CAIRO COMMUNICATION

Half-Year Report at 30 June 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.

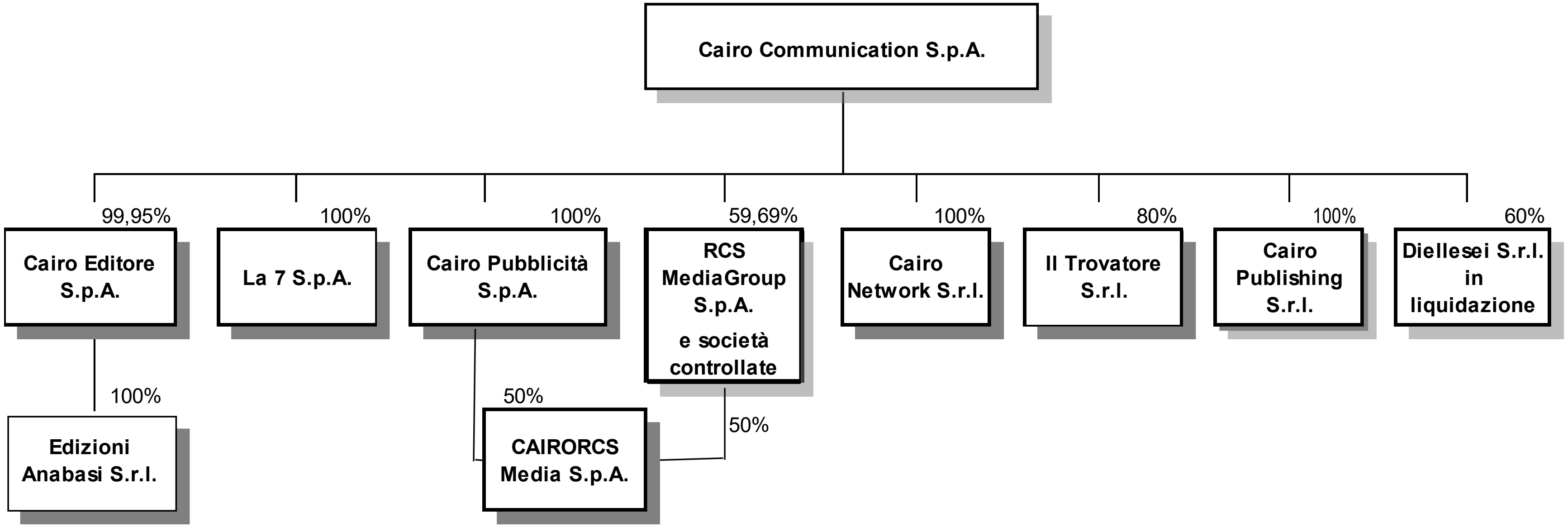
(*) The Board of Directors was appointed by resolution of the Shareholders' Meeting held on 6 May 2020. The Directors are in office for the years 2020-2021-2022, therefore until the Shareholders’ Meeting called to approve the 2022 financial statements

(**) 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.

The Group at 30 June 2021



Interim Report on Operations at 30 June 2021

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;
- 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 and the print, television and online titles of Cairo Editore and La7, as well as, for both businesses, certain third-party media, 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;
- network operator (Cairo Network).

In first half 2021, the acquisition of 55% of m-Dis Distribuzione Media S.p.A. also came to conclusion, bringing RCS's stake to 100%. The income statement and balance sheet amounts of m-Dis are therefore fully consolidated as from 2021.

In the first months of 2020, 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 have had a direct effect on the organization and timing of work and on the Group's activities, in first half 2020 in particular.

In the so-called phase 1 (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).

As part of the activities relating to the organization of sporting events, the *Strade Bianche*, *Tirreno Adriatico*, *Milano Sanremo*, *Giro di Sicilia* and *Giro d'Italia,* as well as the *Milano Marathon* and a number of mass events, scheduled for the first half, had been postponed.

From end February 2020, the circulation of sports newspapers *La Gazzetta dello Sport* and *Marca* had been affected by the suspension of "played" sport, as well as the closure of bars and the restrictions on the reading of newspapers there.

Advertising sales in the four months March - June had slowed down both in Italy and Spain, but have rebounded starting from June. The books segment had been impacted by the order to shut bookstores, which reopened from May in Italy and June in Spain.

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

As early as August 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. Specifically, in Italy the measures had led to reducing recreational and catering activities, as well as amateur sports, and to further encouraging smart working and the use of flexible and/or remote forms for the organization of teaching. Tougher measures had been adopted, which differed by risk zone, designated by a series of indicators that classify the various regions.

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

In Spain, the beginning of the year witnessed an increase in the number of infections; measures were therefore adopted, mainly at a regional level and "in patches", which were generally less stringent than in Italy. The situation gradually improved starting from the second half of February; the "state of alert", instead, ended at the beginning of May, amid a widespread reduction of containment measures, thanks also to the rollout of the vaccination campaign. However, starting from the end of June, there is growing concern about the spread of new variants and the increase of infections, especially among the very young and the under-30 age group. However, hospitalizations, ICU admissions and fatalities still remain low.

In Italy, the number of cases has risen since February, reaching a peak in the third decade of March, thus leading to the adoption of additional containment measures, including the suspension of school activities in red zones and further restrictions during the Easter holidays and the extension of those in place.

The situation has improved since mid-April, and the restrictive measures are being gradually lifted, with the reopening of restaurants, bars and other retail activities, albeit with well-defined opening time and service rules. The acceleration of the vaccination campaign has allowed the regions to move into the "white zone" status and further ease the containment measures. As in Spain since July, attention has focused on the spread of new variants and the increase of infections especially among young people.

In both countries, the vaccination campaign has in any case brought a significant improvement in terms of general infections, hospitalizations, ICU occupancy and fatalities.

At the end of July, approximately 58% of the population over the age of twelve in Italy had completed the vaccination cycle, and in Spain approximately 56% of the population.

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 first half 2021, the international scenario was marked by a widespread economic recovery. The latest figures published by the European Commission in July 2021 (with the document *European Economic Forecast - Summer 2021*) estimate an increase in GDP for Italy of 5% in 2021 and 4.2% in 2022 and for Spain an increase in GDP of 6.2% in 2021 and 6.3% in 2022.
In Italy, in the first six months of 2021, the advertising market (*Nielsen January-June 2021*) increased by 26.7% versus 2020, with the television, online (net of search, social media and over the top), newspaper and magazine advertising markets up by 33.2%, 29.3%, 9.7% and 3.9% respectively.
In first half 2021, the Spanish advertising sales market was up by 17.4% versus 2020 (*i2p, Arce Media*). Specifically, the newspaper and magazine market fell by -5.6% and -18%, respectively. Conversely, advertising sales on the Internet (excluding social media) were up by 27%.
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 also continued in first half 2021. Specifically, in the first five months of 2021, generalist newspapers and sports newspapers in Italy saw a drop in print and digital circulation versus the same period of 2020 of 4.7% and 9.3%, respectively (*ADS January-May 2021*).
In Spain, in the first five months of 2021, circulation figures show a decline for generalist newspapers (-24.4%), business newspapers (-34%) and sports newspapers (-36.4%) (*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.

In first half 2021, amid the continued uncertainty caused by the health emergency, especially in the first months of the year, with the core markets in decline, in particular advertising in Italy and Spain:

- 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 the same period of 2020, a performance that stems also from the rescheduling in the first half of the year of the sporting events that had been postponed in 2020 to the second half of the year;

- **RCS** achieved a net positive result of Euro 38.7 million[1] and continued to generate positive cash flows. Thanks to its authority, *Corriere della Sera* confirmed its remarkable newsstand circulation results and, most importantly, continued the growth of digital operations: at end June, its total active digital customer base (digital edition, membership and m-site) counted 336 thousand subscriptions;
- the **TV publishing segment La7** confirmed the high audience levels of the La7 channel (3.49% in the all-day share and 4.82% in prime time). In first half 2021, advertising sales on La7 and La7d totaled approximately Euro 79.9 million (Euro 68.3 million in 2020), up by +17% versus the same period of the prior year (when revenue had performed more than 8 percentage points better than the TV advertising market), returning to the figures recorded in first half 2019;
- the **magazine publishing segment Cairo Editore** achieved higher results than in 2020, confirmed high circulation levels of the publications, and continued to work on improving the levels of efficiency reached in containing own costs.

In first half 2021, consolidated gross revenue amounted to approximately Euro 583.3 million (comprising gross operating revenue of Euro 564 million and other revenue and income of Euro 19.4 million) versus Euro 458.6 million in 2020 (comprising gross operating revenue of Euro 449.2 million and other revenue and income of Euro 9.4 million), up by Euro 124.7 million, a trend that stems also from the rescheduling in the first half of the sporting events that had been postponed in 2020 to the second part of the year. Revenue for the period (Euro 21.4 million) benefited from the full consolidation of the amounts of m-dis.

Gross operating profit (EBITDA) and operating profit (EBIT) came to Euro 80.7 million and Euro 43.9 million (Euro 11.6 million and Euro -25.2 million in 2020). Net non-recurring income and expense amounted to Euro -0.3 million (Euro -5.4 million in 2020, referring primarily to provisions related to personnel measures).

During the first half, 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 the first six months of 2021 amounted to approximately Euro 7.7 million, of which Euro 4.9 million in Italy and Euro 2.8 million in Spain.

[1] RCS Half-Year Report at 30 June 2021, approved on 30 July 2021.

Profit attributable to the owners of the parent came to approximately Euro 24.5 million (Euro -12.7 million in first half 2020).

Looking at the business segments, in first half 2021:

- in the **magazine publishing segment (Cairo Editore)**, gross operating profit (EBITDA) and operating profit (EBIT) came to Euro 3.7 million and Euro 2.8 million (Euro 2.8 million and Euro 1.9 million in 2020). Regarding weeklies, with approximately 1.1 million average copies sold in the period January-May 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 segment (La7)**, the Group achieved gross operating profit (EBITDA) of approximately Euro 4.2 million, improving by Euro 6.5 million versus the same period of 2020 (Euro -2.3 million). Operating profit (EBIT) was approximately Euro -2.6 million (Euro -8.5 million in 2020);
- in the **network operator segment**, gross operating profit (EBITDA) and operating profit (EBIT) came to Euro 2 million and Euro 0.5 million (Euro +1.3 million and Euro -0.2 million in 2020);
- in the **advertising segment**, gross operating profit (EBITDA) and operating profit (EBIT) amounted to Euro 0.9 million and Euro 0.1 million (Euro 1.2 million and Euro -0.6 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 primarily includes the results of the new company, CAIRORCS Media. Starting from April, advertising sales began to show significant growth versus 2020, a period badly affected by the health emergency;
- in the **RCS segment**, in the consolidated financial statements of Cairo Communication, gross operating profit (EBITDA) and operating profit (EBIT) amounted to Euro 69.8 million[2] and Euro 43 million (Euro 8.6 million and Euro -17.7 million in 2020).

[2] 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". Additionally, RCS recognizes under "Share of profits (losses) of equity-accounted investees" the Group's share of the results of CAIRORCS Media, fully consolidated by Cairo Communication. As a result of these differences - regarding provisions for risks and the allowance for impairment, totaling Euro 1.9 million in first half 2021, and the pro-rata result of CAIRORCS Media amounting to Euro -0.1 million - EBITDA shown in the RCS Half-Year Report at 30 June 2021, approved on 30 July 2021, amounted to Euro 67.8 million.

Net operating revenue amounted to Euro 421.8 million, with total digital revenue (Italy and Spain) amounting to approximately Euro 93.7 million and accounting for 22.2% of total revenue. Total advertising sales from RCS online media amounted to Euro 68.8 million in first half 2021, making for 42% of total advertising revenue and for online media. Online advertising on RCS media in the first half grew by 40% in Italy and by 48% in Spain versus first half 2020.

Both Italian newspapers, *Corriere della Sera* and *La Gazzetta dello Sport,* and in Spain *Marca* and *Expansión,* retained in first half 2021 their leadership position in circulation in their respective market segments (*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, in the period January-May 2021, counted 30.3 million and 17.4 million average monthly unique users and 4.42 million and 2.7 million average daily unique users respectively (*Audiweb 2.0*). In Spain, as part of the online activities, *elmundo.es, marca.com* and *expansión.com* reached 54.2 million, 85.7 million and 11.7 million average monthly unique browsers respectively in June (*Google Analytics*). Digital subscriptions grew significantly, reaching 69.5 thousand subscriptions for *El Mundo* and 31.7 thousand subscriptions for *Expansión* at end June 2021.

In first half 2021, La7's average all-day share was 3.49% and 4.82% in prime time (from 8:30 PM to 10:30 PM), confirming a high-quality target audience. La7d's share was 0.46% in all-day and 0.32% in prime time. The channel's news and discussion programmes all continued to deliver remarkable results: *Otto e Mezzo* with 7.6% average share from Monday to Friday, *TgLa7 edizione delle 20* 5.8% from Monday to Friday, *diMartedì* 5.7%, *Piazzapulita* 5.4%, *Propaganda Live* 5.7%, *Non è l'Arena* 6.1%, *Omnibus La7* 3.8%, *Coffee Break* 4.2%, *L'Aria che tira* 6%, and *Tagadà* 3.4%. In first half 2021, La7 was the sixth national channel in prime time, ahead of Rete 4. In the morning slots (7.00-12.00), La7 achieved a 3.9% share, confirming its position as the fourth most viewed channel.

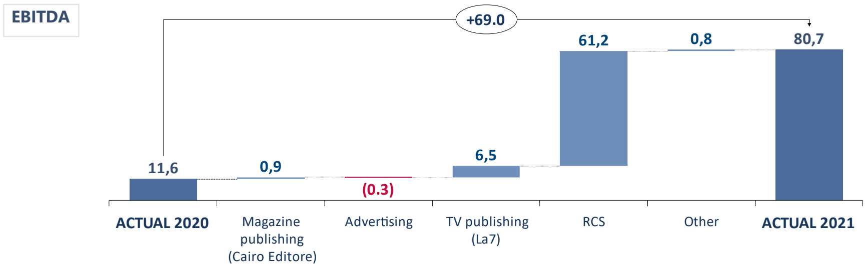
The main **consolidated income statement figures** in first half 2021 can be compared as follows with those of first half 2020:

(€ millions)	30/06/2021	30/06/2020
Gross operating revenue	564.0	449.2
Advertising agency discounts	(30.8)	(25.8)
Net operating revenue	**533.2**	**423.4**
Change in inventory	1.0	(0.7)
Other revenue and income	19.4	9.4
Total revenue	**553.5**	**432.1**
Production costs	(306.1)	(257.0)
Personnel expense	(166.4)	(157.4)
Income (expense) from equity-accounted investees	(0.0)	(0.7)
Non-recurring income and expense	(0.3)	(5.4)
Gross operating profit (EBITDA)	**80.7**	**11.6**
Amortization, depreciation, provisions and write-downs	(36.8)	(36.8)
Operating profit (EBIT)	**43.9**	**(25.2)**
Other gains (losses) from financial assets/liabilities	6.9	6.3
Net financial income	(4.9)	(6.2)
Profit (loss) before tax	**45.9**	**(25.0)**
Income tax	(6.2)	7.4
Non-controlling interests	(15.1)	5.0
Profit (loss) from continuing operations attributable to the owners of the parent	**24.5**	**(12.7)**
Profit (loss) from discontinued operations	-	-
Profit (loss) for the period attributable to the owners of the parent	**24.5**	**(12.7)**

In first half 2021, consolidated gross revenue amounted to approximately Euro 583.3 million (comprising gross operating revenue of Euro 564 million and other revenue and income of Euro 19.4 million) versus Euro 458.6 million in 2020 (comprising gross operating revenue of Euro 449.2 million and other revenue and income of Euro 9.4 million), up by Euro 124.7 million, a trend that stems also from the rescheduling in the first half of the sporting events that had been postponed in 2020 to the second part of the year. Revenue for the period (Euro 21.4 million) benefited from the full consolidation of the amounts of m-dis.

Gross operating profit (EBITDA) and operating profit (EBIT) came to Euro 80.7 million and Euro 43.9 million versus Euro 11.6 million and Euro -25.2 million in 2020. Net non-recurring income and expense amounted to Euro -0.3 million (Euro -5.4 million in 2020, referring primarily to provisions related to personnel measures).

The EBITDA reconciliation between 30 June 2020 and first half 2021 is shown below:



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As already commented, the Group continued 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.

In first half 2021, operating profit (EBIT) in the RCS segment was affected, in the consolidated financial statements, by higher amortization of intangible assets for Euro 0.9 million (Euro 1 million in 2020), due to the valuations made in the purchase price allocation of the investment in RCS, specifically to the allocation of amounts to intangible assets (previously unrecognized), mainly attributable to Italian trademarks and magazine titles with finite useful life.

Profit attributable to the owners of the parent came to approximately Euro 24.5 million (Euro -12.7 million in first half 2020).

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

€ millions	Half year ended 30/06/2021	Half year ended 30/06/2020
Profit (loss) for the period	**39.6**	**(17.7)**
Reclassifiable items of the comprehensive income statement		
Gains (losses) from the translation of financial statements denominated in foreign currencies	-	-
Gains (losses) from cash flow hedges	0.1	(0.3)
Reclassification of gains (losses) from cash flow hedges	0.2	0.3
Tax effect	(0.1)	-
Non-reclassifiable items of the comprehensive income statement		
Gains (losses) from the fair value measurement of equity instruments	-	(0.0)
Actuarial profit (loss) from defined benefit plans	0.1	(0.4)
Tax effect	-	0.1
Total comprehensive income for the period	**39.9**	**(18.1)**
- Owners of the parent	24.7	(13.1)
- Non-controlling interests - continuing operations	15.2	(5.0)
	39.9	**(18.1)**

The Group’s performance can be read better by analyzing the results in first half 2021 by **main business segment** (magazine publishing Cairo Editore, advertising, TV publishing La7, network operator Cairo Network, Il Trovatore and RCS) versus those of the same period of 2020.

