CAIRO COMMUNICATION

Half-Year Financial Report at 30 June 2016

Cairo Communication S.p.A.
Head office: Via Tucidide 56, Milan
Share capital Euro 6,458,647.36

Translation into the English language solely for the convenience of international readers

Half-Year Financial Report at 30 June 2016 - Contents

Governance

Board of Directors

Urbano Cairo*	Chairman
Uberto Fornara	CEO
Laura Maria Cairo	Director
Roberto Cairo	Director
Marco Janni	Director
Antonio Magnocavallo	Director
Stefania Petruccioli	Director
Marco Pompignoli	Director
Roberto Rezzonico	Director
Mauro Sala	Director

Control and Risk Committee

Roberto Rezzonico	Director
Mauro Sala	Director
Antonio Magnocavallo	Director

Remuneration Committee

Antonio Magnocavallo	Director
Roberto Rezzonico	Director
Stefania Petruccioli	Director

Related Party Committee

Marco Janni	Director
Mauro Sala	Director
Stefania Petruccioli	Director

Board of Statutory Auditors

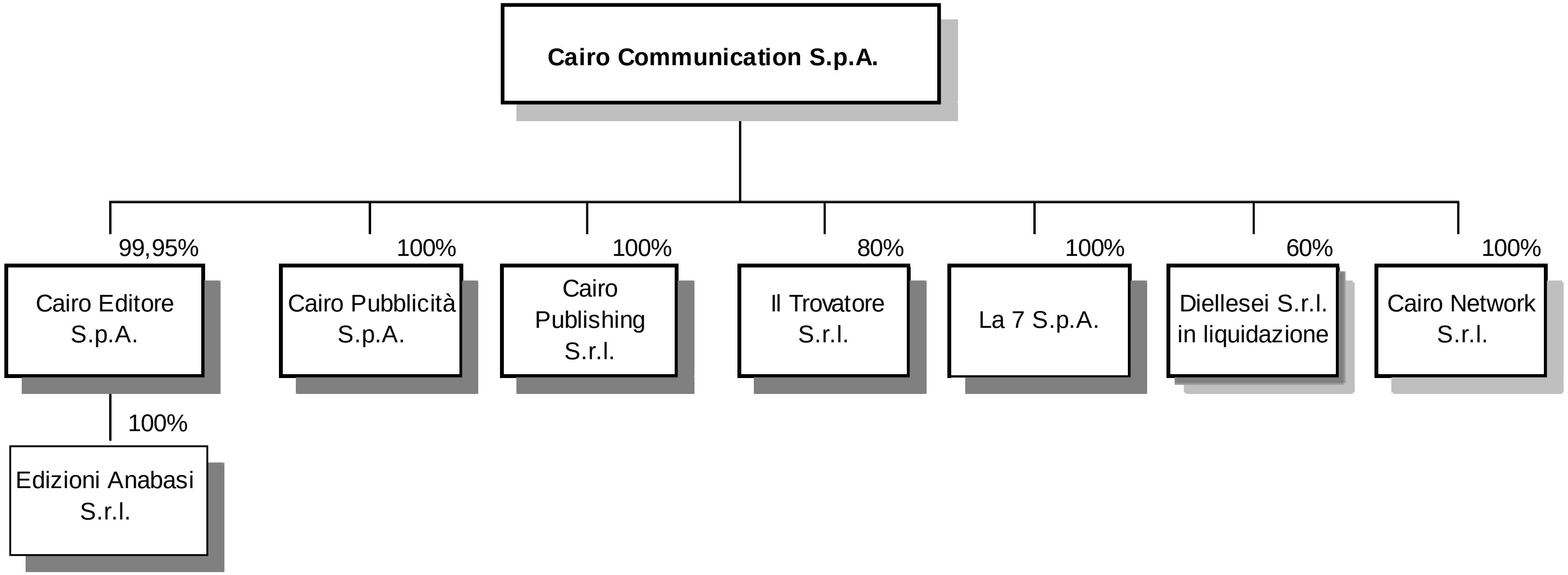
Marco Moroni	Chairman
Marco Giuliani	Standing auditor
Maria Pia Maspes	Standing auditor
Emilio Fano	Alternate auditor
Enrico Tamborini	Alternate auditor

Audit Firm

KPMG S.p.A.

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

The Group at 30 June 2016



Interim Management Report at 30 June 2016

In 1H16, the Cairo Communication Group continued to operate 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 advertising broker (Cairo Pubblicità) for the sale of advertising space on TV, in print media, on the Internet and in stadiums;
- network operator (Cairo Network), for the activities of which, in 2016, work continued on the implementation of the mux.

In 1H16, Cairo Communication launched a voluntary public purchase and exchange offer (the "Offer") on all ordinary shares of RCS MediaGroup S.p.A. ("RCS"), for a consideration composed of no. 0.18 newly issued shares of Cairo Communication and 0.25 Euro in cash for each RCS share tendered. Following the end of the acceptance period, on 15 July 2016, no. 254.8 million RCS shares had been tendered to the Offer, equal to 48.82% of the RCS share capital, for a total consideration of no. 45.9 million Cairo Communication shares and Euro 63.7 million in cash. Payment of the consideration was made on 22 July 2016. In addition, between 22 to 28 July 2016, in accordance with applicable law, further no. 56.7 million RCS shares had been tendered to the Offer, which correspond to 10.87% of the RCS share capital, for a total amount of no. 10.2 million Cairo Communication shares and Euro 14.2 million in cash. Payment of the consideration to such additional adherents will be made on 4 August 2016. Considering such further shares, a total of no. 311.5 million RCS shares, equal to 59.69% of the RCS share capital, had been tendered to the Offer, for a total consideration of no. 56 million Cairo Communication shares and Euro 77.9 million in cash.

Through the acquisition of the control of RCS, Cairo Communication becomes a major multimedia publishing group with a stable, independent leadership, well-positioned to become a major player on the Italian market, with a strong international presence in Spain, by leveraging on the high quality and diversification of products in the dailies, magazines, television, web and sport events segments and maximizing the opportunities arising from the convergence of traditional media on digital platforms.

For more details on the Offer of Cairo Communication, reference is made to the Offer document published on 28 May 2016, as supplemented and amended by the first supplement published on 22 June 2016 and the second supplement published on 11 July 2016.

In 1H16, the general economic and financial context continued to be marked by uncertainty.

In 1H16, the advertising market - after reporting a positive trend in 2H15 versus 2H14 (+3.4%, *AC Nielsen*) - showed, nonetheless, positive signs, growing by 3.5%, driven by the performance of the TV advertising market (+7.8%), while the magazine advertising market dropped by 3%.

Economic uncertainty in the short-medium term also hit magazine sales figures.

In 1H16, the Cairo Communication Group:

- continued the growth strategy by launching the fortnightly magazine “Nuovo e Nuovo TV Cucina” in January (122 thousand average copies sold in the first 12 issues), and “Enigmistica Più” in April (179 thousand average copies sold in the first 11 issues), a weekly packed with games and other diversions, which marked the landing of Cairo Editore in the interesting sector of puzzle games;
- achieved highly positive results in the magazine publishing segment, despite incurring total launch costs of Euro 1.2 million in 1H16, with gross operating profit (EBITDA) and operating profit (EBIT) of Euro 6.3 million and Euro 5.7 million, confirming the high circulation levels of the publications, and worked on improving the levels of efficiency reached in containing costs (production, publishing and distribution);
- continued to work on strengthening the results of the rationalization and cost-curbing measures achieved in the TV publishing segment (La7) in 2013-2015, posting also in 1H16 a positive gross operating profit of approximately Euro 47 thousand.

In 1H16, consolidated gross operating profit (EBITDA) and operating profit (EBIT) came to approximately Euro 7.9 million and Euro 3.1 million (Euro 8.1 million and Euro 4.5 million in 1H15). Profit attributable to the owners of the parent came to approximately Euro 4 million (Euro 5.5 million in 1H15).

Looking at the business segments, in 1H16:

- in the **magazine publishing segment**, gross operating profit (EBITDA) and operating profit (EBIT) came to Euro 6.3 million and Euro 5.7 million (Euro 7.7 million and Euro 7.2 million in 1H15). Costs of approximately Euro 0.1 million and Euro 1.1 million were incurred for the launch of “Nuovo e Nuovo TV Cucina” and of “Enigmistica Più”, for a total of approximately Euro 1.2 million. The period under review confirmed the excellent circulation results (Euro 35.3 million versus Euro 35.2 million in 1H15);
- in the **TV publishing segment (La7)**, the Group continued to work on strengthening the results of the rationalization and cost-curbing measures achieved in the 2013-2015 three-year period, and succeeded in posting also in 1H16 a positive gross operating profit (EBITDA) of

approximately Euro 47 thousand. Operating profit (EBIT) came to approximately Euro – 4.1 million and benefited in the consolidated financial statements from lower amortization and depreciation of Euro 3.1 million, due to the write-down of tangible and intangible assets made in 2013 in the purchase price allocation of the investment in La7. In 1H15, gross operating profit (EBITDA) and operating profit (EBIT) came to approximately Euro -1.5 million and Euro -4.3 million. Operating profit (EBIT) benefited in the consolidated financial statements from lower amortization and depreciation of Euro 6.1 million;

- in the **advertising segment**, gross operating profit (EBITDA) and operating profit (EBIT) came to Euro 1.6 million and Euro 1.5 million (Euro 1.9 million and Euro 1.6 million in 1H15). In 1H16, gross advertising sales on La7 and La7d channels amounted to Euro 75.5 million, up by approximately 2% versus 1H15 (Euro 74.2 million). Advertising sales on Group publications also reported a positive trend, reaching Euro 13.3 million, up by 5.6% versus 1H15 (Euro 12.6 million);
- in the **network operator segment**, the Group company Cairo Network continued implementing the mux, the TV broadcasting system based on digital terrestrial technology; at full performance, the mux will cover at least 94% of the national population, providing high-quality service levels.

Regarding weeklies, with approximately 1.6 million average copies sold in the January-May five-month period of 2016 (ADS data), the Group 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 yet to be surveyed by ADS ("NuovoTV", "Nuovo e Nuovo TV Cucina" and the sales of the first issue of "Enigmistica Più"), average copies sold increase to approximately 2 million.

In 1H16, La7's average all-day share was 2.98% and 3.59% in prime time (from 8:30 PM to 11:30 PM), with a high-quality target audience. La7d's share was 0.57% (0.61% in prime time). The audience figures of the channel's news and discussion programmes - such as the 8 PM newscast (5.3% from Monday to Friday), "Otto e mezzo" (5.4%), "Piazza Pulita" (3.5%), "Crozza nel Paese delle Meraviglie" (7%), "Coffee Break" (4.1%), "Omnibus" (3.5%), "La Gabbia" (3.1%), "L'aria che tira" (4.9%), "Bersaglio Mobile" (3.4%), "Di martedì" (5.9%) and the new "Eccezionale Veramente" (3.1%) - were positive.

Cairo Communication Group – Consolidated figures

The main **consolidated income statement figures** in 1H16 can be compared as follows with those of 1H15:

(€ thousands)	**30/06/2016 (Half-year)**	**30/06/2015 (Half-year)**
Gross operating revenue	128,448	127,441
Advertising agency discounts	(12,676)	(12,449)
Net operating revenue	**116,772**	**114,992**
Change in inventory	(75)	(11)
Other revenue and income	4,022	5,570
Total revenue	**120,719**	**120,551**
Production cost	(80,083)	(82,062)
Personnel expense	(32,694)	(30,424)
Gross operating profit (EBITDA)	**7,942**	**8,065**
Amortization, depreciation, provisions and impairment losses	(4,855)	(3,573)
EBIT	**3,087**	**4,492**
Net financial income	312	399
Income (loss) on investments	-	-
Pre-tax profit	**3,399**	**4,891**
Income tax	651	579
Non-controlling interests	(7)	(10)
Profit from continuing operations attributable to the owners of the parent	**4.043**	**5,460**
Profit/ (loss) from discontinued operations attributable to the owners of the parent	(1)	-
Profit attributable to the owners of the parent	**4,042**	**5,460**

In 1H16, consolidated gross revenue amounted to approximately Euro 133.5 million (comprising gross operating revenue of Euro 129.5 million and other revenue and income of Euro 4 million), basically in line with the figures in 1H15 (Euro 133 million, comprising gross operating revenue of Euro 127.4 million and other revenue and income of Euro 5.6 million). Consolidated gross operating profit (EBITDA) and operating profit (EBIT) came to approximately Euro 7.9 million and Euro 3.1 million (Euro 8.1 million and Euro 4.5 million in 1H15). Consolidated profit was approximately Euro 4 million (Euro 5.4 million in 1H15).

As mentioned earlier, in 1H16 operating profit (EBIT) in the TV publishing segment (La7) benefited in the consolidated financial statements from lower amortization and depreciation of Euro 3.1 million, due to the write-down of tangible and intangible assets made in 2013 in the purchase price allocation of the investment in La7. For the same reason, in 1H15, operating profit (EBIT) in the TV publishing segment (La7) benefited in the consolidated financial statements from lower amortization and depreciation of Euro 6.1 million.

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

(€ thousands)	30/06/2016 (Half-year)	30/06/2015 (Half-year)
Consolidated statement of comprehensive income	**4,042**	**5,460**
Profit attributable to the owners of the parent		
Other non-reclassifiable items of the comprehensive income statement		
Actuarial profit (loss) from defined benefit plans	(339)	477
Tax effect	81	(131)
Total comprehensive income for the period	**3,784**	**5,806**

The Group's performance can be read better by analyzing the 1H16 results by **main business segment** (magazine publishing, advertising, TV publishing (La7), network operator (Cairo Network) and Il Trovatore) versus those of 1H15:

2016 (Half-year) (€ thousands)	**Magazine Publishing**	**Advertising**	**TV publishing La7**	**Trovatore**	**Network operator (Cairo Network)**	**Intra-group and unallocated**	**Total**
Gross operating revenue	46,639	88,724	54,780	496	470	(61,661)	129,448
Advertising agency discounts	-	(12,676)	-	-	-	-	(12,676)
Net operating revenue	**46,639**	**76,048**	**54,780**	**496**	**470**	**(61,661)**	**116,772**
Change in inventory	(75)	-	-	-	-	-	(75)
Other income	1,389	382	2,199	1	51	-	4,022
Total revenue	**47.953**	**76.430**	**56.979**	**497**	**521**	**(61.661)**	**120.719**
Production cost	(31,694)	(70,587)	(38,547)	(422)	(494)	61,661	(80,083)
Personnel expense	(9,971)	(4,240)	(18,385)	(23)	(75)	-	(32,694)
Gross operating profit (EBITDA)	**6,288**	**1,603**	**47**	**52**	**(48)**	**-**	**7,942**
Amortization, depreciation, provisions and impairment losses	(569)	(124)	(4,162)	-	-	-	(4,855)
EBIT	**5,719**	**1,479**	**(4,115)**	**52**	**(48)**	**-**	**3,087**
Income (loss) on investments	-	-	-	-	-	-	-
Net financial income	(8)	24	298	(1)	(1)	-	312
Pre-tax profit	**5,711**	**1,503**	**(3,817)**	**51**	**(49)**	**-**	**3,399**
Income tax	(2,026)	(725)	3,411	(19)	10		651
Non-controlling interests	-	-	-	(7)	-	-	(7)
Profit from continuing operations attributable to the owners of the parent	**3,685**	**778**	**(406)**	**25**	**(39)**	**-**	**4,043**
Profit / (loss) from discontinued operations	-	-	-	-	-	(1)	(1)
Profit for the period	**3,685**	**778**	**(406)**	**25**	**(39)**	**(1)**	**4,042**

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

Gross operating revenue in 1H16, split up by main business segment, can be analyzed as follows versus the amounts of 1H15:

Gross revenue (€ thousands)	**Half-year at 30/06/2016 (six months)**						
	Magazine publishing	**Advertising**	**TV publishing (La7)**	**Trovatore**	**Network operator (Cairo Network)**	**Intra-group eliminations and unallocated**	**Total**
Magazine over-the-counter sales	35,338	-	-	-	-	-	35,338
Print media advertising	10,249	13,449	-	-	-	(10,145)	13,553
TV advertising	-	73,473	52,879	-	-	(50,302)	76,050
Stadium signage	-	1,436	-	-	-	-	1,436
Internet advertising	-	65	723	-	-	(1)	787
Revenue from concession of programming schedule spaces	-	-	602	-	-	-	602
Other TV revenue	-	-	576	-	-	-	576
Subscriptions	1,392	-	-	-	-	-	1,392
Books and catalogues	289	-	-	-	-	-	289
Other revenue	16	301	-	496	-	(743)	70
Signal transport services	-	-	-	-	470	(470)	-
VAT relating to publications	(645)	-	-	-	-		(645)
Total gross operating revenue	**46,639**	**88,724**	**54,780**	**496**	**470**	**(61,661)**	**129,448**
Other revenue	1,389	382	2,199	1	51	-	4,022
Total revenue	**48,028**	**89,106**	**56,979**	**497**	**521**	**(61,661)**	**133,470**

Gross revenue (€ thousands)	**Half-year at 30/06/2015 (six months)**						
	Magazine publishing	**Advertising**	**TV publishing (La7)**	**Trovatore**	**Network operator (Cairo Network)**	**Intra-group eliminations and unallocated**	**Total**
Magazine over-the-counter sales	35,168	-	-	-	-	-	35,168
Print media advertising	9,707	12,806	-	-	-	(9,564)	12,949
TV advertising	-	72,135	52,476	-	-	(49,757)	74,854
Stadium signage	-	1,691	-	-	-	-	1,691
Internet advertising	-	375	378	-	-	(213)	540
Revenue from concession of programming schedule spaces	-	-	594	-	-	-	594
Other TV revenue	-	-	459	-	-	-	459
Subscriptions	1,434	-	-	-	-	-	1,434
Books and catalogues	325	-	-	-	-	-	325
Other revenue	2	300	-	456	-	(700)	58
Signal transport services	-	-	-	-	-	-	-
VAT relating to publications	(631)	-	-	-	-	-	(631)
Total gross operating revenue	**46,005**	**87,307**	**53,907**	**456**	**-**	**(60,234)**	**127,441**
Other revenue	923	415	4,227	2	3	-	5,570
Total revenue	**46,928**	**87,722**	**58,134**	**458**	**3**	**(60,234)**	**133,011**

The main figures of the consolidated **statement of financial position** at 30 June 2016 can be analyzed versus the situation at 31 December 2015:

(€ thousands)	30/06/2016	31/12/2015
Statement of financial position		
Property, plant and equipment	2,940	3,080
Intangible assets	60,756	60,917
Financial assets	1,015	1,702
Deferred tax assets	4,391	4,186
Net current assets	(21,596)	(17,438)
Total assets	**47,506**	**52,447**
Non-current borrowings and provisions	39,606	41,973
(Net financial position)/Net debt	(96,469)	(105,776)
Equity attributable to the owners of the parent	104,309	116,196
Equity attributable to non-controlling interests	60	54
Total equity and liabilities	**47,506**	**52,447**

At their Meeting on 27 April 2016, the shareholders approved the distribution of a dividend of 0.20 Euro per share, inclusive of tax, with coupon detachment date on 9 May 2016, for a total of Euro 15.7 million.

