



CAIRO COMMUNICATION

Interim Management Statement at 30 September 2019

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

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



Governance

Board of Directors

Urbano Cairo*	Chairman
Uberto Fornara	CEO
Daniela Bartoli	Director
Giuseppe Brambilla di Civesio	Director
Laura Maria Cairo	Director
Roberto Cairo	Director
Marella Caramazza	Director
Massimo Ferrari	Director
Paola Mignani	Director
Marco Pompignoli	Director

Control and Risk Committee

Paola Mignani	Director
Daniela Bartoli	Director
Massimo Ferrari	Director

Remuneration and Appointments Committee

Marella Caramazza	Director
Daniela Bartoli	Director
Giuseppe Brambilla di Civesio	Director

Related Party Committee

Massimo Ferrari	Director
Marella Caramazza	Director
Paola Mignani	Director

Board of Statutory Auditors

Michele Paolillo	Chairman
Marco Moroni	Standing Auditor
Gloria Marino	Standing Auditor
Laura Guazzoni	Alternate Auditor
Domenico Fava	Alternate Auditor

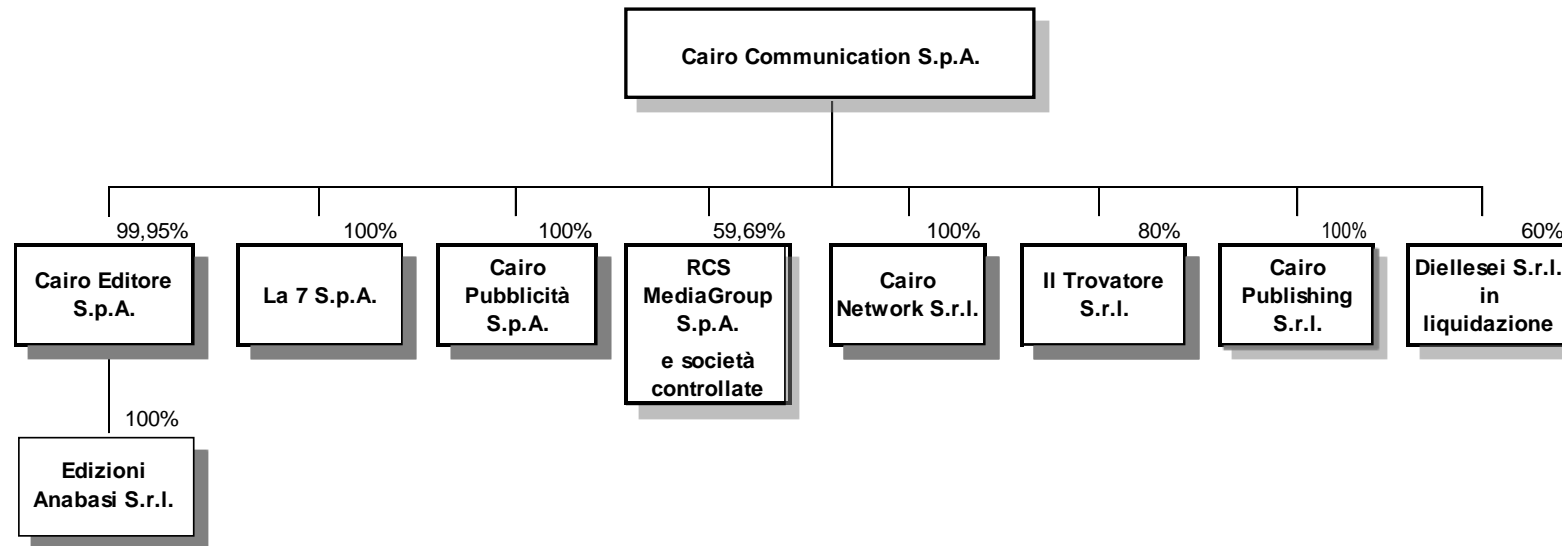
Independent Auditors

KPMG S.p.A.

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



The Group at 30 September 2019





1. Valuation principles and criteria adopted in preparing the Interim Management Statement at 30 September 2019

The financial statements in this Interim Management Statement have been prepared following the reclassified statements usually adopted for the “Directors’ Report on Operations” and in accordance with international accounting standards. The provisions of the international accounting standard on interim financial reporting (IAS 34 “Interim Financial Reporting”) are not applied.

The Interim Management Statement at 30 September 2019 has been prepared in accordance with the requirements set out in Borsa Italiana Notice no. 7587 of 21 April 2016: “STAR Issuers: information on interim management statements”.

The consolidated and separate income statement figures in the third quarter and in the first nine months of 2019 are shown versus the corresponding periods of 2018. Statement of financial position and equity figures appearing in the financial statements are compared with the figures of the consolidated financial statements at 31 December 2018.

The quarterly financial statements at 30 September 2019, as for those at 30 September 2018, have been prepared net of tax and tax effects.

In the first nine months of 2019, there were no changes to the scope of consolidation from the consolidated financial statements for the year ended 31 December 2018.

With respect to the 2018 Annual Report and the figures at 30 September 2018 shown for comparative purposes, the Interim Management Statement at 30 September 2019 incorporates the new IFRS 16 - *Leases*, which came into force as from 1 January 2019.

The new standard establishes a single model of recognition and measurement of leases for the lessee, without making any distinction between operating leases and finance leases; specifically, it provides - for contracts to which it applies - for the recognition of the right of use of the underlying asset in the assets in the statement of financial position with a balancing entry in financial liabilities. The standard provides the possibility of not recognizing as leases those contracts that involve low-value assets (assets with a value of less than USD 5 thousand) and leases with a term equal to or less than 12 months.

For the adoption of the new standard, the Group applied the modified retrospective transition method (i.e. with the cumulative effect of the adoption recognized as an adjustment to the opening balance of retained earnings at 1 January 2019, without restating comparative information).

For leases previously classified as operating leases, the following have been accounted for:



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- a financial liability, equal to the present value of the remaining future payments at the transition date, discounted using for each contract the incremental borrowing rate (IBR) applicable at the transition date;
 - a right of use generally equal to the amount of the financial liability at the transition date (except in cases where the cherry picking accounting treatment described below applies).

For a small number of property rental contracts - as an exception to the transition method generally applied by the Group - the right of use has been valued by applying discounting from the effective date of the contracts, with the same IBR used in calculating the financial liability (cherry picking accounting treatment).

In brief, the application of the new standard resulted at 30 September 2019 in:

- the recognition under non-current assets of rights of use on leased assets for a total of Euro 197 million;
- the recognition of a financial liability for leases pursuant to IFRS 16, previously classified as operating leases, of approximately Euro 212.9 million;
- the reversal of lease payments of Euro 22.8 million, offset by higher amortization and depreciation of Euro 20.6 million and higher financial expense of Euro 3.1 million; with an impact on EBITDA, EBIT and profit for the period attributable to the owners of the parent of Euro +22.8 million, Euro +2.2 million and Euro -0.5 million respectively;
- a decreasing impact (i) on Group equity at 1 January 2019 of Euro 5.5 million and (ii) on non-controlling interests' equity of Euro 3.7 million, net of the accounting effect of the tax component, due to cherry picking for a small number of property leases.

It should be noted that the estimated effects of the adoption of IFRS 16 as commented above, may be subject to change up to the presentation of the first consolidated financial statements of the Group, which include the date of first-time application, also in light of guidelines that may arise at a later time on certain situations that are more exposed to the interpretations of the standard, as well as for the implementation of the IT solutions identified in support of the business processes involved.

The explanatory notes to the condensed consolidated half-year financial statements at 30 June 2019 contain an exhaustive description of the new standard and its effects at 1 January 2019 in "*Accounting standards, amendments and interpretations endorsed by the EU and applicable from financial periods beginning on 1 January 2019. IFRS 16 - Leases*".

2. Alternative performance measures

In this Interim Management Statement, in order to provide a clearer picture of the financial performance of the Cairo Communication Group, besides of the conventional financial measures



required by IFRS, a number of alternative performance measures are shown that should, however, not be considered substitutes of those adopted by IFRS; until the presentation of the first consolidated financial statements for the year, which include the date of first-time application of IFRS 16, the statements may undergo thorough review in light of possible developments arising from the entry into force of IFRS 16.

The alternative measures are:

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

Result from continuing operations, before tax

+/- Net finance income

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

EBIT - Operating profit

+ Amortization & depreciation

+ Bad debt impairment losses

+ Provisions for risks

+ Income (expense) from equity-accounted investees¹

EBITDA – Operating profit, before amortization, depreciation, provisions and impairment losses

EBITDA (earnings before interest, tax, depreciation and amortization) is not classified as an accounting measure under IFRS, therefore, the criteria adopted for its measurement may not be consistent among companies or different groups.

RCS defines EBITDA as operating profit (EBIT) before depreciation, amortization and impairment losses on fixed assets, and also includes income and expense from equity-accounted investees.

The main differences between the two definitions of EBITDA lie in the provisions for risks and in the allowance for impairment, included in the EBITDA definition adopted by RCS, while they are excluded from the EBITDA definition adopted by Cairo Communication. Owing to the differences between EBITDA definitions adopted, in this Interim Management Statement at 30 September 2019, consolidated EBITDA has been determined consistently with the definition adopted by the parent Cairo Communication.

