



CAIROCOMMUNICATION

Interim Management Statement at 31 March 2018

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

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



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
Antonio Magnocavallo	Director
Paola Mignani	Director
Marco Pompignoli	Director

Control and Risk Committee

Paola Mignani	Director
Daniela Bartoli	Director
Antonio Magnocavallo	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

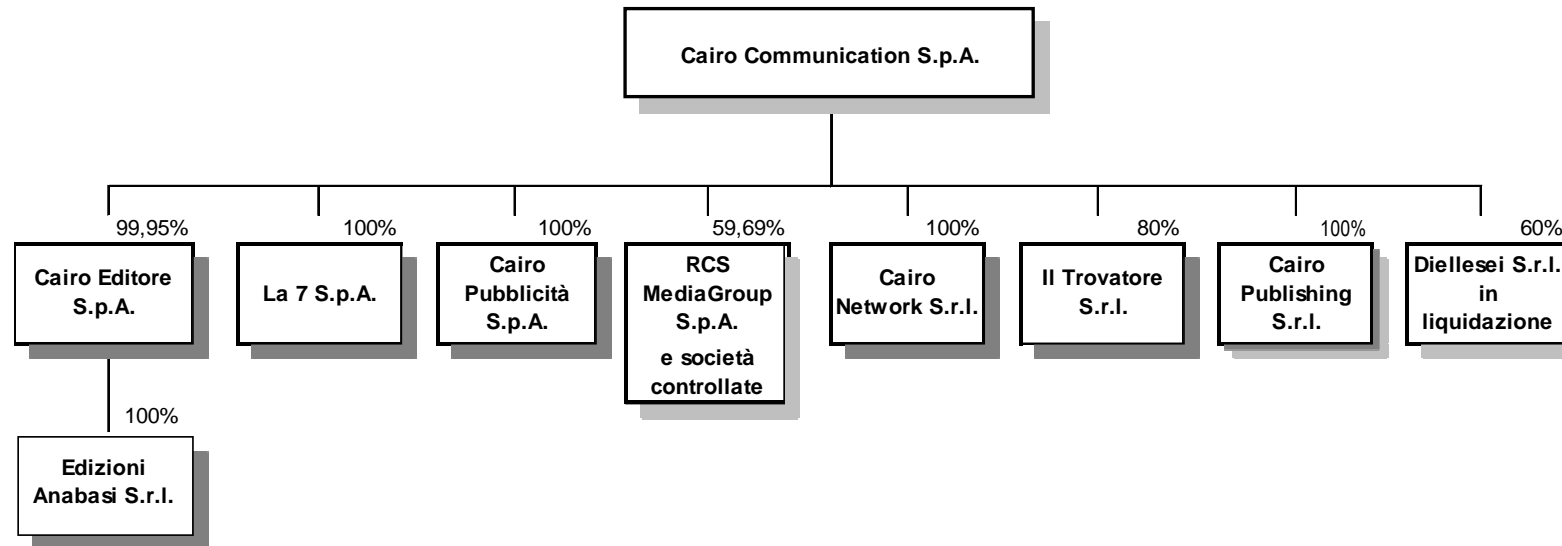
Independent Auditors

KPMG S.p.A.

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



The Group at 31 March 2018





1. Valuation principles and criteria adopted in preparing the Interim Management Statement at 31 March 2018

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

The Interim Management Statement at 31 March 2018 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 income statement figures in first quarter 2018 are shown versus first quarter 2017. 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 2017.

The quarterly financial statements at 31 March 2018, as for those at 31 March 2017, have been prepared net of tax and tax effects.

The Interim Management Statement at 31 March 2018, with respect to the 2017 Annual Report, incorporates the new IFRS 15 and IFRS 9, which came into effect as from 1 January 2018. For both of these standards, the Company opted not to restate comparative figures. Accordingly, it should be noted that, with regard to consolidated income statement and balance sheet figures:

- the IFRS 15 impact on the figures in first quarter 2018 produced an increase by Euro 14.4 million in net revenue (revenue from publications Euro +30.9 million, advertising revenue Euro -6.6 million, other revenue Euro -9.9 million), with no effects on the first quarter margin and on initial equity,
- the IFRS 9 impact produced a reduction in receivables of Euro 1.2 million, with a consequent reduction of Euro 0.6 million (net of the tax effect) in initial Group equity, with no significant changes in income statement figures in first quarter 2018.

The 2017 Annual Report provides an explanation of the various cases involved in the section relating to the new accounting standards, referring mainly: (i) for IFRS 15, to the presentation of publishing revenue gross of the distribution margin, and the recognition in revenue solely of the margin from foreign sporting events and (ii) for IFRS 9, to the recognition of further, potential impairment losses on financial assets, deriving from the application of the expected credit loss model introduced by IFRS 9, superseding the incurred credit loss model set out by IAS 39.



In 2018, there were no changes to the scope of consolidation from the consolidated financial statements for the year ended 31 December 2017.

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.

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 represents a unit of measurement to assess Group and Parent operational performance, together with **EBIT**, and is calculated as follows:

Result from continuing operations, pre tax

+/- Net finance income

+/- Share in associates

EBIT - Operating profit

+ Amortization & depreciation

+ Bad debt impairment losses

+ Provisions for risks

+ Income (expense) from investments measured at equity

EBITDA – Operating profit, before amortization, depreciation, write-downs 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 investments measured at equity.

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 31 March 2018, consolidated EBITDA has been determined consistently with the definition adopted by Cairo Communication.

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.

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 first quarter 2018, 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 quarter under review, the general economic and financial climate continued to be marked by uncertainty.

