third-party publishers, and (ii) the item “sundry revenue" includes Euro 13.5 million in revenue from other services, for a total of Euro 42 million.

The main **consolidated statement of financial position figures** at 31 December 2021 can be compared with the situation at 31 December 2020:

(€ millions)	**31/12/2021**	**31/12/2020**
Property, plant and equipment	57.0	70.9
Rights of use on leased assets	168.5	164.9
Intangible assets	985.1	982.3
Financial assets	37.2	39.5
Deferred tax assets	86.8	96.3
Net working capital	(64.1)	(58.6)
Total assets	**1,270.5**	**1,295.4**
Non-current liabilities and provisions	112.9	109.3
Deferred tax provision	162.1	164.2
(Financial position)/Net debt	(37.0)	63.2
Liabilities from lease contracts (pursuant to IFRS 16)	184.8	180.9
Equity attributable to the owners of the parent	514.4	468.4
Equity attributable to non-controlling interests	333.3	309.4
Total equity and liabilities	**1,270.5**	**1,295.4**

In 2021, as part of the share buy-back plans, no treasury shares were sold or purchased. At 31 December 2021, Cairo Communication held a total of no. 779 treasury shares, or 0.001% of the share capital, subject to Article 2357-ter of the Italian Civil Code.

It should be noted that:

- the Shareholders' Meeting of RCS on 29 April 2021 approved the distribution of a dividend of Euro 0.03 per share, gross of tax, with ex-dividend date on 17 May 2021, for a total of approximately Euro 15.5 million (Euro 9.3 million the share of Cairo Communication),
- the Shareholders' Meeting of Cairo Communication on 30 April 2021 approved the distribution of a dividend of Euro 0.04 per share, gross of tax, with ex-dividend date on 24 May 2021, for a total of Euro 5.4 million.

The change in net financial debt at Group level as a result of the distribution of dividends was approximately Euro 11.6 million.

The consolidated **net financial position** at 31 December 2021, versus the situation at 31 December 2020, can be summarized as follows:

Net financial position (€ millions)	**31/12/2021**	**31/12/2020**	**Changes**
Cash and cash equivalents	113.0	87.4	25.6
Other current financial assets and financial receivables	0.2	6.9	(6.7)
Current financial assets (liabilities) from derivative instruments	(0.3)	(0.1)	(0.2)
Current financial payables	(36.4)	(97.4)	61.0
Current net financial position (net financial debt)	**76.5**	**(3.3)**	**79.8**
Non-current financial payables	(39.6)	(58.9)	19.3
Non-current financial assets (liabilities) from derivative instruments	0.1	(1.0)	1.1
Non-current net financial position (net financial debt)	**(39.5)**	**(59.9)**	**20.4**
Net financial position (net financial debt)	**37.0**	**(63.2)**	**100.2**
Liabilities from leases (pursuant to IFRS 16)	(184.8)	(180.9)	**(3.9)**
Total net financial position (net financial debt)	**(147.8)**	**(244.1)**	**96.3**

The consolidated **net financial position** at 31 December 2021 stood at approximately Euro 37 million, improving by Euro 100.2 million versus end 2020 (Euro 63.2 million at 31 December 2020), thanks to the strong push from normal operations. At 31 December 2021, the net financial position of RCS amounted to a net debt of Euro 16.7 million (a net debt of Euro 59.6 million at 31 December 2020). The net financial position was negatively impacted mainly by the net effects of dividend payouts amounting to Euro 11.6 million. Conversely, the positive effects of the net proceeds from the sale of investments and fixed assets, amounting to Euro 16.1 million, refer mainly to the sale of Unidad Editorial Juegos and to certain non-instrumental property.

Total net financial debt, which includes financial liabilities from leases recognized in accordance with IFRS 16 (mainly property leases) of Euro 184.8 million, amounted to Euro 147.8 million (Euro 244.1 million at 31 December 2020).

To analyze the major financial indicators, the consolidated asset structure at 31 December 2021 can be examined using a reclassified statement showing increasing liquidity/settlement:

	31 December 2021	31 December 2020
Non-current assets		
Property, plant and equipment and intangible assets	1,042.1	1,053.2
Rights of use on leased assets	168.5	164.9
Financial assets	32.5	37.5
Other non-current assets	4.7	2.0
Deferred tax assets	86.8	96.3
Total non-current assets	**1,334.6**	**1,353.9**
Current assets		
Inventory	19.6	19.9
Trade receivables (unavailable liquid funds)	288.8	244.2
Other unavailable liquid funds	64.2	50.9
Total operating working capital	**372.6**	**315.0**
Other current financial assets	0.3	6.9
Available cash funds	113.0	87.4
Total current assets	**485.9**	**409.3**
Invested capital	**1,820.5**	**1,763.2**
Equity attributable to the owners of the parent	**847.7**	**777.8**
Consolidated liabilities		
Post-employment benefits and provisions for risks and charges	81.0	78.9
Deferred tax liabilities	162.1	164.2
Other non-current liabilities	1.2	1.0
Non-current liabilities from lease contracts	154.9	152.1
Non-current borrowing liabilities	39.6	59.9
Total consolidated liabilities	**438.8**	**456.1**
Current liabilities		
Current portion of provisions for risks and charges	30.7	29.4
Operating liabilities	436.6	373.6
Current liabilities from lease contracts	29.9	28.8
Current borrowing liabilities	36.8	97.5
Total current liabilities	**534.0**	**529.3**
Financing capital	**1,820.5**	**1,763.2**
Profit (loss)	51.0	16.5
Operating profit	103.2	27.6
Revenue from sales	1,070.7	969.6

The table below shows the analysis of the operating results and cash flows of the Group through the key financial indicators which - in order to also compare figures - have been calculated in keeping with prior years (before IFRS 16):

(€ millions)	Description	31/12/2021	31/12/2020
Solvency indicators			
Current assets less current liabilities margin	Current assets-current liabilities	(18.2)	(91.2)
Current assets less current liabilities ratio	Current assets/current liabilities	1.0	0.8
Treasury margin	(Unavailable liquid funds + available liquid funds)-current liabilities	(37.8)	(111.1)
Treasury ratio	(Unavailable liquid funds + available liquid funds)/current liabilities	0.9	0.8
Non-current asset financing indicators			
Own funds less fixed assets margin	Own funds – non-current assets	(318.4)	(411.2)
Own funds less non-current assets ratio	Equity/non-current assets	0.7	0.7
Own funds plus non-current liabilities less non-current assets margin	(Own funds+non-current liabilities) – non-current assets	(74.1)	(167.1)
Own funds plus non-current liabilities less non-current assets ratio	(Own funds+non-current liabilities)/non-current assets	0.9	0.9
Financing structure indicators			
Total debt ratio	(Non-current + current liab.)/Own funds	0.9	1.0
Financing debt ratio	Third-party funds/Own funds	0.1	0.2
Current operating assets - current operating liabilities		(64.0)	(58.6)
Profitability indicators			
ROE	Profit/Own funds	6.0%	2.1%
ROE current operations	Profit curr. op./Own funds	5.9%	2.0%
ROI	Operating profit/ (Inv. op. capital – op. liabilities)	7.6%	2.0%
ROI current operations	Operating profit current operations/ (Inv. op. capital – op. liabilities)	7.8%	2.2%
Other indicators			
Receivables turnover		81	75

Solvency indicators (liquidity), which represent the ability to maintain short-term financial stability, namely to meet short-term outflows (current liabilities) with existing cash (available liquid funds) and short-term inflows (unavailable liquid funds), show that current liabilities are higher than current assets.

In this regard, at 31 December 2021:

- no amount of the revolving line of Euro 125 million set out in the RCS loan agreement had been drawn down;

- the publishing companies have a negative net working capital (current assets net of current liabilities, not including financial assets or liabilities), since a portion of the trade receivables (those from sales in the publishing segment) is transformed into cash more quickly than average supplier payment terms;
- the Group attempts to ensure that an appropriate ability to generate cash is maintained, even under the current market conditions.

The statement of cash flows is used to analyze overall dynamics and origins of cash movements.

The financing structure and non-current assets financing indicators express the strength of equity, and the ability of the company to maintain financial stability in the medium/long term, which depends on:

- the methods of funding medium/long term commitments,
- the composition of funding sources.

With regard to profitability indicators, the ROI (Return on Invested capital) is an indicator that expresses the level of efficiency/effectiveness of corporate management. Invested capital as the denominator is restated for an equivalent amount of liabilities without explicit maturity since their cost is substantially included in operating profit.

Cairo Communication S.p.A. - Parent performance

The main income statement figures of Cairo Communication S.p.A. in 2021 can be compared as follows versus those in 2020:

(€ millions)	**2021**	**2020**
Gross operating revenue	5.1	6.6
Advertising agency discounts	-	-
Net operating revenue	**5.1**	**6.6**
Other revenue and income	0.3	1.0
Total revenue	**5.4**	**7.6**
Production costs	(2.6)	(4.5)
Personnel expense	(1.9)	(2.5)
Gross operating profit	**0.9**	**0.5**
Amortization, depreciation, provisions and write-downs	(0.3)	(1.7)
Operating profit	**0.6**	**(1.2)**
Net financial income	(0.4)	(0.5)
Other gains (losses) from financial assets/liabilities	11.7	(0.3)
Profit (loss) before tax	**11.9**	**(2.0)**
Income tax	(0.2)	0.5
Profit (loss) for the period	**11.7**	**(1.6)**

In 2021, Cairo Communication continued to operate in TV advertising sales (La7, La7d and theme channels Cartoon Network and Boomerang) and on the Internet through its subsidiary CAIRORCS Media on a sub-concession basis, invoicing advertising spaces directly to its customers and returning to Cairo Communication a share of revenue generated by resources managed on a sub-concession basis. Revenue from sub-concession fees charged to the subsidiary CAIRORCS Media is shown net of the fees paid back to the publishers who own the media.

In 2021, gross operating profit (EBITDA) came to Euro 0.9 million (Euro 0.5 million in 2020) and operating profit (EBIT) to approximately Euro 0.6 million (a negative Euro 1.2 million in 2020). Profit was approximately Euro 11.7 million (a negative Euro 1.6 million in 2020).

In 2021, “Other income (expense) from financial assets and liabilities" includes mainly dividends approved by the subsidiaries RCS MediaGroup for Euro 9.4 million and Cairo Editore for Euro 2.3 million.

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

€ millions	2021	2020
Profit (loss) for the period	**11.7**	**(1.6)**
Other reclassifiable items of the comprehensive income statement		
Gains (losses) from the measurement of available-for-sale financial assets	-	-
Tax effect	-	-
Other non-reclassifiable items of the comprehensive income statement		
Actuarial gains (losses) from defined benefit plans	-	-
Tax effect	-	-
Total comprehensive income (expense)	**11.7**	**(1.6)**

The main **statement of financial position figures** of Cairo Communication S.p.A. at 31 December 2021 can be compared with the situation at 31 December 2020:

(€ millions)	31/12/2021	31/12/2020
Property, plant and equipment	0.4	0.3
Rights of use on leased assets	-	0.3
Intangible assets	0.2	0.2
Financial assets	328.8	328.8
Other non-current financial assets	29.4	23.3
Net working capital	(29.2)	(19.4)
Total assets	**329.6**	**333.5**
Non-current liabilities and provisions	1.2	1.1
(Net financial position)/Net debt	68.6	78.8
Liabilities from lease contracts (pursuant to IFRS 16)	-	0.3
Equity	259.8	253.5
Total equity and liabilities	**329.6**	**333.5**

The **net financial position** of the Parent at 31 December 2021, versus the situation at 31 December 2020, is summarized as follows:

	31/12/2021	31/12/2020	Change
Liquid funds	9,755	1,179	8,576
Non-current assets for hedging derivatives	15	0	15
Financial payables to La7 S.p.A.	(40,030)	(40,030)	0
Financial payables to subsidiaries - intra-group c/a	(28,265)	0	(28,265)
Non-current financial payables	(5,000)	0	(5,000)
Current financial payables	(5,000)	(40,000)	35,000
Net financial position	**(68,525)**	**(78,851)**	**10,326**
Liabilities from lease contracts	(26)	(329)	303
Total net financial position	**(68,551)**	**(79,180)**	**10,629**

Financial payables to subsidiaries are attributable to the short-term interest-bearing cash deposit agreement with La7 S.p.A. (Euro 40 million) and to the intra-group current account for Euro 28.3 million.

The total net financial position also includes Euro 26 thousand in financial liabilities from lease contracts recorded in the financial statements pursuant to IFRS 16 (relating to company cars).

Statement of reconciliation of Parent equity and profit and Group equity and profit

The **statement of reconciliation** of equity and profit of Cairo Communication S.p.A. and Group equity and profit can be analyzed as follows:

(€ millions)	Equity 31/12/2021	Profit (loss) for the period
Separate financial statements of Cairo Communication S.p.A.	**259.8**	**11.7**
Elimination of the carrying amount of consolidated investments:		
Difference between carrying amount of investments and their equity value	(0.9)	
Effects of the purchase price allocation of RCS S.p.A.	157.8	1.2
Effects of the purchase price allocation of La7 S.p.A.	(0.1)	1.1
Share in consolidated companies' profit net of investment impairment losses		54.3
Allocation of consolidation differences		
RCS goodwill net of tax effects	112.4	(1.8)
Other goodwill	7.2	
Elimination of intra-group profits net of income tax	(21.8)	(3.8)
Elimination of intra-group dividends		(11.7)
Consolidated financial statements of Cairo Communication	**514.4**	**51.0**

Main business segment operating results and related risk factors and strategic opportunities

MAGAZINE PUBLISHING CAIRO EDITORE

Cairo Editore - Cairo Publishing

Cairo Editore operates in the magazine publishing field through (i) weeklies "*Settimanale DIPIU'*", *"DIPIU' TV"*, and bi-weekly supplements *"Settimanale DIPIU' e DIPIU'TV Cucina"* and *"Settimanale DIPIU' e DIPIU'TV Stellare"*, *"Diva e Donna"* and the fortnightly "*Diva e Donna Cucina"*, "*TV Mia", "Settimanale Nuovo", "F", "Settimanale Giallo"* and *"NuovoTV"*, *"Nuovo e Nuovo TV Cucina", "Enigmistica Più" and* "*Enigmistica Mia*", (ii) monthlies *"For Men Magazine"* and *"Natural Style"* and (iii) through its Editoriale Giorgio Mondadori division with monthlies *"Bell'Italia", "Bell'Europa", "In Viaggio", "Airone", "Gardenia", "Arte"* and *"Antiquariato".*

The results achieved by the Cairo Editore publishing segment in 2021 can be analyzed as follows:

Publishing Cairo Editore (€ millions)	2021	2020
Operating revenue	84.2	90.6
Other income	4.2	0.1
Change in inventory	-	-
Total revenue	**88.4**	**90.6**
Production costs	(61.7)	(66.5)
Personnel expense	(17.4)	(16.7)
Gross operating profit	**9.2**	**7.4**
Amortization, depreciation, provisions and write-downs	(1.9)	(1.8)
Operating profit	**7.4**	**5.6**
Other gains (losses) from financial assets/liabilities		
Net financial income	-	-
Profit (loss) before tax	**7.3**	**5.6**
Income tax	(0.9)	(0.8)
Profit (loss) for the period	**6.4**	**4.8**

In 2021, against a persisting backdrop of uncertainty brought by the health emergency, Cairo Editore improved its results versus those of 2020.

Gross operating profit (EBITDA) and operating profit (EBIT) came to approximately Euro 9.2 million and approximately Euro 7.4 million (Euro 7.4 million and Euro 5.6 million in 2020).

The Group weeklies reported high circulation results, with an average ADS weekly circulation in the January-December period of 2021 of 345,001 copies for "*Settimanale DIPIU*", 166,995 copies for "*DIPIU' TV*", 54,954 copies for "*Settimanale DIPIU' e DIPIU'TV Cucina*", 117,700 copies for "*Diva e Donna*", 162,703 copies for "*Settimanale Nuovo*", 94,470 copies for "*F*", 70,203 copies for "*TVMia*", 56,091 copies for "*Settimanale Giallo*", and 66,746 copies for "*NuovoTV*", reaching a total of approximately 1.1 million average weekly copies sold, and making the Group the leading publisher in copies of weeklies sold at newsstands, with an approximately 29% market share. Including the average sales of titles out of the ADS survey (comprising copies sold of "Enigmistica Più" and of "Enigmistica Mia"), average copies sold were approximately 1.3 million.

ADVERTISING

With regard to the advertising segment, at end 2020 Cairo Communication and RCS signed an agreement to regulate the terms and conditions of a corporate and business cooperation for the transfer, in a newly-established investee held on an equal basis, CAIRORCS Media S.p.A., by RCS and Cairo Pubblicità of their respective advertising sales business units for, respectively, RCS's print and online titles in Italy and the print, television and online titles of Cairo Editore and La7, as well as, for both businesses, certain third-party media. The transfers became effective as from 1 January 2021.

The purpose of the Transaction is to ensure the effective and unified management of the advertising agency business and sale of advertising space, maximizing synergies at group level. The business segments of the Advertising division of RCS and Cairo Pubblicità were, in fact, highly complementary and the transfer of advertising sales activities to a single company, CAIRORCS, helped to build a broader business proposition, concurrently covering all major areas of communication - from the web to magazines and television - and created a more effective offering promoted as it is jointly and with greater client penetration.

Specifically, the integration of the activities of the advertising agencies allowed RCS and Cairo Pubblicità to leverage on each other's strengths on the market, by increasing the market shares of clients currently shared, and by partaking both exclusive and loyal clients.

Additionally, the Transaction enabled the two companies to pool their wealth of experience and know-how, both in terms of knowledge of client acquisition models, and in identifying new models of market coverage, by implementing processes for sharing industrial and business best practices.

The 2021 advertising segment figures are, therefore, not immediately comparable to the 2020 figures as they did not include the results of the advertising sales business for RCS. In keeping with prior years, the advertising segment also includes the results of Cairo Communication S.p.A..

The results achieved by Advertising in 2021 can be analyzed as follows:

Advertising (€ millions)	2021	2020
Gross operating revenue	425.3	166.8
Advertising agency discounts	(55.5)	(23.9)
Net operating revenue	**369.8**	**142.9**
Other income	4.1	0.9
Change in inventory	-	-
Total revenue	**373.9**	**143.8**
Production costs	(346.5)	(134.3)
Personnel expense	(24.4)	(9.6)
Gross operating profit	**2.9**	**-**
Amortization, depreciation, provisions and write-downs	(2.1)	(2.1)
Operating profit	**0.8**	**(2.1)**
Other gains (losses) from financial assets/liabilities	-	-
Net financial income	(0.4)	(0.4)
Profit (loss) before tax	**0.4**	**(2.6)**
Income tax	(0.5)	0.7
Non-controlling interests	-	-
Profit (loss) for the period	**(0.1)**	**(1.9)**

In 2021, gross operating profit (EBITDA) amounted to Euro 2.9 million, while operating profit (EBIT) amounted to Euro 0.8 million (basically break-even and a negative Euro 2.1 million in 2020).

In 2021:

- advertising sales on La7 and La7d channels totaled approximately Euro 155.5 million (Euro 145.2 million in 2020), up by +7.2% versus the prior year,
- advertising sales on Cairo Editore titles amounted to Euro 13.3 million (Euro 14.6 million in 2020)
- gross advertising revenue of the RCS titles, amounting to Euro 239.3 million, increased by 14.3% overall versus 2020, with the online medium on a strong rise (approximately +20.3%).

TV PUBLISHING (La7) AND NETWORK OPERATOR

As already commented, as a result of the changes to the Group's organizational structure, also in terms of decision-making levels, resource allocation, performance monitoring and reporting, the business segments have been reviewed, with the aggregation into a single area named "TV Publishing (La7) and Network Operator" of the two previous "TV Publishing (La7)" and "Network Operator", both mutually synergistic and functional; their aggregation within the Group ensures an effective and efficient management.

The Group started operations in the TV field in 2013, following acquisition from Telecom Italia Media S.p.A. of the entire share capital of La7 S.r.l. (today La7 S.p.A.) as of 30 April 2013, with the upstream integration of its concessionaire business for the sale of advertising space, diversifying its publishing activities previously focused on magazines.

At the acquisition date, the financial situation of La7 had called for the implementation of a restructuring plan aimed at reorganizing and streamlining the corporate structure and at curbing costs, while retaining the high quality levels of the programming. Starting from May 2013, the Group began to implement its own plan to restructure the company, achieving, as early as the May-December eight-month period of 2013, a positive gross operating profit (EBITDA), strengthening in the years that followed the results of the cost rationalization measures implemented.

The results achieved by the TV publishing segment (La7) in 2021 can be analyzed as follows:

TV publishing and network operator segment (€ millions)	**2021**	**2020**
Gross operating revenue	112.3	103.2
Other income	2.8	3.9
Change in inventory	-	-
Total revenue	**115.2**	**107.1**
Production costs	(61.6)	(61.3)
Personnel expense	(38.0)	(36.7)
Gross operating profit	**15.5**	**9.2**
Amortization, depreciation, provisions and write-downs	(16.2)	(15.6)
Operating profit	**(0.7)**	**(6.4)**
Other gains (losses) from financial assets/liabilities		
Net financial income	(0.1)	(0.5)
Profit (loss) before tax	**(0.7)**	**(6.9)**
Income tax	2.7	2.1
Non-controlling interests	-	-
Profit (loss) for the period	**1.9**	**(4.8)**

In 2021, the TV publishing (La7) and network operator segment achieved gross operating profit (EBITDA) of approximately Euro 15.5 million, an improvement of Euro 6.3 million versus 2020 (Euro 9.2 million in 2020), and operating profit (EBIT) of approximately Euro - 0.7 million (Euro - 6.4 million in 2020).

In 2021, La7's average all-day share was 3.17% and 4.43% in prime time (from 8:30 PM to 10:30 PM), confirming a high-quality target audience.

La7d's share was 0.48% in all-day and 0.36% in prime time. The channel's news and discussion programmes all continued to deliver remarkable results: *Otto e Mezzo* with 7.4% average share from Monday to Friday, *TgLa7 edizione delle 20* 5.5% from Monday to Friday, *diMartedì*

5.6%, *Piazzapulita* 5.5%, *Propaganda Live* 5.3%, *Non è l'Arena* 5.8%, *Omnibus La7* 3.6%, *Coffee Break* 3.8%, *L'Aria che tira* 5.4%, and *Tagadà* 3.2%.

La7 retains its position as the top generalist TV for hours of information broadcast (5,010 hours, equal to 57% of the total schedule), and the second generalist TV for hours of live broadcasting, both in terms of all-day coverage (3,570 hours, behind only Rai1) and in prime time (764 hours, behind Rete 4).

In 2021, the channel ranked (i) fifth in the morning slot (7:00-12:00) with a 3.48% share, (ii) for the "graduate" audience fourth in all-day (7:00-2:00) with a 6.50% share, second in prime time (20:30-22:30) with a 9.13% share behind only Rai1, (iii) fourth on the high spending audience both in all-day and prime time respectively with a 5.90% and 7.85% share.

With regard to network operator activities, the Group company Cairo Network took part in 2014 in the tender procedure opened by the Ministry of Economic Development for the assignment of rights to use TV frequencies for digital terrestrial broadcasting systems, winning the rights to use a lot of frequencies ("mux") for a period of 20 years, and entering in January 2015 with EI Towers S.p.A. into an agreement for the realization and subsequent long-term technical management in full service mode (hospitality, service and maintenance, use of broadcasting infrastructure, etc.) of the electronic communications network for the broadcasting of audiovisual media services on frequencies allocated. The mux covers at least 94% of the national population, providing high-quality service levels.

January 2017 marked the start of the broadcasting of La7 channels on the mux.

In August, an agreement was reached with Dazn on the rental of digital terrestrial bandwidth for the broadcasting of the new *Dazn Channel*, which acts as a backup to the OTT service. In December 2021, an agreement was also reached with Elda Srl on the rental of digital terrestrial bandwidth for the broadcasting of some of its "Italia" and "Arte" channels starting from January 2022.

RCS

In 2016, the Group started operations in the daily newspaper publishing segment with the acquisition of the control of RCS.

RCS, both directly and indirectly through its subsidiaries, publishes and distributes - in Italy and Spain - daily newspapers and magazines (weeklies and monthlies), and is also involved in the distribution of editorial products at newsstands.

Specifically, in Italy RCS publishes the dailies *Corriere della Sera* and *La Gazzetta dello Sport*, as well as various weeklies and monthlies such as *Io Donna*, *Oggi, Amica*, *Living*, *Style Magazine*, *Sportweek*, *Sette, Dove* and *Abitare*.

In Spain, it operates through its subsidiary Unidad Editorial S.A., publisher of the dailies *El Mundo*, *Marca* and *Expansion*, as well as various magazines such as *Telva.*

RCS is also marginally active in the Pay TV market in Italy, through the satellite TV channel *Caccia e Pesca* and also publishes the web TVs of *Corriere della Sera* and *La Gazzetta dello Sport.*

In Spain, it is active with the leading national sports radio *Radio Marca* and the web TV of *El Mundo*, and broadcasts the two digital TV channels *GOL* and *Dmax,* whose content is produced by third parties.

RCS also organizes, through RCS Sport and RCS Sports & Events, major world sporting events (such as *Giro d'Italia*, the *UAE Tour* and the *Milano City Marathon).*

With *Solferino - i libri del Corriere della Sera*, it is active in book publishing; March 2020, instead, saw the start of activities of *RCS Academy,* the new Business School of the Group.

RCS generated negative results prior to 2016, and has embarked on an operational restructuring process to restore profitability. In 2016, profit had amounted to Euro 3.5 million,[5] marking a return to positive territory by the RCS Group (the first time since 2010), and in 2017[6], 2018[6] 2019[6] and 2020[6] the net result had amounted to Euro 71.1 million, Euro 85.2 million, Euro 68.5 million and Euro 31.7 million.

The results achieved by the RCS segment in 2021 can be analyzed as follows:

[5] RCS 2017, 2018, 2019 and 2020 Annual Report

RCS *(€ millions)*	**2021**	**2020**
Gross operating revenue	886.3	786.4
Advertising agency discounts	(40.1)	(36.9)
Net operating revenue	**846.2**	**749.5**
Change in inventory	0.4	(1.8)
Other revenue and income	33.0	13.6
Total revenue	**879.5**	**761.2**
Production costs	(482.4)	(410.9)
Personnel expense	(241.8)	(242.2)
Non-recurring income and expense	(3.8)	(15.1)
Gross operating profit	**151.5**	**93.0**
Amortization, depreciation, provisions and write-downs	(56.0)	(59.5)
Operating profit	**95.5**	**33.5**
Other gains (losses) from financial assets/liabilities	4.6	3.2
Net financial income	(10.6)	(9.3)
Profit (loss) before tax	**89.6**	**27.5**
Income tax	(18.0)	3.5
Non-controlling interests	(28.9)	(12.6)
Profit (loss) for the period	**42.7**	**18.4**

In 2021, amid the uncertainty caused by the health emergency, RCS achieved - in the consolidated financial statements of Cairo Communication - gross operating profit (EBITDA) of approximately Euro 151.5 million[6] and operating profit (EBIT) of Euro 95.5 million (respectively Euro 93 million and Euro 33.5 million in 2020), up strongly versus the prior year. In 2021, non-recurring expense, amounting to Euro 3.8 million, refers mainly to the allocation of provisions for personnel interventions.

Mention should be made that "Net income (expense) from equity-accounted investees" (amounting in 2021 to a net expense of Euro -2.1 million), previously classified under EBITDA, as of 2021, was reclassified after EBIT; consistently, the item was also reclassified for the comparative year 2020, when net expense amounted to Euro -2.9 million.

The activities on developing and enhancing the editorial offering were complemented by actions taken on costs to promptly adjust the company organization to the changed environment. The benefits of these cost containment actions in 2021 amounted to approximately Euro 9.2 million, of which Euro 4.2 million referring to Italy and Euro 5 million to Spain.

[6] Mention should be made that RCS adopts a different definition of EBITDA from the one used by the Cairo Communication Group, as indicated in the section "Alternative Performance Measures". As a result of these differences - relating to allocations to the provisions for risks and charges and the allowance for impairment, totaling Euro 7 million in 2021 - EBITDA reported in the RCS 2021 Annual Report approved on 21 March 2022 amounts to Euro 144.5 million.

In 2021, consolidated net operating revenue generated by RCS amounted to approximately Euro 846.2 million, up by a total of Euro 96.7 million versus 2020. Revenue for the year still felt the brunt of the health emergency, due in particular to the decline versus 2019 in the circulation of sports newspapers, still affected for a specific period by the temporary closure of bars and the restrictions on the reading of newspapers there. As a result of the changed scope of consolidation, revenue at 31 December 2021 includes Euro 44.2 million from the full consolidation of the amounts of m-dis.

RCS digital revenue (Italy and Spain), which amounted to approximately Euro 205 million, accounted for approximately 24.2% of total revenue. Total advertising sales from RCS online media amounted to Euro 154.7 million in 2021, making for 44.4% of total advertising revenue. Online advertising on RCS media grew by 20% in Italy and by 29.2% in Spain in 2021 versus 2020.

Both Italian newspapers retained their circulation leadership in their respective market segments in 2021 (ADS).

In Italy, in 2021 average daily copies circulated including digital copies of *Corriere della Sera* stood at 257 thousand, and those of *La Gazzetta dello Sport* at 101 thousand copies (*ADS January-December 2021*). The newsstand circulation of *La Gazzetta dello Sport* was affected by the temporary closure, during some of the first months of the year, of bars and public venues, which play a significant role in circulation. In a year still marked by the emergency, *Corriere della Sera*, leveraging on its recognized authority and solid editorial positioning, was able to achieve the excellent newsstand circulation results and, most importantly, to continue the growth in digital development. At end 2021, the total active digital customer base for *Corriere della Sera* (digital edition, membership and m-site*)* reached 384 thousand subscriptions. Considering total circulation in Italy as measured by ADS, *Corriere della Sera* outperformed the market, dropping by 2.2% versus the market's 5.7% (*ADS January-December 2021*).

The main digital performance indicators confirm the strong market position of RCS, which is once again the top online publisher in the period January-December 2021 with an aggregate figure of 32.2 million average monthly unique users (net of duplications) (*Audiweb*). The *Corriere della Sera* and *La Gazzetta dello Sport* brands, in the period January-December 2021, reached 28.4 million and 19.6 million average monthly unique users and 3.8 million and 3 million average daily unique users respectively (*Audiweb*).

At end 2021, the customer base for *Gazzetta*'s pay products (which includes *G ALL*, *G+*, *GPRO* and *Magic* products) amounted to 80 thousand subscriptions.

The average daily circulation of *El Mundo* in 2021 was 61 thousand copies (including digital copies - Internal Source). Average daily circulation of sports daily *Marca* (including digital copies) in the year dropped to approximately 64 thousand (Internal Source), while in 2021 *Expansión* recorded an average daily circulation of approximately 24 thousand copies, including digital copies (Internal Source). The two newspapers retained their circulation leadership in their respective market segments also in 2021 (*OJD*).

In Spain as well, the main digital performance indicators confirm Unidad Editorial's top market position, with *elmundo.es, marca.com* and *expansión.com* reaching 52.8 million, 94.5 million and 11.3 million average monthly unique browsers respectively in 2021, comprising both domestic and foreign browsers and including apps (*Google Analytics*). The international English-language version of *Marca* reached 14.5 million average monthly unique browsers versus 2 million in 2020.

In Spain, digital subscriptions grew strongly with approximately 80 thousand subscriptions for *elmundo.es* and approximately 41 thousand subscriptions for *expansion.com* at end December 2021.

At 31 December 2021, the net financial position stood at Euro 16.7 million, improving by Euro 76.3 million versus a net debt of Euro 59.6 million at 31 December 2020. The net financial position, in addition to capital expenditure and non-recurring expense, was impacted negatively by i) the distribution of dividends for Euro 15.6 million, ii) the consolidation of m-dis which, at 31 December 2021, carries a debt of Euro 1.8 million and iii) the financial effect of the contribution to CAIRORCS Media (which has a positive net financial position of Euro 13.9 million at 31 December 2021). Conversely, the positive effects of the net proceeds from the sale and purchase of investments and disposal of fixed assets, totaling Euro 16.1 million, refer mainly to the sale of Unidad Editorial Juegos S.A. and to certain non-instrumental property.

The total net financial debt of RCS, which includes financial liabilities from leases recognized in accordance with IFRS 16, totaling Euro 161.6 million (mainly property leases), amounted to Euro 144.9 million (Euro 214.5 million at 31 December 2020).

RCS's activities continued to focus also on enhancing the value of editorial content, developing existing brands, and launching new projects, with a constant eye on cutting costs.

In Italy, regarding the main initiatives only:

- during the year, La Gazzetta dello Sport offered its readers seven issues of G Magazine dedicated to: Luna Rossa in the America's Cup; cycling with the great classics; the world of tennis on the occasion of the Internazionali di Roma and the ATP finals; the European Football Championship; the Tokyo Olympics and the Ski World Cup races;

- *Corriere della Sera* published a series of guides: *Le Guide del Corriere Economia*, *Le Guide di Corriere Salute,* and *Le Guide all'escursionismo* in association with the CAI (Italian Alpine Club);
- the newsletter schedule was further enhanced with those of "*Cook*", "*Buone Notizie*", "*La 27esima ora*", "*Corriere Torino*", "*Corriere Veneto*", "*Corriere Bologna*" and "*Global"*;
- the digital offering was enhanced with content in podcast format: *Incontri*, *L'Ammazzacaffè*, "*Radio italians*", "*Mama non Mama*" (9 May), "*Tracce*" and "*Fortissime*" (December 2021), recorded during the 2021 edition of "*Il Tempo delle Donne*";
- from 27 to 29 May, the *Digilive* platform held the "*Gazzetta Motori Days*" event, streamed live on *Gazzetta.it* and dedicated to the automotive world. The event was a huge success, garnering over five million video views;
- on 28 May, *Corriere della Sera*'s weekly magazine *7* hit the newsstands unveiling a new format and graphical design;
- on 27 June, *Corriere della Sera* celebrated the 500th issue of its supplement *La Lettura* with a special collectors' edition;
- July saw the release of the new digital edition of *Corriere della Sera;*
- for the European Football Championship, *Gazzetta dello Sport* created a series of initiatives: *Album dell'Europeo*, a collector's edition on blue paper, a special issue of Sportweek, the "*Gazzetta Social Club*" project, five DVDs and a book to celebrate Italy's victory, which *Corriere della Sera* also celebrated with a 24-page special;
- on 12 July, after winning the European Football Championship, *La Gazzetta dello Sport* set a daily newsstand sales record of almost 500,000 copies
- 14 July saw the fourth edition of "*Gran Galà della Neve e del Ghiaccio*", in association with Fisi, Fisg and Fondazione Cortina;
- *Gazzetta dello Sport* organized various initiatives to follow the Tokyo Olympics, including coverage on the *gazzetta.it* website, live 24 hours a day from Tokyo. On 8 August, *Corriere della Sera* published a tribute insert on the great Olympic adventure and on 12 August, *Gazzetta dello Sport* sold the book *"Due ragazzi d'oro";*
- *Corriere della Sera* created and published on 24 August the book "*Ribelli*" to celebrate the stories of the most famous Italian Paralympic athletes;

- as for series and add-ons, *Corriere della Sera* and *La Gazzetta dello Sport* enriched their range of publications with various initiatives, including the "*Anastatika di Diabolik*" series, the complete series of the *Naruto* manga, the facsimile reproduction of the "*Strisce di TEX* " series*,* the "*I miti dello Sport 2*" series, "*Yoga - Teoria e Pratica*", "*I signori della guerra*", "*I Maestri dello spirito*", *"Storia dei Grandi Segreti d'Italia",* "*Dante*", "*La guida dei vini 2021/2022*", the series dedicated to the Middle Ages, to the twentieth century, "*Lezioni di fisica*", "*Musei del mondo*" and "*Albumini*" the series of eight detective novels written by Alessia Gazzola, the series "*Le frontiere della medicina*", the "*Master di Fotografia*", the series "*Grandi Miti Greci*", as well as the comic book series "*Le leggende DC*", the biography of Steve Jobs 10 years after his death, a series of 15 unpublished books to celebrate the end of Valentino Rossi's sporting career, as well as having a collector's cover of Sportweek dedicated to the Pesaro champion, created in two different versions by the Italian artist TvBoy;
- in 2021, many initiatives aimed at consolidating the customer base of *Corriere della Sera*'s digital subscribers, including webinars dedicated to health (COVID-19 vaccines) and the economy;
- in third quarter 2021, work began on upgrading the digital offerings of the local editions of *Corriere della Sera*, with particular regard to the Milan, Turin, Rome, Florence and Bologna areas through graphical design, new editorial services (newsletters, weather, youth football), and the development of fun bases on the social profiles of each title;
- during the year, *La Gazzetta dello Sport* continued its strong digital growth with important results achieved thanks to the broad editorial coverage, the technical and editorial work on the SEO source, the growth of the video area and the Podcast offering. Also worthy of note were the social media activities, Instagram in particular, to increase audience and user engagement;
- *Gazzetta*'s pay offer ended 2021 with 80 thousand subscriptions and was enriched with strong content independent of the newspaper with new columns and daily newsletters;
- the *Gazzanet* network underwent full graphical restyling, both desktop and mobile, of its portfolio of 24 sites, with the aim of improving user experience and speeding up the loading and browsing of pages;
- the lead generation platform *Cheautocompro*, launched in 2020, enjoyed strong growth especially in autumn, with an automotive market penetration above 50% and increasing the volume of leads generated monthly by more than five-fold;

- *Gazzetta Motori*, with its dedicated section and network, is now a leader in its field, beating established competitors, while *Gazzetta Active*, a new property with content dedicated to wellness, health and active sport, increased its success with the public, reaching over 2.5 million average monthly users two years after its launch, with peaks of 2.9 million (*Audiweb, July 2021*)
- in 2021, the schedule of *Corriere* events was confirmed and enriched thanks also to digital platforms and live streaming activities:
  - the *Economia* editorial system with the *Italia Genera Futuro* review awarded and celebrated the 1,000 Italian "*champion*" SMEs, the "*Economie d'Italia*" path cast a spotlight on regional excellence, expression of the local business fabric;
  - on 16 May - in conjunction with the 12th edition of "*Cibo a regola d'arte*" - the prize-giving ceremony of *Cook Awards 2020* was held, the awards established by the monthly magazine *Cook* and *Corriere della Sera*;
  - on 4 and 5 June, for the World Environment Day, a two-day online marathon was held with *Pianeta 2021*; *Corriere della Sera* turned green for the occasion in both its print and digital versions;
  - from 13 to 24 September - as last year, in the double online and physical version - the eighth edition of "*Il tempo delle donne*" was held, an event created by *La27esimaOra* named "*Un altro genere di forza – Lavoro, relazioni, diritti, sport e scienza*";
  - from 20 September to end October, the second edition of *Campbus* took place, the bus-workshop of the innovative educational project of *Corriere della Sera*;
  - on 22 and 23 September, the *Women in food* event was held, organized by *Cook;*
  - in the last quarter, on and offline events were organized by "*L'Economia del Corriere della Sera*" on current economic topics;
  - in October, the new Motor channel was launched, fully revamped from a structural and graphical point of view;
  - on 29 November, the monthly magazine *Cook* held the *"Cook Award 2021"* event with national and international guests from the world of food and catering,
- In October, the fourth edition of *Festival dello Sport* was held in Trento: four days of live events, talk shows, debates and camps around the city with a hundred events and over two hundred guests. It was a physical event, in compliance with all health regulations, with many appointments broadcast on the website *gazzetta.it*, to reach an even wider audience;
- December saw the holding of the *Gazzetta Sports Awards*, which honoured, for the seventh year, the great athletes who distinguished themselves most in 2021. Not just an

award ceremony, but also a party that celebrated the remarkable victories of a record year for the “azzurro” sport. The evening was streamed live on *gazzetta.it* and re-run on La7 and La7D.

Looking at magazines:

- for its twenty-fifth anniversary, *iO Donna*: from Saturday 27 March to the celebratory issue out on newsstands on 15 May, ran through the 25th anniversary of the magazine with initiatives in the newspaper, on the web and on social accounts with the direct engagement of readers;
- *Dove* celebrated the 30th anniversary of the magazine with a graphical restyling, the combination of the July issue with *Corriere della Sera* and with the meeting “*I nuovi viaggi*” streamed on *Corriere.it*;
- the design and architecture magazine *Abitare* also renewed and enriched its contents and graphics, relaunched to coincide with the magazine's 60th birthday in combination with *Corriere della Sera*;
- the third edition of the *99eLODE* project was organized: the initiative of *iO Woman* which offers 99 talented young female graduates an online training course on the most sought after digital professions;

RCS Academy, the Group's business school launched in 2019, pursued its development plan during 2021, continuing its activities in compliance with the COVID-19 restrictions. The first months of the year witnessed the completed delivery of the masters courses that had started at end 2020; the month of May saw the launch of the masters courses of the 2021-2022 academic plan, with a teaching model that juggles theory and practice, building on a qualified network of over 50 partner companies and training programs held by industry experts and Group journalists.

During the year, more than 20 masters courses were held, including the first MBA on Corporate Sustainability, the 3rd edition of the Full Time Master in Fashion Management, the 4th edition of the Full Time Master in Digital Marketing, as well as numerous other full time, part time and online masters courses and - among these - the first two online university masters courses with training credits, in association with Pegaso Università Telematica.

In 2021, more than 15 business on-line talks were held, addressed to companies and professionals, in association with *corriere.it* and in partnership with a network of market leading companies, on the themes of fashion, retail, health, energy and electric mobility, all developed with a focus on the pivotal role of research and technological innovation.

As for the Books segment, signs of a market recovery are confirmed both versus 2020 (+16.6% in volume, +14.7% in value) and 2019 (+16.2% in volume, +18.5% in value) (*GFK*). Against this backdrop, the Books area reported a strong growth path in 2021, with higher growth rates than the market both versus 2019 (+31.6% in volume, +48.8% in value) and 2020 (+28.5% in volume, +34.5% in value), and marked by the spectacular launch of "*Adrenalina*" by Zlatan Ibrahimovic at the top of the charts in December (*GFK* and *Amazon*) with over 100,000 copies sold, translation rights sold in 17 languages and an NFT inspired by the book.

A good presence in the rankings (GFK new titles) also for the other new titles of the publisher, in particular with: *Le Italiane* (Aldo Cazzullo), *L'oroscopo 2022* (Paolo Fox), *Compiti delle Vacanze per Adulti* (VV.AA.), *La mia ultima testimonianza pubblica sulla Shoah* (Liliana Segre), *Dalla terra al pane* (Fulvio Marino), *Strana vita, la mia* (Romano Prodi), *Manuale di meccanica per invasati di motori* (Emanuele Sabatino).

In Spain, regarding the main initiatives only:

- in 2021, thanks also to a greater presence of its audio content on *marca.com* and other digital platforms such as iTunes, Spotify or Ivoox, *Radio Marca* increased its digital audience;
- February saw the launch of the new "*Sostenibles*" section of *elmundo.es*, focused on green transition;
- March 2021 witnessed the birth of *Expansión Economía Sostenible*, a new section of *Expansión* appearing every Wednesday in the newspaper and every day on the website;
- March 2021 saw the launch of *Expansión Alimentación y Distribución*, a weekly newsletter on the food industry;
- in the area of audiovisual content production mention should be made of the signing of various production agreements, including with Amazon for the production of *Croníca Marca* and *Rafa Nadal Academy*, and with the Madrid TV channel Telemadrid, for a new production entitled *"A un metro de ti*";
- on 29 April 2021, *El Mundo* distributed the cooking special "*Metrópoli España Gastro*";
- for the local elections in the Comunidad of Madrid on 4 May 2021, *El Mundo* organized a series of "digital meetings" with the candidates running for the presidency of the Comunidad;
- June 2021 saw the launch of the new Daily Podcast: *El Mundo al dia;*
- in May 2021 *marca.com* launched its internal section "*Territorio Apuestas*";

- with the start of the European Football Championship, *Marca* launched a series of initiatives: an extra-large format special dedicated to the event, the "*Porra Marca de la Eurocopa*" initiative and the TV sports analysis programme *"Con la 10"*;
- to celebrate its 35th anniversary, *Expansión* organized events and "specials" on: digitization, sustainability and the post-COVID-19 economy;
- on 8 and 9 June, the second edition of "*El Foro Económico Internacional Expansión*" was held, with the discussion focused on how to come out of the economic and social crisis caused by the pandemic and the title "*Building a sustainable world for future generations*". Globalization, digitization of the economy, and sustainability were the topics treated by distinguished guests. The event was organized in association with *The European House Ambrosetti;*
- on 15 Jul, *marca.com* launched the *"signwall"* for premium content development to encourage qualified membership and "logged in" browsing in *marca.com* (web and app);
- on 19 July, *marca.com* launched the *Tokyo Olympic Games Special* reaching 20.4 million users who generated 124.8 million page views, followed in August by the *Guide to the Liga 21/22*;
- on 10 September, *Expansion* launched the sports industry newsletter *Deporte y Negocio*;
- 27 September saw the launch of a new editorial initiative of *El Mundo* named "*Gran Madrid*", covering news from the Spanish capital and its Autonomous Community;
- *Marca Gaming*, section of *marca.com* dedicated to the world of video games also streamed live in August 2021 reached its record traffic with a total of 2.3 million unique users and 4.3 million page views (*Google Analytics*);
- on 29 September, *Telva* held the "*1st Congress on Energy and Happiness*";
- November saw the third edition in Seville of *Marca Sport Weekend*, the *Marca* sports festival. The edition was graced by the presence of a number of stars from the international sporting world, and counted more than fifty events scattered across various locations of the city. The event was followed online throughout the weekend, with more than 10 million views, from 185 countries through social networks and the website itself, with a total of 58 hours of sports content broadcast;
- in November, *Diario Medico* and *Correo Farmaceutico* jointly created the first edition of the *Ennova Health Awards,* whose goal is to promote the digital culture of the industry by casting a spotlight on ideas and entrepreneurship in the eHealth environment;

- on 17 November, the first *Marca* NFT was launched with the cover of Spain's 2010 World Cup victory, a collection consisting of a unique edition of the cover and three exclusive pieces in limited editions of 10, 15 and 25 units;
- at end November, *Marca* awarded the annual *Pichichi* prize to the top scorer of the season, which saw Lionel Messi win for the eighth time. Atletico de Madrid was also one of the top teams, winning the awards for best goalkeeper, best coach and best player of the season;
- the year 2021 saw the organization of the meetings with *El Mundo* named *"Green and Digital Europe, technology and sustainability, a road to the future",* graced by the presence of top representatives from the institutions and the economic world.

With regard to the dispute on the Via Solferino property complex, reference should be made to Note 39 *"Other information".*

Alternative performance measures

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

The alternative measures 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 **EBIT**, and is calculated as follows:

Result from continuing operations, before tax

+/- Net finance income

+/- Other income (expense) from financial assets and liabilities

EBIT - Operating profit

+ Amortization & depreciation

+ Bad debt impairment losses

+ Provisions for risks

EBITDA – Operating profit, before amortization, depreciation, provisions and write-downs

Net income (expense) from equity-accounted investees, previously classified under EBITDA, as from 2021, has been reclassified to a post-EBIT line item under financial items.

EBITDA (earnings before interest, tax, depreciation and amortization) is not classified as an accounting measure under IFRS, therefore, the criteria adopted for its measurement may not be consistent among companies or different groups.
RCS defines EBITDA as operating profit (EBIT) before depreciation, amortization and write-downs on fixed assets.
The main differences between the two definitions of EBITDA lie in the provisions for risks and in the allowance for impairment, included in the EBITDA definition adopted by RCS, while they are excluded from the EBITDA definition adopted by Cairo Communication. Owing to the differences between EBITDA definitions adopted, in this Annual Report, consolidated EBITDA was determined consistently with the definition adopted by the Parent Cairo Communication.

Consolidated gross revenue: for a more detailed view, and in consideration of the specific features of the segment, operating revenue - for advertising revenue - includes gross operating revenue, advertising agency discounts and net operating revenue. Consolidated gross revenue is equal to the sum of gross operating revenue and other revenue and income.

The Cairo Communication Group also considers the **net financial position** (**net financial debt**) as a valid measure of the Group's financial structure determined as a result of current and non-current financial liabilities, net of cash and cash equivalents and current financial assets, excluding financial liabilities (current and non-current) from leases previously classified as operating and recognized in the financial statements in accordance with IFRS 16.

The **total net financial position (net financial debt)** also includes financial liabilities from leases recorded in the financial statements pursuant to IFRS 16, previously classified as operating leases and non-remunerated debt, which have a significant implicit or explicit financing component (e.g. trade payables with a maturity of over 12 months), and any other non-interest-bearing loans (as defined by the "Guidelines on disclosure requirements under the Prospectus Regulation" published by ESMA on 4 March 2021 with document "ESMA32-382-1138" and taken up by CONSOB in communication 5/21 of 29 April 2021).

Transactions with parents, subsidiaries and associates and subject to the control of the parents

Transactions in the period with related parties, including with Group companies, were not considered to be atypical or unusual, and were part of the ordinary activities of Group companies. These transactions were carried out on market terms, taking account of the goods and services provided.

Information on transactions with related parties is disclosed in Note 40 to the consolidated financial statements and in Note 30 to the separate financial statements.

As for the procedures adopted regarding related party transactions, also with reference to the provisions of Article 2391-bis of the Italian Civil Code, in force in 2021, reference is made to the procedure adopted by Cairo Communication S.p.A., also pursuant to the Regulations approved by CONSOB through resolution no. 17221 of 12 March 2010 and subsequent amendments, published on the Company website in the Governance section, with information also provided in the Report on Corporate Governance and Ownership Structure.

Main risks and uncertainties to which Cairo Communication S.p.A. and its Group are exposed

Risks associated with the health emergency and description of the impacts from the COVID-19 pandemic.

The beginning of 2021 continued to be marked by the health emergency and the containment measures implemented by the authorities, both in Italy and Spain.

Specifically, in Spain at the beginning of the year, and in Italy from the end of February 2021, the number of cases has risen, leading to the adoption again of restrictive measures. Starting from the second half of February in Spain, and from mid-April in Italy, the situation has improved and the containment measures are being gradually lifted.

In both countries, the vaccination campaign, together with the introduction of measures to boost vaccination, prevention and/or monitoring, has gradually brought great benefits in terms of cases, hospital and ICUs admission rates and deaths, which have allowed them to speed up the reduction of restrictive measures and improve the situation.

The vaccination campaign and the measures adopted have allowed the two countries to cope effectively with the spread of the Omicron variant at the end of 2021 and to curb its impact on business activities and people's lives.

The current phase of economic recovery has been marked by higher prices for transportation and a number of commodities, including printing paper and energy, and in some cases, supply difficulties. This situation is causing a general increase in production costs and difficulties in production processes for various sectors, whose current production is struggling to keep pace with the trend in demand. With regard to the Group, this economic context, and its development during the year, impacts on production costs and may also affect the performance of the advertising market, as it may influence the advertisers' propensity to spend.

The beginning of 2022 is yet again marked by the spread of the Omicron variant and the continued restrictive measures implemented by both Governments in Italy and Spain. Starting from the beginning of February, the situation has begun to improve in both countries, allowing them to speed up the gradual and rapid lifting of restrictions.

The Group is monitoring developments on a daily basis to minimize the impacts in terms of health and safety in the workplace and on the operating and financial front, by defining and implementing flexible and timely action plans.

The developing situation, as well as the potential effects on the business outlook, are unforeseeable at this time - as they depend, inter alia, on the progress of the ongoing health emergency and the effectiveness of the public measures, including economic ones, implemented and to implement - and will be subject to constant monitoring also in the further course of the year.

An extension of the health emergency could have even significant effects on the Group's activities, strategies and prospects.

Risks associated with the general economic climate

The operating results, financial position and cash flows of the Cairo Communication Group may be influenced by various factors within the macro-economic environment, such as the increase or decrease of GNP, the level of consumer and corporate confidence, the advertising expenditure/GDP ratio, interest rate trends and cost of raw materials.

With the acquisition of the control of RCS, the Group activities are carried out mainly in Italy and Spain. Therefore, Group profits are exposed to risks caused by the economic cycle of these two countries, and the effectiveness of the economic policies implemented by the respective governments.

In 2021, the international scenario was marked by economic recovery after the decline in 2020 associated with the spread of the Coronavirus and the restrictive measures implemented by the public authorities of the countries involved. Italy's GDP for the full year 2021 increased by 6.5% (*ISTAT*), while Spain recorded an annual GDP growth rate of 5.2% (*Institute of National Statistics - INE*).

The growth forecasts for the Italian economy in the three-year period 2022-2024 point to an increase in GDP of + 3.8% in 2022, +2.5% in 2023 and +1.7% in 2024 (*Bank of Italy Bulletin January 2022*). The European Commission estimates a growth of 4.1% in 2022 and 2.3% in 2023 (*European Economic Forecast - European Commission February 2022*).
For Spain, growth forecasts estimate a change in GDP of +5.6% for 2022 and +4.4% for 2023 (*European Economic Forecast - European Commission February 2022*).
After several years of virtual price stability, in 2021 the national consumer price index was up by 1.9% on an annual basis in Italy (*ISTAT*) and by 6.5% in Spain (*Institute of National Statistics -INE*) versus a 5% growth in the Euro Zone.
Inflation in Italy is expected to stand at 3.8% in 2022 and 1.6% in 2023, while in Spain at 3.6% in 2022 and 1.1% in 2023 (*European Economic Forecast - European Commission February 2022*).
Against this backdrop, the European Central Bank has indicated a gradual reduction in the pace of financial asset purchases in the Euro Zone, reiterating that monetary policy will remain expansionary.
To challenge the tough market scenario, the Group implemented a series of measures to streamline costs and increase efficiency and effectiveness of the production, publishing and distribution processes - starting in previous periods and also continuing in 2021.