In 2016, as part of the share buy-back plans, no treasury shares were sold or purchased. At 30 June 2016, Cairo Communication held a total of n. 779 treasury shares, or 0.001% of the share capital, subject to art. 2357-ter of the Italian Civil Code.

The consolidated **net financial position** at 30 June 2016, versus the situation at 31 December 2015, can be summarized as follows:

(€ thousands)	30/06/2016	31/12/2015	Change
Cash and cash equivalents	113,969	125,776	(11,807)
Current financial assets	-	-	-
Bank loans	(17,500)	(20,000)	2,500
Total	**96,469**	**105,776**	**(9,307)**

The bank loan granted by Unicredit S.p.A. and used by Cairo Network to pay part of the rights of use of the TV frequencies, is secured by a guarantee issued by the parent Cairo Communication.

Cairo Communication S.p.A. - Parent performance

The main **income statement figures** of Cairo Communication S.p.A. in 1H16 can be compared as follows with those of 1H15:

(€ thousands)	30/06/2016 (Half-year)	30/06/2015 (Half-year)
Gross operating revenue	55,449	55,468
Advertising agency discounts	-	-
Net operating revenue	**55,449**	**55,468**
Other revenue and income	132	264
Total revenue	**55,581**	**55,732**
Production cost	(53,168)	(53,003)
Personnel expense	(1,491)	(1,499)
Gross operating profit (EBITDA)	**922**	**1,230**
Amortization, depreciation, provisions and impairment losses	(120)	(121)
EBIT	**802**	**1,109**
Net financial income	(6)	21
Income (loss) on investments	8,222	7,465
Pre-tax profit	**9,018**	**8,595**
Income tax	(416)	(493)
Profit from continuing operations	**8,602**	**8,102**
Loss from discontinued operations	(1)	-
Profit for the period	**8,601**	**8,102**

In 2016, Cairo Communication continued to operate in TV advertising sales (La7, La7d and theme channels Cartoon Network, Boomerang and CNN) and on the Internet through its subsidiary Cairo Pubblicità on a sub-concession basis, invoicing advertising spaces directly to its customers and returning to Cairo Communication a share of revenue generated by resources managed on a sub-concession basis. Specifically:

- gross operating revenue was approximately Euro 55.6 million (Euro 55.7 million in 1H15);
- gross operating profit (EBITDA) was approximately Euro 0.9 million (Euro 1.2 million in 1H15);
- operating profit (EBIT) was approximately Euro 0.8 million (Euro 1.1 million in 1H15);
- profit was approximately Euro 8.6 million (Euro 8.1 million in 1H15).

"Income (loss) on investments" includes the dividends approved by the subsidiary Cairo Editore, amounting to Euro 8.2 million. In 2015, the item included the dividends approved by Cairo Editore, amounting to Euro 7.5 million.

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

(€ thousands)	**30/06/2016 (Half-year)**	**30.06.2015 (Half-year)**
Statement of comprehensive income of the Parent	**8,601**	**8,102**
Profit for the period		
Other non-reclassifiable items of the comprehensive income statement		
Actuarial profit (loss) from defined benefit plans	26	96
Tax effect	(19)	(26)
Total comprehensive income	**8,608**	**8,172**

Statement of financial position of Cairo Communication S.p.A.

The main figures of the **statement of financial position** of Cairo Communication S.p.A. at 30 June 2016 can be analyzed versus the situation at 31 December 2015:

(€ thousands)	**30/06/2016**	**31/12/2015**
Statement of financial position		
Property, plant and equipment	330	368
Intangible assets	267	295
Financial assets	23,226	23,027
Other non-current financial assets	11,563	8,963
Net current assets	(6,751)	3,908
Total assets	**28,635**	**36,562**
Non-current borrowings and provisions	1,327	1,452
(Net financial position)/Net debt	(9,793)	(9,039)
Equity	37,101	44,149
Total equity and liabilities	**28,635**	**36,562**

At their Meeting on 27 April 2016, the shareholders approved the distribution of a dividend of 0.20 Euro per share, inclusive of tax, with coupon detachment date on 9 May 2016, for a total of Euro 15.7 million.

The increase in "other non-current financial assets", amounting to Euro 2.6 million, is attributable to the shareholder loan granted to the subsidiary Cairo Network S.r.l.

Net financial position of Cairo Communication S.p.A.

The **net financial position** of the Parent at 30 June 2016, versus the situation at 31 December 2015, is summarized as follows:

(€ thousands)	30/06/2016	31/12/2015	Change
Liquid funds	9,763	9,039	754
Current financial assets	-	-	-
Total	**9,793**	**9,039**	**754**

Statement of reconciliation of the Parent's 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 at 30 June 2016 can be analyzed as follows:

(€ thousands)	Equity	Net profit
Half-year financial statements of Cairo Communication S.p.A.	**37,101**	**8,601**
Elimination of the carrying amount of consolidated equity investments:		
Difference between carrying amount of investments and their equity value	104,518	
Other effects of the purchase price allocation of La7	(25,684)	3,790
Share in subsidiaries' profit net of investment impairment losses		(217)
Allocation of consolidation differences:		
Goodwill	7,198	
Elimination of intra-group profits net of income tax	(18,824)	90
Elimination of intra-group dividends		(8,222)
Half-year consolidated financial statements of the Cairo Communication Group	**104,309**	**4,042**

Main business segment operating results

PRINT MEDIA PUBLISHING

CAIRO EDITORE - CAIRO PUBLISHING

The results achieved by the publishing segment in 1H16 can be compared as follows with those of 1H15:

Print media publishing *(€ thousands)*	30 June 2016	30 June 2015
Gross operating revenue	46,639	46,005
Other income	1,389	923
Change in inventory	(75)	(11)
Total revenue	**47,953**	**46,917**
Production cost	(31,694)	(29,472)
Personnel expense	(9,971)	(9,744)
Gross operating profit (EBITDA)	**6,288**	**7,701**
Amortization, depreciation, provisions and impairment losses	(569)	(482)
EBIT	**5,719**	**7,219**
Net financial income	(8)	(5)
Pre-tax profit	**5,711**	**7,214**
Income tax	(2,026)	(2,479)
Non-controlling interests	-	-
Profit from continuing operations attributable to the owners of the parent	**3,685**	**4,735**
Profit / (loss) from discontinued operations	-	-
Profit for the period	**3,685**	**4,735**

In 1H16, Cairo Editore strengthened the results of its publications and worked on improving the levels of efficiency reached in containing production, publishing and distribution costs. Specifically:

- it continued its strategy of continuous expansion and enhancement of the product portfolio, in order to take advantage of market segments offering greater potential, with the launch of the fortnightly magazine “Nuovo e Nuovo TV Cucina” in January and of “Enigmistica Più” in April;
- it continued to report highly positive operating results, despite incurring total launch costs of Euro 1.2 million in 1H16;
- the period under review basically confirmed the excellent circulation results, with revenue reaching Euro 35.3 million (Euro 35.2 million in 1H15);
- Group gross advertising revenue amounted to Euro 13.3 million, up by 5.6% versus 1H15 (Euro 12.6 million).

On 26 January 2016, the Group launched "Nuovo e Nuovo TV Cucina", the fortnightly magazine dedicated to good food for every cooking connoisseur, presenting easy, affordable and successful recipes, sold as an option with the two weeklies “Nuovo” and “Nuovo TV”, which reported average sales of approximately 122 thousand copies in the first 12 issues.

On 20 April, the Group launched “Enigmistica Più”, the new weekly packed with games and other diversions, which marks the landing of the publishing house in the interesting sector of puzzle games; in the first 11 issues, it sold an average of approximately 179 thousand copies.

The publications that have been launched over the past few years have usually achieved positive margins in a short space of time. The last three weeklies launched before 2015 (“Settimanale Nuovo” in January 2012, the women’s weekly “F” in June 2012, and the weekly “Giallo” in April 2013) generated total revenue of Euro 22.9 million in 2015, and a contribution margin totaling Euro 4,1 million.

In 1H16, gross operating profit (EBITDA) and operating profit (EBIT) came to approximately Euro 6.3 million and approximately Euro 5.7 million (Euro 7.7 million and Euro 7.2 million in 1H15), despite incurring launch costs for the new “Enigmistica Più” and for the fortnightly “Nuovo e Nuovo TV Cucina” of approximately Euro 1.1 million and approximately Euro 0.1 million, respectively.

The Group weeklies confirmed the excellent circulation results achieved, with an average ADS circulation in the January-May five-month period of 2016 of 467,301 copies for “Settimanale DIPIU’”, 293,584 copies for “DIPIU’ TV”, 154,039 copies for “Settimanale DIPIU’ e DIPIU’TV Cucina”, 169,765 copies for “Diva e Donna”, 205,149 copies for “Settimanale Nuovo”, 114,687 copies for “F”, 131,793 copies for “TVMia” and 95,805 copies for “Settimanale Giallo”, reaching a total of approximately 1.6 million average 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 yet to be surveyed by ADS, namely “NuovoTV” (122,736 copies), “Nuovo e Nuovo TV Cucina” (122,067 copies) and the sales of the first eleven issues of “Enigmistica Più” (179,273 copies), average copies sold increase to approximately 2 million.

As far as circulation is concerned, the features of the Group’s publications and the Group strategy help maintain a strong lead over competitors in the current publishing market. Specifically:

- cover prices of the weeklies are lower, some half the price of those of the main competitors; this gap increases appeal and allows space for potential price increases, hence for increased profitability;
- sales are mostly over-the-counter (95%), with a minimum impact of revenue generated by gifts and sundry editorial material (approximately 2% on total publishing revenue,

including advertising), whose sales figures have collapsed in the publishing segment; the Group has opted to focus on the quality of its publications; in 2015, gross advertising revenue generated by the Group's publications accounted for 26% - an extremely low figure, therefore based to a lesser extent on the economic cycle - while the remaining 74% came from direct sales and subscriptions, proof of the high editorial quality of publications;

- weekly magazines, which account for approximately 90% of publishing sales revenue, are sold as single copies and not bundled with other weeklies and/or dailies to bolster sales;
- 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.

In 2H16, Cairo Editore will continue to pursue the consolidation and development of the results of titles launched and the opportunities to optimize production, publishing and distribution costs, with the revision and reorganization of printing processes, the negotiations for the reduction of paper costs, the optimization of bordereau costs, and the revision of a number of other corporate processes.

ADVERTISING

The results achieved by the advertising segment in 1H16 can be compared as follows with those of 1H15:

Advertising *(€ thousands)*	**30 June 2016**	**30 June 2015**
Gross operating revenue	88.724	87,307
Advertising agency discounts	(12,676)	(12,449)
Net operating revenue	**76,048**	**74,858**
Other income	382	412
Change in inventory	-	-
Total revenue	**76,430**	**75,273**
Production cost	(70,587)	(69,748)
Personnel expense	(4,240)	(3,631)
Gross operating profit (EBITDA)	**1,603**	**1,894**
Amortization, depreciation, provisions and impairment losses	(124)	(327)
EBIT	**1,479**	**1,567**
Net financial income	24	62
Income (loss) on investments	-	-
Pre-tax profit	**1,503**	**1,629**
Income tax	(725)	(703)
Non-controlling interests	-	-
Profit from continuing operations attributable to the owners of the parent	**778**	**926**
Profit / (loss) from discontinued operations	-	-
Profit for the period	**778**	**926**

Looking at the advertising segment, in 1H16 the Cairo Communication Group continued to operate as advertising broker - with its subsidiary Cairo Pubblicità - selling space in the print media for Cairo Editore (“For Men Magazine”, “Natural Style”, “Settimanale DIPIU’”, “DIPIU’ TV” and weekly supplements “Settimanale DIPIU’ e DIPIU’TV Cucina” and “Settimanale DIPIU’ e DIPIU’TV Stellare”, “Diva e Donna”, “TV Mia”, “Settimanale Nuovo”, “F”, “Settimanale Giallo”, “Nuovo TV” and “Nuovo e Nuovo TV Cucina”), the Editoriale Giorgio Mondadori division (“Bell’Italia”, “Bell’Europa”, “In Viaggio”, “Airone”, “Gardenia”, “Arte” and “Antiquariato”) and for Editoriale Genesis (“Prima Comunicazione” and “Uomini e Comunicazione”), for the sale of advertising space on TV for La7 and La7d, and for Turner Broadcasting (Cartoon Network, Boomerang, CNN), on the Internet (Cartoon Network.it) and for the sale of stadium signage and space at the Olimpico in Turin for Torino FC.

In 1H16, total gross advertising revenue, which includes TV advertising revenue invoiced directly by La7 (Euro 3.2 million), came to approximately Euro 91.9 million (Euro 90.4 million in 2015). Gross advertising sales on La7 and La7d channels amounted to Euro 75.5 million, up by approximately 2% versus 1H15 (Euro 74.2 million). Group gross advertising revenue on Group publications amounted to Euro 13.3 million, up by 5.6 % versus 1H15 (Euro 12.6 million).

Gross operating profit (EBITDA and operating profit (EBIT) came to Euro 1.6 million and Euro 1.5 million (Euro 1.9 million and Euro 1.6 million in 1H15).

TV PUBLISHING (La7)

The results achieved by the TV publishing segment (La7) in 1H16 can be compared as follows with those of 1H15:

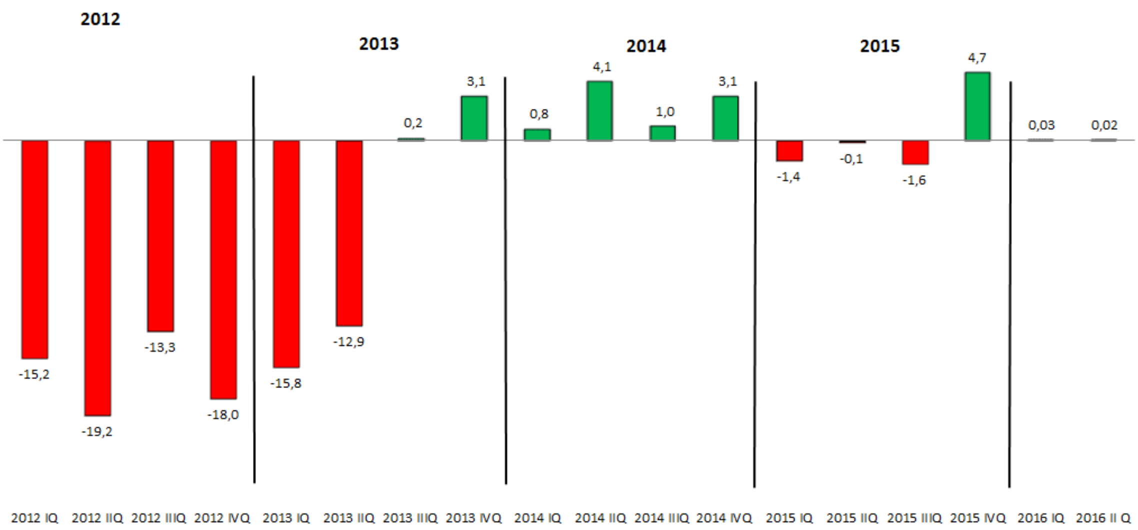
TV publishing (La7) *(€ thousands)*	**30 June 2016**	**30 June 2015**
Gross operating revenue	54,780	53,907
Advertising agency discounts	-	-
Net operating revenue	**54,780**	**53,907**
Other income	2,199	4,227
Change in inventory	-	-
Total revenue	**56,979**	**58,134**
Production cost	(38,547)	(42,687)
Personnel expense	(18,385)	(16,967)
Gross operating profit (EBITDA)	**47**	**(1,520)**
Amortization, depreciation, provisions and impairment losses	(4,162)	(2,763)
EBIT	**(4,115)**	**(4,283)**
Net financial income	298	338
Income (loss) on investments	-	-
Pre-tax profit	**(3,817)**	**(3,945)**
Income tax	3,411	3,750
Non-controlling interests	-	-
Profit for the period	**(406)**	**(195)**

The Group started operations in the TV publishing field in 2013, following acquisition from Telecom Italia Media S.p.A. of the entire share capital of La7 S.r.l. as from 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), as in 2014 and 2015, when the results of the cost rationalization measures implemented were strengthened.