Italy's economy in first quarter 2018 confirmed the upturn already witnessed in 2017, with GDP growing by 0.3% versus the prior quarter. The result marks the 15th consecutive quarter of economic expansion, albeit with a slight slowdown in the trend growth rate versus the same quarter of the prior year, which closed at 1.4% from 1.6% at the end of December 2017 (*ISTAT*).

In Spain, a market of operation for RCS through its subsidiary Unidad Editorial, GDP grew by 0.7% in first quarter 2018 (preliminary figures from INE - National Institute of Statistics). In annual terms, GDP grew by a more 2.9% than the 3.1% reported at end 2017.



In first quarter 2018, the Italian advertising market fell by 1.3%; the TV, magazine and daily newspaper advertising markets dropped by 0.6%, 11% and 9.3%, respectively. The online segment grew by 2.5% versus 2017 (*AC Nielsen*).

In first quarter 2018, the Spanish advertising sales market fell by 1.6% versus 2017 (*i2p, Arce Media*). Specifically, the daily newspaper and magazine market fell by 8.4% and 7.1%, respectively, versus 2017. Advertising sales on the Internet, instead, increased by 9.9%.

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

Looking at circulation in Italy, the print product market continued its downturn in the first three months of 2018. Specifically, the main national generalist daily newspapers (with a circulation above 50 thousand copies) reported a 6.9% drop in circulation in the three-month period (including digital copies), while the main sports newspapers fell by 9.3% (including digital copies) versus the same three months of 2017 (*ADS January-March 2018*).

The same trend was seen in Spain, with daily newspaper sales down versus 2017. Cumulative figures on circulation at March 2018 (*OJD*) regarding generalist newspapers (generalist newspapers with a circulation above 60 thousand copies), business newspapers and sports newspapers indicate a drop, respectively, of 9.4%, 5.3% and 10%.

In first quarter 2018:

- RCS continued its relaunch, with margins growing strongly versus the first quarter last year, in line with the 2018 performance targets, thanks to the initiatives implemented to maintain and develop revenue and to the ongoing efficiency actions that generated benefits of approximately Euro 5.5 million in the quarter. In first quarter 2018, RCS achieved a profit of Euro 6 million¹ (versus a loss of Euro 5.7 million¹ in first quarter 2017), reducing its net financial debt by Euro 28.2 million¹ to reach Euro 259.2 million;
- the TV publishing segment La7 reported a sharp increase in La7's audience (+21% in the all-day share and +40% in prime time), which was confirmed in April and early May. Advertising sales on La7 and La7d also rose in first quarter 2018 to reach Euro 36 million, up by approximately 3.4% versus the figure achieved in first quarter 2017 (Euro 34.8 million).

¹ Amounts and comparisons based on the RCS Interim Management Statement at 31 March 2018 approved on 9 May 2018



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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 costs (production, publishing and distribution).

Mention should be made that:

- this Interim Statement incorporates the new IFRS 15, which came into effect as from 1 January 2018. The income statement figures of 2018, therefore, cannot be directly compared with the corresponding amounts of the same period last year. Specifically, if this new standard had not been applied, gross revenue in first quarter 2018 would have amounted to Euro 287 million instead of Euro 301.4, with a difference of Euro 14.4 million, attributable to revenue from the sale of publications of Euro +30.9 million, to advertising revenue of Euro -6.6 million and to other revenue of Euro -9.9 million,
- 2017 (post 31 March 2017) had seen the completion of the measurement of the fair value of assets/liabilities acquired in the business combination of RCS; the result led also to a different measurement of the assets and liabilities of the RCS Group from the measurement shown at 31 March 2017, regarding specifically amortization and depreciation, therefore operating profit (EBIT), as explained further below in the Interim Management Statement.

In first quarter 2018, Group consolidated gross revenue amounted to approximately Euro 301.4 million (comprising gross operating revenue of Euro 291.3 million and other revenue and income of Euro 10.1 million). Excluding from the comparison with the figures of first quarter 2017 the effects arising from the adoption of the new IFRS 15 (Euro +14.4 million) and discontinuity such as the termination of a number of advertising sales contracts with third-party publishers (Euro -1.3 million), consolidated gross revenue would be basically in line (-1%).

Gross operating profit (EBITDA) and operating profit (EBIT) came to Euro 25.1 million and Euro 10.1 million (Euro 18.3 million and Euro 1.7 million in the same quarter last year). These margins in 2018 include net non-recurring income of Euro 2.2 million (Euro 0 in first quarter 2017). Profit attributable to the owners of the parent came to approximately Euro 3.4 million (versus a loss of Euro 2.2 million in 2017).

Looking at the business segments, in first quarter 2018:

- in the **magazine publishing segment (Cairo Editore)**, gross operating profit (EBITDA) and operating profit (EBIT) came to Euro 1.7 million and Euro 1.4 million (Euro 2.5 million



and Euro 2.2 million in first quarter 2017). Regarding weeklies, with approximately 1.5 million average copies sold in the January-March three-month period of 2018 (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”), average copies sold were approximately 1.6 million;

