



CAIROCOMMUNICATION

Draft Annual Report at 31 December 2021

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 & Touche S.p.A.

(*) The Board of Directors was appointed by resolution of the Shareholders' Meeting held on 6 May 2020. The Directors are in office for the years 2020-2021-2022, therefore until the Shareholders' Meeting called to approve the 2022 financial statements

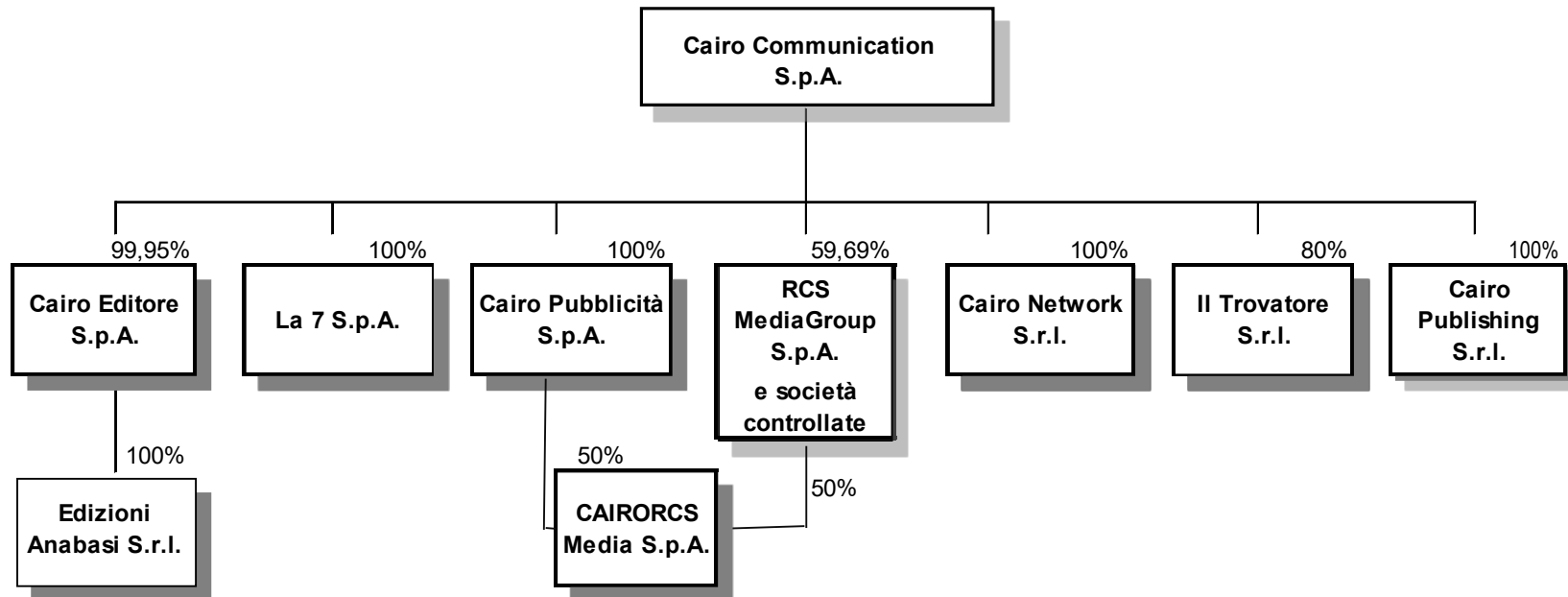
(**) Ordinary and extraordinary executive powers exercised with single signatory, as limited by the Board of Directors

(***) The Board of Statutory Auditors in office at the date of approval of this Report was appointed by resolution of the Shareholders' Meeting on 6 May 2020. The Statutory Auditors are in office for the years 2020-2021-2022, therefore until the Shareholders' Meeting called to approve the financial statements relating to the last of these years.

(****) In office until the Shareholders' Meeting called to approve the 2028 financial statements



The Group at 31 December 2021





DIRECTORS' REPORT ON OPERATIONS

Separate and consolidated financial statements at 31 December 2021

Shareholders,

the separate and consolidated financial statements as at and for the year ended 31 December 2021, submitted for your approval, show, respectively, a profit of Euro 11.7 million and a profit attributable to the owners of the parent of Euro 51 million.

In 2021, 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 and network operator (Cairo Network);
- multimedia agency for the sale of advertising space. Specifically, from 1 January 2021, the contribution by RCS and Cairo Pubblicità to CAIRORCS Media (on an equal basis) of their respective advertising sales business units, relating to the print and online titles in Italy of RCS, became effective;
- publisher of dailies and magazines (weeklies and monthlies) in Italy and in Spain, through RCS MediaGroup, also active in the organization of major world sporting events;

The first few months of the year saw completion of the purchase of 55% of m-Dis Distribuzione Media S.p.A., raising RCS's interest in the company to 100%.

In 2020, the comparative year, the national and international landscape had been swept by the spread of the Coronavirus and the ensuing restrictions for its containment adopted by the governments of all the countries involved; these restrictions had had a direct effect on the organization and timing of work and on the Group's activities.

In the initial phase (so-called phase 1, or lockdown), the measures adopted by the public authorities had resulted in the closure of non-essential activities and severe restrictions on people movement (unless authorized for specific reasons).

The situation had been rather critical in the first half of 2020. The curbing of infections, which had marked the end of the first half and part of third quarter 2020, had led to a gradual improvement in the situation.

Subsequently, as early as August 2020 in Spain and October in Italy, the curve of infections had started to rise again, leading the public authorities of the two countries to reintroduce a series of restrictive measures.



The beginning of 2021 continued to be marked by the health emergency and the containment measures implemented by the authorities, both in Italy and Spain.

Specifically, in Spain at the beginning of the year, and in Italy from the end of February 2021, the number of cases has risen, leading to the adoption again of restrictive measures. Starting from the second half of February in Spain, and from mid-April in Italy, the situation improved and the containment measures were gradually lifted.

In both countries, the vaccination campaign, together with the introduction of measures to boost vaccination, prevention and/or monitoring, has gradually brought great benefits in terms of cases, hospital and ICUs admission rates and deaths, which have allowed them to speed up the reduction of restrictive measures and improve the situation.

The vaccination campaign and the measures adopted have allowed the two countries to cope effectively with the spread of the Omicron variant at the end of 2021 and to curb its impact on business activities and people's lives.

Following the downtrend of 2020, the economic recovery that started in 2021 was marked by higher prices for transportation and a number of commodities, including printing paper and energy, and in some cases, supply difficulties. This situation is causing a general increase in production costs and difficulties in production processes for various sectors, whose current production is struggling to keep pace with the trend in demand. With regard to the Group, this economic context, and its development during the year, impacts on production costs and may also affect the performance of the advertising market, as it may influence the advertisers' propensity to spend.

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.