As from end February 2022, the conflict in Ukraine and its consequences, including in terms of economic sanctions against Russia and the impacts on the economy and trade, is causing grave uncertainty. The geopolitical effects and/or any impact on the general economy and/or on the Group's markets of operation cannot be predicted at this time.
In any case, the Group has no direct exposure and/or business activities towards the markets affected by the conflict and/or sanctioned entities. The current situation, which aggravates a cost trend that has been ongoing since 2021, is currently leading to a further spike in transportation costs and in costs for various commodities, including printing paper and energy, which are important for the Group, as well as procurement difficulties, therefore a general increase in production costs and difficulties in production processes for various sectors, whose production is currently struggling to keep pace with the trend in demand. With regard to the Group, this economic context, and its development during the year, may impact on production costs and also affect the performance of the advertising market.

Should this situation of uncertainty continue for some time, the operations, strategy and outlook for the Group may be impacted.

Risks associated with advertising and publishing market trends

The persisting short and medium-term economic uncertainty, aggravated by the current health emergency, may impact negatively on the daily newspaper and magazine advertising market, slowing the pace of sales.

In Italy, in 2021, the advertising market (*Nielsen*) increased by 12.8% versus 2020, with the television, online (net of search, social media and over the top), newspaper and magazine advertising markets up by 14.4%, 17.6%, 4.3% and 3.6%, respectively.

In 2021, the Spanish advertising sales market was up by 11.5% versus 2020 (*i2p, Arce Media*). Specifically, the newspaper and magazine markets declined by 1.5% and 5.8%, respectively. Conversely, advertising sales on the Internet (excluding social media, search, etc.) were up by 19.5%.

Economic uncertainty and the general scenario hit daily newspaper and magazine sales figures.

In terms of circulation, in Italy the adverse trend of the print products market persisted in 2021 too. Specifically, in 2021 generalist newspapers and sports newspapers in Italy saw a drop in print and digital circulation versus 2020 of 5.7% and 2.7%, respectively (*ADS January-December 2021*).

In Spain, in 2021 circulation figures show a decline for generalist newspapers (15%), business newspapers (23.6%) and sports newspapers (19.6%) (*OJD*). Mention should be made that, owing to the pandemic, no official circulation figure had been published for the period from 14 March 2020 to 30 June 2020, so the 2020 comparison figure expresses an average without considering such period.

Advertising

The Cairo Communication Group is significantly exposed to advertising revenue trends, which are cyclical and directly related to general economic trends. Advertising sales are currently the main source of revenue for the TV publishing segment. La7 boasts an exceptional audience profile, particularly appealing in terms of advertising.

Considering the Cairo Editore magazine publishing segment, advertising revenue in 2021 accounted for 15.7% - an extremely low percentage, therefore based to a lesser extent on the economic cycle - while the remaining 84.3% was generated by distribution and subscription revenue, demonstrating the great publishing strength of advertising products. With regard to Cairo Editore titles, the remarkable sales volumes achieved, both in absolute terms and versus Cairo Editore's competitors, make the advertising pages highly appealing in terms of advertising cost per copy sold (equal to the difference between the price of the advertising page and copies sold), currently lower than the publications of its competitors.

Regarding RCS, advertising represents over 43.8% of total revenue.

Persisting global economic uncertainty, as well as the lingering supply difficulties that prevent production from keeping up with demand, could negatively affect the outlook for the advertising market. Against this backdrop, any difficulty in maintaining or increasing its advertising revenue could impact on Group prospects, activities, operating results and cash flows.

Additionally, also with regard to the advertising segment, in light of the developments taking place, growing importance is attached to the ability of the operators to develop digital products that allow the customization of advertising content and formats, user profiling, use of analytics/big data, and lead generation. With regard to the evolution of the market, any difficulty or delay in adapting to and meeting the new demand - also through the development of cutting-edge, intuitive and effective technological products - may impact negatively on the prospects, activities, operating and financial results of the Group.

Distribution

Regarding RCS, in addition to advertising, a large share of its other activities is represented by the sale of publishing products for a market that has been long undergoing change in both Italy and Spain, which implies increasing integration with online communication systems. This transition may impact on the circulation of print products, which the Group is addressing by adopting appropriate development strategies. The current situation, as well as the acceleration brought by the health emergency on a number of ongoing trends, may amplify these aspects. Against this backdrop, any difficulty in maintaining the circulation of its print products could impact on Group prospects, activities, operating results and cash flows.

The ability of the Cairo Communication Group to increase its revenue and pursue its growth and development targets, and maintain adequate levels of profitability, also depends on how successful it is in putting its industrial strategy into place, which is also based on the continued expansion and enrichment of its product portfolio, including digital products, in order to capture market segments with greater potential.
Should the Cairo Communication Group fail to pursue this strategy, the activities and prospects of the Group may be negatively affected.

Risks associated with developments in the media segment

The media segment is witnessing an increase in the level of penetration of new communication resources, the Internet in particular, and the development of new unencrypted theme channels on the digital terrestrial platform, together with technology innovations that are bringing changes in the demand by consumers, who will increasingly be able to request personalized content by directly selecting the source. As a result, this may change the importance of the various media and audience distribution, leading to greater market fragmentation.

Specifically, Cairo Communication has identified the following main market trends:

- the demand for entertainment content continues to grow, both on traditional media and on the new platforms;
- in the television segment, the convergence of distribution platforms may, on the one hand, create development opportunities, but, on the other, carry a risk of audience fragmentation and an increase in the spectrum of platforms available for the use of TV content (satellite, Internet, mobile), engendering a more complex competitive environment;
- technological advancements have gradually changed the way content is used, towards more interactive/on demand media, enabling younger audiences to switch to more personalized user options.

The Group constantly monitors the level of penetration of new resources as well as changes in the business model related to the distribution of content available, to assess the opportunity to develop the various distribution platforms.

Against this backdrop, much importance is attached to:

- the ability to organize activities and adapt them to the increasingly rapid changes in markets and consumers,
- the ability to promptly develop cutting-edge, intuitive and effective technological products,
- the ability to develop and attract digital transformation skills.

The current publishing scenario may lead to business combinations of publishing groups, with a consequent change in the market structures.

Privacy, data protection and cybersecurity

The innovation and enhancement of technological platforms and the organic development of digital products and customer centric strategies lead to increased risks related to data protection. Privacy and personal data protection are becoming an increasingly important issue for the Group and, especially in the publishing industry, play a key role in the relationship of trust with readers and users.

Additionally, due also to the recent rapid increase in the resort to so-called flexible working methods adopted by many companies in response to the health emergency that marked 2020 and 2021, the global scenario has seen a growth in the frequency and complexity of cyberattacks (malware, ransomware, phishing and social engineering techniques), with both extortionary and industrial espionage purposes.
Such a context requires constant monitoring and evolving IT security systems, which in turn call for growing resources to cope with increasingly sophisticated attacks.

Given the topical nature of the risk, the Group has initiated and introduced further protection tools and procedures, focusing its attention on a constant and gradual upgrading of its technological platforms.

This strategy must be complemented by stringent rules and policies and a corporate culture that needs to be aligned with the latest regulations that have extended and consolidated the protection of data subjects' rights.

The Group has procedures and tools in place to ensure compliance with the European Regulation on the protection of personal data EU 679/2016, with Legislative Decree 196/2003 as amended by Legislative Decree 101/2019 in Italy, and with Ley Orgánica 3/2019, de Protección de Datos Personales y Garantía de los Derechos Digitales in Spain of 5 December 2019.

Risks associated with Management and "key staff"

The Group's success also depends on the ability of its executive directors and the other members of the management team to effectively manage the Group and the individual business segments.
Editors and TV personalities, too, have a significant role in the titles they head and the programmes they host.
The loss of the services of an executive Director, editor, TV personality or other key resource without an appropriate replacement, as well as the difficulty in attracting and retaining new and

qualified resources, may impact negatively on the prospects, activities, operating and financial results of the Group.

Risks associated with retaining the value of the brands of the Group titles and TV programmes

The value of Group brands and TV programmes must be continuously protected by maintaining the current level of quality and innovation.

The Group publishing strategy has always been focused on the quality of its products, driven by the efforts of Management and the editors. Under the agreements with the directors, a part of their remuneration is linked to the results of distribution, audience ratings and/or sale of advertising space of the titles and TV programmes.

Brands play a crucial role in the development of Group activities for RCS too, including in the new digital environments. Events that harm the prestige of the brands could result in losses of profit and compromise the integration process with online communications systems.

Any difficulties that the Cairo Communication Group has in maintaining the value of its publication or programme brands, or any changes in the audience preferences, could reduce the appeal of Cairo Communication Group products, with resulting negative impacts on the operating results, financial position and cash flows of the Cairo Communication Group.

Risks associated with business with suppliers, customers and employees

A number of the production processes of the Cairo Communication Group, particularly magazine printing and network management activities in the TV publishing segment, are outsourced. The outsourcing of production processes requires close collaboration and careful monitoring of suppliers to ensure and preserve the quality of the products carried out with the help of external suppliers. This outsourcing may provide operational benefits in terms of flexibility, efficiency and cost reductions, but means that the Cairo Communication Group has to trust the ability of its suppliers to achieve and maintain the quality standards required by the Cairo Communication Group.

With regard to RCS, referring to relations with employees, any absenteeism from work or other expressions of conflict could lead to interruptions, and if they continue over time, disruptions to the extent of affecting the operating results of the Group.

The Group’s main raw material is paper.

As previously commented after the downtrend of 2020, the economic recovery that started in 2021 was marked by higher prices for transportation and a number of commodities, including printing paper and energy, and in some cases, supply difficulties. This situation is leading to a general increase in production costs.

The macroeconomic cycle and the sustainability trends may lead in the future to the conversion of a number of paper mills to the production of paper for packaging and/or closure of a number of paper mills (as was the case in the past), further increasing market concentration and continuing to generate price tensions and supply difficulties, particularly for pink paper.

Certain dealings with suppliers/customers are based on licence and/or sponsorship agreements, non-renewal of which on expiry or renewal of which at less favourable conditions could impact on the results and financial position of the Group.

Risks associated with legal and regulatory developments

The Cairo Communication Group operates in a number of heavily-regulated business areas.
La7's activity is mainly governed by Legislative Decree no. 177 of 31 July 2005 as amended by Legislative Decree no. 44 of 15 March 2010 (hereinafter Legislative Decree no. 177/05 as amended, also called "Consolidated Finance Law"), which sets the general principles for the provision of audiovisual and radio media services.
Cairo Network works as a network operator on the basis of the Mux license of use issued by the Ministry of Economic Development on 31 July 2014, reg. DGSCERP/111/48081. The role of network operator carried out by Cairo Network is subject to extensive regulation at both national and EU level. Specifically, radio-television broadcasters are subject to regulations aimed at protecting people and the environment from exposure to electromagnetic fields.
Since, as mentioned above, a qualified operator was engaged to create and manage the network in full service mode, who made commitments and guarantees that Cairo Communication considered to be adequate to ensure compliance with applicable regulations, any breaches of these regulations could result in sanctions that could also include interrupting transmission, which could have negative effects on the operating results and financial position of the Cairo Communication Group.
In the 2018 Budget Law (Law no. 205 of 2017, as subsequently supplemented and amended by Law no. 145 of 2019), Article 1, paragraph 1026 *et seq.* introduced specific provisions for terrestrial TV operators to release 694-790 MHz frequencies ("700 band" – corresponding to channels 49-60) to telephone operators and for the consequent reorganization of the user rights of existing television operators over the remaining television spectrum ("refarming").
Specifically, under the 2018 Budget Law, among other things:
a) the 700 band frequencies must be completely released by television operators no later than 30 June 2022;

b) the national frequency muxes must adopt the DVB-T2 digital terrestrial standard, introducing a transitional conversion of the rights to use national frequency muxes into rights to use transmission capacity, with a view to subsequent reallocation;
c) the rights of use (in an amount equivalent to two muxes) that do not arise from the above conversion of the original rights of use are assigned by a procedure for consideration.
In implementation of the above law, AGCOM and MISE adopted the consequent measures, as a result of which Cairo Network was assigned a right of use with no frequency specification, equal to half of a mux (in 2019).
Additionally, at the end of the procedure for consideration for the assignment of rights of use not deriving from the conversion of current rights of use, MISE, through its decision dated 2 July 2021, announced that Cairo Network had been awarded a right of use with no frequency specification, equal to half of a newly-planned national multiplex; Cairo Network then paid half of the amount offered in the tender (subject to reservation) and requested the installment payments of the remainder (in three annual installments). On 6 August 2021, MISE, as a result of the combination of the two rights of use of Cairo Network with no frequency specification, then announced the provision for the assignment of the right of use of the frequencies for the purposes of operating the national network of the PNAF called "National network no. 10" until 2032 (two years less than the duration of the right originally acquired in 2014).
Cairo Network was heard in the context of the various proceedings, and took part in the relating public consultations, pointing out the legal and technical arguments for the exclusion of the Company from the application of the Budget Law (and, specifically, from the procedure for the conversion of the original right of use and the assignment of newly-planned rights of use), also attaching supporting documentation.
Cairo Network then also challenged the resolutions and provisions of AGCOM and MISE, implementing the Budget Law, filing appeals with the Latium Regional Administrative Court, Rome, and subsequent additional grounds (g.r. no. 6740/2018, no. 7017/18, no. 440/2021 and no. 6040/2021), in which the same arguments raised with the public authorities and further illegalities of the contested measures were also raised with the administrative judge.
The Latium Regional Administrative Court, with judgments issued on 28 January 2021 in the above trials g.r. no. 6740/2018 and no. 7017/2018, rejected the claims for annulment, while not fully addressing the merits of the issues raised by Cairo Network, and the above judgments are subject to an appeal before the Council of State (g.r. no. 4335 and no. 4334, in which the hearings have yet to be set).
Cairo Network is about to initiate actions, also of a judicial nature (in addition to disputes already filed), in order to obtain compensation for the damages and harm suffered (i) for payment

requested to regain ownership of a right of use of frequencies that Cairo had already paid for as a result of the 2014 tender procedure, (ii) for the different duration of the new right of use and (iii) for the loss of business opportunities suffered in recent years as a result of the uncertainty generated by the refarming procedure

To date, the effect of the outcome of the appeals brought before the Regional Administrative Court and the Council of State, or of those that may be brought in the future, cannot be predicted with certainty yet.

RCS also operates in a complex regulatory environment in both Italy and abroad. Developments in the relevant regulations involving the introduction of new legal specifications or the amendment of current laws could have significant effects on the Group asset portfolio, as well as on corporate governance and on internal compliance processes, which may work against the economic need to simplify administrative processes and improve the quality of reporting in support of the business.

Developments in the regulatory framework are continually monitored for the media segment and their disclosure within the Group is ensured.

Risks associated with the measurement of intangible assets

At 31 December 2021, the Group held intangible assets for a total of Euro 985.1 million.

Intangible assets should be regularly subject to measurement, in accordance with international accounting standards, in order to verify their recoverable carrying amount and ensure their consistency with the carrying amounts in the financial statements (impairment test). This test is based on financial ratios and estimates of the trend of the activities to which the assets are linked, which are highly sensitive to the financial and economic markets. The main valuation decisions and the sources of estimation uncertainty are commented on in Note 18 of this Annual Report, to which reference is made for further details. Significant changes in the economic and financial environment may lead to significant deviations in the parameters and forecasts as estimated and used in the impairment test. If these changes were negative, write-downs could be made with a significant impact on results.

With regard to the Cairo Network mux, in addition to the above risks related to changes in the regulatory framework, the transmission of the terrestrial radio television signal is, to date, the most common transmission system used at national level. However, any increase in the distribution of alternative transmission means (for example satellite, cable or Internet) could lead to a reduction in demand for transmission capacity, and therefore make it harder for the Cairo Communication Group to offer third parties the mux bandwidth it does not use for its own television activities, with negative effects on the operating results and financial position of the Cairo Communication Group.

Risks associated with litigation

Due to the nature of its business, the Cairo Communication Group is subject to the risk of litigation in the performance of its activities. The Cairo Communication Group monitors the development of these disputes, including with the help of external consultants, and sets aside the amounts needed to deal with the disputes in place according to how likely they are to lose. The notes on "Other information" (Note 39 to the consolidated financial statements) contain information on a number of cases of litigation. The evaluation of potential legal and tax liabilities, which requires the Company to use estimates and assumptions, is based on forecasts made by the Directors, following opinions expressed by the Company's legal and tax advisers on the probable cost that is reasonably considered to be incurred. Actual results may vary from these estimates.

Mention should be made that, because of its business activities, the Cairo Communication Group is involved in certain civil and criminal disputes for press defamation. With regard to the disputes for libel, on the basis of the experience of the Cairo Communication Group, for the cases where the Cairo Communication Group companies have lost, these proceedings are normally settled by paying compensation for smaller amounts than the original amounts claimed. Moreover, La7 has an insurance policy that covers professional responsibility for television activity.

Risks associated with climate change

The supply chain of the Cairo Communication Group hinges on the procurement of the raw material - "paper" - with outsourced production processes for magazines, both in Italy and Spain. Daily newspapers, instead, are managed directly in Italy. The distribution process for print publishing products in Spain is outsourced and in Italy is managed directly by m-dis.

The paper industry in Europe has traditionally been one of the most environmentally friendly, as it uses renewable resources that generate recyclable products. In this context, the Group uses the main Italian and European suppliers, with certifications of an eco-friendly production process.

Climate change is a major issue for all industries, and no less so for publishing. In the publishing sector, greenhouse gas emissions are mainly connected with energy consumption, transportation (e.g. company fleet, business travel) and the production cycle of print products managed internally.

Another important aspect is the management of waste; in this case, the Group is committed to operating in compliance with local regulations and guaranteeing waste traceability. Additionally, the Group delivers waste to specialized and authorized companies for recovery or disposal and also recycles the paper of publishing products by specialized pulpers.

As far as its supply chain is concerned (the publishing and distribution chain in particular), in addition to requiring compliance with current legislation, the Group has adopted stringent environmental protection policies. Cairo Communication considers it crucial to adopt stringent policies in supplier selection, also on the basis of the proven attention to environmental topics, as explained in the Consolidated Non-Financial Statement. Cairo Communication continuously monitors environmental risks to prevent and curb potential impacts. The environmental risks the Group is exposed to include not only risks associated with directly-managed production processes, but also risks mainly generated indirectly through third parties, such as "strategic" paper supplies or printing processes and offices where the Group is a lessee of "multitenant" buildings. While in cases of internalized production, RCS is able to adopt policies to reduce its environmental impact, through the monitoring of specific KPIs, in the case of purchases of outsourced goods or services, RCS can act only indirectly, by carefully choosing suppliers and sharing its environmental policies.

In the coming years, the Group will continue to carry out further analyses - and therefore disclosure on the general impacts or impacts suffered by the Group from climate change - also taking account of the changes in the national and international regulatory landscape on the matter and the growing attention of stakeholders.

In accordance with the provisions of Article 5, paragraph 3, letter b, of Legislative Decree 254/2016 in implementation of EU Directive 2014/95, the Group has prepared the Consolidated Non-Financial Statement, which is a separate document from the Annual Report, to which reference should be made for further information in this regard.

Financial risks

The Group manages capital structure and financial risks consistent with its asset structure, in order to maintain adequate and consistent credit ratings and capital ratio levels, taking account of the current credit availability in Italy.

No significant changes were made to the operating targets, policies and procedures in 2021 from the year ended 31 December 2020.

The notes on "Information on financial risks" (Note 39 to the consolidated financial statements) contain information on liquidity risk, interest rate risk and credit risk.

Treasury shares

Movements in Cairo Communication treasury shares are disclosed in Note 19 to the separate financial statements of the Parent Company.

With regard to RCS, at 31 December 2021, there were no. 4,479,712 treasury shares in portfolio, at an average carrying amount of Euro 5.9 per share, corresponding to a total of 0.86% of the entire share capital.

Stock Options

The Cairo Communication Group has no stock option plans in place at this time.

Shares held by directors, statutory auditors and general managers.

Shares held directly by Directors, Statutory Auditors and General Managers are illustrated in the Remuneration Report prepared pursuant to Article 123-ter of the TUF.

Other Information

Research and development activities

There are no research and development activities to report having a significant effect on the performance of the Company or the Group.

Human resources

The Cairo Communication Group, in accordance with the provisions of Article 5, paragraph 3, letter b, of Legislative Decree 254/2016 in implementation of EU Directive 2014/95, has prepared the consolidated non-financial statement (hereinafter "NFS"), which is a separate document from the Annual Report, to which reference should be made for further information relating, inter alia, to human resources topics.

The 2021 Consolidated Non-Financial Statement was prepared in accordance with the "*GRI Standards*" (the world's most widely used sustainability reporting framework) and subject to limited audit by Deloitte & Touche S.p.A..

By the nature of the services it offers to the community, human resources form a critical factor for the success of the Cairo Communication Group. The enhancement of staff, the development of skills and the recognition of achievements and responsibilities are the principles underpinning personnel management, from the selection phase, which is facilitated by the high degree of the Group's visibility and its ability to attract personnel.

Accordingly, the Group's main objective is to continually enhance human capital, developing existing skills, with a view to increasing professional qualities and creating the best conditions to ensure team spirit, motivation and participation in the workplace, in order to reinforce the shared feeling of belonging to a constantly expanding and leading publishing Group.

The breakdown of personnel at 31 December 2021 can be analyzed as follows, distinguishing between Cairo Communication and other Group companies other than RCS and its subsidiaries, split up further by gender:

	CAIRO COMMUNICATION AND OTHER COMP.		RCS		TOTAL
	MEN	**WOMEN**	**MEN**	**WOMEN**	
Executives	41	7	56	17	121
Editors	7	1	22	11	41
Middle managers	64	48	106	86	304
White collars	257	255	567	689	1,768
Blue collars	0	1	162	15	178
Journalists and freelance	97	131	713	464	1,405
TOTAL	**466**	**443**	**1,626**	**1,282**	**3,817**

The breakdown of employees between Italy and abroad, split up further by gender, can be analyzed as follows:

	ITALY		ABROAD		TOTAL
	MEN	**WOMEN**	**MEN**	**WOMEN**	
Executives	90	17	7	7	121
Editors	26	9	3	3	41
Middle managers	150	115	20	19	304
White collars	565	625	259	319	1,768
Blue collars	142	13	20	3	178
Journalists and freelance	538	413	272	182	1,405
TOTAL	**1,511**	**1,192**	**581**	**533**	**3,817**

With regard to Cairo Communication and the Group companies other than RCS and its subsidiaries, the headcount at 31 December 2021 is equal to 909 resources.

Most of the employees work in the TV segment (484 resources), followed by advertising, which employs 219 resources. CAIRORCS Media's sales network counts approximately 204 agents (direct and indirect), who are coordinated by senior sales managers and staff who, together with their staff, also ensure coordination with the editors and the promotion of special initiatives.

During the year - with regard to Cairo Communication and the Group companies other than RCS and its subsidiaries - there were 3 work-related accidents (all related to home-work journeys), while there were no cases of occupational diseases.

With regard to RCS, the exact headcount at 31 December 2021 (2,908 resources) is 226 units lower than the figure at 31 December 2020. The change in headcount is the result of the effects at 1 January 2021 (i) of the transfer of personnel (-145 units) of the advertising agency to the new company CAIRORCS Media, and (ii) of the acquisition of 100% of m-dis, whose personnel amounts to +115 units. The change is also explained by the effects from the reorganizations underway (described below).

The exact headcount broken down by geographical segment is shown below:

	Italy 31 December		Spain 31 December		Other countries 31 December		Total 31 December	
	2021	2020	2021	2020	2021	2020	2021	2020
Executives, middle managers and whit	890	946	599	703	32	36	1,521	1,685
Publication editors and journalists	750	747	458	506	2	2	1,210	1,255
Blue collars	154	161	23	33			177	194
Consolidated total	**1,794**	**1,854**	**1,080**	**1,242**	**34**	**38**	**2,908**	**3,134**

Employees working in the Group's foreign operations, amounting to 1,114 units, accounted for approximately 29% of the RCS Group's average total at December 2021.

With regard to RCS, on the industrial relations front in Italy, in 2021 two trade-union agreements were signed on the management of social safety nets with the approval of the Ministry of Labour, while work continued on managing the three previously-approved corporate reorganization processes that had begun in 2020.

The new reorganization agreements refer to the titles in the "Magazines" Division and to the title *La Gazzetta dello Sport*. For the Magazine Division, a 19-month plan from 22 July 2021 to 21 February 2023 was authorized by the Ministry to manage 10 redundancies. For *La Gazzetta dello Sport*, a 12-month reorganization plan was authorized and signed by the Ministry of Labour from 16 August 2021, also in this case to manage 10 redundancies.

The year 2021 was also marked by the management of the three "corporate reorganization processes" launched in the prior year. More specifically, *Corriere della Sera* journalists saw the continued reorganization plan referring to 38 redundancies for the current two-year period until 10 May 2022; on 14 October 2021, the redundancy management plan for the graphic designers and print workers of RCS MediaGroup S.p.A. ended with 109 leaves in a period of 18 months out of the 24 months available under the regulations; for RCS Produzioni Milano S.p.A., the early-retirement redundancy fund ended on 31 December 2021, also in this case for 18 months out of the 24 months available under the regulations, with the leave of 28 workers.

Industrial relations have tackled the issue of how to configure the best organization of work to the digital evolution that is dominating the publishing markets. All early retirement plans have been discussed with trade union representatives, also with a view to encouraging editorial processes geared towards digital development and the entry of new skills that can facilitate rapid transformation towards the digital.

At Unidad Editorial, work continued in 2021, albeit with the restrictions imposed by the persisting pandemic, along the usual lines, with particular focus on people growth, know-how enhancement, especially in the new digital areas, also through more efficient organizational processes and models to support new projects for the growth of the business.

With a view to pursuing the ongoing improvement of process effectiveness and efficiency, various organizational analyses and reviews also continued, which allowed the company, among other things, to take advantage of internal mobility as an opportunity and a tool for the growth of resources. Work concurrently continued on assessing the potential and commitment of resources in order to properly recognize their skills and contribution to value creation, with the aim of placing the suitable people in key positions.

In 2021, a series of trade-union agreements were made formal with the aim of both managing the organization of work and controlling the trend of personnel expense. Specifically, the instruments provided for by current legislation (ERE) were put in place, shared and agreed upon at various negotiating tables with union representatives. The restructuring plan specifically involved the Magazines and Supplements area, Distribution, the Local Editions of El Mundo and the Corporate area. These actions, aimed at recovering margins, helped ensure the continuity of these Areas.

Environment

The Cairo Communication Group, with regard to its traditional segments - Cairo Editore, advertising agency, La7, Il Trovatore - has outsourced its production processes to carry out its activities. Therefore, there are no relevant environmental aspects.

With regard to the activities of the network operator, Cairo Network, radio-television broadcasters are subject to regulations aimed at protecting people and the environment from exposure to electromagnetic fields. As explained above, the creation and management of the network was granted in full service mode to a qualified operator in the sector, who took on commitments and guarantees judged by Cairo Communication to be adequate to ensure compliance with applicable regulations.

RCS, which prints dailies in Italy at its production centers in Pessano, Rome and Padua, continued with its commitment to environmental matters in 2021, which had already been developed in past years, with a view towards optimizing these resources in all company processes. The processes involved were not only those more strictly related to production, but also those present in “non-core” areas, such as office space management.
Lastly, mention should be made that both the Cairo Communication Group and the RCS Group have prepared, in compliance with the relevant legislation, a specific non-financial statement for 2021 (hereinafter also referred to as "the consolidated non-financial statement" or “NFS"), to which reference is made for further information on such topics as human resources, health and safety and the environment.
Specifically, the NFS at 31 December 2021 includes information on environmental, social, personnel and human rights issues, and on the fight against corruption and bribery to the extent required to ensure an understanding of the Group's activities, performance, results and impact.

Report on Corporate Governance and Ownership Structure (Article 123 bis of Italian Legislative Decree no. 58 of 24 February 1998)

The Report on Corporate Governance and Ownership Structure, containing the information on compliance by Cairo Communication S.p.A. with the Corporate Governance Code for Listed Companies promoted by Borsa Italiana S.p.A., and the other information pursuant to paragraphs 1 and 2 of article 123-*bis* of Legislative Decree no. 58 of 24 February 1998, is published in accordance with the time limits of law also on the Company’s website - Governance section.

Consolidated Non-Financial Statement at 31 December 2021

The Consolidated Non-Financial Statement (hereinafter also the “NFS") for 2021, drawn up in compliance with articles 3 and 4 of Legislative Decree 254/16, which aims to provide an overview of the policies, main risks and management criteria relating to the sustainability topics relevant to the Cairo Communication Group (hereinafter also the "Group"), is published in accordance with the time limits of law, also on the Company’s website - Governance section.

Privacy

Regarding privacy regulations, Cairo Communication and Group companies update the Personal Data Policy Document, which establishes treatment followed, resources subject to security measures, risks, rules (physical and logical measures, and security organizational measures) and the relating training plan.

In previous years, technical and organizational measures and methods had been put in place - integrating those already operational where necessary – regarding storage of the identifying details of system administrators and verification of work performed, in order to guarantee the monitoring of their work.

The Group has carried out the necessary checks and measures to come into line with Regulation (EU) 2016/679 of the European Parliament and of the Council on the protection of natural persons with regard to the processing of personal data and on the free movement of such data (the "General Data Protection Regulation"), effective, directly in all EU countries, as from 25 May 2019.

Participation in the regulatory simplification process adopted by CONSOB resolution no. 18079 of 20 January 2012.

As of 2012, the Cairo Communication S.p.A. Board of Directors, pursuant to Article 3 of CONSOB resolution no. 18079 of 20 January 2012 and in relation to the provisions of articles 70, paragraph 8, and 71, paragraph 1-bis of CONSOB regulation no. 11971/1999 as amended, decided to make use of the right to exemption from the informational document publication obligations set forth in the above-mentioned CONSOB regulation at the time of significant mergers, spin-offs, share capital increases through the contribution of goods in kind, acquisitions and disposals.

Significant events after the period and business outlook

After 2020, the year 2021 continued to be marked by the health emergency and the containment measures implemented by the authorities, both in Italy and Spain. Compared with the beginning of the year, starting from the second half of February 2021 in Spain, and from mid-April in Italy, the situation has improved and the containment measures are being gradually lifted.

In both countries, the vaccination campaign, coupled with the introduction of measures to boost vaccination, prevention and monitoring, has gradually brought great benefits, which have helped speed up the reduction of restrictions, improving the situation further.

The vaccination campaign and the measures adopted have allowed the two countries to cope effectively with the spread of the Omicron variant at the end of 2021 and to curb its impact on business activities and people's lives.

In 2021 too, the Group met the public's strong need to stay informed through its information offering, ensuring a timely service to its viewers and readers. The *La7* programmes, the daily editions of *Corriere della Sera* and *La Gazzetta dello Sport* in Italy, and of *El Mundo*, *Marca* and *Expansión* in Spain, the Group's magazines and web and social platforms have played a pivotal role in informing and reporting on this difficult phase, focusing on their mission as a non-partisan, trustworthy public service, and establishing themselves as authoritative players in daily television, print and online information, with strong television ratings and digital traffic figures.

Following the downtrend of 2020, the economic recovery that started in 2021 is being marked by higher prices for transportation and a number of commodities, including printing paper and energy, and in some cases, supply difficulties. This situation is causing a general increase in production costs and difficulties in production processes for various sectors, whose current production is struggling to keep pace with the trend in demand. Broadly speaking, after several years of virtual price stability, in 2021 the national consumer price index recorded a stronger year-on-year growth in both Italy and Spain than in the more recent past.

With regard to the Group, this economic context, and its development during the year, impacts on production costs and may also affect the performance of the advertising market, as it may influence the advertisers' propensity to spend.

The beginning of 2022 is yet again marked by the spread of the Omicron variant and the continued restrictive measures implemented by both Governments in Italy and Spain. Starting from the beginning of February, the situation has begun to improve in both countries, allowing them to speed up the gradual and rapid lifting of restrictions.

As from end February 2022, the conflict in Ukraine and its consequences, including in terms of economic sanctions against Russia and the impacts on the economy and trade, especially on energy, production and logistics supply chains, are causing grave uncertainty.

The Group has no direct exposure and/or business activities towards the markets affected by the conflict and/or sanctioned entities.

As for both the health emergency and the ongoing conflict, the developing situation and the potential effects on the business outlook, which will be constantly monitored also in the further course of the year, are unforeseeable at this time as they depend, inter alia, on how the health context plays out and the effectiveness of the public measures - including economic ones - adopted and on the developments and duration of the conflict in Ukraine and its geopolitical effects.

In consideration of the actions already implemented and those planned, in the absence of a new deterioration of health conditions and/or a worsening of the consequences of a continuing conflict in Ukraine and/or further increases in the costs of certain commodities, the Group believes that it can set itself the target of confirming in 2022 margins (EBITDA) in line with those achieved in 2021 and a resulting further improvement in the net financial position.

Developments in the health emergency, the ongoing conflict, the overall economic climate and the core segments could, however, affect the full achievement of these targets.

For the Board of Directors
Chairman Urbano Cairo

Shareholders,

We invite you to approve the separate financial statements as at and for the year ended 31 December 2021 and the accompanying reports, and we propose the distribution of a dividend of Euro 0.18 per share, gross of tax.

Shareholders are invited:

- to approve the Directors' Report on Operations and the separate financial statements for the year ended 31 December 2021, which show a profit for the year of Euro 11,696,897.69
- to resolve on the distribution to shareholders of a dividend of Euro 0.18 per share, gross of tax, for each share entitled to receive profit distributions, with the exception of treasury shares held by the Company on the date prior to the record date pursuant to Article 83-*terdecies* of the TUF, by allocating the entire profit for the year of Euro 11,696,897.69 and drawing on the "retained earnings" reserve for the difference of Euro 12,498,089.95.

If approved by the Shareholders, the dividend of Euro 0.18 per share will be made payable on 25 May 2022 (record date pursuant to Article 83-terdecies of the TUF: 24 May 2022), subject to detachment of coupon no. 15 on 23 May 2022.

For the Board of Directors

Chairman Urbano Cairo

CAIROCOMMUNICATION

Consolidated Financial Statements and Explanatory Notes

Consolidated income statement at 31 December 2021

€ millions	Notes	2021	2020
Net revenue	1	1,070.7	969.6
Other revenue and income	2	39.1	19.0
Change in inventory of finished products	3	0.4	(1.9)
Raw and ancillary materials and consumables	4	(90.0)	(96.0)
Cost of services	5	(467.1)	(420.5)
Use of third-party assets	6	(31.8)	(25.9)
Personnel expense	7	(325.2)	(320.4)
Amortization, depreciation, provisions and write-downs	8	(76.2)	(79.0)
Other operating costs	9	(16.7)	(14.4)
Operating profit		**103.2**	**30.5**
Other gains (losses) from financial assets/liabilities (*)	10	4.6	3.2
Net financial income (expense)	11	(11.1)	(10.2)
Profit (loss) before tax		**96.8**	**23.5**
Income tax for the period	12	(16.8)	5.5
Profit (loss) from continuing operations		**79.9**	**29.0**
Profit (loss) from discontinued operations		-	0.0
Profit (loss) for the period		**79.9**	**29.0**
- Owners of the parent		51.0	16.5
- Non-controlling interests - continuing operations		28.9	12.6
		79.9	**29.0**
Earnings per share (Euro)			
- Earnings per share - continuing and discontinued operations	15	0.380	0.122
- Earnings per share - continuing operations	15	0.380	0.122

(*) As from 2021, the item "Net income (expense) from equity-accounted investees", amounting to a net expense of Euro 2.1 million, previously under EBITDA, has been classified under Operating profit (EBIT), among financial items. Consistently, this item was also reclassified for 2020 (when net expense had amounted to Euro 2.9 million).

Consolidated statement of comprehensive income at 31 December 2021

€ millions		**2021**	**2020**
Profit (loss) for the period		**79.9**	**29.0**
Reclassifiable items of the comprehensive income statement			
Gains (losses) from cash flow hedges	34	0.1	(0.4)
Reclassification of gains (losses) from cash flow hedges	34	0.6	0.6
Tax effect		(0.1)	-
Non-reclassifiable items of the comprehensive income statement			
Actuarial gains (losses) from defined benefit plans		0.5	(2.1)
Tax effect		(0.1)	0.5
Gains (losses) from the fair value measurement of equity instruments	19	(0.1)	(0.1)
Total comprehensive income for the period		**80.8**	**27.5**
- Owners of the parent		51.5	15.3
- Non-controlling interests - continuing operations		29.3	12.2
		80.8	**27.5**

Consolidated statement of financial position at 31 December 2021

Assets € millions	Notes	31 December 2021	31 December 2020
Property, investment property, plant and equipment	16	57.0	70.9
Rights of use on leased assets (*)	17	168.5	164.9
Intangible assets	18	985.1	982.3
Investments	19	32.2	37.1
Non-current financial receivables and financial assets recognized for derivatives	20	0.3	0.4
Other non-current assets	21	4.7	2.0
Deferred tax assets	22	86.8	96.3
Total non-current assets		**1,334.6**	**1,353.9**
Inventory	23	19.6	19.9
Trade receivables	24	288.8	244.2
Receivables from parents, associates and affiliates	25	2.9	17.0
Sundry receivables and other current assets	26	61.3	33.9
Other current financial assets	20	0.3	6.9
Cash and cash equivalents	27	113.0	87.4
Total current assets		**485.9**	**409.3**
Total assets		**1,820.5**	**1,763.2**

Equity and liabilities	Notes	31 December 2021	31 December 2020
Share capital		7.0	7.0
Share premium reserve		224.2	224.2
Prior-years' profit (loss) and other reserves		232.2	220.7
Profit for the period		51.0	16.5
Equity attributable to the owners of the parent		**514.4**	**468.4**
Non-controlling interests' share capital and reserves		**333.3**	**309.4**
Total equity	28	**847.7**	**777.8**
Payables and non-current financial liabilities	29	39.6	59.9
Non-current liabilities from lease contracts (*)	30	154.9	152.1
Post-employment benefits	31	49.8	51.2
Provisions for non-current risks and charges	32	31.2	27.7
Deferred tax liabilities	32	162.1	164.2
Other non-current liabilities	33	1.2	1.0
Total non-current liabilities		**438.8**	**456.1**
Payables and current financial liabilities	34	36.8	97.5
Current liabilities from lease contracts (*)	30	29.9	28.8
Payables to suppliers	35	298.8	243.5
Payables to parents, associates and affiliates	36	7.5	8.8
Tax payables	37	20.2	20.1
Current portion of provisions for risks and charges	32	30.7	29.4
Sundry payables and other current liabilities	38	110.1	101.2
Total current liabilities		**534.0**	**529.3**
Total liabilities		**972.8**	**985.4**
Total equity and liabilities		**1,820.5**	**1,763.2**

Consolidated statement of cash flows

€ millions	31 December 2021	31 December 2020
Cash funds	87.4	50.1
Bank overdrafts	(0.6)	(8.8)
CASH AND CASH EQUIVALENTS OPENING BALANCE	**86.8**	**41.3**
OPERATIONS		
Profit (loss)	79.9	29.0
Amortization/depreciation	67.7	70.1
(Gains) losses and other non-monetary items	(8.7)	(8.7)
(Income) expense from investments	2.1	2.9
Net financial expense (income)	11.1	10.2
Dividends from equity-accounted investees	0.0	0.0
Income tax	16.8	(5.3)
(Increase) decrease in employee benefits and provisions for risks and charges	(2.5)	(2.6)
Cash flow from operations before changes in working capital	**166.4**	**95.6**
(Increase) decrease in trade and other receivables	19.6	16.6
Increase (decrease) in payables to suppliers and other liabilities	(12.7)	(14.0)
(Increase) decrease in inventory	0.3	6.1
CASH FLOW FROM OPERATIONS	**173.6**	**104.3**
Income tax received (paid)	(4.3)	8.2
Net financial expense paid	(8.8)	(8.5)
CASH FLOW FROM OPERATIONS (A)	**160.5**	**104.0**
INVESTING ACTIVITIES		
Net (acquisition) disposal of PPE and intangible assets	(31.1)	(25.1)
Acquisition of investments	(1.5)	(0.5)
Proceeds from the disposal of investments	7.0	4.0
Proceeds from the sale of property, plant and equipment and intangible assets	10.7	0.1
Net decrease (increase) in other non-current assets	(0.8)	13.3
CASH FLOW FROM INVESTING ACTIVITIES (B)	**(15.7)**	**(8.2)**
FINANCING ACTIVITIES		
Dividends paid	(11.6)	0.0
Net change in financial payables and other financial assets	(80.6)	(26.5)
Net change in lease liabilities	(26.1)	(23.6)
Increase (decrease) in non-controlling interests' share capital and reserves	(0.1)	(0.2)
Other changes in equity	(0.2)	0.1
CASH FLOW FROM FINANCING ACTIVITIES (C)	**(118.6)**	**(50.2)**
CASH FLOW FOR THE PERIOD (A)+(B)+(C)	**26.2**	**45.5**
CASH AND CASH EQUIVALENTS CLOSING BALANCE	**113.0**	**86.8**
CASH AND CASH EQUIVALENTS		
Cash funds	113.0	87.4
Bank overdrafts	0.0	(0.6)
	113.0	**86.8**

Consolidated statement of changes in equity

€ millions	Share capital	Share premium reserve	Prior-years' profit (loss) and other reserves	Profit (loss) for the period	Equity attributable to the owners of the parent	Non-controlling interests' share capital and reserves	Total
Balance at 1 January 2019	**7.0**	**236.5**	**127.5**	**60.3**	**431.3**	**283.2**	**714.5**
Allocation of profit (loss)			60.3	(60.3)			
Dividend distribution		**(12.3)**	**(6.5)**		**(18.8)**	(12.4)	**(31.2)**
Other changes			0.2		**0.2**	(0.2)	**(0.0)**
Items of the comprehensive income statement			(1.5)	1.5	**0.0**		**0.0**
Total comprehensive profit (loss) for the period				40.6	**40.6**	26.5	**67.1**
Balance at 31 December 2019	**7.0**	**224.2**	**180.0**	**42.1**	**453.3**	**297.1**	**750.3**
Allocation of profit (loss)			42.1	(42.1)			
Dividend distribution							
Other changes			(0.2)		**(0.2)**	0.1	**(0.1)**
Items of the comprehensive income statement			(1.2)	1.2			
Total comprehensive profit (loss) for the period				15.3	**15.3**	12.2	**27.5**
Balance at 31 December 2020	**7.0**	**224.2**	**220.7**	**16.5**	**468.4**	**309.4**	**777.8**
Allocation of profit (loss)			16.5	(16.5)			
Dividend distribution			(5.4)		**(5.4)**	(6.2)	**(11.6)**
Other changes			(0.1)		**(0.1)**	0.9	**0.8**
Items of the comprehensive income statement			0.5	(0.5)			
Total comprehensive profit (loss) for the period				51.5	**51.5**	29.3	**80.8**
Balance at 31 December 2021	**7.0**	**224.2**	**232.2**	**51.0**	**514.4**	**333.3**	**847.7**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021

Main activities

Cairo Communication S.p.A. (the Parent or the Company) is a joint-stock company listed in the Milan Company Register.

Cairo Communication S.p.A. is listed on the EXM (Euronext Milan) organized and managed by Borsa Italiana S.p.A. in the Euronext STAR Milan segment (Segment with High Requirement Securities) for companies that distinguish themselves for their excellence in terms of liquidity, transparency and corporate governance.

The Cairo Communication S.p.A. Group (the Group) operates as a publisher of magazines and books (Cairo Editore - and its division Editoriale Giorgio Mondadori - and Cairo Publishing), as a TV publisher (La7) and network operator, as a multimedia advertising broker selling advertising time and space on television, in print media and in stadiums (Cairo Communication, Cairo Pubblicità and CAIRORCS Media), as a publisher of dailies and magazines (weeklies and monthlies) in Italy and Spain through RCS, also active in the organization of major world sporting events.

The registered office of Cairo Communication S.p.A. is in Corso Magenta 55, Milan. The administrative offices, the advertising sales units and Il Trovatore and Cairo Network are located in Via Rizzoli 8. The magazine publishing business is managed at the offices of Cairo Editore in Corso Magenta 55, Milan. The publishing business of La7 is managed mainly in Rome at the registered offices and the TV studios of La7 S.p.A. in Via della Pineta Sacchetti 229 and Via Novaro 32, respectively. RCS activities are mainly carried out in Via Rizzoli 8 and Via Solferino 28, Milan, and in Avenida San Luis 25, Madrid.

The currency of these consolidated financial statements is the Euro, used as the functional currency by most Group companies. Unless otherwise indicated, all amounts are expressed in millions of Euro. At 31 December 2021, the consolidated financial statements included 51 companies directly or indirectly controlled and consolidated on a line-by-line basis (51 companies at 31 December 2020).

For additional details on investments, reference is made to the annex "List of Group investments at 31 December 2021".

The entity which prepares the consolidated financial statements of the largest body of entities, of which the entity forms part, is U.T. Communications S.p.A., with registered office in Via Montenapoleone 8, Milan.

Significant events during the period

Significant events during the period are commented on in the Directors' Report.

It should be noted that:

- as from 1 January 2021, the transaction whereby RCS and Cairo Pubblicità contributed their respective advertising sales businesses to the equally-owned CAIRORCS Media, came into effect;
- in February 2021, RCS MediaGroup acquired from De Agostini Editore and from Hearst Magazines Italia a total of no. 2,876,727 shares in m-dis Distribuzione Media S.p.A., equal to 45% of the share capital. Subsequently, in June 2021, RCS MediaGroup acquired the remaining 10% of the share capital, thereby holding 100% of m-dis Distribuzione Media, a leader in distribution on newsstands channels;
- Cairo Network, as part of the procedure for consideration called by MISE, was awarded a right of use with no frequency specification, equal to half of a newly-planned national multiplex. On 6 August 2021, the Ministry of Economic Development, as a result of the combination of the two rights of use with no frequency specification held by Cairo Network, then announced the provision for the assignment of the right of use of the frequencies for the purposes of operating the national network of the PNAF called "National network no. 10" until 2032, as explained in Note 39 Other information.

The paragraph "*Other Information*" includes an updated description of the dispute over the Via Solferino property complex.

Basis of preparation

Form and content of the consolidated financial statements

The consolidated financial statements of the Cairo Communication Group at 31 December 2021 have been prepared in accordance with IFRS issued by the International Accounting Standard Board ("IASB") and endorsed by the European Union, as well as with the provisions arising from Article 9 of Legislative Decree no. 38/2005. The term IFRS is used to mean all the international accounting standards ("IAS") and all the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), formerly the Standing Interpretations Committee ("SIC").

Deloitte & Touche S.p.A. carries out the statutory audit of the consolidated financial statements.

Form and content of the financial statements

The following is a list of the Group's consolidated financial statements.

The **consolidated income statement** is presented by nature, highlighting interim operating results and pre-tax results, in order to allow a better measurement of the results from normal operations. Furthermore, cost and revenue components deriving from events or transactions which, by their nature or size, are considered non-recurring, are also separately identified in the notes, under the definition as per CONSOB Communication No. 6064293 of 28 July 2006.

The income statement effect of discontinued operations is shown in a single line of the income statement named “Profit/loss from discontinued operations”, under IFRS 5.

The **consolidated statement of comprehensive income** also reflects the “*changes arising from transactions with non-owners*”- separately showing the relevant tax effects, that is:

- profit and loss that could be directly recognized in equity (for instance actuarial gains and losses from the measurement of defined benefit plans);
- the effects of the measurements of derivative instruments hedging future cash flows;
- the effects of the measurements of available-for-sale financial assets;
- the effects arising from any change in accounting standards.

The consolidated statement of comprehensive income presents the items relating to the amounts of the components of other comprehensive income for the period by nature and grouped into those which, in accordance with the provisions of other IAS/IFRS:

- will not be subsequently reclassified to profit (loss) for the period;

- will be subsequently reclassified to profit (loss) for the period, when certain conditions are met.

The **consolidated statement of financial position** presents separately assets and liabilities divided in current and non-current, indicating, on two separate lines, “Assets held for sale” and “Liabilities associated with discontinued operations”, in accordance with IFRS 5. Specifically, an asset or a liability is classified as current when it satisfies one of the following criteria:

- it is expected to be realized or settled or it is expected to be sold or utilized in the normal operating cycle of the company;
- it is held mainly to be traded;
- it is expected to be realized or settled within 12 months of the reporting date.

Otherwise, the asset or liability is classified as non-current.

The **consolidated statement of cash flows** has been prepared applying the indirect method in which operating profit is adjusted to reflect transactions of a non-monetary nature, for whatever deferral or accrual of previous or future operating receipts or payments and for revenue or cost components connected to cash flows arising from investing or financing activities. Income and expense relating to medium or long-term financial operations and those relating to hedging instruments and dividends paid are included in financing activities. Payments relating to lease liabilities are included in the cash flows used in financing activities.

The **consolidated statement of changes in equity** shows the changes in equity relating to:

- allocation of profit for the period;
- amounts relating to transactions with owners (purchase and sale of treasury shares);

and separately income and expense defined as "*changes arising from transactions with non-owners*", also shown in the consolidated statement of comprehensive income.

Furthermore, in order to comply with CONSOB Resolution No. 15519 of 27 July 2006 relating to reporting formats, additional formats on the consolidated income statement and the consolidated statement of financial position have been added, highlighting significant related party transactions in order not to compromise the overall readability of the formats.

Consolidation scope

In February 2021, RCS MediaGroup S.p.A. acquired from De Agostini Editore S.p.A. and from Hearst Magazines Italia S.p.A. a total of no. 2,876,727 shares in m-dis Distribuzione Media S.p.A., equal to 45% of the share capital. Subsequently, in June 2021, RCS MediaGroup S.p.A. acquired the remaining 10% of the share capital, thereby holding 100% of m-dis Distribuzione Media S.p.A..

As a result of the abovementioned transaction, the following companies previously consolidated at equity are now fully consolidated:

- m-dis Distribuzione Media S.p.A.;
- MDM Milano Distribuzione Media S.r.l.;
- Pieroni Distribuzione S.r.l.;
- To-dis S.r.l.

The following fully consolidated companies have left the scope of consolidation:

- Diellesei in liquidation *(liquidated);*
- Información Estadio Deportivo S.A. *(sold);*
- Unidad Editorial Juegos S.A. *(sold);*

- Feria Bebe S.L. *(liquidated)*.

The following companies included in the scope of consolidation as equity-accounted investees, have entered the scope of consolidation:

- Distribuciones Aliadas S.A. (acquired);
- Grafilandia S.L. (acquired).

The following companies included in the scope of consolidation as equity-accounted investees, have left the scope of consolidation:

- TF Press S.L. (liquidated);
- Impresiones y distribuciones de Prensa Europea S.A. (liquidated)
- Trento Press Service S.r.l. (sold).

Evaluation Criteria

The Consolidated Financial Statements have been prepared in accordance with the provisions of CONSOB Resolution no. 11971/1999 as subsequently amended, including in particular those introduced by Resolutions no. 14990 of 14 April 2005 and no. 15519 of 27 July 2006, and contain the Group consolidated financial statements and explanatory notes, prepared in accordance with the IFRS international accounting standards issued by the IASB *(International Accounting Standards Board*) and adopted by the European Union. The term IFRS encompasses all the *International Financial Reporting Standards* (IFRS), all the *International Accounting Standards* (IAS) and all the interpretations of the *International Financial Reporting Standards Interpretations Committee* (IFRS IC, formerly IFRIC), previously known as *Standing Interpretations Committee* (SIC).

In accordance with the requirements of document no. 2 of 6 February 2009 issued jointly by the Bank of Italy, CONSOB and ISVAP, it should be noted that the consolidated financial statements of the Cairo Communication Group at 31 December 2021 have been prepared on a going concern basis as the Group has determined that, despite the challenging geopolitical context, the impacts of which cannot be predicted at this time, there are no significant uncertainties (as defined in paragraph 25 of IAS 1) on the Company's ability to continue operating as a going concern, given both the profitability outlook and cash generating capacity of the Group companies, as well as the Company's financial position.

With regard to CONSOB communication no. DEM/11070007 of 5 August 2011, it is also noted that the Group does not hold bonds in its portfolio issued by central or local governments or government authorities, and, therefore, it is not exposed to the risk of market fluctuations in the aforementioned bonds.

Consolidation procedures

The direct and indirect subsidiaries appearing in Annex 1 “Cairo Communication Group companies - Companies consolidated line-by-line” are consolidated as from their acquisition date, meaning the date on which the Group obtains control, and cease to be consolidated on the date on which control is lost. The Group controls a company when, by virtue of its relationship with the entity, it has control over its relevant activities, is exposed to variable returns, it has rights to those returns and it also has the ability to affect the returns by exercising its power over the entity.

The income and expense of the subsidiaries acquired or sold during the period are included in the income statement from the date on which the Group gains control until the date on which the Group no longer controls the companies.

