Half-Year Financial Report at 30 June 2012

Cairo Communication S.p.A.
Head Office
Via Tucidide 56, Milan
Share capital Euro 4,073,856.80

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

Half-Year Financial Report at 30 June 2012 - Contents

Governance

Board of Directors

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

Internal Control Committee

Roberto Rezzonico	Director
Antonio Magnocavallo	Director
Mauro Sala	Director

Remuneration Committee

Antonio Magnocavallo	Director
Roberto Rezzonico	Director
Marco Janni	Director

Related Party Committee

Marco Janni	Director
Mauro Sala	Director
Roberto Rezzonico	Director

Board of Statutory Auditors

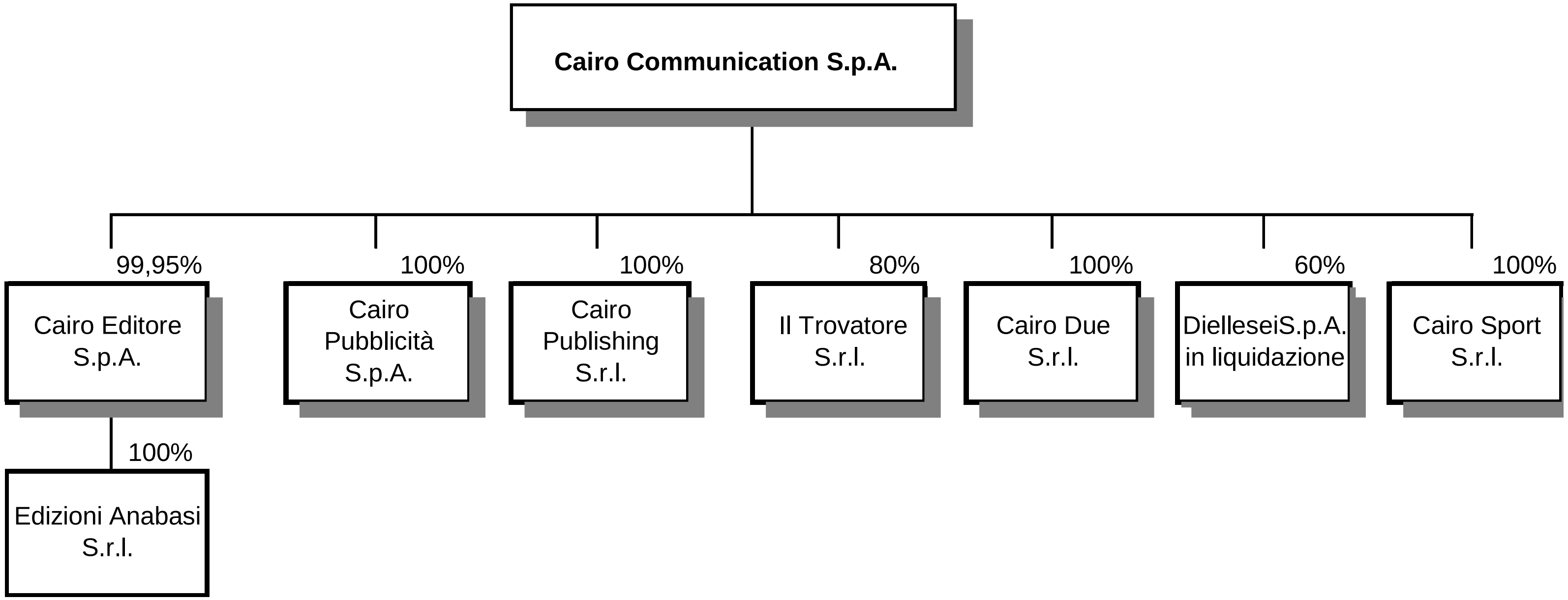
Marco Moroni	Chairman
Marco Giuliani	Standing auditor
Maria Pia Maspes	Standing auditor
Mario Danti	Alternate auditor
Enrico Tamborini	Alternate auditor

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 2012



Interim management report at 30 June 2012

This half-year financial report at 30 June 2012 has been prepared in accordance with art. 154-ter of Legislative Decree No. 58/1998, and in keeping with the International Accounting Standards recognized by the European Union with EC Regulation No. 1606/2002 of the European Parliament and Council of 19 July 2002.

In 1H12, the Cairo Communication Group continued to operate as a publisher of magazines and books (Cairo Editore/Editoriale Giorgio Mondadori and Cairo Publishing), as a multimedia advertising broker (Cairo Pubblicità) for the sale of advertising space on TV, in print media, on the Internet and in stadiums, and as operator of Internet sites (Il Trovatore).

Starting from the second half of 2011, the short and medium-term economic uncertainty began to deteriorate, reflecting the overall economic-financial scenario. Its effects are still felt in 2012. To date, there remains uncertainty over the period required for a return to normal market conditions.

Based on the latest AC Nielsen figures available at the date of approval of this report (May 2012), advertising investments in Italy in the first five months of 2012 amounted to approximately Euro 3.5 billion, down 9.5% versus the same period last year. Nielsen’s analysis by media shows that in this period:

- the magazine advertising market dropped by 13.8% versus 2011, when the market had lost in the same period 1.4% versus 2010,
- the TV advertising market fell by 10% versus 2011, when it had shed 2.3% versus 2010.

The deterioration of the uncertainty factors in the short-medium economic term also hit magazine sales figures.

Despite this backdrop, in 1H12 the Cairo Communication Group:

- returned, with the launch of “Settimanale Nuovo” (January) and of the women’s weekly “F” (June) to the strategy of development, through the planning and launch of new publications, which had marked its strong growth in the 2003-2006 four-year period, creating two successful products that have received a warm response from the public, achieved remarkable sales figures that outstrip forecasts, and report positive contribution margins before launch costs already in 1H12,
- continued to support the high quality and circulation levels of its publications also by increasing investments in communication, and
- increased revenue and achieved strongly positive results despite the considerable costs incurred for the two new projects.

In October 2011, Cairo Editore chose Riccardo Signoretti and Marisa Deimichei as the editors-in chief of two new weeklies.

“Settimanale Nuovo”, led by Riccardo Signoretti, debuted on newsstands on 19 January 2012. The first 27 issues (with the first two at a launch price of 50 cents) posted average sales of approximately 304 thousand copies (versus the approximately 200 thousand expected).
“F”, led by Marisa Deimichei, hit the newsstands on 5 June 2012. The first seven issues (with the first two at a launch price of 50 cents) posted average sales of approximately 273 thousand copies (versus the approximately 150 thousand expected).
The overall costs incurred in 1H12 for both launches – supported by an advertising campaign also at newsstands – and for the study phase of the women’s weekly, amounted to approximately Euro 3.9 million, approximately Euro 2 million of which for “F” alone, launched as mentioned in June. Overall, starting from autumn 2011, about 32 journalists and other figures were hired by the staffs of “Settimanale Nuovo” and “F”.
In 1H12, consolidated gross operating profit (EBITDA) amounted to approximately Euro 16.7 million (- 5.2%), while operating profit (EBIT) came to approximately Euro 15.4 million (-2.6%). The profit attributable to the owners of the parent was approximately Euro 10.1 million.
Looking at each business segment in 1H12:

- for **publishing**, gross operating profit (EBITDA) and operating profit (EBIT) amounted to Euro 6.4 million and Euro 5.6 million (respectively Euro 8.4 million and Euro 7.7 million in 1H11), as a result of the costs incurred for supporting the launch of “Settimanale Nuovo” and the women’s weekly “F” (Euro 3.9 million, of which Euro 1.9 million in 2Q12), and of increased investments in communication and promotion to suppot the publications versus the same period last year (Euro 0.9 million);
- for **advertising**, gross operating profit (EBITDA) and operating profit (EBIT) from current operations increased versus the previous year to Euro 10.4 million and Euro 9.8 million respectively, attributable mainly to the increase in advertising revenue (+9.7% overall). Specifically, advertising sales on LA7, approximately Euro 96.6 million, were up 14.7% versus 1H11. In 1H12, the average all-day share of LA7 was 3.48% versus 3.63% in H11, with success news and discussion programmes such as the special “Quello che (non) ho” (12.65%), the 8PM newscast (8.20%), ”Otto e mezzo” (5.52%), “Piazza pulita” (5.11%), “L’infedele” (4.28%), “Invasioni Barbariche” (3.95%) and “Fardelli di Italialand” (8.50%).

Cairo Communication Group – Consolidated figures

The main **consolidated income statement figures** in 1H12 can be compared as follows with those of 1H11:

(€ thousands)	**30/06/2012 (Half-year)**	**30/06/2011 (Half-year)**
Gross operating revenue	171,306	155,649
Advertising agency discounts	(19,631)	(17,520)
Net operating revenue	**151,675**	**138,129**
Change in inventory	32	(111)
Other revenue and income	1,918	1,239
Total revenue	**153,625**	**139,257**
Production cost	(124,374)	(110,032)
Personnel expense	(12,527)	(11,582)
Gross operating profit (EBITDA)	**16,724**	**17,643**
Amortization, depreciation, provisions and impairment losses	(1,321)	(1,823)
Operating profit (EBIT)	**15,403**	**15,820**
Net financial income	884	581
Income (loss) on investments	(620)	-
Pre-tax profit	**15,667**	**16,401**
Income tax	(5,559)	(5,862)
Non-controlling interests	1	(4)
Profit from continuing operations attributable to the owners of the parent	**10,109**	**10,535**
Profit/(loss) from discontinued operations	(1)	(4)
Profit/(loss) from discontinued operations attributable to non-controlling interests	**-**	-
Profit/(loss) attributable to the owners of the parent	**(1)**	**(4)**
Profit attributable to the owners of the parent	**10,108**	**10,531**

In 1H12, consolidated gross revenue amounted to approximately Euro 173.2 million (Euro 156.9 million in 1H11), which comprises operating revenue of Euro 171.3 million and other revenue of Euro 1.9 million, up by 10.4% overall versus 2011, thanks also to revenue from the new weeklies "Settimanale Nuovo"(approximately Euro 6.8 million) and "F" (approximately Euro 1.6 million in June alone).

Consolidated gross operating profit (EBITDA) and operating profit (EBIT) came to approximately Euro 16.7 million and Euro 15.4 million, down 5.2% and 2.6% versus 1H11 (Euro 17.6 million and Euro 15.8 million respectively). The profit attributable to the owners of the parent from current operations was approximately Euro 10.1 million (Euro 10.5 million in 1H11).

As mentioned earlier, the result in 1H12 remains extremely positive even net of costs incurred for supporting the launch of "Settimanale Nuovo" and "F" (Euro 3.9 million, Euro 1.9 million of which in 2Q12) and for increased investments in communication and promotion to support the publications versus the same period last year (Euro 0.9 million).

"Other revenue and income" includes the "print subsidy" of Euro 0.9 million acknowledged to Cairo Editore.

Income (loss) on investments refers to the negative effect of the measurement of the investment in the associate Dmail Group S.p.A. using the equity method.