2021 (€ millions)	**Magazine publishing** **Cairo Editore**	**Advertising**	**TV publishing** **La7**	**Network operator** **Cairo Network**	**Trovatore**	**RCS**	**Intra and unallocated**	**Total**
Gross operating revenue	40.7	196.8	56.4	6.0	0.5	439.4	(175.7)	564.0
Advertising agency discounts	-	(25.4)	-	-	-	(17.6)	12.3	(30.8)
Net operating revenue	**40.7**	**171.3**	**56.4**	**6.0**	**0.5**	**421.8**	**(163.5)**	**533.2**
Change in inventory	(0.0)	-	-	-	-	1.0	-	1.0
Other revenue and income	2.2	1.5	1.1	0.8	-	16.0	(2.3)	19.4
Total revenue	**42.9**	**172.8**	**57.4**	**6.8**	**0.5**	**438.8**	**(165.8)**	**553.5**
Production costs	(30.4)	(159.5)	(33.9)	(4.7)	(0.4)	(243.1)	165.8	(306.1)
Personnel expense	(8.9)	(12.5)	(19.3)	(0.1)	(0.0)	(125.7)	-	(166.4)
Income (expense) from equity-accounted investees	-	-	-	-	-	(0.0)	-	(0.0)
Non-recurring income (expense)	-	-	-	-	-	(0.3)		(0.3)
Gross operating profit (EBITDA)	**3.7**	**0.9**	**4.2**	**2.0**	**0.0**	**69.8**	**(0.0)**	**80.7**
Amortization, depreciation, provisions and write-downs	(0.9)	(0.8)	(6.8)	(1.5)	(0.0)	(26.7)	-	(36.8)
Operating profit (EBIT)	**2.8**	**0.1**	**(2.6)**	**0.5**	**0.0**	**43.0**	**(0.0)**	**43.9**
Other gains (losses) from financial assets/liabilities	-	-	-	-	-	6.9	-	6.9
Net financial income	(0.0)	(0.2)	0.1	(0.1)	0.0	(4.7)	-	(4.9)
Profit (loss) before tax	**2.8**	**(0.1)**	**(2.5)**	**0.4**	**0.0**	**45.3**	**(0.0)**	**45.9**
Income tax	0.9	(0.2)	0.8	(0.1)	(0.0)	(7.7)	-	(6.2)
Non-controlling interests	-	-	-	-	(0.0)	(15.1)		(15.1)
Profit (loss) from continuing operations	**3.6**	**(0.3)**	**(1.7)**	**0.3**	**0.0**	**22.5**	**(0.0)**	**24.5**
Profit (loss) from discontinued operations	-	-	-	-	-	-	-	-
Profit (loss) for the period attributable to the owners of the parent	**3.6**	**(0.3)**	**(1.7)**	**0.3**	**0.0**	**22.5**	**(0.0)**	**24.5**

2020 (€ millions)	**Magazine publishing** **Cairo Editore**	**Advertising**	**TV publishing** **La7**	**Network operator** **Cairo Network**	**Trovatore**	**RCS**	**Intra and unallocated**	**Total**
Gross operating revenue	43.4	77.0	49.1	6.0	0.4	334.3	(61.0)	449.2
Advertising agency discounts	-	(11.1)	-	-	-	(14.7)	0.1	(25.8)
Net operating revenue	**43.4**	**65.9**	**49.1**	**6.0**	**0.4**	**319.5**	**(60.9)**	**423.4**
Change in inventory	(0.0)	-	-	-	-	(0.7)	-	(0.7)
Other revenue and income	1.0	0.5	1.8	0.0	-	6.7	(0.7)	9.4
Total revenue	**44.4**	**66.4**	**50.9**	**6.0**	**0.4**	**325.6**	**(61.6)**	**432.1**
Production costs	(33.2)	(60.9)	(34.5)	(4.6)	(0.3)	(185.2)	61.6	(257.0)
Personnel expense	(8.5)	(4.4)	(18.7)	(0.1)	(0.0)	(125.7)	-	(157.4)
Income (expense) from equity-accounted investees	-	-	-	-	-	(0.7)	-	(0.7)
Non-recurring income (expense)	-	-	-	-	-	(5.4)		(5.4)
Gross operating profit (EBITDA)	**2.8**	**1.2**	**(2.3)**	**1.3**	**0.0**	**8.6**	**-**	**11.6**
Amortization, depreciation, provisions and write-downs	(0.9)	(1.8)	(6.3)	(1.5)	(0.0)	(26.3)	-	(36.8)
Operating profit (EBIT)	**1.9**	**(0.6)**	**(8.5)**	**(0.2)**	**(0.0)**	**(17.7)**	**-**	**(25.2)**
Other gains (losses) from financial assets/liabilities	-	-	-	-	-	6.3	-	6.3
Net financial income	(0.0)	(0.3)	0.0	(0.1)	(0.0)	(5.8)	-	(6.2)
Profit (loss) before tax	**1.9**	**(0.9)**	**(8.5)**	**(0.3)**	**(0.0)**	**(17.1)**	**-**	**(25.0)**
Income tax	0.0	0.3	2.2	0.1	(0.0)	4.8	-	7.4
Non-controlling interests	-	-	-	-	0.0	5.0		5.0
Profit (loss) from continuing operations	**1.9**	**(0.6)**	**(6.3)**	**(0.3)**	**(0.0)**	**(7.4)**	**-**	**(12.7)**
Profit (loss) from discontinued operations	-	-	-	-	-	-	(0.0)	(0.0)
Profit (loss) for the period attributable to the owners of the parent	**1.9**	**(0.6)**	**(6.3)**	**(0.3)**	**(0.0)**	**(7.4)**	**(0.0)**	**(12.7)**

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

2021 (€ millions)	Magazine publishing Cairo Ed.	Advertising	TV publishing La7	Network operator Cairo Network	Trovatore	RCS	Intra and un allocated	Total
TV advertising	-	80.8	54.9	-	-	0.1	(55.0)	**80.9**
Advertising on print media, Internet and sporting events	4.3	115.0	0.6	-	-	181.6	(108.9)	**192.7**
Other TV revenue	-	-	0.8	-	-	1.4	(0.1)	**2.0**
Magazine over-the-counter sales and subsci	36.9	-	-	-	-	181.9	(1.2)	**217.6**
VAT relating to publications	(0.5)	-	-	-	-	(1.6)	-	**(2.1)**
Other revenue	-	1.0	-	6.0	0.5	75.9	(10.5)	**72.8**
Total gross operating revenue	**40.7**	**196.8**	**56.4**	**6.0**	**0.5**	**439.4**	**(175.7)**	**564.0**
Other revenue	2.2	1.5	1.1	0.8	0.0	16.0	(2.3)	19.4
Total gross revenue	**42.9**	**198.3**	**57.4**	**6.8**	**0.5**	**455.5**	**(178.0)**	**583.3**

2020 (€ millions)	Magazine publishing Cairo Ed.	Advertising	TV publishing La7	Network operator Cairo Network	Trovatore	RCS	Intra and un allocated	Total
TV advertising	-	68.7	46.9	-	-	0.4	(47.4)	**68.5**
Advertising on print media, Internet and sporting events	4.5	8.0	1.1	-	-	135.4	(6.2)	**142.9**
Other TV revenue	-	-	0.9	-	-	3.3	(0.4)	**3.8**
Magazine over-the-counter sales and subsci	39.4	-	-	-	-	165.9	(0.2)	**205.1**
VAT relating to publications	(0.5)	-	-	-	-	(1.7)	-	**(2.3)**
Other revenue	-	0.3	0.2	6.0	0.4	31.1	(6.8)	**31.2**
Total gross operating revenue	**43.4**	**77.0**	**49.1**	**6.0**	**0.4**	**334.3**	**(61.0)**	**449.2**
Other revenue	1.0	0.5	1.8	0.0	0.0	6.7	(0.7)	9.4
Total gross revenue	**44.3**	**77.6**	**50.9**	**6.0**	**0.4**	**341.0**	**(61.7)**	**458.6**

As a result of the consolidation of m-dis (i) the item "sale of publications and subscriptions" includes Euro 13.4 million in circulation revenue from the distribution of products of third-party publishers and (ii) the item “sundry revenue" includes Euro 8 million in revenue from other services, for a total of Euro 21.4 million.

The main **consolidated statement of financial position figures** at 30 June 2021 can be compared as follows with those at 31 December 2020:

(€ millions)	30/06/2021	31/12/2020
Property, plant and equipment	68.4	70.9
Rights of use on leased assets	153.0	164.9
Intangible assets	980.0	982.3
Financial assets	39.6	39.5
Deferred tax assets	97.6	96.3
Net working capital	(59.5)	(58.6)
Total assets	**1,279.0**	**1,295.4**
Non-current liabilities and provisions	110.1	109.3
Deferred tax provision	161.9	164.2
(Financial position)/Net debt	30.3	63.2
Liabilities from lease contracts (pursuant to IFRS 16)	169.4	180.9
Equity attributable to the owners of the parent	488.0	468.4
Equity attributable to non-controlling interests	319.3	309.4
Total equity and liabilities	**1,279.0**	**1,295.4**

In 2021, as part of the share buy-back plans, no treasury shares were sold or purchased. At 30 June 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 as a result of the distribution of dividends was approximately Euro 11.6 million at Group level.

The consolidated **net financial debt** at 30 June 2021, versus the consolidated financial statement amounts at 31 December 2020, is summarized in the table below:

Net financial debt (€ millions)	**30/06/2021**	**31/12/2020**	**Changes**
Cash and cash equivalents	104.5	87.4	17.1
Other current financial assets and financial receivables	0.5	6.9	(6.4)
Current financial assets (liabilities) from derivative instruments	(0.5)	(0.1)	(0.4)
Current financial payables	(97.9)	(97.4)	(0.5)
Current net financial position (net financial debt)	**6.7**	**(3.3)**	**10.0**
Non-current financial payables	(36.8)	(58.9)	22.1
Non-current financial assets (liabilities) from derivative instruments	(0.2)	(1.0)	0.8
Non-current net financial position (net financial debt)	**(37.0)**	**(59.9)**	**22.9**
Net financial position (net financial debt)	**(30.3)**	**(63.2)**	**32.9**
Liabilities from lease contracts (pursuant to IFRS 16)	(169.4)	(180.9)	**11.5**
Total net financial position (net financial debt)	**(199.7)**	**(244.1)**	**44.4**

The consolidated **net financial debt** at 30 June 2021 amounted to approximately Euro 30.3 million (Euro 63.2 million at 31 December 2020), Euro 55.9 million of which referring to RCS (Euro 59.6 million at 31 December 2020), with an improvement of Euro 32.9 million versus end 2020 and Euro 73.1 million versus June 2020. It should be noted that net financial debt was negatively impacted mainly by the consolidation of m-dis (which carries a debt of Euro 15.1 million at 30 June 2021, due to the seasonal trend in working capital), and the net effects of dividend payouts for Euro 11.6 million. Conversely, the positive effects of the net proceeds from the sale of investments and fixed assets, totaling Euro 6.2 million, refer mainly to the sale of Unidad Editorial Juegos.

Total net financial debt, which includes financial liabilities from leases recognized in accordance with IFRS 16 (mainly property leases) of Euro 169.4 million, amounted to Euro 199.7 million (Euro 244.1 million at 31 December 2020).

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 are provided in Note 25 in the consolidated financial statements.

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 30/06/2021	Profit (loss) for the period
Financial statements of Cairo Communication S.p.A.	**259.8**	**11.6**
Elimination of the carrying amount of consolidated investments:		
Difference between carrying amount of investments and their equity value	(22.7)	
Effects of the purchase price allocation of RCS S.p.A.	152.6	1.2
Effects of the purchase price allocation of La7 S.p.A.	(4.0)	0.6
Share in consolidated companies' profit net of investment impairment losses		28.5
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	(17.3)	(3.9)
Elimination of intra-group dividends		(11.7)
Consolidated financial statements of Cairo Communication	**488.0**	**24.5**

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 publishing segment in first half 2021 can be compared as follows with those of the same period of 2020:

Print media publishing *(€ millions)*	**30 June 2021**	**30 June 2020**
Gross operating revenue	40.7	43.4
Other income	2.2	1.0
Change in inventory	-	-
Total revenue	**42.9**	**44.4**
Production costs	(30.4)	(33.2)
Personnel expense	(8.9)	(8.5)
Gross operating profit (EBITDA)	**3.7**	**2.8**
Amortization, depreciation, provisions and write-downs	(0.9)	(0.9)
Operating profit (EBIT)	**2.8**	**1.9**
Net financial income	-	-
Profit (loss) before tax	**2.8**	**1.9**
Income tax	0.9	-
Non-controlling interests	-	-
Profit (loss) for the period	**3.6**	**1.9**

In first half 2021, against a persisting backdrop of uncertainty brought by the health emergency, Cairo Editore improved its results versus those of the same period of 2020, and continued to work on improving the levels of efficiency reached in containing production, publishing and distribution costs.

Gross operating profit (EBITDA) and operating profit (EBIT) came to approximately Euro 3.7 million and approximately Euro 2.8 million (Euro 2.8 million and Euro 1.9 million in 2020).

The Group weeklies reported high circulation results, with an average ADS weekly circulation in the January-May period of 2021 of 342,934 copies for "*Settimanale DIPIU*", 174,002 copies for "*DIPIU' TV*", 58,526 copies for "*Settimanale DIPIU' e DIPIU'TV Cucina*", 112,079 copies for "*Diva e Donna*", 157,708 copies for "*Settimanale Nuovo*", 92,557 copies for "*F*", 73,390 copies for "*TVMia*", 57,957 copies for "*Settimanale Giallo*", and 68,910 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.

In the following months of 2021, Cairo Editore's strategy will continue to focus on the following elements: (i) the pivotal importance of the quality of its products, (ii) supporting the circulation levels of its own titles, and (iii) attention to costs in general, and production costs in particular, with a view to the continuous improvement of industrial, publishing and procurement conditions and processes.

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 contributions 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 are, in fact, highly complementary and the transfer of advertising sales activities to CAIRORCS will build a broader business proposition, concurrently covering all major areas of communication - from the web to magazines and television - and create a more effective offering promoted as it is jointly and with greater client penetration.

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

Additionally, the Transaction will enable 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 the advertising segment in first half 2021 can be compared as follows with those of the same period of 2020:

Advertising *(€ millions)*	**30 June 2021**	**30 June 2020**
Gross operating revenue	196.8	77.0
Advertising agency discounts	(25.4)	(11.1)
Net operating revenue	**171.3**	**65.9**
Other income	1.5	0.5
Change in inventory	-	-
Total revenue	**172.8**	**66.4**
Production costs	(159.5)	(60.9)
Personnel expense	(12.5)	(4.4)
Gross operating profit (EBITDA)	**0.9**	**1.2**
Amortization, depreciation, provisions and write-downs	(0.8)	(1.8)
Operating profit (EBIT)	**0.1**	**(0.6)**
Net financial income	(0.2)	(0.3)
Other gains (losses) from financial assets/liabilities	-	-
Profit (loss) before tax	**(0.1)**	**(0.9)**
Income tax	(0.2)	0.3
Non-controlling interests	-	-
Profit (loss) from continuing operations	**(0.3)**	**(0.6)**
Profit (loss) from discontinued operations	-	-
Profit (loss) for the period	**(0.3)**	**(0.6)**

In first half 2021, gross operating profit (EBITDA) and operating profit (EBIT) came to approximately Euro 0.9 million and Euro 0.1 million (Euro 1.2 million and Euro -0.6 million in 2020).

In first half 2021, starting from April, advertising sales began to show significant growth versus 2020, a period badly affected by the health emergency:

- advertising sales on La7 and La7d channels totaled approximately Euro 79.9 million (Euro 68.3 million in 2020), up by +17% versus the same period of the prior year.
- advertising sales on Cairo Editore titles amounted to Euro 5.7 million (Euro 5.9 million in 2020).
- gross advertising revenue of the RCS titles, amounting to Euro 102.1 million, increased by 25% overall versus the same period of 2020, with the online medium on a strong rise (approximately +40%).

TV PUBLISHING (La7)

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 first half 2021 can be compared as follows with those of the same period of 2020:

TV publishing (La7) *(€ millions)*	**30 June 2021**	**30 June 2020**
Gross operating revenue	56.4	49.1
Gross operating revenue	**56.4**	**49.1**
Other income	1.1	1.8
Change in inventory	-	-
Total revenue	**57.4**	**50.9**
Production costs	(33.9)	(34.5)
Personnel expense	(19.3)	(18.7)
Gross operating profit (EBITDA)	**4.2**	**(2.3)**
Amortization, depreciation, provisions and write-downs	(6.8)	(6.3)
Operating profit (EBIT)	**(2.6)**	**(8.5)**
Net financial income	0.1	-
Other gains (losses) from financial assets/liabilities	-	-
Profit (loss) before tax	**(2.5)**	**(8.5)**
Income tax	0.8	2.2
Non-controlling interests	-	-
Profit (loss) for the period	**(1.7)**	**(6.3)**

In first half 2021, the TV publishing segment (La7) achieved gross operating profit (EBITDA) of approximately Euro 4.2 million, an improvement of Euro 6.5 million versus the same period of 2020 (Euro -2.3 million), and operating profit (EBIT) of approximately Euro -2.6 million (Euro -8.5 million in 2020).

In first half 2021, La7's average all-day share was 3.49% and 4.82% in prime time (from 8:30 PM to 10:30 PM), confirming a high-quality target audience. La7d's share was 0.46% in all-day and 0.32% in prime time. The channel's news and discussion programmes all continued to deliver remarkable results: *Otto e Mezzo* with 7.6% average share from Monday to Friday, *TgLa7 edizione delle 20* 5.8% from Monday to Friday, *diMartedì* 5.7%, *Piazzapulita* 5.4%, *Propaganda Live* 5.7%, *Non è l'Arena* 6.1%, *Omnibus La7* 3.8%, *Coffee Break* 4.2%, *L'Aria che tira* 6%, and *Tagadà* 3.4%. In first half 2021, La7 was the sixth national channel in prime time, ahead of Rete 4. In the morning slots (7.00-12.00), La7 achieved a 3.9% share, confirming its position as the fourth most viewed channel.

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* and *YoDona.*

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.*

RCS also organizes, through RCS Sport and RCS Sports & Events, major world sporting events (such as *Giro d'Italia*, the *UAE Tour*, the *Milano City Marathon* and the *Color Run*), 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*, 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,[3] marking a return to positive territory by the RCS Group (the first time since 2010), and in 2017[3], 2018[3] 2019[3] and 2020[3] 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 first half 2021 can be compared as follows with those of the same period of 2020:

RCS *(€ millions)*	**30 June 2021**	**30 June 2020**
Gross operating revenue	439.4	334.3
Advertising agency discounts	(17.6)	(14.7)
Net operating revenue	**421.8**	**319.5**
Change in inventory	1.0	(0.7)
Other revenue and income	16.0	6.7
Total revenue	**438.8**	**325.6**
Production costs	(243.1)	(185.2)
Personnel expense	(125.7)	(125.7)
Income from equity-accounted investees	(0.0)	(0.7)
Non-recurring income and expense	(0.3)	(5.4)
Gross operating profit (EBITDA)	**69.8**	**8.6**
Amortization, depreciation, provisions and write-downs	(26.7)	(26.3)
Operating profit (EBIT)	**43.0**	**(17.7)**
Net financial income	(4.7)	(5.8)
Other gains (losses) from financial assets/liabilities	6.9	(6.3)
Profit (loss) before tax	**45.3**	**(17.1)**
Income tax	(7.7)	4.8
Non-controlling interests	(15.1)	5.0
Profit (loss) for the period	**22.5**	**(7.4)**

In first half 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 69.8 million [4] and operating profit (EBIT) of Euro 43 million (respectively Euro 8.6 million and Euro -17.7 million in 2020), up sharply versus the same period of the prior year, a trend that stems also from the relocation in the first half of the sporting

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

[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". Additionally, RCS recognizes under "Share of profits (losses) of equity-accounted investees" the Group's share of the results of CAIRORCS Media, fully consolidated by Cairo Communication. As a result of these differences - regarding provisions for risks and the allowance for impairment, totaling Euro 1.9 million in first half 2021, and the pro-rata result of CAIRORCS Media amounting to Euro -0.1 million - EBITDA shown in the RCS Half-Year Report at 30 June 2021, approved on 30 July 2021, amounted to Euro 67.8 million.

events that had been postponed in 2020 to the second part of the year. In 2020, non-recurring expense, amounting to Euro -5.4 million, referred mainly to the allocation of provisions for personnel interventions.