In 2021, the international scenario was marked by economic recovery after the decline in 2020 associated with the spread of the Coronavirus and the restrictive measures implemented by the public authorities of the countries involved. Italy's GDP for the full year 2021 increased by 6.5% (*ISTAT*), while Spain recorded an annual GDP growth rate of 5.2% (*Institute of National Statistics - INE*).

After several years of virtual price stability, in 2021 the national consumer price index was up by 3.9% on an annual basis in Italy (*ISTAT*) and by 6.5% in Spain (*Institute of National Statistics -INE*) versus a 5% growth in the Euro Zone.



In Italy, in 2021, the advertising market (*Nielsen*) increased by 12.8% versus 2020, with the television, online (net of search, social media and over the top), newspaper and magazine advertising markets up by 14.4%, 17.6%, 4.3% and 3.6%, respectively.

In 2021, the Spanish advertising sales market was up by 11.5% versus 2020 (*i2p, Arce Media*). Specifically, the newspaper and magazine markets declined by 1.5% and 5.8%, respectively. Conversely, advertising sales on the Internet (excluding social media, search, etc.) were up by 19.5%.

Economic uncertainty and the general scenario also hit daily newspaper and magazine sales figures.

In terms of circulation, in Italy the adverse trend of the print products market persisted in 2021 too. Specifically, in 2021 generalist newspapers and sports newspapers in Italy saw a drop in print and digital circulation versus 2020 of 5.7% and 2.7%, respectively (*ADS January-December 2021*).

In Spain, in 2021 circulation figures show a decline for generalist newspapers (-15%), business newspapers (-23.6%) and sports newspapers (-19.6%) (*OJD*). Mention should be made that, owing to the pandemic, no official circulation figure had been published for the period from 14 March 2020 to 30 June 2020, so the 2020 comparison figure expresses an average without considering such period.

In 2021 (in the first months of the year in particular), in a context still dominated by the uncertainty brought by the health emergency:

- the **Group's** revenue, gross operating profit (EBITDA), operating profit (EBIT) and profit attributable to the owners of the parent grew sharply versus the figures of 2020. At year end, the net financial position stands at Euro 37 million, improving by Euro 100.2 million versus end 2020 (when the Group had a net financial debt of Euro 63.2 million);
- **RCS** achieved a net positive result of Euro 72.4 million¹ and continued to generate positive cash flows, with an improvement in the net financial position of Euro 76.3 million. *Corriere della Sera* achieved remarkable newsstand circulation results and continued the growth of digital operations: at end December, its total active digital customer base (digital edition, membership and m-site) counted 384 thousand subscriptions. At end December, the customer base for *Gazzetta's* pay products (*G ALL*, *G+*, *GPRO* and *Magic*) counted 80 thousand subscriptions. Digital subscriptions grew

¹ RCS 2021 Annual Report, approved on 21 March 2022.



significantly in Spain too, reaching 80 thousand subscriptions for *El Mundo* and 41 thousand subscriptions for *Expansión* at end December 2021;

- the **TV publishing (La7) and network operator segment**² achieved a sharp rise in results and confirmed the high audience levels of the La7 channel (3.17% in the all-day share and 4.43% in prime time). In 2021, advertising sales on La7 and La7d totaled approximately Euro 155.5 million (Euro 145.2 million in 2020), up by +7.1% versus the prior year (when revenue had performed more than 7 percentage points better than the TV advertising market), exceeding the figures recorded in 2019;
- the **magazine publishing segment Cairo Editore** achieved higher results than in 2020 and confirmed high circulation levels of the publications.

In 2021, consolidated gross revenue amounted to approximately Euro 1,176 million (comprising gross operating revenue of Euro 1,136.9 million and other revenue and income of Euro 39.1 million) versus Euro 1,048.7 million in 2020 (comprising gross operating revenue of Euro 1,030.1 million and other revenue and income of Euro 18.5 million), up by Euro 127.3 million. Revenue for the year benefited (Euro 42 million) from the full consolidation of the amounts of m-dis.

Gross operating profit (EBITDA) and operating profit (EBIT) came to Euro 179.4 million and Euro 103.2 million (Euro 109.6 million and Euro 30.5 million in 2020). Net non-recurring income and expense amounted to Euro 3.8 million (Euro -15.1 million in 2020, referring primarily to provisions related to personnel measures).

In 2021, cost-cutting measures continued in order to promptly adapt the company's organization to the changed environment resulting from the health emergency. The benefits of these cost containment actions in 2021 amounted to approximately Euro 12.8 million, of which Euro 7.8 million in Italy and Euro 5 million in Spain.

Profit attributable to the owners of the parent came to approximately Euro 51 million (Euro 16.5 million in 2020).

² As a result of the changes to the Group's organizational structure, also in terms of decision-making levels, resource allocation, performance monitoring and reporting, the business segments have been reviewed, with the aggregation into a single area named "TV Publishing (La7) and Network Operator" of the two previous "TV Publishing (La7)" and "Network Operator", both mutually synergistic and functional; their aggregation within the Group ensures an effective and efficient management.



Looking at the business segments, in 2021:

- in the **magazine publishing segment (Cairo Editore)**, gross operating profit (EBITDA) and operating profit (EBIT) came to Euro 9.2 million and Euro 7.4 million (Euro 7.4 million and Euro 5.6 million in 2020). Regarding weeklies, with approximately 1.1 million average copies sold in the period January-December 2021 (ADS), Cairo Editore retains its position as the leading publisher in copies of weeklies sold at newsstands, with an approximately 29% market share. Including the average sales of titles out of the ADS survey (comprising copies sold of “*Enigmistica Più*” and of “*Enigmistica Mia*”), average copies sold were approximately 1.3 million;
- in the **TV publishing (La7) and network operator segment**³, the Group achieved gross operating profit (EBITDA) of approximately Euro 15.5 million, improving by Euro 6.3 million versus 2020 (Euro 9.2 million). Operating profit (EBIT) was approximately Euro -0.7 million (Euro -6.4 million in 2020);
- in the **advertising segment**, gross operating profit (EBITDA) amounted to Euro 2.9 million (basically break-even in 2020), while operating profit (EBIT) came to Euro 0.8 million (Euro -2.1 million in 2020). The 2021 advertising figures are not immediately comparable to the 2020 figures as they did not include the results of the advertising sales business for RCS. As mentioned earlier, the "Advertising" segment includes mainly the results of the new company, CAIRORCS Media.
- in the **RCS segment**, in the consolidated financial statements of Cairo Communication, gross operating profit (EBITDA) and operating profit (EBIT) amounted to Euro 151.5 million⁴ and Euro 95.5 million respectively (Euro 93 million and Euro 33.5 million in 2020). Net operating revenue amounted to Euro 846.2 million, with total digital revenue (Italy and Spain) amounting to approximately Euro 205 million and accounting for approximately 24.2% of total revenue. Total advertising sales from RCS online media amounted to Euro 154.7 million in 2021, making for 44.4% of total advertising revenue. Online advertising on RCS media grew by 20% in Italy and by 29.2% in Spain in 2021 versus 2020.