The trend of results (gross operating profit, EBITDA) achieved by La7 is shown in the chart below:



In 1H16, the TV publishing segment (La7) achieved a positive gross operating profit (EBITDA) of approximately Euro 47 thousand. In 1H16, advertising sales on La7 and La7d channels grew by approximately 2% versus 1H15. Operating profit (EBIT) came to approximately Euro -4.1 million and benefited in the consolidated financial statements from lower amortization and depreciation of Euro 3.1 million, due to the write-down of tangible and intangible assets made in 2013 in the purchase price allocation of the investment in La7. In 1H15, gross operating profit (EBITDA) and operating profit (EBIT) came to approximately Euro -1.5 million and Euro -4.3 million. Operating profit (EBIT) benefited in the consolidated financial statements from lower amortization and depreciation of Euro 6.1 million.

In 1H16, La7's average all-day share was 2.98% and 3.59% in prime time (from 8:30 PM to 11:30 PM), with a high-quality target audience. La7d's share was 0.57% (0.61% in prime time). The audience figures of the channel's news and discussion programmes - such as the 8 PM newscast (5.3% from Monday to Friday), "Otto e mezzo" (5.4%), "Piazza Pulita" (3.5%), "Crozza nel Paese delle Meraviglie" (7%), "Coffee Break" (4.1%), "Omnibus" (3.5%), "La Gabbia" (3.1%), "L'aria che tira" (4.9%), "Bersaglio Mobile" (3.4%), "Di martedì" (5.9%) and the new "Eccezionale Veramente" (3.1%) - were positive.

NETWORK OPERATOR (CAIRO NETWORK)

As mentioned earlier, the Group company Cairo Network, which 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, continued implementing the mux; at full performance, the mux will cover at least 94% of the national population, providing high-quality service levels.

With the implementation of the mux, the Cairo Communication Group will have at its autonomous disposal a broadcasting capacity of about 22.4 Mbps versus the current 7.2 Mbps provided by external operators, which could be used to broadcast the La7 and La7d channels starting from 2017, as well as new channels if the Cairo Communication Group were to launch any, and to provide third parties with broadcasting capacity.

IL TROVATORE

In 2016, Il Trovatore continued operations, mainly providing technological services to develop and maintain the online platforms of the Group's companies.

Alternative performance indicators

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

The alternative indicators are:

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

Profit from continuing operations, pre tax

+/- Net finance income

+/- Share in associates

EBIT - Operating profit

+ Amortization & depreciation

+ Bad debt impairment losses

+ Provisions for risks

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

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

Transactions with parents, subsidiaries and associates

In 2016, transactions 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 1H16, the relations and transactions with the parent U.T. Communications and with its subsidiaries can be analyzed as follows:

- the concession contract between Cairo Pubblicità 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 2016 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 40 thousand. As part of the agreement, Cairo Pubblicità also purchased football tickets worth approximately Euro 38 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;
- the tax consolidation scheme.

Main risks and uncertainties to which the Group is exposed, which could impact on the business outlook for 2H16

The Directors' Report on the financial statements for the year ended 31 December 2015 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 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, mainly related to the general contraction in sales and the advertising market trend, regarding mostly magazines and TV.
- Risks associated with developments in the media segment as a result of the penetration of new communication resources, in particular the Internet and free digital TV, together with changes in the relevant regulatory framework.
- 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, by maintaining the current levels of quality and innovation.
- Risks associated with business suppliers 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 litigation, the notes on "Other information" (Note 23 of the notes to the condensed consolidated half-year financial statements) contain information on the main pending cases.

This interim half-year report provides a summary of financial and other main risks that could impact on the outlook for 2H16.

With the Offer, Cairo Communication acquired the control of RCS, which therefore will be consolidated. The consolidation of RCS will basically change, from 2H16, the profile of liquidity risks and currency and interest rate risks, and will introduce a risk profile associated with the measurement of intangible assets, and will basically change the income statement and balance sheet structure of the Cairo Communication Group, post transaction. The main impacts from the acquisition of the control of RCS are illustrated below in the notes to the risks associated with extraordinary transactions.

Risks associated with the general economic climate

The financial position, results and cash flows of the Cairo Communication Group may be influenced by various factors within the macro-economic environment.

In 1H16, the general economic and financial context, marked by elements of uncertainty, continued to report negative effects. To date, there remains uncertainty over the period required for a return to normal market conditions.

However, the evolution of the general economic situation could affect the full achievement of the Group's result targets.

Risks associated with advertising and publishing market trends

The persisting short and medium-term economic uncertainty continued to impact negatively on the magazine advertising market, and also slowed the pace of magazine sales.

In 1H16, the advertising market - after reporting a positive trend in 2H15 versus 2H14 (+3.4%, *AC Nielsen*) – showed, nonetheless, positive signs, growing by 3.5%, driven by the performance of the TV advertising market (+7.8%), while the magazine advertising market dropped by 3%.

The Cairo Communication Group is significantly exposed to advertising sales performance, which has progressively decreased over time as a result of significant developments in the publishing business.

Advertising sales are currently the main source of revenue for the TV publishing segment.

Advertising sales in 2015 represented approximately 65% of total Group revenue and considering also advertising revenue directly generated by La7 (approximately Euro 5.4 million), the impact of advertising revenue increases to 67%.

Considering the Group's publishing business alone, advertising revenue in 2015 accounted for 26% - an extremely low percentage, therefore based to a lesser extent on the economic cycle - while the remaining 74% was generated by distribution and subscription revenue, demonstrating the great publishing strength of advertising products.

Risks associated with developments in the media segment

The media segment has seen an increase in the level of penetration of new communication resources, in particular the Internet, and the new unencrypted theme channels on the digital terrestrial platform, together with technology innovations that may lead to changes in demand by consumers, who in future will probably request personalized content by even directly selecting the source. As a result, this may change the relative importance of the various media and audience distribution, with consequent greater market fragmentation.

Whereas the development of the Internet may impact on the share of print media, mainly on dailies and to a much lesser extent on the weeklies published by the Group, the growth of the Internet and of digital theme television may impact on the generalist TV audience. Any development of new TV channels by the Group may allow it to take advantage of this situation.

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, with particular attention to the Internet.

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

Risks associated with Management and "key staff"

The Group's success depends on the talents of its executive Directors and other members of Management to efficiently manage the Group and the individual business segments.

Editors and TV personalities, too, have a significant role in the titles they head and the programmes they host.

The loss of the services of an executive Director, editor, TV personality or other key resource without an appropriate substitute, as well as the difficulty in attracting and retaining new and qualified resources, may impact negatively on the prospects, operations and financial results of the Group.

Risks associated with litigation

The notes on "Other information" (Note 23 of the notes to the condensed consolidated half-year financial statements) contain information on a number of cases. 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. The actual results may vary from these estimates.

Credit risks

The Group is exposed to credit risk, primarily in relation to its advertising sales activities. This risk is however mitigated by the fact that exposure is distributed across a large number of customers and that credit monitoring and control procedures are in place. The client concentration/advertising revenue ratio has not basically changed versus prior years. The risk on advertising receivables from print media is broken down into an even larger amount of clients, whilst for circulation revenue, the distribution contract provides for an advance payment equal to a very significant percentage of the estimated sales of each magazine.

The persisting uncertainty factors in the short and medium term, along with the resulting credit squeeze, may of course impact negatively the quality of credit and general payment terms.

The Group’s maximum theoretical exposure to credit risks at 30 June 2016 is given by the carrying amount of trade receivables and other recognized current assets totaling Euro 81.8 million.

The credit risks associated with cash and cash equivalents, with a maximum theoretical exposure of Euro 114 million, are not considered significant as they are deposits spread across various banks, based on the criteria described below in the notes to the “liquidity risk”.

Liquidity risk

At 30 June 2016 and in 1H16, the Cairo Communication Group is not exposed to liquidity risk in that, on one hand, significant financial resources are held with a net available positive financial position of Euro 96.5 million while, on the other, the Group expects to maintain appropriate ability to generate cash through operations, even under the current market conditions, in its traditional segments.

An analysis of the company’s equity structure shows both liquidity, or the ability to maintain financial stability in the short term, and solidity, or the ability to maintain financial stability in the medium/long term.

It is Group policy to invest available cash in on-demand or short-term deposits at various banks, with the prime objective of maintaining a ready liquidity of the said investments. Counterparties are selected on the basis of their credit rating, their reliability and the quality of the service rendered.

The acquisition of the control and the consolidation of RCS will basically change the liquidity risk profile from 2H16, as illustrated below in the notes to the risks associated with extraordinary transactions.

Interest rate and currency risk

At 30 June 2016 and in 1H16, the Cairo Communication Group is not exposed to interest rate and currency risk in that, on one hand, the net financial position is positive while, on the other, Group operations are carried out and revenue is generated almost exclusively in Italy, and the main costs, except for certain TV rights acquired in USD, are incurred in Euro.

The interest rate risk only affects the yield on net available cash.

Given the limited exposure to both interest rate and FOREX risk, the Group limited use of financial hedging instruments, to hedge currency risk on the acquisition of TV rights from film companies.

The acquisition of the control and the consolidation of RCS will change, from 2H16, the profile of interest rate and currency risks as illustrated below in the notes to the risks associated with extraordinary transactions.

Risks associated with extraordinary transactions

With the Offer, without prejudice to the financial and legal independence of Cairo Communication and RCS, Cairo Communication has acquired the control of RCS, which will be consolidated.

RCS has generated negative results over the past few fiscal years, and it is currently underway an operational restructuring process (aimed at restoring profitability) whose future results are characterized by uncertainty as they depend on the actual implementation of the restructuring plan.

In the Interim Management Report at 31 March 2016, specifically in *"Supplements required by Consob, pursuant to art. 114, par. 5, of Legislative Decree 58/1998, of 27 May 2013"*, *letter d),* the RCS Management had illustrated those events and circumstances which show a situation of material uncertainty, which could give rise to significant doubts on the business continuity of RCS. Specifically, the RCS Management was referring to the failure to reach, to date, a final agreement with the lending banks: (i) on non-compliance with the financial commitments at 31 December 2015; and (ii) on the new terms and conditions of the loan agreement signed on 14 June 2013 by RCS and the lending banks. In the same notes, the RCS Management had illustrated the actions they had taken and the reasons underlying their decision to continue to adopt the assumption of business continuity in preparing the Interim Management Report at 31 March 2016.

In the press release published on 16 June 2016, RCS subsequently announced that it had signed an agreement amending the loan agreement entered into on 14 June 2013 by RCS and the lending banks.

In 2016, RCS confirmed, in all its disclosures to the market, the viability of the targets set for the first year of the 2016-2018 Plan disclosed to the market in December 2015 (which sets an EBITDA before non-recurring expenses of approximately Euro 100 million and a net cash flow and net profit basically at breakeven).

Cairo Communication intends to implement its own plan to relaunch the RCS Group, following strategic guidelines based, *inter alia*, on a stringent plan to reduce costs and achieve full potential for revenue growth, in order to allow RCS to improve its financial and income situation.

However, also in light of the adverse macroeconomic environment, failure to achieve or partial achievement of the targets set by the Cairo Communication industrial plan and/or in the event these targets may take longer than expected, could also result in significant adverse effects on the profitability of the Cairo Communication Group and on its balance sheet, income statement and financial position.

Cairo Communication has had no access to information on RCS, other than the information publicly disclosed, and has not performed any due diligence on RCS.

Additionally, RCS presents a significant financial debt, with a net financial position at 31 March 2016 of Euro -509.1 million (Euro -538.2 million from continuing operations), or approximately Euro -411 million if one considers the effects of the disposal of the Books Area, as illustrated by the RCS Management in the Interim Management Report at 31 March 2016.

The abovementioned agreement amending the loan agreement signed on 14 June 2013 by RCS and the lending banks, requires, *inter alia*, compliance with a series of covenants and specific repayment terms.

Sustainability of the terms and conditions of the RCS refinancing agreement by the Cairo Communication Group, post-offer, will also depend on the: (i) accomplishment of the actions set to meet the total financial requirements of the Cairo Communication Group post-offer, (ii) implementation, according to the planned measures and time frames, of the future actions for the development of revenue and generation of cash flows; and (iii) on the event that the due diligence to perform on RCS following the acquisition of control were not to reveal events or circumstances resulting in significant deterioration of the balance sheet, income statement and financial position of the RCS Group, leading to the breach of the financial commitments that RCS has undertaken with the lending banks.

In connection with the acquisition of the control of RCS, in July Cairo Communication signed a revolving loan agreement with Intesa Sanpaolo, as described further in this report.

Given the amount of the floating rate financial liabilities, the Cairo Communication Group will be exposed to interest rate risks, implying possible higher financial charges from adverse interest rate movements.

The consolidated balance sheet of RCS contains a significant set of intangible assets, which should be regularly subject to evaluation, in accordance with international accounting standards, in order to verify their recoverable carrying amount.
At 31 March 2016, the RCS Group's intangible assets amounted to Euro 409.8 million (Euro 416 million at 31 December 2015, consisting mainly of concessions, licenses, trademarks and similar rights of Euro 370.7 million, and of goodwill of Euro 39.5 million). Concessions, licenses, trademarks and similar rights at 31 December 2015 included intangible assets with a finite useful life of Euro 247.9 million - consisting mainly of application software licenses, costs incurred for web projects, website creation, broadcasting licenses and publications of the Unidad Editorial Group - and of intangible assets with an indefinite useful life of Euro 122.8 million, Euro 110.3 million of which relating to the publication *El Mundo*, and Euro 11.3 million to the television license for the digital terrestrial platform of VEO Television.
Under IAS 36, the RCS Group's intangible assets are subject to regular evaluations to determine their recoverable amount and to ensure consistency with the carrying amount (impairment test).
The intangible assets of the Unidad Editorial Group have been subject to significant impairment over the years.
As a result of the consolidation of RCS by the Cairo Communication Group, the difference between the sum of fair value of Cairo Communication shares to be issued for servicing the share capital increase and the cash consideration acknowledged to those parties who have accepted the offer and the consolidated equity of the RCS Group at the date of acquisition of control, will generate additional intangible assets. The calculation of the fair value of the assets and liabilities of the RCS Group required for the application of the "acquisition method" under IFRS 3 will result in the measurement of the assets and liabilities of the RCS Group at the date of the business combination.

Other information

Human resources

By the nature of the activities it carries out, human resources form a critical factor for 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.

Staff turnover in 1H16 and its composition can be analyzed as follows:

Description	**01/01/2016**	**Recruitments**	**Terminations**	**Advancements**	**30/06/2016**
Open-ended contracts	**726**	**16**	**(11)**	**1**	**732**
Senior managers	**31**	1	(2)	-	**30**
Managers	**79**	-	-	2	**81**
Employees	**394**	10	(4)	(1)	**399**
Journalists and freelance	**222**	5	(5)	-	**222**
Fixed-term contracts	**47**	**51**	**(50)**	**(1)**	**47**
Senior managers	**-**	1	-	-	**1**
Managers	**-**	-	-	-	**-**
Employees	**19**	36	(30)	(1)	**24**
Journalists and freelance	**28**	14	(20)	-	**22**
Grand total	**773**	**67**	**(61)**	**-**	**779**

Personnel can also be analyzed by average age, sex, education and seniority:

	Senior managers	Managers	Employees	Journalists
Men (number)	30	51	217	103
Women (number)	1	30	207	140
Average age	51	50	45	48
Seniority	13	15	12	13
Open-ended contracts	30	81	399	222
Fixed-term contracts	1	-	24	22
Other	-	-	-	-
Graduates	26	36	99	128
Diploma holders	5	44	303	113
Middle school graduates	-	1	22	2

Most of the employees (462) work in the TV segment, followed (225) by the magazine and book publishing segment. The advertising segment employs 92 people and draws on a sales force of approximately 100 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.

The Group is committed to pursuing health and safety objectives at the workplace. There were no accidents in the workplace or charges for occupational diseases during the year.

Public purchase and exchange offer on the total ordinary shares of RCS MediaGroup

The Offer

In 1H16, Cairo Communication launched a voluntary public purchase and exchange offer (the "Offer") on all ordinary shares of RCS MediaGroup S.p.A. ("RCS"), for a consideration composed of no. 0.18 newly issued shares of Cairo Communication and 0.25 Euro in cash for each RCS share tendered. Following the end of the acceptance period, on 15 July 2016, no. 254.8 million RCS shares had been tendered to the Offer, equal to 48.82% of the RCS share capital, for a total consideration of no. 45.9 million Cairo Communication shares and Euro 63.7 million in cash. Payment of the consideration was made on 22 July 2016. In addition, between 22 to 28 July 2016, in accordance with applicable law, further no. 56.7 million RCS shares had been tendered to the Offer, which correspond to 10.87% of the RCS share capital, for a total amount of no. 10.2 million Cairo Communication shares and Euro 14.2 million in cash. Payment of the consideration to such additional adherents will be made on 4 August 2016. Considering such further shares, a total of no. 311.5 million RCS shares, equal to 59.69% of the RCS share capital, had been tendered to the Offer, for a total consideration of no. 56 million Cairo Communication shares and Euro 77.9 million in cash.

Through the acquisition of the control of RCS, Cairo Communication becomes a major multimedia publishing group with a stable, independent leadership, well-positioned to become a major player on the Italian market, with a strong international presence in Spain, by leveraging on the high quality and diversification of products in the dailies, magazines, television, web and sport events segments and maximizing the opportunities arising from the convergence of traditional media on digital platforms.

