



Interim Management Statement at 31 March 2020

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

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



Governance

Board of Directors

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

Control, Risk and Sustainability Committee

Massimo Ferrari	Director
Daniela Bartoli	Director
Paola Mignani	Director

Remuneration and Appointments Committee

Paola Mignani	Director
Daniela Bartoli	Director
Giuseppe Brambilla di Civesio	Director

Board of Statutory Auditors

Michele Paolillo	Chairman
Gloria Marino	Standing Auditor
Maria Pia Maspes	Standing Auditor
Emilio Fano	Alternate Auditor
Domenico Fava	Alternate Auditor

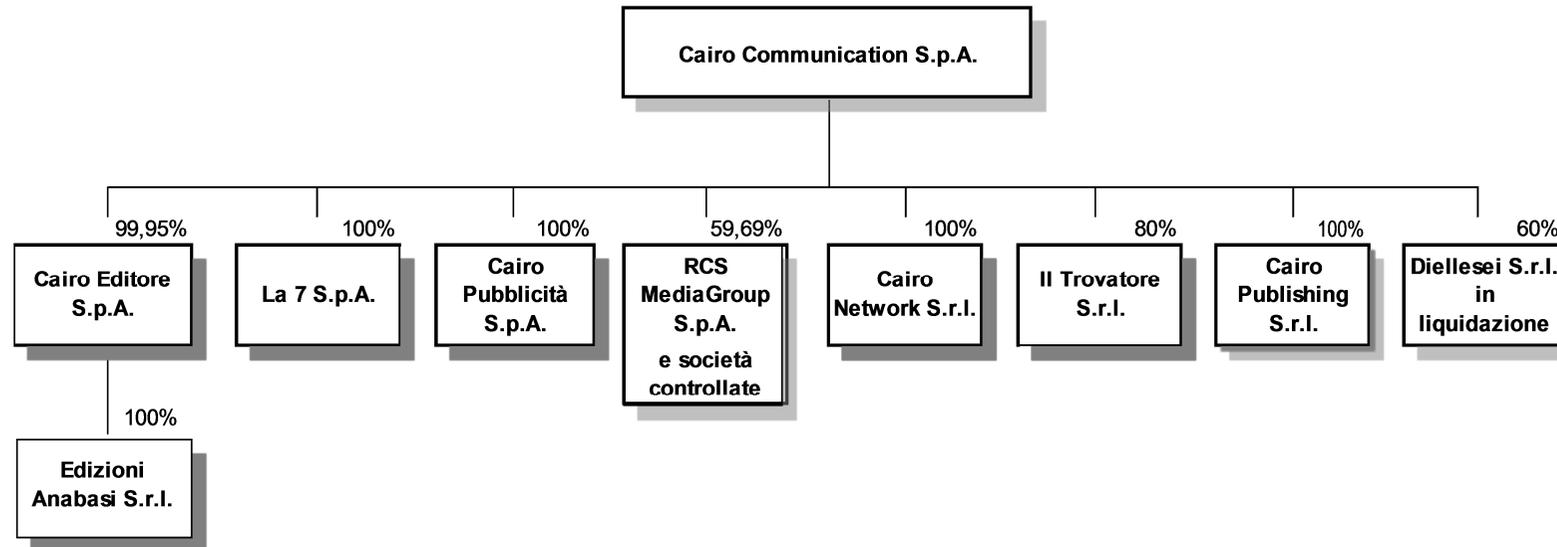
Independent Auditors

Deloitte S.p.A.

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



The Group at 31 March 2020





1. Valuation principles and criteria adopted in preparing the Interim Management Statement at 31 March 2020

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

The Interim Management Statement at 31 March 2020 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 2020 are shown versus first quarter 2019. 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 2019.

The quarterly financial statements at 31 March 2020, as for those at 31 March 2019, have been prepared net of tax and tax effects.

In first quarter 2020, there were no changes in the scope of consolidation from the consolidated financial statements for the year ended 31 December 2019, except for the disposal of the Spanish subsidiary Last Lap S.L. (and its subsidiary Last Lap Organizaçao de eventos S.L.) and the cancellation of RCS Factor S.r.l. from the Company Register following closure of the liquidation. As a result of the Coronavirus health emergency in Italy and Spain starting from February 2020, the estimates in the financial statements at 31 December 2019 were made based on future assumptions marked by a high degree of uncertainty (as commented in the sections “Use of estimates” and “Impairment test” of the 2019 consolidated financial statements, to which reference should be made), using budgets/plans that did not take account of the impact of the Coronavirus spread, a subsequent (so-called non-adjusting) event whose potential effects, in terms of scale and duration, were not measurable and quantifiable at the date of preparation of the financial statements, nor are they today, and will be constantly monitored in the coming months of 2020. For the preparation of the 2019 financial statements, however, more conservative sensitivity analyses were carried out in terms of reduced cash flows and increased WACC. The main items affected by estimates are goodwill, other intangible assets with indefinite useful life, deferred tax assets and the estimated recoverability of receivables.

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 serves as a unit of measurement to evaluate Group and Parent operational performance, with **EBIT**, and is calculated as follows:

Result from continuing operations, before tax

+/- Net finance income

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

EBIT - Operating profit

+ Amortization & depreciation

+ Bad debt impairment losses

+ Provisions for risks

+ Income (expense) from equity-accounted investees

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

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 write-downs on fixed assets, and also includes income and expense from equity-accounted investees.

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

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

The Cairo Communication Group also considers the **net financial position (net financial debt)** as a valid measure of the Group's financial structure determined as a result of current and non-current financial liabilities, net of cash and cash equivalents and current financial assets,



excluding financial liabilities (current and non-current) from leases previously classified as operating and recognized in the financial statements in accordance with IFRS 16.

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

3. Group performance

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

In first quarter 2020, 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).

In the first months of 2020, the national and international landscape has been swept by the spread of the Coronavirus and the ensuing restrictions for its containment adopted by the governments of all the countries involved.

Since the second half of February, the virus has spread significantly across Italy, affecting Lombardy in particular, in terms of number of cases and speed of the infection. In Spain too, the infection has accelerated from the second week of March and the Government has adopted containment measures similar to those put in place in Italy.

The containment measures adopted have had a direct impact on work organization and timing and on the Group's activities.



As part of the activities relating to the organization of sporting events, the *Strade Bianche*, *Tirreno Adriatico* and *Milano Sanremo* cycling races, scheduled for the first quarter, and the *Milano Marathon*, *Giro di Sicilia* and *Giro d'Italia*, scheduled for the second quarter of 2020, were postponed. The subsidiary RCS Sport has worked to put these races back on the international 2020 cycling calendar. Specifically, the *Giro d'Italia* (3-25 October 2020), *Strade Bianche* (1 August 2020) *Milano Sanremo* (8 August 2020) and *Tirreno Adriatico* (7-14 September 2020) have already been rescheduled in the new international calendar.

The circulation of sports newspapers *La Gazzetta dello Sport* and *Marca* was affected by the suspension of "played" sport.

The current health emergency, besides its severe social impacts, has had and is having repercussions on the performance of the economy, leading to a climate of general uncertainty. Advertising sales in March slowed down both in Italy and Spain.

In this context, the Group has kept its information offering "on", meeting the public's growing need to stay informed, ensuring a timely service to its viewers and readers and to all Italian newsstands. The programmes of *La7*, the daily editions of *Corriere della Sera*, *La Gazzetta dello Sport*, *Marca*, *Il Mundo* and *Expansion*, our Group's magazines and web and social platforms have played a pivotal role in informing and reporting on this difficult phase, focusing on their mission as a non-partisan, trustworthy public service, establishing themselves as authoritative players in television, daily newspaper and online information, with television ratings, traffic figures and digital subscriptions growing sharply.

The Group is monitoring developments on a daily basis to minimize the impacts in terms of health and safety in the workplace and on the operating and financial front, by defining and implementing flexible and timely action plans.