The companies on which it exercises joint control with other shareholders, and companies that are associated or otherwise subject to significant influence were consolidated at equity in accordance with IFRS 11.

The accounting policies adopted are consistent for the companies included in the consolidation scope and the related financial statements have all been prepared at 31 December 2021.

Where necessary, adjustments to subsidiary financial statements are made in order to harmonize them with the Group accounting policies.

The full consolidation method has been used for the consolidation of subsidiary financial statements, assuming the total of assets, liabilities, income and expense of individual companies, regardless of the share owned, eliminating the carrying amount of the Parent investment against the subsidiary’s equity.

Under the "full goodwill" option, in addition to recognizing 100% of the fair value of assets and liabilities acquired, pursuant to IFRS 3 - Business Combinations, goodwill attributed to minorities is also booked. Accordingly, changes to the interest that do not constitute a loss of control or that refer to investees already controlled, are recognized in consolidated equity.

Non-controlling interests in the net assets of consolidated subsidiaries are disclosed separately from equity attributable to owners of the parent. This interest is calculated on the basis of the percentage stake of the fair value of the asset or liability on the original purchase date and subsequent changes in equity after such date.

Unrealized gains and losses, provided they are not minor, deriving from transactions between companies included in the scope of consolidation, are eliminated, as are all significant transactions which give rise to intra-Group receivables and payables, income and expense. These adjustments, like other consolidation adjustments, where applicable, take account of the related deferred tax effect.

Dividends distributed by consolidated companies are eliminated from the income statement and added to prior-year profits if and to the extent they were paid out of such profit.

Assets held for sale, which are very likely to be disposed within the following twelve months, if the other conditions prescribed by IFRS 5 are met, are classified in accordance with the provisions of this standard, and therefore once they are consolidated line by line, the assets referred thereto are classified in a single item, defined “Assets held for sale”. The liabilities related thereto are recognized in a single line of the statement of financial position, in the liabilities section, and the related margin is reported in the income statement under “Result of the assets held for sale and transferred”.

Upon consolidation, the financial statements of the foreign subsidiaries in a currency other than the Euro are translated adopting, for the figures of the statement of financial position, the spot exchange rate at the end of the period, and for the income components of the income statement, the average rate of the period. The resulting translation differences are recognized in a separate equity reserve named Translation Reserve.

Changes to the interest that do not constitute a loss of control or that refer to investees already controlled, are treated as equity transactions and classified in equity.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method, whereby the acquiree’s assets, liabilities and identifiable contingent liabilities that meet the conditions of IFRS 3 are measured at fair value on the acquisition date. Thus, deferred tax assets and liabilities are allocated on the adjustments made to the previous carrying amounts to align them to the current value.

The very complexity of applying the acquisition method implies that the standard provides for an initial, provisional calculation of the fair value of the assets, liabilities and contingent liabilities acquired, such as to allow initial recognition of the transaction in the consolidated financial statements at the end of the period in which the business combination took place. The first recording is completed and adjusted within twelve months from the date of acquisition. Changes to the initial consideration arising from facts or circumstances subsequent to the acquisition date are recognized in the income statement.

Goodwill arising from the acquisition of a subsidiary corresponds to that portion of the acquisition price paid by the Group that exceeds the Group share of the fair value of the assets, liabilities and identifiable contingent liabilities of a subsidiary, at the acquisition date. The "full goodwill" option allows the acquirer to recognize 100% of the goodwill of the acquirees, rather than just the goodwill attributed to the majority.

Goodwill arising from the business combination of the RCS Group was determined by using the “full goodwill” approach.

Goodwill is recognized as an intangible asset with indefinite useful life and is not amortized.

Any positive difference between assets and liabilities measured at fair value at the acquisition date and the price paid is recognized in the consolidated income statement as non-recurring income. It may be subject to further adjustment within twelve months from the date of acquisition.

Transaction costs do not form part of the consideration transferred and so are charged to the income statement.

Goodwill is periodically tested to ensure that it is still recoverable through a comparison with the greater of fair value and value in use, calculated as the sum of discounted future cash flows generated by the underlying investment. Impairment losses are recognized directly in profit and loss and are not subsequently reversed.

For the purposes of the fairness analysis, the goodwill acquired in a business combination is allocated, at the date of acquisition, to the Group’s individual cash generating units, or to the groups of cash generating units that should benefit from the synergies of the combination, regardless of whether other assets or liabilities of the Group are assigned to these units or groups of units.

Investments in associates and joint ventures

Associates are those over which the Group, while not having control or joint control, can exercise significant influence through participation in decisions regarding financial and operating policies.

A joint venture is represented by investments in companies in which the strategic financial and managerial decisions on business activities require the unanimous agreement of all parties that share control, in accordance with IFRS 11.

The financial results, assets and liabilities of associates and joint ventures are consolidated using the equity method. According to this method, investments in associates at the time of acquisition are recognized in the statement of financial position at cost, subsequently adjusted to reflect the investor's share of the net assets of the associate. Any losses exceeding the Group share therein are not recognized, unless the Group has a commitment relating to loss coverage. The excess of acquisition cost over the Group share of carrying amount of assets, liabilities and identifiable contingent liabilities of the associate at the acquisition date is recognized as goodwill. Every year, goodwill is tested for impairment.

The lower value of acquisition cost over the Group share of the fair value of assets, liabilities and identifiable contingent liabilities of the associate at the acquisition date is credited in the income statement during the period.

If an associate or joint venture recognizes adjustments with direct allocation to equity and/or in comprehensive income, the Group in turn records its share in equity and represents it, when applicable, in the statement of changes in equity and/or in the statement of other comprehensive income for the period.

Any impairment loss in the investment recognized in accordance with IAS 36 is not ascribable to goodwill or to the fair value measurement of assets recorded in the financial statements of the associate, but rather to the value of the investment as a whole. Therefore, any reversal of impairment loss is recognized fully to the extent to which the recoverable value of the investment increases subsequently, on the basis of the result of the impairment test.

With regard to transactions between Group companies and associates, unrealized profits and losses are eliminated in a proportion equal to the Group investment in the associate, except when unrealized losses are evidence of an impairment loss on the business acquired.

Revenue recognition

Revenue and cost and income and expense are recognized on an accruals basis, specifically:

- Revenue is recognized in the income statement when the criteria set out in IFRS 15 are met.
- Revenue is recognized based on the likelihood of the Company to enjoy the economic benefits and in the extent to which the amount can be reliably determined. Revenue is stated net of any adjustments.
- Revenue from the sale of advertising space on traditional media is recognized at the moment the (TV) advertisement is broadcast or when the (print) title is published.
- Advertising revenue generated by digital operations is recognized at the time of the broadcasting or publication of the advertisement.
- Revenue from (daily and periodical) publications is recognized at the date of publication, net of reasonably estimated returns and gross of distribution premiums.
- Revenue from the sale of magazine subscriptions is recognized on the basis of the magazines published and distributed during the period.
- Revenue for services is recognized at the date of its accrual, as defined in the respective contracts; specifically, revenue from distribution activities (distribution premium) is recognized at the time of shipment to the distribution network.
- Revenue from the sponsorship of sporting events and from the organization of events is recognized at the date of the event, taking into account the short time horizon of such events.

- Royalties are recognized at the date of its accrual, as defined in the respective contracts.

- Pre-publication and launch costs are recognized in profit and loss when incurred.

- Costs and other operating expense are recognized as components of profit for the period at the time they are incurred according to the matching and accrual accounting principle that governs revenue, and when they have no requirements for deferral as assets in the statement of financial position.

- Interest income and expense are recognized on an accruals basis.

- Dividends are recognized when the right of the shareholders to receive the payment is established or at the date of the shareholders' meeting resolution.

- Chargebacks of costs incurred on behalf of third parties are recognized as a reduction in the cost they relate to.

Tax

Tax for the period corresponds to the sum of current, deferred tax and prepaid tax.

Current tax is based upon taxable income for the period. Taxable income differs from the results shown in the income statement as it excludes both positive and negative entries which would be taxable or deductible in other tax years and excludes components which are not taxable or deductible at any time.

Current tax is calculated using the rates in force at the reporting date.

Starting from tax period 2021, Cairo Communication and RCS MediaGroup have jointly participated in the national tax consolidation scheme, with Cairo Communication acting as the consolidating company, as well as the subsidiaries of RCS MediaGroup, where the conditions exist. On 30 July and 3 August 2021, the Boards of Directors of RCS MediaGroup and Cairo Communication approved the exercise of this option.

The participating subsidiaries are:

- Cairo Editore, Cairo Pubblicità, Diellesei in liquidation, Cairo Publishing, La7, CAIRORCS Media and Cairo Network,

- RCS Mediagroup S.p.A. Trovolavoro, RCS Sport, RCS Produzioni Padova, Sfera Service, Blei in liquidation, RCS Edizioni Locali, RCS Produzioni, Digital Factory, RCS Produzioni Milano, RCS Sports & Events and Mybeautybox.

Cairo Communication acts as the tax parent and determines a single taxable base for the group of companies that participate in the national tax consolidation scheme, which thereby benefits from the ability of offsetting taxable profits against taxable losses in one tax return.

Deferred tax liabilities are generally recognized for all taxable temporary differences, while deferred tax assets or future tax benefits are recognized to the extent of the probability that there will be future taxable profits which will allow for the utilization of the deductible temporary differences. Deferred tax is calculated on the basis of the tax rates that are expected will be in force at the moment of realization of the asset or settlement of the liability, based on tax legislation in force at the reporting date. Where relevant, the effects of any changes in tax rate or tax legislation are disclosed in the notes. Deferred tax assets and liabilities are shown at their net value when there is a legal right to offset current tax liabilities against tax receivable assets and when tax relates to the same taxation authority. Deferred tax is not discounted.

The Group assesses the recoverability of deferred tax assets based on expected future taxable income, also taking account of the future effects arising from temporary differences on which deferred tax liabilities are recognized.

Earnings per share

The basic earnings per share is determined as the ratio between the Group's share of the results of the period attributable to the ordinary shares and the weighted average number of ordinary shares outstanding during the period.

Property, plant and equipment

Property, plant and equipment (PPE) are recognized when their cost can be reliably determined and when related future economic benefits can be enjoyed by the Group.

They are recognized at acquisition price or production cost, including directly associated expense and costs, plus the share of indirect costs which can be reasonably attributed to the asset.

These assets are systematically depreciated on a straight-line basis each year at rates consistent with the economic and technical useful life of the asset. Depreciation rates applied are as follows:

Property	3% - 20%
General equipment	12% - 25%
Plant and equipment	5% - 20%
Other assets	10% - 50%

Land is not depreciated.

In the first year, the rates applied take into account the actual use of the asset during the year; depreciation starts when assets are ready for use.

The remaining useful life and the amortization criteria applied are reviewed on a regular basis and where change is deemed necessary, the amortization rate is restated in accordance with the "prospective" method.

Incremental and maintenance costs producing a significant and tangible increase in the productive capacity or security of assets, or lengthening their remaining useful life, are capitalized and recognized as an increase in the carrying amount of the asset. Ordinary maintenance costs are taken directly to profit and loss.

Leasehold improvements are recognized as PPE, on the basis of the cost incurred. The depreciation period corresponds to the lower of the remaining useful life of the asset and the term of the contract.

An asset is eliminated from the financial statements at the time it is sold, or it is written off when no future economic benefit is expected from its use or disposal. Any losses or gains (calculated as the difference between the net income from the sale and the carrying amount) are included in the income statement in the year of the above elimination.

Rights of use on leased assets and liabilities from lease contracts

The Group owns property, plant and equipment (mainly property and company cars used by employees) used in the performance of its business, through leases. At the commencement date of a lease, it is determined whether the contract is, or contains, a lease. This definition is met when the contract conveys the right to control the use of an underlying asset for a period of time in exchange for consideration.

At the effective date of a lease, there is an asset consisting in the right to use the underlying asset (Right of Use) and a lease liability.

The right of use is initially measured at cost, which includes the initial amount of the lease liability adjusted for payments already made at the effective date, less lease incentives received, plus any costs to dismantle, remove, or restore the underlying asset. Rights of use are subsequently depreciated on a straight-line basis over the shorter of the lease term and the estimated useful life of the assets consistent with the right of use.

The lease liability is initially measured at the present value of lease payments due over the lease term. These payments are discounted using an incremental borrowing rate consistent with the maturity of the underlying contracts when the implied interest rate of the lease is not readily determined. Variable lease payments that do not depend on an index or rate are recognized as expense in the period in which the event or condition that triggers those payments occurs. After the effective date, the lease liability is measured at amortized cost using the effective interest rate method and restated on occurrence of certain events.

The identification of the lease term corresponds to the non-cancellable period of the contract, together with the periods covered by an option for extension or early termination of the contract which is considered "reasonably certain" to exercise and which is within the control of the lessee.

The Group applies the exception to recognition provided for short-term leases to its contracts with terms of 12 months or less from the effective date. It also applies the exception to recognition provided for leases where the underlying asset is of "low value" and where the amount is estimated to be insignificant. Payments due on short-term leases and leases where the underlying asset is of low value are recognized as an expense on a straight-line basis over the lease term.

A lease modification is defined as a change in the scope of the lease, or of consideration for the lease, that was not part of the original terms and conditions of the lease. In this case, the right of use and the lease payable are updated accordingly.

The Group applies the expedient that allows entities, on the occurrence of certain conditions, not to consider any discounts on rent payments resulting from the effects of COVID-19 as a modification of the original contract; therefore, the above modifications are accounted for as a reduction in rentals recognized in the income statement as if the contract had not been modified.

The components of the contracts or the contracts themselves, the lease of which can be traced back to a service contract or a licence concession, have been excluded from the scope of application of IFRS 16.

Sublease contracts have been identified for properties in use. The Group, as a lessor of real estate to third parties, identified these contracts as operating leases.

Investment property

Investment property held to earn rentals, for appreciation of the invested capital, or for both purposes, is recognized at cost, inclusive of directly allocated ancillary expense and, with the exception of the component related to land, is systematically depreciated on a straight-line basis in each individual period on the basis of the estimated useful life.

Leasehold improvements are added to the carrying amount of the assets concerned only when they are reliably estimated and can be recovered through the associated expected future economic benefits.

Investment property is periodically evaluated to identify any impairment losses as described in the following paragraph.

Intangible assets

Costs, including ancillary costs incurred for the acquisition of resources with no physical substance, are recognized under intangible assets when the cost is quantifiable and the asset is clearly identifiable and controlled by the Group, and where the use of the asset will generate probable future benefits to the Group.

Advertising costs, start-up and expansion costs, and research costs are not capitalized.

Non-current assets with a finite useful life are systematically amortized on a straight-line basis in each individual period, to take into account the residual potential for use.

"Goodwill" refers to the higher value attributed upon first consolidation of an investment or identified residually from the acquisition price paid by the Group that exceeds the fair value of the assets, liabilities and identifiable contingent liabilities of some subsidiaries, at the acquisition date.

Goodwill and intangible assets having indefinite life are not amortized, but rather they are periodically tested to identify any impairment losses, as described in the paragraph "Impairment losses of assets". If the discounted expected cash flows do not allow recovery of the initial investment, the recorded asset is appropriately written down.

The higher value attributed to an intangible asset with finite useful life, recorded in accordance with IFRS 3 as a result of the acquisition of an investment upon first consolidation, is amortized if referred to non-current assets with finite useful life. If goodwill is allocated to intangible assets with indefinite useful life, it is not amortized. These assets are tested for impairment as required by IAS 36.

The amortization periods of intangible assets of various types are as follows:

Concessions, licenses, trademarks and similar rights	3 to 5 years
Software	3 to 5 years
Publication titles	10 to 30 years or indefinite
Television rights	based on availability period
Other intangible fixed assets	2 to 10 years

Publication titles with finite useful life are amortized over a period between ten and thirty years from the date of their acquisition based on their remaining useful lives. This amortization period is regularly reviewed to take account of the financial performance of the subsidiaries that own the title.

Registration rights (with a duration of more than 12 months) for the broadcasting of films, series, soaps, cartoons, classical concerts, short films, documentaries, reports and the like, including ancillary expense (dubbing, editing and materials), and contributions to productions purchased under license agreements, are carried under “media rights” and amortized on an annual straight-line basis throughout the contractual term of the rights, as from the year they are available and ready for use. If the rights have used up their airing time, regardless of the amortization already charged, the residual amount is fully charged to the income statement in the period of the last airing. Rights to use television frequencies are amortized over their useful lives.

The remaining useful life and the amortization criteria applied are reviewed on a regular basis and where change is deemed necessary, the amortization rate is restated in accordance with the “prospective” method.

Assets under development include the costs incurred for the acquisition or internal production of intangible assets, to which title has not been fully acquired or for projects to be completed. Assets under development continue to be accounted for in this item up to the time of their economic use, when they are reclassified under the relevant items of intangible assets and amortized.

Assets under development are tested for impairment as prescribed by IAS 36.

Financial expense is capitalized in the carrying amount of the intangible assets acquired, where a significant period of time is needed before they are ready to be used.

Impairment of non-financial assets

At least once a year, the Company reviews the recoverability of the carrying amount of intangible assets with indefinite useful life, of intangible assets under development, and whenever there are potential indicators of an impairment loss, the recoverability of the carrying amount of PPE, of intangible assets with finite useful life, and of investments, in order to determine whether such assets may have suffered an impairment loss. When such indications are present, the carrying amount of the asset is reduced to reflect the recoverable value. The recoverable value of an asset is the greater of its fair value less costs to sell, and its value in use. Fair value is determined according to market prices. In the absence of market value, estimates and valuation models are used based on data available on the market. Value in use is defined by discounting the cash flows expected from use or sale of the asset (or from aggregate assets, i.e. cash generating units).

Excluding goodwill, when the impairment loss on the value of an asset no longer applies or is reduced, the carrying amount of the asset is increased up to the new estimated recoverable amount, and may not exceed the amount which would have been determined had no impairment loss been recognized, net of any amortization of depreciation.

Financial assets

Receivables, with the exception of trade receivables, and other financial assets are initially recognized at fair value, in addition to, only for financial assets measured at fair value through profit or loss, any ancillary purchase expense. Trade receivables on initial recognition are measured at the price established in the transaction. Management determines upon initial recognition how financial assets are to be classified, in accordance with IFRS 9 criteria and as required by IFRS 7.

After initial recognition, financial assets are measured in accordance with their classification within one of the following categories:

- at amortized cost: receivables and other financial assets are measured at the amortized cost, recognizing in the income statement the interest calculated at the effective interest rate, i.e. applying a rate that reduces to zero the sum of the present values of the net cash flows generated by the financial instrument. Losses are recognized in the income statement when impairments occur or when loans and receivables are written off. Receivables are impaired and recognized at their estimated realizable value (fair value) by means of the allowance for impairment directly deducted from their carrying amount.

  Receivables are impaired when there is objective evidence that the receivable is unlikely to be collected and also on the basis of past experience and statistics, of current conditions and forecasts of future conditions *(expected credit losses*).

  If, in subsequent periods, the reasons for the previous impairment losses no longer apply, the amount of the asset is written back to the amount that would have derived from applying the amortization cost, if the impairment loss had not been recognized.

  The Group mainly reports in this category assets due within twelve months, which are therefore recognized at nominal amount as an approximation of amortized cost. If the terms of payment are longer than normal market terms and the loan or receivable does not earn interest, the amount booked contains an implicit financial component and so must be discounted by recognizing the relating discount in profit or loss.

  Loans and receivables denominated in foreign currencies are converted at closing rates, and the gains or losses from their translation are taken to profit or loss.

- at fair value recognized in other comprehensive income (FVOCI): other non-current equity instruments (ex *available for sale*) are initially recognized at cost (fair value of the initial consideration given in exchange) increased by any transaction costs directly attributable to them. As the Group does not trade equities, it has adopted the option of presenting subsequent changes in the fair value of the investment among other comprehensive income. Accordingly, only dividends are recognized in the income statement (unless they clearly represent a refund of the investment). Changes in fair value and any capital gains and losses on disposal of other non-current equity instruments are recognized in the statement of comprehensive income and never pass through the income statement. As this option can be exercised for each investment, any exceptions at the initial recognition stage will be shown in the comment on this item.

  All the investments in equity instruments must be measured at fair value. In the case of securities traded on active markets, fair value is determined with reference to the closing price on the last trading day of the reporting period.

  In the case of assets for which there is no active market, fair value is determined on the basis of the price used in recent transactions between independent parties in instruments that are substantially the same, or using other valuation techniques, such as income valuations or based on discounted cash flow analysis.

  However, in a few circumstances only, cost may represent an adequate estimate of fair value if, for example, the latest information available to measure fair value is insufficient, or if there is a wide range of possible fair value measurements. Cost is never the best estimate of fair value for investments in listed equity instruments.

  As the Group does not trade equities, other non-current equity instruments consist of investments in equity instruments below 20% in which the Group does not exercise significant influence.

- at fair value recognized in profit/loss for the year (FVTPL): financial assets are measured upon initial recognition at fair value through profit or loss, determined based on the market value at the end of the reporting date; in the case of unquoted instruments, this amount is determined by means of generally accepted financial valuation techniques based on market information. Fair value gains and losses on assets in this category are recognized in profit or loss. At 31 December 2020, the Group did not hold any financial assets, which are initially measured at fair value.

Inventory

Inventory is measured at the lower of the purchase or production cost, including all directly attributable expense, net of discounts and allowances, calculated using the weighted average cost method, and estimated realizable value which can be derived from market prices. Estimated realizable value takes into account market prices, any production costs yet to incur and direct sales costs. Inventory is adjusted for obsolete and slow-moving items through a specific write-down provision.

Cash and cash equivalents

This item comprises cash, bank deposits on demand, and other short-term highly liquid financial investments which are easily convertible to cash and not subject to the risk of significant value changes.

Cash and cash equivalents are recognized at their nominal amount.

Equity

Treasury shares

Treasury shares are measured at historical cost and are recognized as a reduction in equity. The result of the subsequent sale of treasury shares is recognized directly as a change in equity.

Dividends paid

Dividends payable are recognized as a change in equity in the period they are approved by the Shareholders' Meeting or by the Board of Directors in the event of an interim dividend, pursuant to Article 2433 bis of the Italian Civil Code.

Post-employment benefits

Post-employment benefits, mandatory for all Italian companies under Article 2120 of the Civil Code, are deferred remuneration and are directly related to the employee's length of service in the company, and to the employee's actual remuneration received during their period of service.

Post-employment benefits reported by Italian companies with at least 50 employees are treated as a defined benefit plan only for that part of the liability vested before January 1, 2007 (and not yet paid out at the reporting date), while amounts accruing thereafter are treated as a defined contribution plan. For Italian companies with less than 50 employees, post-employment benefits are considered as a defined benefit plan. All defined benefit plans are discounted. The discounting process, based on demographic and financial assumptions, is performed by independent actuaries. Following the Amendment to IAS 19 - *Employee Benefits*, the recognition of expense related to work performed and net financial expense are recognized in the income statement, while the recognition of actuarial gains and losses arising from the re-measurement of liabilities and assets are recognized in the statement of comprehensive income.

Provisions for risks and charges

Provisions for risks and charges are recognized when the Group has a legal or constructive obligation resulting from a past event and for which a probability exists for the fulfillment of that obligation. The allocations reflect the best estimate of costs based on information currently available in order to meet the obligation at the reporting date, and are discounted when the effect is significant.

Payables and other liabilities

The item comprises trade payables, financial payables and payables to banks and other liabilities.

Payables and liabilities are initially recognized at fair value, which basically matches the amounts cashed in or to be cashed in net of transaction costs. Management determines upon initial recognition how financial liabilities are to be classified, in accordance with IFRS 9 criteria and as required by IFRS 7.

Subsequent to initial recognition, payables and liabilities are measured on the basis of their classification in one of the categories under IFRS 9. Specifically, the Group has classified its payables and other liabilities in the amortized cost category, except for derivative instruments, for which reference should be made to the specific paragraph, applying a rate that reduces to zero the sum of the present values of the net cash flows generated by the financial instrument. Instruments due within twelve months are measured at their nominal amount as an approximation of amortized cost.

If the loan agreements provide covenants, which are not fulfilled, and this situation is not remedied before the end of the period, the long-term portion of that loan is classified as current debt.

Payables denominated in a foreign currency are aligned at the exchange rate at the end of the period, and the gains or losses deriving from the adjustment are recognized in the income statement.

Liabilities from lease contracts

They represent the present value of payments due for leases (with a term of more than twelve months and not low value), measured at the effective date of the contract and not yet paid at the balance sheet date.

Derivative financial instruments

Derivatives are classified as “Hedging derivatives” when they meet the requirements for hedge accounting, otherwise, even if they have been taken out with the intent of managing exposure to risks, they are recognized as “Non-hedging derivatives”.

In accordance with the provisions of IFRS 9, the Group has availed itself of the option to continue to apply the methods and requirements established for hedge accounting by IAS 39, previously in force, and thus define the hedge effectiveness relationship relating to the derivative financial instrument. Specifically, financial instruments are accounted for based on the hedge accounting methods adopted by the Group, only when their relationship with the hedged item is formally documented and the hedge effectiveness is high (so-called effectiveness test).

The effectiveness of hedging transactions is documented both at the inception of the hedge and periodically thereafter (quarterly or at least at every reporting date) and is measured by comparing changes in the hedging instrument's fair value with those in the hedged item (dollar offset method) for back testing effectiveness. Prospectively testing effectiveness involves developing aggregate discounted cash flows by year for the hedged item and its hedging derivative (regression method).

When hedging derivatives hedge the risk of change in fair value of the hedged instruments (fair value hedges), the derivatives are recognized at fair value through profit or loss.

The effective portion of changes in the fair value of cash flow hedges, which hedge the exposure to changes in cash flows for the items hedged, is recognized in other comprehensive income and presented in the hedging reserve. The ineffective portion of changes in the fair value of the derivative financial instrument is immediately recognized in profit/loss for the period. If the derivative instrument is sold or no longer qualifies as an effective hedge of the risk for which it was taken out or if the underlying transaction is no longer highly probable, the related portion of the hedging reserve is immediately reclassified to profit or loss.

Regardless of the type of classification, derivatives are measured at fair value, determined by valuation techniques based on market data (such as, *inter alia*, discounted cash flow, forward currency rate method, Black-Scholes formula and its evolutions).

Specifically, this value is determined using specific pricing instruments based on market parameters (i.e. interest rates, exchange rates and volatilities), recognized on individual valuation dates and compared with the figures communicated by the counterparties.

Use of estimates

The preparation of the financial statements and the notes thereto, in application of the IFRS, requires that the Company carry out certain estimates and assumptions which affect the carrying amount of assets and liabilities and disclosures about assets and contingent liabilities at the reporting date. Estimates and assumptions used are based on experience and on other factors considered significant. Actual results may differ from these estimates. Estimates relate mainly to provisions for risks relating to receivables, obsolete inventory, publishing returns, investment measurements, amortization, depreciation, impairment of assets, taxation, provisions for risks and charges, and contingent liabilities.

Estimates and assumptions are reviewed regularly and the effects of each variation therein are recognized in the profit and loss in the period in which the estimate was revised. The effects of such revisions are reflected in the periods on which they have effect, i.e. both in the current period, and in future periods, if relevant.

Under the guidelines contained in the documents published by CONSOB and ESMA, in light of the uncertainty arising from the effects of the COVID-19 pandemic, it should be noted that the estimates at 31 December 2021 (as well as those for 2020) were made based on future assumptions marked by a significant degree of uncertainty (as also commented on in Note 18 "Intangible assets" of this Annual Report, to which reference should be made). Therefore, one cannot rule out that actual events over the next years may likely have a different outcome to those forecast at 31 December 2021, causing significant adjustments to the carrying amounts of assets and liabilities, amongst which goodwill, other intangible assets with indefinite useful life, as well as deferred tax assets and the estimated recoverability of receivables.

In this regard, as for goodwill and trademarks/titles, a number of sensitivity analyses were performed, as commented on in Note 18 "Intangible assets".

A summary follows of all critical measurement processes used and key assumptions made by Management regarding the future in the process of applying accounting policies and that could have a significant effect on the amounts recognized in the consolidated financial statements and for which there is a risk that significant adjustments to the carrying amount of assets and liabilities could arise in the next period.

After the end of the period, the international scenario was dominated by the conflict in Ukraine and the economic sanctions imposed on Russia. This scenario is having direct and indirect repercussions on the general performance of the economy, leading to a climate of greater uncertainty in the use of estimates (as shown in Significant events after the period).

Mention should be made that, when preparing the forecast plans for the various business segments, no account was taken of any impact from the conflict in Ukraine, an event occurring after the date of preparation of the financial statements, the potential effects of which cannot be determined and quantified at this time and will be constantly monitored in the coming months of 2022.

Determination of the recoverable value of non-current assets

The Group revises periodically the carrying amount of intangible assets even in the absence of impairment indications, to verify that they are not recorded at a higher amount than their recoverable value. When indicators of impairment are identified, the carrying amounts of property and plant are also promptly reviewed. More specifically, goodwill relating to cash generating units and intangible assets with indefinite useful life are measured at least annually even in the absence of impairment indicators.

The recoverable value of the goodwill defined by each impairment test is sensitive to changes in the assumptions used, e.g. the rate of growth of revenue, forecast changes in the EBITDA and, among the valuation parameters, the discount rate (WACC) and the consistency of financial projections beyond the period of the plan (g equal to zero, in nominal terms). In turn, the WACC is sensitive to changes in its own components, including the risk free rate that summarizes country risk.

Allowance for impairment

The allowance for impairment reflects Management's estimate regarding the losses on the portfolio of receivables from end customers. The allowance for impairment is estimated based on the losses expected by the Group, based upon past experience for similar receivable, current and past due dates, losses and receipts, forecast models of expected losses, arising from the careful monitoring of receivables management and from projections on market and economic conditions.

The persisting uncertainty factors in the short and medium economic term, along with the resulting credit squeeze, could result in further deterioration of the financial conditions of Group debtors compared to deterioration already considered in the quantification of the recognized allowance for impairment.

Deferred tax assets

Deferred tax assets are recorded to the extent to which it is considered probable that future taxable income will be generated to allow the utilization of deductible temporary differences. The recoverable value of deferred tax assets is periodically reviewed according to the future taxable income foreseen in the Group's most recent plans.

Provisions for risks and charges

The allocations to the provisions for risks and charges relating to contingent liabilities of a legal or tax nature are made on the basis of estimates made by the Directors, on the basis of valuations made by the Company's legal and tax advisers on the probable charge that can be reasonably expected to fulfill the obligation.

Translation of foreign currency items

Transactions in foreign currency are initially recognized at the exchange rate in force on the transaction date. Monetary assets and liabilities denominated in foreign currency are translated at the exchange rate in force at year end.

Non-monetary items valued at historical cost in foreign currency are converted at the exchange rate ruling on the transaction date. Non-monetary items recognized at fair value in foreign currency are converted at the exchange rate ruling on the fair value measurement date.

If a designated fair value hedging relationship has been set up between a hedging instrument and an element being hedged in foreign currency, the accounting treatment applied is the same as for hedges, as explained under “Derivative financial instruments”.

Upon consolidation, the financial statements of the foreign subsidiaries in a currency other than the Euro are translated adopting, for the figures of the statement of financial position, the spot exchange rate at the end of the period, and for the income components of the income statement, the average rate of the period. The resulting translation differences are recognized in a separate equity reserve named Translation Reserve.

Risk management

The main fiscal, legal and financial risks the Cairo Communication Group is exposed to, as well as the policies put in place by Management for their management, are explained in Note 41. Reference is made to the Directors’ Report on Operations for operational and business risks.

Business combinations

In February 2021, RCS MediaGroup acquired from De Agostini Editore and from Hearst Magazines Italia a total of no. 2,876,727 shares in m-dis Distribuzione Media S.p.A., equal to 45% of the share capital. Subsequently, in June 2021, RCS MediaGroup acquired the remaining 10% of the share capital, thereby holding 100% of m-dis Distribuzione Media. The purchase agreement envisaged, for the entire stake, a fixed consideration of Euro 2.4 million, fully paid on the purchase dates, and a variable consideration, payment of which is linked to the achievement of established EBIT targets for 2021 and 2022.

M-dis is Italy’s top player, in the circulation and distribution of editorial and non-editorial products in the newsstands channel, of both publications intended for the general public and specialist press, the sale of online telephone top-ups, bills and fines payment services for the main agencies and companies, as well as the goods provided for in its bylaws, to companies (Local Distributors) and other authorized resellers located across the Country.

m-dis is also the owner of the *PrimaEdicola* brand, which identifies the network of affiliated Italian newsstands that offer, also through the *primaedicola.it* website, innovative services for the end customer to improve both the purchasing experience of editorial products and the use of complementary services such as the collection of products ordered on e-commerce websites.

At the date of preparation of this Annual Report, the determination of the fair value of the identifiable assets and liabilities of m-dis Distribuzione Media S.p.A. required in the application of the so-called "acquisition method" pursuant to IFRS 3 has been completed.

Details of the fair value measurement of the net assets and liabilities acquired are shown below:

(€/millions)	**Carrying amount**	**Fair value recorded at acquisition**
Property, plant and equipment	0.2	0.2
Intangible assets	1.0	1.0
Goodwill	1.0	0.0
Rights of use	0.7	0.7
Financial assets	1.7	1.7
Deferred tax assets	4.3	4.6
Trade receivables	71.0	69.9
Sundry receivables and other current assets	9.8	9.8
Cash and cash equivalents	0.9	0.9
Personnel-related funds	(2.4)	(2.4)
Provisions for risks and charges	(0.2)	(0.5)
Deferred tax liabilities	0.0	0.0
Payables and current financial liabilities	(5.2)	(5.2)
Trade payables	(67.5)	(67.5)
Short-term portion of provisions for risks and charges	(2.8)	(2.8)
Sundry payables and other current liabilities	0.0	0.0
Liabilities from leased assets	(0.8)	(0.8)
Other current liabilities	(2.8)	(2.8)
Equity attributable to non-controlling interests m-dis	(0.8)	(0.8)
Net identifiable assets acquired	**8.1**	**6.0**
Consideration paid for purchase 55%		2.4
Total consideration		**2.4**
Previously owned interest 45%		**3.6**
Adjustment for alignment to fair value		(1.6)
Fair value of previously owned interest 45%		**2.0**
Badwill		**1.6**
The Acquisition Price consists in:		**2.4**
Cash (bank transfer)		2.4
Net cash outflow on acquisition		**(1.5)**
Cash payment		(2.4)
Cash and bank acquired		0.9

The fair value measurement of the identifiable net assets acquired led to the recognition of badwill of Euro 1.6 million posted to the income statement (under "Other income and expense from financial assets/liabilities"); the adjustment of the fair value measurement of the 45% stake previously held (Euro -1.6 million) was classified under the same item.

As a result, the net impact on the income statement is zero.

Accounting standards, amendments and interpretations effective as of 1 January 2021

On 27 August 2020, in light of the IBOR interbank interest rate reform, the IASB published *Interest Rate Benchmark Reform-Phase 2* containing amendments to the following standards:

- IFRS 9 *Financial Instruments;*
- IAS 39 *Financial Instruments*: *Recognition and Measurement*;
- IFRS 7 *Financial Instruments: Disclosures*;
- IFRS 4 *Insurance Contracts;* and
- IFRS 16 *Leases.*

All the changes came into effect on 1 January 2021. The adoption of this amendment had no impact on the Group's consolidated financial statements.

Mention should be made that the amendment "COVID-19-Related Rent Concessions beyond 30 June 2021" (Amendment to IFRS 16), approved on 30 August 2021, under which application of the exemption to changes in rent payments aimed at mitigating the effects of COVID-19, already introduced last year, has been extended until 30 June 2022. The adoption of this amendment had no impact on the Group's consolidated financial statements.

Accounting standards, amendments and interpretations endorsed by the EU, not yet mandatorily applicable, and not adopted in advance by the Group.

The following are the amendments endorsed and not adopted in advance by the Group, on which an assessment of their impact is in progress, with indication of the effective date:

- Amendment to IFRS 3 *Business Combinations*: the purpose of these amendments is to update the reference in IFRS 3 to the *Conceptual Framework* in its revised version, without this entailing any changes to the provisions of IFRS 3. The amendments will apply as of 2022.

- Amendment to IAS 16 *Property, Plant and Equipment - Proceeds before Intended Use*: prohibits a company from deducting from the cost of an item of property, plant and equipment the proceeds arising from the sale of goods produced before that asset is ready for use. This sales revenue and related costs must be recognized in the income statement. The amendments will apply as of 2022.

- Amendment to IAS 37: clarifies which cost items should be considered when assessing whether a contract will be loss-making (not only incremental costs, but also all costs that the entity cannot avoid having entered into the contract). The amendments will apply as of 2022.

- Annual Improvements 2018-2020, which contains amendments, applicable as from 2022, to the following standards:

- IFRS 1 First-time Adoption of International Financial Reporting Standards;
- IFRS 9 Financial Instruments;
- IAS 41 Agriculture;
- IFRS 16 Leases - Illustrative Examples.

Accounting standards, amendments and interpretations yet to be endorsed by the EU and applicable from financial periods after 1 January 2022.

The following are the amendments that have yet to be endorsed and have not been adopted in advance by the Group, on which an assessment of their impact is in progress, with indication of the effective date:

- *Amendment to IAS 1 - Classification of liabilities as current or non-current*: Implementation of the amendments initially scheduled to begin in 2022 has been delayed until 2023.
- *Amendment to IAS 1 Disclosure of Accounting Policies IAS 1 and IFRS Practice Statement 2.* The amendments will apply as of 2023.
- *Amendment to IAS 8 - Definition of Accounting Estimates.* The amendments will apply as of 2023.
- *Amendment to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction.* The amendments apply as of 1 January 2023, but early adoption is allowed.

NOTES TO THE CONSOLIDATED INCOME STATEMENT

The following is the analysis of the main items of revenue and cost for the year ended 31 December 2021. All the amounts indicated are shown in millions of Euro. The comparative figures refer to the Annual Report at 31 December 2020.

In 2021, with regard to gross operating profit (EBITDA), non-recurring income and expense came to Euro -3.8 million, a difference of Euro -11.3 million versus 2020, when the net effect of non-recurring income and expense was equal to Euro -15.1 million.

1. Net revenue

The table below shows gross operating revenue, agency discounts and net operating revenue:

Description	2021	2020
Gross operating revenue	1,137.0	1,030.1
Advertising agency discounts	(66.2)	(60.5)
Net operating revenue	**1,070.8**	**969.6**

Revenue is generated mainly in Italy and in Spain. An analysis of revenue by business segment is provided in Note 14.

The breakdown of gross operating revenue can be analyzed as follows:

Description	2021	2020
TV advertising	156.8	145.6
Advertising on print media, Internet and sporting events	413.9	368.0
Other TV revenue	3.6	5.6
Magazine over-the-counter sales and subscriptions	450.5	426.4
VAT relating to publications	(3.4)	(3.8)
Other revenue	115.6	88.3
Total gross operating revenue	**1,136.9**	**1,030.1**

Gross operating revenue, amounting to Euro 1,136.9 million, increased by Euro 106.8 million versus the prior year. A strong contribution to the improvement in revenue came from the growth in advertising revenue, from the organization of a number of sporting events that could not be held in 2020, and from the full consolidation of m-Dis (Euro 42 million).

As explained more in detail in the Directors' Report, in the period under review:

- circulation revenue (including the subscription portion) amounted to Euro 450.5 million, Euro 376.2 million of which attributable to the RCS Group and Euro 74.1 million to Cairo Editore magazines;
- gross advertising sales from Group publications, Group websites and sporting events amounted to Euro 413.9 million, attributable mainly to the RCS Group (Euro 388 million) and to Cairo Editore titles (Euro 13.8 million);

- gross advertising sales on La7 and La7d channels totaled Euro 155.5 million (Euro 145.2 million in 2020), while the *Caccia e Pesca* channel of RCS contributed Euro 0.5 million;
- net of agency discounts of Euro 66.2 million, net advertising revenue amounted to Euro 504.5 million, of which Euro 348.3 million attributable to the RCS Group.

Other revenue, amounting to Euro 115.6 million, includes mainly revenue from the broadcasting of two television channels through the multiplex owned by the subsidiary Unidad Editorial, revenue from sporting events, distribution and direct marketing activities, and other operating revenue.

The change versus the prior year is attributable mainly to the full consolidation of m-Dis from the beginning of 2021 (Euro 13.5 million), in addition to the return to normal scheduling of certain sporting events that could not be held in 2020. The deconsolidation of Unidad Editorial Juegos S.A., sold at the beginning of April, led to a decrease in other revenue of Euro 4.6 million versus 2020.

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2. Other revenue and income

"Other revenue and income", amounting to Euro 39.1 million (Euro 19 million in 2020), Euro 31.3 million of which attributable to the RCS Group (Euro 12.6 million in 2020), includes revenue from pulp and paper sales, charging of technical advertising costs, rental income, prior-year income, and other items of revenue other than operating revenue.

The change is due primarily to the higher costs recovered by RCS (Euro +10.3 million). The item also includes grants for Euro 10.4 million, including an estimate on the special grant for the purchase and consumption of paper for 2019 and 2020 pursuant to the provisions of Article 188 of Law Decree no. 34 of 19/05/2020, converted with amendments by Law no. 77 of 17/07/2020) and Article 67, paragraphs 9-bis, 9-ter and 9-quater of Law Decree no. 73 of 25 May 2021, converted with amendments by Law no. 106 of 23 July 2021. This item also includes grants received by RCS Sport for promotional activities carried out and by Cairo Editore for its publishing activities.

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3. Change in inventory of finished products

The item, amounting to Euro 0.4 million (Euro -1.9 million in 2020), arises from the use of the magazine sales during the ordinary course of business relating to Group companies.

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4. Raw and ancillary materials and consumables

The details of costs for raw and ancillary materials and consumables are as follows:

Description	2021	2020
Paper	48.0	51.6
Finished products, equipment and sundry materials	41.4	39.3
Change in inventory of paper, equipment and sundry materials, TV programmes and the like	0.6	5.1
Total raw and ancillary materials and consumables	**90.0**	**96.0**

This item, amounting to Euro 90 million, refers mainly to the publishing activities of Cairo Editore, La7 and the RCS Group. The decrease of Euro 6 million versus the prior year is due primarily to the decline in volumes and print runs.

RCS Group's costs for raw and ancillary materials and consumables amounted to Euro 75.7 million.

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5. Cost of services

The item mainly comprises direct costs of advertising agencies, external processing, consultancies and collaborations mainly for bordereau, TV costs, promotion costs, organization costs and overheads. Costs of services are broken down as follows:

Description	2021	2020
Direct brokerage costs	41.9	38.6
Professional services, consulting and other administrative costs	34.5	25.9
Consultancies and collaborations	36.5	36.6
External processing	70.6	64.3
Transport costs	119.1	108.4
Sub-contracted TV programmes	20.6	21.9
Professional and artistic services and other TV consulting	8.7	8.7
Shooting, crew, editing, and outdoor TV activities	0.7	0.8
News and sport information services and TV news agency	1.4	1.2
TV broadcasting services	0.2	0.2
TV artwork	0.5	0.6
Outdoor TV links	0.9	1.1
Advertising and promotion	39.2	33.8
Organizational costs and overheads	92.2	78.4
Total cost of services	**467.1**	**420.5**

The item, amounting to Euro 467.1 million (Euro 420.5 million in 2020), increased by Euro 46.6 million versus the same period of the prior year, due mainly to the full consolidation of m-Dis from the beginning of 2021, and the holding of a number of sporting events that could not be held in 2020.

Actions linked to cost containment and efficiency recovery continued, alongside extraordinary measures taken to promptly adjust the company's organization to the changed environment.

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6. Use of third-party assets

The item amounted to Euro 31.8 million (Euro 25.9 million at 31 December 2020) and includes mainly costs for journalistic, sport and TV programme rights, and royalties for copyrights, as well as lease payments related to short term and low cost leases, outside the application of IFRS 16.

Description	2021	2020
Lease payments for property	1.5	(0.8)
Rental of TV studios	-	0.1
Rental fees for TV studio equipment	0.5	0.5
TV programme rights	0.6	0.4
Sport rights	0.5	0.1
Journalistic rights	3.0	2.6
Copyrights (SIAE, IMAIE, SCF, AFI)	3.7	3.4
Royalty expense and sundry rights	14.7	14.3
Other costs for use of third-party assets	7.3	5.5
Total costs for use of third-party assets	**31.8**	**25.9**

The item includes costs for the use of third-party assets attributable to the RCS Group of Euro 21.7 million (Euro 18.1 million in 2020), consisting mainly of literary rights and photographic reports of Euro 13.8 million (Euro 13.8 million in 2020).

It should be noted that in the prior year, as a result of the restrictions imposed by COVID-19-related health regulations, the Group had benefited from a temporary reduction in lease payments. This benefit was recorded directly in the income statement for a total of Euro 2.5 million,

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7. Personnel expense

The item can be analyzed as follows:

Description	2021	2020
Wages and salaries	237.0	225.8
Social security charges	76.1	74.0
Post-employment benefits	11.5	10.9
Other personnel expense	0.6	9.7
Total personnel expense	**325.2**	**320.4**

Personnel expense amounted to Euro 325.2 million (Euro 320.4 million in 2020), up by Euro 4.8 million versus the same period of the prior year, due mainly to the consolidation of m-Dis as from January (Euro 7.1 million).

The item includes non-recurring expense from the corporate reorganization process for Euro 3.6 million (Euro 15.1 million in 2020).

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8. Amortization, depreciation, provisions and write-downs

This item can be analyzed as follows:

Description	2021	2020
Amortization of intangible assets	32.2	30.4
Depreciation of property, plant and equipment	9.1	10.3
Amortization/depreciation of rights of use on leased assets	26.4	26.6
Write-down of fixed assets	0.1	2.7
Allocations to the allowance for impairment	0.9	4.3
Allocations to the provisions for risk and charges	7.5	4.6
Total amortization, depreciation, provisions and write-downs	**76.2**	**79.0**

This item, amounting to Euro 76.2 million (Euro 79 million in 2020) fell by Euro 2.8 million.

The application of IFRS 16 resulted in amortization and depreciation of Euro 26 million.

It should be noted that:

- amortization attributable to the amounts allocated to intangible assets (previously unrecognized) with finite useful life under the “acquisition method" in the business combination of RCS, amounted for the period ended 31 December 2021 to Euro 2 million;
- in the business combination of RCS, the fair value had been confirmed for a number of Spanish magazines, corresponding to the amount booked in the consolidated financial statements of the RCS Group, net of accumulated amortization. These titles, which had residual useful life of 19 years in the consolidated financial statements of the RCS Group, have been valued with finite useful life of 30 years, taking also into account national and international practice. As a result, 2021 reported lower amortization of Euro 0.2 million than the figure recognized in the same period in the Annual Report of the RCS Group.

Goodwill and titles with indefinite useful life are not amortized, but are tested at least annually to identify any impairment losses.

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9. Other operating costs

The item can be analyzed as follows:

Description	2021	2020
Deductible and non-deductible tax paid during the period	4.1	5.4
Other operating expense	12.6	9.0
Total other operating costs	**16.7**	**14.4**

Other operating costs, down versus the prior year, include membership fees, contributions, entertainment expenses, donations and transaction costs.

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10. Other gains (losses) from financial assets/liabilities

This item can be analyzed as follows:

Description	2021	2020
Capital gains (losses) from the disposal of investments	6.8	6.2
Income (expense) from equity-accounted investees	(2.2)	(2.9)
(Write-down)/write-back of receivables and other financial asset	-	(0.1)
Total other income (expense) from financial assets/liabilitie	**4.6**	**3.2**

The item amounted to Euro 6.8 million and refers to the gain earned from the sale of the Spanish subsidiary Unidad Editorial Juegos (Euro 7.3 million, shown net of the related reversal of goodwill), partly offset by the loss from the sale of Información Estadio Deportivo S.A. (Euro 0.5 million).

Conversely, in 2020, a capital gain of Euro 6.2 million had been earned from the sale of the Spanish subsidiary Last Lap.

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11. Financial income (expense)

Net financial expense, amounting to Euro 11.1 million (Euro 10.2 million in 2020), increased by Euro 0.9 million.

Excluding from the comparison the financial income collected from the tax authorities in 2020, equal to Euro 2.4 million, the change would come to a positive Euro 1.5 million.

Contributing to the improvement, the lower interest accrued on net financial debt as a result of both a reduction in average exposure, lower interest rates, lower net discounting charges and lower bank charges.

The details of this item are as follows:

Description	2021	2020
Interest income on bank accounts, loans and receivables	0.1	0.7
Other	1.0	3.2
Total financial income	**1.1**	**3.9**
Bank interest expense	-	-
Interest income on loans	(2.0)	(2.9)
Losses on derivatives	(0.5)	(0.7)
Interest on lease payables - IFRS 16	(3.2)	(3.6)
Other financial expense	(6.5)	(6.9)
Total financial expense	**(12.2)**	**(14.1)**
Net financial expense	**(11.1)**	**(10.2)**

"Other financial expense" includes financial expense from discounting and bank expenses and fees.

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12. Non-recurring income and expense

In accordance with CONSOB Resolution no. 15519, the main components of income (positive and/or negative) deriving from events or transactions, the occurrence of which is non-recurring, or deriving from transactions or events that are unlikely to occur frequently in the normal course of business, are shown below.

Description	Non-recurring expense	Non-recurring income	Total	Reported total	orted total
Personnel expense	(3.6)	-	(3.6)	(325.2)	1.1%
Cost of services	(0.2)	-	(0.2)	(467.1)	0.0%
Total non-recurring income and expense	**(3.8)**	**-**	**(3.8)**		

In 2021, non-recurring expense amounted to Euro 3.8 million, due mainly to personnel expense (Euro 3.6 million.

At 31 December 2020, net non-recurring expense had totaled Euro 4.1 million.

13. Tax for the period

Tax for the period shows a positive balance of Euro 16.8 million (a positive Euro 5.5 million in 2020). This item can be analyzed as follows:

Description	2021	2020
IRES	6.9	(10.7)
IRAP	4.5	2.0
Deferred tax assets and liabilities	5.4	3.3
Total income tax	**16.8**	**(5.5)**

The reconciliation of the effective and theoretical tax charge can be analyzed as follows:

Description	2021	2020
Profit (loss) before tax	96.7	23.5
Theoretical tax expense	23.2	5.6
Tax effects from the consolidation and the purchase price allocation of RCS	(2.2)	(0.6)
Tax effect of other permanent differences	(8.7)	(12.5)
IRAP	4.5	2.0
Current and deferred income tax for the period	**16.8**	**(5.5)**

For a clearer understanding of the reconciliation of the effective and theoretical tax charge, IRAP has not been taken into account as this is not based on profit before tax, and this would generate a distorting effect between one period and the other. The theoretical tax charge has been calculated using the current IRES tax rate of 24%.

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14. Segment reporting

For a clearer understanding of the Group’s economic performance, the analysis is focused on the results achieved during the year by each business segment, which has been identified, in compliance with IFRS 8 – *Operating segments*, based on internal reporting which is regularly examined by the directors.

As a result of the changes to the Group's organizational structure, also in terms of decision-making levels, resource allocation, performance monitoring and reporting, the business segments have been reviewed, with the aggregation into a single area named "TV Publishing (La7) and Network Operator" of the two previous "TV Publishing (La7)" and "Network Operator”, both mutually synergistic and functional; their aggregation within the Group ensures an effective and efficient management.

Given the material amounts versus the Group's other operating segments, the results of "Il Trovatore" are shown under "Eliminations and unallocated items".

The Group is organized in business units, each in turn structured around specific products and services, and presents six reportable business segments:

– **Magazine publishing Cairo Editore**, the Group operates as a publisher of magazines and books through its subsidiaries (i) Cairo Editore - which incorporated Editoriale Giorgio Mondadori in 2009 and publishes weeklies "Settimanale DIPIU'" and "DIPIU' TV", supplements "Settimanale DIPIU' e DIPIU'TV Cucina e Stellare", "Diva e Donna" and the fortnightly "Diva e Donna Cucina", "TV Mia", "Nuovo", "F", "Settimanale Giallo", "Nuovo TV", "Nuovo e Nuovo TV Cucina" and "Enigmistica Più", "Enigmistica Mia" and monthlies "For Men Magazine", "Natural Style", Bell'Italia", "Bell'Europa", "In Viaggio", "Airone", "Gardenia", "Arte" and "Antiquariato" - and (ii) Cairo Publishing, publisher of books;

– **Advertising**, the segment includes the three companies Cairo Communication S.p.A., Cairo Pubblicità S.p.A. and CAIRORCS Media S.p.A., and operates in advertising sales on print media for RCS's print and online titles, for Cairo Editore's magazines, in TV advertising sales for *La7* and *La7d*, for the sale of stadium signage and space at the Olimpico in Turin for Torino FC, and in advertising sales for a number of other third-party publishers;

– **TV publishing La7 and network operator**, the segment includes La7 S.p.A., which operates as a television publisher for La7 and La7d on channel 7 and channel 29 of the digital terrestrial network, respectively, and Cairo Network S.r.l. which, in 2014, took part in the procedure called by the Ministry of Economic Development, by being awarded the rights to use a lot of frequencies ("mux"). With the acquisition and realization of the mux, the Cairo Communication Group started operations as a network operator;

– **RCS**, as explained above, in 2016, following the acquisition of the control of RCS, the Group landed in the dailies publishing segment. RCS, both directly and indirectly through its subsidiaries, publishes and distributes - in Italy and Spain - daily newspapers and magazines (weeklies and monthlies), and is also involved in print media and online advertising sales in Spain, and in the distribution of editorial products at newsstands. In Italy, RCS has also minor operations on the pay TV market with the TV satellite channels *Caccia* and *Pesca*, and with the web TV channels of *Corriere della Sera* and of *La Gazzetta dello Sport*.