³ As a result of the changes to the Group's organizational structure, also in terms of decision-making levels, resource allocation, performance monitoring and reporting, the business segments have been reviewed, with the aggregation into a single area named "TV Publishing (La7) and Network Operator" of the two previous "TV Publishing (La7)" and "Network Operator", both mutually synergistic and functional; their aggregation within the Group ensures an effective and efficient management.

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 - relating to allocations to the provisions for risks and charges and the allowance for impairment, totaling Euro 7 million in 2021 - EBITDA reported in the RCS 2021 Annual Report approved on 21 March 2022 amounts to Euro 144.5 million.



Both Italian newspapers, *Corriere della Sera* and *La Gazzetta dello Sport*, and in Spain *Marca* and *Expansión*, retained their circulation leadership in their respective market segments in 2021 (*ADS* for Italy and *OJD* for Spain). The main digital performance indicators confirm the top market position of RCS, with the *Corriere della Sera* and *La Gazzetta dello Sport* brands, which counted in 2021 28.4 million and 19.6 million average monthly unique users and 3.8 million and 3 million average daily unique users respectively (*Audiweb 2.0*). With an aggregate figure of 32.2 million average monthly unique users (net of duplications) in 2021, RCS is once again the leading online publisher in Italy. In Spain, as part of the online activities, *elmundo.es*, *marca.com* and *expansión.com* reached 52.8 million, 94.5 million and 11.3 million average monthly unique browsers respectively in 2021, comprising both domestic and foreign browsers and including apps (*Google Analytics*). The international English-language version of *Marca* reached 14.5 million average monthly unique browsers versus 2 million in 2020 (*Google Analytics*).

In 2021, La7's average all-day share was 3.17% and 4.43% in prime time (from 8:30 PM to 10:30 PM), confirming a high-quality target audience.

La7d's share was 0.48% in all-day and 0.36% in prime time. The channel's news and discussion programmes all continued to deliver remarkable results: *Otto e Mezzo* with 7.4% average share from Monday to Friday, *TgLa7 edizione delle 20* 5.5% from Monday to Friday, *diMartedì* 5.6%, *Piazzapulita* 5.5%, *Propaganda Live* 5.3%, *Non è l'Arena* 5.8%, *Omnibus La7* 3.6%, *Coffee Break* 3.8%, *L'Aria che tira* 5.4%, and *Tagadà* 3.2%.

La7 retains its position as the top generalist TV for hours of information broadcast (5,010 hours, equal to 57% of the total schedule), and the second generalist TV for hours of live broadcasting, both in terms of all-day coverage (3,570 hours, behind only Rai1) and in prime time (764 hours, behind Rete 4).

In 2021, the channel ranked (i) fifth in the morning slot (7:00-12:00) with a 3.48% share, (ii) for the "graduate" audience fourth in all-day (7:00-2:00) with a 6.50% share, second in prime time (20:30-22:30) with a 9.13% share behind only Rai1, (iii) fourth on the high spending audience both in all-day and prime time respectively with a 5.90% and 7.85% share.



PERFORMANCE

Cairo Communication Group – Consolidated figures

The main consolidated income statement figures in 2021 can be compared with the figures in 2020:

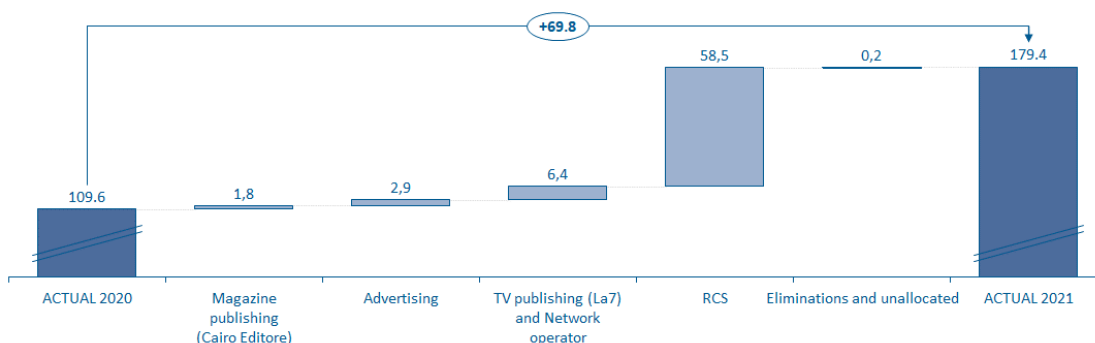
(€ millions)	2021	2020
Gross operating revenue	1,136.9	1,030.1
Advertising agency discounts	(66.2)	(60.5)
Net operating revenue	1,070.7	969.6
Change in inventory	0.4	(1.9)
Other revenue and income	39.1	18.5
Total revenue	1,110.3	986.3
Production costs	(605.5)	(556.3)
Personnel expense	(321.6)	(305.3)
Non-recurring income (expense)	(3.8)	(15.1)
Gross operating profit	179.4	109.6
Amortization, depreciation, provisions and write-downs	(76.2)	(79.0)
Operating profit	103.2	30.5
Other gains (losses) from financial assets/liabilities	4.6	3.2
Net financial income	(11.1)	(10.2)
Profit (loss) before tax	96.8	23.5
Income tax	(16.8)	5.5
Non-controlling interests	(28.9)	(12.6)
Profit (loss) from continuing operations	51.0	16.5
Profit (loss) from discontinued operations	-	-
Profit (loss) attributable to the owners of the parent	51.0	16.5

In 2021, consolidated gross revenue amounted to approximately Euro 1,176 million (comprising gross operating revenue of Euro 1,136.9 million and other revenue and income of Euro 39.1 million) versus Euro 1,048.7 million in 2020 (comprising gross operating revenue of Euro 1,030.1 million and other revenue and income of Euro 18.5 million), up by Euro 127.3 million. Revenue for the year benefited (Euro 42 million) from the full consolidation of the amounts of m-dis.

Gross operating profit (EBITDA) and operating profit (EBIT) came to Euro 179.4 million and Euro 103.2 million versus Euro 109.6 million and Euro 30.5 million in 2020. Net non-recurring income and expense amounted to Euro 3.8 million (Euro -15.1 million in 2020, referring primarily to provisions related to personnel measures).



The **EBITDA** trend between 2020 and 2021 is shown below:



Mention should be made that the item "Net income (expense) from equity-accounted investees" (amounting in 2021 to a net expense of Euro -2.1 million), previously classified under EBITDA, as of 2021, was reclassified after EBIT under financial items; consistently, the item was also reclassified for the comparative year 2020, when net expense amounted to Euro -2.9 million.

As already commented, the Group continued in 2021 to pursue a series of actions 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.

