CAIRO COMMUNICATION

Interim Management Report at 31 March 2015

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

Governance

Board of Directors

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

Control and Risk Committee

Roberto Rezzonico	Director
Mauro Sala	Director
Antonio Magnocavallo	Director

Remuneration Committee

Antonio Magnocavallo	Director
Roberto Rezzonico	Director
Stefania Petruccioli	Director

Related Party Committee

Marco Janni	Director
Mauro Sala	Director
Stefania Petruccioli	Director

Board of Statutory Auditors

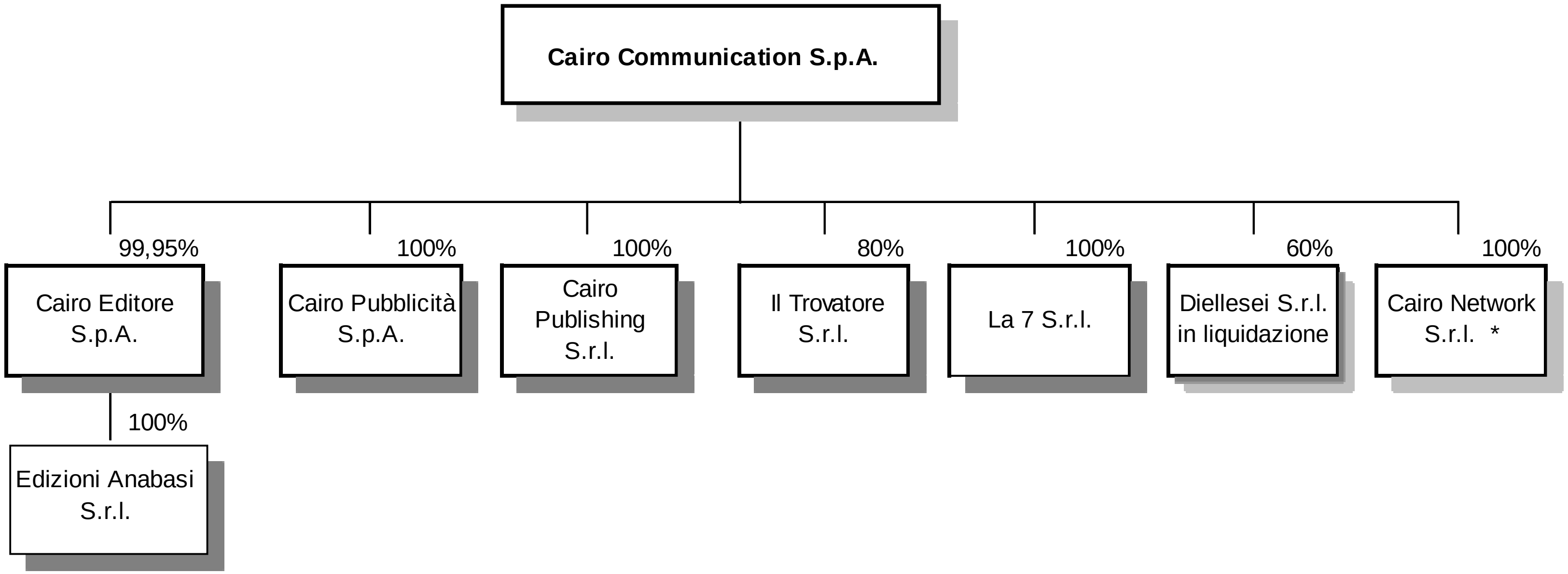
Marco Moroni	Chairman
Marco Giuliani	Standing auditor
Maria Pia Maspes	Standing auditor
Emilio Fano	Alternate auditor
Enrico Tamborini	Alternate auditor

Audit Firm

KPMG S.p.A.

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

The Group at 31 March 2015



1. Valuation principles and criteria adopted in preparing the Interim Management Report at 31 March 2015

The financial statements in this Interim Management Report have been prepared following the reclassified statements usually adopted for the “Directors’ Report” and in accordance with international accounting standards.

The consolidated and separate income statement figures in 1Q15 are shown versus 1Q14. Statement of financial position and net equity figures appearing in the financial statements are compared with the figures of the consolidated and separate financial statements at 31 December 2014.

The quarterly financial statements at 31 March 2015 have been prepared net of tax and tax effects.

During the period under review, the consolidation scope remained unchanged versus the situation at 31 December 2014.

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

Profit from continuing operations, pre tax

+/- Net finance income

+/- Share in associates

<u>EBIT- Operating profit</u>

+ Amortization & depreciation

+ Bad debt impairment losses

+ Provisions for risks

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

The Cairo Communication Group also considers the **net financial position** as a valid indicator of the Group’s ability to meet financial obligations, both current and future. As can be seen in the table used in this Interim Management Report, 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.