Mention should be made that in 2020, as part of the activities relating to the organization of sporting events, the *Strade Bianche*, *Tirreno Adriatico*, *Milano Sanremo*, *Giro di Sicilia* and *Giro d'Italia* - held in the second half - as well as the *Milano Marathon* and a number of mass events that could not be held in 2020, had been postponed.

The activities on developing and enhancing the editorial offering were complemented by extraordinary actions taken on costs to promptly adjust the company organization to the changed environment. The benefits of these cost containment actions in the first six months of 2021 amounted to approximately Euro 5.2 million, of which Euro 2.4 million in Italy and Euro 2.8 million in Spain.

In first half 2021, consolidated net operating revenue generated by RCS amounted to approximately Euro 421.8 million, up by a total of Euro 102.3 million versus 2020. Revenue in the first half still felt the brunt of the health emergency, due in particular to the decline in the circulation of sports newspapers, affected 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 in the first six months includes approximately Euro 21.4 million from the full consolidation of the amounts of m-dis.

RCS total digital revenue (Italy and Spain), which amounted to approximately Euro 93.7 million, accounted for 22.2% of total revenue. Total advertising sales from RCS online media amounted to Euro 68.8 million in first half 2021, making for 42% of total advertising revenue and for online media. Online advertising on RCS media in the first half grew by 40% in Italy and by 48% in Spain versus first half 2020.

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

In Italy, in the first five months of 2021, *Corriere della Sera* recorded an average of 259 thousand copies distributed, including average digital copies, while *La Gazzetta dello Sport* recorded an average of 85 thousand copies distributed, including average digital copies (*ADS January-May 2021*). The newsstand circulation of *La Gazzetta dello Sport* has been affected in the first half since March by the temporary shuttering of bars and public venues, which play a significant role in circulation. In this emergency phase, *Corriere della Sera*, leveraging on its recognized authority and solid editorial positioning, was able to confirm the excellent newsstand circulation results and, most importantly, to continue the growth in digital development. At end June, the total active digital customer base for *Corriere della Sera* (digital edition, membership and m-site*)* reached 336 thousand subscriptions. In 2021, there was a change in the method adopted by ADS to calculate circulation: newsstand sales (channels required by law) are now complemented by subscription sales, sales in schools and other direct sales. Considering the above, *Corriere della Sera* outperformed the market, dropping by 2.8% versus the market's 4.3% (*ADS January-May*).

The main digital performance indicators confirm the top market position of RCS, with the *Corriere della Sera* and *La Gazzetta dello Sport* brands which, in the period January-May 2021, counted 30.3 million (31 million in the same period of 2020) and 17.4 million average monthly unique users (14.2 million in the same period of 2020) and 4.42 million and 2.7 million average daily unique users (5.2 million and 2.4 million in the same period of 2020) (*Audiweb 2.0*).

The average daily circulation of *El Mundo* in first half 2021 was 61 thousand copies (including digital copies - Internal Source). Average daily circulation of sports daily *Marca* (including digital copies) in the period dropped to approximately 64 thousand (Internal Source), while in first half 2021 *Expansión* recorded an average daily circulation of approximately 25 thousand copies, including digital copies (Internal Source). The two newspapers also retained their circulation leadership in their respective market segments in first half 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 54.2 million, 85.7 million and 11.7 million average monthly unique browsers in June 2021 (*Google Analytics*).

In Spain, digital subscriptions grew strongly in June with 69.5 thousand subscriptions for *elmundo.es.*

At 30 June 2021, net financial debt stood at Euro 55.9 million, improving by Euro 3.7 million versus 31 December 2020. Net financial debt was negatively impacted, in addition to investments and non-recurring expense, also by (i) the distribution of dividends of Euro 15.6 million, (ii) the consolidation of m-dis, which at 30 June 2021 carries a debt of Euro 15.1 million, due to the seasonal trend in working capital, and (iii) the financial effect, amounting to Euro 3.9 million at 1 January 2021 of the contribution to CAIRORCS Media (which has a positive net financial position of Euro 19.5 million at 30 June 2021). Conversely, the positive effects of the net proceeds from the sale of investments and fixed assets, totaling Euro 6.2 million, refer mainly to the sale of the Spanish subsidiary Unidad Editorial Juegos.

The total net financial debt of RCS, which includes financial liabilities from leases recognized in accordance with IFRS 16, totaling Euro 144.7 million (mainly property leases), amounted to Euro 200.6 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 first quarter, *La Gazzetta dello Sport* offered its readers two issues of *G Magazine*, one dedicated to Luna Rossa's adventure at the America's Cup, and the other to the new cycling season opened by the *Milano Sanremo,* and in the second quarter a special issue dedicated to tennis;
- in the run up to the *Milano Marathon* held on 16 May, *Gazzetta Active*, the active sports vertical section of *La Gazzetta dello Sport*, organized the *BeActive* digital training project;
- new podcasts were launched:
    - 12 February saw the debut of *Incontri,* a weekly twenty-minute conversation between an intellectual and a judge, on various topics regarding culture;
    - 20 February saw the start of Gremellini's *L'Ammazzacaffè*; held on Saturdays and added to the morning daily podcast, from Monday to Friday;
    - 7 March saw the presentation of "*Radio Italians*", a new podcast held on Sundays, linked to the "*Italians*" blog/forum, created on *Corriere.it* in 1998;
    - 9 May, on Mother's Day, saw "*Mama non Mama*", the *Corriere della Sera* podcast edited by Barbara Stefanelli, made available on Audible;
- in the first few months of 2021, new *Newsletters* were launched to create a closer relationship with readers:
    - on 19 February for "*Cook*", a weekly analysis gathering insights, discussions, topics, advice and personalities;
    - on 23 February for "*Buone Notizie*", dealing with topical issues;
    - on 5 March for "*La 27esima ora*", celebrating 10 years since its debut;
    - on 15 March for "*Corriere Torino*", offering a rundown of the headlines from the Turin and Piedmont area;
    - on 6 May for "*Corriere Veneto*" and "*Corriere Bologna*", with the top news from the Veneto region, the city of Bologna and the Emilia-Romagna region;

- the period also saw many events taking place on the *Digilive* platform, due to the health emergency, including:
  - from 15 February to 5 March, the *Yoga Academy*, organized by the *Corriere della Sera* weekly *IoDonna*;
  - on 25-26 February, the Pianeta 2021 meetings on sustainability. Additionally, on 4 and 5 June, for the World Environment Day, the topics relating to the state of health of our planet and its future prospects took centre stage, in a two-day online marathon on *Corriere.it* and *Facebook*; for the second year running, *Corriere della Sera* was coloured green in both its print and digital versions, while the collector's edition of Saturday 5 June was distributed free of charge in the main squares of cities and seaside resorts;
  - from 27 to 29 May, streamed live on *Gazzetta.it*, the "*Gazzetta Motori Days*" event, dedicated to the automotive world. The event was a huge success, garnering over five million video views;
  - on 16 May, the digilive prize-giving ceremony of *Cook Awards 2020* was held, the awards established by the monthly *Cook* and by *Corriere della Sera,* going to the Italian and international innovative personalities who have carved a name for themselves in promoting the culture of food and cooking; the event was held in conjunction with the 12th edition of "*Cibo a regola d'arte*", the food festival of *Corriere della Sera* held from 14 to 16 May;
  - on 21 May, the fourth edition of "*L'Italia genera futuro*" was broadcast, an event organized by *L'Economia* of *Corriere della Sera* dedicated to the cream of Italian SMEs;
- in the second quarter, webinars dedicated to subscribers were organized on the subject of health (mainly on COVID-19 vaccines) and business (on the ongoing changes in the industrial and business scenario);
- 17-21 March saw the fourth edition of *Milano Digital Week*, an event that gathered over 650 events on the theme of "*Fair and sustainable city*";
- for the European Football Championship, the most coveted football event of 2021, *Gazzetta dello Sport* launched a series of initiatives: the *Album dell'Europeo*, to collect the stickers of the National Teams, an exclusive issue of *G Magazine*, distributed together with the Italian flag, and a collector's edition of *La Gazzetta dello Sport*, on blue paper. The "*Gazzetta Social Club*" project was also launched: social networks, columns, videos, innovative formats, creators, different languages;

- *Corriere della Sera* and *La Gazzetta dello Sport* created various editorial initiatives to support circulation, including the series "*Anastatika di Diabolik*", the complete series of the manga *Naruto,* the series "*I miti dello Sport 2*", "*Yoga - Teoria e Pratica*", "*I signori della guerra*", "*Dante*" for the seven hundredth anniversary of the death of Dante Alighieri and the celebrations of the first *Dantedì*, the series dedicated to the Middle Ages, the "*Guida allo Smart Working*" (the first of three guides produced by *L'Economia* of *Corriere della Sera*), the *Guide a Pensioni e Condominio,* the series of eight detective novels written by Alessia Gazzola, as well as the series "*Le frontiere della medicina*" edited by Roberto Burioni; the "*Master di Fotografia*", in association with Nikon School professionals, the series "*Grandi Miti Greci*" edited by antiquarian Giulio Guidorizzi, dedicated to the imaginary universe of classical civilization, as well as the series "*Le leggende DC*".

RCS Academy, the Group's business school launched in 2019, pursued its development plan throughout the first half of 2021, continuing its activities in compliance with the COVID-19 restrictions. The first half saw the completion of the online delivery of the master's degrees launched in late 2020.

Three of the master's degrees included in the 2021-2022 publishing plan were launched in May and June 2021, with return to the classroom from May and the possibility of remote attendance thanks to multimedia classrooms.

Additionally, a partnership with *Università Telematica Pegaso* was set up in June, with the launch of two online master's degrees with university credits, under the new brand *RCS University On Line*, with the aim of developing distance learning programs recognized by MIUR.

In first half 2021, 8 business conference initiatives were implemented, addressed to businesses and professionals, in on-line talk mode, in collaboration with *Corriere.it*, on the topics of fashion, health and energy, in partnership with major clients and market leaders, including a first co-branding initiative dedicated to electric mobility. Starting in July, business conferences will also be held in a mixed in person and online mode.

As for the Books segment, mention should be made of the encouraging signs of recovery recorded by the market in the first half of the year, not only versus the same period of 2020 marked by the lockdown-related months of closure of bookstores (+36.3% in terms of volume, +36.8% in terms of value, GFK Books 1° half 2021), but most importantly, also versus the same half of 2019, where growth was +20.1% in terms of volume and +23% in terms of value (GFK Books 1° half 2021).

Against this backdrop, the path of growth of the RCS Books area with the *Solferino* and *Cairo* brands resumed after 2020, a year dominated by the COVID-19-related difficulties.

Specifically, growth was much higher than the growth recorded by the market in the same period, both versus 2020 (+85.3% in terms of volume, almost double in terms of value) and versus 2019 (+40.3% in terms of volume, +46% in terms of value), with a good presence in the ranking (GFK new titles 1° half 2021), in particular with the books by Cazzullo *(Le Italiane*), Segre *(Ho scelto la vita*), Veltroni *(Il caso Moro e la prima Repubblica*), Cassese *(Una volta il futuro era migliore*), Boni *(Mordere la nebbia*), Abravanel *(Aristocrazia 2.0*), Maraini *(La scuola ci salverà*) and Severgnini *(Inter nos interismi 2021).*

In Spain, regarding the main initiatives only:

- in first half 2021, thanks to the agreement with Triton and the increased presence of *Radio Marca*'s audio content on *marca.com* and other digital platforms such as iTunes, Spotify or Ivoox, *Radio Marca* increased its digital audience. On the digital front, *Radio Marca* recorded an increase in average daily listeners from 55 thousand in December 2020 to 97 thousand in June 2021. In June, 2 million listeners tuned in to *Radio Marca* for at least one minute and approximately 700 thousand *Radio Marca* podcasts were downloaded versus the average 200 thousand downloads/month in 2020;
- February saw the launch of the new "*Sostenibles*" section of *elmundo.es*, focused on green transition. To date, the section counts 500 thousand unique users and 600 thousand page views;
- 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, created to inform on the strategic plans on sustainability of companies and top management from the main industries;
- March 2021 saw the launch of *Expansión Alimentación y Distribución*, a weekly newsletter on the food industry with news and insights on industry players in Spain and in the rest of Europe;
- in the area of audiovisual content production, first quarter 2021 saw 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. These meetings were attended by subscribers who were able to send their questions to the candidates;

- 6 May 2021 saw the organization of the meeting with *El Mundo "Green and Digital Europe, technology and sustainability, a road to the future",* graced by the presence of Frans Timmermans, Vice-President of the European Commission and top representatives from the institutions and the economic world;
- June 2021 saw the launch of the new Daily Podcast: *El Mundo al dia*. The program, lasting approximately 30 minutes, running every morning from Monday to Friday, casts a spotlight on the top national and international news or presents an exclusive investigation made by a journalist from the newspaper;
- May 2021 saw the opening of the section in *marca.com* "*Territorio Apuestas*", offering news on sports betting with controlled access according to current legal provisions;
- at the end of the 20/21 Liga, with Atletico Madrid champions of Spain, on 24 May *Marca* came out on newsstands in Madrid with a poster attached dedicated to the winners of the season.
- with the start of the European Football Championship, *Marca* was accompanied by an extra-large special dedicated to the event; *marca.com* also launched "*Porra Marca de la Eurocopa*", the initiative where users were able to set private "bets" with family and friends, take part in quizzes with *Marca* journalists and win prizes (147.5 thousand unique users and 557.5 thousand page views) and the TV sports analysis programme *"CON LA 10"*, with the participation of the top young influencers (525 thousand views on Youtube, Facebook and Twitch, 12 million contacts through social networks and 180 thousand page views on *marca.com*);
- to celebrate its 35th anniversary, *Expansión* is organizing events and "specials" on: digitization, sustainability and the post-COVID-19 economy;
- on 8 and 9 June, the second edition of "*El Foro Economico Internacional Expansion*" 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*.

Paragraph 28 "*Other information*" of the Notes to the Consolidated Financial Statements contains an updated description of the dispute over the Via Solferino property complex.

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NETWORK OPERATOR (CAIRO NETWORK)

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. The remaining capacity could be used to broadcast new channels if the Cairo Communication Group were to launch any, and to provide third parties with transmission capacity.

Note 28 of the Notes to the consolidated financial statements *"Other information"* of the 2021 half-year report contains a detailed description of the current developments in the legislative and regulatory framework regarding the rights of use of television frequencies, following the provisions of the 2018 and 2020 Budget Laws, and of Cairo Network's distinctive position against this backdrop.

In any case, on 28 April 2021, MISE opened the procedure for consideration on the allocation of rights of use not resulting from the conversion of the current rights of use, in which Cairo Network took part, concurrently filing an appeal with the Regional Administrative Court (g.r. no. 6040/2021). With its ruling of 2 July 2021, the Ministry of Economic Development announced that Cairo had been awarded the right of use of lot P1, without specifying the frequencies, corresponding to half of a national multiplex in DVB-T2 technology, concurrently requesting payment of the amount offered in the tender (equal to Euro 5 million) and to express a choice for a national network of the Pnaf (for the purposes of issuing specific rights of use among those available). Cairo, concurrent to challenging the above ruling of 2 July, paid half the amount offered in the tender and requested payment of the remainder in three annual instalments. MISE will issue the right of use of frequencies.

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IL TROVATORE

In first half 2021, Il Trovatore continued operations, mainly providing technological services to develop and maintain the online platforms of the Group's companies.

Alternative performance measures

The financial statements in this Half-Year Report have been prepared following the reclassified statements usually adopted for the “Directors’ Report on Operations”.

In this Interim Management Statement, 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

+ Income (expense) from equity-accounted investees[5]

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

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, and also includes income and expense from equity-accounted investees. 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 Half-Year Report, consolidated

[5] Included following consolidation of RCS.

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 shown in Note 29 to the condensed consolidated half-year financial statements at 30 June 2021.

Main risks and uncertainties to which the Group is exposed, which could impact on the business outlook for second half 2021

The Directors' Report on the financial statements for the year ended 31 December 2020 includes a description, to which reference should be made, of the main risks and uncertainties to which Cairo Communication S.p.A. and the Group are exposed, as well as the strategies and activities implemented to monitor and counter them. Specifically, mention should be made of:

- Risks associated with the health emergency and its possible extension.
- Risks associated with the general economic climate, and with the potential effects of the persisting factors of economic uncertainty in the short-medium term on the Group's business, strategies and outlook.
- Risks associated with advertising and publishing market trends, related mainly to the general contraction in sales and the advertising market trend.
- Risks associated with developments in the media segment, as a result mainly of the penetration of new communication resources.
- Risks associated with privacy, data protection and cybersecurity
- Risks associated with Management and "key staff", hence with the ability of its executive directors, editors-in-chief, TV personalities, and other Management members to efficiently manage the Group, and with the ability of the Group to attract and retain new talents.
- Risks associated with retaining the value of the brands of the Group titles and programmes, by maintaining the current levels of quality and innovation.
- Risks associated with business suppliers, clients and staff regarding the outsourcing of production processes, specifically printing and distribution, and the production of TV content.
- Risks associated with developments in the legal and regulatory framework, specifically for the television industry.
- Risks associated with the measurement of intangible assets, related to the regular review of their recoverable carrying amount.
- Risks associated with litigation
- Risks associated with climate change
- Financial risks

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

In the first months of 2020, the national and international landscape was 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 have had and are continuing to have a direct effect on the organization and timing of work and on the Group's activities.

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

In Spain, the beginning of the year witnessed an increase in the number of infections; measures were therefore adopted, mainly at a regional level and "in patches", which were generally less stringent than in Italy. The situation gradually improved starting from the second half of February; the "state of alert”, instead, ended at the beginning of May, amid a widespread reduction of containment measures, thanks also to the rollout of the vaccination campaign. However, starting from the end of June, there is growing concern about the spread of new variants and the increase of infections, especially among the very young and the under-30 age group. However, hospitalizations, ICU admissions and fatalities still remain low.

In Italy, the number of cases has risen since February, reaching a peak in the third decade of March, thus leading to the adoption of additional containment measures, including the suspension of school activities in red zones and further restrictions during the Easter holidays and the extension of those in place.

The situation has improved since mid-April, and the restrictive measures are being gradually relaxed, with the reopening of restaurants, bars and other retail activities, albeit with well-defined opening time and service rules. The acceleration of the vaccination campaign has allowed the regions to move into the "white zone" status and further ease the containment measures. As in Spain since July, attention has focused on the spread of new variants and the increase of infections especially among young people.

In both countries, the vaccination campaign has in any case brought a significant improvement in terms of general infections, hospitalizations, ICU occupancy and fatalities.

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.

As previously mentioned, the COVID 19 health emergency continued to impact on the major economies in 2021.

In first half 2021, the international scenario was marked, however, by a widespread economic recovery. The latest figures published by the European Commission in July 2021 (with the document *European Economic Forecast - Summer 2021*) estimate an increase in GDP for Italy of 5% in 2021 and 4.2% in 2022 and for Spain an increase in GDP of 6.2% in 2021 and 6.3% in 2022.