Profit attributable to the owners of the parent came to approximately Euro 51 million (Euro 16.5 million in 2020).



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

€ millions	2021	2020
Profit (loss) for the period	79.9	29.0
<i>Reclassifiable items of the comprehensive income statement</i>		
Gains (losses) from cash flow hedges	0.1	(0.4)
Reclassification of gains (losses) from cash flow hedges	0.6	0.6
Tax effect	(0.1)	-
<i>Non-reclassifiable items of the comprehensive income statement</i>		
Actuarial gains (losses) from defined benefit plans	0.5	(2.1)
Tax effect	(0.1)	0.5
Gains (losses) from the fair value measurement of equity instruments	(0.1)	(0.1)
Total comprehensive income for the period	80.8	27.5
- Owners of the parent	51.5	15.3
- Non-controlling interests - continuing operations	29.3	12.2
	80.8	27.5

The Group's performance can be read better by analyzing the 2021 results by **main business segment** (magazine publishing Cairo Editore, advertising, TV publishing La7, network operator and RCS) versus those of 2020.

As a result of the changes to the Group's organizational structure, also in terms of decision-making levels, resource allocation, performance monitoring and reporting, the business segments have been reviewed, with the aggregation into a single area named "TV Publishing (La7) and Network Operator" of the two previous "TV Publishing (La7)" and "Network Operator", both mutually synergistic and functional; their aggregation within the Group ensures an effective and efficient management.

Given the material amounts versus the Group's other operating segments, the results of "Il Trovatore" are classified under "Eliminations and unallocated items".

Consistently, the corresponding analysis of 2020 segment results has also been restated.



2021	Magazine publishing Cairo Editore	Advertising	TV publishing La7 and network operator	RCS	Eliminations and unallocated	Total
(€ millions)						
Gross operating revenue	84.2	425.3	112.3	886.3	(371.2)	1,136.9
Advertising agency discounts	-	(55.5)	-	(40.1)	29.4	(66.2)
Net operating revenue	84.2	369.8	112.3	846.2	(341.8)	1,070.7
Change in inventory	(0.0)	-	-	0.4	-	0.4
Other revenue and income	4.2	4.1	2.8	33.0	(4.9)	39.1
Total revenue	88.4	373.9	115.2	879.5	(346.7)	1,110.3
Production costs	(61.7)	(346.6)	(61.6)	(482.4)	347.0	(605.5)
Personnel expense	(17.4)	(24.4)	(38.0)	(241.8)	(0.1)	(321.6)
Non-recurring income (expense)	-	-	-	(3.8)	-	(3.8)
Gross operating profit (EBITDA)	9.2	2.9	15.5	151.5	0.2	179.4
Amortization, depreciation, provisions and write-downs	(1.9)	(2.1)	(16.2)	(56.0)	(0.0)	(76.2)
Operating profit (EBIT)	7.4	0.8	(0.7)	95.5	0.2	103.2
Other gains (losses) from financial assets/liabilities	-	-	-	4.6	-	4.6
Net financial income	(0.0)	(0.4)	(0.1)	(10.6)	0.0	(11.1)
Profit (loss) before tax	7.3	0.4	(0.7)	89.6	0.2	96.8
Income tax	(0.9)	(0.5)	2.7	(18.0)	(0.1)	(16.8)
Non-controlling interests	-	-	-	(28.9)	(0.0)	(28.9)
Profit (loss) from continuing operations	6.4	(0.1)	1.9	42.7	0.1	51.0
Profit (loss) from discontinued operations	-	-	-	-	-	-
Profit (loss) for the period attributable to the owners of the parent	6.4	(0.1)	1.9	42.7	0.1	51.0
2020	Magazine publishing Cairo Editore	Advertising	TV publishing La7 and network operator	RCS	Eliminations and unallocated	Total
(€ millions)						
Gross operating revenue	90.6	166.8	103.2	786.4	(116.8)	1,030.1
Advertising agency discounts	-	(23.9)	-	(36.9)	0.3	(60.5)
Net operating revenue	90.6	142.9	103.2	749.5	(116.5)	969.6
Change in inventory	(0.0)	-	-	(1.8)	-	(1.9)
Other revenue and income	0.1	0.9	3.9	13.6	-	18.5
Total revenue	90.6	143.8	107.1	761.2	(116.5)	986.3
Production costs	(66.5)	(134.3)	(61.3)	(410.9)	116.5	(556.3)
Personnel expense	(16.7)	(9.6)	(36.7)	(242.2)	(0.1)	(305.3)
Non-recurring income (expense)	-	-	-	(15.1)	-	(15.1)
Gross operating profit (EBITDA)	7.4	(0.0)	9.2	93.0	(0.0)	109.6
Amortization, depreciation, provisions and write-downs	(1.8)	(2.1)	(15.6)	(59.5)	(0.0)	(79.0)
Operating profit (EBIT)	5.6	(2.1)	(6.4)	33.5	(0.0)	30.5
Other gains (losses) from financial assets/liabilities	-	-	-	3.2	-	3.2
Net financial income	(0.0)	(0.4)	(0.5)	(9.3)	(0.0)	(10.2)
Profit (loss) before tax	5.6	(2.6)	(6.9)	27.5	(0.0)	23.5
Income tax	(0.8)	0.7	2.1	3.5	(0.0)	5.5
Non-controlling interests	-	-	-	(12.6)	0.0	(12.6)
Profit (loss) from continuing operations	4.8	(1.9)	(4.8)	18.4	(0.0)	16.5
Loss from discontinued operations	-	-	-	-	-	-
Profit (loss) for the period attributable to the owners of the parent	4.8	(1.9)	(4.8)	18.4	(0.0)	16.5



Gross operating revenue in 2021, split up by main business segment, can be analyzed as follows versus the amounts of 2020:

2021	Magazine publishing Cairo Editore	Advertising	TV publishing La7 and network operator	RCS	Eliminations and unallocated	Total
(€ millions)						
TV advertising	-	157.3	106.1	0.5	(107.1)	156.8
Advertising on print media, Internet and sporting events	10.4	266.1	2.5	388.0	(253.1)	413.9
Other TV revenue	-	-	1.2	2.8	(0.4)	3.6
Magazine over-the-counter sales and subscriptions	74.6	-	-	378.4	(2.6)	450.5
VAT relating to publications	(0.8)	-	-	(2.6)	-	(3.4)
Other revenue	-	1.9	2.5	119.3	(8.1)	115.6
Total gross operating revenue	84.2	425.3	112.3	886.3	(371.2)	1,136.9
Other revenue	4.2	4.1	2.8	33.0	(4.9)	39.1
Total gross revenue	88.3	429.3	115.2	919.3	(376.1)	1,176.0
2020	Magazine publishing Cairo Editore	Advertising	TV publishing La7 and network operator	RCS	Eliminations and unallocated	Total
(€ millions)						
TV advertising	-	146.2	98.8	0.6	(100.1)	145.6
Advertising on print media, Internet and sporting events	11.4	20.0	2.4	349.1	(14.9)	368.0
Other TV revenue	-	-	1.5	4.7	(0.7)	5.6
Magazine over-the-counter sales and subscriptions	80.1	-	-	346.7	(0.4)	426.4
VAT relating to publications	(0.9)	-	-	(2.9)	-	(3.8)
Other revenue	-	0.6	0.4	88.2	(0.8)	88.3
Total gross operating revenue	90.6	166.8	103.2	786.4	(116.8)	1,030.1
Other revenue	0.1	0.9	3.9	13.6	0.0	18.5
Total gross revenue	90.5	167.7	107.1	800.0	(116.8)	1,048.7