2. Group performance

In 1Q15, the Cairo Communication 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.

In January 2015, the Group company Cairo Network, which took part in 2014 in the tender procedure opened by the Ministry of Economic Development for the assignment of rights to use TV frequencies for digital terrestrial broadcasting systems, winning the rights to use a lot of frequencies (“mux") for a period of 20 years, entered with EI Towers S.p.A. (“EIT”) into the agreements for the realization and subsequent long-term technical management in full service mode (hospitality, service and maintenance, use of broadcasting infrastructure, etc.) of the mux. The agreements provide, among other things, for:

- a transitional phase, which will see the realization and start-up of the mux and the initial operations, which will run from the date the agreements were signed to 31 December 2017, and an operational phase of the mux lasting 17 years (from 2018 to 2034);
- the right to free withdrawal of Cairo Network starting from 1 January 2025;
- guaranteed coverage at full performance of at least 94% of the population, in line with national muxs with greater coverage;
- consideration to EIT:
    - during the transitional phase (2015-2017), amounting to a total of Euro 11.5 million for the full three-year period;
    - at full performance (starting from 2018), amounting to Euro 16.3 million per year.

  These amounts include compensation for the availability of the transmitters;
- an annual consideration from EIT to Cairo Network, starting from 2018, ranging between Euro 0 up to Euro 4 million, in the event that the available bandwidth on the mux is not fully used by Cairo Network.

With the acquisition and realization of the mux, the Cairo Communication Group will start activities as a network operator and have at its autonomous disposal a broadcasting capacity of about 22.4 Mbps versus the current 7.2 Mbps leased, which can be used to broadcast the La7 and La7d channels from 2017, to broadcast new channels if the Company were to launch any, or even lease them to third parties as early as 2016.

In 1Q15, the general economic and financial context, marked by a high degree of uncertainty, continued to report negative effects. To date, there remains uncertainty over the period required for a return to normal market conditions.

Based on the AC Nielsen figures, advertising investments in Italy in the January-March three-month period of 2015 amounted to approximately Euro 1.5 billion, down 2.1% versus the same period last year.

The analysis by media shows that in the January-March three-month period of 2015:

- the magazine advertising market dropped by 3.9% versus 2014, when in the same three-month period it had slid by 14.6% versus 2013,
- the TV advertising market fell by 2% versus 2014, when in the same three-month period it had increased by 2% versus 2013.

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

In 1Q15, despite such an economic context in general and specifically of its relevant markets (advertising and publishing), and despite the drop reported by advertising revenue caused by the market trend, the Cairo Communication Group:

- achieved a strong growth in results in the magazine publishing segment, with gross operating profit (EBITDA) and operating profit (EBIT) increasing by approximately 35% and 40% respectively versus 1Q14 and reaching Euro 3.2 million and Euro 3 million, confirming the high circulation levels of the publications, and worked on improving the levels of efficiency reached in containing costs (production, publishing and distribution);
- continued to work on strengthening the results of the rationalization and cost-curbing measures achieved in the TV publishing segment (La7) in 2013 and 2014.

In 1Q15, consolidated gross operating profit (EBITDA) and operating profit (EBIT) came to approximately Euro 2.6 million and Euro 0.7 million (Euro 5.8 million and Euro 4.6 million in 1Q14). Profit attributable to the owners of the parent came to approximately Euro 1.9 million (Euro 4.9 million in 1Q14). Specifically:

- in the **magazine publishing segment**, gross operating profit (EBITDA) and operating profit (EBIT) came to Euro 3.2 million and Euro 3 million (Euro 2.4 million and Euro 2.1 million in 1Q14). The period under review confirmed the excellent circulation results, with circulation revenue increasing to Euro 17.7 million (Euro 17.5 million in 1Q14);
- in the **TV publishing segment (La7)**, the Group continued to work on strengthening the results of the rationalization and cost-curbing measures achieved in 2013 and 2014. As a result of the trend of advertising revenue, gross operating profit (EBITDA) and operating profit (EBIT) came to a negative figure of approximately Euro -1.4 million and Euro -2.7 million. Given the characteristics of La7's programming schedule and distribution of advertising revenue over the year, the first quarter usually has a higher percentage of costs incurred for in-house productions on revenue, compared to the rest of the year. Operating profit (EBIT) benefited in the consolidated financial statements from lower amortization and depreciation of Euro 3.5 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 1Q14, gross operating profit (EBITDA) and operating profit (EBIT) came to approximately Euro 0.8 million and Euro 0.3 million and operating profit (EBIT) benefited in the consolidated financial statements from lower amortization and depreciation of Euro 7.6 million. Mention should be made that in 1Q13 - when La7 had not been included yet in the scope of consolidation of the Cairo Communication Group - gross operating loss of La7 had amounted to approximately Euro 15.8 million;
- in the **advertising segment**, gross operating profit (EBITDA) and operating profit (EBIT) came to Euro 0.8 million and Euro 0.5 million (Euro 2.6 million and Euro 2.2 million in 1Q14). In 1Q15, gross advertising sales on La7 and La7d channels amounted to Euro 35.2 million (Euro 40.1 million in 2014).