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

(€ thousands)	**30/06/2012 (Half-year)**	**30/06/2011 (Half-year)**
Consolidated statement of comprehensive income		
Profit attributable to the owners of the parent	**10,108**	**10,531**
Loss on measurement of available-for-sale financial assets	-	(8)
Total comprehensive income	**10,108**	**10,523**

The Group's performance can be read better by analyzing the 1H12 results by **core business segment** (publishing, advertising and Il Trovatore) versus those of 1H11:

30/06/2012 (Half-year) (€ thousands)	**Publishing**	**Advertising**	**Trova-tore**	**Unallocated operations**	**Intra-group**	**Total**
Gross operating revenue	53,487	134,424	175	-	(16,780)	171,306
Advertising agency discounts	-	(19,631)	-	-	-	(19,631)
Net operating revenue	**53,487**	**114,793**	**175**	**-**	**(16,780)**	**151,675**
Change in inventory	32	-	-	-	-	32
Other income	1,856	62	-	-	-	1,918
Total revenue	**55,375**	**114,855**	**175**	**-**	**(16,780)**	**153,625**
Production cost	(39,491)	(101,500)	(163)	-	16,780	(124,374)
Personnel expense	(9,531)	(2,979)	(17)	-	-	(12,527)
Gross operating profit (EBITDA)	**6,353**	**10,376**	**(5)**	**-**	**-**	**16,724**
Amortization, depreciation, provisions and impairment losses	(723)	(594)	(4)	-	-	(1,321)
Operating profit (EBIT)	**5,630**	**9,782**	**(9)**	**-**	**-**	**15,403**
Net financial income	127	758	(1)	-	-	884
Income (loss) on investments	-	(620)		-	-	(620)
Pre-tax profit	**5,757**	**9,920**	**(10)**	**-**	**-**	**15,667**
Income tax	(1,923)	(3,632)	(4)	-	-	(5,559)
Non-controlling interests	-	1	-	-	-	1
Profit from continuing operations attributable to the owners of the parent	**3,834**	**6,289**	**(14)**	**-**	**-**	**10,109**
Loss from discontinued operations	-	-	-	(1)	-	(1)
Profit	**3,834**	**6,289**	**(14)**	**(1)**	**-**	**10,108**

30/06/2011 (Half-year) (€ thousands)	Publishing	Advertising	Trovatore	Unallocated operations	Intra-group	Total
Gross operating revenue	47,824	122,536	185	-	(14,896)	155,649
Advertising agency discounts	-	(17,520)	-	-	-	(17,520)
Net operating revenue	**47,824**	**105,016**	**185**	**-**	**(14,896)**	**138,129**
Change in inventory	(111)	-	-	-	-	(111)
Other income	1,005	234	-	-	-	1,239
Total revenue	**48,718**	**105,250**	**185**	**-**	**(14,896)**	**139,257**
Production cost	(31,965)	(92,825)	(138)	-	14,896	(110,032)
Personnel expense	(8,381)	(3,185)	(16)	-	-	(11,582)
Gross operating profit (EBITDA)	**8,372**	**9,240**	**31**	**-**	**-**	**17,643**
Amortization, depreciation, provisions and impairment losses	(718)	(1,101)	(4)	-	-	(1,823)
Operating profit (EBIT)	**7,654**	**8,139**	**27**	**-**	**-**	**15,820**
Net financial income	124	458	(1)	-	-	581
Income (loss) on investments	-	-	-	-	-	-
Pre-tax profit	**7,778**	**8,597**	**26**	**-**	**-**	**16,401**
Income tax	(2,811)	(3,034)	(17)	-	-	(5,862)
Non-controlling interests	-	-	(4)	-	-	(4)
Profit from continuing operations attributable to the owners of the parent	**4,967**	**5,563**	**5**	**-**	**-**	**10,535**
Loss from discontinued operations	-	-	-	(4)	-	(4)
Profit	**4,967**	**5,563**	**5**	**(4)**	**-**	**10,531**

Gross operating revenue in 1H12, split up by core business segment (publishing, advertising and Il Trovatore), can be analyzed as follows versus the amounts of 1H11:

Gross revenue (€ thousands)	**Half-year al 30/06/2012** **(six months)**				
	Publishing	**Advertising**	**Trovatore**	**Intra-group eliminations**	**Total**
Magazine over-the-counter sales	35,645	-	-	-	35,645
Print media advertising	16,469	19,780	-	(16,371)	19,878
TV advertising	-	112,676	-	-	112,676
Stadium signage	-	872	-	-	872
Internet advertising	-	795	17	-	812
Subscriptions	1,564	-	-	-	1,564
Books and catalogues	412	-	-	-	412
Other revenue	-	301	158	(409)	50
VAT relating to publications	(603)	-	-	-	(603)
Total gross operating revenue	**53,487**	**134,424**	**175**	**(16,780)**	**171,306**
Other revenue	1,856	62	-	-	1,918
Total revenue	**55,343**	**134,486**	**175**	**(16,780)**	**173,224**

Gross revenue (€ thousands)	Half-year al 30/06/2011 (six months)				
	Publishing	**Advertising**	**Trovatore**	**Intra-group eliminations**	**Total**
Magazine over-the-counter sales	31,744	-	-	-	31,744
Print media advertising	14,604	19,886	-	(14,487)	20,003
TV advertising	-	100,482	-	-	100,482
Stadium signage	-	1,338	-	-	1,338
Internet advertising	-	529	27	-	556
Subscriptions	1,544	-	-	-	1,544
Books and catalogues	461	-	-	-	461
Other revenue	-	301	158	(409)	50
VAT relating to publications	(529)	-	-	-	(529)
Total gross operating revenue	**47,824**	**122,536**	**185**	**(14,896)**	**155,649**
Other revenue	1,005	234	-	-	1,239
Total revenue	**48,829**	**122,770**	**185**	**(14,896)**	**156,888**

The main figures of the **consolidated statement of financial position** at 30 June 2012 can be compared with the situation at 31 December 2011:

(€ thousands)	**30/06/2012**	**31/12/2011**
Balance sheet		
Property, plant and equipment	3,044	2,724
Intangible assets	9,239	9,282
Financial assets	921	1,540
Deferred tax assets	4,454	4,734
Net current assets	(7,201)	(3,170)
Total assets	**10,457**	**15,110**
Non-current borrowings and provisions	5,805	6,081
(Net financial assets)/Net debt	(57,272)	(54,701)
Equity attributable to the owners of the parent	61,922	63,727
Equity attributable to non-controlling interests	2	3
Total equity and liabilities	**10,457**	**15,110**

The Shareholders' Meeting of 26 April 2012 approved the distribution of a dividend of 0.30 Euro per share, inclusive of tax, of which Euro 0.15 per share already distributed as an interim dividend under the resolution adopted by the Board of Directors on 30 November 2011. The balance of the dividend, amounting to Euro 0.15 per share for a total of Euro 11.7 million, was distributed with detachment date on 7 May 2012 and made payable on 10 May 2012.

In 2012, as part of the share buy-back plans, 79,452 treasury shares were purchased. At 30 June 2012, Cairo Communication held a total of n. 450,779 treasury shares, or 0.575% of the share capital. subject to the requirements of art. 2357-ter of the Italian Civil Code.

An analysis of the financial position of the Group indicates that the Cairo Communication Group is suitably capitalized to maintain financial equilibrium in the medium-long term and has a very sound equity position as it has significant cash resources, and generates positive results and can finance its current operations.

The consolidated **net financial position** at 30 June 2012, versus the situation at 31 December 2011, can be summarized as follows:

(€ thousands)	30/06/2012	31/12/2011	Change
Cash and cash equivalents	57,272	54,701	2,571
Current financial assets	-	-	-
Total	**57,272**	**54,701**	**2,571**

Cairo Communication S.p.A. – Parent performance

The main **parent income statement figures** of 1H12 can be compared as follows versus those of 1H11:

(€ thousands)	30/06/2012 (Half-year)	30/06/2011 (Half-year)
Gross operating revenue	80,263	70,922
Advertising agency discounts	-	-
Net operating revenue	**80,263**	**70,922**
Other revenue and income	12	120
Total revenue	**80,275**	**71,042**
Production cost	(72,918)	(64,915)
Personnel expense	(1,376)	(1,389)
Gross operating profit (EBITDA)	**5,981**	**4,738**
Amortization, depreciation, provisions and impairment losses	(98)	(207)
Operating profit (EBIT)	**5,883**	**4,531**
Net financial income	622	358
Income (loss) on investments	15,059	12,439
Pre-tax profit	**21,564**	**17,328**
Income tax	(2,302)	(1,754)
Profit from continuing operations	**19,262**	**15,574**
Profit/(loss) from discontinued operations	(1)	(4)
Profit	**19,261**	**15,570**

In 2012, 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 the sub-grantor Cairo Communication a share of revenue generated by resources managed on a sub-concession basis.

Specifically, in 1H12:

- gross operating revenue was approximately Euro 80.3 million (Euro 71 million in 2011);
- parent gross operating profit (EBITDA), amounting to approximately Euro 6 million, grew versus 2011 (Euro 4.7 million);
- operating profit (EBIT), amounting to approximately Euro 5.9 million, rose versus 2011 (Euro 4.5 million);
- profit came to approximately Euro 19.3 million (Euro 15.6 million in 2011).

"Profit (loss) on investments" mainly includes

- dividends received from subsidiaries Cairo Pubblicità, amounting to Euro 4.7 million (Euro 2.3 million in 2011), and Cairo Editore, amounting to Euro 11 million (Euro 10.2 million in 2011);
- the write down arising from the measurement of the investment in the associate Dmail Group S.p.A. (Euro 0.6 million).

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

(€ thousands)	**30/06/2012 (Half-year)**	**30/06/2011 (Half-year)**
Statement of comprehensive income of the Parent		
Profit	19,261	15,570
Loss on measurement of available-for-sale financial Assets	-	(8)
Total statement of comprehensive income	**19,261**	**15,562**

The main figures of the **statement of financial position** of Cairo Communication S.p.A. at 30 June 2012 can be compared with the situation at 31 December 2011:

(€ thousands)	**30/06/2012**	**31/12/2011**
Balance sheet		
Property, plant and equipment	573	376
Intangible assets	118	124
Financial assets	14,550	15,169
Other non-current assets	399	399
Other current assets (Dividends receivable)	15,679	-
Net current assets	8.806	7,709
Total assets	**40,125**	**23,777**
Non-current borrowings and provisions	967	910
(Net financial position)/Net debt	(28,534)	(37,476)
Equity	67,692	60,343
Total equity and liabilities	**40,125**	**23,777**

As mentioned in the notes to the consolidated statement of financial position, the Shareholders' Meeting of 26 April 2012 approved the distribution of a dividend of 0.30 Euro per share, inclusive of tax, of which Euro 0.15 per share already distributed as an interim dividend under the resolution adopted by the Board of Directors on 30 November 2011. The balance of the dividend, amounting to Euro 0.15 per share for a total of Euro 11.7 million, was distributed with detachment date on 7 May 2012 and made payable on 10 May 2012.

The **net financial position** of the Parent at 30 June 2012, compared with the situation at 31 December 2011, is summarized as follows:

(€ thousands)	**30/06/2012**	**31/12/2011**	**Change**
Cash and cash equivalents	28,534	37,476	(8,942)
Current financial assets	-	-	-
Total	**28,534**	**37,476**	**(8,942)**

At 30 June 2012, the Parent was still awaiting payment of the dividends approved by subsidiaries Cairo Pubblicità (Euro 4.7 million) and Cairo Editore (Euro 11 million), classified at such date under "other current assets" shown in the statement of financial position above.