As a result of the consolidation of m-dis (i) the item "sale of publications and subscriptions" includes Euro 27.9 million in circulation revenue from the distribution of products of third-party publishers, and (ii) the item "sundry revenue" includes Euro 13.5 million in revenue from other services, for a total of Euro 42 million.



The main **consolidated statement of financial position figures** at 31 December 2021 can be compared with the situation at 31 December 2020:

(€ millions)	31/12/2021	31/12/2020
Property, plant and equipment	57.0	70.9
Rights of use on leased assets	168.5	164.9
Intangible assets	985.1	982.3
Financial assets	37.2	39.5
Deferred tax assets	86.8	96.3
Net working capital	(64.1)	(58.6)
Total assets	1,270.5	1,295.4
Non-current liabilities and provisions	112.9	109.3
Deferred tax provision	162.1	164.2
(Financial position)/Net debt	(37.0)	63.2
Liabilities from lease contracts (pursuant to IFRS 16)	184.8	180.9
Equity attributable to the owners of the parent	514.4	468.4
Equity attributable to non-controlling interests	333.3	309.4
Total equity and liabilities	1,270.5	1,295.4

In 2021, as part of the share buy-back plans, no treasury shares were sold or purchased. At 31 December 2021, 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.

It should be noted that:

- the Shareholders' Meeting of RCS on 29 April 2021 approved the distribution of a dividend of Euro 0.03 per share, gross of tax, with ex-dividend date on 17 May 2021, for a total of approximately Euro 15.5 million (Euro 9.3 million the share of Cairo Communication),
- the Shareholders' Meeting of Cairo Communication on 30 April 2021 approved the distribution of a dividend of Euro 0.04 per share, gross of tax, with ex-dividend date on 24 May 2021, for a total of Euro 5.4 million.

The change in net financial debt at Group level as a result of the distribution of dividends was approximately Euro 11.6 million.



The consolidated **net financial position** at 31 December 2021, versus the situation at 31 December 2020, can be summarized as follows:

Net financial position (€ millions)	31/12/2021	31/12/2020	Changes
Cash and cash equivalents	113.0	87.4	25.6
Other current financial assets and financial receivables	0.2	6.9	(6.7)
Current financial assets (liabilities) from derivative instruments	(0.3)	(0.1)	(0.2)
Current financial payables	(36.4)	(97.4)	61.0
Current net financial position (net financial debt)	76.5	(3.3)	79.8
Non-current financial payables	(39.6)	(58.9)	19.3
Non-current financial assets (liabilities) from derivative instruments	0.1	(1.0)	1.1
Non-current net financial position (net financial debt)	(39.5)	(59.9)	20.4
Net financial position (net financial debt)	37.0	(63.2)	100.2
Liabilities from leases (pursuant to IFRS 16)	(184.8)	(180.9)	(3.9)
Total net financial position (net financial debt)	(147.8)	(244.1)	96.3

The consolidated **net financial position** at 31 December 2021 stood at approximately Euro 37 million, improving by Euro 100.2 million versus end 2020 (Euro 63.2 million at 31 December 2020), thanks to the strong push from normal operations. At 31 December 2021, the net financial position of RCS amounted to a net debt of Euro 16.7 million (a net debt of Euro 59.6 million at 31 December 2020). The net financial position was negatively impacted mainly by the net effects of dividend payouts amounting to Euro 11.6 million. Conversely, the positive effects of the net proceeds from the sale of investments and fixed assets, amounting to Euro 16.1 million, refer mainly to the sale of Unidad Editorial Juegos and to certain non-instrumental property.

Total net financial debt, which includes financial liabilities from leases recognized in accordance with IFRS 16 (mainly property leases) of Euro 184.8 million, amounted to Euro 147.8 million (Euro 244.1 million at 31 December 2020).

To analyze the major financial indicators, the consolidated asset structure at 31 December 2021 can be examined using a reclassified statement showing increasing liquidity/settlement:



	31 December 2021	31 December 2020
Non-current assets		
Property, plant and equipment and intangible assets	1,042.1	1,053.2
Rights of use on leased assets	168.5	164.9
Financial assets	32.5	37.5
Other non-current assets	4.7	2.0
Deferred tax assets	86.8	96.3
Total non-current assets	1,334.6	1,353.9
Current assets		
Inventory	19.6	19.9
Trade receivables (unavailable liquid funds)	288.8	244.2
Other unavailable liquid funds	64.2	50.9
Total operating working capital	372.6	315.0
Other current financial assets	0.3	6.9
Available cash funds	113.0	87.4
Total current assets	485.9	409.3
Invested capital	1,820.5	1,763.2
Equity attributable to the owners of the parent	847.7	777.8
Consolidated liabilities		
Post-employment benefits and provisions for risks and charges	81.0	78.9
Deferred tax liabilities	162.1	164.2
Other non-current liabilities	1.2	1.0
Non-current liabilities from lease contracts	154.9	152.1
Non-current borrowing liabilities	39.6	59.9
Total consolidated liabilities	438.8	456.1
Current liabilities		
Current portion of provisions for risks and charges	30.7	29.4
Operating liabilities	436.6	373.6
Current liabilities from lease contracts	29.9	28.8
Current borrowing liabilities	36.8	97.5
Total current liabilities	534.0	529.3
Financing capital	1,820.5	1,763.2
Profit (loss)	51.0	16.5
Operating profit	103.2	27.6
Revenue from sales	1,070.7	969.6

The table below shows the analysis of the operating results and cash flows of the Group through the key financial indicators which - in order to also compare figures - have been calculated in keeping with prior years (before IFRS 16):