Regarding weeklies, with over 1.8 million average copies sold in the January-March three-month period of 2015, the Group retains its position as the leading publisher in copies of weeklies sold at newsstands, with an over 25% market share.

In 1Q15, La7's average all-day share was 3.13% and 3.84% in prime time (from 8:30 PM to 11:30 PM), with a high-quality target audience. La7d's share was 0.45%. The audience figures of the channel's news and discussion programmes - such as the 8 PM newscast (5%), "Otto e mezzo" (5%), "Piazza Pulita" (3.8%), "Crozza nel Paese delle Meraviglie" (8.3%) "Servizio Pubblico" (5.5%), "Le invasioni Barbariche" (3%), "Coffee Break" (4.5%), "Omnibus" (4%), "La Gabbia" (3.3%), "L'aria che tira" (5.5%), "Bersaglio Mobile" (4.6%), and "Di martedì" (5.2%) - were positive.

3. Consolidated income statement figures

The main **consolidated income statement figures** in 1Q15 can be compared as follows with those of 1Q14:

(€ thousands)	**31/03/2015 (Quarter)**	**31/03/2014 (Quarter)**
Gross operating revenue	60,155	65,878
Advertising agency discounts	(5,714)	(6,589)
Net operating revenue	**54,441**	**59,289**
Change in inventory	4	(55)
Other revenue and income	3,993	2,650
Total revenue	**58,438**	**61,884**
Production cost	(41,519)	(41,018)
Personnel expense	(14,307)	(15,087)
Gross operating profit (EBITDA)	**2,612**	**5,779**
Amortization, depreciation, provisions and impairment losses	(1,863)	(1,121)
EBIT	**749**	**4,658**
Net financial income	161	730
Income (loss) on investments	0	0
Pre-tax profit	**910**	**5,388**
Income tax	1.019	(473)
Non-controlling interests	(2)	(4)
Profit from continuing operations attributable to the owners of the parent	**1,927**	**4,911**
Profit from discontinued operations attributable to the owners of the parent		-
Profit attributable to the owners of the parent	**1,927**	**4,911**

In 1Q15, consolidated gross revenue amounted to approximately Euro 64.1 million (Euro 68.5 million in 2014). Consolidated gross operating profit (EBITDA) and operating profit (EBIT) came to approximately Euro 2.6 million and Euro 0.7 million (Euro 5.8 million and Euro 4.6 million in 1Q14). Consolidated profit came to approximately Euro 1.9 million (Euro 4.9 million in 1Q14).

As mentioned earlier, in 1Q15 operating profit (EBIT) in the TV publishing segment (La7) benefited in the consolidated financial statements from lower amortization and depreciation of Euro 3.5 million, due to the write-down of tangible and intangible assets made in 2013 in the purchase price allocation of the investment in La7. For the same reason, in 1Q14, operating profit (EBIT) in the TV publishing segment (La7) benefited in the consolidated financial statements from lower amortization and depreciation of Euro 7.6 million.

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

(€ thousands)	31/03/2015 (Quarter)	31/03/2014 (Quarter)
Consolidated statement of comprehensive income		
Profit attributable to owners of the parent	**1,927**	**4,911**
Other non-reclassifiable items of the comprehensive income statement		
Actuarial profit (loss) from defined benefit plans	-	-
Tax effect	-	-
Total comprehensive income for the year	**1,927**	**4,911**

The Group's performance can be read better by analyzing the 1Q15 results by **main business segment** (magazine publishing, advertising, TV publishing (La7), network operator (Cairo Network) and Il Trovatore) versus those of 1Q14:

31/03/2015 (€ thousands)	Magazine publishing	Advertising	TV publishing La7	Trovatore	Network operator (Cairo Network)	Intra-group and unallocated	Total
Gross operating revenue	21,674	39,939	25,617	232	-	(27,307)	60,155
Advertising agency discounts	-	(5,714)	-	-	-	-	(5,714)
Net operating revenue	**21,674**	**34,225**	**25,617**	**232**	**-**	**(27,307)**	**54,441**
Change in inventory	4	-	-	-	-	-	4
Other income	515	125	3,353	-	-	-	3,993
Total revenue	**22,193**	**34,350**	**28,970**	**232**	**-**	**(27,307)**	**58,438**
Production cost	(14,398)	(31,775)	(22,463)	(190)	-	27,307	(41,519)
Personnel expense	(4,585)	(1,753)	(7,948)	(21)	-	-	(14,307)
Gross operating profit (EBITDA)	**3,210**	**822**	**(1,441)**	**21**	**-**	**-**	**2,612**
Amortization, depreciation, provisions and impairment losses	(216)	(363)	(1,284)		-	-	(1,863)
EBIT	**2,994**	**459**	**(2,725)**	**21**	**-**	**-**	**749**
Income (loss) on investments	-				-	-	-
Net financial income	(25)	(6)	192	-	-	-	161
Non-recurring income from acquisition of La7 S.r.l.	-	-	-	-	-	-	-
Pre-tax profit	**2,969**	**453**	**(2,533)**	**21**	-	-	**910**
Income tax	(990)	(189)	2,206	(8)	-	-	1.019
Non-controlling interests	-			(2)	-	-	(2)
Profit from continuing operations attributable to the owners of the parent	**1,979**	**264**	**(327)**	**11**	**-**	**-**	**1,927**
Profit / (loss) from discontinued operations	-	-	-	-	-	-	-
Profit	**1,979**	**264**	**(327)**	**11**	**-**	**-**	**1,927**

31/03/2014 (€ thousands)	Magazine publishing	Advertising	TV publishing La7	Trovatore	Network operator (Cairo Network)	Intra-group and unallocated	Total
Gross operating revenue	22,105	45,788	28,518	214	-	(30,747)	65,878
Advertising agency discounts	-	(6,589)	-	-	-		(6,589)
Net operating revenue	**22,105**	**39,199**	**28,518**	**214**	**-**	**(30,747)**	**59,289**
Change in inventory	(55)	-	-	-	-	-	(55)
Other income	552	380	1,718	-	-	-	2,650
Total revenue	**22,602**	**39,579**	**30,236**	**214**	**-**	**(30,747)**	**61,884**
Production cost	(15,433)	(35,378)	(20,779)	(175)	-	30,747	(41,018)
Personnel expense	(4,785)	(1,588)	(8,705)	(9)	-	-	(15,087)
Gross operating profit (EBITDA)	**2,384**	**2,613**	**752**	**30**	**-**	**-**	**5,779**
Amortization, depreciation, provisions and impairment losses	(251)	(461)	(409)	-	-	-	(1,121)
EBIT	**2,133**	**2,152**	**343**	**30**	**-**	**-**	**4,658**
Income (loss) on investments	-	-	-	-	-	-	-
Net financial income	30	200	500	-	-	-	730
Non-recurring income from acquisition of La7 S.r.l.	-	-	-	-	-	-	-
Pre-tax profit	**2,163**	**2,352**	**843**	**30**	**-**	**-**	**5,388**
Income tax	(876)	(839)	1,253	(11)	-	-	(473)
Non-controlling interests	-	-	-	(4)	-	-	(4)
Profit from continuing operations attributable to the owners of the parent	**1,287**	**1,513**	**2,096**	**15**	**-**	**-**	**4,911**
Profit / (loss) from discontinued operations	-	-	-	-	-	-	-
Profit	**1,287**	**1,513**	**2,096**	**15**		**-**	**4,911**

4. Consolidated statement of financial position

The main figures of the consolidated **statement of financial position** at 31 March 2015 can be analyzed versus the situation at 31 December 2014:

(€ thousands)	31/03/2015	31/12/2014
<u>Balance sheet</u>		
Property, plant and equipment	2,995	3,069
Intangible assets	59,205	56,871
Financial assets	1,967	1,175
Deferred tax assets	3,705	3,983
Net current assets	(29,635)	(19,071)
Total assets	**38,237**	**46,027**
Non-current borrowings and provisions	43,461	43,741
(Net financial position)/Net debt	(133,502)	(124,061)
Equity attributable to the owners of the parent	128,240	126,311
Equity attributable to non-controlling interests	38	36
Total equity and liabilities	**38,237**	**46,027**

At their Meeting on 28 April 2015, the shareholders approved the distribution of a dividend of 0.27 Euro per share, inclusive of tax, with coupon detachment date on 11 May 2015 (made payable on 13 May 2015). At 31 March 2015, this amount, equal to Euro 21.2 million, was still included in the equity reserves.

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 133 million whilst on the other hand, it generates positive cash flows in its traditional segments.
- is not basically exposed to currency risk, whereas interest rate risk affects the yield on available cash (Euro 157.3 million) and the cost of the bank loan (Euro 23.8 million) obtained by Cairo Network; the Group makes limited use of financial hedging instruments to hedge currency risk on the acquisition of TV rights from film studios.
- is partly exposed to credit risk, primarily in relation to its advertising sales activities. This risk is however mitigated by the fact that exposure is distributed across a large number of customers and that credit monitoring and control procedures are in place. The client concentration/advertising revenue ratio has not basically changed versus prior years. The prolonged short and medium-term economic uncertainty may, however, impact negatively on the quality of credit and on general payment terms.