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 2012 can be analyzed as follows:

(€ thousands)	**Equity**	**Profit**
Half-year financial statements of Cairo Communication S.p.A.	**67,692**	**19,261**
Elimination of the carrying amount of consolidated equity investments:		
Difference between carrying amount of investments and their equity value	6,553	
Share in subsidiaries' profit net of investment impairment losses		6,435
Allocation of excess consideration paid:		
Goodwill	7,221	
Elimination of intra-group profits net of income tax	(19,544)	91
Elimination of intra-group dividends		(15,679)
Half-year consolidated financial statements of the Cairo Communication Group	**61,922**	**10,108**

Core business segment operating results

PUBLISHING

CAIRO EDITORE - CAIRO PUBLISHING

The results achieved by Publishing in the January-June six-month period of 2012 can be analyzed as follows:

Publishing *(€ thousands)*	30 June 2012	30 June 2011
Gross operating revenue	53,487	47,824
Advertising agency discounts	-	-
Net operating revenue	**53,487**	**47,824**
Other income	1,856	1,005
Change in inventory	32	(111)
Total revenue	**55,375**	**48,718**
Production cost	(39,491)	(31,965)
Personnel expense	(9,531)	(8,381)
Gross operating profit (EBITDA)	**6,353**	**8,372**
Amortization, depreciation, provisions and impairment losses	(723)	(718)
Operating profit (EBIT)	**5,630**	**7,654**
Net financial income	127	124
Pre-tax profit	**5,757**	**7,778**
Income tax	(1,923)	(2,811)
Non-controlling interests	-	-
Profit from continuing operations attributable to the owners of the parent	**3,834**	**4,967**
Profit/(loss) from discontinued operations		
Profit for the period	**3,834**	**4,967**

As mentioned earlier, in 2012 Cairo Editore, with the launch of "Settimanale Nuovo", on 19 January, and of the women's weekly "F", on 5 June, returned to the strategy of development, through the study, planning and launch of new publications, which had marked its strong growth in the 2003-2006 four-year period. Both projects in 1H12 report positive contribution margins before launch costs.

The first 27 issues of "Settimanale Nuovo" (with the first two at a launch price of 50 cents), led by Riccardo Signoretti, posted average sales of approximately 304 thousand copies, and in 1H12 generated circulation revenue and advertising revenue of Euro 4.9 million and Euro 1.9 million respectively.

"F", led by Marisa Deimichei, hit the newsstands on 5 June 2012, and the first seven issues (with the first two at a launch price of 50 cents) posted average sales of approximately 273 thousand copies, and in June alone generated circulation revenue and advertising revenue of Euro 0.6 million and Euro 0.9 million respectively.

In both cases, the remarkable circulation figures were much higher than expected (approximately 200 thousand copies for “Settimanale Nuovo” and 150 thousand copies for “F”).

Thanks mainly to these new projects, sales revenue increased, while advertising revenue for the Group in the publishing segment managed to hold ground in 1H12.

Looking at revenue, in 1H12:

- circulation revenue from Group publications, amounting to Euro 35.6 million, rose by 12.3% versus 1H11 (Euro 31.7 million),
- Group gross advertising revenue, which reached Euro 19.4 million, basically confirmed the 2011 figure, thanks to “Settimanale Nuovo” and “F”; without their contribution, the result would be basically in line with the market (*AC Nielsen,* -13.8% the magazine advertising market in the January-May five-month period of 2012 versus the same period of 2011),
- Cairo Editore received a print subsidy, recognized in “other revenue and income”, of Euro 0.9 million, as illustrated in the notes to the condensed consolidated half-year financial statements under “other revenue and income”.

In 1H12, consolidated gross operating profit (EBITDA) and operating profit (EBIT) in the publishing segment came to Euro 6.4 million and Euro 5.6 million (Euro 8.4 million and Euro 7.7 million, respectively, in 1H11), and were affected by the costs incurred for supporting the launch of “Settimanale Nuovo” and the women’s weekly “F” (Euro 3.9 million, Euro 1.9 million of which in 2Q12) and by increased investments in communication and promotion to support the publications versus 1H11 (Euro 0.9 million).

1H12 confirmed the high levels of efficiency achieved in previous periods, and confirmed during the year, to curb production, publishing and distribution costs.

“Settimanale DIPIU”, Italy's second best-selling magazine, with an average ADS circulation of 550,603 copies (which increase to approximately 624 thousand average copies in June and 674 thousand average copies in the first two issues of July), “DIPIU’ TV”, with an average ADS circulation of 389,449 copies, “Diva e Donna”, with an average ADS circulation of 160,839 copies (which increase to approximately 231 thousand average copies in June and to 260 thousand average copies in July), and “TVMia”, with an average ADS circulation of 167,484 copies, all four in May 2012, confirmed the outstanding sales results achieved.

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;
- circulation revenue is mostly over-the-counter (95%), with a minimum impact of revenue generated by gadgets and collaterals (approximately 2% on total publishing revenue, including advertising), whose sales figures have collapsed of late in the publishing segment, dropping even by 30% particularly in 1H12; the Group has opted to focus on the quality of its publications; in 1H12, gross advertising revenue generated by the Group's publications accounted for 35% - an extremely low figure if compared with the revenue breakdown of other major publishing groups therefore based to a lesser extent on the economic cycle - while 65% came from direct sales and subscriptions, proof of the high editorial quality of publications;
- weekly magazines, which account for approximately 90% of total 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'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.

ADVERTISING

The results of the advertising segment in the January-June six-month period of 2012 were as follows:

Advertising *(€ thousands)*	30 June 2012	30 June 2011
Gross operating revenue	134,424	122,536
Advertising agency discounts	(19,631)	(17,520)
Net operating revenue	**114,793**	**105,016**
Other income	62	234
Change in inventories	-	-
Total revenue	**114,855**	**105,250**
Production cost	(101,500)	(92,825)
Personnel expense	(2,979)	(3,185)
Gross operating profit (EBITDA)	**10,376**	**9,240**
Amortization, depreciation, provisions and impairment losses	(594)	(1,101)
Operating profit (EBIT)	**9,782**	**8,139**
Net financial income	758	458
Income (loss) on investments	(620)	-
Pre-tax profit	**9,920**	**8,597**
Income tax	(3,632)	(3,034)
Non-controlling interests	1	-
Profit from continuing operations attributable to the owners of the parent	**6,289**	**5,563**
Profit (loss) from discontinued operations		-
Profit for the period	**6,289**	**5,563**

Looking at the advertising segment, in 1H12, the Cairo Communication Group continued to operate as advertising broker – with 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” and “F”), 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”), and for the sale of advertising space on TV for third parties TIMedia (LA7 and LA7d), Interactive Group (Sportitalia, Sportitalia 2 and Sportitalia 24) and Turner Broadcasting (Cartoon Network, Boomerang, and CNN), on the Internet mainly for TIMedia (La7.it and La7.tv), Sportitalia (Sportitalia.it) and Turner Broadcasting (Cartoon Network.it, Cnn.com, Cnnmoney.com) and for the sale of stadium signage and space at the Olimpico in Turin for Torino FC.

In 1H12, advertising revenue in this segment, amounting to Euro 134.4 million, was up 9.7% versus 1H11 (Euro 122.5 million).

In 1H12, gross operating profit (EBITDA) and operating profit (EBIT) in the advertising segment increased versus 1H11, reaching Euro 10.4 million and Euro 9.8 million respectively (Euro 9.2 million and Euro 8.1 million respectively in 1H11).

Television

In 1H12, TV advertising revenue (including LA7, LA7d, Sportitalia and theme channels Cartoon Network, Boomerang, and CNN), totaling Euro 112.7 million, was up 12.1% overall versus 2011 (*ACNielsen*, -10% the TV advertising market in the January-May five-month period of 2012 versus the same period last year).

Specifically, advertising revenue on LA7, amounting to approximately Euro 96.6 million, was up 14.7% versus 2011. As mentioned earlier, in 1H12, the average all-day share of LA7 was 3.48% versus 3.63% in H11.

Advertising sales on the unencrypted digital channel LA7d came to approximately Euro 6.2 million, increasing by 30% versus 1H12, thanks also to the good share performance (0.36% average all-day share versus 0.26% of 2011).

Print media

In 1H12, Group magazine gross advertising revenue, amounting to Euro 19.4 million, basically confirmed the 2011 figures, thanks to revenue generated by the new weeklies "Settimanale Nuovo" (Euro 1.9 million) and "F" (Euro 0.9 million); without their contribution, the result would be basically in line with the market (*AC Nielsen*, -13.8% the magazine advertising market in the January-May five-month period of 2012 versus the same period of 2011).

IL TROVATORE

In 1H12 Il Trovatore continued operations, providing technological services mainly to Group companies, as well as managing its search engine.

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, various alternative performance indicators are shown that should, however, not be considered substitutes of those adopted by IFRS.

The alternative indicators are:

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

<u>Profit from continuing operations, pre tax</u>

+/- Net finance income

+/- Share in associates

<u>EBIT- Operating profit</u>

+ Amortization & depreciation

+ Bad debt impairment losses

+ Provisions for risks

<u>EBITDA – Operating profit, before amortization, depreciation, provisions and impairment losses</u>

The Cairo Communication Group also considers **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

Transactions in 1H12 with related parties, including with Group companies, were not considered to be atypical or unusual, and were part of the ordinary activities of Group companies. These transactions were carried out on market terms, taking account of the goods and services provided.

Information on transactions with related parties is disclosed in <u>Note 24</u> to the condensed consolidated half-year financial statements.

Main risks and uncertainties to which Cairo Communication S.p.A. and its Group are exposed, which could impact on the business outlook for 2H12

The Director's Report on the financial statements for the year ended 31 December 2011 includes a description, to which reference must 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:

- 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 of sales and the advertising market trend, especially regarding 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 pay TV, together with changes in the relevant regulatory framework.

- Risks associated with the importance of the advertising concession contracts with third-party publishers, for which the Cairo Communication Group operates as a broker in the sale of advertising spaces. In 1H12, approximately 66% of Group gross revenue came from advertising for third-party publishers with respect to the Cairo Communication Group (TIMedia, Interactive Group, Turner Broadcasting, Editoriale Genesis).

- Risks associated with Management and "key staff", hence with the ability of its executive directors, directors and other Management members to efficiently manage the Group and 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 contractual commitments in the form of minimum guaranteed fees to be paid to publishers (LA7 and LA7D).

- Risks associated with business with suppliers regarding the outsourcing of production processes, specifically printing and distribution.

- Risks associated with litigation, the notes on "other information" (Note 23 of the notes to the condensed consolidated half-year financial statement) contain information on the main pending cases.

This interim half-year report provides a summary of financial and other risks that could impact on the outlook for 2H12.

Risks associated with the general economic climate

The financial position of the Cairo Communication Group may be influenced by various factors within the macro-economic environment.
Starting from the second half of 2011, the short and medium-term economic uncertainty began to deteriorate, reflecting the overall economic-financial scenario. Its effects are still felt in 2012. To date, there remains uncertainty over the period required for a return to normal market conditions.
The evolution of the general economic situation could affect the full achievement of the Group's business targets.

Risks associated with advertising and publishing market trends

The deterioration of the short and medium-term economic uncertainty continued to impact negatively on the advertising market, and also led to a contraction in magazine sales.

Nielsen's analysis by segment shows that in the January-May five-month period of 2012:

- the magazine advertising market lost 13.8% versus 2011, when in the same period it had slipped by 1.4% versus 2010,
- the TV advertising market fell by 10% versus 2011, when in the same period it had shed 2.3% versus 2010.

The Cairo Communication Group is significantly exposed to advertising sales performance, which has progressively decreased over time as a result of the strong growth of the publishing business. Advertising sales in 1H12, which include advertising sales from Group publications, accounted for approximately 77% of total Group revenue. Considering the Group's publishing business alone, Group advertising sales in 1H12 accounted for 35% - much lower than the revenue breakdown of other major publishing groups – while the remaining 65% was generated by distribution and subscription revenue, demonstrating the great publishing strength of advertising products.

The 2H12 result may be affected by the persistence and the extent of the negative trend of magazine and TV advertising sales, and by the overall malaise hitting the relevant magazine sales, which impacted our Group to a far lesser extent.

Risks associated with contractual commitments

The advertising concession contract regarding LA7 sets minimum annual gross advertising revenue in 2012 of Euro 126 million, with minimum annual guaranteed fees for Telecom Italia Media of Euro 88.2 million (70%).

In return for Cairo's commitment to minimum gross advertising revenue and minimum fees, Telecom Italia Media undertakes to maintain the annual share of LA7 higher than or equal to 3% and higher than or equal to 2.65% in prime time viewing. Should the shares drop below these thresholds, or further contractually established thresholds, Cairo is entitled to reduce the minimum guaranteed payment equal to Euro 88.2 million.