¹ Included following consolidation of RCS



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

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

The **total net financial position (total net financial debt)** also includes the financial liabilities from the leases recorded in the financial statements pursuant to IFRS 16, previously classified as operating leases.

3. Group performance

With the acquisition of the control of RCS in 2016, Cairo Communication has become a major multimedia publishing group, with a stable, independent leadership, well-positioned to become one of the main player on the Italian market, with a strong international presence in Spain, by leveraging on the high quality and diversification of products in the dailies, magazines, television, web and sporting events segments.

In the first nine months of 2019, the Group operated as a:

- publisher of magazines and books (Cairo Editore/Editoriale Giorgio Mondadori and Cairo Publishing);
- TV (La7, La7d) and Internet (La7.it, TG.La7.it) publisher;
- multimedia advertising broker (Cairo Pubblicità) for the sale of advertising space on TV, in print media, on the Internet and in stadiums;
- publisher of dailies and magazines (weeklies and monthlies) with the relating print and online advertising sales, in Italy and in Spain, through RCS MediaGroup, also active in the organization of major world sporting events;
- network operator (Cairo Network); January 2017 marked the start of the broadcasting of La7 and La7d channels on the mux.

In the first nine months of 2019, the general economic and financial context continued to be marked by uncertainty.



According to ISTAT preliminary estimates, in third quarter 2019, GDP in Italy increased by 0.1% versus the prior quarter. Considering the trend growth rate versus the same quarter of the prior year (twelve mobile months), the change was +0.3% (*ISTAT*).

In Spain, preliminary data from the Institute of National Statistics (*INE*) indicate a 0.4% growth in GDP in the period July-September 2019 versus the prior quarter, with a growth rate similar to the second quarter. On an annual basis (twelve mobile months), the increase was +2% (*INE*).

In Italy, in the first nine months of 2019, the advertising market was down by 5.3% versus the same period of 2018, with the advertising markets for magazines, newspapers and TV down by 15.2%, 10.3% and 5.7% respectively, while the online segment (net of search, social media and over the top) grew by 2.1% versus the same period of 2018 (*AC Nielsen January-September 2019*).

In Spain, the advertising sales market at 30 September 2019 fell by 2.2% versus the same period of 2018 (*i2p, Arce Media*). Specifically, the newspapers and magazines market fell by 8.9% and 15.6%, respectively versus the same period of 2018. Advertising sales on the Internet (excluding social media) bucked the trend and increased by 10.9%.

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

In terms of circulation, in Italy the adverse trend of the print products market persisted in 2019 too. Specifically, the main national generalist daily newspapers reported a 7.2% drop in circulation in the first 9 months of 2019 (including digital copies), while the main sports newspapers fell by 8.8% (including digital copies) versus the same period of 2018 (*ADS, January-September 2019*).

The same trend was seen in Spain, with daily newspaper sales down versus the same period of 2018. Cumulative figures on circulation at September 2019 (*OJD*) regarding generalist newspapers, business newspapers and sports newspapers indicate a drop by 13.6%, 12.7% and 10.5% respectively.

In the first nine months of 2019, against a backdrop of persisting uncertainty and shrinking core markets, the advertising market in Italy and Spain in particular, which posted a lower-than-forecast performance:

- **RCS** continued to generate positive margins and cash flows and achieved its targets of gradually reducing financial debt (down by Euro 36.5 million versus end 2018 and by Euro 64.8 million versus 30 September 2018, after distributing dividends of approximately Euro 31 million), thanks to the initiatives implemented to maintain and develop revenue and to the ongoing efficiency actions, which generated benefits of approximately Euro 19.1



million in the period. In the first nine months of 2019, RCS achieved a profit of Euro 40.7 million² (Euro 52.1 million² in the same period of 2018);

- the **TV publishing segment La7** confirmed the high audience levels of the La7 channel (3.75% in all-day share and 4.99% in prime time), ranking in the first nine months of 2019 as the sixth national channel for average prime time audience levels and in February, May, August and September as the sixth channel also in all-day audience levels. Advertising sales on La7 and La7d, amounting to Euro 103.3 million, were on the rise, increasing by 3.5% versus the same period of 2018 (Euro 99.8 million) versus a 5.7% drop of the TV advertising market in the period (*AC Nielsen January-September 2019*);
- the **magazine publishing segment Cairo Editore** posted positive results, achieved high circulation levels of the publications, and continued to work on improving the levels of efficiency reached in containing own costs.

In the first nine months of 2019, Group consolidated gross revenue amounted to approximately Euro 911.2 million (comprising gross operating revenue of Euro 891.7 million and other revenue and income of Euro 19.5 million) versus Euro 957.7 million in the same period of 2018 (comprising gross operating revenue of Euro 939.4 million and other revenue and income of Euro 18.3 million).

Mention should be made that the Interim Management Statement incorporates the new IFRS 16, which came into effect as from 1 January 2019. The income statement figures for the first nine months of 2019 and the balance sheet figures at 30 September 2019 cannot be directly compared respectively with the corresponding income statement figures for the first nine months of 2018 and the balance sheet figures at 31 December 2018, shown for comparative purposes in this Interim Management Statement.

Gross operating profit (EBITDA) and operating profit (EBIT) amounted to Euro 119 million and Euro 62.4 million. Excluding the effects of the new IFRS 16, gross operating profit (EBITDA) and operating profit (EBIT) would amount to Euro 96.2 million and Euro 60.2 million respectively (Euro 117.7 million and Euro 75.7 million in the same period of 2018, when the results had benefited from the strong contribution from the *grande partenza* of the *Giro d'Italia* outside of Italy, and from the positive effect on advertising revenue of the “even-numbered year” of sporting events (which had generated in 2018 net advertising revenue of approximately Euro 6 million), as will be the case in 2020 with the *grande partenza* this time from Hungary and the Olympics and European Cup events. The decrease was due also to the impact on operating costs

² Amounts and comparisons based on the RCS Interim Management Statement at 30 September 2019, approved on 8 November 2019.



of the increased purchase price of paper, a trend which is expected to reverse in 2020, and to the effect of net non-recurring expense and income (Euro -2.2 million the overall effect, being equal to Euro -2.3 million at 30 September 2019 versus Euro 0.1 million at 30 September 2018).

Profit attributable to the owners of the parent came to approximately Euro 23.5 million (Euro 31.4 million in the same period of 2018).

Looking at the business segments, in the first nine months of 2019:

- in the **magazine publishing segment (Cairo Editore)**, gross operating profit (EBITDA) and operating profit (EBIT) came to Euro 5.3 million³ and Euro 3.8 million³ (Euro 6.9 million and Euro 6.1 million in the same period of 2018). Regarding weeklies, with approximately 1.4 million average copies sold in the January-September nine-month period of 2019 (ADS), Cairo Editore retains its position as the leading publisher in copies of weeklies sold at newsstands, with an approximately 30% market share. Including the average sales of titles out of the ADS survey (the copies sold of “*Enigmistica Più*” and of “*Enigmistica Mia*”), average copies sold were approximately 1.5 million;
- in the **TV publishing segment (La7)**, the Group achieved gross operating profit (EBITDA) of approximately Euro 3.4 million⁴ (Euro 1.1 million in the same period of 2018). Operating profit (EBIT) was approximately Euro 5.1 million⁴ (Euro -6.1 million in the same period of 2018). Mention should be made that the TV publishing segment’s seasonality factors generally impact on the results of the third quarter of the year;
- in the **network operator segment**, gross operating profit (EBITDA) and operating profit (EBIT) came to Euro 2.1 million⁵ and Euro -0.2 million⁵ (Euro 0.8 million and Euro -0.9 million in the same period of 2018);
- in the **advertising segment**, gross operating profit (EBITDA) and operating profit (EBIT) came to Euro 1.1 million⁶ and Euro 0.8 million⁶ (Euro 0.9 million and Euro 0.7 million in the same period of 2018);

³ The new IFRS 16 resulted in an improvement of Euro 1 million in gross operating profit (EBITDA) of the Cairo Editore magazine publishing segment, resulting from the reversal of lease payments, offset by higher amortization and depreciation of Euro 1 million (the impact on operating profit was basically null) and financial expense of approximately Euro 0.1 million.

⁴ The new IFRS 16 resulted in an improvement in gross operating profit (EBITDA) of the La7 TV publishing segment of Euro 1.2 million, resulting from the reversal of lease payments, offset by higher amortization and depreciation of Euro 1.1 million (Euro 0.1 million the positive impact on operating profit) and higher financial expense of Euro 0.1 million.

⁵ The new IFRS 16 resulted in an improvement in gross operating profit (EBITDA) of the network operator segment of Euro 0.8 million, resulting from the reversal of lease payments, offset by higher amortization and depreciation of Euro 0.6 million (Euro 0.2 million the positive impact on operating profit) and higher financial expense of Euro 0.2 million.

⁶ The new IFRS 16 resulted in an improvement in gross operating profit (EBITDA) of the advertising segment of Euro 0.2 million, resulting from the reversal of lease payments, offset by higher amortization and depreciation of Euro 0.2 million (the impact on operating profit was basically null) and financial expense equal to approximately zero.