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

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.

Risks associated with advertising and publishing market trends

The persisting short and medium-term economic uncertainty, aggravated by the current health emergency, continued to impact negatively, for daily newspapers and magazines, on the daily newspaper and magazine advertising market in Spain, slowing the pace of sales.

In Italy, in the first six months of 2021, the advertising market (*Nielsen January-June 2021*) increased by 26.7% versus 2020, with the television, online (net of search, social media and over the top), newspaper and magazine advertising markets up by 33.2%, 29.3%, 9.7% and 3.9% respectively.

In first half 2021, the Spanish advertising sales market was up by 12% versus 2020 (*i2p, Arce Media*). Specifically, the newspaper and magazine market fell by -5.6% and -18.1%, respectively. Conversely, advertising sales on the Internet (excluding social media) were up by 28.4%.

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 also continued in first half 2021. Specifically, in the first five months of 2021, generalist newspapers and sports newspapers in Italy saw a drop in print and digital circulation versus the same period of 2020 of 4.7% and 9.3%, respectively (*ADS January-May 2021*).

In Spain, in the first five months of 2021, circulation figures show a decline for generalist newspapers (-24.4%), business newspapers (-34%) and sports newspapers (-36.4%) (*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.

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 first half 2021 accounted for 17% - an extremely low percentage, therefore based to a lesser extent on the economic cycle - while the remaining 83% 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 39% of total revenue.

Persisting global economic uncertainty and stalling growth on the Italian market could impact on advertising market prospects. 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 generalist commercial 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.

<u>Privacy, data protection and cybersecurity</u>

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, 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 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. The macroeconomic trend may in the future lead (as in the past) to the closure of a number of mills, amplifying market concentration, and generate price tensions and procurement difficulties, specifically for pink paper. The recent months in particular saw an upward trend in paper prices.

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.
Article 1, paragraph 1026 and ensuing paragraphs, of the 2018 Italian Budget Law (Law no. 205 of 2017) 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"). The 700 band frequencies must be fully released by television operators by 30 June 2022, as they are assigned to telecom operators as a result of the tender procedure concluded in October 2019.
The provisions of the 2018 Budget Law were subsequently amended, in some respects, in the 2019 Budget Law (Law no. 145 of 2019) and the refarming procedures initiated in 2019 were restarted with updated timing.
The UHF band frequencies that will remain internationally allocated to post-refarming terrestrial television broadcasting are channels 21 to 48. Based on the bilateral agreements with radio-electrically bordering countries, AGCOM has planned 12 muxes of national frequencies (11 in the UHF band - one of which "decomposable" intended for the public licensee - and 1 mainly in the VHF band) much lower the current amount (the current muxes of national frequencies are 20, almost double).

The 2018 Budget Law requires national frequency muxes to 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. The 2019 Budget Law also introduced a procedure for consideration on the assignment of rights of use (in an amount equivalent to two muxes) that do not arise from the above conversion of current rights of use. In implementation of the 2018 Budget Law, AGCOM published the resolutions:

- no. 137/18/CONS and no. 290/2018/CONS (respectively initiating the procedure and adopting the National Frequency Allocation Plan for digital terrestrial television, PNAF 2018);
- no. 182/18/CONS, initiating the procedure to define the criteria for the conversion of rights to use frequencies at national level for digital terrestrial service into rights to use transmission capacity and for the assignment at national level of the rights to use newly planned frequencies, assuming a possible 2:1 criterion;
- no. 474/18/CONS, launching the public consultation on the definition of the criteria set out in the procedure initiated by Decision no. 182/18/CONS.

On 5 April 2018, MISE published the draft decree on the Roadmap for the liberalization of the 700 MHz frequency band and, on 8 August 2018, its final version. Additionally, a "TV forum" (at MISE) was also set up in September 2018 to involve both operators and authorities.

In implementation of the 2019 Budget Law, AGCOM published resolution no. 39/19/CONS, adopting the new National Frequency Allocation Plan for digital terrestrial television (PNAF 2019), which replaces the 2019 PNAF and resolution 129/19 (defining the criteria for the conversion of rights of use into rights of use for transmission capacity, and for the national allocation of rights of use of the frequencies planned by the PNAF).

Additionally, with notice published on 11 June 2019 (the Notice), MISE opened a procedure for the allocation to national network operators of 10 rights of use of frequencies for the operation of networks (among those planned by AGCOM).

According to the provisions of AGCOM resolution 129/19/CONS and the Notice, with the reduction from 20 to 12 of the muxes available to national television operators, (i) 10 newly planned muxes are allocated to the current operators based on a criterion of mere proportionality 2:1 (e.g. those who have 5 muxes will have 2.5 and those who have 1 mux will have 0.5) and (ii) the remaining 2 muxes are put out to tender in lots of 0.5 mux. The allocation procedure envisages the allocation of rights of use in two stages and separate timeframes: for operators currently holding a national mux and who have not concluded an agreement, it envisages a right of use to be allocated in the first stage without any frequency specification, while other operators (currently holding pairs of muxes or having concluded an agreement) will be allocated specific muxes. AGCOM's decision also sets a 10-year term for the new rights.

In execution of the Notice, MISE allocated rights of use equivalent to 10 muxes, of which 7 muxes with frequency allocation and 6 rights of use for "half mux", to complete in the second phase. Specifically, Cairo Network was assigned a right of use with no frequency specification, equal to half of a mux. Lastly, by decree dated 22 July 2019, MISE also adopted the new 'road map' for the release of frequencies.

Cairo Network was heard in the context of the various proceedings, and took part in the relating public consultations and in the above-mentioned "TV 4.0 Forum", pointing out the legal and technical arguments for the exclusion of the Company from the application of the Budget Law, also attaching the supporting documents.

Specifically, the Authorities were explained, inter alia, that the granting of television frequencies to Cairo Network has a backstory and features that are quite different from the rest of the Italian television system. In fact, and unlike other operators: 1) Cairo, as the new entrant, purchased its 20-year right to use the frequencies for consideration from MISE, following a specific tender procedure put in place by the Ministries of Economic Development to sidestep an EU infringement by Italy; 2) Cairo began implementing the high-quality television network and territorial broadcasting only from July 2014 (date of the tender procedure award). Additionally, the documents related to the tender procedure for consideration on the allocation of frequencies explicitly provided, on issue of the frequency in favour of the telco operators, that the successful bidder (for Lot 3) would receive a frequency similar to the frequency assigned (with regard to the channel involved in refarming). These arguments were also submitted to AGCM.

Cairo Network also challenged resolutions nos. 137, 182, 290, 39 and 129 of AGCOM and the draft and new versions of the road map decree, filing appeals with the Latium Regional Administrative Court, Rome, and subsequent additional grounds (g.r. no. 6740/2018 and g.r. no. 7017/18), in which the same arguments raised with the public authorities and further illegalities of the contested measures were also raised with the administrative judge.

Cairo challenged, in trial g.r. no. 7017/2018, also the Notice published on 11 June 2019 and the order granting the right of use to Cairo, also filing a precautionary motion to suspend the effectiveness of the challenged measures. Following the closed session of 9 October 2019, the Regional Administrative Court set the hearing of the merits of the appeals, filed in trials g.r. no. 6740/2018 and g.r. no. 7017/2018, on 25 March 2020, subsequently postponed to 7 October 2020.

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).

Later than scheduled, after public consultation, AGCOM adopted resolution no. 564/20/CONS, published on 4 November 2020, containing the Procedures for the allocation of the additional transmission capacity available nationwide and terrestrial frequencies, pursuant to Article 1, paragraph 1031-bis, of Law no. 205 of 27 December 2017. This resolution too was challenged before the Latium Regional Administrative Court, in trial g.r. no. 440/2021, where the date of the hearing has yet to be set.

On 28 April 2021, MISE opened the procedure for consideration on the allocation of rights of use not resulting from the conversion of the current rights of use, in which Cairo Network took part, concurrently filing an appeal with the Regional Administrative Court (g.r. no. 6040/2021). With its ruling of 2 July 2021, the Ministry of Economic Development announced that Cairo had been awarded the right of use of lot P1, without specifying the frequencies, corresponding to half of the newly-planned national multiplex, concurrently requesting payment of the amount offered in the tender (equal to Euro 5 million) and to express a choice for a national network of the Pnaf (for the purposes of issuing specific rights of use among those available). Cairo, concurrent to challenging the above ruling of 2 July, paid half the amount offered in the tender and requested payment of the remainder in three annual instalments. MISE will issue the right of use of frequencies.

In any event, the effect of the future reorganization of the television band cannot be predicted with certainty yet, nor the outcome of the appeals before the Regional Administrative Court and the Council of State.

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 30 June 2021, the Group held intangible assets for a total of Euro 980 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 decisions when applying accounting standards and key sources of estimation uncertainty are commented on in the Note *"Basis of preparation"* of this Half-Year 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 28 to the consolidated financial statements) contain information on a number of cases of litigation. The evaluation of the potential legal and tax liabilities requires the Company to use estimates and assumptions in relation to forecasts made by the Directors, based upon the opinions expressed by the Company’s legal and tax advisers, in relation to the probable cost that can be 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.

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 31 to the consolidated financial statements) contain information on liquidity risk, interest rate risk and credit risk.

Other information

Human resources

Because of the nature of its business activities, human resources play a critical role in the success of the Group. The evaluation of staff, the development of their abilities and the recognition of their achievements and responsibilities are the principles which govern personnel management, from the selection phase, which is facilitated by the high degree of the Group's visibility and its ability to attract personnel.

The exact headcount of the Group at 30 June 2021 is shown below, broken down by role and geographical area:

	OTHER GROUP COMPANIES		RCS		CAIRORCS Media		TOTAL
	MEN	WOMEN	MEN	WOMEN	MEN	WOMEN	
Executives	14	2	58	16	27	4	121
Editors	6	1	25	13	0	0	45
Middle managers	33	23	114	91	31	25	317
White collars	217	162	599	730	44	89	1,841
Blue collars	0	0	171	15	0	0	186
Journalists and freelance	97	134	721	472	0	0	1,424
TOTAL	**367**	**322**	**1,688**	**1,337**	**102**	**118**	**3,934**

	ITALY		ABROAD		TOTAL
	MEN	WOMEN	MEN	WOMEN	
Executives	89	15	10	7	121
Editors	26	10	5	4	45
Middle managers	153	114	25	25	317
White collars	568	629	292	352	1,841
Blue collars	143	12	28	3	186
Journalists and freelance	543	420	275	186	1,424
TOTAL	**1,522**	**1,200**	**635**	**577**	**3,934**

With regard to other Group companies, most of the employees (479) work in the TV segment, followed by the magazine publishing segment Cairo Editore (194). The advertising segment (CAIRORCS Media) employs 220 people and draws on a sales force of approximately 200 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.

Regarding RCS, the headcount at 30 June 2021 amounted to 3,025 employees, 1,212 of whom working abroad.

Events occurring after the reporting period and business outlook

As explained in the notes on "*Other information*" (Note 28 in the Consolidated Financial Statements), after the first half of the year, at the end of the procedure for consideration, the Ministry of Economic Development announced that Cairo Network had been awarded the right of use of lot P1, corresponding to half of a newly-planned national multiplex.

In first half 2021, the Group's results were still impacted by the spread of the Coronavirus. Against a backdrop still dominated by great uncertainty:

- 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 the same period of 2020, a performance that stems also from the rescheduling in the first half of the year of the sporting events that had been postponed in 2020 to the second half of the year;
- **RCS** achieved a net positive result of Euro 38.7 million[6] and continued to generate positive cash flows. Thanks to its authority, *Corriere della Sera* confirmed its remarkable newsstand circulation results and, most importantly, continued the growth of digital operations: at end June, its total active digital customer base (digital edition, membership and m-site) counted 336 thousand subscriptions;
- the **TV publishing segment La7** confirmed the high audience levels of the La7 channel (3.49% in the all-day share and 4.82% in prime time). In first half 2021, advertising sales on La7 and La7d totaled approximately Euro 79.9 million (Euro 68.3 million in 2020), up by +17% versus the same period of the prior year (when revenue had performed more than 8 percentage points better than the TV advertising market), returning to the figures recorded in first half 2019;
- the **magazine publishing segment Cairo Editore** achieved higher results than in 2020, confirmed high circulation levels of the publications, and continued to work on improving the levels of efficiency reached in containing own costs.

[6] RCS Half-Year Report at 30 June 2021, approved on 30 July 2021.

The start of 2021 was still marked by the restrictive measures enforced by the authorities, both in Italy and Spain, to contain the health emergency which, in addition to the severe social impact, has had and is having repercussions on the organization and timing of work, on the Group's activities and on economic performance, in a general context of great uncertainty.

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

In both countries, the vaccination campaign has in any case brought a significant improvement in terms of general infections, hospitalizations, ICU occupancy and fatalities. However, starting from the end of June in Spain, and mid-July in Italy, there is growing concern about the spread of new variants and the increase of infections, especially among young people. At the end of July, approximately 58% of the population over the age of twelve in Italy had completed the vaccination cycle, and in Spain approximately 56% of the population.

In 2021 too, the Group is meeting 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 are playing 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.

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 emergency plays out in the coming months, as well as on the effectiveness of the vaccination campaign and of the public measures, including the economic ones, implemented in the meantime and those to be implemented.

In any event, the Group believes it has adequate management levers to counter the impacts of the health emergency also in 2021 and thus confirm its medium-long term prospects.

In consideration of the actions already implemented and those planned, in the absence of tighter measures to contain the pandemic, an extension of their duration, or a significant return of the regions in the highest risk bands, the Group believes it can confirm the goal of achieving margins (EBITDA) in 2021 that are higher than those achieved in 2020 and a resulting further significant reduction in financial debt.

Developments in the health emergency, 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

CAIRO COMMUNICATION

Condensed consolidated half-year financial statements

at 30 June 2021

CONSOLIDATED INCOME STATEMENT AT 30 JUNE 2021

€ millions	Notes	Half year ended 30/06/2021	Half year ended 30/06/2020
Net revenue	1	533.2	423.4
Other revenue and income	2	19.4	9.9
Change in inventory of finished products	3	1.0	(0.7)
Raw and ancillary materials and consumables	4	(43.5)	(46.0)
Cost of services	5	(236.3)	(192.3)
Use of third-party assets	6	(16.4)	(13.6)
Personnel expense	7	(166.5)	(163.0)
Income (expense) from equity-accounted investees	18	-	(0.7)
Amortization, depreciation, provisions and write-downs	8	(36.8)	(36.8)
Other operating costs	9	(10.1)	(5.5)
Operating profit (EBIT)		**43.9**	**(25.2)**
Income (expense) from investments	10	6.9	6.3
Net financial income (expense)	11	(4.9)	(6.2)
Profit (loss) before tax		**45.9**	**(25.0)**
Income tax	13	(6.2)	7.4
Profit (loss) for the period		**39.6**	**(17.7)**
- Owners of the parent		24.5	(12.7)
- Non-controlling interests - continuing operations		15.1	(5.0)
		39.6	**(17.7)**
Earnings per share (Euro)			
- Earnings per share - continuing and discontinued operations	15	0.295	(0.132)
- Earnings per share from continuing operations	15	0.295	(0.132)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME AT 30 JUNE 2021

€ millions	**Half year ended 30/06/2021**	**Half year ended 30/06/2020**
Profit (loss) for the period	**39.6**	**(17.7)**
Reclassifiable items of the comprehensive income statement		
Gains (losses) from the translation of financial statements denominated in foreign currencies	-	-
Gains (losses) from cash flow hedges	0.1	(0.3)
Reclassification of gains (losses) from cash flow hedges	0.2	0.3
Tax effect	(0.1)	-
Non-reclassifiable items of the comprehensive income statement		
Gains (losses) from the fair value measurement of equity instruments	-	(0.0)
Actuarial profit (loss) from defined benefit plans	0.1	(0.4)
Tax effect	-	0.1
Total comprehensive income for the period	**39.9**	**(18.1)**
- Owners of the parent	24.7	(13.1)
- Non-controlling interests - continuing operations	15.2	(5.0)
	39.9	**(18.1)**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2021

Assets **€ millions**	**Notes**	**30 June 2021**	**31 December 2020**
Property, investment property, plant and equipment	16	68.4	70.9
Rights of use on leased assets	17	153.0	164.9
Intangible assets	18	980.0	982.3
Investments	19	34.8	37.1
Non-current financial receivables	19	0.3	0.4
Other non-current assets	19	4.5	2.0
Deferred tax assets	20	97.6	96.3
Total non-current assets		**1,338.6**	**1,353.9**
Inventory	21	18.8	19.9
Trade receivables	21	288.3	244.2
Receivables from parents, associates and affiliates	21	7.9	17.0
Sundry receivables and other current assets	21	58.2	33.9
Other current financial assets and financial receivables	25	0.5	6.9
Cash and cash equivalents	25	104.5	87.4
Total current assets		**478.2**	**409.3**
Total assets		**1,816.8**	**1,763.2**

Equity and liabilities **€ millions**	**Notes**	**30 June 2021**	**31 December 2020**
Share capital		7.0	7.0
Share premium reserve		224.2	224.2
Prior-years' profit (loss) and other reserves		232.3	220.7
Profit for the period		24.5	16.5
Equity attributable to the owners of the parent		**488.0**	**468.4**
Non-controlling interests' share capital and reserves		**319.3**	**309.4**
Total equity	27	**807.3**	**777.8**
Non-current financial payables and liabilities	25	37.0	59.9
Non-current liabilities from lease contracts	25	140.0	152.1
Post-employment benefits	23	52.1	51.2
Provisions for non-current risks and charges	24	24.1	27.7
Deferred tax liabilities	24	161.9	164.2
Other non-current liabilities	22	1.0	1.0
Total non-current liabilities		**416.1**	**456.1**
Current financial payables and liabilities	25	98.4	97.5
Current liabilities from lease contracts	25	29.4	28.8
Payables to suppliers	21	290.8	243.5
Payables to parents, associates and affiliates	21	10.9	8.8
Tax payables	21	23.6	20.1
Current portion of provisions for risks and charges	24	32.9	29.4
Sundry payables and other current liabilities	21	107.4	101.2
Total current liabilities		**593.4**	**529.3**
Total liabilities		**1,009.5**	**985.4**
Total equity and liabilities		**1,816.8**	**1,763.2**