  In Spain, it is active with the leading national sports radio *Radio Marca* and the web TV of El Mundo, and broadcasts the two digital TV channels *GOL Television* and *Discovery max* on the Veo multiplex.

RCS also organizes, through RCS Sport and RCS Sports & Events, major world sporting events (such as *Giro d'Italia*, the *UAE Tour*, and the *Milano City Marathon*), and is well-positioned as a partner in the creation and organization of events through RCS Live.

With *Solferino - i libri del Corriere della Sera,* RCS is active in book publishing and since March 2019 has operated *RCS Academy,* the new Business School of the RCS Group;

2021 (€ millions)	**Magazine publishing Cairo Editore**	**Advertising**	**TV publishing La7 and network operator**	**RCS**	**Intra and un allocated**	**Total**
Net operating revenue	**84.2**	**369.8**	**112.3**	**846.2**	**(341.8)**	**1,070.7**
Change in inventory	(0.0)	-	-	0.4	-	0.4
Other income	4.2	4.1	2.8	33.0	(4.9)	39.1
Total revenue	**88.4**	**373.9**	**115.2**	**879.5**	**(346.7)**	**1,110.3**
Production costs	(61.7)	(346.6)	(61.6)	(482.4)	347.0	(605.5)
Personnel expense	(17.4)	(24.4)	(38.0)	(241.8)	(0.1)	(321.6)
Non-recurring income (expense)	-	-	-	(3.8)	-	(3.8)
Gross operating profit	**9.2**	**2.9**	**15.5**	**151.5**	**0.2**	**179.4**
Amortization, depreciation, provisions and write-downs	(1.9)	(2.1)	(16.2)	(56.0)	(0.0)	(76.2)
Operating profit	**7.4**	**0.8**	**(0.7)**	**95.5**	**0.2**	**103.2**
Other gains (losses) from financial assets/liabilities	-	-	-	4.6	-	4.6
Net financial income	(0.0)	(0.4)	(0.1)	(10.6)	0.0	(11.1)
Profit (loss) before tax	**7.3**	**0.4**	**(0.7)**	**89.6**	**0.2**	**96.8**
Income tax	(0.9)	(0.5)	2.7	(18.0)	(0.1)	(16.8)
Profit (loss) for the period	**6.4**	**(0.1)**	**1.9**	**71.6**	**0.1**	**79.9**
Non-controlling interests	**-**	**-**	**-**	**28.9**		**28.9**

2020 (€ millions)	**Magazine publishing Cairo Editore**	**Advertising**	**TV publishing La7 and network operator**	**RCS**	**Intra and un allocated**	**Total**
Net operating revenue	**90.6**	**142.9**	**103.2**	**749.5**	**(116.5)**	**969.6**
Change in inventory	(0.0)	-	-	(1.8)	-	(1.9)
Other income	0.1	0.9	3.9	13.6	-	18.5
Total revenue	**90.6**	**143.8**	**107.1**	**761.2**	**(116.5)**	**986.3**
Production costs	(66.5)	(134.3)	(61.3)	(410.9)	116.5	(556.3)
Personnel expense	(16.7)	(9.6)	(36.7)	(242.2)	(0.1)	(305.3)
Non-recurring income (expense)	-	-	-	(15.1)	-	(15.1)
Gross operating profit	**7.4**	**(0.0)**	**9.2**	**93.0**	**(0.0)**	**109.6**
Amortization, depreciation, provisions and write-downs	(1.8)	(2.1)	(15.6)	(59.5)	(0.0)	(79.0)
Operating profit	**5.6**	**(2.1)**	**(6.4)**	**33.5**	**(0.0)**	**30.5**
Other gains (losses) from financial assets/liabilities	-	-	-	3.2	-	3.2
Net financial income	(0.0)	(0.4)	(0.5)	(9.3)	(0.0)	(10.2)
Profit (loss) before tax	**5.6**	**(2.6)**	**(6.9)**	**27.5**	**(0.0)**	**23.5**
Income tax	(0.8)	0.7	2.1	3.5	(0.0)	5.5
Profit (loss) for the period	**4.8**	**(1.9)**	**(4.8)**	**30.9**	**(0.0)**	**29.0**
Non-controlling interests	**-**	**-**	**-**	**12.6**		**12.6**

Management monitors the operating results of business units separately in order to decide on the allocation of resources and the evaluation of results. Transfer prices between business segments are established based on market conditions applicable in transactions with third parties.

Segment statement of financial position figures, specifically, total assets for each reportable segment, do not represent amounts regularly provided to the chief operating decision-maker. These details are, therefore, not provided in these notes in accordance with the amendment of IFRS 8 - Operating segments.

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15. Earnings per share

Earnings per share are calculated dividing the financial results of the Group by the weighted average of outstanding shares, excluding the weighted average of treasury shares. Specifically:

Description	**2021**	**2020**
€ millions		
Profit from continuing operations attributable to the owners of the parent	51.0	16.5
Profit (loss) from discontinued operations	0.0	0.0
Profit (loss) for the period	**51.0**	**16.5**
Weighted average number of shares outstanding	134,416,598	134,416,598
Weighted average number of treasury shares	(779)	(779)
Weighted average number of shares to calculate earnings per share	**134,415,819**	**134,415,819**
Euro:		
Earnings per share attributable to continuing operations	0.380	0.122
Earnings (loss) per share attributable to discontinued operations	0.000	0.000
Earnings per share - continuing and discontinued operations	**0.380**	**0.122**

Diluted earnings per share are not calculated as there are no shares with a potential dilutive effect.

NOTES TO THE STATEMENT OF FINANCIAL POSITION

16. Property, investment property, plant and equipment

The movements in PPE can be analyzed as follows:

Description	Land and property	Plant and equipment	Other assets	Fixed assets under developmen	Investment property	Total
Net book value at 31/12/2020	**19.7**	**28.9**	**6.0**	**0.1**	**16.2**	**70.9**
Acquisitions	0.2	1.1	2.3	0.2	-	3.8
Sales/Disposals		(0.1)	(0.1)		(8.7)	(8.9)
Amortization/Depreciation	(1.1)	(5.6)	(1.9)	-	(0.5)	(9.1)
Other changes	0.1	0.1	0.1	(0.1)	-	0.2
Carrying amounts at 31/12/2021	**19.0**	**24.4**	**6.4**	**0.2**	**7.0**	**57.0**

The item, amounting to Euro 57 million, shows a drop of Euro 13.9 million versus 31 December 2020.

Specifically, the item includes:

- land and properties for Euro 19 million, relating primarily to owned industrial buildings (in particular the industrial complex in Pessano con Bornago), as well as improvements made to the offices on Via Rizzoli and Via Solferino and to other third-party industrial buildings.
- plant and equipment amounting to Euro 24.4 million, comprised mainly of production facilities for the printing of newspapers and magazines;
- other assets amounting to Euro 6.4 million, comprised mainly of servers for data storage to support publishing and management systems, personal computers, various electronic devices, furniture and fittings;
- investment property for Euro 7 million relating mainly to industrial buildings that are currently unused, located in Madrid and Turin. The change versus the prior year of Euro 9.2 million includes, in addition to amortization and depreciation for the period, the sale of two properties, one in Madrid and the other in Piacenza.

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17. Rights of use on leased assets

This item includes rights of use on leased assets recognized in the financial statements following application of IFRS 16 as from 1 January 2019.

Description	Rights of use on property	Rights of use on plant	Rights of use on other assets	Rights of use on motor vehicles	Total
Net book value at 31/12/2020	**144.5**	**11.9**	**0.3**	**8.2**	**164.9**
Additions	28.5	-	-	1.4	29.9
Amortization/Depreciation	(22.5)	(0.8)	(0.2)	(2.9)	(26.4)
Other changes	0.1	-	-	(0.1)	-
Carrying amounts at 31/12/2021	**150.6**	**11.1**	**0.1**	**6.6**	**168.5**

At 31 December 2021, rights of use amounted to Euro 168.5 million, up by Euro 3.6 million versus the prior year. The change is due to net increases of Euro 29.9 million, due primarily to the renewal of certain lease agreements, offset by amortization of Euro 26.4 million.

For an analysis of the maturity dates of lease liabilities, reference is made to Note 41 below.

18. Intangible assets

The movements in intangible fixed assets can be analyzed as follows:

Description	Television rights	Concessions, licenses, trademarks and publications	Goodwill	Other intangible fixed assets	Fixed assets under development	Total
Net book value at 31/12/2020	**11.2**	**771.4**	**198.5**	**0.3**	**0.9**	**982.3**
Additions	10.6	18.1	-	0.4	8.4	37.5
Amortization and write-downs	(11.7)	(20.0)	-	(0.5)	-	(32.2)
Other changes	0.5	0.9	(3.1)	-	(0.8)	(2.5)
Carrying amounts at 31/12/2021	**10.6**	**770.4**	**195.4**	**0.2**	**8.5**	**985.1**

The breakdown of intangible fixed assets based on their useful life can be analyzed as follows:

Description	Television rights	Concessions, licenses, trademarks and publications	Goodwill	Other intangible fixed assets	Fixed assets under development	Total
Indefinite useful life	-	656.6	195.4	-	-	852.0
Finite useful life	10.6	113.8	-	0.2	8.5	133.1
Carrying amounts at 31/12/2021	**10.6**	**770.4**	**195.4**	**0.2**	**8.5**	**985.1**

Television rights

"Television rights" includes the investments made by La7 S.p.A. in registration rights (with a duration of over 12 months) for the broadcasting of films, series and soaps, as well as investments by RCS in rights for audiovisual works and executive productions broadcast on satellite channels *Caccia e Pesca*.

Concessions, licenses, trademarks and publications

"Concessions, licenses, trademarks and titles" at 31 December 2021 mainly included:

- the fair value of Euro 348.8 million attributed to Italian daily newspaper trademarks and titles (with their websites and related trademarks) with indefinite useful life, and the fair value of Euro 295.2 million attributed to Spanish daily newspaper titles with indefinite useful life. RCS publishes the newspapers *Corriere della Sera* and *La Gazzetta dello Sport* in Italy, and the newspapers *El Mundo*, *Marca* and *Expansion* in Spain. In 2021, as explained in the Directors' Report on Operations, *Corriere della Sera*, *La Gazzetta dello Sport*, *Marca* and *Expansión* continued to lead their respective segments;
- the fair value, net of accumulated amortization at 31 December 2021, of Euro 44.4 million attributed to Italian trademarks and magazine titles with finite useful life, and the fair value of Euro 10.9 million attributed to Spanish magazine titles with finite useful life;
- investments made for the acquisition of television licenses (Veo Television) and radio licenses (Radio de Aragon) valued with indefinite useful life (Euro 12.6 million);
- the rights to use TV frequencies for digital terrestrial broadcasting systems (Euro 26.8 million) acquired in 2014 by Cairo Network.
- other intangible assets of Euro 31.7 million, consisting mainly of expenses incurred for the development of websites and new web projects in Italy and Spain, including new RCS Group digital advertising projects and enhancement of Group infrastructures.

Trademarks and titles with indefinite useful life are not subject to amortization and are regularly tested for impairment, while trademarks and titles with finite useful life are subject to the amortization process based on the duration of their useful life (30 years) and, in the presence of impairment indicators, tested for impairment to measure any potential indication of impairment with respect to their recoverable value.

Goodwill

The item, amounting to Euro 195.4 million, includes:

- for Euro 188.3 million (Euro 191.4 million at 31 December 2020), goodwill deriving from the business combination of the RCS Group, determined as the residual value of the difference between the cost of the transaction and equity acquired, after all the assets and liabilities under the transaction had been expressed at fair value and allocated to the RCS Group as a whole. The decrease of Euro 3.1 million is due to the sale of the Spanish subsidiary Unidad Editorial Juegos S.A.;

- for Euro 7.1 million, goodwill relating to the cash generating units (CGU) represented by Cairo Editore's magazine publishing segment, to the advertising segment and to Il Trovatore.

Pursuant to IAS 36, goodwill is tested for impairment at least annually using the methods outlined in the section on the impairment test process.

Assets under development

– "Assets under development" for Euro 8.5 million includes TV rights to be exploited in future years, as well as costs incurred for development of information technology projects, which are waiting to go into operation.

  Mention should also be made that, in 2021, at the end of a procedure for consideration, the Ministry of Economic Development, through its decision dated 2 July 2021, announced that Cairo Network had been awarded a right of use with no frequency specification, equal to half of a newly-planned national multiplex. On 6 August 2021, the Ministry of Economic Development, as a result of the combination of the two rights of use with no frequency specification held by Cairo Network, then announced the provision for the assignment of the right of use of the frequencies for the purposes of operating the national network of the PNAF called "National network no. 10" until 2032 (two years less than the duration of the right originally acquired in 2014), as explained in Note 39 Other information. Cairo Network paid half of the amount offered in the tender (subject to a reservation) and asked for the residual amount to be paid in installments (in three annual installments), recording the entire amount among assets under development.

Impairment test

Pursuant to IAS 36, intangible assets with indefinite useful life, goodwill and assets under development are not amortized, but are subject to verification of their recoverable value (impairment test) in the presence of events or circumstances that may entail a risk of impairment and, nonetheless, at least annually. The recoverability of the value of assets with finite useful life, which are subject to amortization on the basis of their useful life, is assessed in the presence of indicators suggesting a risk of impairment.

The following are the assets with indefinite useful life booked in the consolidated financial statements of Cairo Communication following the business combination of the RCS Group, which were tested for impairment at 31 December 2021:

- Italian trademarks/daily newspaper titles referable to the *Corriere della Sera* and *La Gazzetta dello Sport* systems and their related websites, trademarks and events, booked for a total of Euro 348.8 million;

- the Spanish daily newspapers falling under the *El Mundo*, *Marca* and *Expansion* systems, booked for a total of Euro 295.2 million;
- a number of television and radio licenses, booked for a total of Euro 12.6 million;
- goodwill arising from the business combination of the RCS Group, amounting to Euro 188.3 million, which was allocated for impairment purposes to the RCS Group as a whole.

The recoverable value of Italian and Spanish trademarks/daily newspaper titles and of goodwill arising from the business combination of the RCS Group was determined, with support by an independent expert.

The recoverable value of Spanish television and radio licenses was assessed by means of analyses conducted by the subsidiary RCS.

The impairment tests, performed with the support of the independent expert, were made both in keeping with the previous method (approach before IFRS 16), and through a valuation that considered the effects of the application of IFRS 16 on the parameters relevant for impairment purposes.

For the valuation "before IFRS 16", invested capital does not take account of the rights of use on lease contracts and consistently the expected cash flows used in the calculation of the recoverable value include the rental cost.

The WACC applied for the discounting of cash flows, net of the above IFRS 16 effects, was determined in the same manner at 31 December 2020.

When preparing the forecast plans for the various business segments, no account was taken of any impact from the conflict in Ukraine, an event occurring after the date of preparation of the financial statements, the potential effects of which cannot be determined and quantified at this time and will be constantly monitored in the coming months of 2022.

Specifically, the recoverable value was determined as follows:

- for Italian trademarks/daily newspaper titles and goodwill arising from the business combination of the RCS Group, cash flows were inferred on the basis of both the 2022 budget approved by RCS's Board of Directors on 10 March 2022 (assuming perpetuity of the results forecast for 2022), and the forecasts taken from the RCS Group's 2022-2024 Plan (also approved by RCS's Board of Directors on 10 March 2022).

  In both the above scenarios, the cash flows, in compliance with the provisions of IAS 36, were projected for valuation purposes to be constant in nominal terms (growth rate g = 0). These flows were then discounted on the basis of a rate defined as the weighted average cost of capital WACC of 7.64% (7.14% at 31 December 2020) for Italian trademarks/daily newspaper titles and 7.44% for goodwill (7.30% at 31 December 2020).

  At the balance sheet date, the capitalization of RCS is lower than the carrying amount of the RCS Group included in the consolidated financial statements.

The values obtained underwent a sensitivity analysis, by varying the discount rate (WACC) and the growth rate of the final value (g), with discrete changes of 50 basis points, and reducing, as suggested by ESMA, the expected EBITDA values in the period and included in the final value of -10%.

None of the above scenarios show indications of impairment losses.

Additionally, in light of the spread of COVID-19 on a global scale and, more recently, the conflict that broke out in Ukraine after the balance sheet date, and the resulting general uncertainty produced, more conservative sensitivity analyses (stress tests) - in terms of cash flow reduction - were also conducted to assess the sustainability of the carrying amount of goodwill and trademarks/titles. A specific scenario was also envisaged to determine the extent of the reduction in the EBITDA Plan (linear and in perpetuity) in order to bring the value in use back to the book value of these assets. This analysis too confirmed the reasonableness of the results reached;

- for Spanish trademarks/daily newspaper titles El Mundo, Marca and Expansion, based on the 2022-2026 forecast cash flows which, for the first year of explicit forecast, correspond to the 2022 budget data approved by the Board of Directors of Unidad Editorial on 9 March 2022, and for the following years, are based on Unidad Editorial's Plan also approved by the Board of Directors on 9 March 2022. Forecast cash flows for 2022-2026, projected for valuation purposes to be constant in nominal terms (growth rate g = 0), were discounted at a rate considered to represent the weighted average cost of capital WACC equal to 8.04% (7.6% at 31 December 2020). No evidence of impairment arose from the analysis performed. For Spanish trademarks/daily newspaper titles too, in light of the spread of COVID-19 on a global scale and, more recently, the conflict that broke out in Ukraine, more conservative sensitivity analyses (stress tests) were conducted, which confirmed the fairness of the results obtained.

"Post IFRS 16", for the RCS Group as a whole, the carrying amounts increased due to the recognition of rights of use on leased assets; consistently, the expected cash flows used in the calculation of the recoverable value do not include the cost of lease payments.

For such valuation, the flows were discounted on the basis of a rate defined as the weighted average cost of capital WACC of 7.36% for goodwill.

The analysis performed to carry out the impairment test and assess the possible impact of the effects (on the financial position, cash flows and income) of the introduction of the IFRS 16 - *Leases* on the results deriving from the impairment process, showed that even the impairment process carried out on the basis of an IFRS 16-compliant presentation does not change, at 31 December 2021, the results obtained and the conclusions by adopting the previous method.

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For such valuation, the flows were discounted on the basis of a rate defined as the weighted average cost of capital WACC of 7.36% for goodwill.

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With regard to the Spanish daily newspaper titles *El Mundo*, *Marca* and *Expansion*, and the Spanish magazine titles with finite useful life, which were attributed, in the context of the business combination of the RCS Group, a fair value equal to the value recorded in the consolidated financial statements of the RCS Group at the acquisition date, RCS prepared an autonomous impairment test with the help of a leading consultancy firm, which indicated no impairment. For RCS's financial statements, the values of the television (*Veo Television*) and radio *(Radio de Aragon*) licenses were also subject to impairment.

The book value of goodwill relating to the CGUs represented by Cairo Editore’s magazine publishing segment and the advertising segment was also subject to test and showed no impairment.

In light of the current context as explained, certain intangible fixed assets with finite useful life were subject to impairment testing. Specifically, the impairment tests regarded mainly the Italian and Spanish titles with finite useful life of the RCS Group.

No evidence of impairment arose from the analyses performed.

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<u>19. Investments</u>

The item, amounting to Euro 32.2 million, includes the investments in associates and joint ventures (Euro 29.7 million) and investments in companies that are neither controlling nor trading (Euro 2.5 million).

The item is broken down as follows:

Description	Net book value at 31/12/2020	Acquisitions, share capital increases and coverage of losses	Effect of measurement at equity	Effect of fair value measurement	Disposals	% changes	Dividends paid	Net book value at 31/12/2021
m-Dis Distribuzione Media S.p.A.	2.1	-	-	-	-	(2.1)	-	-
Trento Press Service	0.2	-	(0.1)	-	(0.3)	0.2	-	-
MDM Milano Distribuzione Media	0.2	-	-	-	-	(0.2)	-	-
Pieroni Distribuzione	0.7	-	-	-	-	(0.7)	-	-
Liguria Press (former Ge-dis)	0.2	-	0.1	-	-	0.3	-	0.6
To-dis	0.2	-	-	-	-	(0.2)	-	-
GD Media Service S.r.l.	-	-	-	-	-	0.3	-	0.3
Escuela de cocina Telva	0.1	-	(0.0)	-	-	-	-	0.0
Radio Salud	0.3	-	-	-	-	-	(0.0)	0.2
Bermont Group	30.6	-	(2.2)	-	-	-	-	28.4
Quibee S.r.l.	0.1	-	0.0	-	-	-	-	0.1
Total investments in associates and joint ventures	**34.6**	**-**	**(2.2)**	**-**	**(0.3)**	**(2.4)**	**(0.0)**	**29.7**
Wouzee Media S.L	0.2	-	-	-	-	-	-	0.2
Ansa	0.6	-	-	-	-	-	-	0.6
H-Farm Ventures	0.2	-	-	-	-	-	-	0.2
Digital Magics	0.1	-	-	-	-	-	-	0.1
Immobiliare Editrice Giornali	0.4	-	-	-	-	-	-	0.4
Nuevomarketplace	0.4	-	-	-	-	-	-	0.4
Cefriel	0.3	-	-	-	-	-	-	0.3
Other minor	0.2	-	-	-	-	-	-	0.2
Total other equity instruments	**2.5**	**-**	**-**	**-**	**-**	**-**	**-**	**2.5**
Total investments	**37.1**	**-**	**(2.2)**	**-**	**(0.3)**	**(2.4)**	**(0.0)**	**32.2**

The item mainly includes the RCS Group investments in Corporación Bermont (Euro 28.4 million), a Spanish company that deals with the printing of newspapers, magazines and other publishing products, as well as the distribution, marketing, sale and promotion of any type of magazine publication.

The decrease versus the prior year is attributable for Euro 2.4 million to the effect of the full consolidation of m-Dis Distribuzione Media and its subsidiaries, and for Euro 2.2 million to the negative pro-rata result mainly of the subsidiary Bermont.

In the last quarter of the year, the investment in Trento Press Services s.r.l. was also sold (Euro 0.3 million).

Other equity instruments, i.e., securities and investments that are neither controlling, linked or traded, amounted to Euro 2.5 million (unchanged versus 31 December 2020).

These assets are measured at fair value with a level 1 hierarchy (Euro 0.3 million) and a level 3 hierarchy (Euro 2.2 million) in accordance with IFRS 7. As the Group does not trade equities, it has adopted the option of presenting subsequent changes in the fair value of the investment among other comprehensive income for Euro -0.1 million (Euro -0.1 million in 2020).

Investments for which no fair value is available are recognized at cost, net of impairment losses, if any.

20. Current and non-current financial receivables

Financial receivables and assets totaled Euro 0.6 million (Euro 7.3 million at 31 December 2020), of which Euro 0.3 million non-current (Euro 0.4 million at 31 December 2020).

These amounts also include assets from derivatives totaling Euro 0.2 million, of which Euro 0.1 million non-current. Details are found in Note 34 below.

The fair value of non-current loans to third parties was estimated by discounting future cash flows at the market rate.

A comparison of carrying amount and fair value is shown below:

Description	31/12/2021		31/12/2020	
	Carrying amount	Fair value	Carrying amount	Fair value
Non-current loans to third parties	0.2	0.2	3.9	0.4
Allowance for impairment of financial receivables	-	-	(3.5)	-
Non-current loans to associates	-	-	0.1	-
Allowance for impairment of financial receivables from associates	-	-	(0.1)	-
Total	**0.2**	**0.2**	**0.4**	**0.4**

Current financial receivables amounted to Euro 0.2 million (Euro 6.9 million at 31 December 2020).

The decrease versus the prior year amounts to Euro 6 million, attributable to the full consolidation of m-Dis Distribuzione Media.

21. Other non-current assets

Other non-current assets, amounting to Euro 4.7 million at 31 December 2021, include security and bank deposits.

22. Deferred Income taxes

“Deferred Income taxes” relates to the recognition in the consolidated financial statements at 31 December 2021 of deferred tax assets on the temporary differences between the carrying amount of recognized assets and liabilities and their tax values and on the tax benefits deriving from usable tax losses. The item, amounting to Euro 86.8 million, decreased by Euro 9.5 million versus 31 December 2020, and is broken down as follows:

Description	31/12/2021	31/12/2020	Change
Tax losses carried forward	22.6	34.6	(12.0)
Asset valuation reserves	4.5	5.1	(0.6)
Provisions for risks and charges	8.1	8.8	(0.7)
Deferred deductibility costs	18.6	1.3	17.3
Deferred taxation from tax transparency system	-	-	-
Intangible and tangible fixed assets	7.2	7.7	(0.5)
Valuation of derivative financial instruments	0.2	0.3	(0.1)
Deferred deductibility interest expense	-	17.6	(17.6)
Other temporary differences	25.6	20.9	4.7
Total Deferred Income taxes	**86.8**	**96.3**	**(9.5)**

Deferred income taxes are calculated on the basis of the estimate of future taxable income in periods in which the associated temporary differences and the benefits deriving from the use of previous tax losses will be reversed.

In light of the uncertainty generated by the Coronavirus, sensitivity analyses were carried out on the business plan used to verify the recoverability of deferred income taxes recognized in line with the impairment test. These sensitivity analyses did not show any critical issues regarding the overall recoverability of the deferred income taxes recognized.

Deferred income taxes at 31 December 2021 refer to the RCS Group for Euro 81.2 million, of which Euro 58.1 million to the Spanish group Unidad Editorial.

With particular regard to deferred tax assets relating to the Unidad Editorial group, recognition and recoverability of the value at 31 December 2021 was measured on the basis of the estimated taxable income obtainable from the 2022-2026 plan approved, and extrapolating from the plan the basis of calculation of the projections for subsequent years. Additionally, the amount of tax losses carried forward for which no deferred tax assets have been recorded is significant. In light of the uncertainty, sensitivity analyses were carried out on the business plan used to verify the recoverability of deferred tax assets recognized in Spain in line with the procedures prepared for the impairment test. These sensitivity analyses did not show any critical issues regarding the overall recoverability of the deferred tax assets recognized.

23. Inventory

Inventory movements arise entirely in the publishing companies and can be analyzed as follows:

Description	31/12/2021	31/12/2020	Change
Raw and ancillary materials and consu	15.1	16.0	(0.8)
Work-in-progress and bordereau	2.1	1.5	0.5
Finished products and books	2.4	2.4	(0.0)
Total	**19.6**	**19.9**	**(0.3)**

Inventory is stated net of the provision for inventory write-down of Euro 2.2 million (Euro 2.4 million at 31 December 2020).

- Raw and ancillary materials and consumables

  The item mainly includes paper inventory and is recognized at the lower of purchase or production cost and its presumed realizable value, based on market performance at year end. Mention should be made that the purchase cost for raw materials is determined using the weighted average cost method.

- Work-in-progress and bordereau

  The item includes purchase or production costs incurred for publications to be invoiced, bordereau for services yet to be used, but available for future publications, and work in progress on forthcoming editions.

- Finished products

  The item includes inventory of books and promotional products of the RCS Group, the inventory of La7 relating to TV programmes produced and awaiting to be aired at 31 December 2021, and to rights on films, soaps, cartoons and documentaries, acquired for a period of less than 12 months, whose available right has not expired and for which airing time during the next financial year is available.

24. Trade receivables

The item is broken down as follows:

Description	31/12/2021	31/12/2020	Change
Trade receivables	329.7	284.8	44.9
Allowance for impairment	(40.9)	(40.6)	(0.3)
Total trade receivables	**288.8**	**244.2**	**44.6**

Trade receivables, amounting to Euro 288.8 million, are shown net of expected returns of newspapers and magazines, and increased by Euro 44.6 million versus the prior year, due primarily to the full consolidation of m-Dis (Euro 68.2 million). Additionally, the different scheduling of sporting events organized in Italy brought a decrease of Euro 15.7 million.

Additionally, trade receivables are stated net of the allowance for impairment that has been determined taking account of both specific collection risks and a general risk of non-collectability based on the ordinary trend of company operations.

The allowance for impairment, amounting to Euro 40.9 million, increased by Euro 0.3 million versus 31 December 2020, due to allocations in the period (Euro 0.9 million), utilizations in the period (Euro 8.9 million), and changes in the scope of consolidation of m-Dis.

For further details on credit risk, reference should be made to Note 41.

25. Receivables from parents, associates and affiliates

The item, amounting to Euro 2.9 million (Euro 17 million at 31 December 2020), includes mainly:

- receivables from equity-accounted investees of m-Dis Distribuzione Media Group for Euro 1.8 million;
- for Euro 0.5 million, receivables from the affiliate Torino Football Club S.p.A., accrued mainly as part of the contractual relations described in Note 40 below;
- for Euro 0.4 million, the receivable due to some Group companies from the parent U.T. Communications accrued as part of the tax consolidation of the latter, applicable until the end of 2016.

26. Sundry receivables and other current assets

The item, amounting to Euro 61.3 million (Euro 33.9 million at 31 December 2020), is broken down as follows:

Description	31/12/2021	31/12/2020	Change
Current tax receivables	4.1	4.5	(0.4)
Tax receivables	22.4	5.7	16.7
Total tax receivables	**26.5**	**10.2**	**16.3**
Prepayments and accrued income	8.0	9.0	(1.0)
Advances to suppliers and agents	18.8	12.3	6.5
Other receivables	8.0	2.4	5.6
Total sundry receivables and other current assets	**61.3**	**33.9**	**27.4**

Sundry receivables and other current assets of Euro 61.3 million increased by Euro 27.4 million versus 31 December 2020. The change is due primarily to the full consolidation of m-Dis (Euro 11 million), the increase in tax receivables attributable mainly to higher VAT receivables and contributions to be received, and the increase in sundry receivables from sporting events.

27. Cash and cash equivalents

The item can be analyzed as follows:

Description	31/12/2021	31/12/2020	Change
Bank deposits	112.7	87.2	25.5
Cash and valuables on hand	0.3	0.2	0.1
Total cash and cash equivalents	**113.0**	**87.4**	**25.6**

The consolidated net financial position at 31 December 2021, versus the situation at 31 December 2020, can be summarized as follows:

Net financial position (€ millions)	**31/12/2021**	**31/12/2020**	**Changes**
Cash and cash equivalents	113.0	87.4	25.6
Other current financial assets and financial receivables	0.2	6.9	(6.7)
Non-current financial assets (liabilities) from derivative instruments	(0.3)	(0.1)	(0.2)
Current financial payables	(36.4)	(97.4)	61.0
Current net financial position (net financial debt)	**76.5**	**(3.3)**	**79.8**
Non-current financial payables	(39.6)	(58.9)	19.3
Non-current financial assets (liabilities) from derivative instruments	0.1	(1.0)	1.1
Non-current net financial position (net financial debt)	**(39.5)**	**(59.9)**	**20.4**
Net financial position (net financial debt)	**37.0**	**(63.2)**	**100.2**
Liabilities from lease contracts (pursuant to IFRS 16)	(184.8)	(180.9)	**(3.9)**
Total net financial position (net financial debt)	**(147.8)**	**(244.1)**	**96.3**

The consolidated net financial position at 31 December 2021 stood at approximately Euro 37 million, improving by Euro 100.2 million versus end 2020 (Euro 63.2 million at 31 December 2020), thanks to the strong push from normal operations. At 31 December 2021, the net financial position of RCS amounted to a net debt of Euro 16.7 million (a net debt of Euro 59.6 million at 31 December 2020). The net financial position was negatively impacted mainly by the net effects of dividend payouts amounting to Euro 11.6 million. Instead, the net proceeds of Euro 16.1 million from the sale of investments and fixed assets, relating mainly to the sale of Unidad Editorial Juegos S.A. and a number of non-instrumental properties, brought a positive effect; total net financial debt, which includes financial liabilities from leases recognized in the financial statements pursuant to IFRS 16 (mainly property leases) totaling Euro 184.8 million, amounted to Euro 147.8 million, a change of Euro 96.3 million versus 31 December 2020 (Euro 244.1 million).

Below are details of the Total Net Financial Position as set out in the "Guidance on disclosure requirements under the Prospectus Regulation" published by ESMA on 4 March 2021 under document "ESMA32-382-1138" and taken up by CONSOB in communication 5/21 of 29 April 2021. This item includes financial liabilities from short-term and/or long-term leases and non-remunerated debt, which have a significant implicit or explicit financing component (e.g. trade payables with a maturity of more than 12 months), and any other non-interest-bearing loans.

Net financial debt (€ millions)		31/12/2021	31/12/2020	Changes
A	Cash funds	113.0	87.4	25.6
B	Cash and cash equivalents	-	-	-
C	Other current financial assets	0.3	6.9	(6.6)
D	**Liquidity (A+B+C)**	**113.3**	**94.3**	**19.1**
E	Current financial debt	(42.4)	(102.3)	59.9
	of which current liabilities from lease contracts	*(29.9)*	*(28.8)*	*(1.1)*
F	Current portion of non-current financial debt	(24.3)	(24.0)	(0.3)
G	**Current financial debt (E+F)**	**(66.7)**	**(126.3)**	**59.6**
H	**Net current financial debt (liquidity) (G - D)**	**46.6**	**(32.0)**	**78.7**
I	Non-current financial debt	(194.4)	(212.0)	17.6
	of which non-current liabilities from lease contracts	*(154.9)*	*(152.1)*	*(2.8)*
J	Debt instruments	-	-	-
K	Trade payables and other non-current payables	-	-	-
L	**Non-current financial debt (I+J+K)**	**(194.4)**	**(212.0)**	**17.6**
M	**Total financial debt (liquidity) (H+L)**	**(147.8)**	**(244.1)**	**96.3**

The Group's financial liabilities are commented on in Note 29 below.

28. Equity

At 31 December 2021, the consolidated equity of the Group was Euro 514.4 million, including profit for the period. Changes in the equity accounts are stated in the consolidated statement of changes in equity.

The statement of reconciliation of the Parent's equity and profit and Group equity and profit is set out in the Directors' Report on Operations.

The Shareholders' Meeting of 30 April 2021 approved the separate financial statements at 31 December 2020 and the distribution of a dividend of Euro 0.04 per share, gross of tax, with ex-dividend date (coupon no. 14) on 24 May 2021 for a total of Euro 5.4 million.

The subscribed and fully paid up share capital of Cairo Communication S.p.A. at 31 December 2021 was Euro 7 million, comprising no. 134,416,598 ordinary shares, with no indication of par value.

In accordance with the Bylaws, the shares are registered, indivisible and freely transferable. The requirements of representation, legitimization, circulation of the company investment required for securities traded on regulated markets continue to apply. Each share has the right to a proportion of the profit which has been approved for distribution and to a portion of equity on liquidation and also has the right to vote, without limits other than those as defined by the Law. No securities carrying special controlling rights have been issued. No financial instruments have been issued attributing the right to subscribe to newly-issued shares. No share incentive plans are envisaged involving share capital increases, even on a freely allocated basis.

The reconciliation between the number of shares outstanding at 31 December 2021 and those at 31 December 2020 is as follows:

Description	31/12/2020	Share capital increase	Purchase/Disposal of treasury shares	31/12/2021
Ordinary shares issued	134,416,598	-	-	134,416,598
Treasury shares	(779)	-	-	(779)
Ordinary shares outstanding	**134,415,819**	**-**	**-**	**134,415,819**

In 2021, as part of the share buy-back plans, no treasury shares were sold or purchased. At 31 December 2021, Cairo Communication held a total of no. 779 treasury shares, or 0.001% of the share capital, subject to Article 2357-ter of the Italian Civil Code.

“Retained earnings and other reserves”, amounting to Euro 232.2 million at 31 December 2021, includes:

- Euro 236.8 million in retained earnings;
- Euro 1.2 million in the legal reserve;
- Euro -3.7 million in the fair value reserve (Euro 3.4 million at 31 December 2020), which includes the translation reserve used for recording exchange rate differences and the recognition of actuarial gains and losses as part of the process for discounting post-employment benefits;
- Euro -0.3 million in the cash flow hedge reserve, which includes the effects recognized directly in equity as a result of the derivative financial instruments taken out to hedge the risk of rate fluctuations and the relating tax effect;
- Euro -1.8 million in the reserve for financial assets measured at fair value through other comprehensive income. It includes the effects arising from the measurement of "Other non-current equity instruments".

29. Payables and non-current financial liabilities

The item, amounting to Euro 39.6 million (Euro 59.9 million at 31 December 2020), includes the non-current portion of bank loans. In 2020, the item also included Euro 1 million for the fair value of derivative financial instruments hedging exposure to interest rate risk, explained in Note 34 below.

The main bank loans are explained below:

Intesa San Paolo loan

As part of the transaction for the acquisition of control of RCS, in July 2016, Cairo Communication had concluded a revolving facility with Intesa Sanpaolo for a total amount of Euro 140 million, of which approximately Euro 40 million had been drawn down, aimed at funding both the payment of the cash component of the offer for the acquisition of the control of RCS and other general corporate purposes. The loan had a duration of 60 months from the date of its first use and expired on 22 July 2021, when the loan was fully repaid.

RCS financial debt

No changes were made in 2021 to the Loan Agreement concluded by RCS in August 2017 and then renegotiated on 10 October 2018.

The main terms and conditions of the loan are, inter alia:

a) maturity on 31 December 2023;
b) the breakdown of the loan into an Amortizing term Credit Line (at 31 December 2021 with a residual amount of Euro 50 million) and a Revolving Credit Line of Euro 125 million (unused at 31 December 2021);
c) an annual interest rate equal to the sum of the benchmark Euribor and a variable spread, depending on the Leverage Ratio;
d) a single covenant based on a Leverage Ratio (i.e., Net debt/EBITDA). This covenant, as from 2019, must not exceed 3x at 31 December of each financial year;
e) a repayment schedule for the amortizing term facility, which sets out the repayment in six-month instalments of Euro 12.5 million.

The loan agreement envisages compulsory early repayment, statements, obligations, withdrawal and materiality threshold clauses that are, altogether, more favourable for RCS than the previous loan agreement. These clauses apply, for instance, to treasury agreements and intra-group loans and guarantees, acquisitions, joint ventures, investments and reorganization, financial debt assumption, transfers and share capital reduction.

Unicredit loans

On 3 August 2021, Cairo Communication S.p.A. took out an unsecured revolving loan with Unicredit for a total amount of Euro 10 million. At 31 December 2021, Euro 5 million had been drawn down.

The loan matures on 31 July 2023 and provides, inter alia, for:

a) compulsory early repayment, statements, obligations, withdrawal and relating materiality threshold clauses,

b) financial covenants in the Group's consolidated financial statements: debt cover (net financial position/EBITDA) of less than or equal to 2.5 and leverage (net financial position/equity) of less than or equal to 1,

c) early repayment in the event of a change of control of Cairo Communication.

An interest rate cap of Euro 10 million was taken out to hedge debt exposure. Additional comments on the derivative are provided in Note 34 below.

On 3 August 2021, Cairo Editore S.p.A. concluded a loan agreement with Unicredit for a total amount of Euro 10 million backed by a guarantee issued by EIB (European Investment Bank). The loan matures on 31 August 2024 and provides, inter alia, for:

a) compulsory early repayment, statements, obligations, withdrawal and relating materiality threshold clauses,

b) financial covenants in the Group's consolidated financial statements: debt cover (net financial position/EBITDA) of less than or equal to 2.5 and leverage (net financial position/equity) of less than or equal to 1,

c) a repayment plan in 3 installments of Euro 3.3 million after the 18-month amortization period,

d) early repayment in the event of a change of control of Cairo Communication.

An interest rate cap of Euro 10 million was taken out to hedge debt exposure. Additional comments on the derivative are provided in Note 34 below.

30. Current and non-current liabilities from lease contracts

Under IFRS 16, financial liabilities arising from outstanding lease payments are classified under these items.
Versus the prior year, the financial liability is increased to account for interest accruing, decreased in relation to lease payments, and adjusted to account of any restatement of the lease liability.
Specifically, at 31 December 2021:

- non-current financial liabilities from lease contracts have a residual balance of Euro 154.9 million (Euro 152.1 million at 31 December 2020)

- current financial liabilities from lease contracts have a residual balance of Euro 29.9 million (Euro 28.8 million at 31 December 2020).

31. Post-employment benefits

Post-employment benefits represent a type of employee remuneration, whose payment is deferred until termination of employment. Liabilities relating to post-employment benefits are discounted according to IAS 19 using a discount rate of 0.45%.

The composition and movements of this item in the period are shown in the table below:

Description	31/12/2021	31/12/2020	Change
Opening balance	**51.2**	**52.6**	**(1.3)**
Allocations	1.4	1.0	0.4
Interest expense	-	0.3	(0.3)
Profit (loss) from actuarial valuations	(1.3)	1.7	(2.9)
Utilizations/other changes	(1.6)	(4.3)	2.7
Closing balance	**49.8**	**51.2**	**(1.5)**

The exact administrative headcount of the Group at 31 December 2021 is shown below, broken down by role and geographical area:

Description	31/12/2021	31/12/2020	Change
Executives	121	114	7
Middle managers	304	305	(1)
White collars	1,768	1,797	(29)
Journalists	1,446	1,497	(51)
Blue collars	178	195	(17)
Grand total	**3,817**	**3,908**	**(91)**

Description	31/12/2021	31/12/2020	Change
Italy	2,703	2,628	75
Abroad	1,114	1,280	(166)
Grand total	**3,817**	**3,908**	**(91)**

2,908 employees refer to the RCS Group.

32. Provisions for risks and charges and provision for deferred tax

Movements in the period are shown below:

Description	31/12/2020	Net allocations	Utilizations	Other changes	31/12/2021
Provision for agents' termination benefits	3.7	0.4	(0.1)	-	4.0
Provision for legal disputes	12.2	2.3	(1.8)	0.1	12.8
Provisions for personnel	19.4	2.6	(2.6)	-	19.4
Provisions for future risks and charges under the purchase price allocation of La7 S.r.l.	1.0	-	(1.0)	-	-
Other provisions for risks and charges	20.8	5.6	(2.9)	2.2	25.7
Grand total	**57.1**	**10.9**	**(8.4)**	**2.3**	**61.9**

The provision for "Agents' termination benefits" is the amount, subject to actuarial valuations, to be paid to agents as prescribed by law and the applicable collective contracts.

The "Provision for legal disputes", amounting to Euro 12.8 million, relates to potential liabilities deriving from ongoing disputes with third parties, and refers to both civil proceedings and defamation suits related to articles published in the Group's titles.

"Provisions for personnel", amounting to Euro 19.4 million, includes potential liabilities linked to personnel management and the termination of employment relationships and leased staff contracts, and relate to the RCS Group (Euro 15.6 million) and to the subsidiary La7 (Euro 3.7 million). Allocations, expressed net of related recoveries, refer for Euro 0.2 million to non-recurring expense.

Mention should be made that, in 2013, as part of the purchase price allocation of La7 S.r.l., a negative fair value had been attributed, by allocating the appropriate "provisions for future risks and charges" recognized as part of the purchase price allocation of La7 S.r.l.. This item amounts to zero at 31 December 2021.

"Other provisions for risks and charges" relate mainly to contingent liabilities attributable to the RCS Group and to La7, set aside to cover the risk arising from claims for damages originated during the production and airing of TV programmes and from other contractual risks.

In accordance with IFRS, the non-current portion of provisions for risks has been discounted to take account of the effect of the time value of money, using a rate of approximately 0.45% for the provision for agents' termination indemnities and 0.085% for the provision for legal disputes. The provision for specific risks was not discounted as the reference rate, for the expected average duration, is negative.

The sensitivity analysis of the discount rate risk, assuming a parallel change of +/- 0.5%, showed no significant effects.

Deferred tax liabilities, amounting to Euro 162.1 million (Euro 164.2 million at 31 December 2020), refer mainly to the business combination of the RCS Group.

33. Other non-current liabilities

The item, amounting to Euro 1.2 million (Euro 1 million at 31 December 2020), is attributable entirely to the RCS Group and includes the long-term portion of tax payables.

34. Payables and current financial liabilities

The item, amounting to Euro 36.8 million (Euro 97.5 million at 31 December 2020), includes:

- for Euro 36.4 million (Euro 97.4 million at 31 December 2020), the current portion of the bank loans explained in Note 29 above and bank overdrafts;
- for Euro 0.4 million, the current portion of derivative financial instruments measured at level 2 in the fair value hierarchy pursuant to IFRS 7.

The main types of derivative financial instruments are shown below, along with the hedging or trading purposes for which the relevant derivative contracts were stipulated.

Description	31/12/2021		31/12/2020	
	Assets	Liabilities	Assets	Liabilities
Interest Rate Cap for hedging loans	0.1	-	-	-
Interest Rate Swap for cash flow hedges	-	(0.4)	-	(1.0)
Forward Foreign Exchange Contract for exchange rate hedging	0.1	-	-	(0.1)
Total	**0.2**	**(0.4)**	**-**	**(1.1)**

The current portion of financial assets from derivatives hedging exchange rate risk amounted to Euro 0.1 million, whilst the non-current portion from derivatives hedging exposure to interest rate risk amounted to Euro 0.1 million.

Financial liabilities arising from the measurement of derivative instruments hedging cash flows amounted to Euro 0.4 million (Euro 1 million at 31 December 2020).

The net income from the measurement of these derivative instruments at fair value, recorded in the comprehensive income statement, amounted to Euro 0.7 million in 2021, gross of tax (Euro 0.1 million in 2020).

The notional amount of the Interest Rate Swaps at 31 December 2021, relating entirely to the RCS Group, came to Euro 60 million (Euro 60 million at 31 December 2020), with an average contractual fixed rate of 0.102% for Interest Rate Swaps (0.152% in the prior year). The reference for the floating interest rate is the three-month Euribor.

Contracts taken out by RCS MediaGroup refer to interest rate swaps to cover exposure to interest rate risk on short and medium/long-term debt, primarily represented by the Term and Revolving lines of the loan. No new interest rate hedges were entered into for RCS during the period.

The notional amount of the Interest Rate Cap at 31 December 2021 hedging the interest rate risk on loans taken out by Cairo Communication S.p.A. and Cairo Editore S.p.A., on the other hand, was equal to Euro 20 million with a cap rate of -0.25%; the reference parameter for the variable rate is the three- and six-month Euribor.

Description	Outstanding notional amount	Benchmark	Rate	0-6 M	6 M - 1 Y	1-2 Y	2-5 Y	> 5 Y
IRS	60.0	Euribor 3 M	0.102%	-	(40.0)	(20.0)	-	-
CAP	20.0	Euribor 3-6 M	-0.25%	-	-	(10.0)	(10.0)	-
Total	**80.0**	-						

The above instruments, relating to hedges of the interest rate risk and exchange rate risk, were negotiated for hedging purposes.

In compliance with International Financial Reporting Standards, they were subject to the so-called effectiveness testing (prospective and retrospective), to see whether they qualify for hedge accounting, in accordance with the specific requirements for hedges.

Description	Type of hedge	Risk	Fair value		Change	Impact recognized in other comprehensive income
			31/12/2021	31/12/2020		
NFP hedge	IRS	Interest rate risk	(0.4)	(1.0)	0.6	0.6
Loan hedge	CAP	Interest rate risk	0.1	-	0.1	0.1
Total		-	**(0.3)**	**(1.0)**	**0.7**	**0.7**

35. Payables to suppliers

“Payables to suppliers" amounted to Euro 298.8 million, up by Euro 55.3 million versus the prior year.

The change is attributable to the full consolidation of m-Dis (Euro 59.4 million), partly offset by lower payables from sporting events (Euro -8.5 million), owing to the different scheduling of sporting events in Italy.

Payables relate entirely to the current period.

36. Payables to parents, associates and affiliates

“Payables to parents, associates and affiliates” amounted to Euro 7.5 million (Euro 8.8 million at 31 December 2020) and includes:

- trade payables amounting to Euro 6.2 million due to some associates of the Bermont Group that handle the printing of newspapers, magazines and other publishing products in Spain;
- trade payables from equity-accounted investees of m-Dis Distribuzione Media Group for Euro 0.7 million
- trade payables for Euro 0.4 million due to the associate Torino Football Club S.p.A. for amounts accrued under the advertising concession contract signed with CAIRORCS Media S.p.A..

37. Tax payables

They include:

Description	31/12/2021	31/12/2020	Change
Current tax payables	1.9	2.0	(0.1)
Other tax payables	18.3	18.1	0.2
Closing balance	**20.2**	**20.1**	**0.1**

The item, amounting to Euro 20.2 million, is virtually in line with the prior year and includes Euro 16.4 million in tax payables attributable to the RCS Group.

38. Sundry payables and other current liabilities

The item can be analyzed as follows:

Description	31/12/2021	31/12/2020	Change
Payables to employees	40.3	43.5	(3.2)
Payables to pension and social security institutions	18.3	16.4	1.9
Advances and payments on account on subscriptions	8.3	7.7	0.6
Accrued expenses and deferred income	31.4	24.0	7.4
Other payables	11.8	9.6	2.2
Closing balance	**110.1**	**101.2**	**8.9**

The item, amounting to Euro 110.1 million, increased by Euro 8.9 million versus the prior year, and includes current liabilities attributable to the RCS Group of Euro 80.2 million.

39. Commitments, risks and other information

In 2014, the subsidiary Cairo Network took part in the tender procedure opened by the Ministry of Economic Development for the assignment of rights to use TV frequencies for digital terrestrial broadcasting systems, submitting its binding bid and winning the rights to use a lot of frequencies ("mux") for a period of 20 years. In January 2015, Cairo Network and EI Towers S.p.A. ("EIT") therefore entered into the agreements for the realization and subsequent long-term technical management in full service mode (hospitality, service and maintenance, use of broadcasting infrastructure, etc.) of the mux. The agreements, as reviewed in March 2018, which contain better terms overall for Cairo Network, include, inter alia:

- a transitional phase, completed on 31 December 2017, witnessing the realization and start-up of the mux, and an operational phase of the mux lasting 17 years (from 2018 to 2034);
- the right to free withdrawal of Cairo Network starting from 1 January 2025;
- guaranteed coverage of at least 94% of the population, in line with national muxes with greater coverage;
- consideration to EIT:
  - during the implementation phase of the network (2015-2017), amounting to a total of Euro 11.5 million for the full three-year period;
  - at full performance (starting from 2018), amounting to Euro 16 million per year,

  these amounts include compensation for the availability of the transmitters;

- an annual consideration from EIT to Cairo Network, starting from 2018, ranging between Euro 0 up to Euro 6 million in the 2018-2022 period, reduced to Euro 5.5 million in the 2023-2027 period and to Euro 5 million from 2028 until expiry, in the event that the available bandwidth on the mux is not fully used by Cairo Network.

Article 1, paragraph 1026 and ensuing paragraphs, of the 2018 Italian Budget Law (Law no. 205 of 2017, as subsequently supplemented and amended by Law no. 145 of 2019) introduced specific provisions for terrestrial TV operators to release 694-790 MHz frequencies ("700 band" – corresponding to channels 49-60) to telephone operators and for the consequent reorganization of the user rights of existing television operators over the remaining television spectrum ("refarming").

Specifically, under the 2018 Budget Law, among other things:

a) the 700 band frequencies must be completely released by television operators no later than 30 June 2022;

b) the national frequency muxes must adopt the DVB-T2 digital terrestrial standard, introducing a transitional conversion of the rights to use national frequency muxes into rights to use transmission capacity, with a view to subsequent reallocation;

c) the rights of use (in an amount equivalent to two muxes) that do not arise from the above conversion of the original rights of use are assigned by a procedure for consideration.

In implementation of the above law, AGCOM and MISE adopted the consequent measures, as a result of which Cairo Network was assigned a right of use with no frequency specification, equal to half of a mux (in 2019).

Additionally, at the end of the procedure for consideration for the assignment of rights of use not deriving from the conversion of current rights of use, MISE, through its decision dated 2 July 2021, announced that Cairo Network had been awarded a right of use with no frequency specification, equal to half of a newly-planned national multiplex; Cairo Network then paid half of the amount offered in the tender (subject to reservation) and requested the installment payments of the remainder (in three annual installments). On 6 August 2021, MISE, as a result of the combination of the two rights of use with no frequency specification, then announced the provision for the assignment of the right of use of the frequencies for the purposes of operating the national network of the PNAF called "National network no. 10" until 2032 (two years less than the duration of the right originally acquired in 2014).

Cairo Network was heard in the context of the various proceedings, and took part in the relating public consultations, pointing out the legal and technical arguments for the exclusion of the Company from the application of the Budget Law (and, specifically, from the procedure for the conversion of the original right of use and the assignment of newly-planned rights of use), also attaching supporting documentation.

Cairo Network then also challenged the resolutions and provisions of AGCOM and MISE, implementing the Budget Law, filing appeals with the Latium Regional Administrative Court, Rome, and subsequent additional grounds (g.r. no. 6740/2018, no. 7017/18, no. 440/2021 and no. 6040/2021), in which the same arguments raised with the public authorities and further illegalities of the contested measures were also raised with the administrative judge.

The Latium Regional Administrative Court, with judgments issued on 28 January 2021 in the above trials g.r. no. 6740/2018 and no. 7017/2018, rejected the claims for annulment, while not fully addressing the merits of the issues raised by Cairo Network, and the above judgments are subject to an appeal before the Council of State (g.r. no. 4335 and no. 4334, in which the hearings have yet to be set).