In December 2010, Telecom Italia Media and Cairo agreed to revise the advertising concession contract of 19 November 2008. Specifically, for 2011 and for the 2012-2014 three-year period, both set additional annual advertising revenue targets (unguaranteed) with respect to the minimum annual revenue, proportional to the achievement by Telecom Italia Media of annual targets of share higher than the given 3% for LA7's share. Cairo's achievement of these additional targets or payment to Telecom Italia Media of equivalent dues, will entitle Cairo to renew the contract up to 31 December 2019. Otherwise, Telecom Italia Media is authorized to withdraw from the contract.

The contract regarding the LA7d digital channel sets minimum gross advertising revenue in 2012 of Euro 8 million for a 0.2% share of the channel, with minimum guaranteed fees for Telecom Italia Media of Euro 5.6 million, paid as per contract on a monthly basis. A result higher or lower than the 0.2% share will produce a corresponding increase or decrease in minimum annual revenue and in the guaranteed minimum fee.

Failure to achieve the foregoing minimum revenue would impact on Group profit for that year.

Likewise, failure to achieve the foregoing additional (unguaranteed) targets set as from 2011, proportional to the achievement by Telecom Italia Media of annual targets of share higher than the given 3% for LA7's share, could impact on the duration of the contract, or in the event of payment to Telecom Italia Media of equivalent dues, on profits for that year.

In 1H12:

- advertising revenue from LA7, amounting to approximately Euro 96.6 million, exceeded the minimum contractual revenue for the six-month period (Euro 66.8 million), and exceeded the additional (unguaranteed) revenue targets set under the agreement of December 2010;
- advertising revenue from LA7D, amounting to approximately Euro 6.2 million, was also above the minimum contractual revenue for the six-month period.

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 of litigation. The evaluation of the potential legal and tax liabilities requires the Company to use estimates and assumptions in relation to forecasts made by the Directors, based upon the opinions expressed by the Company’s legal and tax advisers, in relation to the probable cost that can be reasonably considered to be incurred. The actual results may vary from these estimates.

Credit risk

The Group is exposed to credit risk, primarily in relation to its advertising sales activities. This risk is however mitigated by the fact that the exposure is divided across a large number of customers and that credit monitoring and control procedures are in place. The client concentration/revenue ratio remained basically unchanged versus the previous periods.

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

The publishing segment, on the other hand, presents limited exposure to credit risk as publishing revenue is basically generated by one single party - the Group – and, in any case, 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 Group’s maximum theoretical exposure to credit risk at 30 June 2012 is given by the carrying amount of trade receivables and other recognized current assets totaling Euro 114 million, and by the nominal amount of guarantees given on third-party debts or commitments as indicated in Note 23 of the notes to the consolidated financial statements.

The credit risks associated with cash and cash equivalents, with a maximum theoretical exposure of Euro 57.3 million, are considered irrelevant as they are deposits spread across various banks, based on the criteria described below in the notes to the “liquidity risk”.

Liquidity risk

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 57.3 million, whilst on the other hand, the Group attempts to ensure that an appropriate ability to generate cash is maintained, despite current market conditions.

An analysis of the company's financial position 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 bank deposits, properly spreading the investments, essentially in banking products, with the prime objective of maintaining a ready liquidity of the said investments. The counterparts are selected on the basis of their credit rating, their reliability and the quality of services rendered.

Interest rate and currency risk

The Cairo Communication Group is not exposed to interest rate and currency risk, in that on one hand, there is no loan finance, whilst on the other hand, Group operations are carried out exclusively in Italy, so all revenue is generated in Italy and main costs are incurred in Euro. Interest rate risk only affects the yield on available cash. Movements in the cash flow and the liquidity of Group companies are centrally monitored and managed by Group Treasury in order to guarantee effective and efficient management of financial resources.

Given limited exposure to both interest rate and currency risk, the Group does not use financial derivative and/or hedging instruments.

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 1H12 and its composition at 30 June 2012 can be analyzed as follows:

Description	01/01/2012	Recruitments	Terminations	Advancements	30/06/2012
Open-ended contracts	268	11	(3)	-	276
Senior managers	14	-	(1)	-	13
Managers	20	-	(1)	2	21
Employees	133	3	(1)	(3)	132
Journalists and freelance	101	8	-	1	110
Fixed-term contracts	7	12	(2)	-	17
Senior managers	-	-		-	-
Managers	-	-		-	-
Employees	2	1	(1)		2
Journalists and freelance	5	11	(1)	-	15
Total	**275**	**23**	**(5)**	**-**	**293**

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

	Senior managers	Managers	Employees	Journalists
Men (number)	13	15	35	43
Women (number)	-	6	99	82
Average age	50	47	45	45
Seniority	10	9	9	9
Open-ended contracts	13	21	132	110
Fixed-term contracts	-	-	2	15
Other	-	-	-	-
Graduates	11	8	33	70
Diploma holders	2	12	82	52
Middle-school graduates	-	-	20	3

Most of the employees (200) work in the publishing segment. Two out of seven editors-in-chief of Group publications are women.

The staff increase in the publishing segment in 1H12 is mainly a result of recruitments to complete the staff of the new women's weekly "F". Overall, for both the teams of "Settimanale

Nuovo" and "F", starting from autumn 2011, approximately 32 journalists and other figures were hired.
The advertising segment also draws on a sales force composed 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 projects.
The Group is committed to pursuing health and safety objectives at the workplace. There were no accidents in the workplace or claims for work-related illness in 1H12.

Events occurring after 1H12 and business outlook

As mentioned earlier, starting from the second half of 2011, the short and medium-term economic uncertainty began to deteriorate, reflecting the overall economic-financial scenario. Its effects are still felt in 2012. To date, there remains uncertainty over the period required for a return to normal market conditions.
Based on AC Nielsen figures, advertising investments in Italy in the first five months of 2012 amounted to approximately Euro 3.5 billion, down 9.5% versus the same period last year (specifically, -13.8% the magazine advertising market and -10% the TV advertising market versus the same period last year).
The deterioration of uncertainty factors in the short-medium economic term also led to a contraction in magazine sales.

Despite this backdrop, in 1H12 the Group:

- returned, with the launch of "Settimanale Nuovo" and of the women's weekly "F", to the strategy of development, through the planning and launch of new publications, which had marked its strong growth in the 2003-2006 four-year period, and
- increased revenue and achieved strongly positive results, despite the high costs incurred for the two new projects, thanks to the high quality of its publications and of the media under concession and to its corporate and editorial strategy, which helped implement cost-curbing measures to increase the effectiveness and efficiency of production, publishing and distribution processes.

In 2012, the Cairo Communication Group will continue to develop its core businesses:

- publishing (Cairo Editore and Cairo Publishing), with the aim of:
    - further improving the results of "Settimanale Nuovo" and "F"; as mentioned earlier, "Settimanale Nuovo", with the first 27 issues (with the first two at a launch price of 50 cents) posted average sales of approximately 304 thousand copies, and "F", with

the first 7 issues (with the first two at a launch price of 50 cents), posted average sales of approximately 273 thousand copies, extremely satisfying results that outstrip forecasts (approximately 200 thousand copies and 150 thousand copies respectively) and

- confirming the high circulation levels of the publications, supporting them with adequate investments, and pushing ahead with the efforts to improve the efficiency levels achieved in curbing production, publishing and distribution costs;

- advertising sales on TV, on the titles of the Group and of Prima Comunicazione, on the Internet and at the Olimpico in Turin for Torino FC, with the aim of increasing advertising revenue, thanks also to the two new successful weeklies, to the advertising outlook on LA7, and to the significant circulation levels achieved by the Group's publications, both in absolute terms and versus competition in its areas of operation.

Given the high quality of the Group's publications and the media under concession, Group's target is to achieve in 2H12 results in line with those of 2H11. However, the evolution of the general economic situation could affect the full achievement of these targets.

For the Board of Directors
Chairman Dott. Urbano Cairo

CAIROCOMMUNICATION

Condensed consolidated half-year financial statements at 30 June 2012

CONSOLIDATED INCOME STATEMENT AT 30 JUNE 2012

€ thousands	Notes	Half year ended 30 June 2012	Half year ended 30 June 2011
Revenue	1	151,675	138,129
Other revenue and income	2	1,918	1,239
Change in inventory of finished products	3	32	(111)
Raw materials, consumables and supplies	4	(13,675)	(11,510)
Services	5	(108,953)	(97,014)
Use of third-party assets	6	(1,254)	(1,082)
Personnel expense	7	(12,527)	(11,582)
Amortization, depreciation, provisions and impairment losses	8	(1,321)	(1,823)
Other operating costs	9	(492)	(426)
Operating profit		**15,403**	**15,820**
Net financial income	10	884	581
Loss on investments	17	(620)	0
Pre-tax profit		**15,667**	**16,401**
Income tax	11	(5,559)	(5,862)
Profit from continuing operations		**10,108**	**10,539**
Loss from discontinued operations	12	**(1)**	**(4)**
Profit for the period		**10,107**	**10,535**
- Owners of the parent		10,108	10,531
- Non-controlling interests - discontinued operations		0	0
- Non-controlling interests - continuing operations		(1)	4
		10,107	**10,535**
Earnings per share (euro)			
- Earnings per share- continuing and discontinued operations	14	0.130	0.136
- Earnings per share - continuing operations	14	0.130	0.136

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME AT 30 JUNE 2012

		Half year ended 30 June 2012	Half year ended 30 June 2011
Profit for the period		**10,107**	**10,535**
Profit (loss) on measurement of available-for-sale financial assets	17	0	(8)
Total comprehensive income for the period		**10,107**	**10,527**
- Owners of the parent		10,108	10,523
- Non-controlling interests - discontinued operations		0	0
- Non-controlling interests - continuing operations		(1)	4
		10,107	**10,527**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2012

€ thousands

Balance sheet	**Notes**	**30 June 2012**	**31 December 2011**
Property, plant and equipment	15	3,044	2,724
Intangible assets	16	9,239	9,282
Investments	17	864	1,482
Non-current financial assets		57	58
Deferred tax assets	18	4,454	4,734
Total non-current assets		**17,658**	**18,281**
Inventory	19	4,670	3,389
Trade receivables	19	104,426	108,086
Receivables from parents	19	340	1,467
Other receivables and other current assets	19	7,843	7,521
Securities and other current financial assets	21	0	0
Cash and cash equivalents	21	57,272	54,701
Total current assets		**174,551**	**175,164**
Total assets		**192,209**	**193,445**

Equity and liabilities		**30 June 2012**	**31 December 2011**
Share capital		4,074	4,074
Share premium reserve		45,452	49,586
Prior years profit (losses) and other reserves		2,288	(1,683)
Interim dividend		0	(11,696)
Profit for the period		10,108	23,446
Equity attributable to the owners of the parent		**61,922**	**63,727**
Non-controlling interests share capital and reserves		**2**	**3**
Total equity	**22**	**61,924**	**63,730**
Post-employment benefits	20	3,916	3,898
Provisions for risks and charges	20	1,889	2,182
Total non-current liabilities		**5,805**	**6,081**
Loans and borrowings		0	0
Trade payables	19	108,282	107,029
Payables to parents	19	5,090	2,156
Tax liabilities	19	1,170	2,005
Other current liabilities	19	9,938	12,444
Total current liabilities		**124,480**	**123,633**
Total liabilities		**130,285**	**129,714**
Total equity and liabilities		**192,209**	**193,445**