CONSOLIDATED STATEMENT OF CASH FLOWS AT 30 JUNE 2021

€ millions	**Half year ended 30 June 2021**	**Half year ended 30 June 2020**
Cash and cash equivalents	87.4	50.1
Bank overdrafts	(0.6)	(8.8)
CASH AND CASH EQUIVALENTS OPENING BALANCE	**86.8**	**41.3**
OPERATIONS		
Profit (loss)	39.6	(17.7)
Amortization/depreciation	34.5	33.6
(Gains) losses and other non-monetary items	(7.8)	(6.3)
(Income) expense from investments	0.1	0.7
Net financial expense (income)	4.9	6.2
Dividends from equity-accounted investees	0.0	0.0
Income tax	6.2	(7.4)
(Increase) decrease in employee benefits and provisions for risks and charges	(4.7)	3.1
Cash flow from operations before changes in working capital	**72.8**	**12.2**
(Increase) decrease in trade and other receivables	7.4	57.8
Increase (decrease) in payables to suppliers and other liabilities	(7.1)	(13.5)
(Increase) decrease in inventory	1.1	0.3
CASH FLOW FROM OPERATIONS	**74.2**	**56.8**
Income tax received (paid)	(0.2)	0.0
Net financial expense paid	(4.6)	(5.7)
CASH FLOW FROM OPERATIONS (A)	**69.5**	**51.1**
INVESTING ACTIVITIES		
Net (acquisition) disposal of PPE and intangible assets	(11.2)	(10.3)
Acquisition of investments	(1.5)	0.0
Proceeds from the disposal of investments	6.7	4.0
Proceeds from the sale of property, plant and equipment and intangible assets	1.5	0.0
Net decrease (increase) in other non-current assets	(2.1)	(2.7)
CASH FLOW FROM INVESTING ACTIVITIES (B)	**(6.6)**	**(9.0)**
FINANCING ACTIVITIES		
Dividends paid	(11.6)	0.0
Net change in financial payables and other financial assets	(22.0)	(14.4)
Net change in lease liabilities	(13.2)	(10.9)
Increase (decrease) in non-controlling interests' share capital and reserves	0.3	0.2
Other changes in equity	(0.4)	0.0
CASH FLOW FROM FINANCING ACTIVITIES (C)	**(46.9)**	**(25.1)**
CASH FLOW FOR THE PERIOD (A)+(B)+(C)	**15.9**	**17.0**
CASH AND CASH EQUIVALENTS CLOSING BALANCE	**102.7**	**58.2**
CASH AND CASH EQUIVALENTS		
Cash and cash equivalents	104.5	58.2
Bank overdrafts	(1.8)	0.0
	102.7	**58.2**

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 31 December 2018	7.0	236.5	133.0	60.3	436.8	286.9	723.7
Effects from the application of IFRS 16			(5.5)		(5.5)	(3.7)	(9.2)
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)	0.0		0.0
Dividend distribution			(5.4)		(5.4)	(6.2)	(11.6)
Other changes			0.3		0.3	0.9	1.2
Items of the comprehensive income statement			0.2	(0.2)	0.0		0.0
Total comprehensive profit (loss) for the period				24.7	24.7	15.2	39.9
Balance at 30 June 2021	7.0	224.2	232.4	24.5	488.0	319.3	807.3

EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED HALF-YEAR FINANCIAL STATEMENTS

Company information

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 operates as a

- publisher of magazines and books (Cairo Editore - and its division Editoriale Giorgio Mondadori - and Cairo Publishing);
- TV (La7, La7d) and Internet (La7.it, TG.La7.it) publisher;
- multimedia agency for the sale of advertising space. Mention should be made that, 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 and the print, television and online titles of Cairo Editore and La7, as well as, for both businesses, certain third-party media, 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;
- publisher of electronic content (Il Trovatore) and network operator (Cairo Network).

In 2021, the acquisition of 55% of m-Dis Distribuzione Media S.p.A., a leader in distribution through the newsstands channel, came to conclusion, bringing RCS's stake to 100%.

At 30 June 2021, the condensed half-year financial statements included 51 fully consolidated direct and indirect subsidiaries. Further details on investments are found in the annex “List of Group Investments at 30 June 2021".

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

In 2021, the Spanish subsidiaries Informaciòn Estadio Deportivo S.A. and Unidad Editorial Juegos S.A. were sold, and the liquidation of Feria Bebe S.L. came to completion.

Basis of preparation

The Group condensed consolidated half-year financial statements have been prepared in accordance with IFRS international accounting standards issued by the International Accounting Standards Board (IASB) and endorsed by the European Union in accordance with Regulation no. 1606/2002. The term IFRS is used to also mean the International Accounting Standards (IAS) still in effect, and all the interpretations of the International Financial Reporting Interpretations Committee (IFRIC).

These condensed consolidated half-year financial statements have been prepared in summary form in accordance with IAS 34 – *Interim financial reporting*. They do not contain all the information required for the Annual Report and should, therefore, be read together with the Annual Report for the year ended 31 December 2020.

The accounting standards adopted in the preparation of the condensed consolidated half-year financial statements are the same as those used for the consolidated financial statements at 31 December 2020, with the exception of the adoption of the new standards, where applicable, effective as of 1 January 2021.

The Group has not adopted in advance any new standards, interpretations or amendments issued but not yet in force.

The Group condensed consolidated half-year financial statements are prepared on a going concern basis.

The preparation of the condensed half-year financial statements has required using estimates and assumptions both for determining the carrying amounts of some assets and liabilities and for measuring contingent assets and liabilities. The main items involved are goodwill, other intangible assets with indefinite useful life, rights of use, deferred tax assets and the estimated recoverability of receivables. Projections are also used when determining revenue generated through consignment contracts (newspapers and magazines), the estimated provisions for risks and charges and legal disputes, the estimated returns to receive (books), the provisions for doubtful accounts, amortization and depreciation, employee benefits, as well as deferred tax and inventory valuations.

The estimates and assumptions are periodically reviewed and the effects of any changes immediately reflected in the financial statements.

In light of the current situation brought by the COVID-19 health emergency, mention should be made that forecasts regarding future developments in the macroeconomic, financial and operational context in which the Group operates are, in any event, marked by a high degree of uncertainty, which could be reflected in the valuations and estimates made by Management of the book values of assets and liabilities affected by greater volatility.

Certain measurement processes, in particular the determination of any impairment losses on intangible assets, or reviews of the economic useful lives, are generally carried out at year end, or, nonetheless, when all the necessary information is available, unless there are impairment indicators.

Intangible assets are periodically subject to an impairment test to determine their value in use, which is compared with the value recorded in the financial statements, and to verify their sustainability. In the case of goodwill and intangible assets with indefinite useful life, this assessment is performed at least once a year irrespective of any signs or evidence of impairment. The amounts recorded in this Half-Year Report had passed the impairment test performed at 31 December 2020. However, since the assessment is sensitive to changes in the principal assumptions and estimates forming its basis, an analysis was carried out at 30 June 2021 to show any risks of impairment. Any subsequent change in these assumptions would

impact on the assessments made. The analysis carried out at 30 June 2021 took account of the impact of actual figures in the period on the forecasts used in the impairment tests at 31 December 2020, and the trend in interest rates to evaluate the repercussions of said trend on the estimate of the discount rate (WACC) to be applied to expected cash flows. No impairment indicators emerged on conclusion of this analysis. However, following the preparation of the condensed half-year financial statements and the materialization of trends that differ from estimates to date, adjustments, including significant ones, may be required to the amounts recorded in the half-year report.
Deferred tax assets recognized at the reporting date represent amounts which are likely to arise, based on Management estimates, on future taxable profit, and on current tax rates, taking account of the effects of participation in the Group tax consolidation. At 30 June 2021, the recoverability assumptions developed at 31 December 2020 were confirmed.

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.

1. 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.

2. 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.

All the changes will come into effect on 1 January 2022.

- 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: establishes that proceeds from the selling of goods produced by an asset, before it is ready for its intended use, are entered in profit or loss together with the relating production costs and cannot be deducted from the cost of the fixed asset. 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:* Amendments are made to *IFRS 1 First-time Adoption of International Financial Reporting Standards*, *IFRS 9 Financial Instruments*, *IAS 41 Agriculture* and the *Illustrative Examples* accompanying *IFRS 16 Leases*. The amendments will apply as of 2022.

Accounting standards, amendments and interpretations yet to be endorsed by the EU and applicable from financial periods after 1 January 2021

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: Classifications of current and non-current liabilities: The amendments will apply retroactively as of 2022. The amendments are effective as of 1 January 2023. Early application is allowed.
- Amendment to IFRS 16 - *COVID-19-Related Rent Concessions beyond 30 June 2021* (extending by one year the period of application of the amendment to IFRS 16, issued in May 2020, relating to the accounting for facilities granted, owing to COVID-19, to lessees). The amendments apply as of 1 April 2021. Early application is allowed.
- Amendment to IAS 1 *Disclosure of Accounting Policies IAS 1 and IFRS Practice Statement 2*. The amendments will apply as of 1 January 2023. Early application is allowed.
- Amendment to IAS 8 - *Definition of Accounting Estimates*. The amendments will apply as of 1 January 2023. Early application is allowed.
- 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.

Form and content of the 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 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 **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 year;
- will be subsequently reclassified to profit (loss) for the year, when certain conditions are met.

The **consolidated statement of financial position** presents separately assets and liabilities divided in current and non-current. 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 principally 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.

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

- allocation of profit for the year;
- effects from 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.

Lastly, the statements containing significant related party transactions and non-recurring items have been presented in specific annexes, as required by CONSOB Resolution no. 15519 of 27 July 2006, in order not to affect the overall readability of the financial statements.

The condensed consolidated half-year financial statements were subject to a limited audit by Deloitte S.p.A., which was appointed by a resolution of the Shareholders' Meeting held on 27 April 2018.

Scope of consolidation

In first half 2021, following the purchase of an additional 55% of the share capital of m-dis Distribuzione Media S.p.A. (now wholly owned), 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..

At the date of preparation of this half-year 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 is still underway. The Group reserves the right to complete this process within the twelve months following the acquisition date.

The main impacts on the balance sheet and income statement items from the full consolidation of m-Dis Distribuzione Media S.p.A. are explained in the relevant notes to this half-year report.

Additionally, the Spanish subsidiaries Información Estadio Deportivo S.A. and Unidad Editorial Juegos S.A. were sold, and the liquidation of Feria Bebe S.L. came to completion.

The condensed consolidated half-year financial statements at 30 June 2021 include the financial statements of the Parent Cairo Communication S.p.A. and the following direct or indirect subsidiaries and associates appearing in the annex "List of Group Investments at 30 June 2021".

Significant events in the reporting period

Significant events in first half 2021 are described in the Interim Report on Operations:

- 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 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 acquired the remaining 10% of the share capital, thereby holding 100% of m-dis;
- In April 2021, the Spanish subsidiary Unidad Editorial sold the investment it held in Unidad Editorial Juegos, which generated a gain of approximately Euro 7.3 million in Cairo Communication's condensed consolidated financial statements, net of the related reversal of goodwill. In February, the investment in Información Estadio Deportivo S.A. was sold with a loss of approximately Euro 0.5 million;
- Paragraph 28 "*Other Information*" includes an updated description of the dispute over the Via Solferino property complex.

Significant events after the reporting period

Significant events during the period between the end of the six-month period and the date of approval of this half-year report by the Board of Directors are described in the Interim Report on Operations.

NOTES TO THE CONSOLIDATED INCOME STATEMENT

There follows an analysis of the main items of cost and revenue for the half year ended 30 June 2021. The comparative figures refer to the Half-Year Report at 30 June 2020. Mention should be made that the results of first half 2020 were significantly impacted by the effects of the health emergency:

- in 2020, as part of the activities relating to the organization of sporting events, the *Strade Bianche*, *Tirreno Adriatico*, *Milano Sanremo*, *Giro di Sicilia* and *Giro d'Italia* - held in the second half - as well as the *Milano Marathon* and a number of mass events that could not be held in 2020, had been postponed;
- from end February 2020, the circulation of sports newspapers *La Gazzetta dello Sport* and *Marca* had been affected by the suspension of "played" sport, as well as the closure of bars and the restrictions on the reading of newspapers there;
- advertising sales in the four months March - June had slowed down both in Italy and Spain, but have rebounded starting from June.

As explained in the Interim Report on Operations, the start of 2021 was still marked by the restrictive measures enforced by the authorities, both in Italy and Spain, to contain the health emergency which, in addition to the severe social impact, has had and is having repercussions on the organization and timing of work, on the Group's activities and on economic performance, resulting in a general context of great uncertainty.

In Spain, starting from the second half of February and in Italy from mid-April, the situation has begun to improve and the containment measures are being gradually relaxed.

In both countries, the vaccination campaign has in any case brought a significant improvement in terms of general infections, hospitalizations, ICU occupancy and fatalities. However, starting from the end of June in Spain, and mid-July in Italy, there is growing concern about the spread of new variants and the increase of infections, especially among young people

1. Revenue

In order to provide a more detailed view, and in consideration of the specific features of the segment, gross operating revenue, advertising agency discounts and net operating revenue are analyzed below.

Description	**2021**	**2020**
Gross operating revenue	564.0	449.2
Advertising agency discounts	(30.8)	(25.8)
Net operating revenue	**533.2**	**423.4**

Revenue is generated mainly in Italy and in Spain. An analysis of revenue by business segment is provided in Note 13.

A strong contribution to the improvement in revenue came from the growth in advertising revenue and the organization in the first half of the year of the sporting events that could not be held in the same period of 2020 and were postponed to the second half of the year. Lastly, the positive change in revenue takes account of the full consolidation of m-Dis in first half 2021 (approximately Euro 21 million).

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

Description	**2021**	**2020**
TV advertising	80.9	68.5
Advertising on print media, Internet and sporting events	192.7	142.9
Other TV revenue	2.0	3.8
Magazine over-the-counter sales and subscriptions	217.6	205.1
VAT relating to publications	(2.1)	(2.3)
Other revenue	72.8	31.2
Total gross operating revenue	**564.0**	**449.2**

Gross operating revenue, amounting to Euro 564 million, increased by Euro 114.8 million

In first half 2021:

- circulation revenue (including subscriptions) of Euro 217.6 million refers for Euro 36.7 million to Cairo Editore (Euro 39.2 million in first half 2020) and for Euro 180.9 million to the RCS Group (Euro 165.9 million in first half 2020). RCS circulation revenue includes Euro 13.4 million in revenue from the distribution of products by third-party publishers;
- gross advertising sales from Group publications, Group websites and sporting events amounted to Euro 192.7 million, Euro 188.4 million of which attributable to the RCS Group (Euro 135 million in first half 2020) and Euro 4.3 million to the Cairo Editore titles (Euro 5.8 million in first half 2020);
- gross advertising sales on La7 and La7d channels totaled Euro 79.9 million (Euro 68.3 million in 2019), while the *Caccia* and *Pesca* channels of RCS in the first half contributed Euro 0.1 million.

Other revenue amounted to Euro 72.8 million, up by Euro 41.6 million versus the same period of the prior year and include the effects of the full consolidation of m-Dis (Euro 7.5 million).

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2. Other revenue and income

"Other revenue and income" amounted to Euro 19.4 million (Euro 9.9 million in 2020) and includes revenue from pulp and paper sales, grants, capital gains, cost chargebacks, rental income and other non-operating revenue items.

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3. Change in inventory of finished goods

The item amounted to a positive Euro 1 million and 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	21.4	27.3
Finished products, equipment and sundry materials	19.9	18.0
Change in inventory of paper, equipment and sundry materials, TV programmes and the like	2.2	0.6
Total raw and ancillary materials and consumables	**43.5**	**46.0**

This item, amounting to Euro 43.5 million, refers mainly to the publishing activities of Cairo Editore, La7 and the RCS Group, and decreased by Euro 2.5 million. The decrease in the cost of paper is attributable to savings on the purchase of raw materials and to the impact of the health emergency, which led to a drop in circulation, therefore in volumes and print runs, in particular of sports newspapers.

RCS Group's costs for raw and ancillary materials and consumables amounted to Euro 36.8 million.

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5. Services

As shown in the following chart, this item comprises mainly 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	18.8	16.5
Professional services, consulting and other administrative costs	18.3	9.1
Consultancies and collaborations	18.4	17.5
External processing	35.0	29.7
Transport costs	58.4	52.3
Sub-contracted TV programmes	12.5	13.6
Professional and artistic services and other TV consulting	4.0	4.4
Shooting, crew, editing, and outdoor TV activities	0.4	0.4
News and sport information services and TV news agency	0.7	0.7
TV broadcasting services	0.1	-
TV artwork	0.3	0.3
Outdoor TV links	0.5	0.6
Advertising and promotion	17.5	15.0
Organizational costs and overheads	51.6	32.2
Total cost of services	**236.3**	**192.3**

The item increased versus the same period of the prior year by Euro 44 million, due mainly to the relocation in the first half of the year of the sporting events that in 2020 had been postponed to the second part, and to the full consolidation of m-Dis from the beginning of 2021.

In the first half of the year, focus continued on costs in general and the constant commitment to pursuing efficiency, together with 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, amounting to Euro 16.4 million (Euro 13.6 million at 30 June 2020), includes lease payments, rental costs in the TV segment, rental fees for office equipment and royalties for copyrights.

Description	2021	2020
Lease payments for property	0.6	0.3
Rental of TV studios	0.0	0.1
Rental fees for TV studio equipment	0.3	0.3
TV programme rights	0.4	0.1
Sport rights	0.1	-
Journalistic rights	1.5	1.3
Copyrights (SIAE, IMAIE, SCF, AFI)	1.9	1.7
Royalty expense and sundry rights	7.5	7.4
Other costs for use of third-party assets	4.2	2.4
Total costs for use of third-party assets	**16.4**	**13.6**

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7. Personnel expense

Personnel expense amounted to Euro 166.5 million (Euro 163 million at 30 June 2020), up by Euro 3.5 million versus the same period of the prior year, due mainly to the consolidation of m-Dis from January. The item includes non-recurring expense related to the corporate reorganization process for Euro 0.1 million (Euro 5.6 million at 30 June 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	16.3	14.9
Depreciation of property, plant and equipment	5.0	5.4
Amortization/depreciation of rights of use on leased assets	13.2	13.3
Allocations to the allowance for impairment	0.8	0.6
Allocations to the provisions for risk and charges	1.5	2.6
Total amortization, depreciation, provisions and write-downs	**36.8**	**36.8**

The item, amounting to Euro 36.8 million, was in line with the prior year. The application of IFRS 16 resulted in amortization and depreciation of Euro 13.2 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 six months ended 30 June 2020, to Euro 1 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. The titles were given a finite useful life of 30 years. As a result, first half 2020 reported lower amortization of Euro 0.1 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 once a year to identify any impairment losses.

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9. Other operating costs

The item, amounting to Euro 10.1 million (Euro 5.5 million at 30 June 2020), includes mainly tax expense, prior-year expenses and other operating expense. The latter include membership fees, contributions, entertainment expenses, donations and transaction costs.

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10. Income (expense) on investments

The item amounted to Euro 6.9 million and refers to the gain earned from the sale of the Spanish subsidiary Unidad Editorial Juegos, shown net of the related reversal of goodwill (Euro 7.3 million), partly offset by the loss from the sale of Información Estadio Deportivo S.A. (Euro 0.5 million). Conversely, in first half 2020, a capital gain of Euro 6.3 million had been earned from the sale of the Spanish subsidiary Last Lap.

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11. Net financial expense

Net financial expense amounted to Euro 4.9 million. The item includes interest income on fixed-term deposits on current accounts and on treasury bank accounts used to employ liquidity.
“Net financial expense" is broken down as follows:

Description	2021	2020
Interest income on bank accounts, loans and receivables	-	0.4
Other	0.4	0.5
Total financial income	**0.4**	**0.9**
Bank interest expense	-	-
Interest income on loans	(1.1)	(1.6)
Losses on derivatives	(0.3)	-
Interest on lease payables - IFRS 16	(1.6)	(1.8)
Other financial expense	(2.3)	(3.7)
Total financial expense	**(5.3)**	**(7.1)**
Net financial expense	**(4.9)**	**(6.2)**

Net financial income and expense attributable to RCS, amounting to Euro 4.6 million, fell by Euro 1.2 million overall, due to 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.