Cairo Network is about to initiate actions, also of a judicial nature (in addition to disputes already filed), in order to obtain compensation for the damages and harm suffered (i) for payment requested to regain ownership of a right of use of frequencies that Cairo had already paid for as a result of the 2014 tender procedure, (ii) for the different duration of the new right of use and (iii) for the loss of business opportunities suffered in recent years as a result of the uncertainty generated by the refarming procedure

To date, the effect of the outcome of the appeals brought before the Regional Administrative Court and the Council of State, or of those that may be brought in the future, cannot be predicted with certainty yet.

The RCS 2021 Annual Report contains an update to the information on RCS Sport events previously illustrated in the previous RCS annual reports under "*Information on ongoing disputes*":

(i) with regard to the criminal proceedings instituted following the complaint filed by RCS Sport on 10 October 2013, where RCS filed civil action against certain defendants, the Court of Milan sentenced a former RCS Sport employee in the first instance to 8 years and 8 months imprisonment (for fraud, slander and embezzlement against the State) and acquitted the other defendants with a ruling served on 19 September 2019. The Court also ordered the former employee to pay compensation for financial and non-financial damages to RCS, to settle in separate civil proceedings; the former employee has appealed against the sentence; at the hearing on 9 July 2021, the Milan Court of Appeal, partly amending the Court's ruling, acquitted the former employee of the crime of slander and, having declared that the statute of limitations had expired for crimes committed up to 9 May 2013, reduced the sentence to 2 years and 6 months' imprisonment and a fine of Euro 600. It also confirmed the sentence against the former employee to pay damages; the former employee appealed to the Supreme Court;

(ii) with regard to the appeal against the dismissals of the former Chief Executive Officer and former General Manager, the two appeals to the Court of Cassation, one filed by RCS against the former Chief Executive Officer, and the other by the former General Manager against RCS, came to conclusion with the appeals being confirmed.

With regard to the property complex in Via Solferino, RCS is a party to a dispute involving the transaction, negotiated and concluded in 2013, on the sale to the speculative real-estate fund "Delphine" by RCS of the properties located in Via Solferino 28-Via San Marco 21-Via Balzan 3 in Milan (collectively, the "**Property**"), and their concurrent lease by RCS (the "**Transaction**").

On 9 November 2018, RCS - after a thorough review aided by consultants - filed a request for arbitration with the Milan Chamber of Arbitration, by which it requested, *inter alia*, the contracts to be declared null and void, contracts through which the transaction was completed, and an order for Delphine to return the Property and the lease payments in the meantime received and, in any event, to pay damages. On 9 January 2019, the Delphine fund, through its asset management company Kryalos SGR S.p.A., appeared in the arbitration with a Statement of Defense challenging the jurisdiction and/or competence of the Board of Arbitrators and the grounds of RCS's claims, and filed a liability claim pursuant to Article 96 of the Italian Code of Civil Procedure. The parties subsequently exchanged defense briefs and documents, specifying their respective conclusions. On 26 May 2020, the Board of Arbitrators filed an interim and non-final award (the "**Interim Award**") and a concurrent preliminary order. The Interim Award firstly dismissed all preliminary objections raised by the purchaser, and asserted the competence of the Board of Arbitrators to decide on the dispute. The Interim Award rejected RCS's claims for invalidity and termination and, therefore, considered the contracts under the Transaction to be still valid; if the circumstances inferred by RCS as the grounds for its action (*i.e.* RCS's condition of economic or financial difficulty at the time the negotiations took place and the contracts were concluded; the disproportionate benefits obtained by the purchaser from the Transaction; the purchaser's awareness of both aspects) had been established, a statutory protection in the form of compensation for damages in favour of RCS could have applied. In order, therefore, to ascertain the satisfaction of such requirements, the Board of Arbitrators, by order concurrent to the above Interim Award, ordered two court-appointed appraisals, one on the accounting aspects, the other on estimation matters, postponing to the final award the decision on: (i) RCS's claim for damages, in relation to which the above appraisals were ordered; (ii) RCS's claim for reimbursement of costs and damages for the breach of the arbitration clause by Kryalos (which brought the proceedings, together with the Blackstone Funds, before the Supreme Court of the State of New York); (iii) RCS's claim for interest and revaluation on the amounts under (i) and (ii) above; (iv) Kryalos' claim for alleged liability of RCS pursuant to Article 96 of the Italian Criminal Code; (v) the opposing claims of the Parties for an order to pay the arbitration costs. On 23 June 2020, the deadline for filing the award was extended until 31 May 2021.

On 14 May 2021, the Milan Chamber of Arbitration notified the parties of the final award (the "Final Award"). The Award, based on the agreement of only two arbitrators and with a detailed and reasoned dissenting opinion from the third, decided not to accept either RCS's or Kryalos's claims for damages. The Final Award also provided for compensation for the litigation costs, ruling out the possibility that RCS had acted recklessly.

On 21 June 2021, RCS challenged the Interim Award and the Final Award before the Milan Court of Appeal, and on 4 October 2021 the counterparty filed its Court appearance with cross-appeal to the part relating to the ruling on costs and pursuant to Article 96 of the Code of Civil Procedure. On 12 January 2022, a hearing was held for the closing arguments, followed by the exchange of closing statements and related replies. The Court of Appeal then held the case for its ruling.

On 20 November 2018, RCS received a complaint before the Supreme Court of the State of New York from the Delphine fund, from its parent Sforza Holdco S.à r.l., from Blackstone Real Estate Advisory L.P., and from eleven entities indicated as indirect shareholders of Sforza HoldCo S. à r.l.. In the complaint, the plaintiffs argued that RCS had acted unlawfully and in breach of its obligations (specifically, for challenging the ownership of the Property and interfering in the sale negotiations allegedly underway with a third party), and requested that the validity of the contracts by means of which the Transaction was completed be ascertained, and that RCS be ordered to pay damages, which are not quantified but generally indicated as exceeding USD 500 thousand). RCS joined the proceedings requesting to "dismiss" the case even before opening the trial, on the grounds of a lack of jurisdiction of the Supreme Court of the State of New York; alternatively, the Company has requested a stay of the case in New York, pending the outcome of the Arbitration in Italy, as the latter is the only body having the jurisdiction to decide on the validity or invalidity of the Transaction. RCS also requested the dismissal of the case on the grounds that the plaintiffs' claims were unfounded in law. On 24 April 2019, the Supreme Court of the State of New York decided to "stay" the case in New York pending the outcome of the arbitration in Italy.

On 23 May 2019, the same plaintiffs also sued the Chairman of RCS, Urbano Cairo, before the Supreme Court of the State of New York, against whom claims for damages had been lodged that are not quantified but generally indicated in excess of USD 500 thousand, based on the same factual circumstances on which the identical claims filed against RCS are grounded. The latter dispute has also been suspended pending the outcome of the arbitration in Italy. Given that the Chairman has acted and is acting as RCS's legal representative, in the name, on behalf of and in the interest of RCS, as well as in execution of a resolution of the Board of Directors, RCS has undertaken to indemnify the Chairman against any costs or damages arising from any legal or extra-judicial disputes brought with regard to the Transaction and for the acts carried out in execution of the resolutions passed by the Board of Directors.

As indicated in RCS's press release of 17 May 2021, the Final Award ruled the compensation of litigation costs and dismissed the counterparty's claims for damages based on RCS's alleged reckless conduct and bad faith; the ruling, affecting the merits, reflects the groundlessness of the opposing claims before the Supreme Court of the State of New York, based on allegations against RCS rejected by the Final Award.

On 30 June 2021, the plaintiffs in the proceeding before the Supreme Court of the State of New York, filed a second amended complaint containing the same claims as those brought in the previous pleadings, except for the claim over the validity of the Transaction (no longer presented), and a quantification in at least USD 300 million, based on general and unsubstantiated allegations, of the alleged damages suffered by the Plaintiffs, in addition to a request for an order to pay alleged punitive damages in the same amount (at least USD 300 million).

The plaintiffs have also asked the Supreme Court of the State of New York to combine the proceedings brought against the Chairman of RCS with those brought against the company; RCS has stated that it does not oppose such a combination. At present, both proceedings are pending before the same judge of the Supreme Court of the State of New York. On 31 August 2021, the Company filed a motion to dismiss against the second amended complaint filed by the counterparties at end June 2021, which was followed by an exchange of defense briefs and the Court's setting of the hearing for 21 April 2022.

In keeping with the disclosure provided to the market in the supplement to the 2021 Half-Year Report prepared on 12 August 2021 at the request of CONSOB, to which reference is made, it should be noted that in preparing the financial statements at 31 December 2021, the Company obtained the updated opinions: (i) from the legal advisers who assisted it in the arbitration and who are assisting it in the proceedings challenging the awards; (ii) from the legal advisers who are assisting it in the disputes before the Supreme Court of the State of New York; and (iii) from the two independent professionals who are scholars in legal and business subjects, who dealt, *inter alia*, with the correct presentation in the financial statements of such disputes in compliance with the accounting standards.

Specifically, with regard to the disputes pending in New York, the opinions confirm that the events that occurred after the approval of the 2021 Half-Year Report, do not alter the assessment of such disputes - in relation, inter alia, to the strength of RCS's arguments on a lack of jurisdiction and merit - already expressed in the opinions prepared in the previous annual reports and in the Half-Year Report at 30 June 2021.

Based on the opinions obtained, RCS concludes that the claims brought before the Supreme Court of the State of New York in the two disputes cannot be classified as a current obligation and, pursuant to IAS 37, constitute a mere possible liability with a remote probability of happening (therefore of an outflow of resources), which requires no specific provision, nor is there an obligation to provide disclosure in the financial statements.

Therefore, based on the advice of its legal consultants, RCS deems that no provision for risks needs to be set up.

With regard to the contract for the purchase of RCS Libri S.p.A., commented on in the 2016-2020 annual reports of RCS, and to the earn-out established therein, it should be noted that the required procedures for verifying the existence (or less) of the conditions for payment of the earn-out and, in such case, for its determination, have been put in place and are still in progress, as set out in the sale contract.

The main guarantees given by the Group are listed below:

- guarantees and endorsements given totalled Euro 22.8 million, an increase of Euro 10.3 million versus the prior year, due mainly to the guarantees issued by m-Dis to phone service providers as a guarantee for the correct fulfillment of distribution agreements, and the guarantee issued by Cairo Network for the installment payment of the residual amount due for the tender for the assignment of the aforementioned right of use of frequencies. Additionally, the item includes the guarantees given to the Public Administration and other public bodies for prize contests, concessions and disputes.
- other guarantees amounted to Euro 12 million, up by Euro 3.1 million versus 31 December 2020, for new guarantees issued to the Revenue Agency for VAT receivables (Euro 2.7 million). The item also includes the indemnity issued to Agenzia per lo Sviluppo dell'Editoria and to SIAE for reimbursements received.
- commitments amounted to Euro 1.7 million, decreasing by Euro 3.4 million versus the prior year. The item includes existing and potential contractual commitments relating to personnel, which refer solely to agreements in force at 31 December 2021, subject to contractual clauses at that date under the exclusive control of the Group. These are commitments entered into with related parties for the amount of Euro 1.5 million.

It should also be noted that, as part of the transfers or contributions of investments or business units carried out by the RCS Group, the RCS Group granted guarantees, predominantly of a tax, social security and labor nature, which are still active. Such guarantees were issued according to market practices and conditions.

Following urgent measures on health, work support and the economy, and social policies related to the COVID-19 emergency, mention should be made of the following contributions:

- a tax credit for sanitization and purchase of protective equipment for Euro 22,354 (Law Decree no. 73/2021, Article 32, of 25 May 2021);

- non-repayable grants of Euro 28,944 for VAT operators in the industries affected by the new restrictive measures (Law Decree no. 41 of 22/03/2021 and Law Decree no. 73 of 25/05/2021).

Pursuant to Article 1, paragraph 125 to 129 of Law no. 124 of 4 August 2017, with regard to the obligations to publish grants, contributions, paid assignments and, in any case, economic benefits of any kind received from the PA, and to Article 3-quater, paragraph 2, of Law Decree no. 135/2018 (Simplification Decree), the Allocating Bodies are required to publish the contributions in the National Aids Register, available at: www.rna.gov.it/sites/PortaleRNA/it_US/transparency in the field of State aid and de minimis aid.

Mention should be made of the grant of Euro 298,301 by the Department for Sport of the Presidency of the Council of Ministers, relating to the "Progetto Giovani al Giro d'Italia", as part of the organization of major national and international events, as regulated by Article 5 of Prime Ministerial Decree of 16 April 2020.

It should also be noted that amounts relating to commercial transactions carried out during the period that involve a consideration were not taken into account.

40. Related party transactions

As required by CONSOB Communication pursuant to Article 114, paragraph 5 of Legislative Decree no. 58/98, protocol number 13046378 of 27 May 2013, transactions with the related parties of the Group are shown in this note.

The procedures adopted by the Group for related party transactions, to ensure transparency and substantial and procedural fairness, are disclosed in the "Report on Corporate Governance and Ownership Structure" and can be viewed on the Company's website www.cairocommunication.it in the *Corporate Governance* section.

Related party transactions of greater significance are reserved to the exclusive remit of the Board of Directors and may not be delegated. These transactions, as well as several less significant transactions, were subject to the prior opinion of the Related Party Transactions Committee provided for therein.

The following are identified as related parties:

- the direct and indirect parent entities of Cairo Communication S.p.A., their subsidiaries, associates and affiliates of the Group, as shown in the list attached to this Annual Report ("List of Group investments at 31 December 2021"). The Ultimate Parent of the Group is U.T. Communications S.p.A.;
- directors, statutory auditors, key management personnel and their close relations.

Details are provided in the following tables on related party transactions, broken down by balance sheet heading. Intra-group dealings eliminated in the consolidation process are excluded.

Receivables and financial assets (€ millions)	**Trade receivables**	**Receivables from tax consolidation**	**Other current financial assets**
Parents	-	0.4	-
Associates	2.0	-	-
Other affiliates	0.5	-	-
Other related parties	0.6	-	-
Total	**3.1**	**0.4**	**-**

Payables and financial liabilities (€ millions)	**Trade and other payables**	**Other current financial liabilities**	**Other non-current financial liabilities**
Parents	-	-	-
Associates	7.1	-	-
Other affiliates	0.4	-	-
Other related parties	-	-	-
Total	**7.5**	**-**	**-**

Revenue and costs (€ millions)	**Operating revenue**	**Operating costs**	**Financial income**
Parents	-	-	-
Associates	3.2	(16.4)	0.2
Other affiliates	0.1	(2.2)	-
Other related parties	0.8	(0.3)	-
Total	**4.1**	**(18.9)**	**0.2**

Relations with associates refer primarily to associates in the Bermont Group, in respect of which the Group companies that operate in Spain in the printing of newspapers, magazines and other publishing products (Unidad Editorial Group) incurred costs of Euro 14 million in 2021, and hold trade payables of Euro 6.2 million.

There are also transactions with the equity-accounted investees of the m-Dis Distribuzione Media Group, in respect of which the Group companies generated revenue of Euro 3.1 million and incurred costs of Euro 1.7 million in 2021, and hold trade receivables of Euro 1.8 million and trade payables of Euro 0.6 million;
Transactions with affiliates refer mainly to:

- the concession contract between CAIRORCS Media S.p.A. and Torino FC S.p.A. (a subsidiary of U.T. Communications) for the sale of advertising space at the Olimpico football pitch and promotional sponsorship packages. This contract resulted in the payment in the year of Euro 2.1 million to the concession holder against revenue of Euro 2.5 million net of agency discounts. CAIRORCS Media S.p.A. earned further commissions of Euro 0.1 million;
- the agreement between Cairo Communication S.p.A. and Torino F.C. for the provision of administrative services such as bookkeeping, which provides for an annual consideration of Euro 0.1 million.

Transactions with "other related parties" refer mainly to commercial dealings with the Della Valle group, in respect of which Group companies generated revenue of Euro 0.8 million. Trade receivables amounted to Euro 0.6 million.

Transactions in the year with related parties, including with Group companies, were not considered to be atypical or unusual, and were part of the ordinary activities of Group companies. These transactions were carried out on market terms, taking account of the goods and services provided.

In 2021, Cairo Communication and its subsidiaries other than those belonging to the RCS Group, paid Directors, Statutory Auditors, General Managers and Key Management Personnel fees totaling Euro 4.6 million. This information is analyzed in detail in the appropriate Remuneration Report, prepared pursuant to Article 123 ter of the TUF.

In 2021, the RCS Group paid Directors, Statutory Auditors and Key Management Personnel fees totaling Euro 7.5 million, explained further in Note 44 below.

During the period, no transactions were carried out with members of the Board of Directors, general managers and/or with key management personnel, members of the Board of Statutory Auditors, and the Financial Reporting Manager, further than the fees paid and already shown in this Note.

It should be noted that:

- with regard to Cairo Communication and its subsidiaries other than those belonging to the RCS Group, there are no agreements in place between the Group companies and the directors for any indemnity in the event of resignation or unjust dismissal, or in the event their employment relationship ceases following a takeover bid;

- there are agreements in place between Cairo Communication and Uberto Fornara, subject to non-competition commitments for 18 months following termination of his management relationship with the Parent, for payment during his relationship of a gross annual fee of Euro 100 thousand.

With regard to RCS, referring to the processes set forth in the event of the termination or dissolution of the employment relationship, reference should be made to the RCS Remuneration Report published on the website www.rcsmediagroup.it.

It should also be noted that there are no succession plans regarding executive directors and that Cairo Communication does not currently have any stock option plans in place.

41. Risk management

The Group manages capital structure and financial risks in accordance with the asset structure, in order to maintain adequate and consistent credit ratings and capital ratio levels, taking account of the current credit availability in Italy and in Spain.

The Group constantly monitors the financial risks connected with its business and those relating to its subsidiaries.

Liquidity risk

Liquidity risk may arise from difficulties in obtaining loans to support operations in accordance with the proper timescales, and, if necessary, to repay loans falling due.

No changes were made in 2021 to the Loan Agreement concluded by RCS in August 2017 and then renegotiated on 10 October 2018.

The main terms and conditions of the loan are, inter alia:

a) maturity on 31 December 2023;
b) the breakdown of the loan into an Amortizing term Credit Line (at 31 December 2021 with a residual amount of Euro 50 million) and a Revolving Credit Line of Euro 125 million (unused at 31 December 2021);
c) an annual interest rate equal to the sum of the benchmark Euribor and a variable spread, depending on the Leverage Ratio;
d) a single covenant based on a Leverage Ratio (i.e., Net debt/EBITDA). This covenant, as from 2019, must not exceed 3x at 31 December of each financial year;
e) a repayment schedule for the amortizing term facility, which sets out the repayment in six-month instalments of Euro 12.5 million.

On 3 August 2021, Cairo Communication S.p.A. took out an unsecured revolving loan with Unicredit for a total amount of Euro 10 million. At 31 December 2021, Euro 5 million had been drawn down.

The loan matures on 31 July 2023 and provides, inter alia, for:

a) compulsory early repayment, statements, obligations, withdrawal and relating materiality threshold clauses,

b) financial covenants in the Group's consolidated financial statements: debt cover (net financial position/EBITDA) of less than or equal to 2.5 and leverage (net financial position/equity) of less than or equal to 1,

c) early repayment in the event of a change of control of Cairo Communication.

On 3 August 2021, Cairo Editore S.p.A. concluded a loan agreement with Unicredit for a total amount of Euro 10 million backed by a guarantee issued by EIB (European Investment Bank). The loan matures on 31 August 2024 and provides, inter alia, for:

a) compulsory early repayment, statements, obligations, withdrawal and relating materiality threshold clauses,

b) financial covenants in the Group's consolidated financial statements: debt cover (net financial position/EBITDA) of less than or equal to 2.5 and leverage (net financial position/equity) of less than or equal to 1,

c) a schedule that sets out the repayment in 3 instalments of Euro 3.3 million,

d) early repayment in the event of a change of control of Cairo Communication.

Liquidity analysis

The table below summarizes the equity profile of the Cairo Communication Group's current assets and liabilities at 31 December 2021:

Description	**31/12/2021**	**31/12/2020**	**Change**
Trade receivables and other current assets	353.0	295.1	57.9
Inventory	19.6	19.9	(0.3)
Trade payables and other current liabilities	(436.6)	(373.6)	(63.0)
Net working capital	**(64.0)**	**(58.6)**	**(5.4)**
Cash funds	113.0	87.4	25.6
Current financial assets	0.3	6.9	(6.6)
Current financial liabilities	(36.8)	(97.5)	60.7
Current liabilities from lease contracts	(29.9)	(28.8)	(1.1)
Current net financial position	**46.6**	**(32.0)**	**78.6**
Difference between current assets and current lia	**(17.4)**	**(90.6)**	**73.2**

At 31 December 2021, the difference between current assets and liabilities showed a negative balance of Euro 17.4 million, improving by Euro 73.2 million versus the prior year (Euro 90.6 million at 31 December 2020).

The change is attributable to the improvement in the current net financial position, which shows a positive Euro 46.6 million at 31 December 2021 (a negative Euro 32 million at 31 December 2020).

It should be noted in this regard that:

- the revolving line, under RCS's loan agreement of Euro 125 million, was not used (at 31 December 2020, Euro 10 million had been drawn down); only Euro 5 million out of a total of Euro 10 million, were drawn down from the revolving line under Cairo Communication's loan agreement;
- the publishing companies have a negative net working capital (current assets net of current liabilities, not including financial assets or liabilities), since a portion of the trade receivables (those from sales in the publishing segment) is transformed into cash more quickly than average supplier payment terms;
- the Group attempts to ensure that an appropriate ability to generate cash is maintained, even under the current market conditions.

The table below summarizes the time profile of the Cairo Communication Group’s financial assets and liabilities at 31 December 2021 based on the non-discounted collections and payments set out in the contracts (including principal and interest even if not accrued at the reporting date):

31 dicembre 2021	On demand	< 6 M	6 M - 1 Y	1-2 Y	2-5 Y	> 5 Y	Total
Non-current financial receivables	-	-	-	-	-	0.2	0.2
Current financial receivables	0.1	-	0.1	-	-	-	0.2
Financial receivables from Group companies	-	-	-	-	-	-	-
Hedging derivatives	-	-	0.1	0.0	0.0	-	0.2
Cash funds	113.0	-	-	-	-	-	113.0
Interest income	-	-	-	-	-	-	-
Total financial assets	**113.1**	**-**	**0.2**	**0.0**	**0.0**	**0.2**	**113.6**
Financial payables to third parties	-	24.2	12.2	39.6	-	-	76.0
Hedging derivatives	-	0.2	0.2	-	-	-	0.4
Financial payables to Group companies	-	-	-	-	-	-	-
Interest expense	-	0.2	0.2	0.3	-	-	0.7
Total financial liabilities	**-**	**24.6**	**12.6**	**39.9**	**-**	**-**	**77.1**
Liabilities from lease contracts	-	16.6	13.3	25.1	56.4	73.4	184.8
Interest expense on lease contracts	-	1.5	1.5	2.7	5.9	3.7	15.3
Total comprehensive financial liabilities	**-**	**42.8**	**27.4**	**67.7**	**62.3**	**77.1**	**277.3**

31 December 2020	On demand	< 6 M	6 M - 1 Y	1-2 Y	2-5 Y	> 5 Y	Total
Non-current financial receivables	-	-	-	0.1	0.2	0.1	0.4
Current financial receivables	0.1	0.5	0.3	-	-	-	0.9
Financial receivables from Group companies	6.0	-	-	-	-	-	6.0
Hedging derivatives	-	-	-	-	-	-	-
Cash funds	87.4	-	-	-	-	-	87.4
Interest income	-	-	-	-	-	-	-
Total financial assets	**93.5**	**0.5**	**0.3**	**0.1**	**0.2**	**0.1**	**94.7**
Financial payables to third parties	0.6	44.0	12.0	24.3	74.6	-	155.5
Hedging derivatives	-	0.2	0.2	0.6	0.1	-	1.1
Financial payables to Group companies	0.8	-	-	-	-	-	0.8
Interest expense	-	0.4	0.4	0.5	0.3	-	1.6
Total financial liabilities	**1.4**	**44.7**	**12.7**	**25.4**	**74.9**	**-**	**159.0**
Liabilities from lease contracts	-	15.9	12.9	26.1	50.1	75.9	180.9
Interest expense on lease contracts	-	1.7	1.6	2.8	0.8	4.9	11.8
Total comprehensive financial liabilities	**1.4**	**62.2**	**27.1**	**54.3**	**125.8**	**80.8**	**351.7**

The amounts shown in the table above, unlike the amounts of total net financial debt, include the non-current financial receivables of Euro 0.2 million (Euro 0.4 million at 31 December 2020).

With regard to m-dis Distribuzione Media S.p.A. and its subsidiaries, fully consolidated as from 1 January 2021, mention should be made that their market of operation consists of a small number of small/medium sized companies which are mainly local distributors active in the distribution of publishing products. Transactions carried out are generally settled within a short period of time and through collection of periodic advance payments. In light of the above, a schedule of these items has not been prepared, as they are immaterial; the related balance sheet items are therefore included in the first time band.

Interest rate risk

Interest rate risk refers to the risk of possible higher financial expense caused by an adverse, unexpected fluctuation in interest rates. At 31 December 2021, the Group holds exclusively floating rate financial instruments and, therefore, is exposed to said risk.

At 31 December 2021, the RCS Group presented a positive net financial position of Euro 16.7 million:

- interest rate risk management is regulated by specific policies that define the risk management objectives, limits, roles and responsibilities of the different functions involved in the process. The use of derivative instruments for speculative purposes is not permitted;
- at 31 December 2021, the portion of payables contractually hedged at a fixed rate before IFRS, or transformed through Interest Rate Swaps (IRS), was just over 100% (51% at 31 December 2020). The hedging objective was pursued using the above types of derivatives taken out with highly-rated leading financial institutions. IRSs transform the floating rate into a fixed one (or vice versa) through the periodic swap, with the financial counterparty, of the difference between the fixed-rate interest (swap rate) and floating-rate interest, both calculated on the contractual notional amount. No new hedges of interest rate risks were entered into for RCS in 2021.

By contrast, regarding Cairo Communication and its subsidiaries other than those belonging to the RCS Group, which presented a positive net financial position of Euro 20.3 million, the portion of payables contractually hedged by Interest Rate Caps is 100%.

In the case of Interest Rate Caps, in the sole event of an increase in interest rates above the contractually defined rate, the financial counterparty pays the difference between the contractual rate and the variable market rate to the Group companies that have entered into the derivative, in order to bring the financial burden of the Group companies back to the level of the contractual rate.

Sensitivity analysis

The table below shows the results of the sensitivity analysis of interest rate risk, reporting its impact on the income statement and equity, as required by IFRS 7. This analysis was performed assuming a 1% increase/decrease in the relevant interest rate curves by individual currency.

Sensitivity analysis of interest rate risk on floating rate items	Average underlying	Increase (decrease) of rate	Impact on profit or loss	Impact on equity
2021	24.2	1%	(0.4)	1.1
2020	(65.4)	1%	(0.7)	1.4
2021	24.2	-1%	0.2	(0.8)
2020	(65.4)	-1%	-	(1.5)

At 31 December 2021, the Group held floating-rate debt financial instruments. The use of interest rate derivatives, transforming liabilities from floating rate to fixed rate, should be noted. Floating-rate financial instruments included in the sensitivity analysis concern cash and cash equivalents, current and non-current financial receivables and payables, and interest rate derivatives held. The analysis was conducted taking into account:

- the change in interest income and expense during the year attributable to any reasonable changes in interest rates applicable to floating-rate assets and liabilities held during the period;
- the opposite impact in terms of fair value changes in interest rate derivatives recognized in equity for the hedge component beyond the relevant year, and in the income statement, assuming a sudden change in the rate curve at the reporting date. At 31 December 2021, interest rate swaps had a notional value of Euro 60 million (Euro 60 million in 2020), while interest rate caps had a notional value of Euro 20 million (zero in 2020).

The result of the analysis shows:

- a one percentage point increase in interest rates (+1%) would have a negative impact on the income statement for the period, due to higher financial expense of Euro 0.4 million (Euro 0.7 million for 2020), and a positive impact on equity of Euro 1.1 million (Euro 1.4 million for 2020), as a result of the change in the fair value of interest rate derivatives recognized in equity;
- a one percentage point (1%) decrease in interest rates, taking account of the contractual provisions relating to the applicability of negative rates, would have a potential impact of Euro 0.2 million on the income statement for the period (no effects reported instead in 2020), and a negative impact on equity of Euro 0.8 million (Euro 1.5 million in 2020), as a result of the change in the fair value of interest rate derivatives recognized in equity.

Currency risk

Currency risk can be defined as the set of negative effects on balance sheet assets or liabilities arising from changes in exchange rates. Despite its international presence, the Group did not record significant exposure to currency risk, given that the Euro is the functional currency of the main Group business areas.

Exposure to currency risk is limited to certain minor commercial and financial positions relating to RCS MediaGroup, RCS Sports and Events and La7.

Currency risk management is regulated by specific policies that define the risk management objectives, limits, roles and responsibilities within the process. The use of derivative instruments for speculative purposes is not permitted, i.e. not targeted at pursuing the aforementioned objective.

Credit risk

Credit risk can be defined as the possibility of incurring a financial loss due to the counterparty's failure to fulfil its contractual obligations.

The tables below show the Group's maximum exposure to credit risk for equity components:

Description	31/12/2021	31/12/2020	Change
Trade receivables (1)	291.7	261.2	30.5
Non-current financial receivables	0.2	0.4	(0.2)
Current financial receivables	0.2	6.9	(6.7)
Other non-current assets	4.7	2.0	2.7
Other current assets (2)	53.2	24.9	28.3
Total receivables and other assets	**350.0**	**295.4**	**54.6**
Cash funds	113.0	87.4	25.6
Total	**463.0**	**382.8**	**80.2**

(1) Trade receivables also include receivables from parent companies, associates and subsidiaries in the amount of Euro 2.9 million (Euro 17 million in 2020)

(2) Other current assets do not include accrued income and prepaid expenses of Euro 8.1 million at 31 December 2021 (Euro 9 million at 31 December 2020).

Description 2021	Trade receivables (1)	Non-current financial receivables	Current financial receivables	Other non-current assets	Other current assets	Cash funds	Total
Total gross amount	332.6	0.2	0.4	4.7	63.3	113.0	514.2
Write-down	(40.9)	-	(0.2)	-	(10.1)	-	(51.2)
Total net value	**291.7**	**0.2**	**0.2**	**4.7**	**53.2**	**113.0**	**463.0**

(1) Trade receivables also include receivables from parent companies, subsidiaries and affiliates for Euro 2.9 million

Description 2020	Trade receivables [1]	Non-current financial receivables	Current financial receivables	Other non-current assets	Other current assets	Cash funds	Total
Total gross amount	301.8	4.0	7.1	2.0	35.6	87.4	437.9
Write-down	(40.6)	(3.6)	(0.2)	-	(10.7)	-	(55.1)
Total net value	**261.2**	**0.4**	**6.9**	**2.0**	**24.9**	**87.4**	**382.8**

(1) Trade receivables also include receivables from parent companies, subsidiaries and affiliates for Euro 17 million

The Group is exposed to credit risk, in relation mainly to trade receivables and, specifically, to advertising sales. This risk is, however, mitigated by the fact that exposure is spread over a large number of customers and that monitoring and control procedures are in place to counter the risk.

Net trade receivables, which totaled Euro 288.8 million at 31 December 2021, include Euro 133.5 million referring to the RCS Group (Euro 135.4 million, including transactions with parents, associates and affiliates) and Euro 155.3 million to Cairo Communication and its subsidiaries (excluding the RCS Group) (Euro 156.3 million, including transactions with parents, associates and affiliates). Trade receivables are stated net of an allowance for impairment of Euro 40.9 million.

Gross trade receivables for the RCS Group, including transactions with parent companies, associates and affiliates, amounted to Euro 135.4 million. New customers and customer credit rating is evaluated by an automated credit scoring system. The rating model applied to Italy uses the “expected default frequency” model prepared by a leading financial information and analysis group. The table below provides information on the quality of the receivables held in the portfolio of the RCS Group and the allocation of the allowance for impairment to the various rating classes identified:

Description	Trade receivables 31/12/2021	Trade receivables 31/12/2020	Allowance for impairment
Rating A (low risk)	33.3	40.8	0.9
Rating B (medium risk)	6.7	97.7	7.3
Rating C (high risk)	8.1	17.1	11.9
Rating Z (not rated)	123.1	69.6	12.4
Total	**171.2**	**225.1**	**32.5**
Write-down	(35.8)	(36.3)	
Net total	**135.4**	**188.8**	

The category of loans and receivables with a Z Rating mostly refers to loans and receivables from public entities, foreign customers and mass market customers.

With regard to m-Dis, it should be noted that the relating balance sheet items fall under the Z Rating band; in order to alleviate the credit risk effects, m-dis Distribuzione Media S.p.A. keeps a watchful eye on the credit situation and has obtained guarantees (sureties) from many local distributors to partly cover the credit risk. However, the continued decline in settlements and the virtual absence of market access barriers may lead to changes in the current distribution chain, with a concentration of players and greater credit risk.

With regard to Cairo Communication and its subsidiaries (excluding the RCS Group), gross trade receivables came to Euro 161.4 million. The allowance for impairment amounted to Euro 5.1 million.

The ageing of trade receivables by due date at 31 December 2021 versus 31 December 2020 is as follows:

31 December 2021	**Current**	**Past due 30-60 dd**	**Past due 61-90 dd**	**Past due 91-180 dd**	**Past due over 180 dd**	**Total**
Trade receivables	146.3	7.3	1.5	2.2	4.0	**161.4**
Allowance for impairment	(0.3)	(0.6)	(0.3)	(1.3)	(2.6)	**(5.1)**
Receivables from customers	**146.0**	**6.7**	**1.2**	**0.9**	**1.4**	**156.3**

31 December 2020	**Current**	**Past due 30-60 dd**	**Past due 61-90 dd**	**Past due 91-180 dd**	**Past due over 180 dd**	**Total**
Trade receivables	36.3	8.3	10.1	5.6	16.3	**76.7**
Allowance for impairment	(1.2)	(0.0)	(0.1)	(0.1)	(2.9)	**(4.3)**
Receivables from customers	**35.1**	**8.3**	**10.1**	**5.5**	**13.5**	**72.4**

Other current and non-current assets include:

- receivables from the tax authorities amounting to Euro 26.5 million, for which the credit risk is considered to be insignificant given the nature of the counterparty;
- advances to agents, associates, authors and suppliers amounting to Euro 18.8 million, for which the credit risk is mitigated by possible offsetting with current and/or future related payables. These advances are shown net of an allowance for impairment of Euro 5.2 million;
- security and bank deposits of Euro 4.7 million, on which the credit risk is deemed insignificant;
- sundry receivables of Euro 7.9 million, net of an allowance for impairment of Euro 4.9 million.

Current financial receivables amounted to Euro 0.4 million and are shown net of an allowance for impairment of Euro 0.2 million.

The credit risk associated with cash and cash equivalents, with a maximum theoretical exposure of Euro 113 million (Euro 87.4 million at 31 December 2020), is considered irrelevant, as it is represented by deposits spread across various banks.

Price risk

The Group is not exposed to significant price risks from financial instruments that fall within the scope of application of IAS 39.

42. Financial Instruments: disclosures

As required by IFRS 7, the table below shows the carrying amounts of items included in each category identified by IFRS 9.

The carrying amount generally coincides with the measurement at amortized cost of the financial assets/liabilities, except for derivative instruments and other equity instruments measured at fair value.

In accordance with IFRS 7, sundry receivables and other current assets, shown in the table below do not include tax receivables, accrued income and prepaid expenses and receivables from social security institutions.

Likewise, sundry payables and other current liabilities do not include payables to social security institutions, accrued expenses and deferred income, and untaken holiday entitlement.

Description	31/12/2021	31/12/2020
FINANCIAL ASSETS		
Financial assets at amortized cost		
Non-current financial receivables	0.2	0.4
Other non-current assets	4.7	2.0
Trade receivables	288.8	244.2
Receivables from parents, associates and affiliates	2.9	17.0
Sundry receivables and other current assets	26.0	14.0
Current financial receivables	0.3	6.9
Cash and cash equivalents	113.0	87.4
Financial assets at fair value through profit or loss		
Non-hedging derivatives		
Other non-current equity instruments		
Financial assets at fair value through other comprehensive income		
Hedging derivatives	0.2	
Other non-current equity instruments	2.5	2.5
TOTAL	**438.6**	**374.4**

FINANCIAL LIABILITIES		
Financial liabilities at amortized cost		
Payables and non-current financial liabilities	39.6	59.9
Other non-current liabilities		
Non-current liabilities from lease contracts	154.9	152.1
Payables to banks		0.6
Current financial payables	36.8	96.9
Trade payables	298.8	243.5
Payables to parents, associates and affiliates	7.5	8.8
Sundry payables and other current liabilities	42.1	43.2
Current liabilities from lease contracts	29.9	28.8
Financial liabilities at fair value through profit or loss		
Non-hedging derivatives		
Financial liabilities at fair value through other comprehensive income		
Hedging derivatives	0.4	1.1
TOTAL	**610.0**	**634.9**

Financial assets measured at fair value and recognized in the statement of comprehensive income include securities and equity investments that are not controlled, linked or traded, defined as other equity instruments. The Company generally chooses to measure the instrument at fair value with changes recognized in other comprehensive income.

IFRS 7 requires financial instruments recognized in the statement of financial position at fair value to be classified on the basis of a three-level fair value hierarchy. The levels of the hierarchy are as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);

Level 3: Inputs for the asset or liability which are not based on observable market data.

Assets and liabilities have been classified according to the fair value hierarchy as follows

Hierarchy of fair value measurement for categories of financial instruments at 31/12/2021	**Level 1**	**Level 2**	**Level 3**	**Total**
FINANCIAL ASSETS				
Financial assets at fair value through profit or loss				
Hedging derivatives		0.2		0.2
Financial assets at fair value through other comprehensive income				
Other equity instruments	0.3		2.1	2.4
TOTAL	**0.3**	**0.2**	**2.1**	**2.6**
FINANCIAL LIABILITIES				
Financial liabilities at fair value through other comprehensive income				
Hedging derivatives		0.4		0.4
TOTAL		**0.4**		**0.4**

Hierarchy of fair value measurement for categories of financial instruments at 31/12/2020	**Level 1**	**Level 2**	**Level 3**	**Total**
FINANCIAL ASSETS				
Financial assets at fair value through profit or loss				
Hedging derivatives				
Financial assets at fair value through other comprehensive income				
Other equity instruments	0.3		2.1	2.4
TOTAL	**0.3**		**2.1**	**2.4**
FINANCIAL LIABILITIES				
Financial liabilities at fair value through other comprehensive income				
Hedging derivatives		1.1		1.1
TOTAL		**1.1**		**1.1**

In accordance with IFRS 7, the table below shows the effects of financial instruments on the income statement and equity, which mainly consist of gains and losses arising on the purchase and sale of financial assets and liabilities, as well as from fair value gains or losses and the interest income/expense relating to financial assets/liabilities measured at amortized cost.

	Note	31/12/2021	31/12/2020
Net profit (loss) recognized on financial assets and liabilities measured at fair value in profit (loss) for the period			
Other equity instruments			
of which profit (loss) from derecognition	10		
Net profit (loss) recognized on financial assets and liabilities measured at amortized cost			
Financial assets			
Allocation to the allowance for impairment	8	(0.9)	(4.3)
Write-down of financial receivables including reversals	10	(0.1)	(0.1)
Financial liabilities			
of which profit (loss) from derecognition	11		
of which profit (loss) from re-negotiation	11		
Net profit (loss) recognized on investments in equity instruments measured at fair value through other comprehensive income			
Other equity instruments			
of which profit (loss) from change in fair value	18	(0.1)	(0.1)
Net gains (losses) recognized on cash flow hedge derivatives			
Hedging derivatives			
of which profit (loss) through other comprehensive income	33	0.6	0.1
of which profit (loss) through the income statement	11	(0.5)	(0.7)
Interest income (expense) at the effective interest rate accrued on financial assets/liabilities not through FVPTL			
Interest income on receivables/loans at amortized cost	11	0.1	0.7
Interest expense on financial liabilities at amortized cost	11	(1.8)	(2.9)
Liabilities from lease contracts	11	(3.2)	(3.6)
Expenses and fees not included in effective interest rate			
Financial liabilities at amortized cost	11	(5.8)	(1.6)

43. Net change in financial payables and other financial assets reported in the statement of cash flows

Changes in financial payables and other financial assets are shown below. The table reconciles the cash flows shown in the statement of cash flows with the total changes recorded, for the period under review, in the consolidated statement of financial position.

Description	31/12/2020	Cash flow	Non-monetary changes			31/12/2021
			Net increases leases	Change in scope of consolidation	Other changes	
Financial payables	155.8	(86.0)	-	5.1	1.1	76.0
Current financial receivables	(6.9)	5.4	-	-	1.3	(0.2)
Derivatives	1.1	-	-	-	(0.9)	0.2
Net change in financial payables and other	**150.0**	**(80.6)**	**-**	**5.1**	**1.5**	**76.0**
Cash funds	87.4	25.6	-	-	-	113.0
Current payables to banks	(0.6)	0.6	-	-	-	-
Cash and cash equivalents	**86.8**	**26.2**	**-**	**-**	**-**	**113.0**
Net financial debt (liquidity)	**63.2**	**(106.8)**	**-**	**5.1**	**1.5**	**(37.0)**
Liabilities from leased assets	**180.9**	**(26.1)**	**30.0**	**-**	**-**	**184.8**

As required by IFRS, current bank loans and overdrafts form part of the change in cash and cash equivalents.

44. Board of Directors' and Board of Statutory Auditors' fees

With regard to Cairo Communication and its subsidiaries other than those belonging to the RCS Group, information is presented below in aggregate form regarding the fees to Directors, Statutory Auditors, General Managers and Key Management Personnel, according to the various forms in which they were paid:

Key management personnel (€ millions)	**Cost of services**	**Personnel expense (AGP)**	**Sundry payables and**
Board of Directors - fees	(0.3)	-	-
Board of Statutory Auditors - fees	(0.1)	-	0.1
Chief Executive Officers	(1.4)	(0.7)	0.8
Key management personnel	(0.2)	(1.9)	0.4
Total	**(2.0)**	**(2.6)**	**1.3**

This information is analyzed in detail in the appropriate Remuneration Report, prepared pursuant to Article 123 ter of the TUF.

The consolidated financial statements of Cairo Communication at 31 December 2021 also include, for an amount of Euro 7.5 million, the fees to Directors, Statutory Auditors, and Key Management Personnel attributable to the RCS Group, detailed as follows:

Key management personnel (€ millions)	**Cost of services**	**Personnel expense (AGP)**	**Sundry payables and other current liabilities**
Board of Directors	(3.9)	-	1.6
Board of Statutory Auditors - fees	(0.2)	-	0.2
Chief Executive Officers	*(3.6)*		*1.3*
Key management personnel	-	(3.4)	0.6
Total	**(4.1)**	**(3.4)**	**2.4**

Regarding key management personnel as defined by the RCS Group, reference should be made to the list in Section I of the Remuneration Report published on the website www.rcsmediagroup.it.

For additional information regarding the commitments to key management personnel of RCS MediaGroup S.p.A., reference is made to the RCS Remuneration Report published on the website www.rcsmediagroup.it

45. Significant events after the period

After year end, no events occurred which would require adjustments to the amounts presented with respect to the information already provided in this Annual Report.

However, mention should be made that, as from end February 2022, the conflict in Ukraine and its consequences, including in terms of economic sanctions against Russia and the impacts on the economy and trade, especially on energy, production and logistics supply chains, are causing grave uncertainty.

The developing situation and the potential effects on the business outlook, which will be constantly monitored also in the further course of the year, are unforeseeable at this time as they depend, inter alia, on the developments and duration of the conflict in Ukraine, the economic sanctions against Russia and its geopolitical effects. In any case, the Group has no direct exposure and/or business activities towards the markets affected by the conflict and/or sanctioned entities. The current situation, which aggravates a cost trend that has been ongoing since 2021, is currently leading to a further spike in transportation costs and in costs for various commodities, including printing paper and energy, which are important for the Group, as well as procurement difficulties, therefore a general increase in production costs and difficulties in production processes for various sectors, whose production is currently struggling to keep pace with the trend in demand. With regard to the Group, this economic context, and its development during the year, may impact on production costs and also affect the performance of the advertising market.

Given the uncertainty brought by the conflict in Ukraine in the assessment of national and international macroeconomic scenarios, financial statement estimates were drawn from assumptions based on a highly uncertain future. Therefore, one cannot rule out that actual events over the next year may likely have a different outcome to those forecast at 31 December 2021, causing significant adjustments to the carrying amounts of assets and liabilities, amongst which, due to their significance, goodwill, other intangible assets with indefinite useful life, as well as deferred tax assets and the estimated recoverability of receivables.

46. Transactions deriving from atypical and/or unusual or non-recurring transactions

Pursuant to CONSOB Communication of 28 July 2006 no. DEM/6064296, it should be noted that in 2021 the Cairo Communication Group did not engage in any atypical and/or unusual transactions as defined by the above Communication.

The consolidated income statement also includes non-recurring income and expense as analyzed in Note 12 above.

Cairo Communication S.p.A.

Consolidated financial statements at 31 December 2021 – Annexes

ANNEX 1

LIST OF GROUP INVESTMENTS AT 31 DECEMBER 2021

The tables below list all Cairo Communication Group companies, showing the company name, registered office, quota capital, and shares held, whether directly or indirectly, by the Parent Cairo Communication S.p.A. and by each subsidiary, the consolidation method.