- in the **TV publishing segment (La7)**, the Group achieved gross operating profit (EBITDA) of approximately Euro -0.4 million, down versus the prior year (Euro +0.2 million in first quarter 2017) and was impacted also by increased programming costs for approximately Euro 1.9 million to improve programming quality, which contributed to the strong growth of the share. There is usually a certain time gap between audience trends and advertising sales results. 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) came to approximately Euro -2.9 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 0.5 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 2017, operating profit (EBIT) had come to Euro -2.1 million, benefiting in the consolidated financial statements from lower amortization and depreciation of Euro 1 million;
- in the **advertising segment**, gross operating profit (EBITDA) and operating profit (EBIT) came to Euro 1 million (Euro 0.7 million and Euro 0.6 million in 2017);
- in the **network operator segment**, gross operating profit (EBITDA) and operating profit (EBIT) came to Euro 0.4 million and to Euro -0.1 million. (Euro 0.1 million and Euro -0.4 million in 2017);
- in the **RCS segment**, in the consolidated financial statements of Cairo Communication, gross operating profit (EBITDA) and operating profit (EBIT) amounted to Euro 22.3 million² and Euro 10.7 million, rising sharply by Euro 7.5 million and Euro 9.3 million versus first quarter 2017 (Euro 14.8 million and Euro 1.4 million). Moreover, RCS’s

² Mention should be made that RCS adopts a different definition of EBITDA from the one used by the Cairo Communication Group, as indicated in the above section “Alternative Performance Measures”. As a result of these differences, which lie in the provisions for risks and in the allowance for impairment, amounting to Euro 2.1 million in the quarter - EBITDA shown in the RCS Interim Management Statement at 31 March 2018, approved on 9 May 2018, amounted to Euro 20.2 million.



seasonality factors generally impact on the results of the first and third quarters of the year. Net operating revenue amounted to Euro 216.3 million. Excluding from the comparison with the figures of first quarter 2017 the effects arising from the adoption of the new IFRS 15 (Euro +8.4 million) and discontinuity such as the termination of a number of advertising sales contracts with third-party publishers (Euro -1.3 million), on a like-for-like basis, an overall decrease in revenue of Euro 4.2 million would be reported versus the first quarter of 2017 (-2%).

In first quarter 2018, La7's average all-day share was 3.55% and 4.56% in prime time (from 8:30 PM to 11:30 PM), with a high-quality target audience. La7d's share was 0.48% (0.45% in prime time). The audience figures of the channel's news and discussion programmes - such as the *TgLa7* edizione delle 20 (5.5% from Monday to Friday), *Otto e Mezzo* (6.4%), *Piazzapulita* (5.3%), *Coffee Break* (4.5%), *Omnibus* (4.3%), *L'aria che tira* (6.3%), *Bersaglio Mobile* (3.7%), *diMartedì* (7.1%), *Tagadà* (3.1%), *Propaganda Live* (3.9%), *Atlantide* (2.7%), and *Non è l'Arena* (6.5%) - were highly positive.

In the first three months of 2018, La7's all-day share grew by 21% and by 40% in prime time. Advertising sales on La7 and La7d also rose in first quarter 2018 to reach Euro 36 million, up by approximately 3.4% versus the figure achieved in first quarter 2017 (Euro 34.8 million).

La7 programmes continued to achieve excellent results in April 2018 too: *Otto e Mezzo* with 6.8% average share (+26% versus 2017), *TgLa7 edizione delle 20* 5.9% (+8% versus 2017), *diMartedì* 7.2% (+55% versus 2017), *Piazzapulita* 5.7% (+42% versus 2017), *Propaganda Live* 4.2%, *Non è l'Arena* 6.7%, *Omnibus Dibattito* 4.7% (+29% versus 2017), *Coffee Break* 5.1% (+30% versus 2017), *L'Aria che tira* 7% (+49% versus 2017), and *Tagadà* 3.9% (+64% versus 2017).

The main **consolidated income statement figures** in first quarter 2018 can be compared as follows with those of 2017:



(€ millions)	31/03/2018	31/03/2017
Gross operating revenue	291.3	283.5
Advertising agency discounts	(16.5)	(18.4)
Net operating revenue	274.8	265.1
Change in inventory	(0.1)	(0.5)
Other revenue and income	10.1	6.3
Total revenue	284.9	270.9
Production cost	(180.1)	(168.9)
Personnel expense	(82.8)	(83.7)
Income (expense) from investments measured at equity	0.8	-
Non-recurring income and expense	2.2	-
Gross operating profit (EBITDA)	25.1	18.3
Amortization, depreciation, provisions and impairment losses	(14.9)	(16.6)
EBIT	10.1	1.7
Income (loss) on investments	-	-
Net financial income	(4.6)	(6.6)
Pre-tax profit	5.6	(4.9)
Income tax	0.1	0.9
Non-controlling interests	(2.3)	1.7
Profit from continuing operations attributable to the owners of the parent	3.2	(2.2)
Profit / (loss) from discontinued operations	0.2	-
Profit attributable to the owners of the parent	3.4	(2.2)

In first quarter 2018, consolidated gross revenue amounted to approximately Euro 301.4 million (comprising gross operating revenue of Euro 291.3 million and other revenue and income of Euro 10.1 million) versus Euro 289.8 million in first quarter 2017 (comprising gross operating revenue of Euro 283.5 million and other revenue and income of Euro 6.3 million).

Consolidated gross operating profit (EBITDA) and operating profit (EBIT) came to approximately Euro 25.1 million and Euro 10.1 million (Euro 18.3 million and Euro 1.7 million in 2017). These margins in 2018 include net non-recurring income of Euro 2.2 million (no non-recurring income or expense in first quarter 2017). As explained earlier, in first quarter 2018, operating profit (EBIT) in the TV publishing segment (La7) 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 0.5 million (Euro 1 million in 2017), due to the write-



down of tangible and intangible assets made in 2013 in the purchase price allocation of the investment in La7.