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- in the **RCS segment**, in the consolidated financial statements of Cairo Communication, gross operating profit (EBITDA) and operating profit (EBIT) amounted to Euro 107.1 million⁷⁻⁸ and Euro 63 million⁸ (Euro 108 million and Euro 75.8 million in the same period of 2018). Mention should be made that RCS's seasonality factors generally impact on the results of the first and third quarters of the year. Net operating revenue amounted to Euro 673.9 million. At circulation level, the dailies *Corriere della Sera*, *La Gazzetta dello Sport*, *Marca* and *Expansión* continue to lead their respective segments. *El Mundo* is once again the second most popular generalist daily in Spain for circulation at newsstands. As for digital performance indicators, in Italy *corriere.it* and *gazzetta.it* stood at an average of 23.7 million and 13 million monthly unique users, respectively, in September 2019 (*Audiweb 2.0*). At September 2019, the total active customer base for *Corriere della Sera* (*digital edition*, *membership* and *m-site*) was 160 thousand subscribers, up by 22% versus the same period of 2018. In Spain, as part of the online activities, *elmundo.es*, *marca.com* and *expansión.com* reached 20.3 million, 16.4 million and 6.5 million average monthly unique users, respectively, in the first nine months of 2019 (*Comscore IP Spain*, which considers only traffic coming from Spain). Against this backdrop, RCS total digital revenue (Italy and Spain), which amounted to approximately Euro 115.8 million, accounted for 17.2% of total revenue.

In the first nine months of 2019, La7's average all-day share was 3.75% and 4.99% in prime time (time slot 20.30-22.30), up by 1.6% and 2.3% respectively versus the same period in 2018, when the channel's audience grew strongly versus 2017 (+29.6% all-day share and +41.2% in prime time), confirming the high-quality target audience. La7d's share was 0.51% in all-day and 0.39% in prime time. The channel's news and discussion programmes all continued to deliver remarkable results: *Otto e Mezzo* with 7.29% average share from Monday to Friday, *TgLa7 edizione delle 20* 6.11% from Monday to Friday, *diMartedì* 6.79%, *Piazzapulita* 5.71%, *Propaganda Live* 5.33%, *Non è l'Arena* 6.60%, *Omnibus Dibattito* 4.37%, *Coffee Break* 4.86%, *L'Aria che tira* 6.83%, *Tagadà* 3.66%, *Atlantide* 2.83%, and "le maratone" hosted by Enrico Mentana (11.16% share the special on 26/27 May). In the first nine months of 2019, La7 ranked firmly as the sixth national prime-time channel for average audience and in February, May,

⁷ Mention should be made that RCS adopts a different definition of EBITDA from the one used by the Cairo Communication Group, as indicated in the above section "Alternative Performance Measures". As a result of these differences, which lie in the provisions for risks and in the allowance for impairment, amounting to a total of Euro 4.7 million in the first nine months of 2019 - EBITDA shown in the RCS Interim Management Statement at 30 September 2019, approved on 8 November 2019, amounted to Euro 102.4 million.

⁸ The new IFRS 16 resulted in an improvement in gross operating profit (EBITDA) of the RCS segment of Euro 19.7 million, resulting from the reversal of lease payments, offset by higher amortization and depreciation of Euro 17.7 million (Euro 2 million the positive impact on operating profit) and higher financial expense of Euro 2.7 million.



August and September, the sixth channel also in all-day audience levels. In the entire morning slot (07.00-12.00) too, La7 achieved high ratings, with an average share of 4.51%, ranking as fourth generalist channel in the nine months.

Excellent results were achieved on the web front, with 4.5 million (+55% versus the same period of 2018) average monthly unique browsers on La7 websites (*La7.it*, *TGla7.it*, *Sedanoallegro.it*) and the *La7* and *e TGla7* apps and 21.1 million average monthly views (+46% versus the same period of 2018), plus 23.5 million average monthly views generated by La7 channels on the YouTube platform (+22% versus the same period of 2018). September 2019 in particular was a record month for La7 websites, with 7.2 million unique browsers (+133% versus September 2018) and 41.3 million average monthly views (+194% versus September 2018).

The main **consolidated income statement figures** in the first nine months of 2019 can be compared as follows with those of the same period of 2018:

(€ millions)	30/09/2019	30/09/2018
Gross operating revenue	891.7	939.4
Advertising agency discounts	(49.1)	(51.1)
Net operating revenue	842.5	888.3
Change in inventory	2.6	2.0
Other revenue and income	19.5	18.3
Total revenue	864.6	908.7
Production costs	(500.5)	(550.7)
Personnel expense	(243.4)	(241.8)
Income (expense) from equity-accounted investees	0.5	1.6
Non-recurring income (expense)	(2.3)	(0.1)
Gross operating profit (EBITDA)	119.0	117.7
Amortization, depreciation, provisions and impairment losses	(56.6)	(42.0)
Operating profit (EBIT)	62.4	75.7
Other gains (losses) on financial assets/liabilities	-	1.5
Net financial income	(13.0)	(14.2)
Profit (loss) before tax	49.4	63.0
Income tax	(9.8)	(11.1)
Non-controlling interests	(16.0)	(20.6)
Profit from continuing operations	23.5	31.2
Profit (loss) from discontinued operations	-	0.2
Profit attributable to the owners of the parent	23.5	31.4

The adoption of IFRS 16 as from 1 January 2019, without restating the balances at 30 September 2018, led in the first nine months of 2019 to the reversal of lease payments for Euro 22.8 million, offset by higher amortization and depreciation of Euro 20.6 million and higher financial expense of Euro 3.1 million; with an impact on gross operating profit (EBITDA), operating profit (EBIT) and profit attributable to the owners of the parent for the period of Euro +22.8 million, Euro +2.2 million and Euro -0.5 million, respectively.



In the first nine months of 2019, consolidated gross revenue amounted to approximately Euro 911.2 million (comprising gross operating revenue of Euro 891.7 million and other revenue and income of Euro 19.5 million) versus Euro 957.7 million in the same period of 2018 (comprising gross operating revenue of Euro 939.4 million and other revenue and income of Euro 18.3 million).

Mention should be made that this Interim Management Statement incorporates the new IFRS 16, which came into effect as from 1 January 2019. The income statement figures of the first nine months of 2019, therefore, cannot be directly compared with the corresponding amounts of the same period of the prior year.

Consolidated gross operating profit (EBITDA) and operating profit (EBIT) came to approximately Euro 119 million and Euro 62.4 million (Euro 117.7 million and Euro 75.7 million in the same period of 2018).

If the new IFRS 16 had not been applied, gross operating profit(EBITDA) and operating profit (EBIT) for the first nine months of 2019 would have decreased on a like-for-like basis by Euro 21.5 million and Euro 15.5 million versus the first nine months of 2018, due also to the effect of net non-recurring expense and income (overall effect Euro -2.2 million, being equal to Euro -2.3 million at 30 September 2019 versus Euro 0.1 million at 30 September 2018).

In the first nine months of 2019, operating profit (EBIT) in the TV publishing segment (La7) benefited in the consolidated financial statements, with respect to the financial statements of La7 S.p.A., from lower amortization and depreciation of Euro 0.2 million (Euro 1.3 million in the same period of 2018), due to the write-down of tangible and intangible assets made in 2013 in the purchase price allocation of the investment in La7.

Operating profit (EBIT) in the RCS segment was negatively affected, in the consolidated financial statements, by higher amortization of intangible assets of Euro 1.5 million, due to the valuations made in the purchase price allocation of the investment in RCS, specifically to the allocation of amounts to intangible assets (previously unrecognized), mainly attributable to Italian trademarks and magazine titles with finite useful life.

The main **consolidated income statement figures** in **third quarter** 2019 can be compared as follows with those of the same period of 2018:



(€ millions)	30/09/2019 (Three months)	30/09/2018 (Three months)
Gross operating revenue	259.6	274.8
Advertising agency discounts	(12.7)	(12.7)
Net operating revenue	246.9	262.1
Change in inventory	1.5	1.4
Other revenue and income	5.5	4.8
Total revenue	253.9	268.3
Production costs	(155.5)	(171.4)
Personnel expense	(75.7)	(76.3)
Income (expense) from equity-accounted investees	0.2	0.7
Non-recurring income (expense)	(1.1)	(0.1)
Gross operating profit (EBITDA)	21.6	21.1
Amortization, depreciation, provisions and impairment losses	(18.6)	(12.9)
Operating profit (EBIT)	3.0	8.3
Other gains (losses) on financial assets/liabilities	-	-
Net financial income	(4.3)	(3.3)
Profit (loss) before tax	(1.3)	5.1
Income tax	1.3	(0.8)
Non-controlling interests	(0.7)	(2.5)
Profit (loss) from continuing operations	(0.7)	1.8
Profit (loss) from discontinued operations	-	-
Profit (loss) attributable to the owners of the parent	(0.7)	1.8

The adoption of IFRS 16 as from 1 January 2019, without restating the balances at 30 September 2018, led in the third quarter of 2019 to the reversal of lease payments for Euro 7.6 million, offset by higher amortization and depreciation of Euro 7 million and higher financial expense of Euro 1 million; with an impact on gross operating profit (EBITDA), operating profit (EBIT) and profit attributable to the owners of the parent for the period of Euro +7.6 million, Euro +0.6 million and Euro -0.1 million, respectively.