As a first response measure, the Group has organized itself to be able to continue its activities safely and minimize the impact in terms of health and safety in the workplace, implementing smart working and promoting distance agile work as much as possible. It has gradually reviewed the organization of work in view of the volumes of activity and the impact on editorial products, newspapers and magazines resulting from the stop of sport, social and recreational activities that form part of its news. In this context, measures have been taken on all cost items, such as, for example, those aimed at containing bordereau and collaboration costs, especially for supplements, specials and local editions.

The analysis is conducted based on a cost/benefit logic with a "zero base" approach, covering all types of costs and business processes.



Moreover, negotiations are being held with the trade unions to pursue the opportunity of balancing the cost structure with the reduction in revenue and activities triggered by the health emergency over the past few months.

According to ISTAT preliminary estimates in first quarter 2020, GDP in Italy decreased by 4.7% versus fourth quarter 2019. Considering the trend growth rate versus the same quarter of the prior year, the change was -4.8% (*ISTAT*).

In Spain, the Institute of National Statistics (INE) estimates that GDP in first quarter 2020 was 5.2% lower than in fourth quarter 2019. On an annual basis, the decrease was 4.1% (INE preliminary data).

In both countries, GDP trends have been strongly affected by the Covid emergency, and both survey institutes point out that these preliminary estimates may be subject to a more significant review versus the final estimates owing to the difficulty in preparing statistics as a result of the ongoing health emergency.

In Italy, in the first two months of 2020 - the latest data available - the advertising market grew by 0.8% versus 2019, with the advertising markets for magazines and newspapers down by 12.2% and 6.7% respectively, while TV and the online segment (net of search, social media and over the top) grew by 0.8% and 4.8% respectively versus the same period of 2018 (*AC Nielsen January-February 2020*). In March, as a result of the intensification of the health emergency, the advertising market dropped sharply. At the date of preparation of this Interim Management Statement, market data (*Nielsen*) for the month of March are unavailable at this time.

In first quarter 2020, the Spanish advertising sales market fell by 13.3% versus 2019 (*i2p, Arce Media*). Specifically, the newspaper and magazine market fell by 23.2% and 15.3%, respectively, versus 2019. Advertising sales on the Internet (excluding social media) also decreased by 4.8%.

Economic uncertainty and the general scenario 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 2020. Specifically, the main national generalist daily newspapers reported an 8.4% drop in circulation in first quarter 2020 (including digital copies), while the main sports newspapers fell by 19% (including digital copies) versus the same period of 2019 (*ADS, January-March 2020*). ADS circulation figures for the month of March showed a discontinuity regarding the circulation of sports newspapers in particular.

The same trend was seen in Spain, with daily newspaper sales down versus 2019.

In Spain, in the first three months of 2020, owing to the lockdown decreed by the Spanish Government from 14 March 2020, the circulation audit institute OJD excluded from the calculations of first quarter 2020 the abnormal effect produced by the alert status on average



circulation in the subsequent days. Circulation in the print newspaper market for the first three months of 2020 (up to March 14) versus first quarter 2019 was down by 13.8%, 11.6% and 10.2%, respectively, for generalist newspapers, business newspapers and sports newspapers (*OJD*).

In first quarter 2020, amid the uncertainty caused by the health emergency, with the core markets in decline, in particular advertising in Italy and Spain:

- The **Cairo Communication** Group, with an aggregate of over 36.5 million unique users (net of duplications) in March 2020 (*Audiweb Media View*) on the digital properties of RCS and La7, ranks as the third digital media player in Italy, just after the large OTT platforms Google and Facebook. A major achievement that reflects the good progress made by all the digital properties benefiting, in particular, from the constant increase in the audience of *Corriere della Sera* and *La7*;
- RCS continued to generate positive cash flows, with financial debt down by Euro 22.3 million versus end 2019, and achieved a positive gross operating profit of Euro 2 million¹, impacted by non-recurring expense of Euro 4.7 million. In the current health emergency phase, *Corriere della Sera*, thanks to its authority, confirmed its newsstand sales forecasts and, most of all, accelerated the growth of digital operations: at end March, its total active digital customer base (digital edition, membership and m-site) counted 302 thousand subscriptions, up by approximately 130 thousand subscriptions versus end December 2019. In March 2020, *corriere.it* recorded 7.4 million average daily unique users versus 2.4 million in March 2019 and 35.4 million average monthly unique users versus 21.2 million in March 2019;
- the **La7 TV publishing segment** confirmed the high audience levels of the La7 channel (3.64% in all-day share and 4.85% in prime time), which grew strongly in March, ranking in first quarter 2020 as the sixth national channel for average prime time audience levels and in March as the sixth channel also in all-day audience levels. Including April ratings, in the first four months La7 retained its position as the sixth channel in the all-day share, while it was fifth in prime time. In first quarter 2020, advertising sales on the La7 and La7d channels totaled Euro 34.3 million (Euro 37.7 million in 2019), with a change versus the same period of the prior year due to the effects of the health emergency in March. In March, La7's digital

¹ 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, totaling Euro 1.7 million in first quarter 2020 - EBITDA shown in the RCS Interim Management Statement at 31 March 2020, approved on 11 May 2020, amounted to Euro 0.3 million.



audience also grew strongly with 13.6 million average monthly unique users, more than four times as many versus the same month of 2019;

- the **magazine publishing segment Cairo Editore** achieved in the quarter results basically in line with those of the same period of 2019, confirmed high circulation levels of the publications, and continued to work on improving the levels of efficiency reached in containing own costs.

In first quarter 2020, consolidated gross revenue amounted to approximately Euro 241.1 million (comprising gross operating revenue of Euro 236.7 million and other revenue and income of Euro 4.4 million) versus Euro 287.5 million in 2019 (comprising gross operating revenue of Euro 280.1 million and other revenue and income of Euro 7.4 million), down mainly as a result of the effects of the health emergency, in particular the decline in advertising sales and circulation of sports newspapers and the postponement to the second half of the year of a number of sporting (Euro -5.8 million) and non-sporting events scheduled for March.

Gross operating profit (EBITDA) and operating profit (EBIT) came to Euro 2.1 million and Euro -16.6 million (Euro 26.6 million and Euro 9 million in first quarter 2019). Excluding non-recurring expense (Euro -4 million the total effect, amounting to Euro -4.7 million in the first three months of 2020 and Euro -0.7 million in the same period of 2019), gross operating profit would amount to Euro 6.8 million, the change is attributable mainly to the above effects on revenue caused by the current health emergency. Non-recurring expense refers to the allocation of provisions for early retirement schemes of the subsidiary RCS.

To counter the impacts of the emergency, the Group is implementing a series of actions. As a first response measure, the Group has organized itself to be able to continue its activities safely and minimize the impact in terms of health and safety in the workplace, implementing smart working and promoting distance agile work as much as possible. It has gradually reviewed the organization of work in view of the volumes of activity and the impact on editorial products, newspapers and magazines resulting from the stop of sport, social and recreational activities that form part of its news. In this context, measures have been taken on all cost items, such as, for example, those aimed at containing bordereau and collaboration costs, especially for supplements, specials and local editions. The analysis is conducted based on a cost/benefit logic and with a "zero base" approach, covering all types of costs and business processes.

The net result attributable to the owners of the parent came to approximately Euro -7 million (Euro 2.7 million in first quarter 2019).