Mention should be made that 2017 (post 31 March 2017) had seen the completion of the measurement of the fair value of assets/liabilities acquired in the business combination of RCS at 31 August 2016; the result led also to a different measurement of the assets and liabilities of the RCS Group from the measurement shown at 31 March 2017. Specifically, profit attributable to the owners of the parent shown in the comparative income statement at 31 March 2017 has been adjusted against the corresponding item appearing in the Interim Management Statement at 31 March 2017 to reflect mainly the following effects:

- the reversal of amortization in the January-March three-month period of 2017 attributable to the titles *Marca* and *Expansion* with indefinite useful life (considered with finite useful life in the Interim Management Statement at 31 March 2017 of the RCS Group) for Euro 2.5 million (Euro 1.1 million net of tax effects and non-controlling interests);
- the recognition, in the January-March three-month period of 2017, of the amortization of the fair value attributed to previously unrecognized intangible assets with finite useful life of Euro 0.5 million (Euro 0.2 million net of tax effects and non-controlling interests).

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

(€ millions)	31/03/2018	31/03/2017
Profit for the period	3.4	2.2
<i>Reclassifiable items of the comprehensive income statement</i>		
Gains (losses) on cash flow hedges	(0.5)	(0.1)
Reclassification of profit (loss) on cash flow hedges	0.4	1.0
Tax effect	-	(0.2)
Total statement of comprehensive income attributable to the owners of the parent	3.3	2.9



The Group's performance can be read better by analyzing the results in first quarter 2018 by **main business segment** (magazine publishing Cairo Editore, advertising, TV publishing La7, network operator Cairo Network, Il Trovatore and RCS) versus those of 2017:

2018	Magazine publishing	Advertising	TV publishing	RCS	Trovatore	Network operator	Intra and un	Total
(€ millions)	Cairo Editore		La7			(Cairo Network)	allocated	
Gross operating revenue	25.6	42.8	25.5	226.9	0.2	3.0	(32.6)	291.3
Advertising agency discounts	-	(6.0)	-	(10.6)	-	-	0.1	(16.5)
Net operating revenue	25.6	36.8	25.5	216.3	0.2	3.0	(32.5)	274.8
Change in inventory	(0.0)	-	-	(0.0)	-	-	-	(0.1)
Other revenue and income	0.4	0.1	2.1	7.5	-	0.0	-	10.1
Total revenue	25.9	37.0	27.6	223.7	0.2	3.0	(32.5)	284.9
Production cost	(19.2)	(33.8)	(18.8)	(138.0)	(0.2)	(2.6)	32.5	(180.1)
Personnel expense	(5.0)	(2.1)	(9.2)	(66.4)	(0.0)	(0.0)	-	(82.8)
Income (expense) from investments measured at equity	-	-	-	0.8	-	-	-	0.8
Non-recurring income (expense)	-	-	-	2.2	-	-	-	2.2
Gross operating profit (EBITDA)	1.7	1.0	(0.4)	22.3	0.0	0.4	-	25.1
Amortization, depreciation, provisions and impairment losses	(0.2)	(0.0)	(2.4)	(11.6)	0.0	(0.6)	-	(14.9)
EBIT	1.4	1.0	(2.9)	10.7	0.0	(0.1)	-	10.1
Income (loss) on investments	-	-	-	0.0	-	-	-	0.0
Net financial income	(0.0)	(0.1)	(0.1)	(4.4)	(0.0)	(0.0)	-	(4.6)
Pre-tax profit	1.4	0.9	(2.9)	6.4	0.0	(0.2)	-	5.6
Income tax	(0.5)	(0.3)	1.3	(0.6)	(0.0)	0.0	-	(0.1)
Non-controlling interests	-	-	-	(2.3)	(0.0)	-	-	(2.3)
Profit from continuing operations attributable to the owners of the parent	1.0	0.6	(1.7)	3.4	0.0	(0.1)	-	3.2
Profit / (loss) from discontinued operations							0.2	0.2
Profit for the period attributable to the owners of the parent	1.0	0.6	(1.7)	3.4	0.0	(0.1)	0.2	3.4



2017	Magazine publishing Cairo Editore	Advertising	TV publishing La7	RCS	Trovatore	Network operator (Cairo Network)	Intra and un allocated	Total
(€ millions)								
Gross operating revenue	20.8	41.6	24.9	224.5	0.2	2.0	(30.5)	283.5
Advertising agency discounts	-	(5.9)	-	(12.5)	-	-	-	(18.4)
Net operating revenue	20.8	35.6	24.9	212.1	0.2	2.0	(30.5)	265.1
Change in inventory	(0.0)	-	-	(0.5)	-	-	-	(0.5)
Other revenue and income	0.9	(0.0)	0.4	5.0	-	0.0	-	6.3
Total revenue	21.7	35.6	25.2	216.6	0.2	2.0	(30.5)	270.9
Production cost	(14.2)	(32.9)	(16.0)	(134.2)	(0.2)	(1.8)	30.5	(168.9)
Personnel expense	(5.0)	(2.1)	(9.1)	(67.5)	(0.0)	(0.0)	-	(83.7)
Income (expense) from investments measured at equity	-	-	-	-	-	-	-	-
Non-recurring income (expense)	-	-	-	-	-	-	-	-
Gross operating profit (EBITDA)	2.5	0.7	0.2	14.8	0.0	0.1	-	18.3
Amortization, depreciation, provisions and impairment losses	(0.3)	(0.1)	(2.3)	(13.5)	0.0	(0.6)	-	(16.6)
EBIT	2.2	0.6	(2.1)	1.4	0.1	(0.4)	-	1.7
Income (loss) on investments	-	-	-	(0.0)	-	-	-	(0.0)
Net financial income	(0.0)	(0.1)	(0.1)	(6.4)	(0.0)	(0.0)	-	(6.6)
Pre-tax profit	2.2	0.5	(2.2)	(5.0)	0.1	(0.4)	-	(4.9)
Income tax	(0.7)	(0.2)	0.9	0.8	0.0	0.1	-	0.9
Non-controlling interests	-	-	-	1.7	-	-	-	1.7
Profit from continuing operations attributable to the owners of the parent	1.5	0.3	(1.3)	(2.5)	0.1	(0.3)	-	(2.2)
Profit / (loss) from discontinued operations	-	-	-	-	-	-	-	-
Profit for the period attributable to the owners of the parent	1.5	0.3	(1.3)	(2.5)	0.1	(0.3)	-	(2.2)