In 2015, as part of the share buy-back plans, no treasury shares were sold or purchased. At 31 March 2015, Cairo Communication held a total of n. 779 treasury shares, or 0.001% of the share capital, subject to the provisions of art. 2357-ter of the Italian Civil Code.

5. Change in the consolidated net financial position

The consolidated **net financial position** at 31 March 2015, versus the situation at 31 December 2014, can be summarized as follows:

(€ thousands)	**31/03/2015**	**31/12/2014**	**Change**
Cash and cash equivalents	157,252	149,061	8,191
Current financial assets	-	-	-
Bank loans	(23,750)	(25,000)	1,250
Total	**133,502**	**124,061**	**9,441**

The bank loan granted by Unicredit S.p.A. and used by Cairo Network to partly pay the rights of use of the TV frequencies, is secured by a guarantee issued by the parent Cairo Communication, and calls for the payment of an interest rate equal to the 3-month Euribor plus 225 basis points and certain constraints (negative pledges) and commitments (covenants) on the part of the company, which are typical of these transactions.

At 31 March 2015, the net financial position of La7 came to Euro 108 million, increasing versus 31 December 2014 (Euro 106.5 million). Under the contract to acquire the entire share capital of La7, entered into in April 2013, for a period of 24 months following acquisition, Cairo Communication undertakes to use the financial resources resulting from the contribution received from Telecom Italia Media in the exclusive interest of La7 and to restructure the company, and to not distribute dividends or reserves of La7.

6. Revenue

The breakdown of **gross operating revenue** in 1Q15, split up by main business segment (magazine publishing, advertising, TV publishing (La7), network operator (Cairo Network) and Il Trovatore) can be analyzed as follows by comparing the amounts in 1Q14:

Gross revenue (€ thousands)	Interim Management Report at 31/03/2015						
	Magazine publishing	**Advertising**	**TV publishing (La7)**	**Trovatore**	**Network operator (Cairo Network)**	**Intra-group eliminations and unallocated**	**Total**
Magazine over-the-counter sales	17,689	-	-	-	-	-	17,689
Print media advertising	3,394	4,476	-	-	-	(3,340)	4,530
TV advertising	-	34,252	24,899	-	-	(23,499)	35,652
Stadium signage	-	860		-	-		860
Internet advertising	-	201	155	3	-	(113)	246
Revenue from concession of programming schedule spaces	-	-	298	-	-	-	298
Other TV revenue	-	-	265	-	-	-	265
Subscriptions	732	-		-	-	-	732
Books and catalogues	150	-		-	-	-	150
Other revenue	-	150		229	-	(355)	24
VAT relating to publications	(291)	-		-			(291)
Total gross operating revenue	**21,674**	**39,939**	**25,617**	**232**		**(27,307)**	**60,155**
Other revenue	515	125	3,353	-	-	-	3,993
Total revenue	**22,189**	**40,064**	**28,970**	**232**		**(27,307)**	**64,148**

Gross revenue **Interim Management Report at 31/03/2014**

(€ thousands)

	Magazine publishing	Advertising	TV publishing (La7)	Trovatore	Network operator (Cairo Network)	Intra-group eliminations and unallocated	Total
Magazine over-the-counter sales	17,521	-	-	-	-	-	17,521
Print media advertising	4,058	5,388	-	-	-	(4,046)	5,400
TV advertising	-	39,265	27,654	-	-	(26,293)	40,626
Stadium signage	-	792	-	-	-	-	792
Internet advertising	-	193	73	4	-	(73)	197
Revenue from concession of programming schedule spaces	-	-	286	-	-	-	286
Other TV revenue	-	-	505	-	-	-	505
Subscriptions	715	-	-	-	-	-	715
Books and catalogues	103	-	-	-	-	-	103
Other revenue	5	150		210	-	(335)	30
VAT relating to publications	(297)	-	-	-		-	(297)
Total gross operating revenue	**22,105**	**45,788**	**28,518**	**214**	**-**	**(30,747)**	**65,878**
Other revenue	552	380	1,718	-	2	-	2,650
Total revenue	**22,657**	**46,168**	**30,236**	**214**	**2**	**(30,747)**	**68,528**

PRINT MEDIA PUBLISHING

CAIRO EDITORE - CAIRO PUBLISHING

In 1Q15, Cairo Editore strengthened the results of its publications and worked on improving the levels of efficiency reached in containing production, publishing and distribution costs. Specifically, in 1Q15:

- the operating results of the Group's publishing segment increased sharply versus 1Q14,
- it confirmed the excellent circulation results, with circulation revenue increasing to Euro 17.7 million versus Euro 17.5 million in 1Q14,
- Group gross advertising revenue amounted to Euro 4.4 million (Euro 5.3 million in 1Q14).