In **third quarter** 2019, consolidated gross revenue amounted to approximately Euro 265.1 million (Euro 279.6 million in the same quarter of 2018). Consolidated gross operating profit (EBITDA) and operating profit (EBIT) came to approximately Euro 21.6 million and Euro 3 million (Euro 21.1 million and Euro 8.3 million in 2018). These margins in the quarter include net non-recurring expense of Euro 1.1 million (Euro 0.1 million at 30 September 2018).

If the new IFRS 16 had not been applied, gross operating profit (EBITDA) and operating profit (EBIT) for the third quarter of 2019 would have decreased on a like-for-like basis by Euro 7.1 million and Euro 5.9 million respectively versus the same period of 2018.



Operating profit (EBIT) in the RCS segment was negatively affected, in the consolidated financial statements, by higher amortization and depreciation of Euro 0.5 million (Euro 0.5 million in third quarter 2018), due to the valuations made in the purchase price allocation of the investment in RCS.

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

€ millions	30 September 2019 (nine months)	30 September 2019 (three months)	30 September 2018 (nine months)	30 September 2018 (three months)
Profit for the period	39.5	0.0	52.0	4.3
<i>Reclassifiable items of the comprehensive income statement</i>				
Gains (losses) on cash flow hedges	(1.0)	(0.2)	(0.9)	0.1
Reclassification of gains (losses) on cash flow hedges	0.4	0.1	1.0	0.2
Gains (losses) from the fair value measurement of available-for-sale financial assets	-	-	1.3	-
Tax effect	0.1	-	-	-
<i>Non-reclassifiable items of the comprehensive income statement</i>				
Gains (losses) from the fair value measurement of equity instruments	-	0.1	-	-
Actuarial gains (losses) from defined benefit plans	-	-	0.2	-
Tax effect	-	-	-	-
Total comprehensive income for the period	39.1	0.0	53.6	4.5
- Owners of the parent	23.2	(0.7)	32.4	1.9
- Non-controlling interests - continuing operations	15.9	0.7	21.2	2.6
	39.1	0.0	53.6	4.5

The Group's performance can be read better by analyzing the results by **main business segment** in the first nine months of 2019 and in third quarter 2019 (magazine publishing Cairo Editore, advertising, TV publishing La7, network operator Cairo Network, Il Trovatore and RCS), versus those of the same period of 2018:



2019 (nine months)	Magazine publishing	Advertising	TV publishing	Network operator	Trovatore	RCS	Intra and un	Total
(€ millions)	Cairo Editore		La7	(Cairo Network)			allocated	
Gross operating revenue	75.3	124.8	73.6	9.1	0.6	705.8	(97.5)	891.7
Advertising agency discounts	-	(17.6)	-	-	-	(31.9)	0.3	(49.1)
Net operating revenue	75.3	107.2	73.6	9.1	0.6	673.9	(97.2)	842.5
Change in inventory	(0.0)	-	-	-	-	2.6	-	2.6
Other revenue and income	1.4	0.5	3.8	0.0	0.0	14.3	(0.6)	19.5
Total revenue	76.8	107.7	77.4	9.1	0.6	690.8	(97.8)	864.6
Production costs	(58.3)	(99.9)	(46.9)	(6.9)	(0.5)	(385.8)	97.8	(500.5)
Personnel expense	(13.2)	(6.7)	(27.2)	(0.1)	(0.1)	(196.1)	-	(243.4)
Income (expense) from equity-accounted investees	-	-	-	-	-	0.5	-	0.5
Non-recurring income (expense)	-	-	-	-	-	(2.3)	-	(2.3)
Gross operating profit (EBITDA)	5.3	1.1	3.4	2.1	0.1	107.1	-	119.0
Amortization, depreciation, provisions and impairment losses	(1.4)	(0.3)	(8.5)	(2.3)	0.0	(44.0)	-	(56.6)
Operating profit (EBIT)	3.8	0.8	(5.1)	(0.2)	0.1	63.0	-	62.4
Other gains (losses) on financial assets/liabilities	-	-	-	-	-	-	-	-
Net financial income	(0.1)	(0.4)	(0.1)	(0.2)	(0.0)	(12.2)	-	(13.0)
Profit (loss) before tax	3.8	0.4	(5.2)	(0.4)	0.1	50.8	-	49.4
Income tax	(0.6)	(0.5)	2.3	0.1	(0.0)	(11.0)	-	(9.8)
Non-controlling interests	-	-	-	-	(0.0)	(16.0)	-	(16.0)
Profit (loss) from continuing operations	3.1	(0.0)	(3.0)	(0.4)	0.0	23.7	-	23.5
Profit (loss) from discontinued operations	-	-	-	-	-	-	(0.0)	(0.0)
Profit (loss) for the period attributable to the owners of the parent	3.1	(0.0)	(3.0)	(0.4)	0.0	23.7	(0.0)	23.5

The new IFRS 16 resulted in:

- **Cairo Editore publishing segment:** an improvement in gross operating profit (EBITDA) of Euro 1 million, resulting from the reversal of lease payments, offset by higher amortization and depreciation of Euro 1 million (the impact on operating profit was basically null) and financial expense of approximately Euro 0.1 million;
- **La7 TV segment:** an improvement in gross operating profit (EBITDA) of Euro 1.2 million, resulting from the reversal of lease payments, offset by higher amortization and depreciation of Euro 1.1 million (Euro 0.1 million the positive impact on operating profit) and higher financial expense of Euro 0.1 million;
- **network operator segment:** an improvement in gross operating profit (EBITDA) of Euro 0.8 million, resulting from the reversal of lease payments, offset by higher amortization and depreciation of Euro 0.6 million (Euro 0.2 million the positive impact on operating profit) and higher financial expense of Euro 0.2 million;
- **advertising segment:** an improvement in gross operating profit (EBITDA) of Euro 0.2 million, resulting from the reversal of lease payments, offset by higher amortization and depreciation of Euro 0.2 million (the impact on operating profit was basically null) and financial expense equal to approximately zero;
- **RCS segment:** an improvement in gross operating profit (EBITDA) of Euro 19.7 million, resulting from the reversal of lease payments, offset by higher amortization and depreciation of Euro 17.7 million (Euro 2 million the positive impact on operating profit) and higher financial expense of Euro 2.7 million.



2019 (three months)	Magazine publishing	Advertising	TV publishing	Network operator	Trovatore	RCS	Intra and un	Total
(€ millions)	Cairo Editore		La7	(Cairo Network)			allocated	
Gross operating revenue	27.1	30.0	17.3	3.0	0.2	207.0	(25.1)	259.6
Advertising agency discounts	-	(4.2)	-	-	-	(8.6)	0.1	(12.7)
Net operating revenue	27.1	25.8	17.3	3.0	0.2	198.4	(25.0)	246.9
Change in inventory	(0.0)	-	-	-	-	1.5	-	1.5
Other revenue and income	-	0.2	2.1	0.0	0.0	3.1	-	5.5
Total revenue	27.0	26.0	19.4	3.0	0.2	203.0	(25.0)	253.9
Production costs	(20.7)	(24.7)	(11.7)	(2.3)	(0.1)	(120.9)	25.0	(155.5)
Personnel expense	(4.1)	(2.3)	(8.3)	(0.0)	(0.0)	(61.0)	-	(75.7)
Income (expense) from equity-accounted investees	-	-	-	-	-	0.2	-	0.2
Non-recurring income (expense)	-	-	-	-	-	(1.1)	-	(1.1)
Gross operating profit (EBITDA)	2.2	(1.0)	(0.6)	0.7	0.1	20.2	-	21.6
Amortization, depreciation, provisions and impairment losses	(0.5)	(0.1)	(2.6)	(0.8)	0.0	(14.6)	-	(18.6)
Operating profit (EBIT)	1.7	(1.2)	(3.2)	(0.1)	0.1	5.7	-	3.0
Other gains (losses) on financial assets/liabilities	-	-	-	-	-	-	-	-
Net financial income	(0.1)	(0.1)	(0.1)	(0.1)	(0.0)	(3.9)	-	(4.3)
Profit (loss) before tax	1.7	(1.3)	(3.3)	(0.2)	0.1	1.7	-	(1.3)
Income tax	(0.5)	0.3	1.3	0.0	(0.0)	0.2	-	1.3
Non-controlling interests	-	-	-	-	(0.0)	(0.7)	-	(0.7)
Profit (loss) from continuing operations	1.2	(1.0)	(2.0)	(0.1)	0.0	1.2	-	(0.7)
Profit (loss) from discontinued operations	-	-	-	-	-	-	-	-
Profit (loss) for the period attributable to the owners of the parent	1.2	(1.0)	(2.0)	(0.1)	0.0	1.2	-	(0.7)

The new IFRS 16 resulted in:

- **Cairo Editore publishing segment:** an improvement in gross operating profit (EBITDA) of Euro 0.3 million, resulting from the reversal of lease payments, offset by higher amortization and depreciation of Euro 0.3 million (the impact on operating profit was basically null) and financial expense of approximately zero;
- **La7 TV segment:** an improvement in gross operating profit (EBITDA) of Euro 0.4 million, resulting from the reversal of lease payments, offset by higher amortization and depreciation of Euro 0.4 million (the impact on operating profit was basically null) and financial expense equal to approximately zero;
- **network operator segment:** an improvement in gross operating profit (EBITDA) of Euro 0.3 million, resulting from the reversal of lease payments, offset by higher amortization and depreciation of Euro 0.2 million (Euro 0.1 million the positive impact on operating profit) and higher financial expense of Euro 0.1 million;
- **advertising segment:** an improvement in gross operating profit (EBITDA) of Euro 0.1 million, resulting from the reversal of lease payments, offset by higher amortization and depreciation of Euro 0.1 million (the impact on operating profit was basically null) and financial expense equal to approximately zero;
- **RCS segment:** an improvement in gross operating profit (EBITDA) of Euro 6.6 million, resulting from the reversal of lease payments, offset by higher amortization and depreciation of Euro 6 million (Euro 0.6 million the positive impact on operating profit) and higher financial expense of Euro 0.9 million.