Looking at the business segments, in first quarter 2020:

- in the **magazine publishing segment (Cairo Editore)**, gross operating profit (EBITDA) and operating profit (EBIT) came to Euro 0.9 million and Euro 0.4 million (Euro 0.9 million and Euro 0.5 million in first quarter 2019). Regarding weeklies, with approximately 1.2 million average copies sold in first quarter 2020 (ADS), Cairo Editore retains its position as the leading publisher in copies of weeklies sold at newsstands, with an approximately 30% market share. Regarding the average sales of titles out of the ADS survey, including the sales of "Enigmistica Più" and "Enigmistica Mia" average copies sold were approximately 1.4 million;
- in the **TV publishing segment (La7)**, the Group achieved gross operating profit (EBITDA) of approximately Euro -1.7 million (Euro 1 million in 2019). 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) was approximately Euro -4.7 million (Euro -1.8 million in 2019);
- in the **network operator segment**, gross operating profit (EBITDA) and operating profit (EBIT) came to Euro 0.7 million and Euro -0.1 million (Euro 0.7 million and Euro -0.1 million in 2019);
- in the **advertising segment**, gross operating profit (EBITDA) came to Euro 0.2 million, while operating profit (EBIT) was basically at breakeven (both equal to Euro 0.9 million in 2019);
- in the **RCS segment**, in the consolidated financial statements of Cairo Communication, gross operating profit (EBITDA) and operating profit (EBIT) amounted to Euro 2 million² and Euro -12.2 million⁷ (Euro 23.1 million and Euro 9.4 million in the same period of 2019). Excluding non-recurring income and expense (Euro -4 million the total effect, amounting to Euro -4.7 million in the first three months of 2020 and Euro -0.7 million in the same period of 2019), gross operating profit would be Euro 6.7 million, due mainly to the effects of the health emergency. Moreover, RCS's seasonality factors generally impact on the results of the first and third quarters of the year. Net operating revenue amounted to Euro 171.3 million, with total digital revenue (Italy and Spain) amounting to approximately Euro 34.1 million and accounting for 19.9% of total revenue. At circulation level, the dailies *Corriere della Sera*, *La Gazzetta dello Sport*, *Marca* and *Expansión* continue to lead their respective segments. *El*

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, totaling Euro 1.7 million in first quarter 2020 - EBITDA shown in the RCS Interim Management Statement at 31 March 2020, approved on 11 May 2020, amounted to Euro 0.3 million.



Mundo is once again the second most popular generalist daily in Spain for circulation at newsstands. The main digital performance indicators confirm the top market position of RCS, with *corriere.it* and *gazzetta.it* reaching at March 2020 35.4 million and 16.5 million average monthly unique users and 5.2 million and 2.4 million average daily unique users respectively in first quarter 2020 (*Audiweb 2.0*). In Spain, as part of the online activities, *elmundo.es*, *marca.com* and *expansión.com* reached 27.4 million, 18.3 million and 9.5 million average monthly unique users in March 2020 (*Comscore IP Spain*, which considers only traffic coming from Spain).

In first quarter 2020, La7's average all-day share was 3.64% and 4.85% in prime time (from 8:30 PM to 10:30 PM), confirming a high-quality target audience. Specifically, in March La7 recorded a strong rise in audience ratings, reaching 3.9% in the all-day share (sixth national channel) and 5.6% in prime time (fifth national channel), with an increase of +6% and +14% respectively versus March 2019. These audience figures were also confirmed in April. La7d's share was 0.45% in all-day and 0.32% in prime time. The channel's news and discussion programmes all continued to deliver remarkable results: *Otto e Mezzo* with 7% average share from Monday to Friday, *TgLa7 edizione delle 20* 5.7% from Monday to Friday, *diMartedì* 5.8%, *Piazzapulita* 5.2%, *Propaganda Live* 5.2%, *Non è l'Arena* 6.2%, *Omnibus La7* 4.4%, *Coffee Break* 4.8%, *L'Aria che tira* 6.5%, *Tagadà* 4%, *Atlantide* 2.8%, *Eden un pianeta da salvare* 2.8%, the "maratone" hosted by Enrico Mentana (11.6% share the Election Special edition on 26/27 January). In first quarter 2020, La7 continued to be the sixth national channel in prime time for ratings in March and was also the sixth channel in the all-day share. Including April, in the first four months La7 retained its position as the sixth channel in the all-day share, while it was fifth in prime time. In the entire morning slot (07.00-12.00) too, La7 achieved high ratings, with an average share of 4.3%, ranking as fourth generalist channel in the year.

Excellent results were achieved on the web front, with 8.6 million average monthly unique users in the quarter (almost three times as many versus first quarter 2019) and 654 thousand average daily unique users (almost three times as many versus 2019) on La7 websites (La7.it, TGla7.it, Sedanoallegro.it) and La7 and TGla7 apps and 57.1 million average monthly views (+226% versus 2019), plus 41.6 million average monthly views generated by La7 channels on the YouTube platform (+78% versus 2019). In first quarter 2020, the average monthly stream views on La7 sites amounted to 27.5 million (+377% versus 2019). Specifically, in March La7's digital audience recorded significant results with 13.6 million average monthly unique users (over four times as many versus the same month of 2019), 81 million page views (+358% versus 2019) and 36.5 million stream views in a single month (+449% versus 2019).



The main **consolidated income statement figures** in first quarter 2020 can be compared as follows with those of 2019:

(€ millions)	31/03/2020	31/03/2019
Gross operating revenue	236.7	280.1
Advertising agency discounts	(13.0)	(16.0)
Net operating revenue	223.6	264.1
Change in inventory	0.5	0.7
Other revenue and income	4.4	7.4
Total revenue	228.5	272.1
Production costs	(139.4)	(161.5)
Personnel expense	(81.8)	(83.5)
Income (expense) from equity-accounted investees	(0.5)	0.1
Non-recurring income and expense	(4.7)	(0.7)
Gross operating profit (EBITDA)	2.1	26.6
Amortization, depreciation, provisions and write-downs	(18.7)	(17.6)
Operating profit (EBIT)	(16.6)	9.0
Other gains (losses) on financial assets/liabilities	6.2	-
Net financial income	(3.3)	(4.1)
Profit (loss) before tax	(13.7)	4.9
Income tax	4.3	(0.2)
Non-controlling interests	2.5	(1.9)
Profit (loss) from continuing operations attributable to the owners of the parent	(7.0)	2.7
Profit (loss) from discontinued operations	-	-
Profit (loss) for the period attributable to the owners of the parent	(7.0)	2.7

In first quarter 2020, consolidated gross revenue amounted to approximately Euro 241.1 million (comprising gross operating revenue of Euro 236.7 million and other revenue and income of Euro 4.4 million) versus Euro 287.5 million in 2019 (comprising gross operating revenue of Euro 280.1 million and other revenue and income of Euro 7.4 million), down mainly as a result of the effects of the health emergency, in particular the decline in advertising sales and in circulation of sports newspapers and the postponement to the second half of the year of a number of sporting (Euro -5.8 million) and non-sporting events scheduled for March.

Gross operating profit (EBITDA) and operating profit (EBIT) amounted to Euro 2.1 million and Euro 16.6 million, versus Euro 26.6 million and Euro 9 million in first quarter 2019. Excluding non-recurring expense (Euro -4 million the total effect, amounting to Euro -4.7 million in the first three months of 2020 and Euro -0.7 million in the same period of 2019), gross operating profit



would amount to Euro 6.8 million, the change is attributable mainly to the above effects on revenue caused by the current health emergency. Non-recurring expense refers to the allocation of provisions for early retirement schemes of the subsidiary RCS.

As already commented, in order to counter the impact of the health emergency both in terms of health and safety in the workplace and on the operating and financial front, the Group is implementing a series of actions starting from March.

In first quarter 2020, operating profit (EBIT) in the RCS segment was negatively affected, in the consolidated financial statements, by higher amortization of intangible assets for Euro 0.5 million (Euro 0.5 million in 2019), due to the valuations made in the purchase price allocation of the investment in RCS, specifically to the allocation of amounts to intangible assets (previously unrecognized), mainly attributable to Italian trademarks and magazine titles with finite useful life.