In 1Q15, gross operating profit (EBITDA) and operating profit (EBIT) came to Euro 3.2 million and Euro 3 million, up by approximately 35% and 40% versus 1Q14 (Euro 2.4 million and Euro 2.1 million).

The Group weeklies confirmed the excellent circulation results achieved, with an average ADS circulation in the January-March three-month period of 2015 of 528,505 copies for "Settimanale DIPIU", 333,946 copies for "DIPIU' TV", 171,266 copies for "Settimanale DIPIU' e DIPIU'TV Cucina", 183,268 copies for "Diva e Donna", 207,137 copies for "Settimanale Nuovo", 118,560 copies for "F", 153,330 copies for "TVMia" and 125,038 copies for "Settimanale Giallo", reaching a total of over 1.8 million average copies sold, and making the Group the leading publisher in copies of weeklies sold at newsstands, with an over 25% market share.

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

- cover prices of the weeklies are lower, some half the price of those of the main competitors; this gap increases appeal and allows space for potential price increases, hence for increased profitability;

- sales are mostly over-the-counter (95%), with a minimum impact of revenue generated by gifts and sundry editorial material (approximately 2% on total publishing revenue, including advertising), whose sales figures have collapsed in the publishing segment; the Group has opted to focus on the quality of its publications; in 1Q15, gross advertising revenue generated by the Group's publications accounted for 20% (26% in 2014) - 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 the remaining 80% (74% in 2014) 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 Editore's competitors, make the advertising pages highly appealing in terms of advertising cost per copy sold (equal to the difference between the price of the advertising page and copies sold), currently lower than the publications of its competitors.

In 2015, Cairo Editore will continue to pursue opportunities to optimize production, publishing and distribution costs, which mainly regarded negotiations for the reduction of paper costs, the optimization of bordereau costs, and the revision of certain corporate processes.

ADVERTISING

Looking at the advertising segment, in 1Q15 the Cairo Communication Group continued to operate as advertising broker - with its subsidiary Cairo Pubblicità - selling space in the print media for Cairo Editore (“For Men Magazine”, “Natural Style”, “Settimanale DIPIU’”, “DIPIU’ TV” and weekly supplements “Settimanale DIPIU’ e DIPIU’TV Cucina” and “Settimanale DIPIU’ e DIPIU’TV Stellare”, “Diva e Donna”, “TV Mia”, “Settimanale Nuovo”, “F” and “Settimanale Giallo”), the Editoriale Giorgio Mondadori division (“Bell’Italia”, “Bell’Europa”, “In Viaggio”, “Airone”, “Gardenia”, “Arte” and “Antiquariato”) and for Editoriale Genesis (“Prima Comunicazione” and “Uomini e Comunicazione”), for the sale of advertising space on TV for La7 and La7d, and for Turner Broadcasting (Cartoon Network, Boomerang, CNN), on the Internet (La7.it, TG.La7.it, Cartoon Network.it) and for the sale of stadium signage and space at the Olimpico in Turin for Torino FC.

In 1Q15, total gross advertising revenue, which includes TV advertising revenue invoiced directly by La7 (Euro 1.5 million), came to approximately Euro 41.5 million. Specifically, gross advertising revenue on La7 and La7d channels amounted to Euro 35.2 million (Euro 40.1 million in 2014).

Mention should be made that in 1Q14, the comparative period, advertising revenue on La7 and La7d channels had increased by over 5% versus the figure achieved in 1Q13 (Euro 38.1 million).

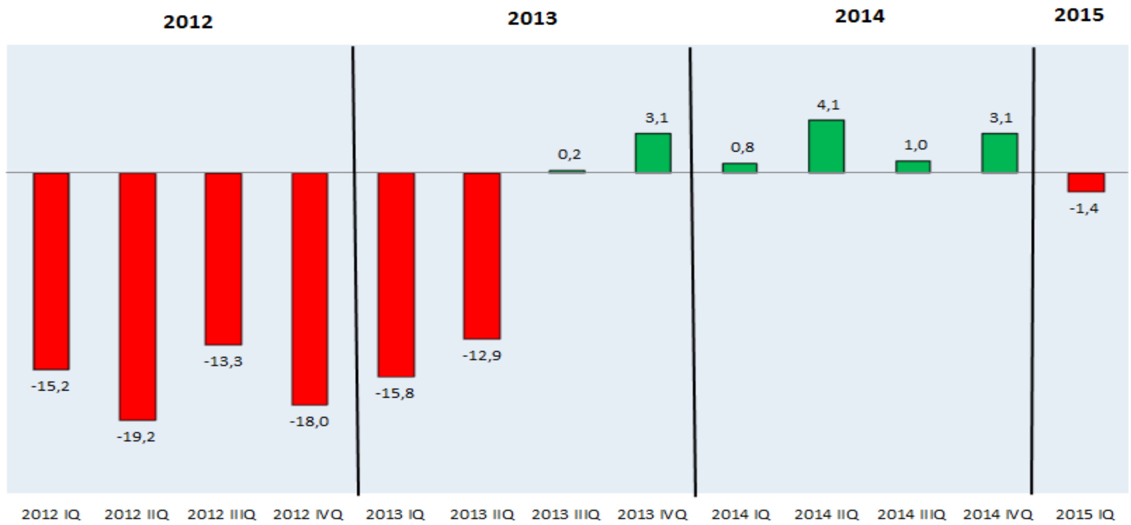
TV PUBLISHING (La7)