CONSOLIDATED STATEMENT OF CASH FLOWS AT 30 JUNE 2012

€ thousands	Half year ended 30 June 2012	Half year ended 30 June 2011
CASH AND CASH EQUIVALENTS	**54,701**	**58,260**
OPERATING ACTIVITIES		
Profit for the period	10,107	10,535
Amortization/depreciation	441	398
Impairment losses on investments	620	0
Net financial income	(884)	(581)
Income tax	5,559	5,862
Change in post-employment benefits	18	172
Change in provisions for risks and charges	(293)	(231)
Cash flow from operating activities before changes in working capital	**15,568**	**16,155**
(Increase) decrease in trade and other assets	3,336	(3,874)
Increase (decrease) in trade and other liabilities	(1,253)	4,835
(Increase) decrease in other assets	0	0
(Increase) decrease in inventory	(1,281)	(338)
TOTAL CASH FLOW FROM OPERATING ACTIVITIES	**16,371**	**16,778**
Income tax paid	(2,053)	(9,228)
Financial expense paid	(63)	(55)
TOTAL NET CASH FROM OPERATING ACTIVITIES (A)	**14,255**	**7,495**
INVESTING ACTIVITIES		
(Acquisitions) disposals net in PPE and intangible assets	(717)	(55)
Interest and financial income received	947	636
Net increase in other non-current assets	0	7
NET CASH USED IN INVESTING ACTIVITIES (B)	**230**	**588**
FINANCING ACTIVITIES		
Dividends paid	(11,695)	(19,393)
(Acquisition) disposal of treasury shares	(214)	1,200
Other changes in equity	(4)	(8)
New loan finance / (loans repaid)	0	0
NET CASH USED IN FINANCING ACTIVITIES (C)	**(11,913)**	**(18,201)**
CASH FLOW FOR THE PERIOD (A)+(B)+(C)	**2,571**	**(10,118)**
CLOSING CASH AND CASH EQUIVALENTS	**57,272**	**48,142**

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

€ thousands	Share capital	Share premium reserve	Prior years profit (loss) and other reserves	Reserve for available-for-sale financial assets	Interim dividend	Profit for the period	Equity attributable to the owners of the parent	Non-controlling interests share capital and reserves	Total
Balance at 31 December 2009	**4,074**	**54,657**	**(3,669)**	**(349)**	**0**	**12,034**	**66,747**	**(1)**	**66,746**
Allocation of profit			12,034			(12,034)	**0**		**0**
Dividend distribution		(3,576)	(11,939)				**(15,515)**		**(15,515)**
Other changes			(2)				**(2)**		**(2)**
Profit for the period				(1,775)		20,729	**18,954**	1	**18,955**
Balance at 31 December 2010	**4,074**	**51,081**	**(3,576)**	**(2,124)**	**0**	**20,729**	**70,184**	**0**	**70,184**
Allocation of profit			20,729			(20,729)	**0**		**0**
Dividend distribution		(1,495)	(17,898)				**(19,393)**		**(19,393)**
Interim dividend					(11,696)		**(11,696)**		**(11,696)**
Disposal of treasury shares			1,200				**1,200**		**1,200**
Other changes			(6)				**(6)**		**(6)**
Riclassification reserve for available-for-sale financial assets			(2,132)	2,132			**0**		**0**
Profit for the period				(8)		23,446	**23,438**	3	**23,441**
Balance at 31 December 2011	**4,074**	**49,586**	**(1,683)**	**0**	**(11,696)**	**23,446**	**63,727**	**3**	**63,730**
Allocation of profit			23,446			(23,446)	**0**		**0**
Dividend distribution		(4,134)	(19,257)		11,696		**(11,695)**		**(11,695)**
Purchase of treasury shares			(214)				**(214)**		**(214)**
Other changes			(4)				**(4)**		**(4)**
Profit for the period						10,108	**10,108**	(1)	**10,107**
Balance at 30 June 2012	**4,074**	**45,452**	**2,288**	**0**	**0**	**10,108**	**61,922**	**2**	**61,924**

CONSOLIDATED INCOME STATEMENT PURSUANT TO CONSOB RESOLUTION n. 15519 OF 27 JULY 2006

€ thousands

	Half year ended 30 June 2012	related parties (*)	% of total	Half year ended 30 June 2011	related parties (*)	% of total
Revenue	151,675	77	0.1%	138,129	66	0.0%
Other revenue and income	1,918			1,239	10	0.8%
Change in inventory of finished products	32			(111)		
Raw materials, consumables and supplies	(13,675)			(11,510)		
Services	(108,953)	(718)	0.7%	(97,014)	(1,112)	1.1%
Use of third-party assets	(1,254)			(1,082)		
Personnel expense	(12,527)			(11,582)		
Amortization, depreciation, provisions and impairn	(1,321)			(1,823)		
Other operating costs	(492)			(426)		
Operating profit	**15,403**			**15,820**		
Net financial income	884			581		
Loss on investments	(620)	(620)	100.0%	0		
Pre-tax profit	**15,667**			**16,401**		
Income tax	(5,559)			(5,862)		
Profit from continuing operations	**10,108**			**10,539**		
Loss from discontinued operations	**(1)**			**(4)**		
Profit for the period	**10,107**			**10,535**		

(*) Related party transactions are analyzed in Note 24

CONSOLIDATED STATEMENT OF FINANCIAL POSITION PURSUANT TO CONSOB RESOLUTION n. 15519 OF 27 JULY 2006

€ thousands

Assets	30 June 2012	related parties (*)	% of total	31 December 2011	related parties (*)	% of total
Property, plant and equipment	3,044			2,724		
Intangible assets	9,239			9,282		
Investments	864	864	100.0%	1,482	1,471	99.2%
Non-current financial assets	57			58		
Deferred tax assets	4,454			4,734		
Total non-current assets	**17,658**			**18,281**		
Inventory	4,670			3,389		
Trade receivables	104,426	369	0.4%	108,086	356	0.3%
Receivables from parents	340	340	100.0%	1,467	1,467	100.0%
Other receivables and other current assets	7,843	46	0.6%	7,521	24	0.3%
Securities and other current financial assets	0			0		
Cash and cash equivalents	57,272			54,701		
Total current assets	**174,551**			**175,164**		
Total assets	**192,209**			**193,445**		
Equity and liabilities	**30 June 2012**			**31 December 2011**		
Share capital	4,074			4,074		
Share premium reserve	45,452			49,586		
Previous years profit (loss)	2,288			(1,683)		
Interim dividend	0			(11,696)		
Profit for the period	10,108			23,446		
Equity attributable to the owners of the parent	**61,922**			**63,727**		
Non-controlling interests share capital and reserves	**2**			**3**		
Total equity	**61,924**			**63,730**		
Post-employment benefits	3,916			3,898		
Provisions for risks and charges	1,889			2,182		
Total non-current liabilities	**5,805**			**6,081**		
Loans and borrowings	0			0		
Trade payables	108,282	132	0.1%	107,029	315	0.3%
Payables to parents	5,090	5,090	100.0%	2,156	2,156	100.0%
Tax liabilities	1,170			2,005		
Other current liabilities	9,938			12,444	1,606	12.9%
Total current liabilities	**124,480**			**123,633**		
Total liabilities	**130,285**			**129,714**		
Total equity and liabilities	**192,209**			**193,445**		

(*) Related party transactions are analyzed in Note 24

CONSOLIDATED STATEMENT OF CASH FLOWS PURSUANT TO CONSOB RESOLUTION

n. 15519 OF 27 JULY 2006

€ thousands	Half year ended 30 June 2012	related parties	Half year ended 30 June 2011	related parties
CASH AND CASH EQUIVALENTS	**54,701**		**58,260**	
OPERATING ACTIVITIES				
Profit for the period	10,107	(1,261)	10,535	(1,021)
Amortization/depreciation	441		398	
Impairment losses on investments	620	620	0	
Net financial income	(884)		(581)	
Income tax	5,559		5,862	
Change in post-employment benefits	18		172	
Change in provisions for risks and charges	(293)		(231)	
Cash flow from operating activities before changes in working capital	**15,568**	**(641)**	**16,155**	**(1,021)**
(Increase) Decrease in trade and other receivables	3,336	1,092	(3,874)	(545)
Increase (Decrease) in trade and other payables	(1,253)	1,145	4,835	(2,749)
(Increase) Decrease in other receivables	0		0	
(Increase) Decrease in inventory	(1,281)		(338)	
TOTAL CASH FLOW FROM OPERATING ACTIVITIES (A)	**16,371**	**1,596**	**16,778**	**(4,315)**
Income tax paid	(2,053)		(9,228)	
Financial expense paid	(63)		(55)	
TOTAL CASH FLOW FROM OPERATING ACTIVITIES (A)	**14,255**	**1,596**	**7,495**	**(4,315)**
INVESTING ACTIVITIES				
(Acquisitions) disposals net in PPE and intangible assets	(717)		(55)	
Interest and financial income received	947		636	
Net increase in other non-current assets	0		7	
NET CASH USED IN INVESTING ACTIVITIES (B)	**230**	**0**	**588**	**0**
FINANCING ACTIVITIES				
Dividends paid	(11,695)		(19,393)	
(Purchase) disposal of treasury shares	(214)		1,200	
Other changes in equity	(4)		(8)	
NET CASH USED IN FINANCING ACTIVITIES (C)	**(11,913)**	**0**	**(18,201)**	**0**
CASH FLOW FOR THE PERIOD (A)+(B)+(C)	**2,571**	**1,596**	**(10,118)**	**(4,315)**
CLOSING CASH AND CASH EQUIVALENTS	**57,272**		**48,142**	

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), formerly the Standing Interpretations Committee (SIC).

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 2011.

The same accounting standards applied to prepare the Group's consolidated financial statements for the year ended 31 December 2011 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 2012".

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 losses in value 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 loss in value. Similarly, actuarial valuations, necessary for the calculation of the provision for retirement benefits and severance for staff and agents, are normally only carried out during the preparation of the year-end financial statements.

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.

Accounting standards, amendments and interpretations applied from 1 January 2012

The following accounting standards, amendments and interpretations, reviewed also following IASB's annual improvements process, were applied for the first time by the Group starting from 1 January 2012:

- On 7 October 2010, the IASB issued several amendments to IFRS 7 – *Financial instruments: improved disclosures*, to be applied for annual periods starting from or after 1 July 2011, adopted by the EC in November 2011. The amendments were issued to improve the understanding of transfers of financial assets and the possible effects arising from risks associated with the continuing involvement of the entity that has transferred such assets. The amendments require further information in the event a disproportionate amount of transfer transactions is undertaken around the end of the year.

Accounting standards, amendments and interpretations approved by the EU, yet to apply and not adopted early by the Group

- On 16 June 2011, the IASB issued an amendment to IAS 1 – Presentation of Financial Statements requiring entities to group items presented in OCI (Other Comprehensive Income) based on whether they are potentially re-classifiable subsequently to profit and loss. The amendment is applicable to annual periods beginning on or after 1 July 2012.
- On 16 June 2011, the IASB issued an amendment to IAS 19 – *Employee Benefits* that eliminates the option of deferring recognition of actuarial gains and losses via the corridor approach, requiring presentation, in the statement of financial position, of the fund's deficit or surplus and recognition in the profit and loss of cost components relating to service and net financial expense, and recognition of actuarial gains and losses stemming from re-measurement of liabilities and assets among other comprehensive income (expense). In addition, the return on assets included in net financial expense must be calculated on the basis of the discount rate for liabilities and no longer on the basis of the rate of return expected for assets. Lastly the amendment introduces new disclosures to be provided in the notes to the financial statements. The amendment is retrospectively applicable to the annual period beginning on 1 January 2013.