(€ millions)	Description	31/12/2021	31/12/2020
Solvency indicators			
Current assets less current liabilities margin	Current assets-current liabilities	(18.2)	(91.2)
Current assets less current liabilities ratio	Current assets/current liabilities	1.0	0.8
Treasury margin	(Unavailable liquid funds + available liquid funds)-current liabilities	(37.8)	(111.1)
Treasury ratio	(Unavailable liquid funds + available liquid funds)/current liabilities	0.9	0.8
Non-current asset financing indicators			
Own funds less fixed assets margin	Own funds – non-current assets	(318.4)	(411.2)
Own funds less non-current assets ratio	Equity/non-current assets	0.7	0.7
Own funds plus non-current liabilities less non-current assets margin	(Own funds+non-current liabilities) – non-current assets	(74.1)	(167.1)
Own funds plus non-current liabilities less non-current assets ratio	(Own funds+non-current liabilities)/non-current assets	0.9	0.9
Financing structure indicators			
Total debt ratio	(Non-current + current liab.)/Own funds	0.9	1.0
Financing debt ratio	Third-party funds/Own funds	0.1	0.2
Current operating assets - current operating liabilities		(64.0)	(58.6)
Profitability indicators			
ROE	Profit/Own funds	6.0%	2.1%
ROE current operations	Profit curr. op./Own funds	5.9%	2.0%
ROI	Operating profit/(Inv. op. capital – op. liabilities)	7.6%	2.0%
ROI current operations	Operating profit current operations/(Inv. op. capital – op. liabilities)	7.8%	2.2%
Other indicators			
Receivables turnover		81	75

Solvency indicators (liquidity), which represent the ability to maintain short-term financial stability, namely to meet short-term outflows (current liabilities) with existing cash (available liquid funds) and short-term inflows (unavailable liquid funds), show that current liabilities are higher than current assets.

In this regard, at 31 December 2021:

- no amount of the revolving line of Euro 125 million set out in the RCS loan agreement had been drawn down;



- the publishing companies have a negative net working capital (current assets net of current liabilities, not including financial assets or liabilities), since a portion of the trade receivables (those from sales in the publishing segment) is transformed into cash more quickly than average supplier payment terms;
- the Group attempts to ensure that an appropriate ability to generate cash is maintained, even under the current market conditions.

The statement of cash flows is used to analyze overall dynamics and origins of cash movements. The financing structure and non-current assets financing indicators express the strength of equity, and the ability of the company to maintain financial stability in the medium/long term, which depends on:

- the methods of funding medium/long term commitments,
- the composition of funding sources.

With regard to profitability indicators, the ROI (Return on Invested capital) is an indicator that expresses the level of efficiency/effectiveness of corporate management. Invested capital as the denominator is restated for an equivalent amount of liabilities without explicit maturity since their cost is substantially included in operating profit.

Cairo Communication S.p.A. - Parent performance

The main income statement figures of Cairo Communication S.p.A. in 2021 can be compared as follows versus those in 2020:

(€ millions)	2021	2020
Gross operating revenue	5.1	6.6
Advertising agency discounts	-	-
Net operating revenue	5.1	6.6
Other revenue and income	0.3	1.0
Total revenue	5.4	7.6
Production costs	(2.6)	(4.5)
Personnel expense	(1.9)	(2.5)
Gross operating profit	0.9	0.5
Amortization, depreciation, provisions and write-downs	(0.3)	(1.7)
Operating profit	0.6	(1.2)
Net financial income	(0.4)	(0.5)
Other gains (losses) from financial assets/liabilities	11.7	(0.3)
Profit (loss) before tax	11.9	(2.0)
Income tax	(0.2)	0.5
Profit (loss) for the period	11.7	(1.6)



In 2021, Cairo Communication continued to operate in TV advertising sales (La7, La7d and theme channels Cartoon Network and Boomerang) and on the Internet through its subsidiary CAIRORCS Media on a sub-concession basis, invoicing advertising spaces directly to its customers and returning to Cairo Communication a share of revenue generated by resources managed on a sub-concession basis. Revenue from sub-concession fees charged to the subsidiary CAIRORCS Media is shown net of the fees paid back to the publishers who own the media.

In 2021, gross operating profit (EBITDA) came to Euro 0.9 million (Euro 0.5 million in 2020) and operating profit (EBIT) to approximately Euro 0.6 million (a negative Euro 1.2 million in 2020). Profit was approximately Euro 11.7 million (a negative Euro 1.6 million in 2020).

In 2021, "Other income (expense) from financial assets and liabilities" includes mainly dividends approved by the subsidiaries RCS MediaGroup for Euro 9.4 million and Cairo Editore for Euro 2.3 million.

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

€ millions	2021	2020
Profit (loss) for the period	11.7	(1.6)
<i>Other reclassifiable items of the comprehensive income statement</i>		
Gains (losses) from the measurement of available-for-sale financial assets	-	-
Tax effect	-	-
<i>Other non-reclassifiable items of the comprehensive income statement</i>		
Actuarial gains (losses) from defined benefit plans	-	-
Tax effect	-	-
Total comprehensive income (expense)	11.7	(1.6)

The main **statement of financial position figures** of Cairo Communication S.p.A. at 31 December 2021 can be compared with the situation at 31 December 2020:

(€ millions)	31/12/2021	31/12/2020
Property, plant and equipment	0.4	0.3
Rights of use on leased assets	-	0.3
Intangible assets	0.2	0.2
Financial assets	328.8	328.8
Other non-current financial assets	29.4	23.3
Net working capital	(29.2)	(19.4)
Total assets	329.6	333.5
Non-current liabilities and provisions	1.2	1.1
(Net financial position)/Net debt	68.6	78.8
Liabilities from lease contracts (pursuant to IFRS 16)	-	0.3
Equity	259.8	253.5
Total equity and liabilities	329.6	333.5



The **net financial position** of the Parent at 31 December 2021, versus the situation at 31 December 2020, is summarized as follows:

	31/12/2021	31/12/2020	Change
Liquid funds	9,755	1,179	8,576
Non-current assets for hedging derivatives	15	0	15
Financial payables to La7 S.p.A.	(40,030)	(40,030)	0
Financial payables to subsidiaries - intra-group c/a	(28,265)	0	(28,265)
Non-current financial payables	(5,000)	0	(5,000)
Current financial payables	(5,000)	(40,000)	35,000
Net financial position	(68,525)	(78,851)	10,326
Liabilities from lease contracts	(26)	(329)	303
Total net financial position	(68,551)	(79,180)	10,629

Financial payables to subsidiaries are attributable to the short-term interest-bearing cash deposit agreement with La7 S.p.A. (Euro 40 million) and to the intra-group current account for Euro 28.3 million.

The total net financial position also includes Euro 26 thousand in financial liabilities from lease contracts recorded in the financial statements pursuant to IFRS 16 (relating to company cars).