The main figures of the consolidated **statement of financial position** at 31 March 2018 can be analyzed versus the situation at 31 December 2017:

(€ millions)	31/03/2018	31/12/2017
Statement of financial position		
Property, plant and equipment	95.4	97.7
Intangible assets	1,001.2	1,008.2
Financial assets	65.5	65.0
Deferred tax assets	114.7	113.3
Net working capital	(106.3)	(87.1)
Total assets	1,170.6	1,197.1
Non-current borrowings and provisions	119.0	121.9
Deferred tax provision	170.1	169.7
(Net financial position)/Net debt	234.5	263.1
Equity attributable to the owners of the parent	394.2	391.6
Equity attributable to non-controlling interests	252.8	250.8
Total equity and liabilities	1,170.6	1,197.1



Mention should be made that, at their Meeting on 27 April 2018, the shareholders approved the distribution of a dividend of Euro 0.10 per share, inclusive of tax, with coupon detachment date on 14 May 2018. At 31 March 2018, this amount, equal to Euro 13.4 million, was still included in the equity reserves.

In 2018, as part of the share buy-back plans, no treasury shares were sold or purchased. At 31 March 2018, 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 position** at 31 March 2018, versus the situation at 31 December 2017, is summarized as follows:

Net financial debt (€ millions)	31/03/2018	31/12/2017	Change
Cash and cash equivalents	120.7	128.1	(7.4)
Other current financial assets and financial receivables	0.9	0.9	-
Current financial assets (liabilities) from derivative instruments	(0.5)	(1.0)	0.5
Current financial payables	(58.3)	(72.0)	13.7
Current net financial position (net financial debt)	62.9	56.0	6.8
Non-current financial payables	(296.9)	(319.0)	22.1
Non-current financial assets (liabilities) from derivative instruments	(0.5)	(0.1)	(0.4)
Non-current net financial position (net financial debt)	(297.4)	(319.1)	21.7
Net financial position (Net financial debt) from continuing operations	(234.5)	(263.1)	28.6

At 31 March 2018, the net financial debt of RCS came to Euro 259.2 million (Euro 287.4 million at 31 December 2017).

The improvement in net financial debt versus 31 December 2017, equal to Euro 28.5 million, is attributable mainly to cash flows from ordinary operations.



6. Revenue

The breakdown of **gross operating revenue** in first quarter 2018, split up by main business segment, can be analyzed as follows versus the amounts of 2017:

2018 (€ millions)	Magazine publishing Cairo Ed.	Advertising	TV publisci La7	RCS	Trovatore	Network operator	Intra and un allocated	Total
TV advertising	-	36.3	24.6	0.6	-	-	(25.0)	36.6
Advertising on print media, Internet and sporting events	3.7	6.3	0.3	94.0	-	-	(4.1)	100.1
Other TV revenue	-	-	0.5	2.0	-	-	-	2.5
Revenue from publications and subscriptions	22.2	-	-	107.4	-	-	(0.1)	129.5
VAT relating to publications	(0.3)	-	-	(1.4)	-	-	-	(1.7)
Other revenue	-	0.2	-	24.3	0.2	3.0	(3.3)	24.3
Total gross operating revenue	25.6	42.8	25.5	226.9	0.2	3.0	(32.6)	291.3
Other revenue and income	0.4	0.1	2.1	7.5	0.0	0.0	-	10.1
Total gross operating revenue	25.9	42.9	27.6	234.4	0.2	3.0	(32.6)	301.4

2017 (€ millions)	Magazine publishing Cairo Ed.	Advertising	TV publisci La7	RCS	Trovatore	Network operator	Intra and un allocated	Total
TV advertising	-	35.6	24.0	0.7	-	-	(24.3)	36.0
Advertising on print media, Internet and sporting events	3.8	5.0	0.4	121.2	-	-	(3.8)	126.6
Other TV revenue	-	-	0.5	8.3	-	-	-	8.8
Revenue from publications and subscriptions	17.3	-	-	86.2	-	-	(0.1)	103.4
VAT relating to publications	(0.3)	-	-	(1.3)	-	-	-	(1.6)
Other revenue	-	1.0	-	9.4	0.2	2.0	(2.3)	10.3
Total gross operating revenue	20.8	41.6	24.9	224.5	0.2	2.0	(30.5)	283.5
Other revenue and income	0.9	-	0.4	5.0	-	-	-	6.3
Total gross operating revenue	21.7	41.6	25.3	229.5	0.2	2.0	(30.5)	289.8

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”, “TV Mia”, “Settimanale Nuovo”, “F”, “Settimanale Giallo” and “NuovoTV”, “Nuovo e Nuovo TV Cucina” and “Enigmistica Più”, (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 first quarter 2018, Cairo Editore strengthened the results of its titles, 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 1.7 million and approximately Euro 1.4 million (Euro 2.5 million and Euro 2.2 million in first quarter 2017).