Accounting standards, amendments and interpretations yet to apply, not adopted early by the Group and not approved by the EU

Moreover, at the date of these condensed consolidated half-year financial statements, the relevant EU bodies have yet to complete the approval process for application of the amendments and standards listed below:

- On 12 November 2009, the IASB issued IFRS 9 – *Financial instruments: recognition and measurement of financial assets*, applicable as from 1 January 2013 and later amended on 28 October 2010. The publication is the opening part of a process that aims to overhaul IAS 39. The new standard uses a single approach and is based on how a company manages its financial instruments and the contractual cash flows of the financial assets to determine the measurement methodology replacing IAS 39. For financial liabilities, instead, the main change made regards accounting of fair value changes of a financial liability designated as financial liability measured at fair value through profit and loss, in the event these are attributable to changes in the credit risk of the liability. Based on this new standard, changes must be presented in "other comprehensive income and expenses" and no longer in the income statement.
- On 20 December 2010, the IASB issued:
    - a narrow amendment to IFRS 1 – *First-time adoption of International Financial Reporting Standards (IFRS)* to cancel reference to the date of 1 January 2004 it contained and described as date of transition to the IFRS, and to provide guidance on the presentation of the financial statements in compliance with the IFRS following a period of severe hyperinflation;
    - a narrow amendment to IAS 12 – *Income tax* addressing the issue of measuring deferred tax relating to an asset depending on whether the company expects to recover the carrying amount of the asset through use or sale. As a result of the amendment, SIC-21 – *Income tax – Recovery of Revalued Non-Depreciable Assets* will no longer be applicable.
- On 12 May 2011, the IASB issued IFRS 10 – *Consolidated Financial Statements*, which will replace SIC 12 - *Consolidation - Special Purpose Entities* and parts of IAS 27 - *Consolidated and Separate Financial Statements*, which will be renamed *Separate Financial Statements* and will regulate the accounting treatment of equity investments in separate financial statements. The new standard builds on existing standards, identifying the concept of control as the decisive factor for the purposes of consolidation of a company in the consolidated financial statements of the parent. It also provides guidance to determine the existence of control when this is difficult to ascertain. The standard is retrospectively applicable as from 1 January 2013.
- On 12 May 2011, the IASB issued IFRS 11 – *Joint Arrangements*, which will replace IAS 31 – *Interests in Joint Ventures* and SIC 13 – *Jointly Controlled Entities – Non-Monetary*

Contributions by Venturers. The new standard provides criteria for the identification of joint arrangements based on the rights and obligations arising from such arrangements, rather than on their legal form, and establishes the equity method as the sole method of accounting for joint ventures in consolidated financial statements. The standard is retrospectively applicable as from 1 January 2013. Following issue of the standard, IAS 28 – *Investments in Associates* has been amended to comprise, within its scope of application, from the date it comes into effect, also investments in joint ventures.

- On 12 May 2011, the IASB issued IFRS 12 – *Disclosure of Interests in Other Entities*, a new standard which specifically envisages the disclosure to be provided on all types of interests, including those in subsidiaries, joint arrangements, associates, special purpose entities and other unconsolidated special purpose vehicles. The standard is retrospectively applicable as from 1 January 2013.
- On 12 May 2011, the IASB issued IFRS 13 – *Fair Value Measurement*, which clarifies how to calculate fair value for the purposes of financial reporting, and is applicable to all the IFRS that require or allow fair value measurement or disclosures based on fair value. The standard is prospectively applicable as from 1 January 2013.
- On 16 December 2011, the IASB issued several amendments to IAS 32 – *Financial Instruments: Presentation*, to clarify the application of certain criteria for offsetting financial assets against financial liabilities included in IAS 32. The amendments are retrospectively applicable to annual periods beginning on or after 1 January 2014.
- On 16 December 2011, the IASB issued amendments to IFRS 7 – *Financial Instruments: Disclosures*. The amendment requires disclosures about the effect or potential effect of offsetting of financial assets against financial liabilities on an entity's financial position. The amendments are applicable to the annual periods beginning on or after 1 January 2013 and to interim periods following such date. Disclosure is to be provided retrospectively.

The following amendments and interpretations, not yet applicable, are deemed irrelevant for the Company as they govern circumstances that do not appear at the date of these consolidated financial statements:

- IFRIC 20 - *Stripping costs in the production phase of a surface mine.*

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 notes.

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

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

The financial effect of discontinued operations is reclassified in a single line of the income statement called "net profit / (loss) from discontinued operations", according to IFRS 5.

The **consolidated statement of financial position** presents separately assets and liabilities broken down into 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 statement of cash flows** has 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 year;
- 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.

<u>Scope of consolidation</u>

There were no changes in the scope of consolidation versus the consolidated financial statements for the year ended 31 December 2011.

The condensed half-year financial statements at 30 June 2012 include the financial statements of the parent Cairo Communication S.p.A. and the following direct or indirect subsidiaries:

Company	Head office	Quota capital at 30/06/12	% 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 for assets and liabilities (*)
Cairo Due S.r.l.	Milan	47	100	31/12	Advertising	Full
Cairo Pubblicità S.p.A.	Milan	2,818	100	31/12	Advertising	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
DMail Group S.p.A.	Milan	15,300	10	31/12	E-commerce - Retail Publishing	Single line

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

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 at 30 June 2012 versus those at 30 June 2011.

1. Revenue

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

	Half-year at 30/06/2012	Half-year at 30/06/2011
Gross operating revenue	171,306	155,649
Advertising agency discounts	(19,631)	(17,520)
Net operating revenue	**151,675**	**138,129**

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

Gross operating revenue can be analyzed as follows:

Description	Half-year at 30/06/2012	Half-year at 30/06/2011
TV advertising	112,676	100,482
Print media advertising	19,878	20,003
Stadium signage	872	1,338
Internet advertising	812	556
Magazine over-the-counter sales	35,645	31,744
Subscriptions	1,564	1,544
Audiovisuals and miscellaneous	50	50
Books and catalogues	412	461
VAT relating to publications	(603)	(529)
Total gross operating revenue	**171,306**	**155,649**

In 1H12:

- TV advertising revenue (including LA7, LA7d, Sportitalia channels and theme channels Cartoon Network, Boomerang, and CNN), totaling Euro 112.7 million, were up 12.1% overall versus 2011 (ACNielsen, -10% the TV advertising market in the January-May five-month period of 2012 versus the same period of 2011). Specifically, advertising revenue on LA7, amounting to approximately Euro 96.6 million, rose by 14.7% versus 2011. As mentioned earlier, in 1H12, the average all-day share of LA7 was 3.48% versus 3.63% in H11;
- Group magazine sales, amounting to Euro 35.6 million, were up 12.3% versus the same period of 2011 (Euro 31.7 million), thanks to the remarkable results achieved by the new magazines "Settimanale Nuovo" and "F" (launched in June), which generated revenue of Euro 4.9 million and Euro 0.6 million in 1H12 respectively
- Group magazines gross advertising revenue, which reached Euro 19.4 million, basically confirmed the 2011 figure, thanks to "Settimanale Nuovo" and "F", which generated advertising revenue of Euro 1.9 million and Euro 0.9 million in 1H12 respectively; without their contribution, the result would be basically in line with the market (AC Nielsen, -13.8% the magazine advertising market in the January-May five-month period of 2012 versus the same period of 2011).

"Operating revenues" 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

“Other revenue and income”, amounting in 1H12 to Euro 1,918 thousand (Euro 1,239 thousand at 30 June 2011) are chiefly ascribable to the “print subsidy” (Euro 922 thousand), to revenue from waste paper pulping and sale (Euro 680 thousand), contingent assets (Euro 148 thousand), technical advertising recharges and other revenues not considered operating revenues.

Specifically, in 1H12, Cairo Editore was acknowledged the right to receive a subsidy, recognized under “other revenue and income”, of Euro 0,9 million, as set out in the 2011 Stability Law (article 1, paragraph 40, law n. 220 of 13 December 2010), which had allocated Euro 30 million for the refinancing of “extraordinary measures in support of the publishing industry”, specifically acknowledging a tax credit to the publishers of dailies, magazines and books, equivalent to a percentage of costs incurred for the purchase of paper used to print publications and books. The circular dated 29 December 2011 from the Information and Publishing Department of the Presidency of the Council of Ministers, published in State Gazette n. 12 on 16 January 2012, laid down the implementation provisions to access the tax credit, associating it with the costs incurred for the purchase of paper in 2011, with the exclusion of paper used for the publishing of adverts. On 27 March 2012, the Presidency of the Council of Ministers confirmed the acknowledgement to Cairo Editore of a tax credit of Euro 922 thousand.

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3. Change in inventory of finished products

Inventory, amounting to Euro 32 thousand (Euro -111 thousand at 30 June 2011), arises from the ordinary use of items sold by Cairo Editore and Cairo Publishing.

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4. Raw materials, consumables and supplies

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

Description	**Half-year at 30/06/2012**	**Half-year at 30/06/2011**
Paper	14,532	11,675
Equipment and sundry materials	389	283
Change in inventory of paper, equipment and sundry materials	(1,246)	(448)
Total raw materials, consumables and supplies	**13,675**	**11,510**

Higher costs for “raw materials, consumables and supplies” were incurred for the two new magazines.

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5. Services

As shown in the chart below, this item mainly comprises advertising concessionaire direct costs, consultancies and collaborations, and general and administrative costs, analyzed as follows:

Description	Half-year at 30/06/2012	Half-year at 30/06/2011
Advertising concessionaire direct costs	81,680	74,174
Technical costs	152	268
Consultancies and collaborations	6,608	5,930
External processing	9,548	8,881
Advertising and promotion	3,777	2,723
Advertising and launch promotion costs	2,850	-
Organizational costs and overheads	4,338	5,038
Total services	**108,953**	**97,014**

The increase versus 1H11 in “advertising concessionaire direct costs”, which includes publishers’ fees, media centre fees and agents’ commissions, is related to the growth in TV advertising revenues.

The increase in “consultancies and collaborations”, which includes bordereau costs, and “external processing”, which includes print and artwork costs, is related to the two new magazines.

“Advertising and launch promotion costs” refer exclusively to the promotional-advertising costs incurred for the new weeklies, which, taking also into consideration the pre-publication and study phase, came to a total of approximately Euro 3.9 million, approximately Euro 1.9 million of which in 2Q12.

The publishers’ fees item also includes the Euro 654 thousand for Torino Football Club S.p.A., a subsidiary of U.T. Communications S.p.A., for the advertising concession contract with Cairo Pubblicità S.p.A., illustrated in Note 24 on related party transactions.

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6. Use of third-party assets

The item, amounting to Euro 1,254 thousand at 30 June 2012 (Euro 1,082 thousand at 30 June 2011), mainly includes lease payments for property, office equipment and royalties for copyrights.

7. Personnel expense

The item can be analyzed as follows:

Description	Half-year at 30/06/2012	Half-year at 30/06/2011
Wages and salaries	9,262	8,654
Social security contributions	2,623	2,536
Post-employment benefits	637	392
Other costs	4	-
Total personnel expense	**12,527**	**11,582**

The increase in personnel expense is related to the two new magazines and also includes approximately Euro 0.7 million of costs incurred during the pre-launch phase.

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8. Amortization, depreciation, provisions and impairment losses

These can be analyzed as follows:

Description	Half-year at 30/06/2012	Half-year at 30/06/2011
Amortization of intangible assets and depreciation of property, plant and equipment	431	399
Increase in provisions for bad debts	890	1,249
Other provisions	-	175
Total amortization, depreciation, provisions and impairment losses	**1,321**	**1,823**

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9. Other operating costs

Other operating costs, amounting to Euro 492 thousand (Euro 426 thousand at 30 June 2011), mainly include sundry taxes and contingent liabilities.