Statement of reconciliation of Parent equity and profit and Group equity and profit

The **statement of reconciliation** of equity and profit of Cairo Communication S.p.A. and Group equity and profit can be analyzed as follows:



(€ millions)	Equity 31/12/2021	Profit (loss) for the period
Separate financial statements of Cairo Communication S.p.A.	259.8	11.7
<u>Elimination of the carrying amount of consolidated investments:</u>		
Difference between carrying amount of investments and their equity value	(0.9)	
Effects of the purchase price allocation of RCS S.p.A.	157.8	1.2
Effects of the purchase price allocation of La7 S.p.A.	(0.1)	1.1
Share in consolidated companies' profit net of investment impairment losses		54.3
<u>Allocation of consolidation differences</u>		
RCS goodwill net of tax effects	112.4	(1.8)
Other goodwill	7.2	
Elimination of intra-group profits net of income tax	(21.8)	(3.8)
Elimination of intra-group dividends		(11.7)
Consolidated financial statements of Cairo Communication	514.4	51.0

Main business segment operating results and related risk factors and strategic opportunities

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*”.

The results achieved by the Cairo Editore publishing segment in 2021 can be analyzed as follows:



Publishing Cairo Editore (€ millions)	2021	2020
Operating revenue	84.2	90.6
Other income	4.2	0.1
Change in inventory	-	-
Total revenue	88.4	90.6
Production costs	(61.7)	(66.5)
Personnel expense	(17.4)	(16.7)
Gross operating profit	9.2	7.4
Amortization, depreciation, provisions and write-downs	(1.9)	(1.8)
Operating profit	7.4	5.6
Other gains (losses) from financial assets/liabilities	-	-
Net financial income	-	-
Profit (loss) before tax	7.3	5.6
Income tax	(0.9)	(0.8)
Profit (loss) for the period	6.4	4.8

In 2021, against a persisting backdrop of uncertainty brought by the health emergency, Cairo Editore improved its results versus those of 2020.

Gross operating profit (EBITDA) and operating profit (EBIT) came to approximately Euro 9.2 million and approximately Euro 7.4 million (Euro 7.4 million and Euro 5.6 million in 2020).

The Group weeklies reported high circulation results, with an average ADS weekly circulation in the January-December period of 2021 of 345,001 copies for “*Settimanale DIPIU*”, 166,995 copies for “*DIPIU’ TV*”, 54,954 copies for “*Settimanale DIPIU’ e DIPIU’TV Cucina*”, 117,700 copies for “*Diva e Donna*”, 162,703 copies for “*Settimanale Nuovo*”, 94,470 copies for “*F*”, 70,203 copies for “*TVMia*”, 56,091 copies for “*Settimanale Giallo*”, and 66,746 copies for “*NuovoTV*”, reaching a total of approximately 1.1 million average weekly copies sold, and making the Group the leading publisher in copies of weeklies sold at newsstands, with an approximately 29% market share. Including the average sales of titles out of the ADS survey (comprising copies sold of “*Enigmistica Più*” and of “*Enigmistica Mia*”), average copies sold were approximately 1.3 million.

ADVERTISING

With regard to the advertising segment, at end 2020 Cairo Communication and RCS signed an agreement to regulate the terms and conditions of a corporate and business cooperation for the transfer, in a newly-established investee held on an equal basis, CAIRORCS Media S.p.A., by RCS and Cairo Pubblicità of their respective advertising sales business units for, respectively, RCS's print and online titles in Italy and the print, television and online titles of Cairo Editore



and La7, as well as, for both businesses, certain third-party media. The transfers became effective as from 1 January 2021.

The purpose of the Transaction is to ensure the effective and unified management of the advertising agency business and sale of advertising space, maximizing synergies at group level. The business segments of the Advertising division of RCS and Cairo Pubblicità were, in fact, highly complementary and the transfer of advertising sales activities to a single company, CAIRORCS, helped to build a broader business proposition, concurrently covering all major areas of communication - from the web to magazines and television - and created a more effective offering promoted as it is jointly and with greater client penetration.

Specifically, the integration of the activities of the advertising agencies allowed RCS and Cairo Pubblicità to leverage on each other's strengths on the market, by increasing the market shares of clients currently shared, and by partaking both exclusive and loyal clients.

Additionally, the Transaction enabled the two companies to pool their wealth of experience and know-how, both in terms of knowledge of client acquisition models, and in identifying new models of market coverage, by implementing processes for sharing industrial and business best practices.

The 2021 advertising segment figures are, therefore, not immediately comparable to the 2020 figures as they did not include the results of the advertising sales business for RCS. In keeping with prior years, the advertising segment also includes the results of Cairo Communication S.p.A..

The results achieved by Advertising in 2021 can be analyzed as follows:



Advertising (€ millions)	2021	2020
Gross operating revenue	425.3	166.8
Advertising agency discounts	(55.5)	(23.9)
Net operating revenue	369.8	142.9
Other income	4.1	0.9
Change in inventory	-	-
Total revenue	373.9	143.8
Production costs	(346.5)	(134.3)
Personnel expense	(24.4)	(9.6)
Gross operating profit	2.9	-
Amortization, depreciation, provisions and write-downs	(2.1)	(2.1)
Operating profit	0.8	(2.1)
Other gains (losses) from financial assets/liabilities	-	-
Net financial income	(0.4)	(0.4)
Profit (loss) before tax	0.4	(2.6)
Income tax	(0.5)	0.7
Non-controlling interests	-	-
Profit (loss) for the period	(0.1)	(1.9)

In 2021, gross operating profit (EBITDA) amounted to Euro 2.9 million, while operating profit (EBIT) amounted to Euro 0.8 million (basically break-even and a negative Euro 2.1 million in 2020).

In 2021:

- advertising sales on La7 and La7d channels totaled approximately Euro 155.5 million (Euro 145.2 million in 2020), up by +7.2% versus the prior year,
- advertising sales on Cairo Editore titles amounted to Euro 13.3 million (Euro 14.6 million in 2020)
- gross advertising revenue of the RCS titles, amounting to Euro 239.3 million, increased by 14.3% overall versus 2020, with the online medium on a strong rise (approximately +20.3%).

TV PUBLISHING (La7) AND NETWORK OPERATOR

As already commented, as a result of the changes to the Group's organizational structure, also in terms of decision-making levels, resource allocation, performance monitoring and reporting, the business segments have been reviewed, with the aggregation into a single area named "TV Publishing (La7) and Network Operator" of the two previous "TV Publishing (La7)" and "Network Operator", both mutually synergistic and functional; their aggregation within the Group ensures an effective and efficient management.



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. (today La7 S.p.A.) 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.

The results achieved by the TV publishing segment (La7) in 2021 can be analyzed as follows:

TV publishing and network operator segment (€ millions)	2021	2020
Gross operating revenue	112.3	103.2
Other income	2.8	3.9
Change in inventory	-	-
Total revenue	115.2	107.1
Production costs	(61.6)	(61.3)
Personnel expense	(38.0)	(36.7)
Gross operating profit	15.5	9.2
Amortization, depreciation, provisions and write-downs	(16.2)	(15.6)
Operating profit	(0.7)	(6.4)
Other gains (losses) from financial assets/liabilities		
Net financial income	(0.1)	(0.5)
Profit (loss) before tax	(0.7)	(6.9)
Income tax	2.7	2.1
Non-controlling interests	-	-
Profit (loss) for the period	1.9	(4.8)

In 2021, the TV publishing (La7) and network operator segment achieved gross operating profit (EBITDA) of approximately Euro 15.5 million, an improvement of Euro 6.3 million versus 2020 (Euro 9.2 million in 2020), and operating profit (EBIT) of approximately Euro - 0.7 million (Euro - 6.4 million in 2020).