Share capital increases and amendments to the bylaws

In the frame of the Offer, in order to pay the share component of consideration to the RCS shareholders who accepted the Offer, the Extraordinary Meeting of Cairo Communication held on 18 July 2016 resolved on:

- the divisible share capital increase in cash, to be performed on one or more separate occasions and in different tranches, excluding the pre-emption right, pursuant to art. 2441, par. 4, first sentence, of the Italian Civil Code, to be executed by 31 December 2016, up to a maximum of Euro 366.6 million (including the share premium), specifically for a maximum par value of Euro 5.4 million and a maximum share premium of Euro 361.1 million, through the issue of a maximum of no. 104,372,991 Cairo Communication ordinary shares, with no indication of the par value, with regular dividend entitlement and the same characteristics as the outstanding Cairo Communication ordinary shares, payable by contribution in kind of RCS ordinary shares tendered to the offer under the terms and conditions of the voluntary public purchase and exchange offer launched by the Company on the total RCS shares;
- granting the Board of Directors, pursuant to art. 2443 of the Italian Civil Code, the powers to perform a divisible share capital increase in cash on one or more separate occasions, excluding the pre-emption right, pursuant to art. 2441, par. 4, second sentence, of the Italian Civil Code, for a maximum amount of Euro 70 million (including the share premium). Specifically, the share capital may be increased by a number of

ordinary shares up to 10% of the total number of ordinary shares outstanding on the date of a possible exercise of the above powers. The shares arising from the share capital increase may be offered for subscription with payment in cash to shareholders or third parties, including institutional investors or strategic partners, and/or to service the issue of financial instruments (including, by way of example, equity-linked bonds) which entitle the subscription of Cairo Communication shares and/or which provide for or allow the conversion into Cairo Communication shares. Granting of the above powers is intended to provide the Board of Directors with suitable means to strengthen the capital of Cairo Communication, in order to also meet the financial requirements that may arise from the acquisition of the control of RCS. For such purpose, under the resolution, the Board of Directors may exercise such powers within one year from the date of the Shareholders' Meeting held on 18 July 2016. The timing to exercise such powers, as well as the terms and conditions of the possible issues, will be disclosed to the market in accordance with law and regulations;

- the amendment of art. 6 and art. 13 of the bylaws in order to introduce the increased voting right system, under art. 127-*quinquies* of Legislative Decree no. 58/98. Specifically, the system will grant two voting rights for each Cairo Communication ordinary share held by the same Company shareholder for a continuous period of at least 24 months from registration in a specific special list, created and kept by the Company at its registered office;
- the amendment of art. 10.3 of the bylaws, in order to cancel, *inter alia*, the publication of the notice of call of the Shareholders' Meeting in the State Gazette, and to provide that such notice be published in accordance with the procedures required by the laws and regulations in force.

On 22 July 2016, the first tranche of the share capital increase was performed, in order to pay the share component of consideration (consisting of no. 0.18 Cairo Communication shares, in addition to Euro 0.25 payable in cash for each RCS share tendered) to those RCS shareholders who had accepted the Offer during the acceptance period. Cairo Communication issued no. 45.9 million Cairo Communication shares with no par value for the no. 254.8 million RCS shares tendered at the end of the acceptance period, granted to those RCS shareholders who had accepted the Offer.

On 4 August 2016, the second tranche of the share capital increase will be performed, in order to pay the share component of consideration (consisting of no. 0.18 Cairo Communication shares, in addition to Euro 0.25 payable in cash for each RCS share tendered) to those RCS shareholders who had accepted the Offer during the period from 22 July 2016 through 28 July 2016. Cairo Communication will grant no. 10.2 million newly-issued Cairo Communication shares with no par value to those RCS shareholders who have accepted the Offer for the no. 56.7 million RCS shares tendered at the end of the acceptance period.

RCS - Cairo Communication Integration Plan

Strategic rationales of the Integration Plan

Cairo Communication has set two strategic guidelines underpinning the plan to relaunch the RCS Group:

- achievement of maximum efficiency;
- accomplishment of full potential for revenue growth, in a market marked by declining revenue in traditional publishing.

Achievement of maximum efficiency

The achievement of competitive performance requires improved operational efficiency through structural strategies aimed at:

- rationalizing the industrial cost structure of the RCS Group;
- achieving synergies created through collaboration with Cairo Communication.

On the first point, Cairo Communication intends to rationalize RCS Group operating costs by monitoring them following a cost/benefit ratio logic, and adopting a so-called “zero-based” approach (redefining the cost structure on the basis of standard industrial costs). In setting operating cost rationalization targets, Cairo Communication has also considered industry benchmarks. Operating cost rationalization will aim at:

- optimizing the structure of external costs, also by re-internalizing activities that are currently outsourced;
- improving the saturation of print centres used (also synergistically with other players);
- continuing the integration of the print and digital editorial offices;
- reviewing the industrial and supply processes.

Additionally, the industrial plan will benefit from operational synergies arising from the integration process, such as:

- the creation of a service model shared by the RCS Group and Cairo Communication to reduce overhead costs;

- the integration of distribution activities;
- the creation of economies of scale for the purchase of goods and services;
- the optimization of advertising concessionaires activities, also through local cost rationalization;
- the potential concentration of the production of Cairo Communication and RCS magazines in shared print centres.

<u>*Accomplishment of full potential for revenue growth*</u>

Cairo Communication intends to maintain and improve the leadership position built over the years by the RCS, by increasing the Group's market share in its industries, in order to also counter the declining market trend in revenue from traditional publishing.

From an industrial point of view, Cairo Communication intends to pursue these targets by:

- enhancing the editorial content of newspapers and related websites in Italy and Spain, by leveraging on the outstanding journalistic qualities boasted by the RCS Group, contributing significantly to increasing traffic performance on digital media;
- expanding the digital portfolio of the RCS Group, weighing the opportunity of developing a model for the access to and distribution of Cairo Communication video content on RCS digital platforms, and of creating new content and specific formats;
- increasing advertising revenue by creating synergies between RCS and Cairo Communication advertising concessionaires, implementing multimedia projects and leveraging on the strengths of the two Groups on the market (for instance, by sharing exclusive customers or by offering cross-media solutions to established customers);
- consolidating the leadership position boasted by the RCS Group in the sport world in Italy and Spain;
- relaunching magazines in Italy and Spain, by means of an editorial re-focusing process regarding a number of magazines on a high-profile segment of readers, with the aim of increasing advertising sales by leveraging on a more effective and appealing position towards advertisers, and developing the potential of highly established titles of the RCS Group, such as "*Oggi*";
- expanding print and online editorial solutions, by developing new editorial verticals with specialist content (for example in areas such as engines, real estate, health, employment, reading, food & cooking, furnishing & design, and travel);
- assessing the replicability in Spain of the magazine development model implemented by

Cairo Editore, leveraging on the presence of the RCS Group subsidiary Unidad Editorial on the Spanish market;

- completing the RCS offer by improving and developing the sport event vertical, turning it into a growing source of revenue and profit, and taking the key European industry benchmarks (e.g., *Tour de France*) as a reference. In this connection, Cairo Communication, while seeking to develop advertising revenue of the *Giro d'Italia*, intends to maximize the exploitation of television rights in Italy and abroad.

The accomplishment of full potential for revenue growth will be pursued through additional action, specifically by:

- increasing traffic monetization potential on digital media through improved user profiling, aimed at meeting their needs in terms of custom content, and increasing advertising revenue by selling dedicated space tailored to user features;
- creating synergies to increase circulation, ratings and advertising sales, building on the good overlapping level of the profiles of *Corriere della Sera* readers and the La7 audience;
- assessing the potential opportunities in areas such as local news, or niche segments in the traditional business (for instance, institutional and financial advertising).

RCS - Cairo Communication 2017-2018 Integration Plan

At its meeting on 17 June 2016, the Board of Directors of Cairo Communication approved the Integration Plan drawn up by Cairo Communication, assisted by Bain & Company Italy Inc.; the Plan sets the strategic guidelines for the 2017-2018 period of the Cairo Communication Group with the acquisition of the control of RCS and its consolidation in the Cairo Communication Group.

The Integration Plan was drawn up on the basis of the "2017-2018 Industrial Plan of the Cairo Communication Group" and the actions that the Cairo Communication Group intends to take in order to achieve maximum efficiency and accomplish full potential for revenue growth of the RCS Group, as well as the synergies arising from the integration of the two groups that are foreseeable at this time, based on the information available to the Cairo Communication Group.

RCS financial debt

In the press release published on 16 June 2016, RCS announced that it had signed an agreement amending the loan agreement entered into on 14 June 2013 by RCS and the lending banks, which requires compliance with a series of covenants and repayment terms.

The loan agreement provides for a maximum amount of Euro 352 million (divided into a term line for a maximum amount of Euro 252 million, and a revolving credit line for a maximum amount of Euro 100 million), due on 31 December 2019 and repayments for the term line as from March 2017.

Effective from 31 December 2016 and for the entire length of the loan, certain financial covenants are required to be met (debt, leverage ratio, namely, the net debt/EBITDA ratio, minimum equity), with reviews performed every year or every six months.

Breach of certain financial covenants triggers an equity cure under specific, contractually defined terms, conditions and limitations.

Intesa Sanpaolo credit facility

In connection with the acquisition of the control of RCS, in July 2016 Cairo Communication signed a revolving loan agreement with Intesa Sanpaolo for a maximum amount of Euro 140 million to be used for payment of the cash component of the Offer, and for more general business purposes. The loan has a duration of 60 months from the date of first use, with a margin of 48 basis points over the Euribor (for a duration corresponding to the relevant interest period), and does not require any collateral or financial covenants, or limits to the distribution of dividends by Cairo Communication.

The loan agreement provides for the customary representations, warranties and commitments typical of such transactions. No commitments are required from Cairo Communication in relation to RCS Group companies (including limits to the disposal of assets or the assumption of debt). Additionally, the loan agreement contains a cross-default clause (i.e., call in of the loan in the event of default under other loan agreements) regarding exclusively loan agreements relating to Cairo Communication and certain relevant subsidiaries (Cairo Editore, Cairo Pubblicità and La7), excluding, therefore, the loan agreements related to the RCS Group.

Early repayment is envisaged in the event of a change in control of Cairo Communication, and should the latter cease to directly or indirectly hold an interest of at least 35% in the share capital of RCS.

Events occurring after 1H16 and business outlook

Following the close of the reporting period, as explained in "*Public purchase and exchange offer on the total ordinary shares of RCS MediaGroup*", Cairo Communication acquired the control of RCS. A total of no. 311.5 million RCS shares, equal to 59.69% of the RCS share capital, had been tendered to the Offer, for a total consideration of no. 56 million Cairo Communication shares and Euro 77.9 million in cash. RCS will be included in the scope of consolidation of Cairo Communication. The Shareholders' Meeting of Cairo Communication held on 18 July 2016 resolved on (i) the share capital increase through contribution of RCS shares tendered to the Offer, (ii) the granting of powers to the Board of Directors to increase the share capital by Euro 70 million and (iii) a number of amendments, including the introduction of the increased voting right system.

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

- pursue the development of its traditional segments (magazine publishing and advertising sales), also continuing, in the publishing segment, its strategy focused in taking advantage of market segments offering greater potential, through the consolidation and development of the new title "Enigmistica Più" launched in April, a weekly packed with games and other diversions, which marks the landing of Cairo Editore in the interesting and high-potential sector of puzzle games; in these segments, despite the economic and competitive backdrop, given the high quality of the publications and of the media under concession, the Group considers it a feasible target to continue to achieve positive operating results;
- work on strengthening the results of the rationalization and cost-curbing measures achieved in 2013-2015 in the TV publishing segment and develop its activity in this segment, which is forecast to achieve a positive gross operating profit (EBITDA) in 2016 too.

Regarding RCS, the Group will work on implementing its integration project, aimed at accelerating the operational restructuring of RCS, by exploiting possible synergies and pursuing the turnaround of the business, through the achievement of maximum efficiency and the accomplishment of full potential for revenue growth.
However, the evolution of the general economic situation could 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 2016

INCOME STATEMENT AT 30 JUNE 2016

€ thousands	Notes	Half-year ended 30 June 2016	Half-year ended 30 June 2015
Revenue	1	116,772	114,992
Other revenue and income	2	4,022	5,570
Change in inventory of finished products	3	(75)	(11)
Raw materials, consumables and supplies	4	(10,356)	(10,393)
Services	5	(62,155)	(57,192)
Use of third-party assets	6	(6,585)	(13,707)
Personnel expense	7	(32,694)	(30,424)
Amortization, depreciation, provisions and impairment losses	8	(4,855)	(3,573)
Other operating costs	9	(987)	(770)
EBIT		**3,087**	**4,492**
Net financial income	10	312	399
Pre-tax profit		**3,399**	**4,891**
Income tax	11	651	579
Profit from continuing operations		**4,050**	**5,470**
Loss from discontinued operations	12	**(1)**	**0**
Profit for the period		**4,049**	**5,470**
- Owners of the parent		4,042	5,460
- Non-controlling interests - discontinued operations		0	0
- Non-controlling interests - continuing operations		7	10
		4,049	**5,470**
Earnings per share (euro)			
- Earnings per share - continuing and discontinued operations	14	0.052	0.070
- Earnings per share - continuing operations	14	0.052	0.070

STATEMENT OF COMPREHENSIVE INCOME AT 30 JUNE 2016

		Half-year ended 30 June 2016	Half-year ended 30 June 2015
Profit for the period		**4,049**	**5,470**
Other non-reclassifiable items of the comprehensive income statement			
Actuarial profit (loss) from defined benefit plans	20	(339)	477
Tax effect		81	(131)
Total comprehensive income for the period		**3,791**	**5,816**
- Owners of the parent		3,784	5,806
- Non-controlling interests - discontinued operations		0	0
- Non-controlling interests - continuing operations		7	10
		3,791	**5,816**

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2016

€ thousands Assets	Notes	30 June 2016	31 December 2015
Property, plant and equipment	15	2,940	3,080
Intangible assets	16	60,756	60,917
Investments	17	62	62
Non-current financial assets	17	953	1,640
Deferred tax assets	18	4,391	4,186
Total non-current assets		**69,102**	**69,885**
Inventory	19	3,098	3,141
Trade receivables	19	76,356	78,539
Receivables from parents	19	5,668	3,167
Other receivables and other current assets	19	5,482	5,297
Cash and cash equivalents	21	113,969	125,776
Total current assets		**204,573**	**215,920**
Total assets		**273,675**	**285,805**

Equity and liabilities		30 June 2016	31 December 2015
Share capital		4,074	4,074
Share premium reserve		22,936	30,495
Prior-year earnings (losses) and other reserves		73,257	70,573
Profit for the period		4,042	11,054
Equity attributable to the owners of the parent		**104,309**	**116,196**
Non-controlling interests share capital and reserves		**60**	**54**
Total shareholders' equity	**22**	**104,369**	**116,250**
Non-current financial payables and liabilities	21	12,500	15,000
Post-employment benefits	20	13,526	13,315
Provisions for risks and charges	20	26,080	28,658
Total non-current liabilities		**52,106**	**56,973**
Current financial payables and liabilities	21	5,000	5,000
Trade payables	19	85,752	82,382
Payables to parents	19	2,183	818
Tax liabilities	19	3,673	3,560
Other current liabilities	19	20,592	20,822
Total current liabilities		**117,200**	**112,582**
Total liabilities		**169,306**	**169,555**
Total equity and liabilities		**273,675**	**285,805**

STATEMENT OF CASH FLOWS AT 30 JUNE 2016

€ thousands	Half-year ended 30 June 2016	Half-year ended 30 June 2015
CASH AND CASH EQUIVALENTS	**125,776**	**149,061**
OPERATING ACTIVITIES		
Profit for the period	4,049	5,470
Amortization/Depreciation	4,835	1,290
Net financial income	(312)	(399)
Income tax	(651)	(579)
Change in post-employment benefits	211	(536)
Change in provisions for risks and charges	(2,578)	(610)
Cash flow from operating activities before changes in working capital	**5,554**	**4,636**
(Increase) decrease in trade and other receivables	1,998	6,427
Increase (decrease) in trade and other payables	3,139	105
(Increase) decrease in inventory	43	436
TOTAL CASH FLOW FROM OPERATING ACTIVITIES	**10,734**	**11,604**
Income tax paid (received)	(577)	1,117
Financial expense paid	(143)	(172)
TOTAL NET CASH FROM OPERATING ACTIVITIES (A)	**10,014**	**12,549**
INVESTING ACTIVITIES		
(Acquisition) disposal net of PPE and intangible assets	(4,534)	(4,784)
Interest and financial income received	455	571
Net increase in other non-current assets	687	(527)
NET CASH USED IN INVESTING ACTIVITIES (B)	**(3,392)**	**(4,740)**
FINANCING ACTIVITIES		
Dividends paid	(15,669)	(21,152)
Re-measurement of defined benefit plans inclusive of tax effect	(258)	346
Repayment of loans	(2,500)	(2,500)
Other changes in equity	(2)	(2)
NET CASH USED IN FINANCING ACTIVITIES (C)	**(18,429)**	**(23,308)**
CASH FLOW OF THE PERIOD (A)+(B)+(C)	**(11,807)**	**(15,499)**
NET CASH AND CASH EQUIVALENTS CLOSING BALANCE	**113,969**	**133,562**