The Group weeklies reported high circulation results, with an average ADS weekly circulation in the January-March period of 2018 of 104.905 copies for “Settimanale DIPIU”, 423.096 copies for “DIPIU’ TV”, 231.445 copies for “Settimanale DIPIU’ e DIPIU’TV Cucina”, 149.230 copies for “Diva e Donna”, 196.778 copies for “Settimanale Nuovo”, 104.461 copies for “F”, 107.790 copies for “TVMia”, 77.769 copies for “Settimanale Giallo”, 95.236 copies for “NuovoTV” and 49.627 copies for “Nuovo e Nuovo TV Cucina”, reaching a total of approximately 1.5 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”), average weekly copies sold were approximately 1.6 million.

As far as circulation is concerned, the features of Cairo Editore titles and its strategy help maintain a strong lead over competitors in the current publishing market. Specifically:

- cover prices of the weeklies are lower, in some cases by far, than the prices of those of main competitors; this gap increases appeal and allows space for potential price increases, hence for increased profitability;
- sales are mostly over-the-counter (97%), with a minimum impact of revenue generated by gifts and sundry editorial material; Cairo Editore has opted to focus on the quality of its titles; in 2017, gross advertising revenue generated by Cairo Editore titles accounted for approximately 27% - an extremely low figure, therefore based to a lesser extent on the economic cycle - while the remaining 73% came from direct sales and subscriptions, proof of the high editorial quality of publications;
- weekly magazines, which account for approximately 87% 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 titles of its competitors.



Cairo Editore's strategy will continue to focus on the following elements: (i) the pivotal importance of the quality of products, (ii) supporting the circulation levels of its own publications, 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 towards continuous improvement of industrial, publishing and procurement conditions and processes, and (iv) continued extension and increase in quality of the product portfolio in order to capture the market segments with greater potential.

ADVERTISING

Looking at the advertising segment, Cairo Communication continued to operate as advertising broker - with its subsidiary Cairo Pubblicità - selling space in the print media for Cairo Editore and for Editoriale Genesis ("Prima Comunicazione" and "Uomini e Comunicazione"), 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) and for the sale of stadium signage and space at the Olimpico in Turin for Torino FC.

In first quarter 2018, gross advertising sales on La7 and La7d channels amounted to Euro 36 million (Euro 34.8 million in 2017). Advertising sales on Group titles amounted to Euro 4.7 million (Euro 4.9 million in 2017).

Gross operating profit (EBITDA) and operating profit (EBIT) in the advertising segment came to Euro 1 million (Euro 0.7 million and Euro 0.6 million in 2017).

TV PUBLISHING (La7)

The Group started operations in the TV field in 2013, following the 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), strengthening in the years that followed the results of the cost rationalization measures implemented.



In first quarter 2018, the TV publishing segment (La7) achieved gross operating profit (EBITDA) of approximately Euro -0.4 million (Euro +0.2 million in 2017). 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. The result in the quarter under review was impacted also by increased programming costs for approximately Euro 1.9 million to improve programming quality, which contributed to the growth of La7's all-day share by 21% and by 40% in prime time. There is usually a certain time gap between audience trends and advertising sales results.

Operating profit (EBIT) came to approximately Euro -2.9 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 0.5 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 2017, operating profit (EBIT) had come to Euro -2.1 million, benefiting in the consolidated financial statements from lower amortization and depreciation of Euro 1 million.

In first quarter 2018, La7's average all-day share was 3.55% and 4.56% in prime time (from 8:30 PM to 11:30 PM), with a high-quality target audience. La7d's share was 0.48% (0.45% in prime time). The audience figures of the channel's news and discussion programmes - such as the *TgLa7* edizione delle 20 (5.5% from Monday to Friday), *Otto e Mezzo* (6.4%), *Piazzapulita* (5.3%), *Coffee Break* (4.5%), *Omnibus* (4.3%), *L'aria che tira* (6.3%), *Bersaglio Mobile* (3.7%), *diMartedì* (7.1%), *Tagadà* (3.1%), *Propaganda Live* (3.9%), *Atlantide* (2.7%), and *Non è l'Arena* (6.5%) - were highly positive.

In the first three months of 2018, La7's all-day share grew by 21% and by 40% in prime time. Advertising sales on La7 and La7d also rose in first quarter 2018 to reach Euro 36 million, up by approximately 3.4% versus the figure achieved in first quarter 2017 (Euro 34.8 million).

La7 programmes continued to achieve excellent results in April 2018 too: *Otto e Mezzo* with 6.8% average share (+26% versus 2017), *TgLa7* edizione delle 20 5.9% (+8% versus 2017) *diMartedì* 7.2% (+55% versus 2017), *Piazzapulita* 5.7% (+42% versus 2017), *Propaganda Live* 4.2%, *Non è l'arena* 6.7%, *Omnibus Dibattito* 4.7% (+29% versus 2017), *Coffee Break* 5.1% (+30% versus 2017), *L'Aria che tira* 7% (+49% versus 2017), and *Tagadà* 3.9% (+64% versus 2017).

Revenue development initiatives are planned for La7, focused on (i) creating new programs, (ii) maximizing audience potential on the La7d channel, (iii) the possible launch of new channels and strengthening 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 *Amica*, *Living*, *Style Magazine*, *Dove*, *Oggi*, *Io Donna*, *Sportweek*, *Sette* 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*, *Marca Motor* and *Actualidad Económica*.

In Italy, RCS has also minor operations on the pay TV market through its subsidiary Digicast S.p.A. on the TV satellite channels *Lei*, *Dove*, *Caccia* and *Pesca*, and on the web TV channel of *Corriere della Sera* and *La Gazzetta dello Sport*.

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

RCS also organizes, through RCS Sport, major world sporting events (such as *Giro d'Italia*, the *Dubai 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.