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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	Total	Reported total	f reported total
Personnel expense	(0.1)	-	(0.1)	(166.5)	0.1%
Cost of services	(0.2)	-	(0.2)	(236.3)	0.1%
Total impact on EBITDA	**(0.3)**	-	**(0.3)**		
Allocations to the provisions for risk and charges	(0.3)	-	(0.3)	(1.5)	20.0%
Total non-recurring income and expense	**(0.6)**	-	**(0.6)**		

In first half 2021, non-recurring expense amounted to Euro 0.6 million, due primarily to service costs (Euro 0.2 million) and to provisions for risks and charges (Euro 0.3 million).

In the same period of the prior year, net non-recurring expense amounted to Euro 4.2 million (Euro 5.4 million the impact on EBITDA), attributable mainly to personnel expense (Euro 5.6 million).

13. Income tax

This item can be analyzed as follows:

Description	2021	2020
IRES	2.8	2.4
IRAP	1.1	(0.3)
Deferred tax assets and liabilities	2.3	5.3
Total income tax	**6.2**	**7.4**

Deferred tax assets and liabilities include the positive effect generated by:

- the release of deferred tax liabilities (Euro 2.1 million) on the value of childhood titles (Sfera) recorded in the consolidated financial statements of Cairo Communication on the purchase price allocation following the realignment of amounts pursuant to Article 110 of Legislative Decree 104/2020 made by the subsidiary RCS;
- the recognition of deferred tax assets of Euro 1.4 million, equal to the benefit arising from higher amortization that will be deductible in the future as a result of the higher value attributed to the brand-title "*Settimanale Di Più*" in the financial statements of Cairo Editore S.p.A. in accordance with the provisions of Article 110 of Legislative Decree no. 104 of 2020 ("August Decree") (revaluation reversed in the consolidated financial statements).

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14. Segment reporting

For a clearer understanding of the Group's operating performance, the analysis is focused on the results achieved in the half-year period by each business segment, which has been identified, in compliance with IFRS 8 – *Operating segments*, based on internal reporting which is regularly reviewed by Management.

The Group is organized in business units, each in turn structured around specific products and services, and has 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*", bi-weekly 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*" and "*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;

- **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, 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 *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, major world sporting events (the *Giro d'Italia*, the *UAE Tour*, the *Milano City Marathon* and the *Color Run*), and is well-positioned as a partner in the creation and organization of events through RCS Live;
- **advertising**, the segment includes Cairo Communication 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 Turner Broadcasting *(Cartoon Network* and *Boomerang*) and for La Presse *(Torino Channel*), on the Internet *(Cartoon Network.it, Open.online*), 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)**, since 1 May 2013 following the acquisition of La7, the Group has operated as a TV publisher of La7 and La7d broadcasters respectively on channel 7 and channel 29 on the digital terrestrial platform;
- **network operator (Cairo Network)** 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. With the acquisition and realization of the mux, the Cairo Communication Group started operations as a network operator;
- **Il Trovatore,** which provides technological services mainly within the Group.

2021 (€ millions)	Magazine publishing Cairo Editore	Advertising	TV publishing La7	Network operator (Cairo Network)	Trovatore	RCS	Intra and un allocated	Total
Net operating revenue	**40.7**	**171.3**	**56.4**	**6.0**	**0.5**	**421.8**	**(163.5)**	**533.2**
Change in inventory	(0.0)	-	-	-	-	1.0	-	1.0
Other income	2.2	1.5	1.1	0.8	-	16.0	(2.3)	19.4
Total revenue	**42.9**	**172.8**	**57.4**	**6.8**	**0.5**	**438.8**	**(165.8)**	**553.5**
Production costs	(30.4)	(159.5)	(33.9)	(4.7)	(0.4)	(243.1)	165.8	(306.1)
Personnel expense	(8.9)	(12.5)	(19.3)	(0.1)	(0.0)	(125.7)	-	(166.4)
Income (expense) from equity-accounted investees	-	-	-	-	-	(0.0)	-	(0.0)
Non-recurring income (expense)	-	-	-	-	-	(0.3)	-	(0.3)
Gross operating profit (EBITDA)	**3.7**	**0.9**	**4.2**	**2.0**	**0.0**	**69.8**	**-**	**80.7**
Amortization, depreciation, provisions and write-downs	(0.9)	(0.8)	(6.8)	(1.5)	(0.0)	(26.7)	-	(36.8)
Operating profit (EBIT)	**2.8**	**0.1**	**(2.6)**	**0.5**	**0.0**	**43.0**	**(0.0)**	**43.9**
Other gains (losses) from financial assets/liabilities	-	-	-	-	-	6.9	-	6.9
Net financial income	(0.0)	(0.2)	0.1	(0.1)	0.0	(4.7)	(0.0)	(4.9)
Profit (loss) before tax	**2.8**	**(0.1)**	**(2.5)**	**0.4**	**0.0**	**45.3**	**-**	**45.9**
Income tax	0.9	(0.2)	0.8	(0.1)	(0.0)	(7.7)	-	(6.2)
Profit (loss) from continuing operations	**3.6**	**(0.3)**	**(1.7)**	**0.3**	**0.0**	**37.6**	**-**	**39.6**
Profit (loss) from discontinued operations	-	-	-	-	-	-	-	-
Profit (loss) for the period	**3.6**	**(0.3)**	**(1.7)**	**0.3**	**0.0**	**37.6**	**-**	**39.6**
Non-controlling interests	**-**	**-**	**-**	**-**	**0.0**	**15.1**		**15.1**

2020 (€ millions)	Magazine publishing Cairo Editore	Advertising	TV publishing La7	Network operator (Cairo Network)	Trovatore	RCS	Intra and un allocated	Total
Net operating revenue	**43.4**	**65.9**	**49.1**	**6.0**	**0.4**	**319.5**	**(60.9)**	**423.4**
Change in inventory	(0.0)	-	-	-	-	(0.7)	-	(0.7)
Other income	1.0	0.5	1.8	0.0	-	6.7	(0.7)	9.4
Total revenue	**44.4**	**66.4**	**50.9**	**6.0**	**0.4**	**325.6**	**(61.6)**	**432.1**
Production costs	(33.2)	(60.9)	(34.5)	(4.6)	(0.3)	(185.2)	61.6	(257.0)
Personnel expense	(8.5)	(4.4)	(18.7)	(0.1)	(0.0)	(125.7)	-	(157.4)
Income (expense) from equity-accounted investees	-	-	-	-	-	(0.7)	-	(0.7)
Non-recurring income (expense)	-	-	-	-	-	(5.4)	-	(5.4)
Gross operating profit (EBITDA)	**2.8**	**1.2**	**(2.3)**	**1.3**	**0.0**	**8.6**	**-**	**11.6**
Amortization, depreciation, provisions and write-downs	(0.9)	(1.8)	(6.3)	(1.5)	(0.0)	(26.3)	-	(36.8)
Operating profit (EBIT)	**1.9**	**(0.6)**	**(8.5)**	**(0.2)**	**(0.0)**	**(17.7)**	**-**	**(25.2)**
Other gains (losses) from financial assets/liabilities	-	-	-	-	-	6.3	-	6.3
Net financial income	(0.0)	(0.3)	0.0	(0.1)	(0.0)	(5.8)	-	(6.2)
Profit (loss) before tax	**1.9**	**(0.9)**	**(8.5)**	**(0.3)**	**(0.0)**	**(17.1)**	**-**	**(25.0)**
Income tax	0.0	0.3	2.2	0.1	(0.0)	4.8	-	7.4
Profit (loss) from continuing operations	**1.9**	**(0.6)**	**(6.3)**	**(0.3)**	**(0.0)**	**(12.3)**	**-**	**(17.7)**
Profit (loss) from discontinued operations							(0.0)	(0.0)
Profit (loss) for the period	**1.9**	**(0.6)**	**(6.3)**	**(0.3)**	**(0.0)**	**(12.3)**	**(0.0)**	**(17.7)**
Non-controlling interests	**-**	**-**	**-**	**-**	**0.0**	**5.0**	**-**	**5.0**

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.

Total assets for each reportable segment are not provided, as they are not usually reviewed periodically by the chief operating decision-maker.

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15. Earnings per share

Earnings per share are calculated dividing the profit/loss attributable to the owners of the parent by the weighted average of outstanding shares, excluding the weighted average of treasury shares held. Specifically:

Description	2021	2020
€ millions		
Profit (loss) from continuing operations attributable to the owners of the parent	24.5	(12.7)
Profit (loss) for the period	**24.5**	**(12.7)**
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	0.182	(0.094)
Earnings per share - continuing and discontinued operations	**0.182**	**(0.094)**

NOTES TO THE STATEMENT OF FINANCIAL POSITION

Assets and liabilities by category are analyzed in the following notes.

16. Property, investment property, plant and equipment and rights of use on leased assets

The movements in PPE can be analyzed as follows:

Description	Land and property	Plant and equipment	Other assets	Assets under development	Investment property	Total
Net book value at 31/12/2020	**19.7**	**28.9**	**6.1**	**0.1**	**16.2**	**70.9**
Acquisitions	0.1	0.7	1.0	0.3	(0.4)	1.7
Depreciation	(0.8)	(2.8)	(1.0)	-	(0.3)	(5.0)
Write-downs	-	-	-	-	-	-
Other changes	0.6	0.1	0.1	(0.1)	-	0.7
Carrying amounts at 30/06/2021	**19.6**	**26.9**	**6.2**	**0.3**	**15.5**	**68.4**

The item includes:

- land and property amounting to Euro 19.6 million, relating to owned industrial buildings as well as to improvements to the Via Rizzoli and Via Solferino offices and to other third-party industrial buildings;
- plant and equipment amounting to Euro 26.9 million, comprised mainly of production facilities for the printing of newspapers and magazines;
- other assets amounting to Euro 6.2 million, comprised mainly of servers for data storage to support publishing and management systems, personal computers, various electronic devices, furniture and fittings;
- investment properties amounting to Euro 15.5 million, attributable mainly to currently vacant owned industrial buildings located in Madrid and Turin.

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**
Net increases	0.4	-	-	0.9	1.3
Amortization/depreciation	(11.3)	(0.4)	-	(1.5)	(13.2)
Other changes	0.1	-	-	(0.1)	-
Carrying amounts at 30/06/2021	**133.7**	**11.5**	**0.3**	**7.5**	**153.0**

At 30 June 2021, rights of use amounted to Euro 153 million, down by Euro 11.9 million versus the prior year.

18. Intangible assets

The movements in intangible 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	**11.1**	**771.4**	**198.5**	**0.3**	**0.9**	**982.3**
Additions	4.8	4.5	-	0.5	5.6	15.4
Amortization and write-downs	(6.2)	(9.5)	-	(0.5)	-	(16.3)
Other changes	0.5	0.7	(2.1)	-	(0.7)	(1.6)
Carrying amounts at 30/06/2021	**10.2**	**767.1**	**196.4**	**0.3**	**5.8**	**980.0**

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 the RCS Group in rights for audiovisual works and executive productions broadcast on the satellite channels *Caccia* and *Pesca*.

Concessions, licenses, trademarks and publications

“Concessions, licenses, trademarks and publications” at 30 June 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;
– the fair value, net of accumulated amortization at 30 June 2021, of Euro 45.3 million attributed to Italian trademarks and magazine titles with finite useful life, and the fair value of Euro 11.1 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 27.8 million) - for a period of twenty years - acquired in 2014 by Cairo Network;
– other intangible assets of Euro 26.4 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 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..

The item includes primarily, for Euro 7.1 million, goodwill attributable to the cash-generating units of the Cairo Editore publishing segment and the advertising segment of the Cairo Communication Group; as already mentioned, at the date of preparation of this half-year report, the determination of the fair value of the identifiable assets and liabilities of m-Dis required in the application of the so-called "acquisition method" pursuant to IFRS 3 is still underway.

Assets under development

"Assets under development" includes TV rights for Euro 5.8 million to be exploited in future years, as well as costs incurred for development of information technology projects which are waiting to go into operation.

Impairment

For cash generating units with intangible fixed assets with indefinite useful life, an analysis was carried out at 30 June 2021 to identify any impairment indicators of the Group's intangible assets. Specifically, the trend of actual figures of the current year versus the forecasts used in the impairment test at 31 December 2020 were taken into consideration, while interest rate trends were reviewed to assess their impact on the estimated discount rate (WACC) to apply to expected cash flows. The resulting impairment indicators did not require any testing at 30 June 2021.

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19. Investments and non-current financial assets

The movement in this item can be analyzed 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	Change in consolidation method and changes	Dividends paid	Net book value at 30/06/2021
m-Dis Distribuzione Media S.p.A.	2.1	-	-	-	(2.1)	-	0.0
Trento Press Service	0.2	-	-	-	0.3	-	0.5
MDM Milano Distribuzione Media	0.2	-	-	-	(0.2)	-	-
Pieroni Distribuzione	0.7	-	-	-	(0.7)	-	-
Liguria Press (former Ge-dis)	0.2	-	-	-	0.3	-	0.5
To-dis	0.2	-	-	-	(0.2)	-	-
GD Media Services S.r.l.	-	-	(0.0)	-	0.3	-	0.3
Escuela de cocina Telva	0.1	-	-	-	-	-	0.1
Radio Salud	0.3	-	-	-	-	-	0.3
Bermont Group	30.6	-	(0.0)	-	-	-	30.6
Quibee S.r.l.	0.1	-	0.0	-	-	-	0.1
Total investments in associates and joint ventures	**34.6**	**-**	**(0.0)**	**-**	**(2.3)**	**-**	**32.3**
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**	**-**	**(0.0)**	**-**	**(2.3)**	**-**	**34.8**

Investments in associates and joint ventures, amounting to Euro 32.3 million, decreased by Euro 2.3 million versus 31 December 2020, due mainly to the effects of the consolidation of the entire investment of m-Dis Group companies in first half 2021.

The item includes the RCS Group investment in Corporación Bermont (Euro 30.6 million), a Spanish company that deals with the printing of newspapers, magazines and other publishing products.

Securities and investments that are not controlled, linked or traded, defined as "Other equity instruments" amounted to Euro 2.5 million and do not show significant changes versus 31 December 2020.

Non-current financial receivables, amounting to Euro 0.3 million, include long-term financial receivables due from third parties (Euro 3.8 million, stated net of an allowance for impairment of Euro 3.5 million).

Other non-current financial assets, amounting to Euro 4.5 million, include mainly security deposits (Euro 2.4 million).

20. Deferred tax assets

Deferred tax assets of Euro 97.6 million at 30 June 2021 (Euro 96.3 million at 31 December 2020) refer to the recognition of deferred tax assets on the temporary differences between the carrying amounts of recognized assets and liabilities and the amounts recognized for tax purposes, as well as to tax loss carryforwards. This item refers mainly to RCS MediaGroup S.p.A..

Analyses were conducted to assess the recoverability of the deferred tax assets recorded. These analyses did not show any critical issues regarding the overall recoverability of the deferred tax assets recognized.

Mention should be made that, starting from the current tax period (1 January 2021 - 31 December 2021), Cairo Communication S.p.A. and RCS MediaGroup S.p.A. will jointly participate in the national tax consolidation scheme, with Cairo Communication S.p.A. acting as the consolidating company, and that the subsidiaries of RCS MediaGroup S.p.A. will also participate, where the conditions exist.

21. Working capital

Details on this item can be analyzed as follows:

Description	30/06/2021	31/12/2020	Change
Inventory	18.8	19.9	(1.1)
Trade receivables	288.3	244.2	44.1
Receivables from parents, associates and affiliates	7.9	17.0	(9.1)
Sundry receivables and other current assets	58.2	33.9	24.3
Payables to suppliers	(290.8)	(243.5)	(47.3)
Payables to parents, associates and affiliates	(10.9)	(8.8)	(2.1)
Tax payables	(23.6)	(20.1)	(3.5)
Sundry payables and other current liabilities	(107.4)	(101.2)	(6.2)
Total	**(59.5)**	**(58.6)**	**(0.9)**

Inventory of Euro 18.8 million includes Euro 12 million for paper inventory and the rest for work in progress on next editions, La7 inventory relating to television programmes produced, whose episodes had not yet been aired at 30 June 2021, and books and promotional products of the RCS Group.

Trade receivables amounted to Euro 288.3 million (Euro 244.2 million at 31 December 2020). The increase in trade receivables versus 31 December 2020 is attributable mainly to the full consolidation of m-Dis (Euro 57.2 million at 30 June 2021).

Trade receivables are shown net of the allowance for impairment of Euro 50.8 million (Euro 40.6 million at 31 December 2020). The change versus the prior year is attributable mainly to the consolidation of m-Dis as from January for Euro 14.1 million. The allowance for impairment was determined taking account of both specific collection risks and a general risk of non-collectability based on the ordinary trend of company operations, in compliance with IFRS 9.

Receivables from and payables to parents, associates and affiliates, amounting to Euro 7.9 million and Euro 10.9 million, refer mainly to:

- receivables from equity-accounted investees of m-Dis for Euro 7.4 million;
- receivables due to Group companies from the parent U.T. Communications accrued under the tax consolidation scheme applicable until the end of 2015 (Euro 0.4 million);
- payables to a number of Bermont Group associates (Euro 8.8 million), active in the printing of newspapers, magazines and other publishing products in Spain;
- payables to equity-accounted investees of m-Dis for Euro 0.6 million;
- payables to the affiliate Torino Football Club S.p.A. (Euro 1.3 million) mainly for amounts accrued under the advertising concession contract signed with CairoRCS Media S.p.A..

Sundry receivables and other current assets, which include mainly tax receivables, inclusive of advance payments and prepayments and accrued income, amounted to Euro 58.2 million, increasing by Euro 24.3 million versus 31 December 2020. The change versus the prior year is attributable mainly to the full consolidation of m-Dis.

Trade payables amounted to Euro 290.8 million, up by Euro 47.3 million versus 31 December 2020 and relate entirely to current positions. The increase is due mainly to the full consolidation of m-Dis (Euro 37.2 million)

Other current liabilities, amounting to Euro 107.4 million at 30 June 2021, increased by Euro 6.2 million versus 31 December 2020, and include mainly payables to employees, payables to social security institutions, advance payments received from clients for subscriptions, and accrued expenses and deferred income.

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22. Other non-current liabilities

"Other non-current liabilities", amounting to Euro 1 million, refers entirely to the RCS Group and includes the long-term portion of social security payables.

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23. Post-employment benefits

This item reflects the accruals made for all employees at the reporting date on the basis of the projected unit credit method, using actuarial valuations.