2018 (nine months)	Magazine publishing Cairo Editore	Advertising	TV publishi La7	Network operator (Cairo Network)	Trovatore	RCS	Intra and un allocated	Total
(€ millions)								
Gross operating revenue	84.1	123.7	71.5	8.5	0.6	747.1	(96.2)	939.4
Advertising agency discounts	-	(17.5)	-	-	-	(33.9)	0.2	(51.1)
Net operating revenue	84.1	106.3	71.5	8.5	0.6	713.3	(96.0)	888.3
Change in inventory	(0.0)	-	-	-	-	2.1	-	2.0
Other revenue and income	1.9	0.7	4.0	0.0	0.0	12.7	(1.1)	18.3
Total revenue	86.0	106.9	75.6	8.6	0.6	728.1	(97.0)	908.7
Production costs	(64.6)	(99.5)	(48.1)	(7.7)	(0.5)	(427.3)	97.0	(550.7)
Personnel expense	(14.5)	(6.5)	(26.3)	(0.1)	(0.1)	(194.3)	-	(241.8)
Income (expense) from equity-accounted investees	-	-	-	-	-	1.6	-	1.6
Non-recurring income (expense)	-	-	-	-	-	(0.1)	-	(0.1)
Gross operating profit (EBITDA)	6.9	0.9	1.1	0.8	0.1	108.0	-	117.7
Amortization, depreciation, provisions and impairment losses	(0.7)	(0.2)	(7.2)	(1.7)	0.0	(32.1)	-	(42.0)
Operating profit (EBIT)	6.1	0.7	(6.1)	(0.9)	0.1	75.8	-	75.7
Other gains (losses) on financial assets/liabilities	-	-	-	-	-	1.5	-	1.5
Net financial income	(0.0)	(0.4)	(0.1)	(0.0)	(0.0)	(13.7)	-	(14.2)
Profit (loss) before tax	6.1	0.3	(6.2)	(0.9)	0.1	63.6	-	63.0
Income tax	(1.1)	(0.3)	2.5	0.2	(0.0)	(12.4)	-	(11.1)
Non-controlling interests	-	-	-	-	(0.0)	(20.6)	-	(20.6)
Profit (loss) from continuing operations	5.0	0.0	(3.6)	(0.7)	0.0	30.6	-	31.2
Profit (loss) from discontinued operations	-	-	-	-	-	-	0.2	0.2
Profit (loss) for the period attributable to the owners of the parent	5.0	0.0	(3.6)	(0.7)	0.0	30.6	0.2	31.4

2018 (three months)	Magazine publishing Cairo Editore	Advertising	TV publishi La7	Network operator (Cairo Network)	Trovatore	RCS	Intra and un allocated	Total
(€ millions)								
Gross operating revenue	30.3	31.9	17.6	2.5	0.2	217.9	(25.6)	274.8
Advertising agency discounts	-	(4.5)	-	-	-	(8.3)	0.1	(12.7)
Net operating revenue	30.3	27.4	17.6	2.5	0.2	209.7	(25.6)	262.1
Change in inventory	(0.0)	-	-	-	-	1.4	-	1.4
Other revenue and income	0.4	0.1	1.2	0.0	0.0	3.3	(0.2)	4.8
Total revenue	30.8	27.4	18.8	2.5	0.2	214.5	(25.8)	268.3
Production costs	(23.6)	(26.2)	(11.8)	(2.6)	(0.1)	(132.9)	25.8	(171.4)
Personnel expense	(4.5)	(2.3)	(8.0)	(0.0)	(0.0)	(61.4)	-	(76.3)
Income (expense) from equity-accounted investees	-	-	-	-	-	0.7	-	0.7
Non-recurring income (expense)	-	-	-	-	-	(0.1)	-	(0.1)
Gross operating profit (EBITDA)	2.7	(1.0)	(1.1)	(0.1)	0.0	20.7	(0.0)	21.1
Amortization, depreciation, provisions and impairment losses	(0.2)	(0.0)	(2.4)	(0.6)	0.0	(9.6)	-	(12.9)
Operating profit (EBIT)	2.4	(1.1)	(3.4)	(0.6)	0.0	11.1	(0.0)	8.3
Other gains (losses) on financial assets/liabilities	-	-	-	-	-	0.0	-	0.0
Net financial income	(0.0)	(0.1)	0.0	(0.0)	(0.0)	(3.1)	-	(3.3)
Profit (loss) before tax	2.4	(1.2)	(3.4)	(0.6)	0.0	7.9	(0.0)	5.1
Income tax	(0.7)	0.3	1.1	0.1	(0.0)	(1.5)	-	(0.8)
Non-controlling interests	-	-	-	-	(0.0)	(2.5)	-	(2.5)
Profit (loss) from continuing operations	1.7	(0.9)	(2.4)	(0.5)	0.0	3.9	(0.0)	1.8
Profit (loss) from discontinued operations	-	-	-	-	-	-	-	-
Profit (loss) for the period attributable to the owners of the parent	1.7	(0.9)	(2.4)	(0.5)	0.0	3.9	(0.0)	1.8



The main consolidated **statement of financial position** figures at 30 September 2019 can be compared as follows with those at 31 December 2018:

(€ millions)	30/09/2019	31/12/2018
<u>Statement of financial position</u>		
Property, plant and equipment	82.6	89.6
Rights of use on leased assets	197.0	n/a
Intangible assets	991.2	994.0
Financial assets	55.6	58.4
Deferred tax assets	101.2	103.0
Net working capital	(76.6)	(54.2)
Total assets	1,351.0	1,190.8
Non-current liabilities and provisions	106.2	113.2
Deferred tax provision	165.4	165.3
(Net financial position)/Net debt	144.2	188.6
Liabilities from leases (pursuant to IFRS 16)	212.9	n/a
Equity attributable to the owners of the parent	435.9	436.8
Equity attributable to non-controlling interests	286.4	286.9
Total equity and liabilities	1,351.0	1,190.8

The application of the new IFRS 16 at 30 September 2019 also resulted in (i) the recognition of rights of use under non-current assets for a total of Euro 197 million, and a financial liability (financial payables from operating leases pursuant to IFRS 16) of approximately Euro 212.9 million (mainly property leases), (ii) a decreasing impact on Group equity of Euro 5.5 million and on non-controlling interests' equity of Euro 3.7 million, net of the tax effect.

Mention should be made that the Shareholders' Meetings of Cairo Communication and RCS approved the distribution of dividends of respectively Euro 0.14 (totaling approximately Euro 18.8 million) and Euro 0.06 per share (totaling approximately Euro 31 million), gross of tax, paid in May 2019, and that the change in net financial debt as a result of the distribution of dividends was approximately Euro 31.2 million at Group level.

In 2019, as part of the share buy-back plans, no treasury shares were sold or purchased. At 30 September 2019, Cairo Communication held a total of no. 779 treasury shares, or 0.001% of the share capital, subject to art. 2357-ter of the Italian Civil Code.

The consolidated **net financial debt** at 30 September 2019, versus the consolidated financial statement amounts at 31 December 2018, is summarized in the table below:



Net financial debt (€ millions)	30/09/2019	31/12/2018	Changes
Cash and cash equivalents	58.2	56.2	2.0
Other current financial assets and financial receivables	3.7	1.7	2.0
Current financial assets (liabilities) from derivative instruments	0.2	(0.1)	0.3
Current financial payables	(74.7)	(63.8)	(10.9)
Current net financial position (net financial debt)	(12.6)	(6.0)	(6.4)
Non-current financial payables	(130.1)	(181.6)	51.5
Non-current financial assets (liabilities) from derivative instruments	(1.6)	(1.0)	(0.6)
Non-current net financial position (net financial debt)	(131.7)	(182.6)	50.9
Net financial position (net financial debt)	(144.2)	(188.6)	44.4
Liabilities from leases (pursuant to IFRS 16)	(212.9)	-	(212.9)
Total net financial position (total net financial debt)	(357.1)	(188.6)	(168.5)

The consolidated **net financial debt** at 30 September 2019 amounted to approximately Euro 144.2 million (Euro 188.6 million at 31 December 2018), Euro 151.1 million of which referring to RCS (Euro 187.6 million at 31 December 2018). The improvement in the net financial debt of Euro 44.4 million and by Euro 67 million versus 30 September 2018 is attributable mainly to cash flows from ordinary operations, comprising the dynamics of current assets, offset by cash-outs for the distribution of dividends, capital expenditure and net non-recurring expense.

Total net financial debt, which includes financial liabilities from leases recognized in accordance with IFRS 16 (mainly property leases) of Euro 212.9 million, amounted to Euro 357.1 million.