Fully-consolidated companies

Company	Registered office	Share capital at 31/12/2021	Currency	Investing company	% Direct interest	% Consolid.	Business segment	Consolidation method
Cairo Communication S.p.A.	Milan	6,989,663	Euro				Advertising	Full
Cairo Editore S.p.A.	Milan	1,043,256	Euro	Cairo Communication S.p.A.	99.95	99.95	Publishing	Full
La7 S.p.A.	Rome	1,020,000	Euro	Cairo Communication S.p.A.	100.00	100.00	TV publishing	Full
Cairo Pubblicità S.p.A.	Milan	2,818,400	Euro	Cairo Communication S.p.A.	100.00	100.00	Advertising	Full
CairoRCS Media S.p.A.	Milan	100,000	Euro	Cairo Communication S.p.A. RCS MediaGroup S.p.A.	50.00 50.00	79.85	Advertising	Full
Cairo Network S.r.l.	Milan	5,500,000	Euro	Cairo Communication S.p.A.	100.00	100.00	Network operator	Full
Cairo Publishing S.r.l.	Milan	10,000	Euro	Cairo Communication S.p.A.	100.00	100.00	Publishing	Full
Il Trovatore S.r.l.	Milan	25,000	Euro	Cairo Communication S.p.A.	80.00	80.00	Internet	Full
Edizioni Anabasi S.r.l.	Milan	10,200	Euro	Cairo Editore S.p.A.	100.00	99.95	Publishing	Full
RCS MediaGroup S.p.A.	Milan	270,000,000	Euro	Cairo Communication S.p.A.	59.69	59.69	Publishing	Full
MyBeautyBox S.r.l.	Milan	10,000	Euro	RCS Mediagroup S.p.A.	60.00	35.81	Multimedia	Full
Blei S.r.l. in liquidation	Milan	1,548,000	Euro	RCS Mediagroup S.p.A.	59.69	59.69	Advertising	Full
RCS Produzioni S.p.A.	Roma	1,000,000	Euro	RCS MediaGroup S.p.A.	100.00	59.69	Production	Full
RCS Produzioni Milano S.p.A.	Milan	1,000,000	Euro	RCS MediaGroup S.p.A.	100.00	59.69	Production	Full
RCS Produzioni Padova S.p.A.	Milan	500,000	Euro	RCS Mediagroup S.p.A.	100.00	59.69	Production	Full
Consorzio Milano Marathon S.r.l.	Milan	20,000	Euro	RCS Sport S.p.A.	100.00	59.69	Services	Full
RCS Sport S.p.A.	Milan	100,000	Euro	RCS Mediagroup S.p.A.	100.00	59.69	Services	Full
Società Sportiva Dilettantistica RCS Active Team a r.l.	Milan	10,000	Euro	RCS Sport S.p.A.	100.00	59.69	Services	Full

Company	Registered office	Share capital at 31/12/2021	Currency	Investing company	% Direct interest	% Consolid.	Business segment	Consolidation method
RCS Sports & Events S.r.l.	Milan	10,000	Euro	RCS Mediagroup S.p.A.	100.00	58.69	Advertising	Full
Digital Factory S.r.l.	Milan	500,000	Euro	RCS Mediagroup S.p.A.	100.00	59.69	Television	Full
Sfera Service S.r.l.	Milan	52,000	Euro	RCS Mediagroup S.p.A.	100.00	59.69	Services	Full
RCS Edizioni Locali S.r.l.	Milan	1,002,000	Euro	RCS Mediagroup S.p.A.	100.00	59.69	Publishing	Full
Trovolavoro S.r.l.	Milan	674,410	Euro	RCS Mediagroup S.p.A.	100.00	59.69	Advertising	Full
M-Dis Distribuzione Media S.p.A.	Milan	6,392,727	Euro	RCS MediaGroup S.p.A.	100.00	59.69	Distribution	Full
MDM Milano Distribuzione Media S.r.l.	Milan	611,765	Euro	M-Dis Distribuzione Media S.p.A.	56.00	33.43	Distribution	Full
Pieroni Distribuzione S.r.l.	Milan	750,000	Euro	M-Dis Distribuzione Media S.p.A.	51.00	30.44	Distribution	Full
TO-dis S.r.l.	Milan	510,000	Euro	M-Dis Distribuzione Media S.p.A.	100.00	59.69	Distribution	Full
Canal Mundo Radio Cataluna S.L.	Barcelona	3,010	Euro	Unidad Editorial S.A.	99.99	59.68	Radio	Full
Corporación Radiofónica Informacion y Deporte S.L.U.	Madrid	900,120	Euro	Unedisa Comunicaciones S.L.U.	100.00	59.68	Radio	Full
Ediciones Cónica S.A.	Madrid	432,720	Euro	Unidad Editorial S.A.	99.40	59.33	Publishing	Full
Ediservicios Madrid 2000 S.L.U.	Madrid	601,000	Euro	Unidad Editorial Revistas S.L.U.	100.00	59.68	Publishing	Full
Unidad Editorial Ediciones Locales, S.L.	Valencia	1,732,345	Euro	Unidad Editorial S.A. Unidad Editorial Informaciòn General S.L.U.	87.23 11.22	58.76	Publishing	Full
La Esfera de los Libros S.L.	Madrid	48,000	Euro	Unidad Editorial S.A.	75.00	44.76	Publishing	Full
Logintegral 2000 S.A.U.	Madrid	500,000	Euro	Unidad Editorial S.A.	100.00	59.68	Distribution	Full
Unedisa Comunicaciones S.L.U.	Madrid	610,000	Euro	Unidad Editorial S.A.	100.00	59.68	Multimedia	Full
Unedisa Telecomunicaciones S.L.U.	Madrid	1,100,000	Euro	Unidad Editorial S.A.	100.00	59.68	Multimedia	Full
Unedisa Telecomunicaciones de Levante S.L.	Valencia	3,010	Euro	Unedisa Telecomunicaciones S.L.U.	51.16	30.53	Multimedia	Full
Unidad Editorial S.A.	Madrid	125,896,898	Euro	RCS Mediagroup S.p.A.	99.99	59.68	Publishing	Full
Unidad Liberal Radio S.L.	Madrid	10,000	Euro	Unidad Editorial S.A.	55.00	32.83	Multimedia	Full
Unidad de Medios Digitales S.L.	Madrid	3,000	Euro	Unidad Editorial S.A.	50.00	29.84	Advertising	Full
Unidad Editorial Informaciòn Deportiva S.L.U.	Madrid	4,423,043	Euro	Unidad Editorial S.A.	100.00	59.68	Multimedia	Full
Unidad Editorial Informaciòn Economica S.L.U.	Madrid	102,120	Euro	Unidad Editorial S.A.	100.00	59.68	Publishing	Full
Unidad Editorial Formacion S.L.U.	Madrid	1,693,000	Euro	Unedisa Telecomunicaciones S.L.U.	100.00	59.68	Television	Full
Unidad Editorial Informaciòn General S.L.U.	Madrid	102,120	Euro	Unidad Editorial S.A.	100.00	59.68	Publishing	Full
Unidad Editorial Revistas S.L.U.	Madrid	1,195,920	Euro	Unidad Editorial S.A.	100.00	59.68	Publishing	Full
Veo Television S.A.	Madrid	769,824	Euro	Unidad Editorial S.A.	100.00	59.68	Television	Full
Sfera Editores Espana S.L.	Barcellona	174,000	Euro	RCS Mediagroup S.p.A.	100.00	59.69	Publishing	Full
Sfera Editores Mexico S.A.	Colonia Anzures	11,285,000	MXN	RCS Mediagroup S.p.A. Sfera Service S.r.l.	99.999 0.001	59.69	Publishing/Services	Full
Sfera France SAS	Paris	240,000	Euro	Sfera Editores Espana S.L.	66.70	39.81	Publishing	Full
Hotelyo S.A.	Chiasso	100,000	CHF	RCS Mediagroup S.p.A.	100.00	59.69	Digital	Full
RCS Sports and Events DMCC	Dubai	20,077	Euro	RCS Sports & Events S.r.l.	100.00	59.69	Services	Full

Companies consolidated at equity

Company	Registered office	Share capital at 31/12/2021	Currency	Investing company	% Direct interest	Business segment	Consolidation method
Quibee S.r.l.	Torino	15,873	Euro	RCS Mediagroup S.p.A.	37.00	Digital	Equity
Consorzio C.S.E.D.I.	Milan	103,291	Euro	M-Dis Distribuzione Media S.p.A.	20.00	Distribution	Equity
				Pieroni Distribuzione S.r.l.	10.00	Distribution	Equity
Liguria Press S.r.l.	Genova	240,000	Euro	M-Dis Distribuzione Media S.p.A.	40.00	Distribution	Equity
GD Media Service S.r.l.	Milan	789,474	Euro	M-Dis Distribuzione Media S.p.A.	29.00	Distribution	Equity
Corporacion Bermont S.L.	Madrid	21,003,100	Euro	Unidad Editorial S.A.	37.00	Print media	Equity
Bermont Catalonia S.A.	Barcelona	60,101	Euro	Corporacion Bermont S.L.	100.00	Print media	Equity
Bermont Impresion S.L.	Madrid	321,850	Euro	Corporacion Bermont S.L.	100.00	Print media	Equity
Calprint S.L.	Valladolid	1,856,880	Euro	Corporacion Bermont S.L.	39.58	Print media	Equity
Escuela de Cocina Telva S.L.	Madrid	61,000	Euro	Ediciones Cónica S.A.	50.00	Training	Equity
Lagar S.A.	Madrid	150,253	Euro	Corporacion Bermont S.L.	60.00	Print media	Equity
				Bermont Impresion S.L.	40.00		
Madrid Deportes y Espectáculos S.A. (in liquidation)	Madrid	600,000	Euro	Unidad Editorial Informaciòn Deportiva S.L.U.	30.00	Multimedia	Equity
Newsprint Impresion Digital S.L.		93,000	Euro	TF Print S.A.	50.00	Print media	Equity
Distribuciones Aliadas S.A	Sevilla	60,200	Euro	Recoprint Dos Hermanas S.L.U.	100.00	Print media	Equity
Grafilandia S,L.	Madrid	6,010	Euro	Corporacion Bermont S.L.	100.00	Print media	Equity
Omniprint S.A.	Santa Maria del Cami	2,790,000	Euro	Corporacion Bermont S.L.	100.00	Print media	Equity
Radio Salud S.A.	Barcelona	200,782	Euro	Unedisa Comunicaciones S.L.U.	30.00	Radio	Equity
Recoprint Dos Hermanas S.L.U.	Madrid	2,052,330	Euro	Corporacion Bermont S.L.	100.00	Print media	Equity
Recoprint Güimar S.L.U.	Madrid	1,365,140	Euro	Corporacion Bermont S.L.	100.00	Print media	Equity
Recoprint Impresiòn S.L.U.	Madrid	3,010	Euro	Corporacion Bermont S.L.	100.00	Print media	Equity
Recoprint Pinto S.L.U.	Madrid	3,652,240	Euro	Corporacion Bermont S.L.	100.00	Print media	Equity
Recoprint Rábade S.L.U.	Madrid	1,550,010	Euro	Corporacion Bermont S.L.	100.00	Print media	Equity
Recoprint Sagunto S.L.U.	Madrid	2,281,920	Euro	Corporacion Bermont S.L.	100.00	Print media	Equity
TF Print S.A.	Santa Cruz de Tenerife	1,382,328	Euro	Corporacion Bermont S.L.	75.00	Print media	Equity
				Bermont Impresion S.L.	25.00		
Unidad Liberal Radio Madrid S.L.	Madrid	10,000	Euro	Unidad Editorial S.A.	45.00	Multmedia	Equity
				Libertad Digital S.A.	55.00		
Iniziativa Immobiliare Due S.r.l.	Milan	500,000	Euro	Inimm Due S.à.r.l.	100.00	Real estate	Equity
Inimm Due S.à.r.l.	Lussemburgo	240,950	Euro	RCS MediaGroup S.p.A.	20.00	Real estate	Equity

Investments in other companies

Company	Registered office	Share capital at 31/12/2021	Currency	Investing company	% Direct interest	Business segment	Consolidation method
Auditel S.r.l.	Milan	300,000	Euro	La7 S.p.A.	3.33	Television	Cost
Ansa Società Cooperativa	Roma	10,783,362	Euro	RCS Mediagroup S.p.A.	4.38	Publishing	Cost
Cefriel S.c.a r.l.	Milan	1,173,393	Euro	RCS Mediagroup S.p.A.	5.46	Research	Cost
Consorzio Edicola Italiana	Milan	60,000	Euro	RCS Mediagroup S.p.A.	16.67	Digitla	Cost
Consuledit S.c.a r.l. in liquidation	Milan	20,000	Euro	RCS Mediagroup S.p.A.	19.55	Print media	Cost
H-Farm S.p.A.	Roncade (TV)	12,867,231	Euro	RCS MediaGroup S.p.A	0.52	Services	Cost
Immobiliare Editori Giornali S.r.l.	Rome	830,462	Euro	RCS MediaGroup S.p.A	7.49	Print media	Cost
ItaliaCamp S.r.l.	Rome	10,000	Euro	RCS MediaGroup S.p.A	2.91	Services	Cost
Mach 2 Libri S.r.l. in liquidation	Milan	646,250	Euro	RCS MediaGroup S.p.A	19.09	Print media	Cost
Digital Magics S.p.A.	Milan	7,653,239	Euro	RCS Mediagroup S.p.A.	0.38	Multimedia	Cost
Mperience S.r.l.	Rome	31,856	Euro	RCS Mediagroup S.p.A.	1.68	Digital	Cost
Fantaking Interactive S.r.l.	Brescia	10,000	Euro	RCS Mediagroup S.p.A.	15.00	Digital	Cost
SportPesa Italy S.r.l.	Milan	10,000	Euro	RCS MediaGroup S.p.A.	25.00	Multimedia	Cost
Premium Publisher Network (Consortium)	Milan	19,426	Euro	RCS Mediagroup S.p.A.	20.51	Advertising	Cost
Giorgio Giorgi S.r.l.	Calenzano (FI)	1,000,000	Euro	M-Dis Distribuzione Media S.p.A.	5.00	Distribution	Cost
Cronos Producciones Multimedia S.L.U.	Madrid	3,010	Euro	Libertad Digital Television S.A.	100.00	Print media	Cost
Ábside Media S.L.	Madrid	19,414,992	Euro	Unidad Editorial S.A.	0.02	Multimedia	Cost
Digicat Sis S.L.	Barcelona	3,200	Euro	Radio Salud S.A.	25.00	Radio	Cost
Libertad Digital S.A.	Madrid	4,763,260	Euro	Unidad Editorial S.A.	1.16	Multimedia	Cost
Libertad Digital Publicidad y Marketing S.L.U	Madrid	3,010	Euro	Libertad Digital S.A.	100.00	Advertising	Cost
Libertad Digital Television S.A.	Madrid	2,600,000	Euro	Libertad Digital S.A.	99.66	Television	Cost
Medios de Azahar S.A.	Castellon	825,500	Euro	Unidad Editorial Ediciones Locales, S.L	6.12	Services	Cost
Nuevo MarketPlace S.L.	Madrid	3,094,341	Euro	Unidad Editorial S.A.	9.98	Multimedia	Cost
Palacio del Hielo S.A.	Madrid	185,742	Euro	Unidad Editorial S.A.	8.53	Multimedia	Cost
Suscribe S.L.	Palma de Mallorca	300,000	Euro	Logintegral 2000 S.A.U.	15.00	Print media	Cost
Wouzee Media S:L	Madrid	14,075	Euro	Unidad Editorial S.A.	10.00	Multimedia	Cost
Yoodeal Ltd	Crowborough	150,000	GBP	RCS Mediagroup S.p.A.	2.00	Digital	Cost

ANNEX 2

RELATED PARTY TRANSACTIONS

The tables below provide details on related party transactions of the Cairo Communication Group:

Parents (€ millions)	**Trade receivables**	**Other receivables and current assets**	**Receivables from tax consolidation**
U.T. Communication S.p.A.	-	-	0.4
Total	**-**	**-**	**0.4**

Associates (€ millions)	**Trade receivables**	**Other receivables and current assets**	**Receivables from tax consolidation**
GD Media Service S.r.l.	0.3	-	-
Trento Press Service S.r.l.	-	-	-
Liguria Press S.r.l.	1.5	-	-
Iniziativa Immobiliare Due S.r.l.	0.2	-	-
Total	**2.0**	**-**	**-**

Associates (€ millions)	**Equity transactions**	**Trade payables**	**Other payables and current liabilities**	**Payables from tax consolidation**
GD Media Service S.r.l.		0.5	-	-
Liguria Press S.r.l.		0.2	-	-
Consorzio C.S.E.D.I.		-	-	-
Bermont Impresion S.L. (Bermont Group)		2.4	-	-
Recoprint Dos Hermanas S.L.U. (Bermont Group)		0.9	-	-
Recoprint Sagunto S.L.U. (Bermont Group)		0.7		
Calprint S.l. (Bermont Group)		-	-	-
Omniprint S.A. (Bermont Group)		0.4	-	-
Bermont Catalonia S.A. (Bermont Group)		0.8	-	-
TF Print S.A. (Bermont Group)		0.4	-	-
Recoprint Ràbade S.L.U. (Bermont Group)		0.6	-	-
Radio Salud S.A.		0.2	-	-
Total		**7.1**	**-**	**-**

Companies subject to the control of parents (€ millions)	**Trade receivables**	**Other receivables and current assets**	**Receivables from tax consolidation**
Torino FC S.p.A.	0.5	-	-
Total	**0.5**	**-**	**-**

Companies subject to the control of parents (€ millions)	Trade payables	Other payables and current liabilities	Payables from tax consolidation	Other current financial liabilities
Torino FC S.p.A.	0.4	-	-	-
Total	**0.4**	**-**	**-**	**-**

Other related parties (€ millions)	Trade receivables	Other receivables and current assets	Receivables from tax consolidation	Other current financial assets
Della Valle Group companies	0.6	-	-	-
Total	**0.6**	**-**	**-**	**-**

Associates (€ millions)	Operating revenue	Operating costs	Financial income	Financial expense
GD Media Service S.r.l.	0.3	(0.9)	-	-
Trento Press Service S.r.l.	0.6	(0.2)	-	-
Liguria Press S.r.l.	2.2	(0.6)	0.1	-
Consorzio C.S.E.D.I.	-	(0.1)	-	-
Bermont Impresion S.L. (Bermont Group)	-	(5.5)	-	-
Recoprint Dos Hermanas S.L.U. (Bermont Group)	-	(2.1)	-	-
Recoprint Sagunto S.L.U. (Bermont Group)	-	(1.6)	-	-
Calprint S.l. (Bermont Group)	-	-	-	-
Omniprint S.A. (Bermont Group)	-	(0.7)	-	-
Bermont Catalonia S.A. (Bermont Group)	-	(1.6)	-	-
TF Print S.A. (Bermont Group)	-	(1.1)	-	-
Recoprint Ràbade S.L.U. (Bermont Group)	-	(1.4)	-	-
Radio Salud S.A.	0.1	(0.6)	-	-
Iniziativa Immobiliare Due S.r.l.	-		0.1	-
Total	**3.2**	**(16.4)**	**0.2**	**-**

Companies subject to the control of parents (€ millions)	Operating revenue	Operating costs	Financial income	Financial expense
Torino FC S.p.A.	0.1	(2.2)	-	-
Total	**0.1**	**(2.2)**	**-**	**-**

Other related parties (€ millions)	Operating revenue	Operating costs	Financial income	Financial expense
Della Valle Group companies	0.8	-	-	-
Supplementary Pension Fund for Senior Managers (FIPDIR	-	(0.3)	-	-
Total	**0.8**	**(0.3)**	**-**	**-**

Consolidated income statement pursuant to CONSOB Resolution no. 15519 of 27 July 2006

€ millions	2021	of which related parties (*)	% of total	2020	of which related parties (*)	% of total
Net revenue	1,070.7	4.1	0.4%	969.6	266.9	27.5%
Other revenue and income	39.1		-	19.0		-
- of which non-recurring	-			*0.5*		
Change in inventory of finished products	0.4	-	-	(1.9)	-	-
Raw and ancillary materials and consumables	(90.0)	-	-	(96.0)	-	-
Cost of services	(467.1)	(18.9)	4.0%	(420.5)	(86.1)	20.5%
- of which non-recurring	*(0.2)*			*(0.5)*		
Use of third-party assets	(31.8)	-	-	(25.9)	-	-
Personnel expense	(325.2)	-	-	(320.4)	-	-
- of which non-recurring	*(3.6)*			*(15.1)*		
Amortization, depreciation, provisions and write-downs	(76.2)	-	-	(79.0)	-	-
- of which non-recurring	-			*(0.8)*		
Other operating costs	(16.7)	-	-	(14.4)	-	-
Operating profit	**103.1**			**30.5**		
Other gains (losses) from financial assets/liabilities (**)	4.6	-	-	3.2	-	-
- of which non-recurring	*2.4*			*(0.5)*		
Net financial income (expense)	(11.1)	0.2	-1.8%	(10.2)	0.5	-4.9%
- of which non-recurring	*2.4*			*2.4*		
Profit (loss) before tax	**96.7**			**23.5**		
Income tax for the period	(16.8)	-	-	5.5	-	-
- of which non-recurring				*9.9*		
Profit (loss) from continuing operations	**79.9**			**29.0**		
Profit (loss) from discontinued operations	-	-	-	0.0	-	-
Profit (loss) for the period	**79.9**			**29.0**		

(*) Related party transactions are analyzed in Note 40

(**) As from 2021, the item "Net income (expense) from equity-accounted investees", amounting to a net expense of Euro 2.1 million, previously under EBITDA, has been classified under Operating profit (EBIT), among financial items. Consistently, this item was also reclassified for 2020 (when net expense had amounted to Euro 2.9 million).

Consolidated statement of financial position pursuant to CONSOB Resolution no. 15519 of 27 July 2006

€ millions

Assets	31 December 2021	of which related parties (*)	% of total	31 December 2020	of which related parties (*)	% of total
Property, investment property, plant and equipment	57.0			70.9		
Rights of use on leased assets	168.5			164.9		
Intangible assets	985.1			982.3		
Investments	32.2			37.1		
Non-current financial receivables and financial assets recognized for derivatives	0.3			0.4		
Other non-current assets	4.7			2.0		
Deferred tax assets	86.8			96.3		
Total non-current assets	**1,334.6**			**1,353.9**		
Inventory	19.6			19.9		
Trade receivables	288.8	0.6	0.2%	244.2	0.5	0.2%
Receivables from parents, associates and affiliates	2.9	2.9	98.8%	17.0	17.0	100.0%
Sundry receivables and other current assets	61.3			33.9		
Other current financial assets	0.3			6.9	6.0	87.0%
Cash and cash equivalents	113.0			87.4		
Total current assets	**485.9**			**409.3**		
Total assets	**1,820.5**			**1,763.2**		

Equity and liabilities	31 December 2021	of which related parties (*)	% of total	31 December 2020	of which related parties (*)	% of total
Share capital	7.0			7.0		
Share premium reserve	224.2			224.2		
Prior-years' earnings (losses)	232.2			220.7		
Profit for the period	51.0			16.5		
Equity attributable to the owners of the parent	**514.4**			**468.4**		
Non-controlling interests' share capital and reserves	333.3			309.4		
Total equity	**847.7**			**777.8**		
Payables and non-current financial liabilities	39.6			59.9		
Non-current liabilities from lease contracts	154.9			152.1		
Post-employment benefits	49.8			51.2		
Provisions for non-current risks and charges	31.2			27.7		
Deferred tax liabilities	162.1			164.2		
Other non-current liabilities	1.2			1.0		
Total non-current liabilities	**438.8**			**456.1**		
Payables and current financial liabilities	36.8	0.8	2.2%	97.5	0.8	0.8%
Current liabilities from lease contracts	29.9			28.8		
Payables to suppliers	298.8			243.5		
Payables to parents, associates and affiliates	7.5	7.5	100.0%	8.8	8.8	100.0%
Tax payables	20.2			20.1		
Current portion of provisions for risks and charges	30.7			29.4		
Sundry payables and other current liabilities	110.1			101.2		
Total current liabilities	**534.0**			**529.3**		
Total liabilities	**972.8**			**985.4**		
Total equity and liabilities	**1,820.5**			**1,763.2**		

(*) Related party transactions are analyzed in Note 40

Appendix
Information pursuant to Article 149-duodecies of CONSOB Issuer Regulation

The following summary, prepared pursuant to Article 149-xii of CONSOB Issuer Regulation, shows the fees for the current period for auditing and other services provided by the Independent Auditors.

(€ millions)	**Services provided by**	**Fees for the period**
Audit		
Parent - Cairo Communication S.p.A.	Deloitte & Touche S.p.A.	0.1
Subsidiaries	Deloitte & Touche S.p.A.	0.2
Certification services (*)		
Parent - Cairo Communication S.p.A.	Deloitte & Touche S.p.A.	0.0
Subsidiaries	Deloitte & Touche S.p.A.	0.0
Other services (*)		
Parent Company - Cairo Communication S.p.A. (*)	Deloitte & Touche S.p.A.	0.0
		0.3

(*) Certification services refer to the Consolidated Non-Financial Statement (Euro 18 thousand).

Auditing and other services to RCS MediaGroup and its subsidiaries are provided by the Independent Auditors Deloitte & Touche S.p.A. as shown in the table below:

(€ millions)	**Services provided by**	**Fees for the period**
Audit		
RCS MediaGroup S.p.A.	Deloitte & Touche S.p.A.	0.4
Italian subsidiaries	Deloitte & Touche S.p.A.	0.1
Foreign subsidiaries	Deloitte Network	0.3
Certification services (*)		
Italian companies	Deloitte & Touche S.p.A.	0.0
Foreign subsidiaries	Deloitte Network	0.0
Other services (*)		
RCS MediaGroup S.p.A.	Deloitte & Touche S.p.A.	-
Foreign subsidiaries	Deloitte Network	0.1
Total		**0.9**

(*) Certification services refer to the Consolidated Non-Financial Statement (Euro 34 thousand). Other services refer mainly to consulting in certain Spanish companies.

Certification of the consolidated financial statements pursuant to Article 81 ter of CONSOB Regulation no. 11971 of 14 May 1999 as subsequently amended and supplemented

1. The undersigned Urbano Roberto Cairo, as Chairman of the Board of Directors, and Marco Pompignoli, as Financial Reporting Manager of Cairo Communication S.p.A., also in accordance with Article 154 bis, paragraphs 3 and 4 of Legislative Decree no. 58 of 24 February 1998, certify:

• the adequacy of the characteristics of the Company and

• the effective application of administrative and accounting procedures for the preparation of the 2021 consolidated financial statements.

2. We also certify that:

2.1 the consolidated financial statements at 31 December 2021:

a) have been prepared in compliance with International Financial Reporting Standards endorsed by the European Union, pursuant to EEC Regulation no. 1606/2002 of the European Parliament and Council, of 19 July 2002,

b) are consistent with the accounting records and books of the Company,

c) give a true and fair view of the financial position and performance of the Issuer and the companies included in the scope of consolidation;

2.2 the Directors' Report contains a reliable analysis of performance and the results of operations, as well as of the position of the Issuer and of the companies included in the scope of consolidation, together with a description of the main risks and uncertainties they are exposed to.

Milan, 25 March 2022

For the Board of Directors	The Financial Reporting Manager
The Chairman	
…………………………………………….	……………………………………
(Urbano Roberto Cairo)	(Marco Pompignoli)

Deloitte.

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INDEPENDENT AUDITOR'S REPORT PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010 AND ARTICLE 10 OF THE EU REGULATION 537/2014

To the Shareholders of
Cairo Communication S.p.A.

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of Cairo Communication S.p.A. and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at December 31, 2021, the income statement, the statement of comprehensive income, the statement of changes in equity and statement of cash flows for the year then ended, and the related notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of Cairo Communication S.p.A. (the "Company") in accordance with the ethical requirements applicable under Italian law to the audit of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Codice Fiscale/Registro delle Imprese di Milano Monza Brianza Lodi n. 03049560166 - R.E.A. n. MI-1720239 | Partita IVA: IT 03049560166

Impairment test of goodwill and other intangible assets with an indefinite useful life related to the Group RCS MediaGroup S.p.A.	
Description of the key audit matter	The consolidated financial statements at December 31, 2021 include intangible assets with an indefinite useful life of Euro 852 million, of which Euro 844.9 million relate to trademarks, magazines, television and broadcast licenses' (Euro 656.6 million), as well as goodwill (Euro 188.3 million) mainly related to RCS MediaGroup Group ("Group RCS"). The recoverability of the aforementioned intangible assets is verified by the Directors at least annually, or, whenever there are indicators of potential impairment, by comparing the carrying amount of the intangible assets with the estimated recoverable amount through an impairment test. The Directors, with the assistance of an external consultant, determined the recoverable amount of goodwill and other intangible assets with an indefinite useful life related to RCS Group, estimating the value in use by using the discounted cash flow model. To this end, the Directors considered an explicit period for the different CGU and determined the terminal value of the abovementioned other intangible assets according to the methods described in the notes. The methodology used for the impairment test is characterized by a high degree of complexity and the use of estimates, which by their nature are uncertain and subjective, with reference to the following elements: • the expected cash flows, whose determination is influenced by the general economic trend and related markets, the cash flows recorded by the Group in recent years, and the expected growth rates; • the parameters used to determine an appropriate discount rate (WACC); and • the long-term growth rate (g-rate). Following the impairment test, the Directors did not recognize any impairment loss. In the light of the current context of general uncertainty, the Group has also carried out a sensitivity analysis more conservative (stress test) considering variations in terms of cash flows reduction. Given the materiality of the value of goodwill and other intangible assets with an indefinite useful life related to RCS Group, the subjectivity and uncertainty inherent in the estimates of expected cash flows and the key variables of the impairment model, we considered the impairment test of those intangible assets as a key audit matter of the Group's consolidated financial statements. Note 18 "Intangible assets" includes the disclosure on the impairment test.

Audit procedures performed	As part of our audit, we have carried out, among other procedures, the following, which were performed along with the support of Deloitte network experts: • analysis of the methods used by the Directors to determine the recoverable amount by analyzing the methods and assumptions used for the development of the impairment test; • understanding of the relevant controls implemented by the Group on this process; • verification of compliance with the applicable accounting standards of the method adopted by the Directors for the impairment test; • assessment of the skills, abilities and objectivity of the expert involved by the Directors for the preparation of the impairment test related to RCS Group; • analysis of the reasonableness of the main assumptions adopted for the determination of the projected cash flow; • analysis of sector data and other information we consider necessary obtained from Directors; • analysis of the deviations between actual results and forecasted results in order to assess the nature of the deviations and the reliability of the planning process; • assessment of the reasonableness of the discount rate (WACC) and of the long-term growth rate (g-rate); • verification of the mathematical clerical accuracy of the model used to determine the value in use of the CGUs; • verification of the correct determination of the book value of the CGUs; • review of the sensitivity analysis prepared by Directors; • review of the disclosure reported by the Directors in the notes and its compliance with IAS 36.
Recoverability of deferred tax assets of the Unidad Editorial Group	
Description of the key audit matter	The Group recognizes deferred tax assets of Euro 86.8 million of which Euro 58.1 million relate to Unidad Editorial Group. Those deferred tax assets are related to tax losses carried forward and to temporary tax differences for which, under Spanish law, use restrictions are provided for in respect of the tax base for each financial year. The Directors have assessed the recoverability of these assets on the basis of expected future taxable income arising from the five-year plan (2022-2026) for the explicit period and extrapolating from the latter the expected taxable income for subsequent years. Taking into consideration the current context of general uncertainty, a sensitivity analysis was performed, in line with the analysis prepared for the impairment test, and no issues emerged with respect to the overall recoverability of the deferred tax assets recognized.

	Given the existence of tax losses generated in the past years, the peculiarities of the Spanish law, as well as the subjectivity and uncertainty inherent in the estimates of future taxable income, we considered the recoverability of deferred tax assets of the Unidad Editorial Group as a key audit matter of the Group's consolidated financial statements. Note 22 "Deferred Income taxes" includes the disclosure on the Group's deferred tax assets.
Audit procedures performed	As part of our audit, we have carried out, among other procedures, the following: • understanding of the relevant controls implemented by the Group to verify the recognition and recoverability of deferred tax assets; • analysis of the methods used by the Directors to verify the recoverability of deferred tax assets; • analysis of the reasonableness of the main assumptions adopted for the formulation of forecasts of future taxable income; • verification of the consistency of future taxable income with the five-year plan of Unidad Editorial Group prepared by the Directors and the projections for subsequent years; • analysis of the deviations between actual results and forecasted results in order to assess the nature of the deviations and the reliability of the planning process; • analysis of deductible temporary differences and tax losses that generated the recognition of deferred tax assets; • analysis of the appropriateness of the applied tax rates and the arithmetical calculation of deferred tax assets; • review of the sensitivity analysis prepared by Directors; • review of the disclosure reported in the notes and its compliance with IAS 12.

Recognition of advertising revenues	
Description of the key audit matter	The Group recognizes net advertising revenues for Euro 504.5 million in the consolidated income statement for the year ended December 31, 2021, primarily derived from revenues earned on traditional media (press and TV advertising) and on the digital segment. Revenues from the sale of advertising space on traditional media are recognized according to the issue date of the publications (press advertising) and according to the date of broadcasting (tv advertising), while advertising revenues generated in digital operations are recognized at the time of the broadcasting or publication of the message on the digital editions of the abovementioned media. We consider the recognition of advertising revenues, with particular reference to the accuracy of such revenues, to be a key audit matter of the Group's consolidated financial statements given the significance of the advertising revenues, the number and the variety of contractual conditions applied to the customers and the complexity of the IT systems for recording revenues.

	Note 1 "Net Revenues" of the consolidated financial statements includes the disclosure on the Group's revenues, while the revenue recognition criteria are described in the paragraph "Revenue recognition" included in note "Evaluation Criteria".
Audit procedures performed	As part of our audit, we have carried out, among other procedures, the following: • understanding of the process and of the relevant controls implemented by the Group for the recognition of advertising revenues and verification of their operating effectiveness, including IT controls, also with the assistance of Deloitte network IT specialists; • analysis of the consistency between the sales of advertising spaces of the 2021 financial year from the advertising tracking IT system with the advertising revenues recorded in the financial statements; • performance of a trend analysis on the main components (volumes and prices) of advertising revenues recorded during the 2021 financial year as well as the first months of 2022; • analysis, on a sample basis, of sales transactions through an analysis of the underlying documents; • review of the disclosure reported by the Directors and its compliance with IFRS 15.

Responsibilities of the Directors and the Board of Statutory Auditors for the Consolidated Financial Statements

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05, and, within the terms established by law, and for such internal control as the Directors determine is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the Company or the termination of the business or have no realistic alternatives to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

We also provided those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence applicable in Italy, and to communicate to them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the consolidated financial statements of the current period and they are the key audit matters. We describe these matters in our auditors' report.

Other information communicated pursuant to art. 10 of the EU Regulation 537/2014

The Shareholders' Meeting of Cairo Communication S.p.A. has appointed us on April 27, 2018 as auditors of the Company for the years ended December 31, 2020 to December 31, 2028.

We declare that we have not provided prohibited non-audit services referred to in art. 5 (1) of EU Regulation 537/2014 and that we have remained independent of the Company in conducting the audit.

We confirm that the opinion on the consolidated financial statements expressed in this report is consistent with the additional report to the Board of Statutory Auditors, in its role of Audit Committee, referred to in art. 11 of the said Regulation.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion on the compliance with the provisions of the Delegated Regulation (EU) 2019/815

The Directors of Cairo Communication S.p.A. are responsible for the application of the provisions of the European Commission Delegated Regulation (EU) 2019/815 with regard to the regulatory technical standards on the specification of the single electronic reporting format (ESEF – European Single Electronic Format) (hereinafter referred to as the "Delegated Regulation") to the consolidated financial statements, to be included in the annual financial report.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 700B in order to express an opinion on the compliance of the consolidated financial statements with the provisions of the Delegated Regulation.

In our opinion, the consolidated financial statements have been prepared in XHTML format and have been marked up, in all material respects, in accordance with the provisions of the Delegated Regulation.

Opinion pursuant to art. 14 paragraph 2 (e) of Legislative Decree 39/10 and art. 123-bis, paragraph 4, of Legislative Decree 58/98

The Directors of Cairo Communication S.p.A. are responsible for the preparation of the report on operations and the report on corporate governance and the ownership structure of the Group as at December 31, 2021, including their consistency with the related consolidated financial statements and their compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations and some specific information contained in the report on corporate governance and the ownership structure set forth in art. 123-bis, n. 4 of Legislative Decree 58/98, with the consolidated financial statements of the Group as at December 31, 2021 and on their compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the above-mentioned report on operations and some specific information contained in the report on corporate governance and the ownership structure are consistent with the consolidated financial statements of the Group as at December 31, 2021 and are prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the entity and of the related context acquired during the audit, we have nothing to report.

Statement pursuant to art. 4 of the Consob Regulation for the implementation of Legislative Decree 30 December 2016, no. 254

The Directors of Cairo Communication S.p.A. are responsible for the preparation of the non-financial statement pursuant to Legislative Decree 30 December 2016, no. 254.

We verified the approval by the Directors of the non-financial statement.

Pursuant to art. 3, paragraph 10 of Legislative Decree 30 December 2016, no. 254, this statement is subject of a separate attestation issued by us.

DELOITTE & TOUCHE S.p.A.

Signed by
Giacomo Bellia
Partner

Milan, Italy
March 31,2022

This report has been translated into the English language solely for the convenience of international readers.

CAIRO COMMUNICATION

Cairo Communication S.p.A.
Separate financial statements at 31 December 2021

Income statement at 31 December 2021

Euro	Notes	31 December 2021	31 December 2020
Net revenue	1	5,114,461	6,579,183
Other revenue and income	2	255,673	955,048
Cost of services	3	(2,578,180)	(3,744,005)
Use of third-party assets	3	(63,631)	(737,784)
Personnel expense	4	(1,875,419)	(2,474,781)
Amortization, depreciation, provisions and write-dov	5	(223,575)	(1,737,513)
Other operating costs	3	(43,898)	(31,790)
Operating profit		**585,431**	**(1,191,643)**
Net financial income (expense)	6	(381,852)	(482,375)
Income (expense) from investments	7	11,736,135	(351,013)
Profit (loss) before tax		**11,939,714**	**(2,025,031)**
Tax	8	(242,817)	458,749
Profit (loss) from continuing operations		**11,696,897**	**(1,566,282)**
Profit (loss) from discontinued operations		0	0
Profit (loss) for the period		**11,696,897**	**(1,566,282)**

Statement of comprehensive income at 31 December 2021

Euro	31 December 2021	31 December 2020
Profit (loss) for the period	**11,696,897**	**(1,566,282)**
Other reclassifiable items of the comprehensive income statement	-	-
Gains (losses) from the measurement of available-for-sale financial assets	-	-
Tax effect	-	-
Other non-reclassifiable items of the comprehensive income statement		
Actuarial gains (losses) from defined benefit plans	3,758	(56,251)
Tax effect	(902)	13,487
Total comprehensive income	**11,699,753**	**(1,609,046)**

Statement of financial position

Euro Assets	Notes	31 December 2021	31 December 2020
Property, plant and equipment	9	351,238	329,834
Rights of use on leased assets	10	29,148	326,431
Intangible assets	11	226,426	225,679
Investments	12	328,804,875	328,804,875
Other non-current financial assets	13	29,396,091	23,330,269
Deferred tax assets	14	1,303,089	7,533,747
Non-current financial assets recognized for derivatives	15	14,624	-
Total non-current assets		**360,125,491**	**360,550,835**
Trade receivables	16	544,889	632,682
Receivables from parents	24	93,611	93,611
Receivables from subsidiaries	17	62,680,370	57,864,293
Sundry receivables and other current assets	18	553,142	378,762
Cash and cash equivalents	19	9,755,383	1,178,956
Total current assets		**73,627,395**	**60,148,304**
Total assets		**433,752,886**	**420,699,140**

Equity and liabilities		31 December 2021	31 December 2020
Share capital	20	6,989,663	6,989,663
Share premium reserve	20	224,075,425	224,075,425
Retained earnings	20	15,380,219	22,325,200
Other reserves	20	1,624,293	1,639,669
Treasury shares	20	(2,352)	(2,352)
Profit for the period	20	11,696,898	(1,566,282)
Total equity		**259,764,146**	**253,461,323**
Payables and non-current financial liabilities	19	5,000,000	-
Non-current liabilities from lease contracts	21	19,613	218,504
Post-employment benefits	22	1,186,492	1,142,582
Provisions for risks and charges	22	-	-
Total non-current liabilities		**6,206,105**	**1,361,086**
Payables to suppliers	23	1,619,576	2,523,383
Payables to subsidiaries	25	91,107,966	80,268,440
Payables and current financial liabilities	19	5,000,000	40,000,000
Current liabilities from lease contracts	21	6,091	110,912
Financial payables to subsidiaries	26	68,294,642	40,030,247
Tax payables	27	231,860	963,427
Other current liabilities	28	1,522,499	1,980,322
Total current liabilities		**167,782,634**	**165,876,731**
Total liabilities		**173,988,739**	**167,237,817**
Total equity and liabilities		**433,752,886**	**420,699,140**

Statement of cash flows

Euro/000	2021	2020
CASH AND CASH EQUIVALENTS	**1,179**	**924**
OPERATIONS		
Profit (loss)	11,697	(1,566)
Amortization, depreciation, provisions and write-downs	224	1,738
Write-down of investments	0	351
Release of provision for the write-down of investments	0	0
Net financial income	(11,354)	482
Income tax	243	(459)
Change in post-employment benefits	44	(360)
Change in provisions for risks and charges	0	(1,400)
Cash flow from operations before changes in working capital	**853**	**(1,215)**
(Increase) decrease in trade and other receivables	(4,946)	(14,670)
Increase (decrease) in payables to suppliers and other liabilities	8,746	16,999
TOTAL CASH FLOW FROM OPERATIONS	**4,654**	**1,115**
Income tax paid	0	0
Financial expense paid	(382)	(471)
TOTAL NET CASH FLOW FROM OPERATIONS (A)	**4,272**	**644**
INVESTING ACTIVITIES		
Net (acquisition) disposal of PPE and intangible assets, rights of use on leased assets and intangible assets	(144)	(744)
Interest and financial income received	0	61
Dividends received	11,736	0
Net (increase) in other non-current assets	6,231	19
NET CASH USED IN INVESTING ACTIVITIES (B)	**17,823**	**(664)**
FINANCING ACTIVITIES		
Dividends paid	(5,377)	0
Increase (decrease) in non-current financial assets	(6,080)	0
Increase (decrease) in financial payables	(1,736)	0
Net change in lease liabilities	(304)	297
Other changes in equity	(22)	(23)
NET CASH USED IN FINANCING ACTIVITIES (C)	**(13,519)**	**274**
NET CASH FLOW FOR THE PERIOD (A) + (B) + (C)	**8,576**	**254**
NET CASH AND CASH EQUIVALENTS CLOSING BALANCE	**9,755**	**1,179**

Statement of changes in equity

Euro/000	Share capital	Share premium reserve	Retained earnings	Other reserves	Treasury shares	Profit (loss) for the period	Equity
Balance at 31 December 2018	**6,990**	**236,436**	**89**	**1,640**	**(2)**	**6,458**	**251,610**
Allocation of profit (loss)			6,458			(6,458)	0
Dividend distribution		(12,360)	(6,458)				(18,818)
Actuarial gains (losses) from defined benefit plans			(2)			2	0
Total comprehensive profit (loss) for the period						22,260	22,260
Balance at 31 December 2019	**6,990**	**224,076**	**87**	**1,640**	**(2)**	**22,262**	**255,051**
Allocation of profit (loss)			22,262			(22,262)	0
Dividend distribution							0
Other changes			20				20
Actuarial gains (losses) from defined benefit plans			(43)			43	0
Total comprehensive profit (loss) for the period						(1,609)	(1,609)
Balance at 31 December 2020	**6,990**	**224,076**	**22,326**	**1,640**	**(2)**	**(1,566)**	**253,462**
Allocation of profit (loss)			(1,566)			1,566	-
Dividend distribution			(5,377)				(5,377)
Other changes			(6)	(16)			(22)
Actuarial gains (losses) from defined benefit plans			3			(3)	-
Total comprehensive profit (loss) for the period						11,700	11,700
Balance at 31 December 2021	**6,990**	**224,076**	**15,380**	**1,624**	**(2)**	**11,697**	**259,764**

NOTES TO THE SEPARATE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021

Main activities

Cairo Communication S.p.A. (the Parent or the Company) is a joint-stock company listed in the Milan Company Register.

The Cairo Communication Group (the Group) operates as a publisher of magazines and books (Cairo Editore - and its division Editoriale Giorgio Mondadori - and Cairo Publishing), as a TV publisher (La7), as a multimedia advertising broker selling advertising time and space on television, in print media and in stadiums (Cairo Communication and CAIRORCSMedia), as a publisher of dailies and magazines (weeklies and monthlies) in Italy and Spain through RCS MediaGroup (RCS), also active in the organization of major world sporting events, in distribution to newsstands, and as a network operator (Cairo Network S.r.l.).

The registered office of Cairo Communication S.p.A. is in Corso Magenta 55, Milan. The administrative offices, the advertising sales units and Il Trovatore and Cairo Network are located in Via Rizzoli 8. The magazine publishing business is managed at the offices of Cairo Editore in Corso Magenta 55, Milan. The publishing business of La7 is managed mainly in Rome at the registered offices and the TV studios of La7 S.p.A. in Via della Pineta Sacchetti 229 and Via Novaro 32, respectively. RCS activities are mainly carried out in Via Rizzoli 8 and Via Solferino 28, Milan, and in Avenida San Luis 25, Madrid.

The income statement and the statement of financial position are presented in Euro, while the statement of cash flows, the statement of changes in equity and the amounts in these notes are presented in thousands of Euro.

As the Parent, Cairo Communication S.p.A. has also prepared the consolidated financial statements of the Cairo Communication Group at 31 December 2021.

Basis of preparation

Structure, form and content of the financial statements

The separate financial statements of Cairo Communication S.p.A. at 31 December 2021 have been prepared in accordance with IFRS issued by the International Accounting Standard Board ("IASB") and endorsed by the European Union, as well as with the provisions arising from Article 9 of Legislative Decree no. 38/2005. The term IFRS is used to mean all the international accounting standards ("IAS"), and all the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), formerly the Standing Interpretations Committee ("SIC").

The accounting standards adopted in the preparation of the separate financial statements are the same as those used for the financial statements at 31 December 2020, with the exception of the adoption of the new standards affective as of 1 January 2021, as described below in *Accounting standards, amendments and interpretations effective as of 1 January 2021*.

For completeness of information, the following annexes are supplied as an integral part of these Notes:

- Annex 1: List of investments in direct subsidiaries;
- Annexes 2 and 3: Summary figures of the draft financial statements of direct subsidiaries at 31 December 2021;
- Annexes 4 and 5: Summary figures of the most recently approved financial statements of direct subsidiaries.

The main accounting policies adopted are shown below.

These separate financial statements were audited by Deloitte & Touche S.p.A. pursuant to Legislative Decree no. 39 of 27 January 2010 and Regulation (EU) no. 537/214. The assignment has been awarded for a period of nine financial years (2020 - 2028), pursuant to Article 17, paragraph 1 of the above Decree.

The presentation currency of these financial statements is the Euro, which is also used to present the Cairo Group's consolidated financial statements. Unless otherwise specified, all amounts shown in these notes are stated in Euro.

The financial statements are prepared on a going concern basis.

In accordance with the requirements of document no. 2 of 6 February 2009 issued jointly by the Bank of Italy, CONSOB and ISVAP, it should be noted that the financial statements of Cairo Communication at 31 December 2021 have been prepared on a going concern basis, as the Company has determined that, despite the challenging geopolitical context, the impacts of which cannot be predicted at this time, there are no significant uncertainties (as defined in paragraph 25 of IAS 1) on the Company's ability to continue operating as a going concern. In drawing these conclusions, account was taken of (i) the income outlook and cash generating capacity of the Company and the Group which, in 2021 too, improved its financial position by approximately Euro 100.2 million versus a net financial debt of Euro 63.2 million at the beginning of the year; (ii) liquidity held by the wholly-owned subsidiaries of the Group; and (iii) in any event, the fact that the Company has no difficulties in accessing new liquidity in the form of lines of credit.

Financial statements schedules

The **income statement** is presented by nature, highlighting interim operating results and pre-tax results, and, in order to allow a better measure of ordinary operating management performance. Furthermore, cost and revenue components deriving from events or transactions which, by their nature or size, are considered non-recurring, are also separately identified in the financial statements and the notes. These transactions also fall under the definition of non-recurring events and transactions as per CONSOB Communication No. 6064293 of 28 July 2006.

The income statement effect of discontinued operations is shown in a single line of the income statement named "Profit/loss from discontinued operations", under IFRS 5.

The **statement of comprehensive income** also reflects the "*changes arising from transactions with non-owners*"- separately showing the relevant tax effects, that is:

- profit and loss that could be directly recognized in equity (for instance, actuarial losses from the measurement of defined benefit plans),
- the effects of the measurement of derivative instruments hedging future cash flows,
- the effects of the measurement of "available-for-sale financial assets",
- the effects arising from any change in accounting standards.

The statement of comprehensive income presents the items relating to the amounts of the components of other comprehensive income for the period by nature and grouped into those which, in accordance with the provisions of other IAS/IFRS:

- will not be subsequently reclassified to profit (loss) for the period;
- will be subsequently reclassified to profit (loss) for the period, when certain conditions are met.

The **statement of financial position** presents separately assets and liabilities divided in current and non-current, indicating, on two separate lines, "Assets intended for sale" and "Liabilities associated with discontinued operations", in accordance with IFRS 5. Specifically, an asset or a liability is classified as current when it satisfies one of the following criteria:

- it is expected to be realized or settled or it is expected to be sold or utilized in the normal operating cycle of the company;
- it is held mainly to be traded;

- it is expected to be realized or settled within 12 months of the reporting date.

Otherwise, the asset or liability is classified as non-current.

The **statement of cash flows** has been prepared applying the indirect method in which the net result is adjusted to reflect transactions of a non-monetary nature, for whatever deferral or accrual of previous or future operating receipts or payments and for revenue or cost components connected to cash flows arising from investing or financing activities. Income and expense relating to medium or long-term financial operations and those relating to hedging instruments and dividends paid are included in financing activities.

The **statement of changes in equity** shows the changes in equity relating to:

- allocation of profit for the period;
- amounts relating to transactions with owners (purchase and sale of treasury shares);

and separately income and expense defined as "*changes arising from transactions with non-owners*", also shown in the statement of comprehensive income.

For each significant item detailed in the above-mentioned schedules, reference is made to the following notes in which relevant information is provided, with details also on composition and variations versus the prior year.

Furthermore, in order to comply with CONSOB Resolution No. 15519 of 27 July 2006 relating to financial statements schedules, specific additional statements of comprehensive income and of financial position have been prepared, showing significant transactions with related parties separately for each item.

<u>Revenue and cost recognition</u>

Revenue and cost and income and expense are recognized on an accruals basis, specifically:

- Revenue is recognized in the income statement when the criteria set out in IFRS 15 are met.
- Revenue is recognized based on the likelihood of the Company to enjoy the economic benefits and in the extent to which the amount can be reliably determined. Revenue is stated net of any adjustments.
- Advertising revenue is recognized at the moment the advertisement is broadcast or published or provision of services offered.
- Cost is recognized using the same criteria for revenue recognition and on an accruals basis.

- Interest income and expense are recognized on an accruals basis.
- Dividends are recognized only as from when the shareholders' right to the dividend payment has been established, i.e. at the date of the shareholders' meeting resolution, and only when resulting from a profit distribution following the acquisition of the investment; in the case, however, of a profit distribution prior to the acquisition of their relevant shares, such dividends are treated as a reduction in the cost of the relevant investment.
- Chargebacks of costs incurred on behalf of third parties are recognized as a reduction in the cost they relate to.
- Financial income and expense are recognized in the income statement on a maturity basis, as a function of time, using the effective interest method.

Tax

Tax for the period corresponds to the sum of current, deferred tax and prepaid tax.

Current tax is based upon taxable income for the period. Taxable income differs from the results shown in the income statement as it excludes both positive and negative entries which would be taxable or deductible in other tax years and excludes components which are not taxable or deductible at any time.

Current tax is calculated using the rates in force at the reporting date.

Cairo Communication presented the tax consolidation scheme option pursuant to Article 117/129 of the TUIR (Consolidated Income Tax Act) starting from 2016, together with the subsidiaries Cairo Editore, Cairo Pubblicità, Diellesei in liquidation, Cairo Publishing, La7 and Cairo Network.

Starting from tax period 2021, Cairo Communication S.p.A. and RCS MediaGroup S.p.A. have jointly participated in the national tax consolidation scheme, with Cairo Communication S.p.A. acting as the consolidating company, as well as the subsidiaries of RCS MediaGroup S.p.A., where the conditions exist. On 3 August 2021, the Board of Directors of Cairo Communication S.p.A. approved the exercise of this option.

Cairo Communication S.p.A. acts as the tax parent and determines a single taxable base for the group of companies that participates in the national tax consolidation scheme, which thereby benefits from the ability of offsetting taxable profits against taxable losses in one tax return.

Each company that participates in the national tax consolidation scheme transfers its taxable profit or loss to the tax parent; for any such taxable profit reported, the subsidiary enters a payable to Cairo

Communication S.p.A. equal to the amount of IRES to be paid. Conversely, for any such taxable loss reported, the subsidiary enters a receivable from Cairo Communication S.p.A..

Deferred tax liabilities are generally recognized for all taxable temporary differences, while deferred tax assets are recognized to the extent of the probability that there will be future taxable profits which will allow for the utilization of the deductible temporary differences. Deferred tax is calculated on the basis of the tax rates that are expected will be in force at the moment of realization of the asset or settlement of the liability, based on tax legislation in force at the reporting date. Where relevant, the effects of any changes in tax rate or tax legislation after the reporting date are disclosed in the notes. Deferred tax assets and liabilities are shown at their net value when there is a legal right to offset current tax liabilities against tax receivable assets and when tax relates to the same taxation authority.

Property, plant and equipment

They are recognized at acquisition price or production cost, including directly associated expense and costs, plus the share of indirect costs which can be reasonably attributed to the asset. Recognition is made taking account of the associated future benefits that may flow to the Company.

These assets are systematically depreciated on a straight-line basis each year at rates consistent with the remaining useful life of the asset. Depreciation rates applied are as follows:

Property	3%
General equipment	20%
Motor vehicles	20%-25%
Plant and equipment	10%
Office equipment and furniture	10%-12%
Electronic equipment	20%

The depreciation process is tied to the time the asset comes into use.

The remaining useful life and the depreciation criteria applied are reviewed on a regular basis and where change is deemed necessary, the depreciation rate is restated in accordance with the "prospective" method.

The useful life of the asset is subject to change if extraordinary maintenance is performed during the period that changes the useful life of the main investment.

Incremental and extraordinary maintenance costs producing a significant and tangible increase in the productive capacity or security of assets, or lengthening their remaining useful life, are capitalized as an increase in the carrying amount of the asset. Ordinary maintenance costs are taken directly to profit and loss.

Leasehold improvements are recognized as PPE, on the basis of the cost incurred. The depreciation period corresponds to the lower of the remaining useful life of the asset and the term of the contract.

An item of property, plant and equipment is derecognized on disposal or fully impaired when no future economic benefits are expected from its use. Any losses or gains (calculated as the difference between the net income from the sale and the carrying amount) are included in the income statement in the year in which the sale takes place.

Property, plant and equipment are reviewed if there are indicators of impairment to identify any associated losses as described in the section "Impairment of assets".

Rights of use on leased assets and liabilities from lease contracts

Following the introduction of IFRS 16, the Company has classified operating leases with a duration of more than 12 months under this item, taking account of its ability to control the use of the underlying asset for the specific period of time in return for consideration.

The right of use is initially measured at cost, including the initial amount of the lease liability adjusted for payments already made at the effective date, less lease incentives received, plus any costs to dismantle, remove, or restore the underlying asset. Rights of use are subsequently depreciated on a straight-line basis over the shorter of the lease term and the estimated useful life of the assets consistent with the right of use.

Accordingly, a financial liability is generated, initially measured at the present value of the future instalments due, which will be paid over the lease term, and subsequently discounted at an incremental borrowing rate consistent with the maturity of the underlying contracts. Variable lease payments that do not depend on an index or rate are recognized as expense in the period in which the event or condition occurs.

Changes in the scope of the lease, or in the expected rentals, generate modifications in the corresponding item. Specifically, any discounts resulting from the effects of COVID-19 have not been treated as a modification of the original contract and therefore, these amendments are accounted for directly in the income statement, in compliance with the provisions of the amendment to IFRS 16 "COVID 19 - *related rent concessions beyond 30 June 21*" published on 31 March 2020 by the IAS.

The components of the contracts or the contracts themselves, the lease of which can be traced back to a service contract or a licence concession, have been excluded from the scope of application of IFRS 16.

Intangible assets

The item incudes costs, including ancillary expense, incurred for the acquisition of intangible assets whose amount is quantifiable, the asset is clearly identifiable and controlled by the Company, and where the use of the asset will generate probable future benefits.

These are recognized at their acquisition or production cost, including ancillary expense – to the extent to which they are considered to have finite life – and they are amortized to reflect their remaining useful economic lives.

The amortization periods of intangible assets of various types are as follows:

Concessions, licenses, trademarks and similar rights	3 to 5 years
Software	3 to 5 years

The remaining useful life and the amortization criteria applied are reviewed on a regular basis and where change is deemed necessary, the amortization rate is restated in accordance with the "prospective" method.

Impairment of assets

IAS 36 requires impairment testing of property, plant and equipment, intangible assets and investments in subsidiaries and associates, in the presence of indications that an impairment loss may have occurred. Investments in subsidiaries or associates and other intangible assets with indefinite useful life or assets not available for use must be tested for impairment at least once a year, particularly for those investments where the investor's portion of equity is less than the carrying amount.

The recoverability of the recorded values is tested by comparing the carrying amount recorded in the financial statements with the higher amount between the net sale price, if an active market exists, or the value in use of the asset.

Value in use is defined by discounting the cash flows of the relating cash generating units. Specifically, for investments in subsidiaries and associates, the discounted estimated cash flow and the value expected from its disposal at the end of its useful life, is adjusted by the net financial position recognized at the end of the year, relating to the financial statements of the investee. The equity value thus determined is then compared with the investment's carrying amount. Cash generating units were identified consistently with the organizational and business structure of the Company and of its investees. They consist of homogeneous aggregations that generate independent cash flows, deriving from the continued utilization of the assets allocated to them.

Investments

Subsidiaries and associates

Investments in subsidiaries and associates are measured at their acquisition or subscription cost and periodically subject to impairment tests, to verify that no impairments have occurred. This test is carried out at least annually, i.e. whenever there is evidence of a likely impairment loss of the investments. The measurement method used is based on Discounted Cash Flow, applying the method described in the paragraph "Impairment of assets" or on fair value, calculated as the amount obtainable from the sale of the investment in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal. If an impairment loss needs to be recognized, it will be allocated in the income statement in the period when it is recognized.

Should the company's share of losses in an investment exceed the carrying amount of the investment, and the company is required to reflect those losses, the value of the investment is written off and the share of any such losses is shown as a provision in liabilities. Whenever an impairment loss is reduced or ceases to exist, the loss is reversed up to the original carrying amount through profit and loss.

Financial assets

Receivables, with the exception of trade receivables, and other financial assets are initially recognized at fair value. For financial assets classified at fair value with adjustments booked to the income statement, recognition is also made of the related ancillary acquisition expense. Trade receivables on initial recognition are measured at the price established in the transaction. Management determines upon initial recognition how financial assets are to be classified, in accordance with IFRS 9 criteria and as required by IFRS 7.

After initial recognition, financial assets are measured in accordance with their classification within one of the following categories:

- at amortized cost: receivables and other financial assets measured at amortized cost, recognizing in the income statement the interest calculated at the effective interest rate, i.e. applying a rate that reduces to zero the sum of the present values of the net cash flows generated by the financial instrument. Losses are recognized in the income statement when impairments occur or when loans and receivables are written off. Receivables are impaired and recognized at their estimated realizable value (fair value) by means of the allowance for impairment directly deducted from their carrying amount.

  Receivables are impaired when there is objective evidence that the receivable is unlikely to be collected and also on the basis of past experience and statistics.

  If, in subsequent periods, the reasons for the previous impairment losses no longer apply, the amount of the asset is written back to the amount that would have derived from applying the amortization cost, if the impairment loss had not been recognized.

  The Company mainly reports in this category assets due within twelve months, which are therefore recognized at nominal amount as an approximation of amortized cost. If the terms of payment are longer than normal market terms and the loan or receivable does not earn interest, the amount booked contains an implicit financial component and so must be discounted by recognizing the relating discount in profit or loss.