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

€ millions	31/03/2020	31/03/2019
Profit (loss) for the period	(9.5)	4.7
<i>Reclassifiable items of the comprehensive income statement</i>		
Gains (losses) from the translation of financial statements denominated in foreign currencies	0.0	0.0
Gains (losses) on cash flow hedges	(0.1)	(0.3)
Reclassification of gains (losses) on cash flow hedges	0.1	0.1
Tax effect	-	-
<i>Non-reclassifiable items of the comprehensive income statement</i>		
Gains (losses) from the fair value measurement of equity instruments	(0.1)	-
Total comprehensive income for the period	(9.6)	4.6
- Owners of the parent	(7.0)	2.6
- Non-controlling interests	(2.6)	2.0
	(9.6)	4.6

The Group's performance can be read better by analyzing the results in first quarter 2020 by **main business segment** (magazine publishing Cairo Editore, advertising, TV publishing La7, network operator Cairo Network, Il Trovatore and RCS) versus 2019:



2020	Magazine publishing	Advertising	TV publishing	Network operator	Trovatore	RCS	Intra and unallocated	Total
(€ millions)	Cairo Editore		La7	Cairo Network				
Gross operating revenue	22.1	38.9	24.7	3.0	0.2	178.9	(31.0)	236.7
Advertising agency discounts	-	(5.7)	-	-	-	(7.6)	0.2	(13.0)
Net operating revenue	22.1	33.2	24.7	3.0	0.2	171.3	(30.8)	223.6
Change in inventory	(0.0)	-	-	-	-	0.5	-	0.5
Other revenue and income	0.6	0.2	1.2	0.0	-	2.8	(0.4)	4.4
Total revenue	22.6	33.4	25.9	3.0	0.2	174.6	(31.1)	228.5
Production costs	(17.5)	(30.9)	(18.2)	(2.3)	(0.2)	(101.5)	31.1	(139.4)
Personnel expense	(4.3)	(2.3)	(9.3)	(0.0)	(0.0)	(65.8)	-	(81.8)
Income (expense) from equity-accounted investees	-	-	-	-	-	(0.5)	-	(0.5)
Non-recurring income (expense)	-	-	-	-	-	(4.7)	-	(4.7)
Gross operating profit (EBITDA)	0.9	0.2	(1.7)	0.7	(0.0)	2.0	0.0	2.1
Amortization, depreciation, provisions and write-downs	(0.5)	(0.2)	(3.1)	(0.8)	(0.0)	(14.2)	-	(18.7)
Operating profit (EBIT)	0.4	0.0	(4.7)	(0.1)	(0.0)	(12.2)	0.0	(16.6)
Other gains (losses) on financial assets/liabilities	-	-	-	-	-	6.2	-	6.2
Net financial income	(0.0)	(0.1)	0.1	(0.1)	(0.0)	(3.2)	-	(3.3)
Profit (loss) before tax	0.4	(0.1)	(4.6)	(0.2)	(0.0)	(9.2)	0.0	(13.7)
Income tax	(0.0)	(0.0)	1.1	0.0	(0.0)	3.1	-	4.3
Non-controlling interests	-	-	-	-	0.0	2.5	-	2.5
Profit from continuing operations	0.4	(0.1)	(3.5)	(0.1)	(0.0)	(3.6)	0.0	(7.0)
Profit (loss) from discontinued operations	-	-	-	-	-	-	(0.0)	(0.0)
Profit (loss) for the period attributable to the owners of the parent	0.4	(0.1)	(3.5)	(0.1)	(0.0)	(3.6)	(0.0)	(7.0)

2019	Magazine publishing	Advertising	TV publishing	Network operator	Trovatore	RCS	Intra and unallocated	Total
(€ millions)	Cairo Editore		La7	Cairo Network				
Gross operating revenue	23.1	44.2	26.7	3.0	0.2	216.2	(33.4)	280.1
Advertising agency discounts	-	(6.2)	-	-	-	(10.1)	0.2	(16.0)
Net operating revenue	23.1	38.0	26.7	3.0	0.2	206.2	(33.2)	264.1
Change in inventory	-	-	-	-	-	0.7	-	0.7
Other revenue and income	0.8	0.0	1.4	-	-	5.4	(0.3)	7.4
Total revenue	23.9	38.1	28.2	3.0	0.2	212.3	(33.5)	272.1
Production costs	(18.4)	(35.0)	(17.7)	(2.3)	(0.2)	(121.5)	33.5	(161.5)
Personnel expense	(4.6)	(2.2)	(9.5)	-	-	(67.1)	-	(83.5)
Income (expense) from equity-accounted investees	-	-	-	-	-	0.1	-	0.1
Non-recurring income (expense)	-	-	-	-	-	(0.7)	-	(0.7)
Gross operating profit (EBITDA)	0.9	0.9	1.0	0.7	0.0	23.1	-	26.6
Amortization, depreciation, provisions and write-downs	(0.4)	(0.0)	(2.8)	(0.8)	-	(13.7)	-	(17.6)
Operating profit (EBIT)	0.5	0.9	(1.8)	(0.1)	0.0	9.4	-	9.0
Other gains (losses) on financial assets/liabilities	-	-	-	-	-	-	-	-
Net financial income	-	(0.1)	-	(0.1)	-	(3.9)	-	(4.1)
Profit (loss) before tax	0.5	0.8	(1.8)	(0.2)	0.0	5.5	-	4.9
Income tax	-	(0.2)	0.9	-	-	(0.9)	-	(0.2)
Non-controlling interests	-	-	-	-	-	(1.9)	-	(1.9)
Profit from continuing operations	0.5	0.6	(0.9)	(0.2)	0.0	2.7	-	2.7
Profit (loss) from discontinued operations	-	-	-	-	-	-	-	-
Profit (loss) for the period attributable to the owners of the parent	0.5	0.6	(0.9)	(0.2)	0.0	2.7	-	2.7



The main **consolidated statement of financial position figures** at 31 March 2020 can be analyzed versus the situation at 31 December 2019:

(€ millions)	31/03/2020	31/12/2019
<u>Statement of financial position</u>		
Property, plant and equipment	78.7	81.0
Rights of use on leased assets	182.0	188.8
Intangible assets	983.7	988.8
Financial assets	56.7	57.4
Deferred tax assets	102.0	97.2
Net working capital	(78.3)	(50.2)
Total assets	1,324.8	1,363.0
Non-current liabilities and provisions	112.3	108.9
Deferred tax provision	165.2	164.7
(Financial position)/Net debt	108.9	134.6
Liabilities from leases (pursuant to IFRS 16)	197.6	204.5
Equity attributable to the owners of the parent	446.1	453.3
Equity attributable to non-controlling interests	294.7	297.0
Total equity and liabilities	1,324.8	1,363.0

In 2020, as part of the share buy-back plans, no treasury shares were sold or purchased. At 31 March 2020, Cairo Communication held a total of no. 779 treasury shares, or 0.001% of the share capital, subject to Article 2357-ter of the Italian Civil Code.

The Shareholders' Meeting of 6 May 2020 approved the financial statements for the year ended 31 December 2019 and rejected the dividend distribution proposal made by the Company's Board of Directors; the profit for the year has, therefore, been fully carried forward. As announced on 21 April, the majority shareholder had already informed the Board of Directors of Cairo Communication of its decision to vote against the proposed distribution of the dividend on the agenda of the Shareholders' Meeting of 6 May 2020, in order to strengthen the company against the effects of the continuing health emergency.