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

At the acquisition date, the financial situation of La7 had called for the implementation of a restructuring plan aimed at reorganizing and streamlining the corporate structure and at curbing costs, while retaining the high quality levels of the programming.

Starting from May 2013, the Group began to implement its own plan to restructure the company, achieving, as early as the May-December eight-month period of 2013, a positive gross operating profit (EBITDA) of Euro 3.7 million, and strengthened in 2014 the results of the cost rationalization measures implemented during the eight months of activity in 2013, succeeding in achieving a positive gross operating profit (EBITDA) of Euro 9 million.

The trend of the results achieved by La7 is shown in the chart below:



In 1Q15, the Group continued to work on strengthening the results of the rationalization and cost-curbing measures achieved in 2013 and 2014.

As a result of the trend of advertising revenue, gross operating profit (EBITDA) and operating profit (EBIT) came to a negative figure of approximately Euro -1.4 million and Euro -2.7 million. Given the characteristics of La7's programming schedule and distribution of advertising revenue over the year, the first quarter usually has a higher percentage of costs incurred for in-house productions on revenue, compared to the rest of the year.

Operating profit (EBIT) benefited in the consolidated financial statements from lower amortization and depreciation of Euro 3.5 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 1Q14, gross operating profit (EBITDA) and operating profit (EBIT) came to approximately Euro 0.8 million and Euro 0.3 million and for the same reason operating profit (EBIT) benefited in the consolidated financial statements from lower amortization and depreciation of Euro 7.6 million. Mention should be made that in 1Q13 - when La7 had not been included yet in the scope of consolidation of the Cairo Communication Group - gross operating loss of La7 had amounted to approximately Euro 15.8 million.

In 1Q15, La7's average all-day share was 3.13% and 3.84% in prime time (from 8:30 PM to 11:30 PM), with a high-quality target audience. La7d's share was 0.45%. The audience figures of the channel's news and discussion programmes - such as the 8 PM newscast (5%), "Otto e mezzo" (5%), "Piazza Pulita" (3.8%), "Crozza nel Paese delle Meraviglie" (8.3%) "Servizio Pubblico" (5.5%), "Le invasioni Barbariche" (3%), "Coffee Break" (4.5%), "Omnibus" (4%), "La Gabbia" (3.3%), "L'aria che tira" (5.5%), "Bersaglio Mobile" (4.6%), and "Di martedì" (5.2%) - were positive.

IL TROVATORE

In 2015, Il Trovatore continued operations, mainly providing technological services to develop and maintain the online platforms of the Group's companies.

NETWORK OPERATOR (CAIRO NETWORK)

As mentioned earlier, the subsidiary Cairo Network took part in the tender procedure opened by the Ministry of Economic Development for the assignment of rights to use TV frequencies for digital terrestrial broadcasting systems, submitting its binding bid and winning the rights to use a lot of frequencies ("Mux") for a period of 20 years. In January 2015, Cairo Network and EI Towers S.p.A. ("EIT") entered into the agreements firstly for the realization and then long-term technical management in full service mode (hospitality, service and maintenance, use of broadcasting infrastructure, etc.) of the Mux. With the acquisition and realization of the Mux, the Cairo Communication Group will start operations at the end of 2015 as a network operator.

7. Income statement figures of the Parent

The main **income statement figures of Cairo Communication S.p.A.** in 1Q15 can be compared as follows with those of 1Q14:

(€ thousands)	**31/03/2015 (Quarter)**	**31/03/2014 (Quarter)**
Gross operating revenue	26,166	30,246
Advertising agency discounts	-	-
Net operating revenue	**26,166**	**30,246**
Other revenue and income	39	85
Total revenue	**26,205**	**30,331**
Production cost	(25,085)	(27,835)
Personnel expense	(743)	(724)
Gross operating profit (EBITDA)	**377**	**1,772**
Amortization, depreciation, provisions and impairment losses	(60)	(58)
EBIT	**317**	**1,714**
Net financial income	13	182
Income (loss) on investments	-	(1)
Pre-tax profit	**330**	**1,895**
Income tax	(123)	(626)
Non-controlling interests	-	-
Profit from continuing operations	**207**	**1,269**
Loss from discontinued operations		-
Profit	**207**	**1,269**

In 1Q2015, 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:

- <u>gross operating revenue</u> was approximately Euro 26.2 million (Euro 30.3 million in 1Q14);
- parent <u>gross operating profit</u> (EBITDA) was approximately 0.4 million (Euro 1.8 million in 1Q14);
- <u>operating profit</u> (EBIT) was approximately Euro 0.3 million (Euro 1.7 million in 1Q14);
- <u>profit</u> was approximately Euro 0.2 million (Euro 1.3 million in 1Q14).