STATEMENT OF CHANGES IN EQUITY

€ thousands	Share capital	Share premium reserve	Prior-year earnings (losses) and other reserves	Profit for the period	Equity attributable to owners of the parent	Non-controlling interests share capital and reserves	Total
Balance at 31 December 2013	**4,074**	**45,452**	**938**	**74,194**	**124,658**	**12**	**124,670**
Allocation of profit			74,194	(74,194)	**0**		**0**
Dividend distribution		(4,390)	(16,762)		**(21,152)**		**(21,152)**
Actuarial profit (loss) from defined benefit plans			(991)	991	**0**		**0**
Other movements			5		**5**		**5**
Total comprehensive income for the period				22,800	**22,800**	24	**22,824**
Balance at 31 December 2014	**4,074**	**41,062**	**57,384**	**23,791**	**126,311**	**36**	**126,347**
Allocation of profit			23,791	(23,791)	**0**		**0**
Dividend distribution		(10,567)	(10,585)		**(21,152)**		**(21,152)**
Actuarial profit (loss) from defined benefit plans			(28)	28	**0**		**0**
Other movements			11		**11**		**11**
Total comprehensive income for the period				11,026	**11,026**	18	**11,044**
Balance at 31 December 2015	**4,074**	**30,495**	**70,573**	**11,054**	**116,196**	**54**	**116,250**
Allocation of profit			11,054	(11,054)	**0**		**0**
Dividend distribution		(7,559)	(8,110)		**(15,669)**		**(15,669)**
Actuarial profit (loss) from defined benefit plans			(258)	258	**0**		**0**
Other movements			(2)		**(2)**	(1)	**(3)**
Total comprehensive income for the period				3,784	**3,784**	7	**3,791**
Balance at 30 June 2016	**4,074**	**22,936**	**73,257**	**4,042**	**104,309**	**60**	**104,369**

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

€ thousands	Half-year ended			Half-year ended		
	30 June 2016	related parties (*)	% of total	30 June 2015	related parties	% of total
Revenue	116,772	90	0.1%	114,992	96	0.1%
Other revenue and income	4,022	8	0.2%	5,570		
Change in inventory of finished products	(75)			(11)		
Raw materials, consumables and supplies	(10,356)			(10,393)		
Services	(62,155)	(1,155)	1.9%	(57,192)	(1,353)	2.4%
Use of third-party assets	(6,585)			(13,707)		
Personnel expense	(32,694)			(30,424)		
Amortization, depreciation, provisions and impairment losses	(4,855)			(3,573)		
Other operating costs	(987)			(770)		
EBIT	**3,087**			**4,492**		
Net financial income	312			399		
Pre-tax profit	**3,399**			**4,891**		
Income tax	651			579		
Profit from continuing operations	**4,050**			**5,470**		
Loss from discontinued operations	**(1)**			**0**		
Profit for the period	**4,049**			**5,470**		

(*) Related party transactions are analyzed in Note 24

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

€ thousands

Assets	30 June 2016	related parties (*)	% of total	31 December 2015	related parties (*)	% of total
Property, plant and equipment	2,940			3,080		
Intangible assets	60,756			60,917		
Investments	62			62		
Non-current financial assets	953			1,640		
Deferred tax assets	4,391			4,186		
Total non-current assets	**69,102**			**69,885**		
Inventory	3,098			3,141		
Trade receivables	76,356	252	0.3%	78,539	97	0.1%
Receivables from parents	5,668	5,668	100.0%	3,167	3,167	100.0%
Other receivables and other current assets	5,482	47	0.9%	5,297	47	0.9%
Cash and cash equivalents	113,969			125,776		
Total current assets	**204,573**			**215,920**		
Total assets	**273,675**			**285,805**		

Equity and liabilities	30 June 2016			31 December 2015		
Share capital	4,074			4,074		
Share premium reserve	22,936			30,495		
Prior-year earnings (losses)	73,257			70,573		
Profit for the period	4,042			11,054		
Equity attributable to the owners of the parent	**104,309**			**116,196**		
Non-controlling interests share capital and reserves	60			**54**		
Total shareholders' equity	**104,369**			**116,250**		
Non-current financial payables and liabilities	12,500			15,000		
Post-employment benefits	13,526			13,315		
Provisions for risks and charges	26,080			28,658		
Total non-current liabilities	**52,106**			**56,973**		
Current financial payables and liabilities	5,000			5,000		
Trade payables	85,752	191	0.2%	82,382	1,285	1.6%
Payables to parents	2,183	2,183	100.0%	818	818	100.0%
Tax liabilities	3,673			3,560		
Other current liabilities	20,592			20,822		
Total current liabilities	**117,200**			**112,582**		
Total liabilities	**169,306**			**169,555**		
Total equity and liabilities	**273,675**			**285,805**		

(*) Related party transactions are analyzed in Note 24

STATEMENT OF CASH FLOWS PURSUANT TO CONSOB RESOLUTION no. 15519 OF 27 JULY 2006

€ thousands	Half-year ended 30 June 2016	related parties	Half-year ended 30 June 2015	related parties
CASH AND CASH EQUIVALENTS	**125,776**		**149,061**	
OPERATING ACTIVITIES				
Profit for the period	4,049	(1,065)	5,470	(1,257)
Amortization/Depreciation	4,835		1,290	
Income / (loss) on investments	0		0	
Net financial income	(312)		(399)	
Income tax	(651)		(579)	
Change in post-employment benefits	211		(536)	
Change in provisions for risks and charges	(2,578)		(610)	
Cash flow from operating activities before changes in working capital	**5,554**	**(1,065)**	**4,636**	**(1,257)**
(Increase) decrease in trade and other receivables	1,998	(2,656)	6,427	2,103
Increase (decrease) in trade and other payables	3,139	271	105	(4)
(Increase) decrease in inventory	43		436	
TOTAL CASH FLOW FROM OPERATING ACTIVITIES	**10,734**	**(3,450)**	**11,604**	**842**
Income tax paid	(577)		1,117	
Financial expense paid	(143)		(172)	
TOTAL NET CASH FROM OPERATING ACTIVITIES (A)	**10,014**	**(3,450)**	**12,549**	**842**
INVESTING ACTIVITIES				
(Acquisition) disposal net of PPE and intangible assets	(4,534)		(4,784)	
Interest and financial income received	455		571	
Net increase in other non-current assets	687		(527)	
NET CASH USED IN INVESTING ACTIVITIES (B)	**(3,392)**	**0**	**(4,740)**	**0**
FINANCING ACTIVITIES				
Dividends paid	(15,669)		(21,152)	
Re-measurement of defined benefit plans inclusive of tax effect	(258)		346	
Repayment of loans	(2,500)		(2,500)	
Other changes in equity	(2)		(2)	
NET CASH USED IN FINANCING ACTIVITIES (C)	**(18,429)**	**0**	**(23,308)**	**0**
CASH FLOW OF THE PERIOD (A)+(B)+(C)	**(11,807)**	**(3,450)**	**(15,499)**	**842**
NET CASH AND CASH EQUIVALENTS CLOSING BALANCE	**113,969**		**133,562**	

EXPLANATORY NOTES

STRUCTURE, FORM AND CONTENT OF THE CONDENSED CONSOLIDATED HALF-YEAR FINANCIAL STATEMENTS AND ACCOUNTING STANDARDS ADOPTED

Basis of preparation

The Group's 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 approved by the European Union in accordance with Regulation 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 according to 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 2015.

The same accounting standards applied to prepare the Group's consolidated financial statements for the year ended 31 December 2015, have been applied to prepare these consolidated half-year financial statements, with the exception of those described in the following paragraph "Accounting standards, amendments and interpretations applied from 1 January 2016".

The preparation of the condensed consolidated half-year financial statements has required that Management make estimates and assumptions which affect the value of revenue, costs, assets and liabilities and the information relating to contingent assets and liabilities at the date of the interim financial statements. These estimates and assumptions have been based on Management's best evaluation. Should they, in the future, differ from the circumstances in effect at that time, they will be modified appropriately in the period in which the change in circumstances is recorded.

It should be noted, furthermore, that these evaluation processes, specifically the more complex ones, such as those relating to the calculation of potential impairment of non-current assets, are generally carried out in their entirety during the preparation of the year-end financial statements when all necessary information is available, unless impairment indicators exist which require an immediate evaluation of the potential impairment.

In general, no significant seasonal or cyclical fluctuations in sales revenue from Group activities exist between the first six months and the second six months of the financial year.

Income tax is recognized on the basis of the best estimate of the weighted average rate expected for the entire financial year.

The amounts in these notes are shown in thousands of Euro.

1. Accounting standards, amendments and interpretations effective as from 1 January 2016

Amendments to IAS 19 - *Employee contributions to defined-benefit plans*: The amendment, issued by the IASB in November 2013, introduces simplifications to account for defined-benefit plans that provide for contributions by employees or third parties. Specifically, the amendments to IAS 19 allow recognition of employee or third-party contributions as a reduction of service costs during the period in which services where rendered, if the following conditions are met:

- employee or third-party contributions are formally provided for in the terms of the plan;
- the contributions are linked to services rendered; and
- the amount of the contributions is independent of the number of years of service.

In all other cases, the recognition of these contributions will be more complex, as they will be allocated to each period of the plan through the actuarial calculation of the relating liabilities. According to the IASB, the amendments became effective for financial statements that began on or after 1 July 2014. According to the EU, entry into force has been postponed to the financial statements that began on or after 1 February 2015.

Improvements to IFRS: 2010-2012 Cycle: On 12 December 2013, the IASB published *"Annual Improvements to IFRSs: 2010-2012 Cycle*", which acknowledges the amendments to the standards as part of their annual improvement process. According to the IASB, the amendments became effective for financial statements that began on or after 1 July 2014. According to the EU, entry into force has been postponed to the financial statements that began on or after 1 February 2015. These amendments are applied prospectively.

The main amendments regard:

- *IFRS 2 Share-based payments* – Amendments have been made to the definitions of "vesting condition" and "market condition", while further definitions have been added of "performance condition" and "service condition" (previously included in the broad definition of "vesting condition").
- *IFRS 3 Business combinations* - The amendments clarify that a contingent consideration classified as an asset or liability should be measured at fair value at each balance sheet date, regardless of whether the contingent consideration is a financial instrument to which IAS 39 applies or a non-financial asset or liability. Changes in fair value are presented in profit/(loss) for the year.
- *IFRS 8 Operating segments* - The amendments require an entity to disclose those factors used by Management to identify the entity's reportable segments when operating segments have been aggregated, including a description of the aggregated operating segments and economic indicators considered in determining whether these operating segments have "similar economic

characteristics". The amendments also clarify that the reconciliation between total assets of the operating segments and the total assets of the entity is provided only in the event that the total assets of the operating segments are regularly provided to the chief operating decision-maker ("CODM").

- *IFRS 13 Fair Value Measurement* – Amendments have been made to the *Basis for Conclusions* in order to clarify that short-term receivables and payables are still able to be measured on an undiscounted basis where the effect of discounting is immaterial.
- *IAS 16 Property, plant and equipment and IAS 38 Intangible assets* – The amendments have eliminated inconsistency in the recognition of accumulated depreciation where the revaluation method of a property, plant or equipment or an intangible asset is applied. The new requirements clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset, and that accumulated depreciation is equal to the difference between gross carrying amount and carrying amount, less subsequent depreciation.
- *IAS 24 Related Party Disclosures* – following the amendment to IAS 24, the IASB:
  - has extended the definition of "related party" to entities that provide within the group key management personnel services (these entities are usually named "management companies");
  - it has clarified that it is sufficient to provide the total amount of the cost charged by the management company without separately indicating each type of benefit that the management company has paid its employees.

Amendments to IFRS 11 Joint arrangements: The amendments, published by the IASB in May 2014 and approved by the EU in November 2015, provide clarification on the accounting of purchases of interests in a joint operation whose activity constitutes a business. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016.

Amendments to IAS 16 and IAS 38 Property, plant and equipment and Intangible assets: The amendments, published by the IASB in May 2014 and approved by the EU in December 2015, aim to clarify that depreciation criteria regarding property, plant and equipment, determined in accordance with revenue are not appropriate, as the revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of economic benefits that arise from the asset itself.

The IASB also clarified that revenue is not appropriate to measure the consumption of the economic benefits generated by an intangible asset. This presumption may, however, be overcome in limited circumstances. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016.

Amendment to IAS 27 Separate financial statements: The amendments to IAS 27, published in August 2014 and approved by the EU in December 2015, will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in the separate financial statements. The amendments are retrospectively applicable for financial statements beginning on or after 1 January 2016.

Improvements to IFRS: 2012-2014 Cycle: In September 2014, the IASB published "*Annual Improvements to IFRSs*: *2012-2014 Cycle*", approved by the EU in December 2015, which acknowledges the amendments to the standards as part of their annual improvement process. The amendments are applied to financial periods beginning on or after 1 January 2016.

The main amendments regard:

- *IFRS 5 Non-current assets held for sale and discontinued operations* – The amendment introduces specific guidance to IFRS 5 in case an entity reclassifies an asset (or disposal group) from held for sale to held-for-distribution (or vice versa), or when recognition of an asset held-for-distribution ceases.
- *IAS 19 Employee benefits* - The amendment to IAS 19 clarifies that high quality corporate bonds used to determine the discount rate of post-employment benefits must be issued in the same currency used in the payment of the benefits.
- *IAS 34 Interim financial reporting* - The amendment clarifies the requirements in the event that the disclosures required are presented in the interim financial report but not in the interim financial statements. The amendment requires that the disclosures be incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report and that the document be available to users of the financial statements on the same terms as the interim financial statements and at the same time.
- *IFRS 7 Financial instruments: disclosures* - The document introduces additional guidance to clarify whether a servicing contract constitutes a continuing involvement in a transferred asset for the purposes of applying these disclosure requirements to the transferred assets.

Amendment to IAS 1 Disclosure initiative: The amendments to IAS 1, published in December 2014 and approved by the EU in December 2015, are applied to financial periods beginning on or after 1 January 2016.

The main amendments regard:

- *Materiality and aggregation*: an entity must not reduce the understandability of its financial statements by obscuring useful information with irrelevant information or by aggregating relevant information that has different characteristics or function. Additional subtotals must be reconciled to the subtotal and totals required.

- *Information to be presented in the statement of financial position and of comprehensive income:* specific items of profit or loss, other comprehensive income and the statement of financial position can be disaggregated. Subtotals must: be made up of items recognized and measured in accordance with IFRS, be presented and labeled in order to make the components of the subtotal clear and understandable, and be consistent from period to period.
- *Statement of other comprehensive income for the year:* the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate form but separately from other comprehensive income, as a single item, based on whether the items will or will not subsequently be reclassified to profit or loss.
- *Notes – Structure:* the entity is free to decide the order of presentation in the financial statements, but must consider the effect on the understandability and comparability of its financial statements, emphasizing the most relevant operating segments for the understanding of its financial performance and financial position.

The application of these amendments had no effects on the figures of the half-year report at 30 June 2016.

2. Accounting standards, amendments and interpretations yet to be approved by the EU and applicable from annual periods after 1 January 2016

IFRS 15 - Revenue from contracts with customers: The standard, published by the IASB in May 2014, introduces a general model to determine whether, when and to what extent will revenue be recognized. The standard replaces the recognition criteria set out in IAS 18 - *Revenue*, IAS 11 - *Work in progress*, IFRIC 13 - *Customer Loyalty Programmes*, IFRIC 15 - *Agreements for the Construction of Real Estate*, IFRIC 18 - *Transfers of Assets from Customers*, and SIC-31 - *Revenue: Barter Transactions Involving Advertising Services.*

IFRS 15 applies to financial periods beginning on or after 1 January 2018 (following the amendment issued in September 2015, which extended the date of application one year later than originally planned on or after 1 January 2017); early application is allowed. On first-time application, IFRS 15 is applied retrospectively. Certain simplifications are, however, applicable ("practical expedients"), as well as a different approach ("cumulative effect approach") that avoids the restatement of annual periods presented in comparative information; in the latter case, the effects arising from the application of the new standard should be recognized in the initial equity of the first annual period for which IFRS 15 is applied. Following the amendment issued in April 2016, the IASB clarified a number of provisions and also provided further simplifications in order to reduce costs and complexity for first-time application of the new standard.

IFRS 9 – Financial instruments: The standard, published by the IASB in July 2014, supersedes IAS 39 - *Financial Instruments: Recognition and Measurement*. IFRS 9 introduces new provisions for the classification and measurement of financial instruments, including a new model for expected losses in the calculation of impairment losses on financial assets, and new general provisions for hedge accounting. It also includes provisions for the recognition and derecognition of financial instruments in accordance with the current IAS 39. The new standard will be applicable from 1 January 2018; early application is allowed. As a general rule, under IFRS 9, the standard must be applied prospectively, although certain exceptions are allowed.

Amendment to IFRS 10 Consolidated financial statements and IAS 28 Investments in associates and joint ventures: The amendment issued by the IASB in September 2014 highlights the changes to address an inconsistency in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the changes is that a full gain or loss is recognized when a transaction involves a business. With a further adjustment in December 2015, the IASB cancelled the previous date of first-time application set for 1 January 2016, deciding to determine it at a later date.

Amendment to IFRS 10, IFRS 12 and IAS 28 - Investment entities: consolidation exceptions: The amendments, published in December 2014, are applied retrospectively to annual periods beginning on or after 1 January 2016; early application is allowed.

The main amendments regard:

- *IFRS 10 Consolidated financial statements* – The amendments to the IFRS clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is, in turn, a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value.
- *IAS 28 Investments in Associates* - The amendment to IAS 28 allows a non-investment entity, when applying the equity method of accounting for its investment in an investment entity, to retain the fair value measurement applied by the investment entity to its investments in subsidiaries.
- *IFRS 12 Disclosure of interests in other entities* - The amendment to IFRS 12 clarifies that this standard does not apply to an investment entity that prepares its financial statements measuring all its subsidiaries at the fair value recognized in profit and loss.