4. Revenue

Gross operating revenue in the first nine months and in third quarter 2019, split up by main business segment, can be analyzed as follows versus the amounts of the corresponding periods of 2018:



2019 (nine months)	Magazine publishing Cairo Ed.	Advertising	TV publishing La7	Network operator Cairo Network	Trovatore	RCS	Intra and un allocated	Total
(€ millions)								
TV advertising	-	104.5	70.7	-	-	0.7	(71.8)	104.2
Advertising on print media, Internet and sporting events	11.6	19.8	1.3	-	-	299.0	(14.4)	317.3
Other TV revenue	-	-	1.6	-	-	5.2	(0.7)	6.1
Magazine over-the-counter sales and subscriptions	64.8	-	-	-	-	309.5	(0.1)	374.1
VAT relating to publications	(1.1)	-	-	-	-	(3.3)	-	(4.4)
Other revenue	-	0.5	-	9.1	0.6	94.7	(10.5)	94.4
Total gross operating revenue	75.3	124.8	73.6	9.1	0.6	705.8	(97.5)	891.7
Other revenue	1.4	0.5	3.8	0.0	0.0	14.3	(0.6)	19.5
Total gross revenue	76.8	125.3	77.4	9.1	0.6	720.1	(98.1)	911.2

2019 (three months)	Magazine publishing Cairo Ed.	Advertising	TV publishing La7	Network operator Cairo Network	Trovatore	RCS	Intra and un allocated	Total
(€ millions)								
TV advertising	-	24.2	16.4	-	-	0.2	(16.7)	24.2
Advertising on print media, Internet and sporting events	3.5	5.7	0.3	-	-	78.4	(4.4)	83.5
Other TV revenue	-	-	0.6	-	-	1.7	(0.4)	1.9
Magazine over-the-counter sales and subscriptions	24.1	-	-	-	-	107.4	(0.0)	131.4
VAT relating to publications	(0.5)	-	-	-	-	(1.1)	-	(1.6)
Other revenue	-	0.2	-	3.0	0.2	20.5	(3.6)	20.3
Total gross operating revenue	27.1	30.0	17.3	3.0	0.2	207.0	(25.1)	259.6
Other revenue	-	0.2	2.1	0.0	0.0	3.1	-	5.5
Total gross revenue	27.0	30.2	19.4	3.0	0.2	210.1	(25.1)	265.1

2018 (nine months)	Magazine publishing Cairo Ed.	Advertising	TV publishing La7	Network operator Cairo Network	Trovatore	RCS	Intra and un allocated	Total
(€ millions)								
TV advertising	-	101.4	68.7	-	-	1.3	(71.0)	100.5
Advertising on print media, Internet and sporting events	14.1	21.8	1.0	-	-	313.5	(14.8)	335.7
Other TV revenue	-	-	1.8	-	-	6.0	(0.1)	7.6
Magazine over-the-counter sales and subscriptions	71.1	-	-	-	-	330.6	(0.2)	401.5
VAT relating to publications	(1.2)	-	-	-	-	(3.9)	-	(5.1)
Other revenue	-	0.5	-	8.5	0.6	99.7	(10.1)	99.2
Total gross operating revenue	84.1	123.7	71.5	8.5	0.6	747.1	(96.2)	939.4
Other revenue	1.9	0.7	4.0	-	-	12.7	(1.1)	18.3
Total gross revenue	86.0	124.4	75.6	8.6	0.6	759.9	(97.3)	957.7



2018 (three months) (€ millions)	Magazine publishing Cairo Ed.	Advertising	TV publishing La7	Network operator Cairo Network	Trovatore	RCS	Intra and un allocated	Total
TV advertising	-	25.1	16.7	-	-	0.2	(17.4)	24.6
Advertising on print media, Internet and sporting events	4.6	6.6	0.3	-	-	83.0	(4.7)	89.8
Other TV revenue	-	-	0.6	-	-	2.0	(0.1)	2.5
Magazine over-the-counter sales and subscriptions	26.3	-	-	-	-	115.5	(0.1)	141.7
VAT relating to publications	(0.5)	-	-	-	-	(1.4)	-	(1.9)
Other revenue	-	0.2	-	2.5	0.2	18.7	(3.4)	18.2
Total gross operating revenue	30.3	31.9	17.6	2.5	0.2	217.9	(25.6)	274.8
Other revenue	0.4	0.1	1.2	(0.0)	(0.0)	3.3	(0.2)	4.8
Total gross revenue	30.8	31.9	18.8	2.5	0.2	221.3	(25.9)	279.6

MAGAZINE PUBLISHING CAIRO EDITORE

Cairo Editore - Cairo Publishing

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

In the first nine months of 2019, Cairo Editore worked on improving the levels of efficiency reached in containing production, publishing and distribution costs, and continued to achieve positive results. Gross operating profit (EBITDA) and operating profit (EBIT) came to approximately Euro 5.3 million and approximately Euro 3.8 million (Euro 6.9 million and Euro 6.1 million in the same period of 2018).

The new IFRS 16, which came into force on 1 January 2019, resulted in an improvement of Euro 1 million in gross operating profit (EBITDA) of the Cairo Editore publishing segment, resulting from the reversal of lease payments, offset by higher amortization and depreciation of Euro 1 million (the impact on operating profit was basically null) and financial expense of approximately Euro 0.1 million.

The Group weeklies reported high circulation results, with an average ADS weekly circulation in the January-September period of 2019 of 397,418 copies for “*Settimanale DIPIU’*”, 199,445 copies for “*DIPIU’ TV*”, 72,530 copies for “*Settimanale DIPIU’ e DIPIU’TV Cucina*”, 158,616 copies for “*Diva e Donna*”, 197,617 copies for “*Settimanale Nuovo*”, 118,139 copies for “*F*”, 93,626 copies for “*TVMia*”, 69,002 copies for “*Settimanale Giallo*”, 84,439 copies for



“NuovoTV” and 37,948 copies for “Nuovo e Nuovo TV Cucina”, reaching a total of approximately 1.4 million average weekly copies sold, and making the Group the leading publisher in copies of weeklies sold at newsstands, with an approximately 30% market share. Including the average sales of titles out of the ADS survey (average copies sold of “Enigmistica Più” and “Enigmistica Mia”), average weekly copies sold were approximately 1.5 million.

In the following months of 2019, Cairo Editore’s strategy will continue to focus on the following elements: (i) the pivotal importance of the quality of its products, (ii) supporting the circulation levels of its own titles, including through investments in print runs, communication and quality of editorial content, (iii) attention to costs in general, and production costs in particular, with a view to the continuous improvement of industrial, publishing and procurement conditions and processes.

ADVERTISING

Looking at the advertising segment, in the first nine months of 2019, Cairo Communication continued to operate as advertising broker - with its subsidiary Cairo Pubblicità - selling space in the print media for Cairo Editore, for Editoriale Genesis (“Prima Comunicazione” and “Uomini e Comunicazione”), RCS (for the extra-sector of *Insieme, Io e il mio Bambino, Style Piccoli*), for the sale of advertising space on TV for La7 and La7d, for Turner Broadcasting (*Cartoon Network* and *Boomerang*) and for La Presse (*Torino Channel*), on the Internet (*Cartoon Network.it, Open.online*) and for the sale of stadium signage and space at the Olimpico in Turin for Torino FC.

In the first nine months of 2019, advertising sales on La7 and La7d, amounting to Euro 103.3 million, were on the rise, increasing by 3.5% versus the same period of 2018 (Euro 99.8 million) versus a 5.7% drop of the TV advertising market in the period (*AC Nielsen January-September 2019*).

Advertising sales on Cairo Editore titles amounted to Euro 14.9 million (Euro 18.3 million in the same period of 2018).

Gross operating profit (EBITDA) and operating profit (EBIT) of the advertising segment amounted to Euro 1.1 million and Euro 0.8 million respectively (Euro 0.9 million and Euro 0.7 million respectively in the same period of 2018).

The new IFRS 16, which came into force on 1 January 2019, resulted in an improvement of Euro 0.2 million in gross operating profit (EBITDA), resulting from the reversal of lease payments, offset by higher amortization and depreciation of Euro 0.2 million (the positive impact on operating profit was basically null) and financial expense of approximately zero.



TV PUBLISHING (La7)

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

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

In the first nine months of 2019, the TV publishing segment (La7) achieved gross operating profit (EBITDA) of approximately Euro 3.4 million (Euro 1.1 million in the same period of 2018). Operating profit (EBIT) came to approximately Euro -5.1 million and benefited in the consolidated financial statements, with respect to the separate financial statements of La7 S.p.A., from lower amortization and depreciation of Euro 0.2 million, due to the write-down of tangible and intangible assets made in 2013 in the purchase price allocation of the investment in La7. In the same period of 2018, operating profit (EBIT) had come to Euro -6.1 million, benefiting in the consolidated financial statements from lower amortization and depreciation of Euro 1.3 million.

The new IFRS 16, which came into force as from 1 January 2019, resulted in an improvement in gross operating profit (EBITDA) of Euro 1.2 million, resulting from the reversal of lease payments, offset by higher amortization and depreciation of Euro 1.1 million (Euro 0.1 million the positive impact on operating profit) and higher financial expense of Euro 0.1 million.