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

(€ thousands)	**31/03/2015**	**31/03/2014**
Statement of comprehensive income of the Parent	207	1,269
Profit for the year		
Other non-reclassifiable items of the comprehensive income statement		-
Actuarial profit (loss) from defined benefit plans	-	-
Tax effect	-	-
Total comprehensive income	**207**	**1,269**

8. Statement of financial position of the Parent

The main figures of the **statement of financial position** of Cairo Communication S.p.A. at 31 March 2015 can be analyzed versus the situation at 31 December 2014:

(€ thousands)	**31/03/2015**	**31/12/2014**
<u>Balance sheet</u>		
Property, plant and equipment	442	457
Intangible assets	322	320
Financial assets	23,123	23,124
Other non-current assets	4,231	1,663
Net current assets	(1,121)	7,325
Total assets	**26,997**	**32,889**
Non-current borrowings and provisions	1,493	1,485
(Net financial position)/Net debt	(31,875)	(25,768)
Equity	57,379	57,172
Total equity and liabilities	**26,997**	**32,889**

As mentioned in the notes to the consolidated statement of financial position, at their Meeting on 28 April 2015, the shareholders approved the distribution of a dividend of 0.27 Euro per share, inclusive of tax, with coupon detachment date on 11 May 2015 (made payable on 13 May 2015). At 31 March 2015, this amount, equal to Euro 21.2 million, was still included in the equity reserves.

9. Change in the net financial position of the Parent

The **net financial position** of the Parent at 31 March 2015, versus the situation at 31 December 2014, is summarized as follows:

(€ thousands)	**31/03/2015**	**31/12/2014**	**Change**
Cash and cash equivalents	31,875	25,768	6,107
Current financial assets	-	-	-
Total	**31,875**	**25,768**	**6,107**

10. Transactions with parents, subsidiaries and associates

In 1Q15, transactions with related parties, including with Group companies, were not considered to be atypical or unusual, and were part of the ordinary activities of Group companies. These transactions were carried out on market terms, taking account of the goods and services provided.

In 1Q15, the relations and transactions with the parent U.T. Communications and with its subsidiaries can be analyzed as follows:

- the concession contract between Cairo Pubblicità and Torino FC S.p.A. (a subsidiary of U.T. Communications) for the sale of advertising space at the Olimpico football pitch and promotional sponsorship packages. This contract resulted in the payment in 1Q15 of Euro 0.7 million to the concession holder against revenue of Euro 0.8 million net of agency discounts. Cairo Pubblicità earned further commissions of Euro 23 thousand.
- the agreement between Cairo Communication S.p.A. and Torino F.C. for the provision of administrative services such as bookkeeping, which provides for an annual consideration of Euro 100 thousand;
- the agreement relating to the purchase of advertising space at the Olimpico football pitch between Cairo Editore and Torino F.C., for an annual consideration of Euro 100 thousand;
- the tax consolidation scheme.

11. Events occurring after 1Q15 and business outlook

In 1Q15, despite the economic context in general and specifically of its relevant markets (advertising and publishing), marked by a high degree of uncertainty, and despite the drop reported by advertising revenue caused by the market trend, the Cairo Communication Group:

- achieved a strong growth in results in the magazine publishing segment, with gross operating profit (EBITDA) and operating profit (EBIT) increasing by approximately 35% and 40% respectively versus 1Q14 and reaching Euro 3.2 million and Euro 3 million, confirming the high circulation levels of the publications, and worked on improving the levels of efficiency reached in containing costs (production, publishing and distribution);
- continued to work on strengthening the results of the rationalization and cost-curbing measures achieved in the TV publishing segment (La7) in 2013 and 2014.

In the following months of 2015, the Cairo Communication Group will continue to:

- pursue the development of its traditional segments (magazine publishing and advertising sales). Despite the economic and competitive backdrop, given the high quality of the publications and of the media under concession, the Group considers it a feasible target to continue to achieve positive operating results;
- work on strengthening the results of the rationalization and cost-curbing measures achieved in the TV publishing segment in 2013 and 2014.

However, the evolution of the general economic situation could 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 n. 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 in this document is consistent with the underlying accounting documents, books and records.

Financial Reporting Manager

Marco Pompignoli