IFRS 16 – Leases: In January 2016, the IASB published *IFRS 16 Leases.* The new standard provides a new definition of lease and introduces a criterion based on the control (right of use) of an asset to distinguish lease contracts from service contracts, identifying the following as discriminants: identification of the asset, right to replace the asset, right to substantially obtain all of the economic benefits resulting from the use of the asset, and right to direct the use of the asset underlying the contract. The standard introduces a single lessee accounting model, by which an asset under a lease, including an operating lease, is recognized in assets with an offsetting financial liability. The model also provides the possibility of not recognizing as leases those contracts regarding low-value assets and leases with a term of 12 months or less. Conversely, the standard introduces no material changes for the lessor.

The standard is applicable as of 1 January 2019; early adoption is allowed only for those companies that have applied IFRS 15 *Revenue from Contracts with Customers* in advance.

Amendment to IAS 12 - Recognition of deferred tax assets for unrealized losses: The amendment issued by the IASB in January 2016 aims to provide clarification on the recognition of deferred taxes on unrealized losses. The changes intend to specify the application of existing standards in IAS 12 to the issue in question. Specifically, the changes clarify that unrealized losses arising from the foregoing circumstances generate deductible temporary differences, regardless of the entity's decision to recover the carrying amount of the asset by holding the asset until maturity or through its disposal.

The changes clarify that when estimating taxable income for future years, the entity may assume that the asset value will be recovered at a higher amount than its carrying amount, only where the recoverability of such higher amount is likely (i.e., calculation of the debt instrument with collection of the contractual cash flows). All these facts and circumstances should be taken into consideration when an entity makes such an assessment. The changes apply as from 1 January 2017; early application is allowed.

Amendment to IAS 7 - Statement of Cash Flows: Disclosure Initiative: In January 2016, the IASB issued an amendment to IAS 7 "*Statement of cash flows*".

The amendment aims to provide clarification to improve disclosures on financial liabilities. Specifically, the changes require entities to disclose information that enables financial statement users to understand the changes in liabilities arising from financing operations, including changes resulting from currency movements and changes resulting from non-monetary movements.

The changes require entities to disclose information that enables financial statement users to understand the changes in liabilities (and any related assets) recognized in the statement of financial position, the cash flows of which are or will be recognized in the statement of cash flows as cash flows from financing activities. The changes apply as from 1 January 2017; early application is allowed. Entities need not provide comparative information relating to prior years.

Amendment to IFRS 2 - Classification and Measurement of Share-based Payment Transactions: In June 2016, the IASB published the changes to IFRS 2 *Classification and Measurement of Share-*

based Payment Transactions, which aim to clarify the classification of certain types of share-based payment transactions. The changes apply as from 1 January 2018; early application is allowed.

The Group will adopt these new standards, amendments and interpretations based on their date of application, and will assess the potential impacts following approval by the European Union.

Form and content of the financial statements

The **consolidated income statement** is presented by nature, highlighting interim operating results and pre-tax results, and in order to allow a better measure of ordinary operating management performance. Furthermore, cost and revenue components deriving from events or transactions which, by their nature or size are considered non-recurring, are also separately identified in the financial statements and the notes in accordance with the definition of non-recurring events and transactions held in Consob Communication No. 6064293 of 28 July 2006.

The economic effect of discontinued operations is shown in a single line of the income statement entitled "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, indicating, on two separate lines, "Assets held for sale" and "Liabilities associated with discontinued operations", in accordance with IFRS 5. Specifically, an asset or a liability is classified as current when it satisfies one of the following criteria:

- it is expected to be realized or settled or it is expected to be sold or utilized in the normal operating cycle of the company;

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

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

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

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

Furthermore in order to comply with Consob Resolution no. 15519 of 27 July 2006 relating to financial statements schedules, specific additional consolidated income statement, consolidated statement of financial position and consolidated statement of cash flows have been added highlighting significant related party transactions in order not to compromise the overall readability of financial statements schedules.

Scope of consolidation

The condensed half-year financial statements at 30 June 2016 include the financial statements of the Parent Cairo Communication S.p.A. and the following direct or indirect subsidiaries and associates:

Company	Head office	Share capital at 30/06/16 (€ thousands)	% of investment	Reporting date	Business	Consolidation method
Cairo Communication S.p.A.	Milan	4,074		31/12	Advertising	Full
Cairo Editore S.p.A.	Milan	1,043	99.95	31/12	Publishing	Full
Diellesei S.r.l. in liquidation	Milan	10	60	31/12	In liquidation	Full re assets and liabilities (*)
La7 S.p.A.	Rome	1,020	100	31/12	TV publishing	Full from 30 April 2013
Cairo Pubblicità S.p.A.	Milan	2,818	100	31/12	Advertising	Full
Cairo Network S.r.l.	Milan	5,500	100	31/12	Network operator	Full
Cairo Publishing S.r.l.	Milan	10	100	31/12	Publishing	Full
Il Trovatore S.r.l.	Milan	25	80	31/12	Internet	Full
Edizioni Anabasi S.r.l.	Milan	10	99.95	31/12	Publishing	Full

(*) the income statement is consolidated on a single line basis in profit/(loss) from discontinued operations

In 2016, there were no changes to the scope of consolidation from the consolidated financial statements for the year ended 31 December 2015.

As explained in the Interim Management Report, to which reference should be made for further information, following the close of the reporting period, subsequent to the launch of the voluntary public purchase and exchange offer, Cairo Communication acquired control of RCS MediaGroup ("RCS"). A total of no. 311.5 million RCS shares, equal to 59.69% of the RCS share capital, had been tendered to the offer, for a total consideration of no. 56 million Cairo Communication shares and Euro 77.9 million in cash. RCS and its subsidiaries will be included in the scope of consolidation of Cairo Communication.

NOTES TO THE CONSOLIDATED INCOME STATEMENT

Regarding the items of the consolidated income statement, here are the main components of cost and revenue for the half-year ended 30 June 2016. The comparative figures refer to the half-year financial report at 30 June 2015.

1. Revenue

In order to provide a more detailed view, and in consideration of the specific features of the sector, gross operating revenue, advertising agency discounts and net operating revenue are analyzed as follows:

	Half-year at 30/06/2016	**Half-year at 30/06/2015**
Gross operating revenue	129,448	127,441
Advertising agency discounts	(12,676)	(12,449)
Net operating revenue	**116,772**	**114,992**

Revenue is generated almost exclusively in Italy and an analysis by geographical area is pointless. An analysis of revenue by operating segment is provided in Note 13.

Gross revenue can be analyzed as follows:

Description	Half-year at 30/06/2016	Half-year at 30/06/2015
TV advertising	76,050	74,917
Print media advertising	13,553	12,949
Stadium signage	1,436	1,691
Internet advertising	787	383
Revenue from sale of programming schedule space	602	594
Other TV revenue	576	561
Magazine over-the-counter sales	35,338	35,168
Subscriptions	1,392	1,434
Other revenue	70	325
Books and catalogues	289	50
VAT relating to publications	(645)	(631)
Total gross operating revenue	**129,448**	**127,441**

In 1H16:

- the excellent circulation results were confirmed, with revenue increasing to Euro 35.3 million versus Euro 35.2 million in 1H15;
- TV advertising revenue, amounting to Euro 76.1 million (Euro 74.9 million in 1H15), includes gross advertising sales on La7 and La7d channels, which amounted to Euro 75.5 million (Euro 74.2 million in 2015);
- gross advertising revenue on Group publications amounted to Euro 13.3 million (Euro 12.6 million in 1H15).

"Operating revenue" also includes the consideration of Euro 50 thousand from Torino Football Club S.p.A., a subsidiary of UT Communications - parent of Cairo Communication S.p.A. - for administrative services provided, disclosed in Note 24 on related-party transactions.

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2. Other revenue and income

"Other revenue and income", amounting to Euro 4,022 thousand (Euro 5,570 thousand at 30 June 2015), consists of revenue from pulp and paper sales, prior-year income and release of risk provisions, charging of technical advertising costs and other items of revenue other than operating revenue.

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3. Change in inventory of finished goods

The item amounts to Euro -75 thousand (Euro -11 thousand at 30 June 2015), arising from the use of items sold during the ordinary course of business by Cairo Editore and Cairo Publishing.

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4. Raw materials, consumables and supplies

Raw materials, consumables and supplies refer mainly to the activities of Cairo Editore, Cairo Publishing and La7 and include the main items:

Description	**Half-year at 30/06/2016**	**Half-year at 30/06/2015**
Paper	10,116	9,654
Set design materials	55	20
Equipment and sundry materials	218	293
Change in inventory of paper, equipment, TV programmes and the like	(33)	426
Total raw materials, consumables and supplies	**10,356**	**10,393**

The change in inventory, amounting to Euro -33 thousand, refers to:

- Euro -300 thousand for the change in inventory of in-house TV programmes of La7 S.p.A. or programmes purchased externally and yet to be aired, rights on films, soaps and the like and related ancillary costs within one year and yet to be aired;
- Euro 267 thousand for the change in inventory of paper and other consumables of Cairo Editore S.p.A.

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5. Services

As shown in the following chart, this item mainly comprises advertising concessionaire direct costs, external processing, consultancies and collaborations mainly for bordereau, TV costs, promotion costs, organization costs and overheads, and can be analyzed as follows:

Description	Half-year at 30/06/2016	Half-year at 30/06/2015
Direct brokerage costs	6,172	6,540
Technical costs	681	450
Consultancies and collaborations	6,883	6,618
External processing	8,473	8,097
Sub-contracted TV programmes	14,291	12,137
Professional and artistic services and other TV consulting	5,023	5,057
Shooting, crew, editing, and outdoor TV activities	581	543
News and sport information services and TV news agency	879	851
TV broadcasting services	6,949	6,450
TV artwork	259	271
Outdoor TV links	565	481
Advertising and promotion	4,459	2,814
Organization costs and overheads	6,940	6,883
Total services	**62,155**	**57,192**

"Direct brokerage costs" also includes Euro 1,096 thousand of Torino Football Club S.p.A., a subsidiary of U.T. Communications S.p.A., under the advertising concession agreement with Cairo Pubblicità S.p.A. as explained in Note 24 to related-party transactions.

"Advertising and promotion" includes costs of Euro 0.1 million and Euro 1.1 million incurred for the launch of "Nuovo e Nuovo TV Cucina" and "Enigmistica Più", for a total of Euro 1.2 million.

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6. Use of third-party assets

The item amounts to Euro 6,585 thousand at 30 June 2016 (Euro 13,707 thousand at 30 June 2015) and mainly includes lease payments for property, rental and hire fees in the TV segment, rental fees for TV studio equipment and royalties for copyrights.

Description	Half-year at 30/06/2016	Half-year at 30/06/2015
Lease payments for property	1,730	1,740
Rental of TV studios	238	316
Rental fees for TV studio equipment	260	531
TV programme rights	512	7,045
Sport rights	75	20
Journalistic rights	1,501	1,481
Other copyrights (SIAE, IMAIE, SCF, AFI)	1,494	1,906
Royalty expense and sundry rights	367	306
Other costs for use of third-party assets	408	362
Total costs for use of third-party assets	**6,585**	**13,707**

In the six months ended 30 June 2015, "TV programme rights" mainly included costs related to "Servizio Pubblico", broadcast until June 2015.

7. Personnel expense

The item can be analyzed as follows:

Description	Half-year at 30/06/2016	Half-year at 30/06/2015
Wages and salaries	23,765	22,244
Social security charges	8,263	7,410
Post-employment benefits	581	545
Other expense	85	225
Total	**32,694**	**30,424**

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8. Amortization, depreciation, provisions and impairment losses

This item can be analyzed as follows:

Description	Half-year at 30/06/2016	Half-year at 30/06/2015
Amortization of intangible assets and depreciation of property, plant and equipment	4,610	3,065
Allowance for impairment	225	407
Other provisions	20	101
Total amortization, depreciation, provisions and impairment losses	**4,855**	**3,573**

The increase in “amortization and depreciation” is attributable to the amortization of television rights acquired by La7 effective from 1 May 2013.

Mention should be made that the acquisition of La7 S.p.A. had been accounted for under IFRS 3, applying the so-called "acquisition method", taking into account the future income capacity of La7 S.p.A. at the acquisition date.

This approach had resulted in the full write-down of non-current assets at the date of acquisition of La7, consisting primarily of TV broadcasting rights, and specific technical equipment, whose value was deemed unrecoverable in view of the income prospects of La7 at the acquisition date. In 1H16, as a result of impairments made in the allocation of the purchase price of the investment in La7 S.p.A. in the consolidated financial statements, with respect to the separate financial statements of La7 S.p.A., lower levels of depreciation of "property, plant and equipment" - Euro 846 thousand - and amortization of “intangible assets” - Euro 2,270 thousand - were recognized (Euro 1,242 thousand and Euro 4,860 thousand in 1H15).

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9. Other operating costs

“Other operating costs”, amounting to Euro 987 thousand (Euro 770 thousand at 30 June 2015), relate mainly to sundry tax and contingent liabilities.

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10. Net financial income

“Net financial income” is composed as follows:

Description	**Half-year at 30/06/2016**	**Half-year at 30/06/2015**
Financial income	455	571
Financial charges	(143)	(172)
Total	**312**	**399**

Financial income includes interest on fixed-term deposits in current accounts and on treasury bank accounts used to employ liquidity.

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11. Income tax

This item can be analyzed as follows:

Description	Half-year at 30/06/2016	Half-year at 30/06/2015
IRES	(1,359)	(667)
IRAP	472	199
Deferred tax income	236	(111)
Total current and deferred income tax	**(651)**	**(579)**

The tax charge for the period considers the estimated benefit arising from the tax loss pertaining to La7 S.p.A.

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12. Loss from discontinued operations

This includes the net loss of Diellesei S.r.l. in liquidation, whose impact on the Group's income statement, statement of financial position and cash is irrelevant.

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13. Segment reporting

For a clearer understanding of the Group's economic performance, the analysis is focused on the results achieved in 1H16 by each business segment, which has been identified, in compliance with IFRS 8 – *Operating segments*, based on internal reporting which is regularly examined by the directors. The Group is organized in business units, each in turn structured around specific products and services, and has five reportable business segments:

- **magazine publishing**, the Group operates as a publisher of magazines and books through its subsidiaries Cairo Editore - which incorporated Editoriale Giorgio Mondadori in 2009 and publishes weeklies "Settimanale DIPIU'", "DIPIU' TV", "Diva e Donna", "TV Mia" and supplements "Settimanale DIPIU' e DIPIU'TV Cucina e Stellare", "Settimanale Nuovo", "F" "Settimanale Giallo", "Nuovo TV", "Nuovo e Nuovo TV Cucina" and "Enigmistica Più", and monthlies "For Men Magazine", "Natural Style", "Bell'Italia", "Bell'Europa", "In Viaggio", "Airone", "Gardenia", "Arte" and "Antiquariato" - and Cairo Publishing, publisher of books;
- **advertising**, the segment managed by Cairo Communication and Cairo Pubblicità, which work together in advertising sales in print media for Cairo Editore and Editoriale Genesis ("Prima Comunicazione"), on TV for La7 and La7d, and Turner Broadcasting (Cartoon Network, Boomerang, CNN), on the Internet and for the sale of stadium advertising spaces at the "Olimpico" football pitch in Turin for Torino FC;
- **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 S.r.l. 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 for the development and maintenance of the Internet platforms of the Group's companies.

No combinations were made for the definition of reportable business segments.

2016 **(Half-year)** (€ thousands)	**Magazine Publishing**	**Advertising**	**TV publishing La7**	**Trovatore**	**Network operator (Cairo Network)**	**Intra-group and unallocated**	**Total**
Gross operating revenue	46,639	88,724	54,780	496	470	(61,661)	129,448
Advertising agency discounts	-	(12,676)	-	-	-	-	(12,676)
Net operating revenue	**46,639**	**76,048**	**54,780**	**496**	**470**	**(61,661)**	**116,772**
Change in inventory	(75)	-	-	-	-	-	(75)
Other income	1,389	382	2,199	1	51	-	4,022
Total revenue	**47,953**	**76,430**	**56,979**	**497**	**521**	**(61,661)**	**120,719**
Production cost	(31,694)	(70,587)	(38,547)	(422)	(494)	61,661	(80,083)
Personnel expense	(9,971)	(4,240)	(18,385)	(23)	(75)	-	(32,694)
Gross operating profit (EBITDA)	**6,288**	**1,603**	**47**	**52**	**(48)**	**-**	**7.942**
Amortization, depreciation, provisions and impairment losses	(569)	(124)	(4,162)	-	-	-	(4,855)
EBIT	**5,719**	**1,479**	**(4,115)**	**52**	**(48)**	**-**	**3,087**
Income (loss) on investments	-	-	-	-	-	-	-
Net financial income	(8)	24	298	(1)	(1)	-	312
Pre-tax profit	**5,711**	**1,503**	**(3,817)**	**51**	**(49)**	-	**3,399**
Income tax	(2,026)	(725)	3,411	(19)	10		651
Profit from continuing operations attributable to the owners of the parent	**3,685**	**778**	**(406)**	**32**	**(39)**	**-**	**4,050**
Profit / (loss) from discontinued operations	-	-	-	-	-	(1)	(1)
Profit for the period	**3,685**	**778**	**(406)**	**32**	**(39)**	**(1)**	**4,049**
Non-controlling interests	-	-	-	7	-	-	7

2015 (Half-year) (€ thousands)	Magazine Publishing	Advertising	TV publishing La7	Trovatore	Network operator (Cairo Network)	Intra-group and unallocated	Total
Gross operating revenue	46,005	87,307	53,907	456	-	(60,234)	127,441
Advertising agency discounts	-	(12,449)	-	-	-	-	(12,449)
Net operating revenue	**46,005**	**74,858**	**53,907**	**456**	**-**	**(60,234)**	**114,992**
Change in inventory	(11)	-	-	-	-	-	(11)
Other income	923	415	4,227	2	3	-	5,570
Total revenue	**46,917**	**75,273**	**58,134**	**458**	**3**	**(60,234)**	**120,551**
Production cost	(29,472)	(69,748)	(42,687)	(365)	(24)	60,234	(82,062)
Personnel expense	(9,744)	(3,631)	(16,967)	(41)	(41)	-	(30,424)
Gross operating profit (EBITDA)	**7,701**	**1,894**	**(1,520)**	**52**	**(62)**	**-**	**8,065**
Amortization, depreciation, provisions and impairment losses	(482)	(327)	(2,763)	-	(1)	-	(3,573)
EBIT	**7,219**	**1,567**	**(4,283)**	**52**	**(63)**	**-**	**4,492**
Income (loss) on investments	-	-	-	-	-	-	-
Net financial income	(5)	62	338	4	-	-	399
Pre-tax profit	**7,214**	**1,629**	**(3,945)**	**56**	**(63)**	**-**	**4,891**
Income tax	(2,479)	(703)	3,750	(6)	17	-	579
Profit from continuing operations attributable to the owners of the parent	**4,735**	**926**	**(195)**	**50**	**(46)**	**-**	**5,470**
Profit / (loss) from discontinued operations	-	-	-	-		-	-
Profit for the period	**4,735**	**926**	**(195)**	**50**	**(46)**	**-**	**5,470**
Non-controlling interests	-	-	-	10	-	-	10

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 sectors are established based on market conditions applicable in transactions with third parties.