The consolidated **net financial debt** at 31 March 2020, versus the consolidated financial statement amounts at 31 December 2019, is summarized in the table below:



Net financial debt (€ millions)	31/03/2020	31/12/2019	Changes
Cash and cash equivalents	45.5	50.1	(4.6)
Other current financial assets and financial receivables	26.1	13.9	12.2
Current financial assets (liabilities) from derivative instruments	(0.1)	(0.2)	0.0
Current financial payables	(41.2)	(74.6)	33.4
Current net financial position (net financial debt)	30.3	(10.7)	41.1
Non-current financial payables	(138.1)	(122.9)	(15.2)
Non-current financial assets (liabilities) from derivative instruments	(1.0)	(1.0)	(0.0)
Non-current net financial position (net financial debt)	(139.1)	(123.9)	(15.3)
Net financial position (net financial debt)	(108.9)	(134.6)	25.7
Liabilities from leases (pursuant to IFRS 16)	(197.6)	(204.5)	7.0
Total net financial position (net financial debt)	(306.5)	(339.2)	32.7

The consolidated **net financial debt** at 31 March 2020 amounted to approximately Euro 108.9 million (Euro 134.6 million at 31 December 2019), Euro 108.1 million of which referring to RCS (Euro 131.8 million at 31 December 2019). The improvement in the net financial debt of Euro 25.7 million is attributable mainly to cash flows from ordinary operations (comprising the dynamics of current assets) and to the positive effects of the disposal of the investment in Last Lap (Euro 4 million), offset by outlays for the distribution of dividends, capital expenditure and net non-recurring expense.

Total net financial debt, which includes financial liabilities from leases recognized in accordance with IFRS 16 (mainly property leases) of Euro 197.6 million, amounted to Euro 306.5 million (Euro 339.2 million at 31 December 2019).

4. Revenue

Gross operating revenue in first quarter 2020, split up by main business segment, can be analyzed as follows versus the amounts of first quarter 2019:



2020	Magazine publishing Cairo Ed.	Advertising	TV publishing La7	Network operator Cairo Network	Trovatore	RCS	Intra and un allocated	Total
(€ millions)								
TV advertising	-	34.4	23.6	-	-	0.2	(23.9)	34.3
Advertising on print media, Internet and sporting events	2.5	4.3	0.6	-	-	70.3	(3.5)	74.2
Other TV revenue	-	-	0.4	-	-	1.7	(0.2)	1.9
Magazine over-the-counter sales and subscri	19.9	-	-	-	-	89.3	(0.1)	109.1
VAT relating to publications	(0.3)	-	-	-	-	(0.9)	-	(1.2)
Other revenue	-	0.2	0.1	3.0	0.2	18.3	(3.4)	18.3
Total gross operating revenue	22.1	38.9	24.7	3.0	0.2	178.9	(31.0)	236.7
Other revenue	0.6	0.2	1.2	0.0	-	2.8	(0.4)	4.4
Total gross revenue	22.5	39.0	25.9	3.0	0.2	181.7	(31.4)	241.1

2019	Magazine publishing Cairo Ed.	Advertising	TV publishing La7	Network operator Cairo Network	Trovatore	RCS	Intra and un allocated	Total
(€ millions)								
TV advertising	-	38.2	25.8	-	-	0.3	(26.5)	37.9
Advertising on print media, Internet and sporting events	3.1	5.8	0.3	-	-	87.6	(3.4)	93.4
Other TV revenue	-	-	0.6	-	-	1.7	(0.2)	2.2
Magazine over-the-counter sales and subscri	20.4	-	-	-	-	102.6	(0.1)	122.9
VAT relating to publications	(0.3)	-	-	-	-	(1.1)	-	(1.4)
Other revenue	-	0.2	-	3.0	0.2	25.2	(3.3)	25.2
Total gross operating revenue	23.1	44.2	26.7	3.0	0.2	216.2	(33.4)	280.1
Other revenue	0.8	0.0	1.4	0.0	-	5.4	(0.3)	7.4
Total gross revenue	23.9	44.2	28.2	3.0	0.2	221.6	(33.7)	287.5

MAGAZINE PUBLISHING CAIRO EDITORE

Cairo Editore - Cairo Publishing

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

In first quarter 2020, Cairo Editore worked on improving the levels of efficiency reached in containing production, publishing and distribution costs, and continued to achieve positive results, basically in line with those of the same period of 2019. Gross operating profit (EBITDA) and operating profit (EBIT) came to approximately Euro 0.9 million and approximately Euro 0.4 million (Euro 0.9 million and Euro 0.5 million in 2019).

The Group weeklies reported high circulation results, with an average ADS weekly circulation in the January-March three-month period of 2020 of 359,013 copies for “*Settimanale DIPIU’*”, 184,162 copies for “*DIPIU’ TV*”, 65,171 copies for “*Settimanale DIPIU’ e DIPIU’TV Cucina*”, 132,160 copies for “*Diva e Donna*”, 168,997 copies for “*Settimanale Nuovo*”, 102,948 copies for



“F”, 79,582 copies for “TV Mia”, 62,658 copies for “Settimanale Giallo”, and 75,782 copies for “NuovoTV”, reaching a total of approximately 1.2 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. Regarding the average sales of titles out of the ADS survey, including the sales of “Enigmistica Più” and “Enigmistica Mia” average copies sold were approximately 1.4 million; In 2020, Cairo Editore’s strategy will continue to focus on the following elements: (i) the pivotal importance of the quality of its products, (ii) supporting the circulation levels of its own titles, and (iii) attention to costs in general, and production costs in particular, with a view to the continuous improvement of industrial, publishing and procurement conditions and processes.

ADVERTISING

Looking at the advertising segment, in first quarter 2020, Cairo Communication continued to operate as advertising broker - with its subsidiary Cairo Pubblicità - selling space in the print media for Cairo Editore, for Editoriale Genesis (“Prima Comunicazione” and “Uomini e Comunicazione”), RCS (for the extra-sector of *Insieme Io e il mio Bambino, Style Piccoli*), for the sale of advertising space on TV for La7 and La7d, for Turner Broadcasting (*Cartoon Network* and *Boomerang*) and for La Presse (*Torino Channel*), on the Internet (*Network.it, Open.online*) and for the sale of stadium signage and space at the Olimpico in Turin for Torino FC.

In first quarter 2020, gross operating profit (EBITDA) in the advertising segment came to Euro 0.2 million, while operating profit (EBIT) was basically at breakeven (both equal to Euro 0.9 million in 2019).

In first quarter 2020, advertising sales on the La7 and La7d channels totaled Euro 34.3 million (Euro 37.7 million in 2019), with a change versus the same period of the prior year due to the effects of the health emergency in March.

Advertising sales on Cairo Editore titles amounted to Euro 3.2 million (Euro 3.9 million in 2019).

TV PUBLISHING (La7)

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

At the acquisition date, the financial situation of La7 had called for the implementation of a restructuring plan aimed at reorganizing and streamlining the corporate structure and at curbing costs, while retaining the high quality levels of the programming. Starting from May 2013, the Group began to implement its own plan to restructure the company, achieving, as early as the May-



December eight-month period of 2013, a positive gross operating profit (EBITDA), strengthening in the years that followed the results of the cost rationalization measures implemented.

In first quarter 2020, the TV publishing segment (La7) achieved gross operating profit (EBITDA) of approximately Euro -1.7 million (Euro +1 million in 2019) and operating profit (EBIT) of approximately Euro -4.7 million (Euro -1.8 million in 2019).