The composition and movements of this item is broken down as follows:

Description	30/06/2021	31/12/2020	Change
Opening balance	**51.2**	**52.6**	**(1.3)**
Allocations	0.5	1.0	(0.4)
Interest expense	0.0	0.3	(0.3)
Profit (loss) from actuarial valuations	(0.1)	1.7	(1.8)
Utilizations/other changes	0.4	(4.3)	4.7
Closing balance	**52.1**	**51.2**	**0.9**

24. Provisions for risks and charges and deferred tax liabilities

Provisions for risks and charges

Movements in the period are shown below:

Description	31/12/2020	Net allocations	Utilizations	Other changes	30/06/2021
Provision for agents' termination benefits	3.7	-	-	-	3.7
Provision for legal disputes	12.2	1.2	(1.2)	0.3	12.5
Provisions for personnel	19.4	-	(1.1)	-	18.3
Provisions for future risks and charges under the purchase price allocation of La7 S.r.l.	1.0	-	(0.6)	-	0.4
Other provisions for risks and charges	20.8	0.3	(1.6)	2.6	22.1
Grand total	**57.1**	**1.5**	**(4.5)**	**2.9**	**57.0**

"Provisions for risks and charges" amounted to Euro 57 million, Euro 24.1 million of which referring to the non-current portion.

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

The "Provision for legal disputes", amounting to Euro 12.5 million, was allocated for potential liabilities deriving from ongoing disputes with third parties, and refers to both civil proceedings and libel suits related to articles published in the Group's titles.

"Provisions for personnel", amounting to Euro 18.3 million, includes potential liabilities linked to personnel management and the termination of employment relationships and leased staff contracts, and relates to the RCS Group (Euro 14.8 million) and to La7 (Euro 3.5 million).

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.", with reference to:

a) a number of contracts whose unavoidable costs of meeting contractual obligations exceed the economic benefits expected to be received;

b) specific risk situations related to (i) existing or performed contracts and (ii) pending litigation.

The residual amount of this item at 30 June 2021 was Euro 0.4 million.

"Other provisions for risks and charges" refers mainly to potential liabilities attributable to the RCS Group (Euro 18.8 million).

Deferred tax liabilities

Deferred tax liabilities, amounting to Euro 161.9 million at 30 June 2021, decreased by Euro 2.3 million versus 31 December 2020 and refer almost entirely to the business combination of the RCS Group.
It should be noted that, following the realignment between the statutory amount and the tax amount of RCS's childhood titles (Sfera), deferred tax allocated upon the purchase price allocation of the RCS Group, amounting to Euro 2.2 million, was released in Cairo Communication's consolidated financial statements.

25. Net financial position

The trend of the net financial debt of the Group can be analyzed as follows:

Net financial debt (€ millions)	**30/06/2021**	**31/12/2020**	**Changes**
Cash and cash equivalents	104.5	87.4	17.1
Other current financial assets and financial receivables	0.5	6.9	(6.4)
Current financial assets (liabilities) from derivative instruments	(0.5)	(0.1)	(0.4)
Current financial payables	(97.9)	(97.4)	(0.5)
Current net financial position (net financial debt)	**6.7**	**(3.3)**	**10.0**
Non-current financial payables	(36.8)	(58.9)	22.1
Non-current financial assets (liabilities) from derivative instruments	(0.2)	(1.0)	0.8
Non-current net financial position (net financial debt)	**(37.0)**	**(59.9)**	**22.9**
Net financial position (net financial debt)	**(30.3)**	**(63.2)**	**32.9**
Liabilities from lease contracts (pursuant to IFRS 16)	(169.4)	(180.9)	**11.5**
Total net financial position (net financial debt)	**(199.7)**	**(244.1)**	**44.4**

Consolidated net financial debt at 30 June 2021 amounted to approximately Euro 30.3 million (Euro 63.2 million at 31 December 2020), an improvement of Euro 32.9 million versus end 2020 and of Euro 73.8 million versus June 2020, which is attributable mainly to cash flows generated from operations. Net financial debt was negatively impacted mainly by the consolidation of m-dis (which carries a debt of Euro 15.1 million at 30 June 2021, due to the seasonal trend in working capital), and the net effects of dividend payouts for Euro 11.6 million. Conversely, the positive effects of the net proceeds from the sale of investments and fixed assets, totaling Euro 6.2 million, refer mainly to the sale of Unidad Editorial Juegos.

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)		**30/06/2021**	**31/12/2020**	**Changes**
A	Liquid funds	104.5	87.4	17.1
B	Cash and cash equivalents	-	-	-
C	Other current financial assets	0.5	6.9	(6.4)
D	**Liquidity (A+B+C)**	**105.1**	**94.3**	**10.8**
E	Current financial debt	(103.7)	(102.3)	(1.4)
	of which current liabilities from lease contracts	*(29.4)*	*(28.8)*	*(0.6)*
F	Current portion of non-current financial debt	(24.1)	(24.0)	(0.1)
G	**Current financial debt (E+F)**	**(127.8)**	**(126.3)**	**(1.5)**
H	**Net current financial debt (G - D)**	**(22.7)**	**(32.0)**	**9.3**
I	Non-current financial debt	(177.0)	(212.0)	35.0
	of which non-current liabilities from lease contracts	*(140.0)*	*(152.1)*	*12.1*
J	Debt instruments	-	-	-
K	Trade payables and other non-current payables	-	-	-
L	**Non-current financial debt (I+J+K)**	**(177.0)**	**(212.0)**	**35.0**
M	**Total financial debt (H+L)**	**(199.7)**	**(244.1)**	**44.3**

<u>Intesa San Paolo loan</u>

As part of the transaction to acquire control of RCS, in July 2016 Cairo Communication had entered into an agreement with Intesa Sanpaolo for a revolving loan totaling Euro 140 million, of which approximately Euro 40 million drawn down at 30 June 2021, aimed at financing both the payment of the cash component of the bid to acquire control of RCS and for additional general corporate purposes. The loan had a duration of 60 months from the date of its first use and expires on 22 July 2021. At such date, the loan was repaid in full.

RCS financial debt

No changes were made in 2020 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 (with a residual amount at 30 June 2021 of Euro 62.5 million) and a Revolving Credit Line for an amount of Euro 125 million (unused at 30 June 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; at 31 December 2020, the *Leverage Ratio* was approximately 0.8x.
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.

26. 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			30/06/2021
			Net increases leases	Change in scope of consolidation	Other changes	
Financial payables	155.8	(28.4)	-	5.1	0.3	132.8
Current financial receivables	(6.9)	6.4	-	-	-	(0.5)
Derivative liabilities	1.1	-	-	-	(0.4)	0.7
Net change in financial payables and other (financial assets)	**150.0**	**(22.0)**	**-**	**5.1**	**(0.1)**	**133.0**
Cash and cash equivalents	87.4	17.1	-	-	-	104.5
Current bank loans and overdrafts	(0.6)	(1.2)	-	-	-	(1.8)
Cash and cash equivalents	**86.8**	**15.9**	**-**	**-**	**-**	**102.7**
Net financial debt (liquidity)	**63.2**	**(37.9)**	**-**	**5.1**	**(0.1)**	**30.3**
Liabilities from leased assets	**180.9**	**(13.2)**	**0.9**	**0.8**	**-**	**169.4**

As required by IFRS, current bank loans and overdrafts form part of the change in cash and cash equivalents.

27. Consolidated equity

At 30 June 2021, consolidated equity attributable to the owners of the parent stood at Euro 488 million, including profit for the year (Euro 468.4 million at 31 December 2020).

The share capital of Cairo Communication S.p.A., Euro 7 million at 30 June 2021, is made up of no. 134,416,598 ordinary shares.

Equity attributable to the owners of the parent increased by Euro 19.5 million versus 31 December 2020, due mainly to the Group's share of the total net result for the period (a profit of Euro 24.5 million) and the distribution of dividends (Euro -5.4 million)

The Shareholders' Meeting of 30 April 2021 approved the 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.

In 2021, as part of the share buy-back plans, no treasury shares were sold or purchased. At 30 June 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.

Capital and reserves attributable to non-controlling interests at 30 June 2021 amounted to Euro 319.3 million, increasing by Euro 9.9 million versus 31 December 2020, due mainly to the result for the period attributable to non-controlling interests, offset by the distribution of dividends to non-controlling interests.

28. 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) 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”). The 700 band frequencies must be fully released by television operators by 30 June 2022, as they are assigned to telecom operators as a result of the tender procedure concluded in October 2019.

The provisions of the 2018 Budget Law were subsequently amended, in some respects, in the 2019 Budget Law (Law no. 145 of 2019) and the refarming procedures initiated in 2019 were restarted with updated timing.

The UHF band frequencies that will remain internationally allocated to post-refarming terrestrial television broadcasting are channels 21 to 48. Based on the bilateral agreements with radio-electrically bordering countries, AGCOM has planned 12 muxes of national frequencies (11 in the UHF band - one of which "decomposable" intended for the public licensee - and 1 mainly in the VHF band) much lower the current amount (the current muxes of national frequencies are 20, almost double).

The 2018 Budget Law requires national frequency muxes to 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. The 2019 Budget Law also introduced a procedure for consideration on the assignment of rights of use (in an amount equivalent to two muxes) that do not arise from the above conversion of current rights of use. In implementation of the 2018 Budget Law, AGCOM published the resolutions:

- no. 137/18/CONS and no. 290/2018/CONS (respectively initiating the procedure and adopting the National Frequency Allocation Plan for digital terrestrial television, PNAF 2018);
- no. 182/18/CONS, initiating the procedure to define the criteria for the conversion of rights to use frequencies at national level for digital terrestrial service into rights to use transmission capacity and for the assignment at national level of the rights to use newly planned frequencies, assuming a possible 2:1 criterion;
- no. 474/18/CONS, launching the public consultation on the definition of the criteria set out in the procedure initiated by Decision no. 182/18/CONS.

On 5 April 2018, MISE published the draft decree on the Roadmap for the liberalization of the 700 MHz frequency band and, on 8 August 2018, its final version. Additionally, a "TV forum" (at MISE) was also set up in September 2018 to involve both operators and authorities.

In implementation of the 2019 Budget Law, AGCOM published resolution no. 39/19/CONS, adopting the new National Frequency Allocation Plan for digital terrestrial television (PNAF 2019), which replaces the 2019 PNAF and resolution 129/19 (defining the criteria for the conversion of rights of use into rights of use for transmission capacity, and for the national allocation of rights of use of the frequencies planned by the PNAF).

Additionally, with notice published on 11 June 2019 (the Notice), MISE opened a procedure for the allocation to national network operators of 10 rights of use of frequencies for the operation of networks (among those planned by AGCOM).

According to the provisions of AGCOM resolution 129/19/CONS and the Notice, with the reduction from 20 to 12 of the muxes available to national television operators, (i) 10 newly planned muxes are allocated to the current operators based on a criterion of mere proportionality 2:1 (e.g. those who have 5 muxes will have 2.5 and those who have 1 mux will have 0.5) and (ii) the remaining 2 muxes are put out to tender in lots of 0.5 mux. The allocation procedure envisages the allocation of rights of use in two stages and separate timeframes: for operators currently holding a national mux and who have not concluded an agreement, it envisages a right of use to be allocated in the first stage without any frequency specification, while other operators (currently holding pairs of muxes or having concluded an agreement) will be allocated specific muxes. AGCOM's decision also sets a 10-year term for the new rights.

In execution of the Notice, MISE allocated rights of use equivalent to 10 muxes, of which 7 muxes with frequency allocation and 6 rights of use for "half mux", to complete in the second phase. Specifically, Cairo Network was assigned a right of use with no frequency specification, equal to half of a mux. Lastly, by decree dated 22 July 2019, MISE also adopted the new 'road map' for the release of frequencies.

Cairo Network was heard in the context of the various proceedings, and took part in the relating public consultations and in the above-mentioned "TV 4.0 Forum", pointing out the legal and technical arguments for the exclusion of the Company from the application of the Budget Law, also attaching the supporting documents.

Specifically, the Authorities were explained, inter alia, that the granting of television frequencies to Cairo Network has a backstory and features that are quite different from the rest of the Italian television system. In fact, and unlike other operators: 1) Cairo, as the new entrant, purchased its 20-year right to use the frequencies for consideration from MISE, following a specific tender procedure put in place by the Ministries of Economic Development to sidestep an EU infringement by Italy; 2) Cairo began implementing the high-quality television network and territorial broadcasting only from July 2014 (date of the tender procedure award). Additionally, the documents related to the tender procedure for consideration on the allocation of frequencies explicitly provided, on issue of the frequency in favour of the telco operators, that the successful bidder (for Lot 3) would receive a frequency similar to the frequency assigned (with regard to the channel involved in refarming). These arguments were also submitted to AGCM.

Cairo Network also challenged resolutions nos. 137, 182, 290, 39 and 129 of AGCOM and the draft and new versions of the road map decree, filing appeals with the Latium Regional Administrative Court, Rome, and subsequent additional grounds (g.r. no. 6740/2018 and g.r. no. 7017/18), in which the same arguments raised with the public authorities and further illegalities of the contested measures were also raised with the administrative judge.

Cairo challenged, in trial g.r. no. 7017/2018, also the Notice published on 11 June 2019 and the order granting the right of use to Cairo, also filing a precautionary motion to suspend the effectiveness of the challenged measures. Following the closed session of 9 October 2019, the Regional Administrative Court set the hearing of the merits of the appeals, filed in trials g.r. no. 6740/2018 and g.r. no. 7017/2018, on 25 March 2020, subsequently postponed to 7 October 2020.

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).

Later than scheduled, after public consultation, AGCOM adopted resolution no. 564/20/CONS, published on 4 November 2020, containing the Procedures for the allocation of the additional transmission capacity available nationwide and terrestrial frequencies, pursuant to Article 1, paragraph 1031-bis, of Law no. 205 of 27 December 2017. This resolution too was challenged before the Latium Regional Administrative Court, in trial g.r. no. 440/2021, where the date of the hearing has yet to be set.

On 28 April 2021, MISE opened the procedure for consideration on the allocation of rights of use not resulting from the conversion of the current rights of use, in which Cairo Network took part, concurrently filing an appeal with the Regional Administrative Court (g.r. no. 6040/2021).
With its ruling of 2 July 2021, the Ministry of Economic Development announced that Cairo had been awarded the right of use of lot P1, without specifying the frequencies, corresponding to half of the newly-planned national multiplex, concurrently requesting payment of the amount offered in the tender (equal to Euro 5 million) and to express a choice for a national network of the Pnaf (for the purposes of issuing specific rights of use among those available). Cairo, concurrent to challenging the above ruling of 2 July, paid half the amount offered in the tender and requested payment of the remainder in three annual instalments. MISE will issue the right of use of frequencies.
In any event, the effect of the future reorganization of the television band cannot be predicted with certainty yet, nor the outcome of the appeals before the Regional Administrative Court and the Council of State.

With regard to RCS Sport events, RCS's 2021 half-year report, referring to the points in the previous annual reports published in the years from 31 December 2013 to 31 December 2020, provides the following update of the various events:
(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;
(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 are still pending, one filed by RCS against the former Chief Executive Officer and the other by the former General Manager against RCS.

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 and Final Award before the Court of Appeal of Milan.

On 20 November 2018, RCS received a complaint before the NY Supreme Court 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 NY Supreme Court; 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 New York Supreme Court 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 New York Supreme Court, 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. RCS has until 31 August 2021 to file its briefs in connection with the counterparties' second amended complaint.

Based on the advice of its legal consultants, the Company 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:

- the sureties and endorsements provided totaled Euro 18.6 million and include the sureties issued by Cairo Communication in the interest of Cairo Network for the participation in the call for tenders in the “Allocation procedure for the additional transmission capacity available in Italy pursuant to Article 1, par. 1031-bis of Law 205/2017 and AGCOM resolution 564/2020/CONS". The item also includes the sureties given to Public Administration and other public bodies for prize contests and concessions, as well as in favour of third parties for leases;
- other guarantees amounted to Euro 11.8 million, up by Euro 2.9 million versus 31 December 2020, following new guarantees issued to the Revenue Agency.
- commitments amounted to Euro 0.8 million, decreasing by Euro 4.2 million versus 31 December 2020. The entire amount is subscribed with related parties.

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.

The main operating leases held by the Group refer to property leases, company cars, plant and equipment, electronic devices and publications.

Additionally, the condensed consolidated half-year financial statements at 30 June 2021 do not include any receivables or payables with a residual term exceeding five years.

29. Related party transactions

The following are identified as related parties:

- the direct and indirect parent entities of Cairo Communication S.p.A., their subsidiaries and associates, the direct and indirect controlled entities of Cairo Communication (whose transactions are derecognized in the consolidation process), the associates and affiliates of the Group. The Ultimate Parent of the Group is U.T. Communications S.p.A.;

- directors, statutory auditors and key management personnel and their close family members, and any companies directly or indirectly controlled by them or subject to joint control or significant influence.

Details are provided in the following tables, broken down by balance sheet heading.

Receivables and financial assets (€ millions)	**Trade receivables**	**Receivables from tax consolidation**	**Other current financial assets**
Parents	-	0.4	-
Associates	7.4	-	-
Other affiliates	0.1	-	-
Other related parties	0.4	-	-
Total	**7.9**	**0.4**	**-**

Payables and financial liabilities (€ millions)	**Trade and other payables**	**Other current financial liabilities**	**Other non-current financial liabilities**
Parents	-	-	-
Associates	9.6	-	-
Other affiliates	1.3	-	-
Other related parties	-	-	-
Total	**10.9**	**-**	**-**

Revenue and costs (€ millions)	**Operating revenue**	**Operating costs**	**Financial income**	**Financial expense**
Parents	-	-	-	
Associates	1.4	(9.8)	0.1	(0.1)
Other affiliates	0.1	(1.2)	-	
Other related parties	0.5	(0.1)	-	-
Total	**1.9**	**(11.1)**	**0.1**	**(0.1)**

Transactions with associates refer mainly to:

- the 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 9 million in first half 2021, and hold trade payables of Euro 8.8 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 first half 2021 of Euro

1.1 million to the concession holder against revenue of Euro 1.3 million net of agency discounts. Cairo Pubblicità earned further commissions of Euro 65 thousand;

- 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 100 thousand.

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 0.5 million. Trade receivables amounted to Euro 0.4 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 the period from 1 January 2021 to 30 June 2021, for Cairo Communication and its subsidiaries other than those belonging to the RCS Group, the fees for Directors, Statutory Auditors, General Managers and Key Management Personnel amounted to Euro 1.7 million.

In the period from 1 January 2021 to 30 June 2021, RCS paid fees to Directors, Statutory Auditors, General Managers and Key Management Personnel amounting to Euro 3.9 million.

Commitments to key management personnel at 31 December 2020 are explained in the Remuneration Report of Cairo Communication published on the website www.cairocommunication.it and in the Remuneration Report of RCS published on the website www.rcsmediagroup.it, to which reference should be made.

30. Transactions deriving from atypical and/or unusual transactions

Pursuant to CONSOB Communication of 28 July 2006 no. DEM/6064296, it should be noted that, in first half 2021, the Cairo Communication Group did not engage in any atypical and/or unusual transactions as defined by the above Communication.

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.

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 (with a residual amount at 30 June 2021 of Euro 62.5 million) and a Revolving Credit Line for an amount of Euro 125 million (unused at 30 June 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; at 31 December 2020, the *Leverage Ratio* was approximately 0.8x.
e. a repayment schedule for the amortizing term facility, which sets out the repayment in six-month instalments of Euro 12.5 million.