In accordance with the Improvement of IFRS 8 – *Operating segments*, total assets for each reportable segment are no longer provided, as they are not usually reviewed periodically by the chief operating decision-maker.

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14. Earnings per share

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

Description	Half-year at 30/06/2016	Half-year at 30/06/2015
€ thousands:		
Profit from continuing operations	4,050	5,470
Profit / (loss) from discontinued operations	(1)	-
Profit for the period (€ thousands)	**4,049**	**5,470**
Weighted average number of shares outstanding	78,343,400	78,343,400
Weighted average number of treasury shares	(779)	(779)
Weighted average number of shares to calculate earnings per share	**78,342,621**	**78,342,621**
€ thousands:		
Earnings per share attributable to continuing operations	0.052	0.070
Earnings / (loss) per share attributable to discontinued operations	0.000	0.000
Net earnings per share	**0.052**	**0.070**

NOTES TO THE STATEMENT OF FINANCIAL POSITION

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

15. Property, plant and equipment

The movements in PPE can be analyzed as follows:

Description	Property	Plant and equipment	Other assets	Assets under developme nt	Total
Carrying amount at 31/12/2015	**1,240**	**649**	**1,191**	**-**	**3,080**
Additions	-	38	74	-	112
Amortization/Depreciation	(21)	(81)	(150)	-	(252)
Carrying amount at 30/06/2016	**1,219**	**606**	**1,115**	**-**	**2,940**

In 1H16, due to the impairment of fixed assets made in 2013 in the allocation of the purchase price of the investment in La7 with respect to the separate financial statements of La7, lower depreciation was recognized on "property, plant and equipment" in the amount of Euro 846 thousand (Euro 1,242 thousand in 1H15).

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16. Intangible assets

The movements in intangible assets can be analyzed as follows:

Description	Television rights	Concessions, licenses and trademarks	Goodwill	Publication titles	Assets under development	Total
Carrying amount at 31/12/2015	**14,326**	**1,069**	**7,198**	**748**	**37,577**	**60,918**
Additions	2,852	158	-	-	1,186	4,196
Amortization/Depreciation	(3,807)	(417)	-	(133)	-	(4,358)
Carrying amount at 30/06/2016	**13,372**	**810**	**7,198**	**615**	**38,763**	**60,756**

In 1H16, due to the impairment of intangible assets made in 2013 in the allocation of the purchase price of the investment in La7 with respect to the separate financial statements of La7, lower depreciation was recognized on "intangible assets" in the amount of Euro 2,270 thousand (Euro 4,860 thousand in 1H15).

Assets under development

"Assets under development" refers primarily to the rights to use TV frequencies for digital terrestrial broadcasting systems (Euro 31.6 million, in addition to ancillary charges of Euro 4.7 million, which include financial charges of Euro 0.8 million), acquired in 2014 by the Group company Cairo Network S.r.l. These rights - for a period of 20 years – refer to the 2-SFN multiplex on channels 25 and 59 ("mux").

The amortization of the rights to use the frequencies will start once the mux will be ready for use.

"Assets under development" also includes TV rights to be exploited in future years.

Television rights

This item includes the investments made by La7 in registration rights (with a duration of over 12 months) for the broadcasting of films, series and soaps.

Goodwill

This item refers to the excess of the purchase price over the percentage attributable to the Group of the fair value of assets, liabilities and identifiable contingent liabilities of a number of subsidiaries at their date of acquisition, net of related accumulated amortization at 30 September 2004, as the Group chose to adopt the exemption provided under IFRS 1 not to apply IFRS 3 retrospectively to transactions which took place prior to the date of transition to IAS/IFRS.

The item includes goodwill from each of the Group's cash generating units (CGU): approximately Euro 4.7 million for publishing, approximately Euro 2.3 million for advertising and approximately Euro 0.2 million for Il Trovatore.

The Directors have verified the absence of indicators of impairment losses during the period and have therefore not considered it necessary that any of these assets be subject to impairment testing.

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17. Investments and non-current assets

The movement in this item can be analyzed as follows:

Description (€ thousands)	**Carrying amount at 31/12/2015**	**Write-ups**	**Impairment losses**	**Carrying amount at 30/06/2016**
Auditel S.r.l.	46	-	-	46
Other	16	-	-	16
Total other investments	**62**	**-**	**-**	**62**

Non-current financial assets amounted to Euro 953 thousand at 30 June 2016 (Euro 1,640 thousand at 31 December 2015), Euro 683 thousand (Euro 1,344 thousand at 31 December 2015) of which refer to the fair value of financial instruments to hedge exchange risks (forward currency purchases coinciding with schedules of contractual payments due) used by La7 to purchase TV rights from film companies.

The residual amount of Euro 270 thousand (Euro 296 thousand at 31 December 2015) refers mainly to loans to La7 employees.

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18. Deferred tax assets

Deferred tax assets, amounting to Euro 4,391 thousand at 30 June 2016 (Euro 4,186 thousand at 31 December 2015), refer to the recognition of deferred tax assets on the temporary differences between the carrying amounts of recognized assets and liabilities and their tax amounts.

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19. Working capital

Details on this item can be analyzed as follows:

Description	30/06/2016	31/12/2015	Change
Inventory	3,098	3,141	(43)
Trade receivables	76,536	78,539	(2,003)
Receivables from parents	5,668	3,167	2,501
Other receivables and other current assets	5,482	5,297	185
Trade payables	(85,752)	(82,382)	(3,370)
Payables to parents	(2,183)	(818)	(1,365)
Tax liabilities	(3,673)	(3,560)	(113)
Other current liabilities	(20,592)	(20,822)	230
Total working capital	**(21,416)**	**(17,438)**	**(3,978)**

Inventory is composed of:

- Euro 2,499 thousand relating to inventory of Cairo Editore S.p.A. and Cairo Publishing S.r.l. of raw materials, mainly paper, work in progress and finished products, mainly books. Inventory is stated net of the provision for inventory write-down of Euro 583 thousand (Euro 659 thousand at 31 December 2015);
- Euro 599 thousand relating to the inventory of La7 S.p.A. of TV programmes produced and awaiting to be aired at 30 June 2016, and to rights on films, soaps, cartoons and documentaries, acquired for a period of less than 12 months, whose available right has not exhausted and for which airing time during the next financial year is available.

Trade receivables are stated net of the allowance for impairment of Euro 7,813 thousand (Euro 9,196 thousand at 31 December 2015). The allowance increased over the period by Euro 225 thousand and decreased following utilization of Euro 1,608 thousand. The allowance takes account of both specific collection risks and a general risk of non-collectability based on the ordinary trend of company operations.

Parent receivables and payables of Euro 5,668 thousand and Euro 2,183 thousand, respectively, refer mainly to receivables from (Euro 5,609 thousand) and payables to (Euro 2,183 thousand) the parent UT Communications S.p.A., and arise from the national tax consolidation scheme, which Cairo Communication and its subsidiaries Cairo Editore, Cairo Pubblicità, Diellesei in liquidation, La7, Cairo Network and Cairo Publishing have agreed to participate in, as explained in Note 24 to related-party transactions.

Other receivables and other current assets, which include mainly tax credit, inclusive of advance payments and prepayments and accrued income, amounted to Euro 5,482 thousand, increasing by Euro 185 thousand versus 31 December 2015.

Trade payables amounted to Euro 85,752 thousand, increasing by Euro 3,370 thousand versus 31 December 2015, and refer entirely to the current year.

Other current liabilities amounted to Euro 20,592 thousand at 30 June 2016, decreasing by Euro 230 thousand versus 31 December 2015, and mainly include advance payments received from clients for new magazine subscriptions, payables to personnel for holiday pay and salary accruals and accrued expenses and deferred income.

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20. Non-current and non-financial assets and liabilities

Post-employment benefits

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

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

	30/06/2016	31/12/2015
Opening balance	**13,315**	**13,398**
Provisions	102	200
Interest expense	108	196
Profit (loss) from actuarial valuations	339	38
Utilization/other movements	(338)	(517)
Closing balance	**13,526**	**13,315**

Provisions for risks and charges

The provisions for risk and charges include:

Description	31/12/2015	Increases	Utilizations	30/06/2016
Pension and similar provision	1,318	-	(41)	1,277
Provision for publishing returns	420	158	(420)	158
Provision for liquidation	63	-	-	63
Provisions for future risks and charges recognized under the purchase price allocation of La7 S.r.l.	17,906	-	(1,147)	16,759
Provision for other risks and charges	8,951	20	(1,148)	7,823
Grand total	**28,658**	**178**	**(2,756)**	**26,080**

The item “Provision for other risks and charges", amounting to Euro 7,823 thousand, mainly includes provisions for risks and charges of La7 for pending litigation with social security institutions, leased staff and employees. The item also includes funds for future expenses set aside to cover the risk arising from claims for damages originated during the production and airing of TV programmes.

Mention should be made that in 2013, in the purchase price allocation of La7 S.p.A., a negative fair value had been given, setting aside appropriate “provisions for future risks and charges recognized in the purchase price allocation of La7”, 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.

21. Net financial position

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

Description	30/06/16	31/12/15	Change
Cash and cash equivalents	113,969	125,776	(11,807)
Bank loans	(17,500)	(20,000)	2,500
Total	**96,469**	**105,776**	**(9,307)**

As shown in the consolidated cash flow statement, the change in the net financial position versus 31 December 2015 is mainly due to the distribution of dividends approved by the Shareholders’ Meeting on 27 April 2016 (0.20 Euro per share, for a total of Euro 15.7 million).

The bank loan of Euro 17.5 million granted by Unicredit S.p.A. and used by Cairo Network to pay part of the rights of use of the TV frequencies, is secured by a guarantee issued by the parent Cairo Communication. The loan agreement contains a number of financial covenants checked annually on the Cairo Communication Group: debt cover (i.e., net financial debt/EBITDA ratio), required to be less than or equal to 1.75, and leverage (net financial debt/equity), required to be less than or equal to 1. The loan agreement also contains a number of commitments. Breach of the commitments and/or financial covenants may result in termination of the loan agreement. At 30 June 2016, the covenants had been met.

The current financial covenants contained in the loan agreement, following the consolidation of the RCS Group in Cairo Communication, are expected not to be met at 31 December 2016. Accordingly, Cairo Communication will need to renegotiate the terms of the loan with the lending bank or make an early repayment.

As explained in the Directors' Report, in connection with the acquisition of the control of RCS, in July 2016 Cairo Communication signed a revolving loan agreement with Intesa Sanpaolo for a maximum amount of Euro 140 million (Euro 64 million drawn down at the date of preparation of these notes) to be used for payment of the cash component of the Offer, and for more general business purposes. The credit facility has a duration of 60 months, and does not require any collateral or financial covenants.

It is Group policy to invest available cash in on-demand or short-term bank deposits, properly spreading the investments, essentially in banking products, with the prime objective of maintaining a ready liquidity of the said investments. The investment products are selected on the basis of their credit rating, their reliability and the quality of services rendered.

22. Consolidated equity

At 30 June 2016, consolidated equity was Euro 104,309 thousand, including profit for the period.

The share capital of Cairo Communication S.p.A., Euro 4,074 thousand at 30 June 2016, is made up of no. 78,343,400 ordinary shares.

At their Meeting on 27 April 2016, the shareholders approved the distribution of a dividend of 0.2 Euro per share, inclusive of tax. The balance of the dividend, amounting to Euro 15.7 million, was distributed with detachment date on 9 May 2016.

In 1H16, as part of the share buy-back plans, no treasury shares were bought or sold. At 30 June 2016, Cairo Communication held a total of no. 779 residual treasury shares, subject to art. 2357 ter of the Italian Civil Code.

In the frame of the voluntary public purchase and exchange offer launched by Cairo Communication S.p.A., under art. 102 and art. 106, par. 4, of Legislative Decree no. 58 of 24 February 1998, on the total ordinary shares with no par value issued by RCS, in order to pay the share component of consideration to the RCS shareholders who accepted the Offer, the Extraordinary Meeting of Cairo Communication held on 18 July 2016 resolved on:

- the divisible share capital increase in cash, to be performed on one or more separate occasions and in different tranches, excluding the pre-emption right, pursuant to art. 2441, par. 4, first sentence, of the Italian Civil Code, to be executed by 31 December 2016, up to a maximum of Euro 366.6 million (including the share premium), specifically for a maximum par value of Euro 5.4 million and a maximum share premium of Euro 361.1 million, through the issue of a maximum of no. 104,372,991 Cairo Communication ordinary shares, with no indication of the par value, with regular dividend entitlement and the same characteristics as the outstanding Cairo Communication ordinary shares, payable by contribution in kind of RCS ordinary shares tendered to the offer under the terms and conditions of the voluntary public purchase and exchange offer launched by the Company on the total RCS shares (the "Offer");

- granting the Board of Directors, pursuant to art. 2443 of the Italian Civil Code, the powers to perform a divisible share capital increase in cash on one or more separate occasions, excluding the pre-emption right, pursuant to art. 2441, par. 4, second sentence, of the Italian Civil Code, for a maximum amount of Euro 70 million (including the share premium). Specifically, the share capital may be increased by a number of ordinary shares up to 10% of the total number of ordinary shares outstanding on the date of a possible exercise of the above powers. The shares arising from the share capital increase may be offered for subscription with payment in cash to shareholders and to third parties, including institutional investors or strategic partners, and/or to service the issue of financial instruments (including, by way of example, equity-linked bonds) which entitle the subscription of Cairo Communication shares and/or which provide for or allow the conversion into Cairo Communication shares. Granting of the above powers is intended to provide the Board of Directors with suitable means to strengthen the capital of Cairo Communication, in order to also meet the financial requirements that may arise from the acquisition of the control of RCS. For such purpose, under the resolution, the Board of Directors may exercise such powers within one year from the date of the Shareholders' Meeting held on 18 July 2016. The timing to exercise such powers, as well as the terms and conditions of the possible issues, will be disclosed to the market in accordance with law and regulations;
- the amendment of art. 6 and art. 13 of the bylaws in order to introduce the increased voting right system, under art. 127-*quinquies* of Legislative Decree no. 58/98. Specifically, the system will grant two voting rights for each Cairo Communication ordinary share held by the same Company shareholder for a continuous period of at least 24 months from registration in a specific special list, created and kept by the Company at its registered office.

On 22 July 2016, the first tranche of the share capital increase was performed, in order to pay the share component of consideration (consisting of no. 0.18 Cairo Communication shares, in addition to Euro 0.25 payable in cash for each RCS share tendered) to those RCS shareholders who had accepted the Offer during the acceptance period. Cairo Communication issued no. 45.9 million Cairo Communication shares with no par value for the no. 254.8 million RCS shares tendered at the end of the acceptance period, granted to those RCS shareholders who had accepted the Offer.

On 4 August 2016, the second tranche of the share capital increase will be performed, in order to pay the share component of consideration (consisting of no. 0.18 Cairo Communication shares, in addition to Euro 0.25 payable in cash for each RCS share tendered) to those RCS shareholders who had accepted the Offer during the acceptance period from 22 July 2016 through 28 July 2016. Cairo Communication will grant no. 10.2 million newly-issued Cairo Communication shares with no par value to those RCS shareholders who have accepted the Offer for the no. 56.7 million RCS shares tendered at the end of the acceptance period.

23. Other information

The main guarantees given by third parties to the Cairo Communication Group amounted to Euro 2,612 thousand and are attributable to guarantees issued by bank and insurance institutes.

The agreements reached in the purchase of the entire share capital of La7 also included a long-term agreement between La7 and Telecom Italia Media Broadcasting S.r.l. (TIMB) for the supply of transmission capacity that provides, among other things, the issue by Cairo Communication of a parent company guarantee to cover the payment obligations undertaken by La7, for a maximum amount of Euro 6,558 thousand (including VAT) per year. La7 exercised the right to withdraw from the agreement effective from 1 January 2017.