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10. Net financial income

"Net financial income" is analyzed as follows:

Description	Half-year at 30/06/2012	Half-year at 30/06/2011
Financial income	947	636
Financial charges	(63)	(55)
Total	**884**	**581**

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

The item can be analyzed as follows:

Description	Half-year at 30/06/2012	Half-year at 30/06/2011
IRES	4.252	4,704
IRAP	1.032	1,111
Deferred tax income	275	47
Total income tax	**5,559**	**5,862**

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12. Net profit/(loss) from discontinued operations

This includes the net loss of the subsidiary Diellesei S.r.l. in liquidation. The liquidation process continued during the six-month period, as shown below:

Description	Half-year at 30/06/2012	Half-year at 30/06/2011
Other revenue and income	-	1
Services	(1)	(5)
Operating profit	**(1)**	**(4)**
Net financial income (expense)	-	-
Pre-tax profit	**(1)**	**(4)**
Income tax	-	-
Net profit/(loss) from discontinued operations	**(1)**	**(4)**

Looking at the financial situation, the following table shows the effect of Diellesei on Group liquidity:

Description	Half-year at 30/06/2012	Half-year at 30/06/2011
Net cash flow used in the liquidation process	(17)	(23)
Net cash flow from (used in) financing activities	-	-
Net decrease for the period	**(17)**	**(23)**

13. Segment reporting

For a clearer understanding of the Group's economic performance, the analysis is focused on the results achieved in 1H12 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 three reportable business segments:

- **publishing**, the Group operates as a publisher of magazines and books through its subsidiaries Cairo Editore - which incorporated in 2009 Editoriale Giorgio Mondadori and publishes weeklies "Settimanale DIPIU'", "DIPIU' TV", "Diva e Donna", "TV Mia" and supplements "Settimanale DIPIU' e DIPIU'TV Cucina e Stellare" 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**, 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 third-party publishers TIMedia (LA7 and LA7d), Sportitalia and Turner Broadcasting (Cartoon Network, Boomerang, and CNN), on the Internet and for the sale of stadium advertising spaces at the Olimpico football pitch in Turin for Torino FC;
- **Il Trovatore,** which manages its own search engine and provides technological services mainly within the Group.

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

Half-year at 30/06/2012	Publishing	Advertising	Trovatore	Unallocated operations	Intra-group eliminations	Total
Revenue	53,487	114,793	175	-	(16,780)	151,675
Inter-segment revenue	-	-		-		
Other income	1,856	62	-	-	-	1,918
Non-recurring income	-	-	-	-	-	-
Change in inventory	32	-	-	-	-	32
Production cost	(39,491)	(101,500)	(163)	-	16,780	(124,374)
Personnel expense	(9,531)	(2,979)	(17)			(12,527)
Amortization, depreciation, provisions and impairment losses	(723)	(594)	(4)	-	-	(1,321)
Operating profit (EBIT)	**5,630**	**9,782**	**(9)**	**-**	**-**	**15,403**
Loss on investments	-	(620)	-	-	-	(620)
Net financial income (expense)	127	758	(1)			884
Pre-tax profit	**5,757**	**9,920**	**(10)**	**-**	**-**	**15,667**
Income tax	(1,923)	(3,632)	(4)			(5,559)
Profit from continuing operations	**3,834**	**6,289**	**(14)**	**-**	**-**	**10,109**
Profit/(loss) from discontinued operations	-	-	-	(1)	-	(1)
Profit for the period	**3,834**	**6,289**	**(14)**	**(1)**		**10,108**
- Non-controlling interests	-	-	(1)	-	-	(1)

Half-year at 30/06/2011	Publishing	Advertising	Trovatore	Unallocated operations	Intra-group eliminations	Total
Revenue	33,337	104,764	28	-	-	138,129
Inter-segment revenue	14,487	252	157	-	(14,896)	-
Other income	1,005	234	-	-	-	1,239
Non-recurring income	-	-	-	-	-	-
Change in inventory	(111)	-	-	-	-	(111)
Production cost	(31,965)	(92,825)	(138)	-	14,896	(110,032)
Personnel expense	(8,381)	(3,185)	(16)			(11,582)
Amortization, depreciation, provisions and impairment losses	(718)	(1,101)	(4)	-	-	(1,823)
Operating profit (EBIT)	**7,654**	**8,139**	**27**	**-**	**-**	**15,820**
Profit/(loss) on investments	-	-	-	-	-	-
Net financial income/(expense)	124	458	(1)	-	-	581
Pre-tax profit	**7,778**	**8,597**	**26**	**-**	**-**	**16,401**
Income tax	(2,811)	(3,034)	(17)	-	-	(5,862)
Profit from continuing operations	**4,967**	**5,563**	**9**	**-**	**-**	**10,539**
Profit/(loss) from discontinued operations	-	-	-	(4)	-	(4)
Profit for the period	**4,967**	**5,563**	**9**	**(4)**	**-**	**10,535**
- Non-controlling interests	-	-	4	-	-	4

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. Specifically:

Description	Half-year at 30/06/2012	Half-year at 30/06/2011
€ thousands:		
Profit from continuing operations	10,108	10,539
Profit / (loss) from discontinued operations	(1)	(4)
Profit for the period (€ thousands)	**10,107**	**10,535**
Weighted average number of outstanding shares	78,343,400	78,343,400
Weighted average number of treasury shares	(390,862)	(733,757)
Weighted average number of shares used in the calculation of earnings per share	**77,952,538**	**77,609,643**
Euro:		
Earnings per share attributable to continuing operations	0,130	0,136
Earnings / (loss) per share attributable to discontinued operations	0,000	(0,000)
Net earnings per share	**0,130**	**0,136**

NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Assets 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	Total
Carrying amount at 31/12/2011	**1,406**	**185**	**1,133**	**2,724**
Additions	-	51	467	518
Disposals	-	-	-	-
Depreciation	(28)	(16)	(154)	(198)
Carrying amount at 30/06/2012	**1,378**	**220**	**1,446**	**3,044**

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16. Intangible assets

The movements in intangible assets can be analyzed as follows:

Description	**Concessions, licenses and trademarks**	**Goodwill**	**Titles**	**Assets under const.**	**Total**
Carrying amount at 31/12/2011	**274**	**7,198**	**1,805**	**5**	**9,282**
Additions	178	-	-	12	190
Disposals	-	-	-	-	-
Amortization	(102)	-	(131)	-	(233)
Carrying amount at 30/06/2012	**350**	**7,198**	**1,674**	**17**	**9,239**

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 IFRS.

The movements in this item for each of the cash generating units (CGU), which the Group has identified for the segments in which it operates, are as follows: approximately Euro 4.7 million in the publishing segment, approximately Euro 2.3 million in the advertising segment, and approximately Euro 0.2 million in Il Trovatore.

The Directors have verified the absence of indicators of long-term losses in the value of intangible assets 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 financial assets

The movements in this item can be analyzed as follows:

Description (€ thousands)	Carrying amount at 31/12/2011	Write-up	Effects of fair value measurement	Impairment losses	Carrying amount at 30/06/2012
Cairo Sport Srl	10	2	-	-	12
Total subsidiaries	**10**	**2**	**-**	**-**	**12**
Dmail Group S.p.A.	1,461	-	(620)	-	841
Total associates	**1,461**	**-**	**(620)**		**841**
Other	11	-	-	-	11
Total other	**11**	**-**	**-**	**-**	**11**
Total	**1,482**	**2**	**(620)**	**-**	**864**

Cairo Sport S.r.l. was measured at cost, which does not differ much from the amount calculated using the equity method.

The investment held in the listed company Dmail Group S.p.A. refers to n. 765,000 shares (*ante* reverse stock split 1:5 on 11 July), or 10% of the quota capital.

At 30 June 2012, the associate reported a negative performance, as reflected in the measurement with the equity method.

In the 2011 Directors' Report, the Dmail Group directors had declared that the company could continue as a going concern on the condition that an agreement were reached on the suspension and restructuring of bank loans and with the injection of fresh funds from a rights issue.

The extraordinary shareholders' meeting held by Dmail Group S.p.A. on 7 May 2012 approved a capital increase for a total of Euro 15 million, to be made by 31 December 2012, through issue of new ordinary shares with n. 1 free warrant for every n. 1 newly-issued ordinary share and concurrent capital increase, by means of a cash payment and share split, for a maximum of Euro 15 million, to be made by 31 December 2015 to service exercised warrants. The capital increase is currently awaiting approval by CONSOB.

In July, the Board of Directors of Dmail Group announced that:

- the current business trend, together with the harsh market environment, would have probably prevented it from ending the current year with an operating profit at Group level,
- it had yet to reach an agreement on the suspension and restructuring of medium-long-term bank loans,
- it had assigned the financial advisor *Borghesi Advisory* the task of assisting the Company in the loan restructuring process and in its corporate reorganization.

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18. Deferred tax assets

Deferred tax assets were Euro 4,454 thousand at 30 June 2012 (Euro 4,734 thousand at 31 December 2011), deriving from the recognition of deferred tax on the temporary differences between the amounts of assets and liabilities reported in the financial statements and their tax amounts.

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19. Working capital

Working capital can be analyzed as follows:

Description	Total 30/06/12	Total 31/12/11	Change
Inventory	4,670	3,389	1,281
Trade receivables	104,426	108,086	(3,660)
Receivables from parents	340	1,467	(1,127)
Other receivables and other current assets	7,843	7,521	322
Trade payables	(108,282)	(107,029)	(1,253)
Payables to parents	(5,090)	(2,156)	(2,934)
Tax liabilities	(1,170)	(2,005)	835
Other current liabilities	(9,938)	(12,444)	2,506
Total working capital	**(7,201)**	**(3,171)**	**(4,030)**

Inventory includes the 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 shown net of a provision for obsolescence of Euro 911 thousand.

Trade receivables are shown net of a provision for bad and doubtful debts of Euro 11,364 thousand (Euro 10,990 thousand the provision at 31 December 2011). The provision for bad and doubtful debts increased over the period by Euro 890 thousand. This provision considers both specific collection risks and general market collection risks, taking also into account the advertising concession agreements stipulated by the Group with its media clients, specifically third-party clients, which usually allocate a percentage of losses on receivables to clients.

Parent receivables and payables, amounting respectively to Euro 340 thousand and to Euro 5,090 thousand, refer mainly to receivables from (Euro 278 thousand) and payables to (Euro 5.090 thousand) the parent U.T. Communications S.p.A. arising from the national tax consolidation scheme to which Cairo Communication and its subsidiaries, Cairo Editore, Cairo Pubblicità, Diellesei in liquidation, Cairo Due and Cairo Publishing adhered, as mentioned in Note 24 on related party transactions.

Other receivables and other current assets also include:

- Euro 1.3 million, which is the residual amount of the one-off payment acknowledged in December 2009 to Interactive Group for the signing of the exclusive advertising concession contract on the digital and satellite Sportitalia and Sportitalia 2 channels and on the www.sportitalia.com website.
- Euro 1.9 million, which is the residual amount of the receivable which arose in 2010 from Interactive Group, equal to the difference between the amount accrued and the advances paid in 2010. In 2011 and in 1H12, the accrued publishers' amount exceeded advances paid for such year.

Trade payables amount to Euro 108,282 thousand, rising by Euro 1,253 thousand versus 31 December 2011 and refer entirely to current payables.

Other current liabilities, amounting at 30 June 2012 to Euro 9,938 thousand (Euro 12,444 thousand at 31 December 2011) 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 benefit

The provision for post-employment benefits reflects allocations for all staff employed at the date of the consolidated financial statements made on the basis of the application of the projected unit credit based on actuarial valuations.