In the first nine months of 2019, La7's average all-day share was 3.75% and 4.99% in prime time (time slot 20.30-22.30), up by 1.6% and 2.3% respectively versus the same period in 2018, when the channel's audience grew strongly versus 2017 (+29.6% all-day share and +41.2% in prime time), confirming the high-quality target audience. La7d's share was 0.51% in all-day and 0.39% in prime time. The channel's news and discussion programmes all continued to deliver remarkable results: *Otto e Mezzo* with 7.29% average share from Monday to Friday, *TgLa7 edizione delle 20* 6.11% from Monday to Friday, *diMartedì* 6.79%, *Piazzapulita* 5.71%, *Propaganda Live* 5.33%, *Non è l'Arena* 6.60%, *Omnibus Dibattito* 4.37%, *Coffee Break* 4.86%, *L'Aria che tira* 6.83%, *Tagadà* 3.66%, *Atlantide* 2.83%, and "le maratone" hosted by Enrico Mentana (11.16% share the special on 26/27 May). In the first nine months of 2019, La7 ranked



firmly as the sixth national prime-time channel for average audience and in February, May, August and September, the sixth channel also in all-day audience levels. In the entire morning slot (07.00-12.00) too, La7 achieved high ratings, with an average share of 4.51%, ranking as fourth generalist channel in the nine months.

Excellent results were achieved on the web front, with 4.5 million (+55% versus the same period of 2018) average monthly unique browsers on La7 websites (*La7.it*, *TGla7.it*, *Sedanoallegro.it*) and the *La7* and *e TGla7* apps and 21.1 million average monthly views (+46% versus the same period of 2018), plus 23.5 million average monthly views generated by La7 channels on the YouTube platform, +22% versus the same period of 2018. September 2019 in particular was a record month for La7 websites, with 7.2 million unique browsers (+133% versus September 2018) and 41.3 million average monthly views (+194% versus September 2018).

Revenue development initiatives are planned for La7, focused on (i) creating new programmes, (ii) maximizing audience potential on the La7d channel, (iii) developing digital presence.

RCS

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

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

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

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

RCS is also marginally active in the Pay TV market in Italy, through its subsidiary, Digicast S.p.A., with the satellite TV channels *Lei*, *Dove*, *Caccia e Pesca* and also publishes the web TVs of *Corriere della Sera* and *La Gazzetta dello Sport*.

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

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



well-positioned as a partner in the creation and organization of events through RCS Live. In Spain, through its subsidiary Last Lap, RCS is involved in the organization of mass events.

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

RCS generated negative results prior to 2016, and has embarked on an operational restructuring process to restore profitability. In 2016, profit had amounted to Euro 3.5 million⁹, marking a return to positive territory by the RCS Group (the first time since 2010), and in 2017 and 2018 the net result had amounted to Euro 71.1 million⁹ and Euro 85.2 million⁹.

In the first nine months of 2019, against a persistently uncertain background, with the main relevant markets in decline, the Italian and Spanish advertising market in particular, weaker than expected, RCS achieved - in the consolidated financial statements of Cairo Communication - gross operating profit (EBITDA) of approximately Euro 107.1 million¹⁰ and operating profit (EBIT) of Euro 63 million (Euro 108 million and Euro 75.8 million in the same period of 2018).

As commented earlier, this Interim Management Statement incorporates the adoption of the new IFRS 16 which, for the RCS segment, resulted in an improvement in gross operating profit (EBITDA) of Euro 19.7 million, resulting from the reversal of lease payments, offset by higher amortization and depreciation of Euro 17.7 million - therefore a positive impact of Euro 2 million on operating profit (EBIT) - and higher financial expense of Euro 2.7 million.

If the new accounting standard had not been applied, gross operating profit (EBITDA) for the first nine months of 2019 would have dropped by Euro 20.6 million versus 2018, when the results had benefited from the strong contribution from the *grande partenza* of the *Giro d'Italia* outside of Italy, and from the positive effect on advertising revenue of the “even-numbered year” of sporting events (which had generated in 2018 net advertising revenue of approximately Euro 6 million), as will be the case in 2020 with the *grande partenza* this time from Hungary and the Olympics and European Cup events. The decrease was due also to the impact on operating costs of the increased purchase price of paper, a trend which is expected to reverse in 2020, and to the effect of net non-recurring expense and income (Euro -2.2 million the overall effect, being equal to Euro -2.3 million at 30 September 2019 versus Euro 0.1 million at 30 September 2018).

In the first nine months of 2019, consolidated net operating revenue generated by RCS amounted to approximately Euro 673.9 million, down by a total of Euro 39.4 million versus the

⁹ RCS 2018 Annual Report

¹⁰ Mention should be made that RCS adopts a different definition of EBITDA from the one used by the Cairo Communication Group, as indicated in the above section “Alternative Performance Measures”. As a result of these differences, which lie in the provisions for risks and in the allowance for impairment, amounting to a total of Euro 4.7 million in the first nine months of 2019 - EBITDA shown in the RCS Interim Management Statement at 30 September 2019, approved on 8 November 2019, amounted to Euro 102.4 million.



same period of 2018. Specifically, RCS total digital revenue (Italy and Spain), which amounted to approximately Euro 115.8 million, accounted for 17.2% of total revenue. Total advertising sales from online media reached Euro 87.4 million in the first nine months of 2019, accounting for 32.6% of total advertising revenue. Specifically, in Spain, total advertising sales on online media reached approximately 51.6% of total net advertising revenue of the area, up by 4.8% versus digital advertising revenue in the first nine months of 2018.

At circulation level, the dailies *Corriere della Sera*, *La Gazzetta dello Sport*, *Marca* and *Expansión* continue to lead their respective segments. *El Mundo* is once again the second most popular generalist daily in Spain for sales at newsstands.

In Italy, in the first nine months of 2019, *Corriere della Sera* recorded an average of 276 thousand copies distributed, including average digital copies, while *La Gazzetta dello Sport* recorded an average of 159 thousand copies distributed, including average digital copies (ADS: January-September 2019). The circulation of *Corriere della Sera* and *La Gazzetta dello Sport* at newsstands (channels provided for by law) was down by -5.1% and -5.9% versus the first nine months of 2018, while the relevant market fell by -8% and -8.3% (ADS January-September 2019).

The main digital performance indicators confirm the top market position of RCS, with *corriere.it* and *gazzetta.it* reaching an average of 23.7 million and 13 million monthly unique users respectively in September 2019 (Audiweb 2.0). In September, the total active customer base for *Corriere della Sera* (digital edition, membership and m-site) was 160 thousand subscribers, up by 22% versus the same period of 2018.

The average daily circulation of *El Mundo* and *Expansion* (including digital copies) in the first nine months of 2019 amounted to 102 thousand and 32 thousand copies, respectively; copies of the sports daily *Marca* amounted to approximately 109 thousand, including digital copies (OJD).

The figures published by EGM (Estudio General de Medios: latest update June 2019) confirm Unidad Editorial's leadership in the daily newspapers segment; through its brands, it reaches approximately 2.5 million readers/day, approximately 400 thousand readers more than its main competitors.

In Spain, too, the main digital performance indicators confirm the top market position of Unidad Editorial, with *elmundo.es*, *marca.com* and *expansión.com* reaching 20.3 million, 16.4 million and 6.5 million average monthly unique users, respectively, in the first nine months of 2019 (Comscore IP Spain, which considers only traffic coming from Spain).

At 30 September 2019, the net financial debt of RCS amounted to Euro 151.1 million, improving by approximately Euro 36.5 million versus 31 December 2018, thanks mainly to the positive cash



flows of Euro 82.8 million from ordinary operations, only partly offset by cash-outs for dividends (Euro 31.1 million), capital expenditure and net non-recurring expense (*Management Reporting*). The total net financial debt of RCS, which includes financial liabilities from leases recognized in accordance with IFRS 16, totaled Euro 183.2 million (mainly property leases), or Euro 334.3 million¹¹.

Mention should be made that the Shareholders' Meeting of 2 May 2019 approved the distribution of a dividend of Euro 0.06 per share, gross of tax, for a total of Euro 31.1 million, with ex-dividend date on 20 May 2019.

RCS is currently focusing on enhancing the value of editorial content, developing existing brands, and launching new projects, with a constant eye on cutting costs.

Specifically, in Italy, the first quarter saw the restyling of *Amica* (19 February 2019) and the new *Corriere Milano* (6 March 2019), the expansion of the online *Motors* column of *La Gazzetta dello Sport* (7 March 2019), the launch of *economia.corriere.it*, the new website of the business-related section of daily *Corriere della Sera* (25 March 2019), the debut of *Corriere del Mezzogiorno-Puglia e Matera* (26 March 2019), and the start on 28 March 2019 of the activities of *RCS Academy*, the Business School launched in 2019. The second quarter saw the launch of the new *Gazzetta dello Sport* (7 May 2019), the new release of the website *gazzetta.it* (8 May 2019), the publication on newsstands of the new *Corriere Salute* (9 May 2019), and the new *7* (10 May 2019). The new *mobile website of Corriere della Sera* is online (from 16 May 2019), offering greater content accessibility and readability.

The third quarter saw, starting from early August, the new *App of Corriere della Sera*, the new *Sportweek* (13 September 2019), the restyling of *Style Magazine* (26 September 2019), *Tempo delle Donne*, held in Milan and now at its sixth edition, featuring over 70 events scattered throughout the city and attended by over 50 thousand people, and the second edition of *Festival of Sport* in Trento, which drew 65 thousand attendees and more than 350 guests, who took part in over 140 events. On 2 October, a special event was held to celebrate the first 80 years of *Oggi*.