  Loans and receivables denominated in foreign currencies are converted at closing rates, and the gains or losses from their translation are taken to profit or loss.

- at fair value recognized in other comprehensive income (FVOCI): other non-current equity instruments (ex *available for sale*) are initially recognized at cost (fair value of the initial consideration given in exchange) increased by any transaction costs directly attributable to them. As the Group does not trade equities, it has adopted the option of presenting subsequent changes in the fair value of the investment among other comprehensive income. Accordingly, only dividends are recognized in the income statement (unless they clearly represent a refund of the investment). Changes in fair value and any gains or losses recognized on disposal of the investment in the statement of comprehensive income do not pass through the income statement. As this option can be exercised for each investment, any exceptions at the initial recognition stage are shown in the comment on this item.

  All the investments in equity instruments must be measured at fair value.

Cairo Communication holds assets for hedging derivative instruments which, at the time of initial recognition, are measured at fair value as explained in paragraph 15 "Non-current financial assets recognized for derivatives" of this note.

Cash and cash equivalents

This item comprises cash, bank current accounts and deposits on demand, and other short-term highly liquid financial investments which are easily convertible to cash and not subject to the risk of significant value changes.

Cash and cash equivalents are recognized at their nominal amount.

Equity

Treasury shares

Treasury shares are recognized as a reduction in equity. The effects of any subsequent transactions are also recognized directly in equity.

Dividends paid

Dividends payable are recognized as a change in equity in the period they are approved by the Shareholders' Meeting or by the Board of Directors in the event of an interim dividend.

Post-employment benefits

Post-employment benefits (TFR) in Italian companies with at least 50 employees are treated as a defined benefit plan only for that part of the liability vested before January 1, 2007 (and not yet paid out at the reporting date), while amounts accruing thereafter are treated as a defined contribution plan. For Italian companies with less than 50 employees, post-employment benefits are considered as a defined benefit plan. All defined benefit plans are discounted.

The Company has less than 50 employees. The discounting process, based on demographic and financial assumptions, is performed by independent actuaries.

In accordance with IAS 19 - *Employee Benefits*, the recognition of expense related to work performed and net financial expense are recognized in the income statement, while actuarial gains and losses arising from the valuation of liabilities and assets are recognized in the statement of comprehensive income.

Payables and other liabilities

The item comprises trade payables, financial payables and payables to banks and other liabilities. Financial payables and liabilities are initially recognized at fair value, which basically matches the amounts cashed in net of transaction costs. Management determines upon initial recognition how financial liabilities are to be classified, in accordance with IFRS 9 criteria and as required by IFRS 7. Subsequent to initial recognition, financial liabilities are measured on the basis of their classification in one of the categories under IFRS 9. Specifically, Cairo Communication has classified its payables and other liabilities in the amortized cost category, applying a rate that reduces to zero the sum of the present values of the net cash flows generated by the financial instrument. Instruments due within twelve months are measured at their nominal amount as an approximation of amortized cost.
If the loan agreements provide covenants, which are not fulfilled, and this situation is not remedied before the end of the period, the long-term portion of that loan is classified as current debt.
Payables denominated in a foreign currency are aligned at the exchange rate at the end of the period, and the gains or losses deriving from the adjustment are recognized in the income statement.

Use of estimates

The preparation of the financial statements and the notes thereto, in application of the IFRS, requires that the Company carry out certain estimates and assumptions which affect the carrying amount of assets and liabilities and disclosures about assets and contingent liabilities at the reporting date. Estimates and assumptions used are based on experience and on other factors considered significant. Actual results may differ from these estimates. Estimates relate mainly to investment measurement, provisions for risks relating to receivables, depreciation, amortization, impairment of assets, taxation, provisions for risks and charges, and contingent liabilities.

Estimates and assumptions are reviewed regularly and the effects of each variation therein are recognized in profit and loss in the period in which the estimate was revised. The effects of such revisions are reflected in the periods on which they have effect, i.e. both in the current period, and in future periods, if relevant.

Under the guidelines contained in the documents published by CONSOB and ESMA, in light of the uncertainty arising from the effects of the COVID-19 pandemic, it should be noted that the estimates at 31 December 2021 (as well as those for 2020) were made based on future assumptions marked by a significant degree of uncertainty (as also commented on in Note 18 "Intangible assets" of this Annual Report, to which reference should be made). Therefore, one cannot rule out that actual events over the next years may likely have a different outcome to those forecast at 31 December 2021, causing significant adjustments to the carrying amounts of assets and liabilities, amongst which, due to their significance, investments, other intangible assets with indefinite useful life, as well as deferred tax assets and the estimated recoverability of receivables.

After the end of the period, the international scenario was dominated by the conflict in Ukraine and the economic sanctions imposed on Russia. This scenario is having direct and indirect repercussions on the general performance of the economy, leading to a climate of greater uncertainty in the use of estimates (as shown in Significant events after the period).

Mention should be made that, when preparing the forecast plans for the various business segments, no account was taken of any impact from the conflict in Ukraine, an event occurring after the date of preparation of the financial statements, the potential effects of which cannot be determined and quantified at this time and will be constantly monitored in the coming months of 2022.

In this regard, as for the RCS investment, a number of sensitivity analyses were performed, as commented on in Note 12 “Investments".

A summary follows of all critical measurement processes used and key assumptions made by Management regarding the future in the process of applying accounting policies and that could have a significant effect on the amounts recognized in the consolidated financial statements and for which there is a risk that significant adjustments to the carrying amount of assets and liabilities could arise in the next period.

Determination of the recoverable value of investments

The Company revises periodically, at least annually, the carrying amount of investments even in the absence of impairment indications, to verify that they are not recorded at a higher amount than their recoverable value. Particular significance is attached to the impairment test for the investment in RCS, whose carrying amount of Euro 304.9 million accounts for approximately 93% of the total carrying amount of the investments held.

The recoverable value of the investments defined by each impairment test is sensitive to changes in the assumptions used, e.g. the rate of growth of revenue, changes in the forecast EBITDA and, amount the valuation parameters, the discount rate (WACC) and the consistency of financial projections beyond the period of the plan (equal to zero, in nominal terms). In turn, the WACC is sensitive to changes in its own components, including the risk-free rate that summarizes country risk.

Allowance for impairment

The allowance for impairment reflects Management's estimate regarding the losses on the portfolio of receivables from end customers. The allowance for impairment is estimated based on the losses expected by the Company, based upon past experience for similar receivable, current and past due dates, losses and receipts, forecast models of expected losses, arising from the careful monitoring of receivables management and from projections on market and economic conditions.

Deferred tax assets

Deferred tax assets are recorded to the extent to which it is considered probable that future taxable income will be generated to allow the utilization of deductible temporary differences. The recoverable value of deferred tax assets is periodically reviewed according to the future taxable income foreseen in the Company's most recent plans.

Risk management

The main fiscal, legal and financial risks Cairo Communication S.p.A. is exposed to, as well as the policies put in place by Management for their management, are explained in Note 29 and Note 31. Reference is made to the Directors' Report regarding operational and business risks.

Accounting standards, amendments and interpretations effective as of 1 January 2021

The following accounting standards, amendments and IFRS interpretations have been applied by the Company for the first time as from 1 January 2021:

- On 31 March 2021, the IASB published the amendment ***"Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendments to IFRS 16)"*** by which it extends by one year the period of application of the amendment issued in 2020, which provided lessees with the option to account for COVID-19-related rent reductions without having to assess, through contract analysis, whether the IFRS 16 definition of lease modification was met. Therefore, lessees that applied this option in 2020 accounted for the effects of rent reductions directly in the income statement on the effective date of the reduction. The 2021 amendment, which is available only to entities that have already adopted the 2020 amendment, applies as of 1 April 2021, and early adoption is allowed. The adoption of these amendments had no impact on the separate financial statements of the Company.

- On 25 June 2020, the IASB published the amendment "Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)". The amendments allow the temporary exemption from IFRS 9 to be extended until 1 January 2023 for insurance companies. The adoption of this amendment had no impact on the separate financial statements of the Company.
- On 27 August 2020, in light of the IBOR interbank interest rate reform, the IASB published ***Interest Rate Benchmark Reform-Phase 2*** containing amendments to the following standards:

  - IFRS 9 *Financial Instruments;*
  - IAS 39 *Financial Instruments*: *Recognition and Measurement*;
  - IFRS 7 *Financial Instruments: Disclosures*;
  - IFRS 4 *Insurance Contracts;* and
  - IFRS 16 *Leases.*

  All the changes came into effect on 1 January 2021. The adoption of this amendment had no material impact on the separate financial statements of the Company.

Accounting standards, amendments and interpretations endorsed by the EU, not yet mandatorily applicable, and not adopted in advance by the Company

- On 14 May 2020, the IASB published the following amendments:
  - ***Amendments to IFRS 3 Business Combinations***: the purpose of these amendments is to update the reference in IFRS 3 to the Conceptual Framework in its revised version, without this entailing any changes to the provisions of the standard.
  - ***Amendments to IAS 16 Property, Plant and Equipment***: the purpose of these amendments is not to allow deduction from the cost of property, plant and equipment of the amount received from the sale of goods produced during the testing

phase of the asset itself. The sales revenue and related costs will be therefore recognized in the income statement.

- ***Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets***: the amendment clarifies that all costs directly attributable to the contract must be considered when estimating whether a contract is onerous. As a result, the assessment of whether a contract is onerous includes not only incremental costs (such as the cost of direct material used in the work), but also any costs that the company cannot avoid because it has entered into the contract (such as the share of depreciation of machinery used to perform the contract).
- ***Annual Improvements 2018-2020***: Amendments were made to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture, and Illustrative Examples of IFRS 16 Leases.

All the changes will come into effect on 1 January 2022. The directors do not expect any significant effect on the separate financial statements of the Company from the adoption of these amendments.

- On 18 May 2017, the IASB issued **IFRS 17 – *Insurance Contracts***, intended to supersede IFRS 4 - *Insurance Contracts*.

The aim of the new standard is to ensure that an entity provides relevant information that faithfully represents the rights and obligations deriving from insurance contracts issued. The IASB developed the standard to eliminate the inconsistencies and weaknesses of the existing accounting standards, providing a single principle-based framework to take account of all types of insurance contracts, including reinsurance contracts, that an insurer holds.

The new standard also sets out reporting and disclosure requirements in order to improve comparability between entities from the same sector.

The standard is effective as of 1 January 2023; early adoption is allowed only for those entities that adopt IFRS 9 – *Financial Instruments* and IFRS 15 – *Revenue from Contracts with Customers*. The directors do not expect any effect on the separate financial statements of the Company from the adoption of this standard.

Accounting standards, amendments and interpretations yet to be endorsed by the EU

At the date of this document, the competent bodies of the European Union have not yet completed the endorsement process required for the adoption of the amendments and the standards described below.

- On 23 January 2020, the IASB published an amendment named "***Amendments to IAS 1 Presentation of Financial Statements*: Classification of Liabilities as Current or Non-current”**. The purpose of the document is to clarify how to classify debt and other short-term or long-term liabilities. The amendments come into force on 1 January 2023, but early application is allowed. The directors do not expect any significant effect on the separate financial statements of the Company from the adoption of this amendment.

- On 12 February 2021, the IASB published two amendments entitled "***Disclosure of Accounting Policies-Amendments to IAS 1 and IFRS Practice Statement 2***" and ***"Definition of Accounting Estimates-Amendments to IAS 8”.*** The amendments are intended to improve accounting policy disclosures so that they provide more useful information to investors and other primary users of financial statements, as well as to help entities distinguish changes in accounting estimates from changes in accounting policies. The amendments will apply as of 1 January 2023, but early application is allowed. [The directors do not expect a material effect on the Group's consolidated financial statements from the adoption of these amendments. The directors are currently assessing the possible impacts from the introduction of the abovementioned amendments.
- On 7 May 2021, the IASB published the amendment "***Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction***". The document clarifies how entities should account for deferred tax on certain transactions that can generate assets and liabilities of equal amounts, such as leases and decommissioning provisions. The amendments will apply as of 1 January 2023, but early adoption is allowed. The directors do not expect any significant effect on the separate financial statements of the Company from the adoption of this amendment.
- On 9 December 2021, the IASB published the amendment ***"Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information”***. The amendment is a transition option related to comparative information on financial assets presented at the date of initial application of IFRS 17. The amendment is intended to avoid temporary accounting mismatches between financial assets and insurance

contract liabilities, and thus improve the usefulness of comparative information for financial statement readers. The amendments will apply as of 1 January 2023, together with the application of IFRS 17. The directors do not expect any significant effect on the separate financial statements of the Company from the adoption of this amendment.

NOTES TO THE INCOME STATEMENT

The following is the analysis of the main items of revenue and cost for the year ended 31 December 2021. All the amounts indicated are shown in thousands of Euro. The comparative figures refer to the separate financial statements at 31 December 2020.

1. Net revenue

Net operating revenue amounted to Euro 5,114 thousand (Euro 6,579 thousand in 2020). Its composition, versus the prior year, is shown below:

Net revenue (€ thousands)	**2021**	**2020**
Print media advertising space sales	-	20
Cairo RCSMedia sub-concession	3,232	-
Cairo Advertising sub-concession	-	2,957
Group services	1,782	3,502
Other revenue from associates	100	100
Total	**5,114**	**6,579**

Revenue is generated exclusively in Italy and an analysis by geographical area is pointless.

In 2021, Cairo Communication continued to operate as sub-concession holder in TV advertising sales (La7, La7d and theme channels Cartoon Network and Boomerang) and on the Internet through its subsidiary CAIRORCS Media S.p.A. on a sub-concession basis, invoicing advertising spaces directly to its customers and returning to Cairo Communication a share of revenue generated by resources managed on a sub-concession basis. CAIRORCS Media took over from Cairo Pubblicità S.p.A. since, effective from 1 January 2021, the business units relating to the advertising sales of Cairo Pubblicità and RCS were transferred to it. CAIRORCS Media is equally owned by Cairo Pubblicità and RCS and is subject to the direction and coordination of Cairo Communication.

Starting from the 2018 financial statements, following application of IFRS 15 and based on existing contracts, sub-concession revenue is shown net of the portions paid to publishers, which amounted to Euro 106.9 million in the period (Euro 99.9 million in the period ended 31 December 2020).
Apart from advertising services, thanks to its administrative structure, Cairo Communication also provides a number of Companies with services relating mainly to auditing, financial analysis, debt management and collection. Such services are subject to contracts which are revised annually. Sales to Group companies deriving from these activities during the period were as follows:

Group services (€ thousands)	**2021**	**2020**
Cairo Pubblicità S.p.A.	-	3,000
CAIRORCS Media S.p.A.	1,280	
Il Trovatore S.r.l.	22	22
Cairo Editore S.p.A.	480	480
Total	**1,782**	**3,502**

Other revenue from associates (Euro 100 thousand) relates to administrative services provided to Torino FC S.p.A., a related party in that it is ultimately controlled by U.T. Communications S.p.A..

2. Other revenue and income

Other revenue and income amounted to Euro 256 thousand (Euro 955 thousand at 31 December 2020). These refer mainly to the charging of costs connected with centralized services to other Group companies amounting to Euro 120 thousand and to contingent assets of Euro 136 thousand.

3. Services, use of third-party assets and other operating costs

Cost of services amounted to Euro 2,578 thousand (Euro 3,744 thousand at 31 December 2020).
The item is broken down as follows:

Cost of services (€ thousands)	**2021**	**2020**
Consultancy services and collaborations	413	701
Board of Directors' fees	685	854
Board of Statutory Auditors' fees	130	130
Other administration and general expenses	1,350	2,059
Total cost of services	**2,578**	**3,744**

As explained in Note 1, the amounts returned to publishers, totaling Euro 106.9 million, were presented, as a result of the application of IFRS 15 and on the basis of existing contracts, as a decrease in the respective advertising revenue from sub-concessions.

"Costs for use of third-party assets" amounted to Euro 64 thousand (Euro 738 thousand at 31 December 2020) and refers mainly to rentals for company cars and office equipment amounting to less than Euro 5 thousand. The change versus the prior year is explained by the transfer of the agreements to CAIRORCS Media.

Other operating costs amounted to Euro 44 thousand (Euro 32 thousand for the year ended 31 December 2020) and refer to prior-year expense of Euro 9 thousand and other expense as the difference.

4. Personnel expense

This item can be analyzed as follows:

Personnel expense (€ thousands)	**2021**	**2020**
Wages and salaries	1,198	1,817
Social security charges	609	572
Post-employment benefits	66	86
Other personnel expense	2	-
Total personnel expense	**1,875**	**2,475**

5. Amortization, depreciation, provisions and write-downs

These can be detailed as follows:

Amortization, depreciation, provisions and write-downs (€ thousands)	**2021**	**2020**
Amortization of intangible assets	67	58
Depreciation of property, plant and equipment	82	92
Amortization/depreciation of rights of use on third-party asset	31	141
Allocation to the provision for sundry risks	-	1,400
Allocation to the allowance for impairment	44	46
Total amortization, depreciation, provisions and write-downs	**224**	**1,737**

The reduction in the item amortization/depreciation of rights of use of third party assets relates to the change in the lease of serviced spaces mentioned above.

The provision for write-down of Euro 44 thousand refers to the application of IFRS 9.

6. Net financial income (expense)

Net financial expense amounted to Euro 382 thousand (Euro 482 thousand at 31 December 2020) and is broken down as follows:

Net financial income (expense) (€ thousands)	**2021**	**2020**
Interest income on bank accounts	-	-
Total financial income	**-**	**-**
Interest and other financial expense	(382)	(477)
Interest expense on lease contracts (pursuant to IFRS 16)	-	(5)
Total financial expense	**(382)**	**(482)**
Net financial income (expense)	**(382)**	**(482)**

The change in financial expense versus the prior year is due primarily to the repayment of the revolving loan with Intesa Sanpaolo.

7. Income (expense) from investments

The item "income (expense) from investments", amounting to Euro 11,736 thousand (negative Euro 351 thousand in the year ended 31 December 2020), includes dividends approved by the subsidiary RCS MediaGroup S.p.A. in the amount of Euro 9,346 thousand and dividends approved by the subsidiary Cairo Editore in the amount of Euro 2,389 thousand.

8. Tax

Tax for the year amounted to a negative Euro 243 thousand (positive Euro 459 thousand in the year ended 31 December 2020), detailed in the table below:

Tax (€ thousands)	**2021**	**2020**
Current tax		
IRES	163	(333)
IRAP	55	-
Deferred tax assets and liabilities	25	(126)
Total income tax	**243**	**(459)**

The reconciliation of the effective and theoretical tax charge is detailed below:

	2021	**2020**
Profit (loss) before tax	**11,940**	**(2,025)**
Theoretical income tax expense (24%)	2,866	(486)
Tax effect of dividends received	(2,676)	-
Tax effect of other permanent differences	(1)	27
IRAP	55	-
Current and deferred income tax for the period	**243**	**(459)**

For a clearer understanding of the reconciliation of the effective and theoretical tax charge, IRAP has not been taken into account as this is not based on profit before tax, and this would generate a distorting effect between one financial period and the other.

NOTES TO THE STATEMENT OF FINANCIAL POSITION

9. Property, plant and equipment

At 31 December 2021, this item amounted to Euro 351 thousand, increasing by Euro 21 thousand versus 31 December 2020.

Movements can be broken down as follows:

Description	Motor vehicles	Furniture and fittings	Plant and equipment	Other assets	Total
Net book value at 31/12/2019	**46**	**116**	**131**	**6**	**299**
Net purchases	-	-	115	7	122
Depreciation	(31)	(5)	(51)	(4)	(91)
Net book value at 31/12/2020	**15**	**111**	**195**	**9**	**330**
Net purchases	-	-	103	-	103
Depreciation	(15)	-	(67)	-	(82)
Net book value at 31/12/2021	**-**	**111**	**231**	**9**	**351**

Property, plant and equipment were not subject to revaluation during the year.

10. Rights of use on leased assets

With the application, as from 1 January 2019, of IFRS 16 - *Leases*, the item "rights of use on leased assets" was included to indicate the recognition of rights of use of leased assets under fixed assets (mainly property used by the Company as office space).

At 31 December 2021, this item showed a balance of Euro 29 thousand net of accumulated amortization/depreciation of Euro 56 thousand (Euro 326 thousand at 31 December 2020).

The item can be analyzed as follows:

Description	Rights of use on property	Rights of use on other assets	Rights of use on motor vehicles	Total
Net book value at 31/12/2019	**4,342**	**7**	**147.1**	**4,497**
Effects from the application of IFRS 16	-	(24)	12	(12)
Net purchases	(41)	(7)	(93)	(141)
Depreciation	(4,127)	24	86	(4,017)
Other changes, increases and write-backs				-
Net book value at 31/12/2020	**175**	**-**	**152**	**327**
Net purchases			28	28
Depreciation	(11)		(20)	(31)
Other changes, increases and write-backs	(164)		(131)	(295)
Net book value at 31/12/2021	**-**	**-**	**29**	**29**

11. Intangible assets

Intangible assets amounted to Euro 226 thousand at 31 December 2021, unchanged versus 31 December 2020. Their movements in the period are shown below:

Description	Software, licenses and trademarks	Assets under development	Total
Net book value at 31/12/2019	**130**	**46**	**176**
Net purchases	77	31	108
Amortization	(58)	-	(58)
Other changes	-	-	-
Net book value at 31/12/2020	**149**	**77**	**226**
Net purchases	87	-	87
Amortization	(67)	-	(67)
Other changes	-	(20)	(20)
Net book value at 31/12/2021	**169**	**57**	**226**

12. Investments

- Investments in subsidiaries

At 31 December 2021, investments amounted to Euro 328,805 thousand (Euro 328,205 thousand at 31 December 2020):

Description (€ thousands)	Net book value at 31/12/2020	Write-downs	Increases (decreases)	Impairment losses	Net book value at 31/12/2021
RCS MediaGroup S.p.A.	304,916	-	-	-	**304,916**
Diellesei S.r.l. in liquidation	-	-	-	-	-
Cairo Network S.r.l.	5,308				**5,308**
La7 S.p.A.	4,039	-	-	-	**4,039**
Il Trovatore S.r.l.	357	-	-	-	**357**
Cairo Editore S.p.A.	6,273	-	-	-	**6,273**
Cairo Publishing S.r.l.	1,572	-		-	**1,572**
Cairo Pubblicità S.p.A.	6,340	-	-	-	**6,340**
Total investments in subsidiaries	**328,805**	-	-	-	**328,805**

Annex 2 contains the information required by paragraph V of Article 2427 of the Italian Civil Code. Information at 31 December 2021 is drawn from the draft financial statements approved by the Board of Directors of each direct subsidiary.
For more detailed information, a comparison between carrying amount and the amount derived from the application of the equity method is provided for each investment in the following table.

Description (€ millions)	Equity 31/12/21	Ownership	Equity method (*) a)	Carrying amount (b)	Difference (a-b)
RCS MediaGroup S.p.A.	367.9	59.69%	489.6	304.9	**184.7**
Cairo Network S.r.l.	5.4	100%	5.2	5.3	**(0.1)**
La7 S.p.A.	72.0	100%	71.4	4.0	**67.4**
Il Trovatore S.r.l.	0.7	80%	0.8	0.4	**0.4**
Cairo Editore S.p.A.	11.6	99.95%	29.6	6.3	**23.3**
Cairo Publishing S.r.l.	0.7	100%	0.7	1.6	**(0.9)**
Cairo Pubblicità S.p.A.	5.8	100%	4.2	6.3	**(2.1)**

(*) Amounts determined under IAS/IFRS

Particular significance is attached to the impairment test relating to the investment in RCS MediaGroup S.p.A..

The purchase cost of the investment had been Euro 304.9 million in 2016, relating to no. 311.5 million RCS shares, corresponding to 59.69% of RCS's share capital.

Cairo Communication determined, for impairment purposes, the recoverable value (defined in accordance with IAS 36 as the higher of the value in use and the fair value less costs to sell) of the "RCS investment" at the reference date of 31 December 2021. At the balance sheet date, the capitalization of RCS is lower than the carrying amount of the investment.

The recoverable value of the "RCS Investment" was determined with the support of an independent expert.

The impairment test was carried out in keeping with the previous method (approach before IFRS 16), and also through a valuation that considered the effects of the application of the new IFRS 16 on the parameters relevant for impairment purposes.

For the valuation "before IFRS 16", invested capital does not take account of the rights of use on lease contracts and consistently the expected cash flows used in the calculation of the recoverable value include the rental cost.

Specifically, the recoverable value of the "RCS Investment" was determined, with the support of the independent expert, on the basis of both RCS's 2022 budget approved by the RCS Board of Directors on 10 March 2022 (assuming perpetuity of the results forecast for 2022), and the forecasts taken from the RCS's 2022-2024 Plan (also approved by RCS's Board of Directors on 10 March 2022). In both scenarios, the cash flows, in compliance with the provisions of IAS 36, were projected for valuation purposes to be constant in nominal terms (growth rate g = 0).

When preparing the forecast plans for the various business segments, no account was taken of the impacts from the conflict in Ukraine, an event occurring after the date of preparation of the financial statements, the potential effects of which cannot be determined and quantified at this time and will be constantly monitored in the coming months of 2022.

These flows were then discounted on the basis of a rate defined as the weighted average cost of capital WACC of 7.64% (7.3% at 31 December 2020), determined net of the abovementioned IFRS 16 effects, in line with the procedures adopted at 31 December 2020

The value obtained underwent a sensitivity analysis, by varying the discount rate (WACC) and the growth rate of the final value (g), with discrete changes of 50 basis points, and reducing the expected EBITDA values in the period and included in the final value of up to - 10%. None of the scenarios envisaged show indications of impairment losses for the RCS Investment at 31 December 2021.

Additionally, in light of the spread of COVID-19 on a global scale and, more recently, the conflict that broke out in Ukraine after the balance sheet date, and the resulting general uncertainty produced, more conservative sensitivity analyses (stress tests) - in terms of cash flow reduction - were also conducted to assess the sustainability of the carrying amount of the investment. A specific scenario was also envisaged to determine the extent of the reduction in the EBITDA Plan (linear and in perpetuity) in order to bring the value in use back to the book value of the investment. This analysis too confirmed the reasonableness of the results reached;

“Post IFRS 16", invested capital takes account of the rights of use on lease contracts and consistently the expected cash flows used in the calculation of the recoverable value do not include the rental cost.

For such valuation, the flows were discounted on the basis of a rate defined as the weighted average cost of capital WACC of 7.42%.

The analysis performed to assess the possible impact of the effects (on the financial position, cash flows and income) of the introduction of the IFRS 16 - *Leases* on the results deriving from the impairment process, showed that even an impairment process carried out on the basis of an IFRS 16-compliant presentation does not change, at 31 December 2021, the results obtained and the conclusions by adopting the previous method.

The carrying amount of the investments in Cairo Publishing S.r.l., Cairo Pubblicità S.p.A. and Cairo Network S.r.l. is higher than the amount obtained using the equity method, respectively by Euro 0.9 million, Euro 2.1 million and Euro 0.1 million. The carrying amounts of the investments have, therefore, also undergone impairment tests to measure their recoverable value in terms of value in use, based on the estimated cash flows from the results of the investees as inferred from the most recent budgets and business plans (three-year), forecast for valuation purposes to be constant in nominal terms (growth rate g = 0) and discounted on the basis of a 7.60% WACC. No evidence of impairment arose from the analysis performed.

The Company prepares Group consolidated financial statements which, taking account of the investments held, are an essential document to ensure complete understanding of the activities of the Group, the Parent and its investments.

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13. Non-current financial assets

At 31 December 2021, "non-current financial assets" amounted to Euro 29,396 thousand (Euro 23,330 thousand at 31 December 2020), relating to interest-free loans granted to the subsidiary Cairo Network S.r.l., shown net of an allowance for impairment of Euro 153 thousand from the application of IFRS 9.

14. Deferred tax assets

At 31 December 2021, deferred tax assets amounted to Euro 1,303 thousand (Euro 7,534 thousand at 31 December 2020). These assets are summarized in the table below:

	31/12/2021		31/12/2020	
Deferred tax assets (€ thousands)	**Amount of temporary differences**	**Tax effect**	**Amount of temporary differences**	**Tax effect**
Allowance for impairment	469	113	427	102
Tax losses from group tax consolidatic	4,574	1,098	29,480	7,075
POST-EMPLOYMENT BENEFITS IA	341	82	355	85
Other temporary differences	45	11	1,129	271
Total deferred tax assets	**5,429**	**1,303**	**31,391**	**7,534**

The decrease in this item is due primarily to the use of tax losses carried forward from tax consolidation (Euro 28,614 thousand).

Mention should be made that, starting from tax period 2021, Cairo Communication S.p.A. and RCS MediaGroup S.p.A. have jointly participated in the national tax consolidation scheme, with Cairo Communication S.p.A. acting as the consolidating company, as well as the subsidiaries of RCS MediaGroup S.p.A., where the conditions exist, as previously described in the section on accounting policies.

Deferred tax assets are recognized to the extent they are considered recoverable depending on the presence of future taxable income in which temporary differences will be reversed.

15. Non-current financial assets recognized for derivatives

This item, amounting to Euro 14.6 thousand, refers to the mark to market (MTM) of the derivative instrument as further explained in Note 19.

16. Trade receivables

Trade receivables amounted to Euro 545 thousand, decreasing by Euro 88 thousand versus 31 December 2020. These are broken down as follows:

Receivables from customers (€ thousands)	**31/12/2021**	**31/12/2020**	**Change**
Trade receivables	636	725	(89)
Allowance for impairment	(91)	(92)	1
Total trade receivables	**545**	**633**	**(88)**

For further details on credit risk, reference should be made to Note 31.
Cairo Communication operates on the advertising sales market on a sub-concession basis with the subsidiary CAIRORCS Media, which invoices directly to its customers and returns a share of the revenue to its parent. Current receivables arising from this activity accrue from the subsidiary.

The ageing of trade receivables by due date is as follows:

31 December 2021	**Current**	**Past due 30-60 dd**	**Past due 61-90 dd**	**Past due 91-180 dd**	**Past due over 180 dd**	**Total**
Trade receivables	90	**-**		32	515	637
Allowance for impairment	-	**-**		-	(92)	(92)
Receivables from customers	**90**	-	-	**32**	**423**	**545**

31 December 2020	**Current**	**Past due 30-60 dd**	**Past due 61-90 dd**	**Past due 91-180 dd**	**Past due over 180 dd**	**Total**
Trade receivables	408	**-**	**35**	7	275	725
Allowance for impairment	-	**-**		-	(92)	(92)
Receivables from customers	**408**	-	35	**7**	**183**	**633**

Trade receivables from customers are stated net of the allowance for impairment, determined by taking into account specific collection risks, as well as the understandings in the sub-concession contracts with CAIRORCS Media and in the advertising concession contracts concluded by the Company with publishers, which provide for the return of a percentage of losses on receivables equal to the percentage of revenue.

17. Receivables from subsidiaries

These amounted to Euro 62,680 thousand, increasing by Euro 4,816 thousand versus 31 December 2020, and are shown net of an allowance for impairment of Euro 234 thousand from the application of IFRS 9.

These are broken down as follows:

Receivables from subsidiaries (€ thousands)	**31/12/2021**	**31/12/2020**	**Change**
La7 S.p.A.	5,723	3,711	2,012
Cairo Editore S.p.A.	5,612	5,058	554
Il Trovatore S.r.l.	259	264	(5)
Cairo Publishing S.r.l.	25	22	3
Cairo Pubblicità S.p.A.	299	46,890	(46,591)
Cairo Network S.r.l.	2,487	1,707	780
Cairo RCSMedia	45,428	-	45,428
RCS MediaGroup S.p.A.	9	436	(427)
Rcs Produzioni S.p.A.	16	-	16
Rcs Produzioni Padova S.p.A.	20	-	20
Rcs Sport&Event	1,123	-	1,123
Rcs Sport S.p.A.	1,888	-	1,888
Total gross receivables from subsidiai	**62,889**	**58,088**	**4,802**
Write-down	(234)	(224)	(10)
Total receivables from subsidiaries	**62,655**	**57,864**	**4,792**

Receivables from La7 S.p.A. (Euro 5,723 thousand) consist mainly of receivables arising from Group VAT (Euro 5,554).

Receivables from Cairo Editore S.p.A. (Euro 5,612 thousand) refer to centralized services provided by the Parent (Euro 505 thousand) and to the receivable from participation in the tax consolidation scheme (Euro 5,106 thousand).

Receivables from Il Trovatore S.r.l. (Euro 259 thousand) refer mainly to centralized services provided by the Parent, while the receivable from Cairo Network S.r.l. (Euro 2,487 thousand) refer mainly to the receivable from Group VAT.

Receivables from CAIRORCS Media S.p.A. (Euro 45,428 thousand) refer, for Euro 44,393 thousand, to the sub-concession contracts for TV and web advertising sales, the provision of administrative services and the use of serviced spaces.

This item also includes receivables arising from the company's participation in the tax consolidation (Euro 402 thousand) and for the charge-back of personnel and administrative services costs.

Receivables from RCS Produzioni, Rcs Produzioni Milano, Rcs Sport&Events and Rcs Sport are all attributable to the participation of these companies in Cairo Communication's tax consolidation.

Administrative services and use of serviced spaces to subsidiaries are provided by Cairo Communication through contracts at market value.

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18. Sundry receivables and other current assets

These amounted to Euro 553 thousand, increasing by Euro 174 thousand versus 31 December 2020, and can be analyzed as follows:

Sundry receivables and other current assets (€ thousands)	**31/12/2021**	**31/12/2020**	**Change**
Prepaid IRAP	-	25	(25)
IRES payable	148	148	-
Receivables from others	66	51	15
VAT payable	207	-	207
Prepayments and accrued income	132	155	(23)
Total sundry receivables and other current assets	**553**	**379**	**174**

The VAT receivable of Euro 207 thousand is the receivable resulting from the Group VAT settlement at 31 December 2021.

19. Cash and cash equivalents

The item amounted to Euro 9,755 thousand, increasing by Euro 8,576 thousand versus the prior year, and is broken down as follows:

Cash and cash equivalents (€ thousands)	31/12/2021	31/12/2020	Changes
Bank and post office deposits	9,754	1,177	8,577
Cash and valuables on hand	1	2	(1)
Total	**9,755**	**1,179**	**8,576**

Changes in this item are shown in the statement of cash flows.

Cash and cash equivalents continued to be managed prudently.

Below is the **net financial position** of Cairo Communication at 31 December 2021, as set out in the "Guidance on disclosure requirements under the Prospectus Regulation" published by ESMA on 4 March 2021 under document "ESMA32-382-1138" and taken up by CONSOB in communication 5/21 of 29 April 2021:

Net financial debt		31/12/2021	31/12/2020	Change
A	Cash funds	9,755	1,179	8,576
B	Cash and cash equivalents	-	-	-
C	Other current financial assets	-	-	-
D	**Liquidity (A+B+C)**	**9,755**	**1,179**	**8,576**
E	Current financial debt	(73,301)	(80,141)	6,840
	contracts	*(6)*	*(111)*	*105*
F	Current portion of non-current financial debt	-	-	-
G	**Current financial debt (E+F)**	**(73,301)**	**(80,141)**	**6,840**
H	**D)**	**(63,546)**	**(78,962)**	**15,416**
I	Non-current financial debt	(5,005)	(218)	(4,787)
	contracts	*(20)*	*(218)*	*198*
J	Debt instruments	-	-	-
K	Trade payables and other non-current payables	-	-	-
L	**Non-current financial debt (I+J+K)**	**(5,005)**	**(218)**	**(4,787)**
M	**Total financial debt (liquidity) (H+L)**	**(68,551)**	**(79,180)**	**10,629**

In 2020, current financial payables included the revolving loan with Intesa Sanpaolo for a total amount of Euro 140 million (Euro 40 million of which drawn down at 31 December 2020), repaid in July 2021.

Current financial payables at 31 December 2021 include:

- Euro 5 million in bank debt,

- Euro 40,030 in payables to the subsidiary La7 S.p.A., deriving from the short-term interest-bearing cash deposit agreement, and

- Euro 28,265 thousand in payables to subsidiaries relating to the intra-group current account, respectively Euro 7,955 thousand to Cairo Pubblicità, Euro 18,808 thousand to Cairo Editore and Euro 1,501 thousand to La7;

- Euro 6 thousand for the current portion of financial liabilities from lease contracts recorded in the financial statements pursuant to IFRS 16.

Non-current financial payables refer to the unsecured revolving loan taken out with Unicredit on 3 August 2021 and expiring on 31 July 2023, for an amount of Euro 10 million, Euro 5 million of which drawn down at 31 December 2021. The loan agreement envisages (i) a number of provisions regarding compulsory early repayment events, statements, obligations, withdrawal and related materiality thresholds, and (ii) debt cover (net financial position/EBITDA) of less than or equal to 2.5 and leverage (net financial position/equity) of less than or equal to 1 as financial covenants in the Group's consolidated financial statements. Early repayment is provided for in the event of a change of control of Cairo Communication. An interest rate cap of Euro 10 million was taken out to hedge debt exposure, at a fixed rate of -0.25% linked to the 3-month Euribor rate, maturing on 31 July 2023. The mark to market (MTM) of this derivative is equal to Euro 14.6 thousand at 31 December 2021, as explained in Note 15.

Non-current financial debt also includes Euro 20 thousand in financial liabilities from lease contracts recorded in the financial statements pursuant to IFRS 16. The change versus the prior year is attributable also to the transfer of certain contracts as a result of RCS and Cairo Pubblicità transferring their respective advertising sales businesses to CAIRORCS Media, as explained in Note 10.

20. Equity

Equity at 31 December 2021 amounted to Euro 259,764 thousand, a net increase of Euro 6,303 thousand versus 31 December 2020, attributable to the overall result for 2021 of Euro 11,697 thousand and the distribution of dividends of Euro 5,377 thousand.

Share capital

The share capital at 31 December 2021 was Euro 6,990 thousand, subscribed and fully paid up, comprising no. 134,416,598 ordinary shares, with no indication of par value.

In accordance with the Bylaws, the shares are registered, indivisible and freely transferable. The requirements of representation, legitimization, circulation of the company investment required for securities traded on regulated markets continue to apply.

Each share has the right to a proportion of the profit which has been approved for distribution and to a portion of equity on liquidation and also has the right to vote, without limits other than those as defined by the Law.

The total amount of voting rights and the updated list of shareholders with an interest above 5% of the share capital of the Company registered in the special list for the entitlement to the benefit of the increased voting right and who have obtained the double vote pursuant to articles 85-bis, paragraph 4-bis and 143-quater, paragraph 5, of the Issuer Regulation are published on the website www.cairocommunication.it Corporate Governance section - increased voting right.

Specifically, at 26 March 2022, with regard to shareholders with interests greater than 3%:

- the shareholder U.T. Communications S.p.A. is entitled to exercise the increased voting right on 58,039,246 shares;
- the shareholder Urbano Cairo is entitled to exercise the increased voting right on 9,705,000 shares.

The two positions above refer to the controlling party Urbano Cairo.

Without prejudice to the above, no securities carrying special controlling rights have been issued to date.

No financial instruments have been issued attributing the right to subscribe to newly-issued shares.

No share incentive plans are envisaged involving share capital increases, even on a freely allocated basis.

The reconciliation between the number of shares outstanding at 31 December 2021 and those at 31 December 2020 is as follows:

	31/12/2020	Share capital increase	Purchase/disposal of treasury shares	31/12/2021
Ordinary shares issued	134,416,598	-	-	134,416,598
Treasury shares	(779)	-	-	(779)
Ordinary shares outstanding	**134,415,819**	**-**	**-**	**134,415,819**

Share premium reserve

At 31 December 2021, the share premium reserve amounted to Euro 224,075 thousand, unchanged versus the prior year.

Retained earnings

At 31 December 2021, the balance showed a positive Euro 15,380 thousand. The item includes the IAS first-time adoption reserve, with a negative balance of Euro 1,313 thousand.

This item also incorporates the adjustment at 1 January 2018 due to the effects for a negative Euro 239 thousand deriving from the application of the expected credit loss model introduced by IFRS 9.

Retained earnings (€ thousands)	**31/12/2021**	**31/12/2020**
Retained earnings	16,932	23,877
Effects from the application of IFRS 9	(239)	(239)
Retained earnings – "first-time adoption" reserve	(1,313)	(1,313)
Total	**15,380**	**22,325**

Other reserves

At 31 December 2021, this item amounted to Euro 1,624 thousand, down by Euro 15 thousand versus the prior year. The change derives entirely from the recognition in the financial statements of the "reserve for hedging derivatives".

Details of this item can be analyzed in the table below:

Other reserves (€ thousands)	**31/12/2021**	**31/12/2020**
Legal reserve	1,398	1,398
Negative goodwill	225	225
Other reserves	1	17
Total	**1,624**	**1,640**

Treasury shares reserve

In 2021, as part of the share buy-back plans, no treasury shares were sold or purchased. At 31 December 2021, Cairo Communication held a total of no. 779 treasury shares, or 0.001% of the share capital, subject to Article 2357-ter of the Italian Civil Code.

The Shareholders' Meeting of 30 April 2021, after revoking the similar resolution passed on 6 May 2020, approved the proposal to purchase and dispose of treasury shares pursuant to Article 2357 et seq. of the Italian Civil Code. The purpose of this authorization is to allow the Company to intervene - in compliance with the provisions in force, including the market practices allowed pursuant to Article 13 of Regulation (EU) no. 596 of 16 April 2014 on market abuse and adopted by CONSOB from time to time - in order to provide liquidity to the market, for a set period of time, fostering the regular conduct of trading, as well as to allow the Company to acquire treasury shares for the purposes indicated in said authorization resolution. Specifically, the Board of Directors was authorized to purchase treasury shares up to the maximum number permitted by law, for a period of 18 months from the authorization date, by using (i) retained earnings distributable by the Company, as resulting from the latest approved financial statements, net of the allocation to the legal reserve, and (ii) the available reserves, including the share premium reserve. Purchases may be carried out, on one or more occasions, directly on the market, in accordance with the procedures set out in Article 144-bis, paragraph 1, letter b) of the Issuer Regulation, according to the operating criteria established in the organization and management regulations of the markets, which do not allow the direct combination of the purchase negotiation proposals with pre-determined sale negotiation proposals, and in consideration of the purposes of the requested authorization, under any other procedure allowed by the laws and regulations from time to time in force. These operating procedures do not apply in the event of purchase of treasury shares held by employees of the Company or its subsidiaries and assigned or subscribed in compliance with articles 2349 and 2441, paragraph 8, of the Italian Civil Code, or resulting from plans approved pursuant to Article 114-bis of the TUF.

Minimum price and maximum purchase price per share are set at an amount equal to the average official purchase price of the share on Borsa Italiana S.p.A. for the 15 trading days before purchase, respectively reduced or increased by 20%.

The Board of Directors was authorized to sell, on one or more occasions, any purchased treasury shares, setting the minimum sale price per share no lower than the minimum price calculated following the criteria adopted for their purchase. This price limit will not apply to the: (i) sale of treasury shares to directors, employees, and/or associates of the Company and/or its subsidiaries and/or the Parent Company in implementation of incentive plans; (ii) transactions in relation to which it may be appropriate to exchange or dispose of share packages, including by way of exchange or contribution, or (iii) capital transactions involving the assignment, disposal or cancellation of treasury shares (such as, by way of example, mergers, demergers, issue of convertible bonds or warrants served by treasury shares, and share capital reductions).

As part of the authorization to purchase and sell treasury shares, approved by the Shareholders' Meeting on 30 April 2021, no treasury shares were purchased or sold in 2021.The following table shows the items of equity with indication of usability as well as any tax restrictions:

				Use over the previous three periods	
Number/Description (€ thousands)	**Amount**	**Eligibility for use**	**Available portion**	**To cover losses**	**Other (dividends)**
Share capital	6,990			-	-
Treasury shares	(2)			-	-
Share premium reserve (1)	224,075	ABC	224,075	-	12,360
Legal reserve	1,398	B		-	-
Other reserves	17	ABC	17	-	-
Negative goodwill	225	ABC	225	-	-
Retained earnings	15,380	ABC	15,380	-	6,458
Total	**248,083**		**239,697**	**-**	**18,818**

Key:
A - for increases in share capital
B - to cover losses
C - dividend
(1) In accordance with Article 2431 of the Italian Civil Code, the entire amount of this reserve may be distributed provided the legal reserve has reached the limit as defined by Article 2430 of the Code

Profit for the period

Profit for the year amounted to Euro 11,697 thousand (a loss of Euro 1,566 thousand at 31 December 2020).

21. Current and non-current liabilities from lease contracts

With the application, as from 1 January 2019, of IFRS 16 - Leases, the items "Non-current liabilities from lease contracts" and "Current liabilities from lease contracts" have been added to express the recognition of the liability arising from rents to be paid.
Current financial liabilities from leases at 31 December 2021 have a residual balance of Euro 0.6 thousand (Euro 0.1 million at 31 December 2020). Non-current liabilities from leases have a residual balance of Euro 19.6 thousand.

22. Post-employment benefits

This item amounted to Euro 1,186 thousand, with a net difference of Euro 43 thousand versus the prior year. The movement is analyzed below:

	Balance at 31/12/2020	Paid during the period/changes in qualification	Financial expense	Allocation for the period	Actuarial adjustment	Balance at 31/12/2021
Post-emploi	1,143	(26)		66	3	1,186
Total	**1,143**	**(26)**	**-**	**66**	**3**	**1,186**

The following assumptions were considered for actuarial valuation purposes:

VALUATION DATE	31/12/2021
COMPANY	Cairo Communication
VALUATION METHOD	Post-employment benefits

Mortality table	2017
Reduction of mortality table	0%

Advance request rate EXECUTIVE	1.00%
Advance request rate MIDDLE MANAGER	2.00%
Advance request rate EMPLOYEE	2.00%

Salary increase rate EXECUTIVE*	3.00%
Salary increase rate MIDDLE MANAGER*	2.00%
Salary increase rate EMPLOYEE*	2.00%

Future inflation rate	1.50%

Discount rate	0.4403%

Resignation rate EXECUTIVE	2.00%
Resignation rate MIDDLE MANAGER	2.00%
Resignation rate EMPLOYEE	7.00%

There were no changes in the breakdown of headcount during the year, as summarized in the table below:

	Headcount at beginning of period	Changes	Headcount at end of period	Average headcount
Executives	6		6	6
Middle managers	2		2	2
White collars	8		8	8
Total	**16**	**-**	**16**	**16**

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23. Payables to suppliers

Payables to suppliers amounted to Euro 1,620 thousand, decreasing by Euro 904 thousand versus 31 December 2020.

24. Receivables from and payables to parent

Receivables from parents amounted to Euro 94 thousand, unchanged versus 31 December 2020, and refer mainly to receivables from U.T. Communications arising from the national tax consolidation scheme, following requests for the reimbursement of IRAP submitted in accordance with Decree Law 201/2011 for non-deduction of IRAP relating to personnel and similar expenses.

25. Payables to subsidiaries

Payables to subsidiaries amounted to Euro 91,108 thousand, increasing by Euro 10,840 thousand versus 31 December 2020, and are broken down as follows:

Payables to subsidiaries (€ thousands)	**31/12/2021**	**31/12/2020**	**Changes**
La7 S.p.A.	86,417	78,239	8,178
Cairo Pubblicità S.p.A.	809	970	(161)
Cairo Publishing S.r.l.	3	76	(73)
Il Trovatore S.r.l.	25	68	(43)
Cairo Network S.r.l.	387	781	(394)
RCS MediaGroup S.p.A.	2,766	134	2,632
Rcs Produzioni Milano S.p.A.	170	-	170
Sfera Service S.r.l.	23	-	23
Rcs Edizioni Locali	383	-	383
Blei	4	-	4
Trovolavoro	120	-	120
Total	**91,107**	**80,268**	**10,839**

The payable to La7 S.p.A. arises from the publisher's share acknowledged to the subsidiary for advertising sales on La7 and La7d channels (Euro 76,096) and from the payable arising from the company's participation in tax consolidation (Euro 10,321 thousand).

The payable to Cairo Pubblicità S.p.A., amounting to Euro 807 thousand, refers entirely to the company's participation in Group VAT.

Payables to RCSMediagroup and its subsidiaries arise from their participation in Cairo Communication's tax consolidation.

26. Financial payables to subsidiaries

Financial payables to subsidiaries, amounting to Euro 68,295 thousand, are attributable to the short-term interest-bearing cash deposit agreement concluded with La7 S.p.A. on 19 October 2018 for the amount of Euro 40,031 thousand (the duration of the deposit is negotiated from time to time in a monthly interval of between one and twelve months at the request of La7 S.p.A.), and for the difference to the intra-group current account agreement entered into by Cairo Communication with its subsidiaries in order to record receivables and payables resulting from mutual remittances arising from business transactions, or financial transactions and to optimize balances.

The payable to subsidiaries arising from this agreement is attributable for Euro 7,950 thousand to Cairo Pubblicità S.p.A., for Euro 18,800 thousand to Cairo Editore S.p.A. and for Euro 1,500 thousand to La7.

27. Tax payables

Tax payables amounted to Euro 232 thousand, decreasing by Euro 731 thousand versus 31 December 2021. The item is broken down as follows:

Tax payables (€ thousands)	**31/12/2021**	**31/12/2020**	**Changes**
Withholding tax on employees	154	180	(26)
Withholding tax on contract workers	46	-	46
Current IRAP	32	-	32
VAT payable	-	783	(783)
Total tax payables	**232**	**963**	**(731)**

28. Other current liabilities

Other current liabilities amounted to Euro 1,522 thousand, decreasing by Euro 458 thousand versus 31 December 2020. The item is broken down as follows:

Other current liabilities (€ thousands)	**31/12/2021**	**31/12/2020**	**Changes**
Payables to social security institutions	168	263	(95)
Other payables	1,322	1,663	(341)
Accrued expenses and deferred income	32	54	(22)
Total	**1,522**	**1,980**	**(458)**

"Other payables" refers mainly to employees for holidays accrued (Euro 1,197 thousand) and additional monthly salaries (Euro 65 thousand).

29. Commitments, risks and other information

Pursuant to Article 1, paragraph 125 to 129 of Law no. 124 of 4 August 2017, with regard to the obligations to publish grants, contributions, paid assignments and, in any case, economic benefits of any kind received from the PA, and to Article 3-quater, paragraph 2, of Decree Law no. 135/2018 (Simplification Decree), it should be noted that the Allocating Bodies are required to publish the contributions in the National Aids Register, available at: www.rna.gov.it/sites/PortaleRNA/it_US/transparency in the field of State aid and de minimis aid. In 2021, Cairo Communication did not benefit from any grants, contributions, paid assignments and, in any case, economic benefits of any kind received from the PA.

Guarantees and commitments

With regard to the commitments, risks and other information relating to Cairo Communication's subsidiaries, reference should be made to the explanatory notes to the consolidated financial statements at 31 December 2021.

It is also noted that:

- the separate financial statements at 31 December 2021 do not include any receivables or payables with a residual term exceeding five years;
- the separate financial statements at 31 December 2021 do not include the capitalization of financial expense.

30. Related party transactions

In 2021, transactions carried out by Cairo Communication with related parties and the effects on the balance sheet and income statement are shown as follows:

Receivables and financial assets (Euro/000)	Trade receivables	Other receivables and current assets	Intra-group financial assets
Parent UT Communications	59	35	-
Subsidiaries of Cairo Communication Group			
Cairo Pubblicità S.p.A.	121	203	-
Cairo Editore S.p.A.	505	5,107	-
Cairo Publishing S.r.l.	25	-	-
Il Trovatore S.r.l.	259	-	-
La7 S.p.A.	170	5,554	-
RCS MediaGroup S.p.A.	9	-	-
Digicast S.r.l.	-	-	-
Cairo Network S.r.l.	3	2,484	29,550
Cairo RCSMedia S.p.A.	45,026	402	-
RCS Produzioni S.p.A.	-	16	-
RCS Produzioni Padova S.p.A.	-	20	-
RCS Sport & Events S.r.l.	-	1,123	-
RCS Sport S.p.A.	-	1,188	-
Affiliates of UT Communications Group		-	-
Torino FC S.p.A.	61	-	-
Total gross receivables	**46,238**	**16,132**	**29,550**
Write-down	(234)	-	(154)
Total	**46,004**	**16,132**	**29,396**

Payables and financial liabilities (Euro/000)	Trade payables	Other payables and current liabilities	Intra-group financial payables
Parent UT Communications	-	-	-
Subsidiaries of Cairo Communication Group			
Cairo Pubblicità S.p.A.	2	807	7,956
La7 S.p.A.	76,096	10,321	41,531
Cairo Publishing S.r.l.	-	3	-
Il Trovatore S.r.l.	25	-	-
Cairo Network S.r.l.	-	388	-
Cairo Editore S.p.A.	-		18,808
RCS MediaGroup S.p.A.	91	2,675	-
Sfera Service S.r.l.	-	23	-
RCS Edizioni Locali S.r.l.	-	383	-
RCS Produzioni Milano S.p.A.	-	170	-
Trovo Lavoro S.r.l.	-	120	-
Blei S.p.A. in liquidat.	-	4	-
Total	**76,214**	**14,894**	**68,295**

Revenue and costs (Euro/000)	Operating revenue	Operating costs	Financial income	Financial expense	(Expense)/ Income from investments
Parent UT Communications	-	-	-	-	-
Subsidiaries of Cairo Communication Group					
CAIRORCSMedia S.p.A.	111,501[(1)]	12	-	-	-
Cairo Pubblicità S.p.A.	2			5	
Cairo Editore S.p.A.	491	-	-	8	2,389
La7 S.p.A.	10	105,948		1	-
Il Trovatore S.r.l.	27	42		-	-
RCS MediaGroup S.p.A.	9	371	-	-	9,345
Cairo Network S.r.l.	2	-	-	-	
Cairo Publishing S.r.l.	1	-	-	-	
Diellesei S.r.l. in liquidation	-	-	-	-	2
Affiliates of UT Communications Group					
Torino FC S.p.A.	100	-	-	-	-
Total	**112,143**	**106,361**	**-**	**173**	**11,736**

(1) In the financial statements, the amount of Euro 4,586 thousand is shown net of publishers' fees, with an equivalent reduction in the corresponding costs and, in particular, the fees of La7, equal to Euro 105,948 thousand, shown in the table.