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 million³, marking a return to positive territory by the RCS Group (the first time since 2010), while in 2017 it had amounted to Euro 71.1 million³

In first quarter 2018, in a persistently challenging market marked by uncertainty, RCS achieved - in the consolidated financial statements of Cairo Communication - gross operating profit (EBITDA) of approximately Euro 22.3 million⁴ and operating profit (EBIT) of Euro 10.7 million,

³ RCS 2017 Annual Report

⁴ Mention should be made that RCS adopts a different definition of EBITDA from the one used by the Cairo Communication Group, as indicated in the above section "Alternative Performance Measures". As a result of these differences, which lie in the provisions for risks and in the allowance for impairment, amounting to Euro 2.1 million in the quarter - EBITDA shown in the RCS Interim Management Statement at 31



up by Euro 7.5 million and Euro 9.3 million, respectively, versus 2017, in line with 2018 performance targets, thanks mainly to the strong commitment towards cutting costs and pursuing opportunities to increase and develop revenue.

In first quarter 2018, net consolidated revenue generated by RCS amounted to approximately Euro 216.3 million, up by an overall Euro 4.2 million versus 2017. Excluding from the comparison with the figures of first quarter 2017 the effects arising from the adoption of the new IFRS 15 (Euro +8.4 million) and discontinuity such as the termination of a number of advertising sales contracts with third-party publishers (Euro -1.3 million), on a like-for-like basis, an overall decrease in revenue of Euro 4.2 million would be reported versus first quarter 2017 (-2%).

At circulation level, the dailies *Corriere della Sera*, *La Gazzetta dello Sport*, *Marca* and *Expansión* continue to lead their respective segments, while *El Mundo* is the second most popular general daily in Spain.

In Italy, in the first three months of 2018, *Corriere della Sera* recorded an average of 298 thousand copies distributed, including average digital copies (Internal Source), while *La Gazzetta dello Sport* recorded an average of 165 thousand copies distributed, including average digital copies (Internal Source). The circulation of the *Corriere della Sera* and *La Gazzetta dello Sport* publications at newsstands (channels provided for by law) was down by 3.8% and 4.4% respectively versus the first three months of 2018, while the relevant market fell by -7.8% and 10.6% respectively (*ADS January-March*).

Additionally, the main digital performance indicators show, in the first three months of 2018, average unique browsers/month of the *corriere.it* website at 52.7 million, the mobile version of the website, *Corriere Mobile* at 32.2 million average unique browsers/month, the *gazzetta.it* website at 33.8 million average unique browsers/month, and *Gazzetta Mobile* at 20.3 million average unique browsers/month (*Adobe Analytics*).

The average daily circulation of *El Mundo* and *Expansión* (including digital copies) in the January-March three-month period of 2018 amounted to 113 thousand and 36 thousand copies, respectively; copies of the sports daily *Marca* amounted to approximately 120 thousand, including digital copies (Internal Source). Unidad Editorial remains the leading Spanish newspaper, reaching approximately 2.7 million readers on a daily basis through its brands and outperforming main competitors by more than 600 thousand readers (*EGM: Estudio General de Medios*).

March 2018, approved on 9 May 2018, amounted to Euro 20.2 million.



On the web, average unique browsers/month (*Omniure*) of *elmundo.es* reached an average 57 million in first quarter 2018, while average unique browsers/week came to 3.9 million. At end March 2018, *marca.com* reached 52.6 million average unique browsers/month, while average unique browsers/week came to 5.1 million. Average unique browsers/month of *expansión.com* were 10.6 million in first quarter 2018, while average unique browsers/week were 0.6 million. All three sites reported a sharp rise in accesses through mobile devices, which saw significant increases.

At 31 March 2018, the net financial position of RCS stood at Euro -259.2 million, improving by approximately Euro 28.2 million versus 31 December 2017, thanks mainly to the positive cash flows of Euro 30.8 million from ordinary operations, only partly offset by outlays for investments and net non-recurring expense (Management Reporting).

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 first quarter 2018, it launched *Corriere Innovazione*, the new magazine that explores the varied facets of innovation, touching science, technology, culture, research and development, offering different perspectives in the digital and paper domains and a generous calendar of local-based dedicated events. Mention should also be made of the exhibition inaugurated on 23 February 2018 in Matera, displaying 319 pieces of cover art of *La Lettura* in view of the upcoming event Matera European Capital of Culture 2019. Parallel to the event, a 48-page supplement was added and distributed at newsstands in Apulia and Basilicata.

Gazzetta dello Sport keeps growing by increasing its sections and shining a daily spotlight on *Torino* and *Cagliari*, offering more in-depth information to the two football teams and their fans. Further theme supplements were published: one covering the 2018 Winter Olympics, with surveys, trivia and interviews on the most exciting winter fixture; the other dealing with the F1 World Championship, offering interviews with the top drivers, plus stories from the Melbourne correspondents, statistics, details of the circuits and the new rules, as well as information on the calendar and tech insights.

The information offer stretches to the website with two new sections, one on Nutrition the other on Virtual Sports through the *Esports* section, proof of the publication's ongoing focus on news and issues that appeal to its readers and users, with a significant editorial and organizational investment.

Also worth mentioning are the successful initiatives launched last year, which continued to bring positive effects on circulation and advertising revenue in first quarter 2018. These include



the new *L'Economia* and 7, the launch of the new free weekly insert *Buone Notizie – L'impresa del Bene* and, starting from 24 November, the new local edition *Corriere Torino*. Additionally, *Oggi Enigmistica Settimanale* was relaunched at end June. 2017 also saw the completed restyling of *Sportweek*.