The composition and movements on this provision is broken down as follows:

	Balance at 30/06/12	**Balance at 31/12/11**
Opening balance	**3,898**	**3,891**
Increase in provision	637	724
Utilized / other movements	(619)	(717)
Closing balance	**3,916**	**3,898**

Provisions for risks and charges

The provisions for risks and charges includes:

Description	30/06/12	31/12/11	Change
Provision for retirement and kindred outlays	1,159	1,159	-
Provision for publishing returns	189	474	(285)
Provision for liquidation expenses	85	101	(16)
Provisions for other risks and charges	456	448	8
Total	**1,889**	**2,182**	**(293)**

21. Net financial position

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

Description	30/06/12	31/12/11	Change
Cash and cash equivalents	57,272	54,701	2,571
Current financial assets	-	-	-
Total	**57,272**	**54,701**	**2,571**

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

As seen in the consolidated statement of cash flows, the increase in the net financial position, amounting to Euro 2,571 thousand, refers mainly to the positive cash flows from operations, amounting to Euro 14,255 thousand, net of negative cash flows from the distribution of dividends.

22. Consolidated equity

Consolidated equity at 30 June 2012 was Euro 61,992 thousand, including profit for the period. The share capital of Cairo Communication S.p.A., currently Euro 4,074 thousand, is made up of n. 78,343,400 ordinary shares.

The Shareholders’ Meeting of 26 April 2012 approved the distribution of a dividend of 0.30 Euro per share, inclusive of tax, of which Euro 0.15 per share already distributed as an interim dividend under the resolution adopted by the Board of Directors on 30 November 2011. The balance of the dividend, amounting to Euro 0.15 per share for a total of Euro 11.7 million, was distributed with detachment date on 7 May 2012 and made payable on 10 May 2012.

In 2012, as part of the share buy-back plans, 79,452 treasury shares were purchased. At 30 June 2012, Cairo Communication held a total of n. 450.779 treasury shares, or 0.575% of the share capital, subject to the requirements of art. 2357-ter of the Italian Civil Code.

23. Other information

Main guarantees given by third parties in favour of the Cairo Communication Group are as follows:

- a bank surety of Euro 17.640 million expiring on 15 June 2013 issued by Unicredit to Telecom Italia Media S.p.A. (Telecom Group) securing payment of minimum guaranteed fees specified in its contract for the exclusive sale of television advertising space on LA7;
- other sureties totaling Euro 327 thousand issued by banks.

The advertising concession contract regarding LA7 sets minimum annual gross advertising revenue in 2012 of Euro 126 million, with minimum annual guaranteed fees for Telecom Italia Media of Euro 88.2 million (70%).

In December 2010, Telecom Italia Media and Cairo agreed to revise the advertising concession contract of 19 November 2008. Specifically, for 2011 and for the 2012-2014 three-year period, both set additional annual advertising revenue targets (unguaranteed) with respect to the minimum annual revenue, proportional to the achievement by Telecom Italia Media of annual targets of share higher than the given 3% for LA7's share. Cairo's achievement of these additional targets, or payment to Telecom Italia Media of equivalent dues, will entitle Cairo to renew the contract up to 31 December 2019. Otherwise, Telecom Italia Media is authorized to withdraw from the contract.

The contract regarding the LA7d digital channel sets minimum gross advertising revenue in 2012 of Euro 8 million for a 0.2% share of the channel, with minimum guaranteed fees for Telecom Italia Media of Euro 5.6 million, paid as per the contract on a monthly basis. A result higher or lower than the 0.2% share will produce a corresponding increase or decrease in minimum annual revenue and in the guaranteed minimum fee.

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 issued in January 2008 (for 2002), in June 2008 (for 2003, 2004 and 2005), and on 24 November 2011 (for 2006), which the company has challenged. Regarding 2006, at the date of writing of these notes, the hearing for the appeal has yet to be scheduled. For all the periods in question (2002, 2003, 2004 and 2005), the Provincial Tax Commission of Milan has ruled in favour of the Company's appeals. The Agenzia delle Entrate (Tax Authority

Agency) 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 judgement regarding 2002, for which the tax claim amounts to Euro 41 thousand, in addition to penalties of Euro 51 thousand, and will appeal to the Court of Cassation also for 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 tax claim for 2006 amounts to Euro 63 thousand, in addition to penalties of Euro 79 thousand and interest. In June 2012, regarding years 2003, 2004, 2005 and 2006, the Company received two tax bills for an overall claim of Euro 431 thousand, comprising penalties and interest. Based also on the advice of its tax consultants, the Directors believe there are fundamental reasons and rights to oppose the relevant findings.

The Agenzia delle Entrate (Italian Tax Authorities) challenged Cairo Communication for using excess IRES from the 2006 tax return to offset 2007 payments. While not challenging the relevant credit to Cairo Communication, the Italian Tax Authorities have refuted its use for offsetting purposes on grounds of non-compliance of procedures (specifically, the Italian Tax Authorities claim that use of the credit would have required a formal credit transfer from the Company to the Company). On 6 July 2010, the Company received a tax bill, substantially for payment of Euro 28 thousand as interest, and Euro 145 thousand as penalties, since the credit has not been disallowed. Cairo Communication has filed an appeal with the Provincial Tax Commission. At the date of writing of these notes, the hearing for the appeal has yet to be scheduled. Based also on the advice of its tax consultants, the Directors believe there are fundamental reasons and rights to oppose the relevant findings.

A previous shareholder of the subsidiary Il Trovatore S.r.l., which did not sell its shares to the parent company, had risen a claim against the current minority shareholder, involving Cairo Communication S.p.A. indirectly, questioning the validity of the contract under which he had sold the quota in the limited partnership Il Trovatore and the transformation of this company from a limited partnership to a limited liability company (S.r.l.), and requesting the annulment of the subsequent acquisition of the company by Cairo Communication. The requests of the counterparty were rejected in the first instance, although the counterparty has filed an appeal. Based also on the advice of its legal counsels, the Directors believe that the grounds of these claims are such as not to request a specific accrual.

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, illustrated in the notes to the financial statements at 31 December 2010. The Italian Tax Authorities have filed an appeal with the Regional Tax Commission of Milan against the ruling. At the date of writing of these notes, the hearing for the appeal has yet to be scheduled. Based also on the advice of its tax consultants, the Directors believe there are fundamental reasons and rights to oppose the relevant findings.

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. Based also on the advice of its legal consultants, the Directors believe that the adverse party's appeal does not require any relevant accrual against it.

24. Related party transactions

Transactions between the parent 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 1H12 with these related parties, identified in accordance with IAS 24.

The Group holds investments in the subsidiary Cairo Sport (Euro 10 thousand).

The effects of these transactions on the 1H12 consolidated income statement of the Cairo Communication Group are as follows:

Revenue and costs (€ thousands)	**Revenue**	**Costs**	**Financial income**	**Financial expense**
Parent				
U.T. Communications S.p.A.	-	-	-	-
Jointly-controlled companies				
Torino FC S.p.A.	77	718	-	-
Total	**77**	**718**	**-**	**-**

The effects of these transactions on the consolidated statement of financial position of the Cairo Communication Group at 30 June 2012 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.	61	-	278	-
Jointly-controlled companies				
Torino FC S.p.A.	369	-	-	-
MP Service S.r.l.	-	46	-	-
Total	**430**	**46**	**278**	-

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.	-	-	5,090	-
Jointly-controlled companies				
Torino FC S.p.A.	132	-	-	-
Total	**132**	**-**	**5,090**	**-**

In 1H12, the transactions with the parent U.T. Communications and with its subsidiaries can be analyzed as follows:

- the concession contract signed by Cairo Pubblicità with Torino Football Club S.p.A. for the sale of advertising space at the 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; in 1H12, this contract resulted in the payment of Euro 654 thousand against total revenues of approximately Euro 872 thousand net of agency discounts. Cairo Pubblicità earned further commissions of Euro 27 thousand. As part of the agreement, Cairo Pubblicità also purchased football tickets worth Euro 15 thousand;
- the contract signed by Cairo Communication S.p.A. and Torino F.C. for the provision of administrative services, such as bookkeeping; in 1H12, this agreement generated revenues of Euro 50 thousand;
- the agreement related to the purchase of advertising space at the Olimpico football pitch between Cairo Editore and Torino FC. In 1H12, advertising spaces were acquired for a total of Euro 50 thousand;
- the 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 Company resulting from adhesion to the scheme, be suitably remunerated by the parent. In relation to this, the half-year financial report at 30 June 2012 includes receivables from and payables to the parent UT Communications S.p.A. of Euro 340 thousand and Euro 5,090 thousand, respectively.

On 26 April 2012, the Shareholders' Meeting approved the remuneration policy for the year 2012, as illustrated in Section One of the Remuneration Report, drawn up under art. 123-ter of Legislative Decree 58/1998 and art. 84-quater of the Issuers' Regulations and approved by the Board of Directors on 12 March 2012.

On 12 March 2012, the Board of Directors, upon proposal by the Remuneration Committee and with the favourable opinion of the Related Party Committee, under art. 2389, paragraph 3 of the Italian Civil Code, resolved, for 2012, for fees to Chairman Urbano Cairo, CEO Uberto Fornara, and Director Marco Pompignoli, who hold particular responsibilities, amounting respectively to Euro 480 thousand, Euro 60 thousand and Euro 90 thousand.

On May 10, 2012, the Board of Directors, upon proposal by the Remuneration Committee and with the favourable opinion of the Related Party Committee, resolved, pursuant to art. 2389, paragraph 3 of the Italian Civil Code, for a variable fee mechanism for CEO Uberto Fornara, based mainly on advertising revenue growth targets, consistent with a containment of the weight of the main direct cost items (dealing rights and fees).

25 Transactions deriving from atypical and/or unusual transactions

Pursuant to Consob Communication of 28 July 2006 n. DEM/6064296, mention must be made that in 1H12, Cairo Communication did not perform any atypical and/or unusual transactions as defined by the above Communication.

26 Subsequent events

There were no significant events after the end of the period.

For the Board of Directors

Chairman Dott. Urbano Cairo

List of relevant investments in accordance with Article 125 of Consob Regulation 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
Cairo Due S.r.l.	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 Sport 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, Chairman of the Board of Directors, and Marco Pompignoli, Financial Reporting Manager of Cairo Communication S.p.A., declare – also in accordance with Article 154 (ii), paragraphs 3 and 4 of Leg. Dec. n. 58 of February 24, 1998:

• 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 2012.

2. We also declare that

2.1 the condensed consolidated financial statements at 30 June 2012:

a) have been prepared in compliance with applicable International Financial Reporting Standards adopted by the European Union, pursuant to EEC Regulation 1606/2002 of the European Parliament and Council, of 19 July 2002;
b) correspond to the results of the books and accounting entries of the Company;
c) are suitable to furnish a true and correct representation of the equity, income and cash flow situation of the Issuer and the combination of the companies included in the 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 financial year, and a reliable analysis of information on significant transactions with related parties.

Milan, 2 August 2012

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

KPMG

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

Auditors' report on review of condensed interim consolidated financial statements

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

1 We have reviewed the condensed interim consolidated financial statements of the Cairo Communication Group as at and for the six months ended 30 June 2012, comprising the statement of financial position, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes thereto. 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 prepare this report based on our review.

2 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. The review consisted primarily of the collection of information about the captions of the condensed interim consolidated financial statements and the consistency of application of the accounting policies through discussions with company directors and analytical procedures applied to the financial data presented in such condensed interim consolidated financial statements. The review excluded such audit procedures as tests of controls and substantive procedures on assets and liabilities and is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards. As a consequence, contrary to our report on the annual consolidated financial statements, we do not express an audit opinion on the condensed interim consolidated financial statements.

With regard to the corresponding figures included in the condensed interim consolidated financial statements, reference should be made to our reports on the annual consolidated and condensed interim consolidated financial statements of the previous year dated 3 April 2012 and 3 August 2011, respectively.

3 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 2012 have not been prepared, in all material respects, in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34), endorsed by the European Union.

Milan, 3 August 2012

KPMG S.p.A.

(signed on the original)

Francesco Spadaro
Director