In first quarter 2020, La7's average all-day share was 3.64% and 4.85% in prime time (from 8:30 PM to 10:30 PM), confirming a high-quality target audience. Specifically, in March La7 recorded a strong rise in audience ratings, reaching 3.9% in the all-day share (sixth national channel) and 5.6% in prime time (fifth national channel), with an increase of +6% and +14% respectively versus March 2019. These audience figures were also confirmed in April. La7d's share was 0.45% in all-day and 0.32% in prime time. The channel's news and discussion programmes all continued to deliver remarkable results: *Otto e Mezzo* with 7% average share from Monday to Friday, *TgLa7 edizione delle 20* 5.7% from Monday to Friday, *diMartedì* 5.8%, *Piazzapulita* 5.2%, *Propaganda Live* 5.2%, *Non è l'Arena* 6.2%, *Omnibus La7* 4.4%, *Coffee Break* 4.8%, *L'Aria che tira* 6.5%, *Tagadà* 4%, *Atlantide* 2.8%, *Eden un pianeta da salvare* 2.8%, the "maratone" hosted by Enrico Mentana (11.6% share the Election Special edition on 26/27 January). In first quarter 2020, La7 continued to be the sixth national channel in prime time for ratings in March and was also the sixth channel in the all-day share. Including April, in the first four months La7 retained its position as the sixth channel in the all-day share, while it was fifth in prime time. In the entire morning slot (07.00-12.00) too, La7 achieved high ratings, with an average share of 4.3%, ranking as fourth generalist channel in the year.

Excellent results were achieved on the web front, with 8.6 million average monthly unique users in the quarter (almost three times as many versus first quarter 2019) and 654 thousand average daily unique users (almost three times as many versus 2019) on La7 websites (La7.it, TGla7.it, Sedanoallegro.it) and La7 and TGla7 apps and 57.1 million average monthly views (+226% versus 2019), plus 41.6 million average monthly views generated by La7 channels on the YouTube platform (+78% versus 2019). In first quarter 2020, the average monthly stream views on La7 sites amounted to 27.5 million (+377% versus 2019). Specifically, in March La7's digital audience recorded significant results with 13.6 million average monthly unique users (over four times as many versus the same month of 2019), 81 million page views (+358% versus 2019) and 36.5 million stream views in a single month (+449% versus 2019).

Revenue development initiatives are planned in 2020 for La7, focused on (i) strengthening its digital presence, (ii) creating new programmes and (iii) developing La7d's audience potential.



RCS

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

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

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

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

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

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

RCS also organizes, through RCS Sport and RCS Sports & Events, major world sporting events (such as *Giro d'Italia*, the *UAE Tour*, the *Milano City Marathon* and the *Color Run*), and is well-positioned as a partner in the creation and organization of events through RCS Live.

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

RCS generated negative results prior to 2016, and has embarked on an operational restructuring process to restore profitability. In 2016, profit had amounted to Euro 3.5 million,³ marking a return to positive territory by the RCS Group (the first time since 2010), and in 2017, 2018 and 2019 the net result had amounted to Euro 71.1 million, Euro 85.2 million and Euro 68.5 million.

In first quarter 2020, amid the uncertainty caused by the health emergency, with the main relevant markets in decline, RCS achieved - in the consolidated financial statements of Cairo Communication - gross operating profit (EBITDA) of approximately Euro 2 million⁴ and operating

³ RCS 2016 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, totaling Euro 1.7 million in first quarter 2020 - EBITDA shown in the RCS Interim Management Statement at 31 March 2020, approved on 11 May 2020, amounted to Euro 0.3 million.



profit (EBIT) of Euro -12.2 million (respectively Euro 23.1 million and Euro 9.4 million in 2019). Excluding non-recurring income and expense (Euro -4 million the total effect, amounting to Euro -4.7 million in the first three months of 2020 and Euro -0.7 million in the same period of 2019), gross operating profit would amount to Euro 6.7 million, due mainly to the effects of the coronavirus health emergency and to a drop in advertising sales and in circulation of sports newspapers and the postponement to the second half of the year of a number of sporting and non-sporting events scheduled for March. Non-recurring expense refers to the allocation of provisions for early retirement schemes. As a first response measure, the Group has organized itself to be able to continue its activities safely and minimize the impact in terms of health and safety in the workplace, implementing smart working and promoting distance agile work as much as possible. It has gradually reviewed the organization of work in view also of the volumes of activity and the impact on editorial products, newspapers and magazines resulting from the stop of sport, social and recreational activities that form part of its news. In this context, measures have been taken and are in the process of being taken on all cost items, such as, for example, those aimed at containing bordereau and collaboration costs, especially for supplements, specials and local editions.

Several negotiating tables have been opened to pursue the opportunity of adjusting the cost structure to current business volumes. Against this backdrop, a number of trade-union agreements have already been reached on the use of outstanding holidays, the partial redundancy fund - in the May-July quarter - for clerical staff, and the redundancy fund for staff in the sporting events organization area. Directors and managers have voluntarily agreed to a reduction in part of their salaries, for the months of May to December 2020, as a contribution to the overall effort to contain company costs.

In early April, trade-union agreements were signed in Italy for early retirement plans regarding 38 *Corriere della Sera* journalists (out of a population of 353) and 175 RCS MediaGroup employees (out of a population of 840). The early retirement plans are part of the ongoing reorganization process, including editorial processes, aimed at digital development functional to the achievement of greater flexibility as well as the entry of new skills.

At Unidad Editorial too, several trade-union tables were opened to negotiate a temporary plan to adapt and make the workforce more flexible to the changed market scenario amid a reduction in demand (mainly advertising and circulation, as well as events and certain editorial content). The tool used has a 4-month duration and provides employees with social safety nets. A number of tables covering a total population of approximately 1,000 employees out of approximately 1,200 have already been closed. The measures regard both temporary suspensions of the employment contract and reductions in working hours. Voluntary reductions in remuneration for management



staff are provided for on a voluntary basis, with no impact on working time and without access to social safety nets.

In first half 2020, consolidated net operating revenue generated by RCS amounted to approximately Euro 171.3 million, down by a total of Euro 34.9 million versus the same period of 2019, attributable mainly to the health emergency. RCS total digital revenue (Italy and Spain), which amounted to approximately Euro 34.1 million, accounted for 19.9% of total revenue. Total advertising sales on online media reached Euro 24.7 million in first quarter 2020, accounting for 39.3% of total advertising revenue. In particular, in Spain total advertising sales on online media reached approximately 52% of total advertising revenue in the area.

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

In Italy, in first quarter 2020, *Corriere della Sera* recorded an average of 269 thousand copies distributed, including average digital copies, while *La Gazzetta dello Sport* recorded an average of 122 thousand copies distributed, including digital copies (*ADS, January-March 2020*). The newsstand circulation of *La Gazzetta dello Sport* has been affected since March by the suspension of sporting activities worldwide and by the shuttering of bars and public venues, which play a significant role in circulation. *Corriere della Sera*, on the other hand, managed to curb the decline in newsstand circulation to -4.3% versus first quarter 2019 (*Internal Source*).

In this emergency phase, *Corriere della Sera*, leveraging on its acknowledged authority and solid editorial position, was in fact able to confirm forecast newsstand circulation and, most of all, to accelerate the growth in digital development, which has more than doubled the number of subscriptions to *corriere.it*. At end March, the total digital customer base for *Corriere della Sera* (digital edition, membership and m-site) counted 302 thousand subscriptions, up by 120% versus the same period of 2019 and approximately 130 thousand more than at end December 2019.

The main digital performance indicators confirm the top market position of RCS, with *corriere.it* and *gazzetta.it* reaching 35.4 million and 16.5 million average monthly unique users at March 2020 (*Audiweb 2.0*). Specifically, in March *corriere.it* recorded 7.4 million average daily unique users versus 2.4 million in March 2019. The average daily circulation of *El Mundo* and *Expansion* (including digital copies) in first quarter 2020 amounted to 86 thousand and 30 thousand copies; copies of the sports daily *Marca* amounted to approximately 90 thousand, including digital copies (*OJD*).

The figures published by EGM (Estudio General de Medios: last update April 2020) confirm Unidad Editorial's leadership in the daily newspapers segment; through its brands, the daily



reaches approximately 2.4 million readers/day, approximately 200 thousand readers more than its main competitors.

In Spain, too, the main digital performance indicators confirm the top market position of Unidad Editorial, with *elmundo.es*, *marca.com* and *expansión.com* reaching 27.4 million, 18.3 million and 9.5 million average monthly unique users in March 2020 (*Comscore IP Spain*, which considers only traffic coming from Spain).