Mention should also be made that, as part of the transaction for the acquisition of control of RCS, in July 2016, Cairo Communication had entered into a revolving facility with Intesa Sanpaolo for a total amount of Euro 140 million, of which Euro approximately 40 million drawn down at 30 June 2021. The loan had a duration of 60 months from the date of its first use and expires on 22 July 2022. At that date, the loan was repaid in full.

<u>Interest rate risk</u>

Interest rate risk consists of potential and higher financial expense stemming from an unfavorable and unexpected change in interest rates. Specifically, the Group’s exposure to such risk relates in particular to the floating rate net financial liabilities held by the RCS Group.

The RCS Group uses derivatives to manage its exposure to interest rate risk; the contracts currently in place are Interest Rate Swaps (IRSs). At 30 June 2021, approximately 62% of financial payables were at a contractually fixed rate or floating rate transformed to fixed rate via interest rate swaps (IRS), before IFRS 16, (approximately 51% at 31 December 2020).
By contrast, with regard to Cairo Communication and its subsidiaries other than those belonging to the RCS Group, which presented, all in all, a positive net financial position, the risk is irrelevant.

<u>Currency risk</u>

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, RCS Sport and Events and La7.

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 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.

The credit risk relating to the sale of copies of publishing products by m-dis Distribuzione Media S.p.A. and its subsidiaries, fully consolidated from 1 January 2021, refers mainly to credit positions with individual local distributors. The transactions carried out are generally settled within a short period of time and through collection of periodic advance payments; however, the decline in newsstand 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.

Price risk

The Group is not exposed to significant price risks from financial instruments that fall within the scope of application of IAS 39.

Fair value of financial instruments

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 at 30 June 2021 and 31 December 2020 as follows:

Hierarchy of fair value measurement for categories of financial instruments at 30/06/2021	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		2.2	2.5
TOTAL	**0.3**		**2.2**	**2.5**
FINANCIAL LIABILITIES				
Financial liabilities at fair value through other comprehensive income				
Hedging derivatives		0.7		0.7
TOTAL		**0.7**		**0.7**

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		1.2		1.2
TOTAL		**1.2**		**1.2**

For the Board of Directors

Chairman Urbano Cairo

List of Group investments at 30 June 2021

Companies consolidated with the full method:

Company	Registered office	Share capital at 30/06/2021	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	300,000	Euro	Cairo Communication S.p.A.	50.00	79.85	Advertising	Full
				RCS MediaGroup S.p.A.	50.00			
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	100.00	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
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
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

Company	Registered office	Share capital at 30/06/2021	Currency	Investing company	% Direct interest	% Consolid.	Business segment	Consolidation method
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.	87.23	58.76	Publishing	Full
				Unidad Editorial Informaciòn General S.L.U.	11.22			
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	34,661,200	MXN	RCS Mediagroup S.p.A.	100.00	59.69	Publishing/Services	Full
				Sfera Service S.r.l.	0.00			
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
M-Dis Distribuzione Media S.p.A.	Milan	6,392,727	Euro	RCS MediaGroup S.p.A.	100.00	0.00	Services	Full
MDM Milano Distribuzione Media S.r.l.	Milan	611,765	Euro	M-Dis Distribuzione Media S.p.A.	56.00	0.00	Services	Full
Pieroni Distribuzione S.r.l.	Milan	750,000	Euro	M-Dis Distribuzione Media S.p.A.	51.00	0.00	Services	Full
TO-dis S.r.l.	Milan	510,000	Euro	M-Dis Distribuzione Media S.p.A.	100.00	0.00	Services	Full

Companies consolidated at equity:

Company	Registered office	Share capital at 30/06/2021	Currency	Investing company	% Direct interest	Business segment	Consolidation method
Quibee S.r.l.	Turin	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
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
Trento Press Service S.r.l.	Trento	260,000	Euro	M-Dis Distribuzione Media S.p.A.	42.50	Distribution	Equity
Corporacion Bermont S.L.	Madrid	21,003,100	Euro	Unidad Editorial S.A.	37.00	Publishing	Equity
Bermont Catalonia S.A.	Barcelona	60,101	Euro	Corporacion Bermont S.L.	100.00	Publishing	Equity
Bermont Impresion S.L.	Madrid	321,850	Euro	Corporacion Bermont S.L.	100.00	Publishing	Equity
Calprint S.L.	Valladolid	1,856,880	Euro	Corporacion Bermont S.L.	39.58	Publishing	Equity
Escuela de Cocina Telva S.L.	Madrid	61,000	Euro	Ediciones Cónica S.A.	50.00	Training	Equity
Impresiones y distribuciones de Prensa Europea S.A.	Madrid	60,101	Euro	Corporacion Bermont S.L.	100.00	Publishing	Equity
Lagar S.A.	Madrid	150,253	Euro	Corporacion Bermont S.L. Bermont Impresion S.L.	60.00 40.00	Publishing	Equity
Madrid Deportes y Espectáculos S.A. (in liquidation)	Madrid	600,000	Euro	Unidad Editorilal Informacion Deportiva S.L.U.	30.00	Multimedia	Equity
Newsprint Impresion Digital S.L.	Tenerife	93,000	Euro	TF Print S.A.	50.00	Publishing	Equity
Omniprint S.A.	Santa Maria del Cami	2,790,000	Euro	Corporacion Bermont S.L.	100.00	Publishing	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	Publishing	Equity
Recoprint Güimar S.L.U.	Madrid	1,365,140	Euro	Corporacion Bermont S.L.	100.00	Publishing	Equity
Recoprint Impresiòn S.L.U.	Madrid	3,010	Euro	Corporacion Bermont S.L.	100.00	Publishing	Equity
Recoprint Pinto S.L.U.	Madrid	3,652,240	Euro	Corporacion Bermont S.L.	100.00	Publishing	Equity
Recoprint Rábade S.L.U.	Madrid	1,550,010	Euro	Corporacion Bermont S.L.	100.00	Publishing	Equity
Recoprint Sagunto S.L.U.	Madrid	2,281,920	Euro	Corporacion Bermont S.L.	100.00	Publishing	Equity
TF Press S.L.	Santa Cruz de Tenerife	3,005	Euro	Corporacion Bermont S.L.	100.00	Publishing	Equity
TF Print S.A.	Santa Cruz de Tenerife	1,382,328	Euro	Corporacion Bermont S.L. Bermont Impresion S.L.	75.00 25.00	Publishing Publishing	Equity
Unidad Liberal Radio Madrid S.L.	Madrid	10,000	Euro	Unidad Editorial S.A. Libertad Digital S.A.	45.00 55.00	Multimedia	Equity
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 30/06/2021	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	Rome	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	Digital	Cost
Consuledit S.c.a r.l. in liquidation	Milan	20,000	Euro	RCS Mediagroup S.p.A.	19.55	Publishing	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	Publishing	Cost
ItaliaCamp S.r.l.	Rome	10,000	Euro	RCS MediaGroup S.p.A	3.00	Services	Cost
Mach 2 Libri S.r.l. in liquidation	Milan	646,250	Euro	RCS MediaGroup S.p.A	19.09	Publishing	Cost
Digital Magics S.p.A.	Milan	7,415,148	Euro	RCS Mediagroup S.p.A.	0.39	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	Euto	RCS MediaGroup S.p.A.	20.51	Publishing	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	Publishing	Cost
Digicat Sis S.L.	Barcelona	3,200	Euro	Radio Salud S.A.	25.00	Radio	Cost
Libertad Digital S.A.	Madrid	2,582,440	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
Nuevo MarketPlace S.L.	Madrid	2,003,318	Euro	Unidad Editorial S.A.	9.98	Multimedia	Cost
Medios de Azahar S.A.	Castellon	825,500	Euro	Unidad Editorial Ediciones Locales, S.L	6.12	Services	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	Publishing	Cost
Wouzee Media S:L	Madrid	14,075	Euro	Unidad Editorial S.A.	10.00	Multimedia	Cost
13 TV S.A	Madrid	3,462,248	Euro	Unidad Editorial S.A.	0.14	Multimedia	Cost
Yoodeal Ltd	Crowborough	150,000	GBP	RCS Mediagroup S.p.A.	2.00	Digital	Cost

Related party transactions

Parents (€ millions)	Trade receivables	Other receivables and current assets	Receivables from tax consolidation	Other current financial assets
U.T. Communication S.p.A.	-	-	0.4	-
Total	**-**	**-**	**0.4**	**-**

Associates (€ millions)	Trade receivables	Other receivables and current assets	Receivables from tax consolidation	Other current financial assets
GD Media Service S.r.l.	0.1	-	-	-
Trento Press Service S.r.l.	3.0	-	-	-
Liguria Press S.r.l.	4.1	-	-	-
Iniziativa Immobiliare Due S.r.l.	0.2	-	-	-
Total	**7.4**	**-**	**-**	**-**

Associates **Equity transactions** (€ millions)	Trade payables	Other payables and current liabilities	Payables from tax consolidation	Other current financial liabilities	Other non-current financial liabilities
GD Media Service S.r.l.	0.3	-	-	-	-
Liguria Press S.r.l.	0.2	-	-	-	-
Consorzio C.S.E.D.I.	0.1	-	-	-	-
Bermont Impresion S.L. (Bermont Group)	3.7	-	-	-	-
Recoprint Dos Hermanas S.L.U. (Bermont Group)	1.2	-	-	-	-
Recoprint Sagunto S.L.U. (Bermont Group)	1.0			-	
Calprint S.l. (Bermont Group)	-	-	-	-	-
Omniprint S.A. (Bermont Group)	0.5	-	-	-	-
Bermont Catalonia S.A. (Bermont Group)	1.0	-	-	-	-
TF Print S.A. (Bermont Group)	0.6	-	-	-	-
Recoprint Ràbade S.L.U. (Bermont Group)	0.8	-	-	-	-
Radio Salud S.A.	0.2	-	-	-	-
Total	**9.6**	**-**	**-**	**-**	**-**

Companies subject to the control of parents (€ millions)	Trade receivables	Other receivables and current assets	Receivables from tax consolidation	Other current financial assets
Torino FC S.p.A.	0.1	-	-	-
Total	**0.1**	**-**	**-**	**-**

Companies subject to the control of parents (€ millions)	Trade payables	Other payables and current liabilities	Payables from tax consolidation	Other current financial liabilities	Other non-current financial liabilities
Torino FC S.p.A.	1.3	-	-	-	-
Total	**1.3**	**-**	**-**	**-**	**-**

Other related parties (€ millions)	Trade receivables	Other receivables and current assets	Receivables from tax consolidation	Other current financial assets
Della Valle Group companies	0.4	-	-	-
Total	**0.4**	**-**	**-**	**-**

Associates (€ millions)	**Operating revenue**	**Operating costs**	**Financial income**	**Financial expense**
GD Media Service S.r.l.	0.1	(0.2)	-	-
Trento Press Service S.r.l.	0.2	-	-	-
Liguria Press S.r.l.	1.0	(0.2)	0.1	-
Consorzio C.S.E.D.I.	-	(0.1)	-	(0.1)
Bermont Impresion S.L. (Bermont Group)	-	(3.8)	-	-
Recoprint Dos Hermanas S.L.U. (Bermont Group)	-	(1.2)	-	-
Recoprint Sagunto S.L.U. (Bermont Group)	-	(1.0)	-	-
Calprint S.l. (Bermont Group)	-	-	-	-
Omniprint S.A. (Bermont Group)	-	(0.5)	-	-
Bermont Catalonia S.A. (Bermont Group)	-	(1.0)	-	-
TF Print S.A. (Bermont Group)	-	(0.6)	-	-
Recoprint Ràbade S.L.U. (Bermont Group)	-	(0.9)	-	-
Radio Salud S.A.	0.1	(0.3)	-	-
Total	**1.4**	**(9.8)**	**0.1**	**(0.1)**

Companies subject to the control of parents (€ millions)	**Operating revenue**	**Operating costs**	**Financial income**	**Financial expense**
Torino FC S.p.A.	0.1	(1.2)	-	-
Total	**0.1**	**(1.2)**	**-**	**-**

Other related parties (€ millions)	**Operating revenue**	**Operating costs**	**Financial income**	**Financial expense**
Della Valle Group companies	0.5	-	-	-
Supplementary Pension Fund for Senior Managers (I	-	(0.1)	-	-
Total	**0.5**	**(0.1)**	**-**	**-**

INCOME STATEMENT AND STATEMENT OF FINANCIAL POSITION PURSUANT TO CONSOB RESOLUTION NO. 15519 OF 27 JULY 2006

CONSOLIDATED INCOME STATEMENT PURSUANT TO CONSOB RESOLUTION no. 15519 OF 27 JULY 2006

€ millions	Half year ended 30 June 2021	related parties (*)	% of total	Half year ended 30 June 2020	related parties (*)	% of total
Net revenue	533.2	1.9	0.4%	423.4	129.6	30.6%
Other revenue and income	19.4	-	-	9.9	-	-
- of which non-recurring				*0.5*		
Change in inventory of finished products	1.0	-	-	(0.7)	-	-
Raw and ancillary materials and consumables	(43.5)	-	-	(46.0)	-	-
Cost of services	(236.3)	(11.1)	4.7%	(192.3)	(53.6)	27.9%
- of which non-recurring	*(0.2)*			*(0.3)*		
Use of third-party assets	(16.4)	-	-	(13.6)	-	-
Personnel expense	(166.5)	-	-	(163.0)	-	-
- of which non-recurring	*(0.1)*			*(5.6)*		
Income (expense) from equity-accounted investees	-	-	-	(0.7)	-	-
- of which non-recurring	-			-		
Amortization, depreciation, provisions and write-downs	(36.8)	-	-	(36.8)	-	-
- of which non-recurring	*(0.3)*			*(0.2)*		
Other operating costs	(10.1)	-	-	(5.5)	-	-
Operating profit (EBIT)	**43.9**	**-**	**-**	**(25.2)**	**-**	**-**
Income (expense) from investments	6.9	-	-	6.3	-	-
Net financial income (expense)	(4.9)	0.1	-2.0%	(6.2)	0.1	-1.6%
Profit (loss) before tax	**45.8**	**-**	**-**	**(25.0)**	**-**	**-**
Income tax	(6.2)	-	-	7.4	-	-
Profit (loss) from continuing operations	**39.6**	**-**	**-**	**(17.7)**	**-**	**-**
Profit (loss) from discontinued operations	**-**	**-**	**-**	**-**	**-**	**-**
Profit (loss) for the period	**39.6**	**-**	**-**	**(17.7)**	**-**	**-**
- Owners of the parent	24.5		-	12.7		
- Non-controlling interests - continuing operations	15.1		-	5.0		
	39.6		**-**	**17.7**		

(*) Related party transactions are analyzed in Note 29

CONSOLIDATED STATEMENT OF FINANCIAL POSITION PURSUANT TO CONSOB RESOLUTION no. 15519 OF 27 JULY 2006

€ millions Assets	30 June 2021	related parties (*)	% of total	31 December 2020	related parties (*)	% of total
Property, investment property, plant and equipment	68.4			70.9		
Rights of use on leased assets	153.0			164.9		
Intangible assets	980.0			982.3		
Investments	34.8			37.1		
Non-current financial receivables	0.3			0.4		
Other non-current assets	4.5			2.0		
Deferred tax assets	97.6			96.3		
Total non-current assets	**1,338.6**			**1,353.9**		
Inventory	18.8			19.9		
Trade receivables	288.3	0.4	0.1%	244.2	0.5	0.2%
Receivables from parents, associates and affiliates	7.9	7.9	100.0%	17.0	17.0	100.0%
Sundry receivables and other current assets	58.2			33.9		
Other current financial assets	0.5			6.9	6.0	87.0%
Cash and cash equivalents	104.5			87.4		
Total current assets	**478.2**			**409.3**		
Total assets	**1,816.8**			**1,763.2**		

Equity and liabilities € millions	30 June 2021	related parties (*)	% of total	31 December 2020	related parties (*)	% of total
Share capital	7.0			7.0		
Share premium reserve	224.2			224.2		
Prior-years' earnings (losses)	232.3			220.7		
Profit for the period	24.5			16.5		
Equity attributable to the owners of the parent	**488.0**			**468.4**		
Non-controlling interests' share capital and reserves	319.3			309.4		
Total equity	**807.3**			**777.8**		
Non-current financial payables and liabilities	37.0			59.9		
Non-current liabilities from lease contracts	140.0			152.1		
Post-employment benefits	52.1			51.2		
Provisions for non-current risks and charges	24.1			27.7		
Deferred tax liabilities	161.9			164.2		
Other non-current liabilities	1.0			1.0		
Total non-current liabilities	**416.1**	-	-	**456.1**		
Current financial payables and liabilities	98.4			97.5	0.8	0.8%
Current liabilities from lease contracts	29.4			28.8		
Payables to suppliers	290.8			243.5		
Payables to parents, associates and affiliates	10.9	10.9	100.0%	8.8	8.8	100.0%
Tax payables	23.6			20.1		
Current portion of provisions for risks and charges	32.9			29.4		
Sundry payables and other current liabilities	107.4			101.2		
Total current liabilities	**593.4**			**529.3**		
Total liabilities	**1,009.5**			**985.4**		
Total equity and liabilities	**1,816.8**			**1,763.2**		

(*) Related party transactions are analyzed in Note 29

Certification of the condensed consolidated half-year 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 condensed consolidated financial statements for the first half of 2021.

2. We also certify that:

2.1 the condensed consolidated half-year financial statements at 30 June 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 balance sheet, income statement and financial position of the Issuer and of the companies included in the scope of consolidation as a whole.

2.2 The Interim Report on Operations at 30 June 2021 contains a reliable analysis of all the significant events that have taken place in the first half of the year and their effect on the condensed consolidated half-year financial statements, together with a description of the main risks and uncertainties expected in the second half of the year. The Interim Report on Operations at 30 June 2021 also contains a reliable analysis of information on the main transactions with related parties.

Milan, 3 August 2021

For the Board of Directors	Financial Reporting Manager
Chairman	
(Urbano Roberto Cairo)	(Marco Pompignoli)

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REPORT ON REVIEW OF THE HALF-YEARLY CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of
Cairo Communications S.p.A.

Introduction

We have reviewed the accompanying half-yearly condensed consolidated financial statements, which comprise the income statement, the statement of comprehensive income, the statement of financial position, the statement of cash flow and the statement of changes in equity and the related notes of Cairo Communication S.p.A. and subsidiaries (the "Cairo Group") as of June 30, 2021. The Directors are responsible for the preparation of the half-yearly condensed consolidated financial statements in accordance with the International Accounting Standard applicable to the interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on the half-yearly condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with the criteria recommended by the Italian Regulatory Commission for Companies and the Stock Exchange ("CONSOB") for the review of the half-yearly financial statements under Resolution n° 10867 of July 31, 1997. A review of half-yearly condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA Italia) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying half-yearly condensed consolidated financial statements of the Cairo Group as of June 30, 2021 are not prepared, in all material respects, in accordance with the International Accounting Standard applicable to the interim financial reporting (IAS 34) as adopted by the European Union.

DELOITTE & TOUCHE S.p.A.

Signed by
Giacomo Bellia
Partner

Milan, Italy
August 5, 2021

This report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.