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 provide, among other things, for:

- a transitional phase, which will see the realization and start-up of the mux and the initial operations, which will run from the date the agreements were signed to 31 December 2017, 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 at full performance of at least 94% of the population, in line with national muxs with greater coverage;
- consideration to EIT:
    - during the transitional phase (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 16.3 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 4 million, in the event that the available bandwidth on the mux is not fully used by Cairo Network.

With regard to the Automatic Numbering Plan, the numbers currently in use (7 for La7 and 29 for La7d) are those assigned by the Ministry of Economic Development in 2010, under AGCOM resolution 366/2010/CONS. The Resolution had been challenged by Telenorba and other local broadcasters, with partial annulment specifically regarding the assignment of numbers 7-8 and 9 by the Council of State through ruling 4660/12.

On 21 March 2013, the Communications Authority (AGCOM) unanimously approved the New Automatic Numbering Plan for digital terrestrial television (LCN) by Decision 237/13/CONS. The decision confirmed, for national traditional broadcasters, the assignment of numbers 0-9 of the first block of LCN numbering (see p. 39-40 and 44 of AGCOM Decision no. 237/13/CONS).

Deeming that the New Plan evaded the Council of State's ruling (given that it confirmed assignment to the national traditional broadcasters of numbers 0-9 in the first block of LCN numbering), Telenorba filed an appeal for compliance with ruling no. 4660/12. The appeal was upheld by the Council of State (ruling no. 6021 of 16 December 2013), which declared the New Numbering Plan void (pursuant to Resolution 237/2013) for numbers from 8 to 9, and appointed a special commissioner tasked with verifying the correct assignment of numbers from 8 to 9 within 90 days from the beginning of the proceedings, which started on 24 February 2014. However, since the partial annulment of the previous Plan initially included number 7, on initiation of the procedure, the special commissioner - inappropriately in the opinion of La7 - also referred to number 7, which instead, under the ruling, is not subject to verification by the Commissioner. AGCOM has in the meantime re-extended the previous Plan (based on current assignments), as also suggested in the State Council's ruling, in order to avoid a regulatory void.

In execution of ruling no. 6021, the Special Commissioner launched a public consultation on an outline provision named "Automatic numbering plan of digital terrestrial free-to-air and pay TV channels, procedures for allocating numbers to providers of audiovisual services authorized to broadcast audiovisual content using digital terrestrial technology and relating conditions of use." Telenorba, All Music and AGCOM have challenged the acts adopted by the Commissioner, lodging enforcement reviews and claims before the State Council (the court of compliance), arguing that the Commissioner had exceeded the requirements of ruling no. 6021 of 2013.

Following orders no. 5041, 5127 and 5859 of 2014 and no. 27 of 2015, under which the Council of State has given the Commissioner certain regulations to discharge the task, the Commissioner adopted a new outline provision (no. 7 of 2015), accompanied by an explanatory report.

With such orders, deeming his task completed, the Commissioner stated that Lcn numbers 7, 8 and 9 established by AGCOM in the first plan of 2010 (Resolution no. 366/2010/CONS) should be confirmed. Specifically, the Commissioner determined that: a) in light of user preferences and habits at the time of the switch-off, numbers 7, 8 and 9 were to be assigned to a national broadcaster; b) in March 2010, seven national private commercial analogue broadcasters and three public channels were in operation (including

La7); c) 9 broadcasters had a generalist schedule (including La7).

Telenorba lodged a complaint with the Council of State requesting the annulment of or a declaration of invalidity and/or ineffectiveness of the Special Commissioner's Resolution No. 7 of 2015, and relating annexes (and of any other resolutions adopted by the Commissioner to the extent that Telenorba is concerned). All Music also lodged a complaint against the resolution and the report recently adopted by the Commissioner.

Through sentence no. 432 of 2016, the Council of State ruled for the fairness of the Commissioner's provision, specifically on the point where all three positions - 7, 8, 9 - were to be assigned to national, not local, broadcasters, and confirmed that Telenorba, as a local broadcaster, had no entitlement to be assigned any such positions.

Through concurrent ruling no. 1836 of 2016, the joint session of the Court of Cassation overturned ruling no. 6021 of 2013 of the Council of State (which, as explained, had annulled AGCOM's 2013 Plan and had appointed the Commissioner), owing to violation of the outer limits of administrative jurisdiction.

Additionally, Telenorba has applied for the revision of ruling no. 432 of 2016 of the Council of State. Telenorba submits that the Council of State has committed an error in fact, which justifies an application for revision, as it failed to rule on the grounds for complaint - against the acts adopted by the Commissioner - regarding the classification as a generalist TV of MTV in 2010, which would be contrary to the ruling and to all the supplementary documents submitted in the course of the proceedings. The hearing to discuss the above appeal was held on 28 July 2016 and the case was adjourned for judgment.

To date, it is difficult to predict the effects of the Court of Cassation's ruling on AGCOM activities (and the Commissioner's), especially with regard to the effectiveness of AGCOM resolutions no. 366/2010/Cons and no. 237/13/Cons, as well as the outcome of the application for revision filed by Telenorba against the Council of State's ruling no. 432 of 2016.

In any case, in the opinion of La7 and its legal advisers, further assessments on number 7 are unlikely to be made, nor will the allocation of this number to La7 be revoked.

As the result of a VAT audit performed on Cairo Communication S.p.A., in its report, the Guardia di Finanza (the Italian Tax Police) identified some findings for 2002 and subsequent years (2003, 2004, 2005 and 2006) relating to the application if any of VAT on dealing rights charged to media centres, which were subsequently included in the final audit reports, which the Company has challenged.

For the periods 2002, 2003, 2004 and 2005, the Provincial Tax Commission of Milan has ruled in favour of the Company's appeals. The Agenzia delle Entrate (Italian Tax Authorities) has filed an appeal with the Regional Tax Commission of Milan against these decisions. In April 2010, the Regional Tax Commission of Milan ruled in favour of the Agency's appeal regarding 2002, and in October 2011 also regarding the years 2003, 2004 and 2005, on questionable grounds. Cairo Communication has already appealed to the Court of Cassation against the judgment regarding 2002, for which the tax claim amounts to Euro 41 thousand in addition to penalties of Euro 51 thousand, and the judgment regarding the subsequent years 2003, 2004 and 2005, for which the tax claim totals Euro 247 thousand, in addition to penalties of Euro 272 thousand and interest.

The Company has filed an appeal for 2006; the discussion hearing was held on 23 May 2014 and, following the ruling filed on 31 March 2015, the Provincial Tax Commission of Milan acknowledged the Company’s appeal. The Agency has filed an appeal with the Regional Tax Commission of Milan (for 2006, the tax claim is Euro 63 thousand, in addition to penalties of Euro 79 thousand and interest). The hearing on the appeal was held on 11 July 2016. To date, the ruling has yet to be handed down.

In relation to the tax claim contained in these reports, based also on the advice of its tax consultants, the Directors believe there are fundamental reasons and rights to oppose the relevant findings.

In its hearing on 18 October 2010, the Provincial Tax Commission of Milan acknowledged the appeal filed by Cairo Editore S.p.A. regarding the assessment notice for tax year 2004. The Italian Tax Authorities have filed an appeal with the Regional Tax Commission of Milan against the ruling. In its hearing on 27 May 2013, the Regional Tax Commission of Milan rejected the Agency’s Appeal. On 16 June 2014, the Agency filed an appeal with the Supreme Court, and on 25 July 2014, the Company notified its response to the counterparty.

Immobiledit S.r.l., the subsidiary merged into Cairo Editore in 2009, is party to a lawsuit regarding a property purchase. In 2004, the Court of Milan, in the first instance, had rejected the adverse party’s claims, ordering the adverse party to pay damages, to settle in separate proceedings, and to repay legal expenses. The Court of Appeal has partly reversed the ruling of first instance, ordering Immobiledit to pay for the expenses of first and second instance, rejecting the adverse party’s claim for damages, which has appealed to the Court of Cassation against the rejection. Following ruling no. 25351/14, the Court of Cassation, rejecting all the other grounds of the main appeal of Italiana Assicurazioni, granted the first ground of appeal concerning compensation for damage suffered by Italiana Assicurazioni for the fitting-out of the property covered by the preliminary contract; the Court referred the case to the Court of Appeal of Milan, in a different formation, which will be called to review the issue of compensation for damage only on the point above; the request for compensation by Italiana Assicurazioni regarding the plea granted by the Court of Cassation amounts to approximately Euro 319 thousand, plus interest and monetary revaluation. With the notice served on 25 May 2015, Reale Immobili (as transferee of the company) and Italiana Assicurazioni continued proceedings, following the ruling of the Court of Cassation, before the Court of Appeal of Milan. On 14 July 2016, the hearing for the closing arguments was held, where the parties were assigned the time limits of law for filing their closing briefs and objections, under art. 190 of the Code of Civil Procedure.

International Media Holding S.p.A., which on 20 May 2016 had launched a voluntary public purchase offer competing with the Cairo Communication's offer, Pirelli & C S.p.A., Diego della Valle & C S.r.l. and DI. VI. Finanziaria di Diego della Valle & C S.p.A. by means of a petition served on 27 July 2016 brought an action against CONSOB and, inter alios, Cairo Communication, before the Regional Administrative Court (Tribunale Amministrativo Regionale) regarding the alleged failure by CONSOB to exercise its precautionary/prohibitive powers in respect to the offer launched by Cairo Communication, and filed a request for the application of monocratic precautionary measures, pursuant to art. 56 of the Italian Code of the Administrative Procedure (Codice del Processo Amministrativo). With decree published on 1 August 2016, the President of the Court denied the request for the application of monocratic precautionary measures and scheduled a hearing in chamber on 30 August 2016 in order to consent the collegial discussion on the matter.

It is also noted that:

- the condensed consolidated half-year financial statements at 30 June 2016 do not include any receivables or payables with a residual term exceeding five years;
- the condensed consolidated half-year financial statements at 30 June 2016 reflect the capitalization of financial charges during the period of Euro 92 thousand, entered under assets under development and regarding the investments made by Cairo Network S.r.l.

24. Related party transactions

Transactions between the company and its consolidated subsidiaries, which are its related parties, have been eliminated from the condensed consolidated half-year financial statements and are therefore not shown in this note.

The Group holds relations with the parent (UT Communications S.p.A.) and with the latter's subsidiaries at conditions deemed normal in their respective relevant markets, taking into account the nature of services offered. Below is a summary of the statement of financial position and income statement balances deriving from the transactions made in 1H16 with these related parties, identified under IAS 24.

The effects of these relations on the consolidated income statement of the Cairo Communication Group at 30 June 2016 are as follows:

Income and expense (€ thousands)	Operating revenue	Operating costs	Financial income	Financial charges
Parent				
U.T. Communications S.p.A.	-	-	-	-
Jointly-controlled companies				
Torino FC S.p.A.	98	1,155	-	-
Mp Service S.r.l.	-	-	-	-
Total	**98**	**1,155**	**-**	**-**

The effects of these relations on the consolidated statement of financial position of the Cairo Communication Group at 30 June 2016 are as follows:

Receivables and financial assets (€ thousands)	Trade receivables	Other receivables and current assets	Receivables tax consolidation scheme	Other current financial assets
Parent				
U.T. Communications S.p.A.	59	-	5,609	-
Jointly-controlled companies				
Torino FC S.p.A.	252	-	-	-
Mp Service S.r.l.	47			
Total	**358**		**5,609**	**-**

Payables and financial liabilities (€ thousands)	Trade payables	Other payables and current liabilities	Payables tax consolidation scheme	Other current financial liabilities
Parent				
U.T. Communications S.p.A.	-	-	2,183	-
Jointly-controlled companies				
Torino FC S.p.A.	191	-	-	-
Total	**191**	**-**	**2,183**	**-**

In 1H16, the relations and transactions with the parent U.T. Communications and with its subsidiaries can be analyzed as follows:

- the concession contract entered into by Cairo Pubblicità and Torino Football Club S.p.A. for the sale of advertising space at the Olimpico football pitch and promotional sponsorship packages. The contract provides for the concession to the seller of a percentage of the profits gained (85%), net of advertising agency discounts relating to contracts signed directly and invoiced by Cairo Pubblicità, granting the latter 2% for contracts signed directly by Torino FC. This contract resulted in the payment in 1H16 of Euro 1,096 thousand against total revenue of approximately Euro 1,267 thousand net of agency discounts. Cairo Pubblicità earned further commissions of Euro 40 thousand. As part of the agreement, Cairo Pubblicità also purchased football tickets worth Euro 38 thousand;
- the agreement between Cairo Communication and Torino F.C. for the provision of administrative services such as bookkeeping. The agreement generated revenue of Euro 50 thousand in 1H16;
- the tax consolidation scheme, which governs the financial aspects of amounts paid or received in return for the advantages or disadvantages resulting from the tax consolidation, specifically provides that any greater charges or minor benefits that may accrue to the companies resulting from

participation in the procedure, be suitably remunerated by the Parent. In relation to this, the half-year financial report at 30 June 2016 includes receivables from and payables to the parent UT Communications S.p.A. of Euro 5,609 thousand and Euro 2,183 thousand respectively.

At their meeting of 27 April 2016, the shareholders of the Parent approved the 2016 remuneration policy, as illustrated in Section 1 of the Remuneration Report, drawn up pursuant to art. 123-ter of Legislative Decree 58/1998 and 84 quater of the Issuer Regulations and approved by the Board of Directors on 14 March 2016.

25. 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 1H16 the Cairo Communication Group did not engage in any atypical and/or unusual transactions as defined by the above Communication.

26. Subsequent events

As explained in the Interim Management Report, to which reference should be made for further information, following the close of the reporting period, subsequent to the launch of the voluntary public purchase and exchange offer, Cairo Communication acquired the control of RCS. A total of no. 311.5 million RCS shares, equal to 59.69% of the RCS share capital, had been tendered to the offer, for a total consideration of no. 56 million Cairo Communication shares and Euro 77.9 million in cash. The Shareholders' Meeting of Cairo Communication held on 18 July 2016 resolved on (i) the share capital increase through contribution of RCS shares tendered to the Offer, (ii) the granting of powers to the Board of Directors to increase the share capital by Euro 70 million and (iii) a number of amendments, including the introduction of the increased voting right system.

For the Board of Directors

Chairman Urbano Cairo

List of significant shareholdings pursuant to art. 125 of Consob Regulation no. 11971/1999 and subsequent amendments

Company	Country of origin	% of investment	Direct or indirect investment	Shareholder	Investment %
Cairo Editore S.p.A.	Italy	99.95	Direct	Cairo Communication S.p.A.	99.95
Diellesei S.r.l. in liquidation	Italy	60	Direct	Cairo Communication S.p.A.	60
La7 S.p.A.	Italy	100	Direct	Cairo Communication S.p.A.	100
Cairo Pubblicità S.p.A.	Italy	100	Direct	Cairo Communication S.p.A.	100
Cairo Publishing S.r.l.	Italy	100	Direct	Cairo Communication S.p.A.	100
Il Trovatore S.r.l.	Italy	80	Direct	Cairo Communication S.p.A.	80
Edizioni Anabasi S.r.l.	Italy	100	Indirect	Cairo Editore S.p.A.	100
Cairo Network S.r.l.	Italy	100	Direct	Cairo Communication S.p.A.	100

Declaration of the condensed consolidated half-year financial statements pursuant to Article 81-ter of Consob Regulation 11971 of 14 May 1999 and subsequent amendments and additions

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 art. 154 bis, paragraphs 3 and 4 of Legislative Decree no. 58 of 24 February 1998, certify:

• the suitability of the characteristics of the Company (taking note of any changes taking place during the half-year period) and

• the actual application of administrative and accounting procedures for the preparation of the condensed consolidated financial statements for the first half of 2016.

2. We also certify that

2.1 the condensed consolidated financial statements at 30 June 2016:

a) have been prepared in compliance with International Financial Reporting Standards endorsed by the European Union, pursuant to EEC Regulation 1606/2002 of the European Parliament and Council, of 19 July 2002,
b) are consistent with the accounting records and books of the Company,
c) give a true and fair view of the financial position and results of operations of the Issuer and the companies included in the scope of consolidation.

2.2 The Interim Management Report contains reference to all significant events that have taken place during the first six months of the financial year and their effect on the condensed consolidated half-year financial statements, together with a description of the principal risks and uncertainties expected in the second half of the year. The Interim Management Report also contains a reliable analysis of information on significant transactions with related parties.

Milan, 3 August 2016

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

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(Translation from the Italian original which remains the definitive version)

Report on review of condensed interim consolidated financial statements

To the shareholders of
Cairo Communication S.p.A.

Introduction

We have reviewed the accompanying condensed interim consolidated financial statements of the Cairo Communication Group, comprising the income statement, statement of comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity and notes thereto, as at and for the six months ended 30 June 2016. The parent's directors are responsible for the preparation of these condensed interim consolidated financial statements in accordance with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34), endorsed by the European Union. Our responsibility is to express a conclusion on these condensed interim consolidated financial statements based on our review.

Scope of review

We conducted our review in accordance with Consob (the Italian Commission for Listed Companies and the Stock Exchange) guidelines set out in Consob resolution no. 10867 dated 31 July 1997. A review of condensed interim consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, 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 on the condensed interim consolidated financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed interim consolidated financial statements of the Cairo Communication Group as at and for the six months ended 30 June 2016 have not been prepared, in all material respects, in accordance with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34), endorsed by the European Union.

Milan, 5 August 2016

KPMG S.p.A.

(signed on the original)

Francesco Spadaro
Director of Audit