At 31 March 2020, the net financial debt of RCS amounted to Euro 108.1 million, improving by approximately Euro 23.7 million versus 31 December 2019, thanks mainly to the positive cash flows of Euro 24.1 million from ordinary operations and the positive effects of the sale of the investment in Last Lap (Euro 4 million), partly offset by outlays for capital expenditure and net non-recurring expense (Management Reporting).

The total net financial debt of RCS, which includes financial liabilities from leases recognized in accordance with IFRS 16, totaled Euro 169.5 million (mainly property leases), amounted to Euro 277.6 million (Euro 307.1 million at 31 December 2019).

RCS's activities continued to focus also on enhancing the value of editorial content, developing existing brands, and launching new projects, with a constant eye on cutting costs.

More specifically, in Italy

- on 13 February the "*La Lettura*" App was launched, which makes *Corriere della Sera*'s cultural supplement available also on smartphones and tablets: subscribers can preview the issue on Saturday morning, access the archive with over four hundred issues released since 13 November 2011, and use a search engine for visual data, graphic novels, covers and rankings;
- on 29 February, a special issue of *Sportweek* was released on newsstands to celebrate the 20th anniversary of its first release. The issue was distributed in a collector's edition, with 20 different covers dedicated to 20 of the greatest sport champions of the new millennium;
- March saw the publication of a number of add-on products on the topic of Coronavirus, including: *50 domande sul coronavirus – Gli esperti rispondono* published by *Solferino*, *Virus la grande sfida* by Roberto Burioni and *Nel contagio* by Paolo Giordano;
- the new *CheAutoCompro.it* website was launched in March to offer a quality experience to users who are thinking of buying a new car. The website offers users the chance to compare various models, make their choice and receive a personalized quote, and then go to the dealer to complete the purchase;
- on 7 April, a year after the debut of *economia.corriere.it* (website of the business-related section of *Corriere della Sera*) "*Professionisti*" was launched, a new channel dedicated to professional associations, social security funds and VAT-registered self-employed



professionals. "*Professionisti*" gives voice and visibility to the latest news on savings, tax, tax deadlines, welfare of the professional world, allowing all professionals and representatives of the VAT world to receive information and qualified answers on the most tangible needs in their areas, with valuable insights and expert analysis.

In Spain, in first quarter 2020

- on 21 February 2020, *Marca Coches y motos* was launched, a new portal dedicated to the world of engines in line with the developments that advertising investments are also experiencing in the automotive segment. The portal marks the evolution of the monthly magazine *MarcaMotor* and includes the latest information on new products of the various brands of motorcycles and cars, as well as a search engine that allows users to select the various models and compare them, facilitating the purchasing decision. The portal is enhanced with both multimedia content (videos of presentations and specific tests, such as photo galleries) and with various editorial content including interviews and useful road tips;
- on 15 March 2020, *El Mundo* launched a new editorial offer with the Sunday issue of a newspaper that is completely different from the other days of the week, featuring a front page with a large broad sheet format that gives an idea of the uniqueness of the edition, consisting of 96 pages packed with content organized in a first section, dedicated to current events and topical news, and then four different sections (called *Cronica*, *Papel*, *Salud* and *DXT*) focused on insights and exclusive content, presented with a revamped and modern design. In particular, the *Salud* section represents a true novelty and addresses a growing need for health information, especially at this moment of time. The middle of the newspaper features the *Actualidad Economica* supplement, a publication with specialist information on investments and business, as proposed by major European magazines;
- on 16 March 2020, *Diario Medico* and *Correo Farmaceutico* strengthened their digital presence by merging the two portals into a single digital platform for healthcare professionals. The new website, while maintaining the identity of the two titles, shares the pharmaceutical and medical specialties in a common environment. The print offer has concurrently changed from a weekly to monthly frequency (over nine months);
- on 18 March 2020, *Expansión* launched its own digital pay model, as *El Mundo* did at end 2019 (freemium model), publishing a large part of the exclusive content of the newspaper in addition to analysis and content (opinions, insights, editorials and authoritative national and international contributors) at the price of Euro 14.99 per month (after the first month at Euro 1).



With regard to the dispute on the Via Solferino property complex explained in the 2019 Annual Report, as no new facts occurred during the period under review, reference is made to Note 38 "Commitments, risks and other information" of the consolidated financial statements in the 2019 Annual Report.

NETWORK OPERATOR (CAIRO NETWORK)

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

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

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

IL TROVATORE

In first quarter 2020, Il Trovatore continued operations, mainly providing technological services to develop and maintain the online platforms of the Group's companies.

5. Transactions with parents, subsidiaries and associates

The following are identified as related parties:

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

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



Receivables and financial assets (€ millions)	Trade receivables	Receivables from tax consolidation	Other current financial assets
Parents	-	0.9	-
Associates	13.4	-	24.5
Other affiliates	0.7	-	-
Other related parties	0.4	-	-
Total	14.5	0.9	24.5

Payables and financial liabilities (€ millions)	Trade and other payables	Other current financial liabilities	Other non-current financial liabilities
Parents	-	-	-
Associates	8.8	-	-
Other affiliates	0.5	-	-
Other related parties	-	-	-
Total	9.3	-	-

Revenue and costs (€ millions)	Operating revenue	Operating costs	Financial income
Parents	-	-	-
Associates	55.9	(22.3)	0.1
Other affiliates	0.1	(0.4)	-
Other related parties	0.2	(0.1)	-
Total	56.2	(22.8)	0.1

Transactions with associates refer mainly to:

- m-dis Distribuzione Media S.p.A., which operates in Italy as distributor in the newsstands channel for the RCS Group, in respect of which Group companies generated in first quarter 2020 revenue of Euro 55.9 million, financial receivables of Euro 0.1 million and incurred costs of Euro 17.2 million, and hold trade receivables of Euro 13.2 million, current financial receivables of Euro 22.9 million, and trade payables of Euro 2.2 million;
- the associates in the Bermont Group, in respect of which the Group companies that operate in Spain in the printing of newspapers, magazines and other publishing products (Unidad Editorial Group) generated and incurred costs of Euro 4.9 million in first quarter 2020, and hold trade payables of Euro 6.5 million.

Transactions with affiliates refer mainly to:

- the concession contract between Cairo Pubblicità S.p.A. and Torino FC S.p.A. (a subsidiary of U.T. Communications) for the sale of advertising space at the Olimpico football pitch and



promotional sponsorship packages. This contract resulted in the payment in the first quarter of Euro 0.4 million to the concession holder against revenue of Euro 0.5 million net of agency discounts. Cairo Pubblicità earned further commissions of Euro 19 thousand;

- the agreement between Cairo Communication S.p.A. and Torino F.C. for the provision of administrative services such as bookkeeping, which provides for an annual consideration of Euro 0.1 million.

Transactions with “other related parties” refer mainly to RCS’s commercial dealings with the Della Valle and Pirelli groups, in respect of which Group companies generated revenue of Euro 0.2 million. Trade receivables amounted to Euro 0.4 million.

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

The procedures adopted by the Group for related party transactions, to ensure transparency and substantial and procedural fairness, implemented by the Group, are explained in the 2019 “Report on Corporate Governance and Ownership Structure”.