In Spain, starting from 23 February 2018, *Su Vivienda* was revamped; the supplement is a trusted source for the real-estate market, out on Fridays along with the local Madrid edition of *El Mundo*. Starting from 5 March, *El Mundo* comes every week with the sale of the supplement *Actualidad Economica*, the main business-economic periodical title of the Unidad Editorial group. Furthermore, the *MarcaClaro* portal was launched in January 2018 also in Colombia, following the launch of the new *MarcaClaro* portal in Mexico in 2017.

NETWORK OPERATOR (CAIRO NETWORK)

As explained earlier, 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.

With the implementation of the mux, the Cairo Communication Group has at its autonomous disposal a broadcasting capacity of approximately 22.4 Mbps versus the 7.2 Mbps provided by external operators until 31 December 2016.

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.

IL TROVATORE

In 2018, Il Trovatore continued operations, mainly providing technological services to develop and maintain the online platforms of the Group's companies.

7. 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, the direct and indirect controlled entities (whose relationships are eliminated in the consolidation process) 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	22.3	-	-
Other affiliates	0.3	-	-
Other related parties	0.8	-	-
Total	23.4	0.9	-

Payables and financial liabilities (€ millions)	Trade and other payables	Other current financial liabilities	Other non-current financial liabilities
Parents	-	-	-
Associates	15.4	11.4	-
Other affiliates	3.4	-	-
Other related parties	-	-	-
Total	18.8	11.4	-

Revenue and costs (€ millions)	Operating revenue	Operating costs	Financial expense
Parents	-	-	-
Associates	49.5	(7.7)	-
Other affiliates	0.1	(1.2)	-
Other related parties	0.5	(0.1)	-
Total	50.1	(9.0)	-

Transactions with associates refer mainly to:

- m-dis Distribuzione Media S.p.A. and its subsidiaries, which operate in Italy as distributor in the newsstand channel for the RCS Group, in respect of which Group



companies generated in first quarter 2018 revenue of Euro 49.1 million and incurred costs of Euro 2.5 million, and hold trade receivables of Euro 22.1 million, trade payables of Euro 2.3 million, and current financial payables of Euro 11.4 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 0.4 million and incurred costs of Euro 5.2 million in first quarter 2018, and hold trade receivables of Euro 0.2 million and trade payables of Euro 13.1 million.

Transactions with affiliates refer mainly to:

- 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 first quarter 2018 of Euro 1.1 million to the concession holder against revenue of Euro 1.5 million net of agency discounts. Cairo Pubblicità earned further commissions of Euro 25 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 commercial dealings with the Della Valle and Pirelli groups, in respect of which Group companies generated revenue of Euro 0.5 million. Trade receivables amounted to Euro 0.8 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 first quarter 2018, 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 0.7 million.

In first quarter 2018, the RCS Group paid Directors, Statutory Auditors and Key Management Personnel fees totaling Euro 1.7 million.

During the year, 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.

Commitments to key management personnel amounted to Euro 2.3 million and to other related parties to Euro 0.8 million.

The procedures adopted by the Group for related party transactions, to ensure transparency and substantial and procedural fairness, made by the Company either directly or through its subsidiaries, are illustrated in the “Report on Corporate Governance and ownership structure” 2017.

8. Events occurring after the quarter and business outlook

Against a persistently uncertain backdrop, in first quarter 2018:

- RCS continued its relaunch, with margins growing strongly versus the same quarter of the prior year, in line with the 2018 performance targets, thanks to the initiatives implemented to maintain and develop revenue and to the ongoing efficiency actions;
- the TV publishing segment La7 reported a sharp increase in La7’s audience (+21% in the all-day share and +40% in prime time), which was confirmed in April and early May. There is usually a certain time gap between audience trends and advertising sales results;
- 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 costs (production, publishing and distribution).

The Shareholders’ Meeting of Cairo Communication S.p.A. held on 27 April 2018:

- unanimously approved the financial statements at 31 December 2017 and the distribution of a dividend of Euro 0.10 per share, inclusive of tax, to be made payable through the authorized intermediaries of the Monte Titoli S.p.A. central management system from 16 May 2018 (with record date, pursuant to art. 83-*terdecies* of Legislative Decree 58/98, or the “TUF”, on 15 May 2018), prior to detachment of coupon no. 12 on 14 May 2018;
- expressed its favourable opinion on the Remuneration Policy pursuant to art. 123-*ter* of Legislative Decree 58/98;
- approved the appointment of Deloitte S.p.A. as the Independent Auditors for 2020-2028 and their fee;
- authorized a new plan for the purchase and disposal of treasury shares.



The RCS Shareholders' Meeting held on 26 April 2018 resolved, *inter alia*, on the reduction of the share capital to cover the residual losses of prior years carried forward and resulting from the financial statements for the year ended 31 December 2017, which is intended to enable RCS to return in the future to distributing profit, if any, for the year, allowing shareholders to benefit from the turnaround already reflected in the results achieved in 2017 and confirmed in first quarter 2018.

In 2018, 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, continuing for Cairo Editore its strategy aimed at attracting market segments with greater potential and strengthening the results of its publications. 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 2018.

As for RCS, on the approval of the Interim Management Statement at 31 March 2018, its directors announced that, in light of the actions already implemented and those planned to maintain and develop revenue and to continue pursuing operating efficiency, and of the positive results achieved in the first quarter, in the absence of events unforeseeable at this time, RCS confirms it can achieve a growth in 2018 in gross operating profit and in cash flows from current operations versus 2017, which would allow it to reduce financial debt below Euro 200 million at end 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, par. 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 in this document is consistent with the underlying accounting documents, books and records.

Financial Reporting Manager

Marco Pompignoli