COSTS (Euro/000)	RCS MediaGroup	Cairo Pubblicità	CAIRORCSMedia	La7	Il Trovatore	Cairo Editore
Internet services	-	-	-	-	42	
Publisher's share	-	-	-	105,948		-
Seconded personnel	178	-	-	-	-	-
Serviced space	103	-	-	-	-	-
Mandatory notices	-	-	12	-	-	-
Inter-group legal and corporate services	50	-	-	-	-	-
Other general expenses	40		-	-	-	-
Interest expense		5	-	160		8
Total	**371**	**5**	**12**	**106,108**	**42**	**8**

INCOME (Euro/000)	RCS MediaGroup	Cairo Editore	Cairo RCS Media	La7	Il Trovatore	Cairo Publishing	Cairo Network	Cairo Pubblicità	Torino FC
Sub-concession payment		-	110,147	-	-	-	-		-
Administrative services and use of serviced space		480	1,280	-	22				100
Chargeback of costs	9	11	74	10	5	1	2	2	-
Reimb. loss coverage reserve		-	-	-	-				-
Total	**9**	**491**	**111,501**	**10**	**27**	**1**	**2**	**2**	**100**

Cairo Communication supplies a range of services to some of its subsidiaries and associates, relating mainly to management accounting software, use of serviced spaces, administrative staff, and the areas of finance, treasury, management control and credit management, to allow the individual companies to benefit from economies of scale and more efficient management.

In 2021, CAIRORCS Media S.p.A. operated for Cairo Communication as a sub-lessee for TV advertising sales (La7 and theme channels under concession Cartoon Network and Boomerang) and Internet advertising sales (Cartoon Network).

Under these agreements, RCSMedia directly invoices customers and returns a percentage of the relating revenue to the sub-lessor.

In the period under review, there were no transactions with the parent (U.T. Communications) or with subsidiaries of the latter, except for the contract with Torino F.C. for the provision of administrative services such as bookkeeping; the agreement sets a fixed annual fee of Euro 100 thousand.

Cairo Communication presented the tax consolidation scheme option pursuant to Article 117/129 of the TUIR (Consolidated Income Tax Act) starting from 2016, together with the subsidiaries Cairo Editore, Cairo Pubblicità, Diellesei in liquidation, Cairo Publishing, La7 and Cairo Network.

Cairo Communication has an agreement in place with La7 on the concession of exclusive advertising sales on the publisher's television channels. Starting from tax period 2021, Cairo Communication S.p.A. and RCS MediaGroup S.p.A. have jointly participated in the national tax consolidation scheme, with Cairo Communication S.p.A. acting as the consolidating company, as well as the subsidiaries of RCS MediaGroup S.p.A., where the conditions exist. On 3 August 2021, the Board of Directors of Cairo Communication S.p.A. approved the exercise of this option.

Fees paid to the directors in the period are analyzed in Note 33 “Board of Directors’ and Board of Statutory Auditors’ fees” and in the Remuneration Report, prepared pursuant to Article 123 ter of the TUF.

During the period, no transactions were concluded with members of the Board of Directors of the Company, general managers and/or key management personnel, members of the Board of Statutory Auditors, and the Financial Reporting Manager, further than fees paid and as already shown in this Note.

The procedures adopted by the Group for related party transactions, to ensure transparency and substantial and procedural fairness, made by the Company either directly or through its subsidiaries, are illustrated in the Directors’ Report on Operations in the section on the “*Report on Corporate Governance and Ownership Structure*”.

31. Risk management

Liquidity risk

Liquidity risk may arise from difficulties in obtaining loans to support operations in accordance with the proper timescales, and, if necessary, to repay loans falling due.

Liquidity analysis

The table below summarizes the equity profile of Cairo Communication current assets and liabilities at 31 December 2021:

Description	31/12/2021	31/12/2020	Change
Trade receivables and other current assets	63.9	59.0	4.9
Trade payables and other current liabilities	(94.5)	(85.7)	(8.7)
Net working capital	**(30.6)**	**(26.8)**	**(3.8)**
Cash funds	9.8	1.2	8.6
Current financial liabilities	(73.3)	(80.0)	6.7
Current net financial position	**(63.5)**	**(78.9)**	**15.3**
Current liabilities from lease contracts (IFRS 16)	(0.0)	(0.3)	0.3
Difference between current assets and current liabilities	**(94.2)**	**(105.9)**	**11.8**

At 31 December 2021, the difference between current assets and liabilities showed a negative balance of Euro 94.2 million, changing by Euro 11.8 million versus the prior year (Euro 105.9 million at 31 December 2020).

Current financial liabilities, amounting to Euro 73.3 million, are attributable to the interest-bearing cash deposit agreement concluded with La7 S.p.A. on 19 October 2018 (Euro 40 million), the intra-group current account agreement for Euro 28.2 million, and the forward money agreement concluded on 28 October 2021 with Creval for Euro 5 million.

It should be noted in this regard that:

- the Company attempts to ensure that an appropriate ability to generate cash is maintained, even under the current market conditions;
- the Group's wholly-owned subsidiaries hold liquidity at 31 December 2021 , and

- in any event, the Company has no difficulties in accessing new liquidity in the form of lines of credit.

The table below summarizes the time profile of Cairo Communication financial assets and liabilities at 31 December 2021 based on the non-discounted collections and payments set out in the contracts (including principal and interest even if not accrued at the reporting date):

31 December 2021	**On demand**	**< 6 M**	**6 M - 1 Y**	**1-2 Y**	**2-5 Y**	**> 5 Y**	**Total**
Non-current financial receivables	-	-	-	-	29.4	-	29.4
Current financial receivables	-	-	-	-	-	-	-
Hedging derivatives	-	-	-	-	-	-	-
Cash funds	9.8	-	-	-	-	-	9.8
Interest income	-	-	-	-	-	-	-
Total financial assets	**9.8**	**-**	**-**	**-**	**29.4**	**-**	**39.2**
Financial payables to third parties	-	(5.0)	-	(5.0)	-	-	(10.0)
Financial payables to Group companies	-	-	(68.3)	-	-	-	(68.3)
Interest expense	-	-	(0.4)	-	-	-	(0.4)
Total financial liabilities	**-**	**(5.0)**	**(68.7)**	**(5.0)**	**-**	**-**	**(78.7)**
Liabilities from lease contracts	-	-	-	-	-	-	-
Interest expense on lease contracts	-	-	-	-	-	-	-
Total comprehensive financial liabilities	**-**	**(5.0)**	**(68.7)**	**(5.0)**	**-**	**-**	**(78.7)**

31 December 2020	**On demand**	**< 6 M**	**6 M - 1 Y**	**1-2 Y**	**2-5 Y**	**> 5 Y**	**Total**
Non-current financial receivables	-	-	-	-	23.3	-	23.3
Current financial receivables	-	-	-	-	-	-	-
Hedging derivatives	-	-	-	-	-	-	-
Cash funds	1.2	-	-	-	-	-	1.2
Interest income	-	-	-	-	-	-	-
Total financial assets	**1.2**	**-**	**-**	**-**	**23.3**	**-**	**24.5**
Financial payables to third parties	-	-	-	-	(40.0)	-	(40.0)
Financial payables to Group companies	-	-	(40.0)	-	-	-	(40.0)
Interest expense	-	(0.2)	(0.3)	-	-	(0.1)	(0.6)
Total financial liabilities	**-**	**(0.2)**	**(40.3)**	**-**	**(40.0)**	**(0.1)**	**(80.6)**
Liabilities from lease contracts	-	0.1	0.1	0.1	0.1	-	**0.3**
Interest expense on lease contracts	-	-	-	-	-	-	-
Total comprehensive financial liabilities	**-**	**(0.1)**	**(40.2)**	**0.1**	**(39.9)**	**(0.1)**	**(80.2)**

The amounts shown in the table above, unlike the amounts of total net financial debt, include non-interest bearing non-current financial receivables of Euro 29.4 million (Euro 23.3 million in 2020) granted to the subsidiary Cairo Network S.r.l.

Interest rate risk

Interest rate risk consists of potential and higher financial expense stemming from an unfavorable and unexpected change in interest rates. At 31 December 2021, the Company holds exclusively floating rate financial instruments and, therefore, is exposed to said risk.
The floating rate financial instruments exposed to interest rate risk are those included in the net financial position, amounting to Euro -68.6 million at 31 December 2021. Regarding these values, a variation of +/-1% in the reference interest rate curves would result in an increase (decrease) in financial expense of Euro 0.7 million on an annual basis.

Currency risk

Cairo Communication is not exposed to currency risk as revenue is generated entirely in Italy and the main costs are incurred in Euro.

Credit risk

Cairo Communication has limited exposure to credit risk given that its advertising sales activities are performed through sub-concession agreements with the subsidiary CAIRORCSMedia. Trade receivables are therefore due almost entirely from other Group companies.

The table below shows the Company's maximum exposure to credit risk for equity components:

Description	**31/12/2021**	**31/12/2020**	**Change**
Trade receivables	63.3	58.6	4.7
Other current assets	0.5	0.2	0.3
Non-current financial receivables	29.4	23.3	6.1
Total receivables and other assets	**93.2**	**82.1**	**11.1**
Cash funds	9.8	1.2	8.6
Total	**103.0**	**83.3**	**19.7**

The breakdown of trade receivables by due date is commented on in Note 16.

32. Financial Instruments: disclosures

As required by IFRS 7, the table below shows the carrying amounts of items included in each category identified by IFRS 9.

The carrying amount generally coincides with the measurement at amortized cost of the financial assets/liabilities, except for derivative instruments and other equity instruments measured at fair value.

In accordance with IFRS 7, sundry receivables and other current assets, shown in the table below do not include tax receivables, accrued income and prepaid expenses and receivables from social security institutions.

Likewise, sundry payables and other current liabilities do not include payables to social security institutions, accrued expenses and deferred income, and untaken holiday entitlement.

Description	**31/12/2021**	**31/12/2020**
FINANCIAL ASSETS		
Financial assets at amortized cost		
Non-current financial receivables	29.4	23.3
Trade receivables	0.5	0.7
Receivables from parents, associates and affiliates	62.7	58.0
Sundry receivables and other current assets	0.1	0.1
Cash and cash equivalents	9.7	1.2
TOTAL	**102.4**	**83.2**
FINANCIAL LIABILITIES		
Financial liabilities at amortized cost		
Payables and non-current financial liabilities	5.0	-
Non-current liabilities from lease contracts	-	0.2
Current financial payables	73.3	80.0
Trade payables	1.6	2.5
Payables to parents, associates and affiliates	91.1	80.3
Sundry payables and other current liabilities	0.3	0.4
Current liabilities from lease contracts	-	0.1
TOTAL	**171.2**	**164.6**

In accordance with IFRS 7, the effects produced in the income statement on financial assets/liabilities measured at amortized cost amounted to Euro 0.4 million

33. Board of Directors' and Board of Statutory Auditors' fees

For the year ended 31 December 2021, the following information referring to the fees paid to Directors, Statutory Auditors, General Managers and key management personnel, also in subsidiaries, is analyzed in detail in the Remuneration Report, prepared pursuant to Article 123 ter of the TUF, and in summary form in the table below:

(€ millions)	Cost of services	Personnel expense (AGP)	Sundry payables and
In Cairo Communication S.p.A.			
Board of Directors - fees	(0.3)	-	-
Board of Statutory Auditors - fees	(0.1)	-	0.1
Chief Executive Officers	(0.4)	(0.7)	-
Key management personnel	-	(0.2)	-
Total from Cairo Communication S.p.A.	**(0.8)**	**(0.9)**	**0.1**
In subsidiaries			
Board of Directors - fees	-	-	-
Board of Statutory Auditors - fees	(0.1)	-	0.1
Chief Executive Officers	(4.8)	(0.0)	2.4
Key management personnel	(0.2)	(1.7)	0.5
Total from subsidiaries	**(5.1)**	**(1.7)**	**3.0**
Grand total	**(5.9)**	**(2.6)**	**3.1**

It should be noted that:

- there are no agreements in place between the Parent and the directors for any indemnity in the event of resignation or unjust dismissal, or in the event their employment relationship ceases following a takeover bid;
- there are agreements in place between the Company and Uberto Fornara, subject to non-competition commitments for 18 months following termination of his management relationship with the Parent, for payment during his relationship of a gross annual fee of Euro 100 thousand.

Moreover, there are no succession plans regarding executive directors.

At 31 December 2021, Key Management Personnel of the Cairo Communication Group were the following:

- Giuseppe Ferrauto (Director, General Manager and Executive of Cairo Editore),
- Marco Ghigliani (Managing Director, General Manager and Executive of La7)
- Giuliano Cipriani, (General Manager and manager of CAIRORCS Media)
- Mario Cargnelutti (Deputy General Manager and manager of CAIRORCS Media S.p.A.)
- Alberto Braggio (Director of Cairo Editore and head of planning, finance and control and Executive of Cairo Communication).

Cairo Communication has no stock option plans in place.

34. Transactions deriving from atypical and/or unusual or non-recurring transactions

Pursuant to CONSOB Communication of 28 July 2006 no. DEM/6064296, it should be noted that in 2021 the Cairo Communication Group did not engage in any atypical and/or unusual transactions as defined by the above Communication.

35. Entity which prepares the consolidated financial statements of the largest body of entities, of which the entity forms part as a subsidiary

U.T. Communications S.p.A., with registered office in Via Montenapoleone 8, Milan, where a copy of the consolidated financial statements is also available.

36. Entity which prepares the consolidated financial statements of the smallest body of entities, of which the entity forms part as a subsidiary

U.T. Communications S.p.A., with registered office in Via Montenapoleone 8, Milan, where a copy of the consolidated financial statements is also available.

37. Significant events after the period

After year end, no events occurred which would require adjustments to the amounts presented with respect to the information already provided in this Annual Report.

However, mention should be made that, as from end February 2022, the conflict in Ukraine and its consequences, including in terms of economic sanctions against Russia and the impacts on the economy and trade, especially on energy, production and logistics supply chains, are causing grave uncertainty.

The developing situation and the potential effects on the business outlook, which will be constantly monitored also in the further course of the year, are unforeseeable at this time as they depend, inter

alia, on the developments and duration of the conflict in Ukraine, the economic sanctions against Russia and its geopolitical effects.
In any case, the Group has no direct exposure and/or business activities towards the markets affected by the conflict and/or sanctioned entities. The current situation, which aggravates a cost trend that has been ongoing since 2021, is currently leading to a further spike in transportation costs and in costs for various commodities, including printing paper and energy, which are important for the Group, as well as procurement difficulties, therefore a general increase in production costs and difficulties in production processes for various sectors, whose production is currently struggling to keep pace with the trend in demand. With regard to the Group, this economic context, and its development during the year, may impact on production costs and also affect the performance of the advertising market.

Given the uncertainty brought by the conflict in Ukraine in the assessment of national and international macroeconomic scenarios, financial statement estimates were drawn from assumptions based on a highly uncertain future. Therefore, one cannot rule out that actual events over the next year may likely have a different outcome to those forecast at 31 December 2021, causing significant adjustments to the carrying amounts of assets and liabilities, amongst which, due to their significance, investments, other intangible assets with indefinite useful life, as well as deferred tax assets and the estimated recoverability of receivables.

Shareholders,

We invite you to approve the separate financial statements as at and for the year ended 31 December 2021 and the accompanying reports, and we propose the distribution of a dividend of Euro 0.18 per share, gross of tax.

Shareholders are invited:

- to approve the Directors' Report on Operations and the separate financial statements for the year ended 31 December 2021, which show a profit for the year of Euro 11,696,897.69
- to resolve on the distribution to shareholders of a dividend of Euro 0.18 per share, gross of tax, for each share entitled to receive profit distributions, with the exception of treasury shares held by the Company on the date prior to the record date pursuant to Article 83-*terdecies* of the TUF, by allocating the entire profit for the year of Euro 11,696,897.69 and drawing on the "retained earnings" reserve for the difference of Euro 12,498,089.95.

If approved by the Shareholders, the dividend of Euro 0.18 per share will be made payable on 25 May 2022 (record date pursuant to Article 83-terdecies of the TUF: 24 May 2022), subject to detachment of coupon no. 15 on 23 May 2022.

For the Board of Directors
Chairman Urbano Cairo

Cairo Communication S.p.A.
Separate financial statements at 31 December 2021 –
Annexes and Appendix

ANNEX 1

List of investments in direct subsidiaries

Company name and registered office (€ millions)	Share Capital	Profit (loss) most recent period (*)	Equity	% held
Cairo Editore S.p.A - Milan				
31/12/20	1.0	3.8	8.6	99.95
31/12/21	**1.0**	**5.4**	**11.5**	**99.95**
Rcs MediaGroup S.p.A - Milan				
31/12/20	270.0	12.8	468.8	59.69
31/12/21	**270.0**	**38.7**	**492.3**	**59.69**
LA7 S.p.A - Rome				
31/12/20	1.0	(0.8)	72.0	100.00
31/12/21	**1.0**	**(6.5)**	**72.8**	**100.00**
Il Trovatore S.r.l. - Milan				
31/12/20	0.0	(0.0)	0.6	80.00
31/12/21	**0.0**	**0.1**	**0.7**	**80.00**
Cairo Pubblicità S.p.A. - Milan				
31/12/20	2.8	(0.9)	2.7	100.00
31/12/21	**2.8**	**3.8**	**5.8**	**100.00**
Cairo Publishing S.r.l. - Milan				
31/12/20	0.0	0.2	0.5	100.00
31/12/21	**0.0**	**0.2**	**0.7**	**100.00**
Cairo Network S.r.l. - Milan				
31/12/20	5.5	(0.4)	3.9	100.00
31/12/21	**5.5**	**1.4**	**5.4**	**100.00**

(*) Figures at 31/12/2020 refer to the financial statements approved by the respective Shareholders' Meetings. Figures at 31/12/2021 refer to the draft financial statements approved by the respective Boards of Directors.

ANNEX 2

Summary figures of draft financial statements of subsidiaries in the advertising segment and il Trovatore at 31 December 2021

(€ millions)	**Cairo Pubblicità** Financial statements at 31.12.21	**Il Trovatore** Financial statements at 31.12.21	**CairoRCSMedia** Financial statements at 31.12.21
Assets			
A) Share capital proceeds to be received	0.00	0.00	0.00
B) Intangible fixed assets	0.00	0.00	8.10
Tangible fixed assets	0.00	0.00	0.18
Financial fixed assets	4.05	0.00	0.02
Total non-current assets	**4.05**	**0.00**	**8.30**
C) Inventory	0.00	0.00	0.00
Receivables	11.32	1.56	168.80
Current financial assets	0.00	0.00	0.00
Cash funds	0.33	0.10	13.95
Total current assets	**11.64**	**1.66**	**182.75**
D) Prepayments and accrued income	0.00	0.00	0.56
Total assets	**15.69**	**1.66**	**191.61**
Liabilities			
A) Share capital	2.82	0.03	0.30
Income-related and other reserves	0.05	0.01	7.80
Shareholders' contributions to cover losses	0.00	0.00	0.00
Retained earnings (losses carried forward)	(0.80)	0.55	0.00
Net profit (loss) for the period	3.76	0.13	(0.35)
Total equity	**5.84**	**0.71**	**7.75**
B) Provisions for risks and charges	0.00	0.00	4.83
C) Post-employment benefits	0.00	0.04	3.19
D) Payables	9.86	0.91	175.38
E) Accrued expenses and deferred income	0.00	0.00	0.46
Total liabilities	**15.69**	**1.66**	**191.61**
Income statement			
A) Production revenue	0.29	1.04	372.88
B) Production costs	(0.51)	(0.85)	(372.96)
Difference between production revenue and production costs	(0.22)	0.19	(0.08)
C) Financial income (expense)	3.97	0.00	(0.02)
D) Adjustments to financial assets	0.00	0.00	0.00
Profit (loss) before tax	**3.75**	**0.19**	**(0.10)**
Income tax for the period	0.01	(0.06)	(0.25)
Profit (loss) for the period	**3.76**	**0.13**	**(0.35)**

ANNEX 3

Summary figures of the draft financial statements of direct subsidiaries in the Cairo Editore publishing segment, TV publishing La7, RCS and network operator at 31 December 2021.

(€ millions)	**Cairo Editore** Financial statements at 31.12.2021	**Rcs MediaGroup** Financial statements at 31.12.2021	**Cairo Publishing** Financial statements at 31.12.2021	**LA7** Financial statements at 31.12.2021	**Cairo Network** Financial statements at 31.12.2021
Assets					
A) Share capital proceeds to be received	0.00	0.00	0.00	0.00	0.00
B) Intangible fixed assets	4.72	27.56	0.02	11.27	31.76
Tangible fixed assets	2.07	32.80	0.01	1.99	0.00
Rights of use on leased assets	0.00	129.91	0.00	0.00	0.00
Investment property	0.00	2.27	0.00	0.00	0.00
Financial fixed assets	0.04	416.81	0.01	0.06	0.00
Total non-current assets	**6.82**	**609.35**	**0.04**	**13.32**	**31.75**
C) Inventory	1.62	12.76	0.00	0.55	0.00
Receivables	39.12	145.79	1.15	133.03	19.75
Current financial assets	0.04	183.50	0.00	0.12	0.00
Cash funds	4.48	63.43	0.06	6.52	4.93
Total current assets	**45.26**	**405.48**	**1.21**	**140.22**	**24.68**
D) Prepayments and accrued income	0.53	4.26	0.00	0.78	0.00
Total assets	**52.62**	**1019.09**	**1.25**	**154.31**	**56.45**
Liabilities					
A) Share capital	1.04	270.00	0.01	1.02	5.50
Income-related and other reserves	1.02	118.78	0.02	71.69	0.00
Shareholders' contributions	0.00	0.00	0.00	0.00	0.00
Retained earnings (losses carried forward)	4.12	64.81	0.45	0.04	(1.66)
Net profit (loss) for the period	5.37	38.68	0.18	(0.77)	1.53
Total equity	**11.55**	**492.27**	**0.67**	**71.98**	**5.38**
B) Provisions for risks and charges	1.15	37.18	0.02	4.85	0.00
C) Post-employment benefits	1.71	27.13	0.10	6.93	0.05
D) Payables and other liabilities	39.05	299.68	0.46	70.50	47.82
Current liabilities from lease contracts	0.00	151.73	0.00	0.00	0.00
E) Accrued expenses and deferred income	0.16	11.10	0.00	0.05	3.20
Total liabilities	**53.62**	**1019.09**	**1.25**	**154.31**	**56.45**
Income statement					
A) Production revenue	68.16	508.24	0.72	111.55	14.74
B) Production costs	(62.04)	(467.10)	(0.45)	(115.73)	(12.79)
Difference between production revenue and production costs	6.12	41.14	0.27	(4.18)	1.95
C) Financial income (expense)	-0.01	(3.70)	0.00	0.19	(0.00)
D) Adjustments to financial assets	0.00	11.82	0.00	0.12	0.00
Profit (loss) before tax	**6.12**	**49.26**	**0.26**	**(3.88)**	**1.95**
Income tax for the period	(0.75)	(10.58)	(0.08)	3.11	-0.42
Profit (loss) for the period	**5.37**	**38.68**	**0.18**	**(0.77)**	**1.53**

ANNEX 4

Summary figures of the most recently approved financial statements of the subsidiaries in the advertising segment, il Trovatore and discontinued operations (31 December 2020).

(€ millions)	Cairo Pubblicità Financial statements at 31.12.20	Il Trovatore Financial statements at 31.12.20	Diellesei S.r.l. in liquidation Financial statements at 25.11.20 (*)
Assets			
A) Share capital proceeds to be received	0.00	0.00	0.00
B) Intangible fixed assets	0.00	0.00	0.00
Tangible fixed assets	0.05	0.00	0.00
Financial fixed assets	0.05	0.00	0.00
Total non-current assets	**0.10**	**0.00**	**0.00**
C) Inventory	0.00	0.00	0.00
Receivables	72.86	1.35	0.00
Current financial assets	0.00	0.00	0.00
Cash funds	16.80	0.03	0.00
Total current assets	**89.66**	**1.38**	**0.00**
D) Prepayments and accrued income	0.20	0.00	0.00
Total assets	**89.96**	**1.38**	**0.00**
Liabilities			
A) Share capital	2.82	0.03	0.00
Income-related and other reserves	0.05	0.01	0.00
Shareholders' contributions to cover losses	0.00	0.00	0.00
Retained earnings (losses carried forward)	0.04	0.58	0.00
Net profit (loss) for the period	(0.85)	(0.03)	0.00
Total equity	**2.07**	**0.58**	**0.00**
B) Provisions for risks and charges	1.60	0.00	0.00
C) Post-employment benefits	2.27	0.03	0.00
D) Payables	83.47	0.77	0.00
E) Accrued expenses and deferred income	0.56	0.00	0.00
Total liabilities	**89.96**	**1.38**	**0.00**
Income statement			
A) Production revenue	142.95	0.72	0.00
B) Production costs	(144.02)	(0.74)	0.00
Difference between production revenue and production costs	(1.07)	(0.03)	0.00
C) Financial income (expense)	(0.01)	(0.00)	0.00
D) Adjustments to financial assets	0.00	0.00	0.00
Profit (loss) before tax	**(1.08)**	**(0.03)**	**0.00**
Income tax for the period	0.24	(0.00)	0.00
Profit (loss) for the period	**(0.85)**	**(0.03)**	**0.00**

(*) Final liquidation financial statements approved by the Shareholders' Meeting on 15 December 2020.

ANNEX 5

Summary figures of the most recently approved financial statements of direct subsidiaries in the Cairo Editore publishing segment, TV publishing La7, RCS and network operator (31 December 2020).

(€ millions)	Cairo Editore Financial statements at 31.12.20	Rcs MediaGroup Financial statements at 31.12.20	Cairo Publishing Financial statements at 31.12.20	LA7 Financial statements at 31.12.20	Cairo Network Financial statements at 31.12.20
Assets					
A) Share capital proceeds to be received	0.00	0.00	0.00	0.00	0.00
B) Intangible fixed assets	5.25	26.03	0.00	10.70	28.88
Tangible fixed assets	1.66	36.77	0.00	2.01	0.00
Rights of use on leased assets	0.00	118.94	0.00	0.00	0.00
Investment property	0.00	2.72	0.00	0.00	0.00
Financial fixed assets	0.06	424.59	0.01	0.16	0.00
Total non-current assets	**6.97**	**609.05**	**0.01**	**12.87**	**28.88**
C) Inventory	1.83	12.94	0.01	0.24	0.00
Receivables	28.11	149.61	0.96	123.78	15.62
Current financial assets	0.00	217.01	0.00	0.00	0.00
Cash funds	3.66	37.28	0.18	14.21	0.40
Total current assets	**33.60**	**416.84**	**1.15**	**138.24**	**16.02**
D) Prepayments and accrued income	0.58	6.10	0.00	0.55	0.00
Total assets	**41.16**	**1031.99**	**1.16**	**151.66**	**44.91**
Liabilities					
A) Share capital	1.04	270.00	0.01	1.02	5.50
Income-related and other reserves	1.02	118.49	0.02	78.18	0.00
Shareholders’ contributions	0.00	0.00	0.00	0.00	0.00
Retained earnings (losses carried forward)	2.66	67.52	0.29	0.04	(1.25)
Net profit (loss) for the period	3.87	12.83	0.16	(6.48)	(0.41)
Total equity	**8.60**	**468.84**	**0.48**	**72.75**	**3.85**
B) Provisions for risks and charges	1.10	36.49	0.03	5.10	0.00
C) Post-employment benefits	1.67	30.85	0.09	6.87	0.04
D) Payables and other liabilities	29.10	344.97	0.55	66.83	41.01
Current liabilities from lease contracts	0.00	141.34	0.00	0.00	0.00
E) Accrued expenses and deferred income	0.70	9.50	0.00	0.11	0.00
Total liabilities	**41.16**	**1031.99**	**1.16**	**151.66**	**44.91**
Income statement					
A) Production revenue	70.41	488.84	0.58	105.31	12.04
B) Production costs	(65.95)	(477.75)	(0.34)	(113.72)	(12.58)
Difference between production revenue and production costs	4.46	11.09	0.24	(8.40)	(0.54)
C) Financial income (expense)	0.05	(0.89)	0.00	0.08	(0.00)
D) Adjustments to financial assets	0.00	-5.13	0.00	(0.14)	0.00
Profit (loss) before tax	**4.51**	**5.07**	**0.24**	**(8.47)**	**(0.54)**
Income tax for the period	(0.65)	7.76	(0.07)	1.99	0.13
Profit (loss) for the period	**3.87**	**12.83**	**0.16**	**(6.48)**	**(0.41)**

ANNEX 6

Income statement pursuant to CONSOB Resolution no. 15519 of 27 July 2006

Euro	Notes	31 December 2021	Related parties (*)	% of total	31 December 2020	Related parties (*)	% of total
Net revenue	1	5,114,461	5,114,461	100.00%	6,579,183	6,559,047	99.69%
Other revenue and income	2	255,673	113,914	44.55%	955,048	563,083	58.96%
Cost of services	3	(2,578,180)	(424,672)	16.5%	(3,744,005)	(330,916)	8.8%
Use of third-party assets	3	(63,631)		0.0%	(737,784)	(680,990)	92.3%
Personnel expense	4	(1,875,419)			(2,474,781)		
Amortization, depreciation, provisions and write-d	5	(223,575)			(1,737,513)		
Other operating costs	3	(43,898)			(31,790)		
Operating profit		**585,431**			**(1,191,642)**		
Net financial income (expense)	6	(381,852)	(172,642)	45.2%	(482,375)	(158,685)	32.9%
Income (expense) from investments	7	11,736,135	11,736,135	100.0%	(351,013)	(351,013)	100.0%
Profit (loss) before tax		**11,939,714**			**(2,025,031)**		
Tax	8	(242,817)			458,749		
Profit (loss) from continuing operations		**11,696,897**			**(1,566,282)**		
Profit (loss) from discontinued operations		0	0		0	0	
Profit (loss) for the period		**11,696,897**			**(1,566,282)**		

(*) Related party transactions are analyzed in Note 30

Statement of financial position pursuant to CONSOB Resolution no. 15519 of 27 July 2006

Euro Assets	31 December 2021	Related parties (*)	% of total	31 December 2020	Related parties (*)	% of total
Property, plant and equipment	351,238			329,834		
Rights of use on leased assets	29,148			326,431		
Intangible assets	226,426			225,679		
Investments	328,804,875	328,804,875	100.0%	328,804,875	328,804,875	100.0%
Non-current financial assets	29,396,091	29,395,734	100.0%	23,330,269	23,330,269	100.0%
Deferred tax assets	1,303,089			7,533,747		
Non-current financial assets recognized for derivatives	14,624					
Total non-current assets	**360,125,491**			**360,550,835**		
Trade receivables	544,889	61,000	11.2%	632,682	44,447	7.0%
Receivables from parents	93,611	93,611	100.0%	93,611	93,611	100.0%
Receivables from subsidiaries	62,680,370	62,680,370	100.0%	57,864,293	57,864,293	100.0%
Sundry receivables and other current assets	553,142			378,762		
Cash and cash equivalents	9,755,383			1,178,956		
Total current assets	**73,627,395**			**60,148,304**		
Total assets	**433,752,886**			**420,699,140**		

Equity and liabilities	31 December 2021			31 December 2020		
Share capital	6,989,663			6,989,663		
Share premium reserve	224,075,425			224,075,425		
Retained earnings	15,380,219			22,325,200		
Other reserves	1,624,293			1,639,669		
Treasury shares	(2,352)			(2,352)		
Profit for the period	11,696,898			-1,566,282		
Total equity	**259,764,146**			**253,461,323**		
Payables and non-current financial liabilities	5,000,000			0		
Non-current liabilities from lease contracts	19,613			218,504		
Post-employment benefits	1,186,492			1,142,582		
Provisions for risks and charges	-			0		
Total non-current liabilities	**6,206,105**			**1,361,086**		
Payables to suppliers	1,619,576			2,523,383		
Payables to subsidiaries	91,107,966	91,107,966	100.0%	80,268,440	80,268,440	100.0%
Payables and current financial liabilities	5,000,000			40,000,000		
Current liabilities from lease contracts	6,091			110,912		
Financial payables to subsidiaries	68,294,642	68,294,642	100.0%	40,030,247	40,030,247	100.0%
Tax payables	231,860			963,427		
Other current liabilities	1,522,499			1,980,322		
Total current liabilities	**167,782,634**			**165,876,731**		
Total liabilities	**173,988,739**			**167,237,817**		
Total equity and liabilities	**433,752,886**			**420,699,140**		

(*) Related party transactions are analyzed in Note 30

APPENDIX

Information pursuant to Article 149-duodecies of CONSOB Issuer Regulation

The following summary, prepared pursuant to Article 149-xii of CONSOB Issuer Regulation, shows the fees for the current period for auditing and other services provided by the Independent Auditors.

(€ millions)	**Services provided by**	**Fees for the period**
Audit		
Parent - Cairo Communication S.p.A.	Deloitte & Touche S.p.A.	0.1
Subsidiaries	Deloitte & Touche S.p.A.	0.2
Certification services (*)		
Parent - Cairo Communication S.p.A.	Deloitte & Touche S.p.A.	0.0
Subsidiaries	Deloitte & Touche S.p.A.	0.0
Other services (*)		
Parent Company - Cairo Communication S.p.A. (*)	Deloitte & Touche S.p.A.	0.0
		0.3

(*) Certification services include a limited audit of the Consolidated Non-Financial Statement (Euro 18 thousand).

Auditing and other services to RCS MediaGroup and its subsidiaries are provided by the Independent Auditors Deloitte & Touche S.p.A. as shown in the table below:

(€ millions)	**Services provided by**	**Fees for the period**
Audit		
RCS MediaGroup S.p.A.	Deloitte & Touche S.p.A.	0.4
Italian subsidiaries	Deloitte & Touche S.p.A.	0.1
Foreign subsidiaries	Deloitte Network	0.3
Certification services (*)		
Italian companies	Deloitte & Touche S.p.A.	0.0
Foreign subsidiaries	Deloitte Network	0.0
Other services (*)		
RCS MediaGroup S.p.A.	Deloitte & Touche S.p.A.	-
Foreign subsidiaries	Deloitte Network	0.1
Total		**0.9**

(1) Certification services refer to the Consolidated Non-Financial Statement (Euro 34 thousand). Other services refer to consulting in certain Spanish companies. Other services refer mainly to consulting in certain Spanish companies.

Certification of the separate financial statements pursuant to Article 81 ter of CONSOB Regulation no. 11971 of 14 May 1999 as subsequently amended and supplemented

1. The undersigned Urbano Roberto Cairo, as Chairman of the Board of Directors, and Marco Pompignoli, as Financial Reporting Manager of Cairo Communication S.p.A., also in accordance with Article 154 bis, paragraphs 3 and 4 of Legislative Decree no. 58 of 24 February 1998, certify:

• the adequacy of the characteristics of the Company and

• the effective application of administrative and accounting procedures for the preparation of the 2021 separate financial statements.

2. We also certify that:

2.1 the separate financial statements at 31 December 2021:

a) have been prepared in compliance with International Financial Reporting Standards endorsed by the European Union, pursuant to EEC Regulation 1606/2002 of the European Parliament and Council, of 19 July 2002,

b) are consistent with the accounting records and books of the Company,

c) give a true and fair view of the financial position and performance of the Issuer;

2.2 the Directors' Report contains a reliable analysis of performance and the results of operations, as well as of the position of the Issuer, together with a description of the main risks and uncertainties it is exposed to.

Milan, 25 March 2022

For the Board of Directors The Chairman	The Financial Reporting Manager
……………………………………………….	……………………………………
(Urbano Roberto Cairo)	(Marco Pompignoli)

Deloitte.

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INDEPENDENT AUDITOR'S REPORT
PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010 AND ARTICLE 10 OF THE EU REGULATION 537/2014

To the Shareholders of
Cairo Communication S.p.A.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Cairo Communication S.p.A. (the "Company"), which comprise the statement of financial position as at December 31, 2021, the income statement, the statement of comprehensive income, the statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at December 31, 2021, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements applicable under Italian law to the audit of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Deloitte.

Impairment test of investments in the subsidiary RCS MediaGroup S.p.A.	
Description of the key audit matter	The financial statements at December 31, 2021 include investments in subsidiaries, accounted at cost, of Euro 328.8 million, of which Euro 304,9 million related to the investment held in RCS MediaGroup S.p.A. whose carrying amount, therefore, represents approximately 93% of the total investments in subsidiaries. The recoverability of the investment in this subsidiary is verified by the Directors at least annually, or, whenever there are indicators of potential impairment, by comparing the carrying amount of the investments with the estimated recoverable amount through an impairment test. The Directors, with the assistance of an external consulting, determined the recoverable amount of the investment in this subsidiary, estimating the value in use by using the discounted cash flow model. To this end, the Directors considered an explicit period for the different investments and determined the terminal value of these investment according to the methods described in the notes to the financial statements. The methodology used for the impairment test is characterized by a high degree of complexity and the use of estimates, which by their nature are uncertain and subjective, with reference to the following elements: • the expected cash flows, whose determination is influenced by the general economic trend and the related markets, by the cash flows recorded by the subsidiary in the last financial years and the projected growth rates; • the parameters used to determine an appropriate discount rate (WACC); and • the long-term growth rate (g-rate). Following the impairment test, the Directors did not recognize any impairment loss. In the light of the current context of general uncertainty, the Company has also carried out sensitivity analysis more conservative (stress test) considering variations in terms of cash flows reduction. Given the materiality of the value of investment in the subsidiary, the subjectivity and uncertainty inherent in the estimates of expected cash flows and the key variables of the impairment model, we considered the impairment test of the investment in the subsidiary as a key audit matter of the Company's financial statements. Note 12 "Investments" includes the disclosure on the impairment test.

Audit procedures performed	As part of our audit, we have carried out, among other procedures, the following, which were performed along with the support of Deloitte network experts: • analysis of the methods used by Directors to determine the recoverable amount by analyzing the methods and assumptions used for the development of the impairment test; • understanding of the relevant controls implemented by the Company on this process; • analysis of compliance with the applicable accounting standards of the method adopted by Directors for the impairment test; • assessment of the skills, abilities and objectivity of the expert involved by Directors for the preparation of the impairment test related to the investment; • analysis of the reasonableness of the main assumptions adopted for the determination of the projected cash flow; • analysis of sector data and other information we consider necessary obtained from Directors; • analysis of the deviations between actual results and forecasted results, in order to assess the nature of the deviations and the reliability of the planning process; • assessment of the reasonableness of the discount rate (WACC) and of the long-term growth rate (g-rate); • verification of the mathematical accuracy of the model used to determine the value in use of the investment; • review of the sensitivity analysis prepared by the Directors; • review of the disclosure reported by Directors in the notes and its compliance with the IAS 36.

Responsibilities of the Directors and the Board of Statutory Auditors for the Financial Statements

The Directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05 and, within the terms established by law, and for such internal control as the Directors determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the Company or for the termination of the operations or have no realistic alternative to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

We also provided those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence applicable in Italy, and to communicate to them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the they are the key audit matters. We describe these matters in our auditors' report.

Other information communicated pursuant to art. 10 of the EU Regulation 537/2014

The Shareholders' Meeting of Cairo Communication S.p.A. has appointed us on April 27, 2018 as auditors of the Company for the years ended from December 31, 2020 to December 31, 2028.

We declare that we have not provided prohibited non-audit services referred to in art. 5 (1) of EU Regulation 537/2014 and that we have remained independent of the Company in conducting the audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to the Board of Statutory Auditors, in its role of Audit Committee, referred to in art. 11 of the said Regulation.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion on the compliance with the provisions of the Delegated Regulation (EU) 2019/815

The Directors of Cairo Communication S.p.A. are responsible for the application of the provisions of the European Commission Delegated Regulation (EU) 2019/815 with regard to the regulatory technical standards on the specification of the single electronic reporting format (ESEF – European Single Electronic Format) (hereinafter referred to as the "Delegated Regulation") to the financial statements, to be included in the annual financial report.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 700B in order to express an opinion on the compliance of the financial statements with the provisions of the Delegated Regulation.

In our opinion, the financial statements have been prepared in XHTML format in accordance with the provisions of the Delegated Regulation.

Opinion pursuant to art. 14, paragraph 2 (e), of Legislative Decree 39/10 and art. 123-bis, paragraph 4, of Legislative Decree 58/98

The Directors of Cairo Communication S.p.A. are responsible for the preparation of the report on operations and the report on corporate governance and ownership structure of Cairo Communication S.p.A. as at December 31, 2021, including their consistency with the related financial statements and their compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations and some specific information contained in the report on corporate governance and ownership structure set forth in art. 123-bis, n. 4 of Legislative Decree 58/98 with the financial statements of Cairo Communication S.p.A. as at December 31, 2021 and on their compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the above-mentioned report on operations and information contained in the report on corporate governance and ownership structure are consistent with the financial statements of Cairo Communication S.p.A. as at December 31, 2021 and are prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the entity and of the related context acquired during the audit, we have nothing to report.

DELOITTE & TOUCHE S.p.A.

Signed by
Giacomo Bellia
Partner

Milan, Italy
March 31, 2022

This report has been translated into the English language solely for the convenience of international readers.

Report of the Board of Statutory Auditors
to the Shareholders' Meeting of Cairo Communication S.p.A.
pursuant to Article 153 of Legislative Decree no. 58 of 24 February 1998

Shareholders,

the Board of Statutory Auditors, pursuant to Article 153 of Legislative Decree 58/1998, Consolidated Law on Financial Intermediation (hereinafter, "TUF"), is called upon to report to the Shareholders' Meeting on the supervisory activity performed and on any omissions or reprehensible facts found. The Board of Statutory Auditors may also put forward observations and proposals regarding the financial statements, their approval and the matters within its remit.

During the year ended 31 December 2021, the supervisory tasks assigned to the Board of Statutory Auditors by current legislation and regulations were carried out, in compliance with the provisions contained in the standards of conduct recommended by the Italian Association of Public Accountants and Accounting Professionals, and the relevant instructions provided by CONSOB communications concerning corporate control and the activities of the Board. The Board of Statutory Auditors oversaw compliance with the law and the Bylaws, as well as with the principles of proper governance; it also oversaw the adequacy of the Company's organizational, administrative and accounting structure, within its remit. The Board of Statutory Auditors believes there are no irregularities to be disclosed in this Report.

1. Independence of the members of the Board of Statutory Auditors

The Board of Statutory Auditors assessed the absence of grounds for forfeiture, pursuant to Article 148 of the TUF, and that the members still meet the independence requirements: *(i)* pursuant to Article 148, paragraph 3, of the TUF, and *(ii)* pursuant to Article 2, Recommendation 7, of the Corporate Governance Code.

2. Significant transactions and events

The Board of Statutory Auditors certifies, within its remit, the compliance with the law and the Bylaws of the transactions having a significant impact on the balance sheet, income statement and cash flows carried out by the company and that they are not manifestly imprudent or hazardous, in potential conflict of interest, in contrast with the resolutions passed by the Shareholders' Meeting or such as to compromise the integrity of the company's assets.

These transactions, as well as the significant events of 2021 and subsequent events, relating to Cairo Communication S.p.A. and the companies it directly and indirectly controls ("Cairo Group" or the "Group"), are adequately described in the Directors' Report on Operations and the Notes to the Consolidated Financial Statements, to which reference should be made for further details.

3. Transactions with related parties or intra-group

Pursuant to Article 2391-bis of the Italian Civil Code, the Board of Directors has adopted, in accordance with the general principles indicated by CONSOB, rules ensuring the transparency and substantial and procedural fairness of transactions with related parties, for which reference should be made to the Directors' Report on Operations. In this regard, we confirm that the Company has adapted its "Procedure for Transactions with Related Parties" to the new CONSOB provisions, in force as from 30 June 2021 (CONSOB Regulation, resolution no. 17221 of 12 March 2010 as subsequently amended).

Income and financial-related transactions with related parties are shown in the Explanatory Notes to the Consolidated Financial Statements (and related Annex 2) and the Separate Financial Statements.

The Board of Statutory Auditors takes regularly part in the proceedings of the Committee for Transactions with Related Parties, monitoring the procedures actually adopted, and in this regard there are no particular remarks to make.

4. Atypical and/or unusual transactions

The Notes to the Separate Financial Statements and the Consolidated Financial Statements, the information produced at the Board of Directors' meeting and the information received from the Directors and company management, have not shown the existence of any atypical and/or unusual transactions, including those with Group companies or related parties, as defined by CONSOB Communication no. DEM/6064296 of 28 July 2006. Additionally, at the date of preparation of this Report, the Board of Statutory Auditors has not received any communication from the Supervisory Bodies of the subsidiaries, nor from the Independent Auditors, containing remarks to report.

5. Meetings of the Board of Statutory Auditors, the Board of Directors and the Board Committees

During the year ended 31 December 2021, the Board of Statutory Auditors met 8 times, with full attendance of its members.

In addition to attending the Shareholders' Meeting, the Board of Statutory Auditors also attended the meetings of the Board of Directors (5 meetings), and, with all or some of its members, the meetings of the Control, Risk and Sustainability Committee, also in its capacity as Committee for Related Party Transactions (6 meetings), and the meetings of the Remuneration and Appointments Committee, also in its capacity as Committee for Related Party Transactions (3 meetings).

6. Remarks pursuant to Legislative Decree no. 39/2010, Legislative Decree no. 254 of 30 December 2016 and on the independence of the Independent Auditors

The Board of Statutory Auditors notes that the statutory audit tasks have been assigned to the Independent Auditors Deloitte & Touche S.p.A. (the "Independent Auditors" or "Deloitte"), which issued the Reports on 31 March 2022, pursuant to Article 14 of Legislative Decree no. 39 of 27 January 2010, and to Article 10 of EU Regulation no. 537/2014, relating to the Separate Financial Statements of Cairo Communication S.p.A. and the Consolidated Financial Statements of the Group at 31 December 2021 to which reference is made, providing an unqualified opinion.

The Independent Auditors also certified that the draft financial statements and consolidated financial statements comply with the requirements of the ESEF Regulations.

The Board of Statutory Auditors, in its capacity as Internal Control and Audit Committee (pursuant to Article 19 of Legislative Decree no. 39/2010) monitored the effectiveness of the statutory audit process, meeting periodically with Deloitte's representatives to discuss the activities carried out.

The Independent Auditors confirmed their independence in carrying out the statutory audit, with a certification dated 31March 2022 ("Annual confirmation of independence" pursuant to Article 6 of Regulation (EU) no. 537/2014).

Further tasks assigned to the Independent Auditors are stated in terms of amounts and contents in the specific annexes to the Separate Financial Statements and Consolidated Financial Statements (pursuant to Article 149 duododecies of the CONSOB Issuer Regulation). Where necessary, the Board of Statutory Auditors issued its authorization, pursuant to Article 5 of Regulation (EU) no. 537/2014.
The Board of Statutory Auditors, in the performance of its duties, oversaw compliance with the provisions contained in Legislative Decree no. 254 of 30 December 2016 and the CONSOB Regulation implementing the Decree adopted with resolution no. 20267 of 18 January 2018, specifically with regard to the drafting process and the contents of the Non-Financial Statement ("NFS") prepared by the company.

The Board of Statutory Auditors monitored the organizational and operational process for the purpose of drawing up the Consolidated Non-Financial Statement through discussions with the relating department, the Control, Risk and Sustainability Committee and the Independent Auditors; as part of its activities, no violations of the relevant regulatory provisions were found.

The NFS was approved at the Board meeting held on 25 March 2022 as a separate document from the Directors' Report on Operations at 31 December 2021. The Independent Auditors, which were assigned the task of reviewing the NFS pursuant to Article 3, paragraph 10, of Legislative Decree 254/2016, in the report issued on 30 March 2022, note that no such elements have come to its attention as to suggest that the NFS of the Cairo Group, relating to the year ended 31 December 2021, has not been prepared, in all significant aspects, in accordance with the requirements of Articles 3 and 4 of Legislative Decree 254/2016 and with respect to the reporting standards indicated in the "Methodological Note" of the NFS.

7. Remarks on the financial reporting process and the internal control system

During 2021, the Board of Statutory Auditors oversaw the adequacy of the administrative and accounting system, as well as the reliability of the latter to correctly present operations, by obtaining information from the Financial Reporting Manager and from the other heads of control functions. On the whole, the Board of Statutory Auditors considers the administrative and accounting system to be adequate and reliable with regard to the size and complexity of the Company and the Group.

As part of its duties, the Board of Statutory Auditors oversaw the adequacy of the internal control system by: (i) obtaining information from the heads of corporate departments; (ii) meeting with the head of the Risk, Compliance, Internal Audit and Sustainability department; (iii) attending the meetings of the related committees; and (iv) exchanging information with the Independent Auditors.

The Board of Statutory Auditors was also informed, by means of the half-year reports sent to the Board of Directors and special meetings, about the activities carried out by the Supervisory Board set up in accordance with Legislative Decree no. 231/2001 as subsequently amended.

Lastly, the Board of Statutory Auditors acknowledged the certifications made by the Chairman of the Board of Directors and the Financial Reporting Manager L. 262/05, pursuant to Article 81-ter of CONSOB Regulation no. 11971 of 14 May 1999 as subsequently amended, regarding the adequacy and effective application of the administrative and accounting procedures for preparing the Separate Financial Statements and the Consolidated Financial Statements.

Based on the results of the activities carried out, the Board of Statutory Auditors believes that the internal control system is adequate for the size and structure of operations.

8. Remarks on the adequacy of the organizational structure

The Board of Statutory Auditors oversaw, within its remit, the adequacy of the Company's organizational structure, by obtaining information from the heads of corporate functions, and considers this structure to be overall adequate for the characteristics of the Company and the activities carried out.

9. Further activities of the Board of Statutory Auditors

The Board of Statutory Auditors:

(i) did not receive any complaints pursuant to Article 2408 of the Italian Civil Code, nor any report;

(ii) issued its opinion as prescribed by law on the determination of compensation to key management personnel, as established by the Board of Directors on the proposal of the Remuneration and Appointments Committee;

(iii) ascertained the correct application of the criteria and assessment procedures adopted by the Board of Directors to assess the independence of its members;

(iv) acknowledged the existence of instructions given by the parent company so that the subsidiaries can provide the parent company with all the information required to comply with the disclosure obligations of law;

(v) with regard to first-tier subsidiaries, it obtained information on the organizational structure and internal control system through the central departments of the parent company and periodic meetings with the respective control bodies;

(vi) acknowledged the preparation of the 2022 Annual Report on the Remuneration Policy and Compensation Made in 2021 pursuant to Article 123-ter of the TUF, and has no particular remarks to report;

(vii) monitored the actual methods of implementing the corporate governance rules laid down in the Corporate Governance Code, which the Company has endorsed. In this regard, reference should be made to the Report on Corporate Governance and Ownership Structure, prepared pursuant to Article 123-bis of the TUF;

(viii) confirms that during the periodic meetings with the Independent Auditors, no noteworthy aspects were found such as to be mentioned in this report.

During its supervisory activity, as explained above, no reprehensible facts, omissions or irregularities requiring mention in this Report were found.

***

The draft Separate Financial Statements, the Consolidated Financial Statements for the year ended 31 December 2021 and the Directors' Report on Operations were approved at the meeting of the Board of Directors held on 25 March 2022.

As the Board of Statutory Auditors is not responsible for the statutory audit of the accounts, which falls under the responsibility of Deloitte, with regard to the Separate Financial Statements and the Consolidated Financial Statements, the Board of Statutory Auditors assessed their general compliance with the rules governing their preparation and structure. The Board, within its remit, also ascertained their substantial compliance with the facts and information that came to its attention in the performance of its tasks. In this regard, the Board of Statutory Auditors has no particular remarks to make.

In the Directors' Report on Operations (in "Main risks and uncertainties") and in the Notes to the Consolidated Financial Statements (Note 39), the Directors describe the main risks and uncertainties to which the Group is exposed.

Additionally, the Board of Statutory Auditors does not deem it necessary to exercise its right to submit proposals to the Shareholders' Meeting pursuant to Article 153, paragraph 2, of the TUF.

Having acknowledged the above, the Board of Statutory Auditors, having taken note of the above certifications issued jointly by the Chairman of the Board of Directors and the Financial Reporting Manager, as well as the reports of the Independent Auditors Deloitte & Touche, does not find, within the sphere of its responsibilities, any reasons to impede the approval of the proposed Separate Financial Statements for the year ended 31 December 2021 put forward by the Board of Directors and the proposal regarding the allocation of the net result for the year and the distribution of dividends.

Milan, 31 March 2022

For the Board of Statutory Auditors

Michele Paolillo - Chairman