6. Events occurring after the quarter and business outlook

Following the end of the quarter, the Shareholders' Meeting of 6 May 2020 appointed for a three-year term, therefore expiring with the approval of the financial statements for the year ending 31 December 2022, based on the two lists submitted by U.T. Communications S.p.A. - holding a 43.71% interest in the share capital of the Company - and by a pool of shareholders formed of asset management companies and other investors ⁵ - holding a total interest of 4.58% in the share capital of the Company,

- the Board of Directors of the Company, composed of:
 - o four executive directors: Urbano Cairo, Chairman, Uberto Fornara, Marco Pompignoli and Stefania Bedogni,
 - o two non-executive directors: Roberto Cairo and Laura Maria Cairo

(⁵) The shareholders are: Amundi Asset Management SGR S.p.A fund manager of: Amundi Dividendo Italia, Amundi Risparmio Italia, Amundi Sviluppo Italia; Anima SGR S.p.A. fund manager of: Anima Crescita Italia, Anima Iniziativa Italia; ARCA Fondi SGR S.p.A. fund manager of: Arca Economia Reale Equity Italia, Arca Economia Reale Bilanciato Italia 30; Eurizon Capital SGR S.p.A. fund manager of: Eurizon Progetto Italia 70, Eurizon PIR Italia Azioni; Fideuram Asset Management Ireland fund manager of: Fonditalia Equity Italy; Fideuram Investimenti SGR S.p.A. fund manager of Piano Azioni Italia; Generali Investments Luxembourg S.A. fund manager of: GSmart PIR Evoluzione Italia, GSmart PIR Valore Italia; Mediolanum Gestione Fondi SGR S.p.A fund manager of: Mediolanum Flessibile Futuro Italia, Mediolanum Flessibile Sviluppo Italia; Mediolanum International Funds Limited - Challenge Funds - Challenge Italian Equity.



-
- four independent directors: Paola Mignani, Daniela Bartoli, Massimo Ferrari and Giuseppe Brambilla di Civesio;
 - the Board of Statutory Auditors, composed of three Standing Auditors: Michele Paolillo, Chairman, Gloria Francesca Marino and Maria Pia Maspes, and two Alternate Auditors: Emilio Fano and Domenico Fava.

At its meeting of 6 May 2020, the Board of Directors of Cairo Communication S.p.A. also:

- granted:
 - Chairman Urbano Cairo the main executive and managerial powers (except for specific powers the Board has reserved itself, in addition to those that cannot be granted according to law);
 - CEO Uberto Fornara the powers for the management and development of advertising sales and of the relevant staff and sales network, confirming the responsibility for the direction and coordination of the Cairo Pubblicità and RCS MediaGroup units acting as advertising agencies;
 - Marco Pompignoli the responsibility of overseeing and supervising the administration, finance and management control functions;
- confirmed Executive Director Marco Pompignoli as the director in charge of the internal control and risk management system.
- approved the guidelines on the execution of significant transactions;
- appointed:
 - the members of the "Control, Risk and Sustainability Committee", composed of independent directors Massimo Ferrari (Chairman), Daniela Bartoli and Paola Mignani,
 - the members of the "Remuneration and Appointments Committee", composed of independent directors Paola Mignani (Chairman), Daniela Bartoli and Giuseppe Brambilla di Civesio,
- resolved to assign the tasks of the Related Party Committee to the Control, Risk and Sustainability Committee, except for remuneration issues for which the powers have been assigned to the Remuneration and Appointments Committee.

In first quarter 2020, amid the uncertainty caused by the health emergency, with the core markets in decline, in particular advertising in Italy and Spain:

- the Cairo Communication Group, with an aggregate of over 36.5 million unique users (net of duplications) in March 2020 (*Audiweb Media View*) on the digital properties of RCS and La7, ranks as the third digital media player in Italy, just after the large OTT platforms Google and Facebook. A major achievement that reflects the good progress made by all the



digital properties benefiting, in particular, from the constant increase in the audience of *Corriere della Sera* and *La7*;

- RCS continued to generate positive cash flows, with financial debt down by Euro 22.3 million versus end 2019, and achieved a positive gross operating profit of Euro 2 million⁶, impacted by non-recurring expense of Euro 4.7 million. In the current health emergency phase, *Corriere della Sera*, thanks to its authority, confirmed its newsstand sales forecasts and, most of all, accelerated the growth of digital operations: at end March, its total active digital customer base (digital edition, membership and m-site) counted 302 thousand subscriptions, up by approximately 130 thousand subscriptions versus end December 2019. In March 2020, *corriere.it* recorded 7.4 million average daily unique users versus 2.4 million in March 2019 and 35.4 million average monthly unique users versus 21.2 million in March 2019;
- the La7 TV publishing segment confirmed the high audience levels of the La7 channel (3.64% in all-day share and 4.85% in prime time), which grew strongly in March, ranking in first quarter 2020 as the sixth national channel for average prime time audience levels and in March as the sixth channel also in all-day audience levels. Including April ratings, in the first four months La7 retained its position as the sixth channel in the all-day share, while it was fifth in prime time. In first quarter 2020, advertising sales on the La7 and La7d channels totaled Euro 34.3 million (Euro 37.7 million in 2019), with a change versus the same period of the prior year due to the effects of the health emergency in March. In March, La7's digital audience also grew strongly with 13.6 million average monthly unique users, more than four times as many versus the same month of 2019;
- the magazine publishing segment Cairo Editore achieved in the quarter results basically in line with those of the same period of 2019, confirmed high circulation levels of the publications, and continued to work on improving the levels of efficiency reached in containing own costs.

⁶ 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, totaling Euro 1.7 million in first quarter 2020 - EBITDA shown in the RCS Interim Management Statement at 31 March 2020, approved on 11 May 2020, amounted to Euro 0.3 million.



The Group's results for first quarter 2020 were impacted by the spread of the Coronavirus and the ensuing restrictions implemented by the public authorities of the countries involved to contain the contagion, mainly as a result of the decline in advertising sales and in circulation of sports newspapers and the postponement to the second half of the year of a number of sporting and non-sporting events scheduled in March.

The continuing health emergency, and its severe social impact, is continuing to have repercussions on the organization and timing of work, on the Group's activities and on economic performance, resulting in a general context of great uncertainty.

In April and early May too, advertising sales are slowing down both in Italy and Spain, especially for print media.

As for the organization of sporting events, the *Milano Marathon* and the *Giro d'Italia*, initially scheduled for the second quarter of the year, were postponed. The subsidiary RCS Sport has worked to place these races, together with the "classics" not held in March, inside the 2020 international cycling calendar, starting from August.

The circulation of sports newspapers *La Gazzetta dello Sport* and *Marca* is being affected by the suspension of "played" sport.

In this context, the Group is continuing to keep its information offering "on", meeting the public's growing need to stay informed, ensuring a timely service to its viewers and readers and to all Italian newsstands. The programmes of *La7*, the daily editions of *Corriere della Sera* and *La Gazzetta dello Sport* in Italy, and of *El Mundo* and *Marca* in Spain, our Group's magazines and web and social platforms are playing a pivotal role in informing and reporting on this difficult phase, focusing on their mission as a non-partisan, trustworthy public service, and establishing themselves as authoritative players in daily television, paper and online information, with television ratings and digital traffic growing significantly, in particular for *corriere.it* and *La7's* digital properties, which in March 2020 recorded respectively 35.4 million average monthly unique users versus 21.1 million in March 2019, and 13.6 million average monthly unique users, more than four times as many versus the same month of 2019. (*Audiweb 2.0*). The total active digital customer base for *Corriere della Sera* too, which reached over 300 thousand subscriptions, more than doubled versus March 2019.

The Group is monitoring developments on a daily basis to minimize the impacts in terms of health and safety in the workplace and on the operating and financial front, by defining and implementing flexible and timely action plans.

The developing situation, as well as the potential effects on the business outlook, are unforeseeable at this time - as they depend, inter alia, on the length of the health emergency, as well as on the public measures, including economic ones, implemented and to implement - and will be subject to constant monitoring in the further course of the year.



At any rate, the Group believes it has adequate management levers to counter the impacts of the health emergency in 2020 and thus confirm its medium-long term prospects.

For the Board of Directors
Chairman Urbano Cairo



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

The Financial Reporting Manager of Cairo Communication S.p.A., Marco Pompignoli, declares, pursuant to Article 154-bis, paragraph 2, 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