October 2019 marked the start of the first four Master courses of *RCS Academy*: "*Communication and New Media*", "*Sport Digital Marketing & Communication*", "*Marketing and Digital Communication*" and "*Writing and Journalism Today: the Corriere way*".

In Spain, 2019 saw the creation of *BeStory*, a digital content production area for social networks, the restyling of *Telva* (20 February 2019) and of the *El Mundo* website (4 March 2019); May

¹¹ The adoption of IFRS 16 will have no effect on the measurement of the covenant under the Loan Agreement dated 4 August 2017 and subsequently amended on 10 October 2018, as the Agreement already implied the exclusion of the effects of the new accounting standard for the purposes of calculating the covenant.



2019 witnessed the launch of *UEtv*, a new audiovisual production structure, set up with the aim of enhancing the development of multimedia content for both the group and the external market, the revamping of *Metropoli* (*El Mundo* supplement), the launch (3 June 2019) of weekly supplement *Expansión Jurídico*, featuring information tailored to legal and business professionals. 10 June 2019 marked the launch of *Marca Claro USA*, a development in the USA of the portal created from the partnership between Marca and the Mexican group Claro.

On 22 October 2019, *El Mundo*, concurrent to the thirtieth anniversary of its foundation, the first Spanish newspaper among generalists, launched a pay model for online news (*freemium*) for its subscribers, who can access a series of exclusive content (opinions, reports, interviews, etc.) and have the opportunity of commenting and interacting with the main contributors of the newspaper.

With regard to the dispute on the Via Solferino property complex explained in RCS's 2018 Annual Report and 2019 Half-Year Report, in 2019:

- Arbitration in Italy: on 27 May 2019, both parties filed their second brief. At the hearing held on 21 October 2019, the Panel set additional deadlines for the filing of documents and briefs, which were scheduled until mid-January;
- New York case: on 24 April 2019, the New York Supreme Court decided to "stay" the case in New York pending the outcome of the arbitration in Italy. On 23 May 2019, the same plaintiffs also sued before the New York Supreme Court the Chairman of RCS, Urbano Cairo, alleging damages on the basis of the same circumstances on which the identical claims filed against RCS are grounded. The latter dispute has also been suspended pending the outcome of the Arbitration in Italy.

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

NETWORK OPERATOR (CAIRO NETWORK)

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



January 2017 marked the start of the broadcasting of La7 channels on the mux. The remaining capacity could be used to broadcast new channels if the Cairo Communication Group were to launch any, and to provide third parties with broadcasting capacity.

The Half-Year Report at 30 June 2019 contains a detailed description of the current developments in the legislative and regulatory framework regarding the rights to use television frequencies, following the provisions of the 2018 and 2019 Budget Laws, and of Cairo Network's distinctive position against this backdrop.

IL TROVATORE

In the first nine months of 2019, Il Trovatore continued operations, mainly providing technological services to develop and maintain the online platforms of the Group's companies.

5. Transactions with parents, subsidiaries and associates

The following are identified as related parties:

- the direct and indirect parent entities of Cairo Communication S.p.A., their subsidiaries, associates and affiliates of the Group. The Ultimate Parent of the Group is U.T. Communications S.p.A.;
- directors, statutory auditors, key management personnel and their close relations.

Details are provided in the following tables on related party transactions, broken down by balance sheet heading. Intercompany relations eliminated in the consolidation process are excluded.

Receivables and financial assets (€ millions)	Trade receivables	Receivables from tax consolidation	Other current financial assets
Parents	-	0.9	-
Associates	20.1	-	2.4
Other affiliates	0.9	-	-
Other related parties	0.4	-	-
Total	21.4	0.9	2.4

Payables and financial liabilities (€ millions)	Trade and other payables	Other current financial liabilities	Other non-current financial liabilities
Parents	-	-	-
Associates	9.1	2.2	-
Other affiliates	2.3	-	-
Other related parties	-	-	-
Total	11.4	2.2	-



Revenue and costs (€ millions)	Operating revenue	Operating costs	Financial income
Parents	-	-	-
Associates	201.1	(76.8)	0.1
Other affiliates	0.2	(2.3)	-
Other related parties	1.1	(0.3)	-
Total	202.4	(79.4)	0.1

Transactions with associates refer mainly to:

- m-dis Distribuzione Media S.p.A., which operates in Italy as distributor in the newsstand channel for the RCS Group, in respect of which Group companies generated revenue of Euro 200.3 million and incurred costs of Euro 61.1 million in the first nine months of 2019, and hold trade receivables of Euro 20.1 million, trade payables of Euro 2.1 million and current financial liabilities of Euro 2.2 million;
- the associates in the Bermont Group, in respect of which the Group companies that operate in Spain in the printing of newspapers, magazines and other publishing products (Unidad Editorial Group) generated revenue of Euro 0.8 million and incurred costs of Euro 15.3 million in the first nine months of 2019, and hold trade payables of Euro 7 million.

Transactions with affiliates refer mainly to:

- the concession contract between Cairo Pubblicità S.p.A. and Torino FC S.p.A. (a subsidiary of U.T. Communications) for the sale of advertising space at the Olimpico football pitch and promotional sponsorship packages. This contract resulted in the payment in the first nine months of 2019 of Euro 2.2 million to the concession holder against revenue of Euro 2.7 million net of agency discounts. Cairo Pubblicità earned further commissions of Euro 62 thousand;
- the agreement between Cairo Communication S.p.A. and Torino F.C. for the provision of administrative services such as bookkeeping, which provides for an annual consideration of Euro 0.1 million.

Transactions with “other related parties” refer mainly to RCS’s commercial dealings with the Della Valle and Pirelli groups, in respect of which Group companies generated revenue of Euro 1.1 million. Trade receivables amounted to Euro 0.4 million.

Transactions in the year with related parties, including with Group companies, were not considered to be atypical or unusual, and were part of the ordinary activities of Group



companies. These transactions were carried out on market terms, taking account of the goods and services provided.

In the first nine months of 2019:

- Cairo Communication and its subsidiaries other than those belonging to the RCS Group, paid Directors, Statutory Auditors, General Managers and Key Management Personnel fees totaling Euro 2.1 million.
- the RCS Group paid Directors, Statutory Auditors and Key Management Personnel fees totaling Euro 5.7 million.

In the first nine months of 2019, no transactions were carried out with members of the Board of Directors, general managers and/or with key management personnel, members of the Board of Statutory Auditors, and the financial reporting manager, further than the fees paid and already shown in this Note.

The procedures adopted by the Group for related party transactions, to ensure transparency and substantial and procedural fairness, implemented by the Group, are explained in the 2018 “Report on Corporate Governance and Ownership Structure”.

6. Events occurring after the quarter and business outlook

Against a persistently uncertain backdrop, in the first nine months of 2019:

- RCS continued to generate positive margins and cash flows and achieved its targets of gradually reducing financial debt (down by Euro 36.5 million versus end 2018 and by Euro 64,8 million versus 30 September 2018, after distributing dividends of approximately Euro 31 million), thanks to the initiatives implemented to maintain and develop revenue and to the ongoing efficiency actions;
- the TV publishing segment La7 confirmed the high audience levels of the La7 channel (3.75% in all-day share and 4.99% in prime time), ranking in the first nine months of 2019 as the sixth national channel for average prime time audience levels and in February, May, August and September as the sixth channel also in all-day audience levels. Advertising sales on La7 and La7d, amounting to Euro 103.3 million, were on the rise, increasing by 3.5% versus the same period of 2018 (Euro 99.8 million) versus a 5.7% drop of the TV advertising market in the period (*AC Nielsen January-September 2019*);



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- the magazine publishing segment Cairo Editore posted positive results, achieved high circulation levels of the publications, and continued to work on improving the levels of efficiency reached in containing own costs.

In the following months of 2019, the Cairo Communication Group, with regard to the scope of its traditional activities, will continue to:

- pursue the development of its Cairo Editore publishing and advertising sales segments and, in these segments, despite the economic and competitive backdrop, given the high quality of the publications and of the media under concession, the Group considers it a feasible target to continue to achieve positive operating results;
- work towards developing its activities in the TV publishing segment, forecast to achieve a positive gross operating profit (EBITDA) also in 2019, up versus 2018, thanks also to the expected upward trend of advertising sales in the year.

As for RCS, on the approval of the Interim Management Statement at 30 September 2019, its directors announced that, in light of the actions already implemented and those planned and in the process of being defined to maintain and develop revenue and to continue pursuing operating efficiency, in the absence of events unforeseeable at this time, RCS believes it can confirm the target of achieving also in the final quarter of 2019 a further significant reduction in net financial debt and margins levels basically in line with those of 2018.

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

For the Board of Directors
Chairman Urbano Cairo



Declaration, pursuant to art 154-bis paragraph 2 of Legislative Decree no. 58 of 24 February 1998 (T.U.F.)

The Financial Reporting Manager of Cairo Communication S.p.A., Marco Pompignoli, declares, pursuant to paragraph 2 of article 154-bis of the Consolidated Finance Law, that the accounting information contained herein is consistent with the underlying accounting documents, books and records.

Financial Reporting Manager
Marco Pompignoli