In 2021, La7's average all-day share was 3.17% and 4.43% in prime time (from 8:30 PM to 10:30 PM), confirming a high-quality target audience.

La7d's share was 0.48% in all-day and 0.36% in prime time. The channel's news and discussion programmes all continued to deliver remarkable results: *Otto e Mezzo* with 7.4% average share from Monday to Friday, *TgLa7 edizione delle 20* 5.5% from Monday to Friday, *diMartedì*



5.6%, *Piazzapulita* 5.5%, *Propaganda Live* 5.3%, *Non è l'Arena* 5.8%, *Omnibus La7* 3.6%, *Coffee Break* 3.8%, *L'Aria che tira* 5.4%, and *Tagadà* 3.2%.

La7 retains its position as the top generalist TV for hours of information broadcast (5,010 hours, equal to 57% of the total schedule), and the second generalist TV for hours of live broadcasting, both in terms of all-day coverage (3,570 hours, behind only Rai1) and in prime time (764 hours, behind Rete 4).

In 2021, the channel ranked (i) fifth in the morning slot (7:00-12:00) with a 3.48% share, (ii) for the "graduate" audience fourth in all-day (7:00-2:00) with a 6.50% share, second in prime time (20:30-22:30) with a 9.13% share behind only Rai1, (iii) fourth on the high spending audience both in all-day and prime time respectively with a 5.90% and 7.85% share.

With regard to network operator activities, 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.

In August, an agreement was reached with Dazn on the rental of digital terrestrial bandwidth for the broadcasting of the new *Dazn Channel*, which acts as a backup to the OTT service. In December 2021, an agreement was also reached with Elda Srl on the rental of digital terrestrial bandwidth for the broadcasting of some of its "Italia" and "Arte" channels starting from January 2022.

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 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*.

RCS is also marginally active in the Pay TV market in Italy, through the satellite TV channel *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* and *Dmax*, whose content is produced by third parties.

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

With *Solferino - i libri del Corriere della Sera*, it is active in book publishing; March 2020, instead, saw the start of activities of *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,⁵ marking a return to positive territory by the RCS Group (the first time since 2010), and in 2017⁶, 2018⁶ 2019⁶ and 2020⁶ the net result had amounted to Euro 71.1 million, Euro 85.2 million, Euro 68.5 million and Euro 31.7 million.

The results achieved by the RCS segment in 2021 can be analyzed as follows:

⁵ RCS 2017, 2018, 2019 and 2020 Annual Report



RCS <i>(€ millions)</i>	2021	2020
Gross operating revenue	886.3	786.4
Advertising agency discounts	(40.1)	(36.9)
Net operating revenue	846.2	749.5
Change in inventory	0.4	(1.8)
Other revenue and income	33.0	13.6
Total revenue	879.5	761.2
Production costs	(482.4)	(410.9)
Personnel expense	(241.8)	(242.2)
Non-recurring income and expense	(3.8)	(15.1)
Gross operating profit	151.5	93.0
Amortization, depreciation, provisions and write-downs	(56.0)	(59.5)
Operating profit	95.5	33.5
Other gains (losses) from financial assets/liabilities	4.6	3.2
Net financial income	(10.6)	(9.3)
Profit (loss) before tax	89.6	27.5
Income tax	(18.0)	3.5
Non-controlling interests	(28.9)	(12.6)
Profit (loss) for the period	42.7	18.4

In 2021, amid the uncertainty caused by the health emergency, RCS achieved - in the consolidated financial statements of Cairo Communication - gross operating profit (EBITDA) of approximately Euro 151.5 million⁶ and operating profit (EBIT) of Euro 95.5 million (respectively Euro 93 million and Euro 33.5 million in 2020), up strongly versus the prior year. In 2021, non-recurring expense, amounting to Euro 3.8 million, refers mainly to the allocation of provisions for personnel interventions.

Mention should be made that "Net income (expense) from equity-accounted investees" (amounting in 2021 to a net expense of Euro -2.1 million), previously classified under EBITDA, as of 2021, was reclassified after EBIT; consistently, the item was also reclassified for the comparative year 2020, when net expense amounted to Euro -2.9 million.

The activities on developing and enhancing the editorial offering were complemented by actions taken on costs to promptly adjust the company organization to the changed environment. The benefits of these cost containment actions in 2021 amounted to approximately Euro 9.2 million, of which Euro 4.2 million referring to Italy and Euro 5 million to Spain.

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 section "Alternative Performance Measures". As a result of these differences - relating to allocations to the provisions for risks and charges and the allowance for impairment, totaling Euro 7 million in 2021 - EBITDA reported in the RCS 2021 Annual Report approved on 21 March 2022 amounts to Euro 144.5 million.



In 2021, consolidated net operating revenue generated by RCS amounted to approximately Euro 846.2 million, up by a total of Euro 96.7 million versus 2020. Revenue for the year still felt the brunt of the health emergency, due in particular to the decline versus 2019 in the circulation of sports newspapers, still affected for a specific period by the temporary closure of bars and the restrictions on the reading of newspapers there. As a result of the changed scope of consolidation, revenue at 31 December 2021 includes Euro 44.2 million from the full consolidation of the amounts of m-dis.

RCS digital revenue (Italy and Spain), which amounted to approximately Euro 205 million, accounted for approximately 24.2% of total revenue. Total advertising sales from RCS online media amounted to Euro 154.7 million in 2021, making for 44.4% of total advertising revenue. Online advertising on RCS media grew by 20% in Italy and by 29.2% in Spain in 2021 versus 2020.

Both Italian newspapers retained their circulation leadership in their respective market segments in 2021 (ADS).

In Italy, in 2021 average daily copies circulated including digital copies of *Corriere della Sera* stood at 257 thousand, and those of *La Gazzetta dello Sport* at 101 thousand copies (ADS January-December 2021). The newsstand circulation of *La Gazzetta dello Sport* was affected by the temporary closure, during some of the first months of the year, of bars and public venues, which play a significant role in circulation. In a year still marked by the emergency, *Corriere della Sera*, leveraging on its recognized authority and solid editorial positioning, was able to achieve the excellent newsstand circulation results and, most importantly, to continue the growth in digital development. At end 2021, the total active digital customer base for *Corriere della Sera* (digital edition, membership and m-site) reached 384 thousand subscriptions. Considering total circulation in Italy as measured by ADS, *Corriere della Sera* outperformed the market, dropping by 2.2% versus the market's 5.7% (ADS January-December 2021).

The main digital performance indicators confirm the strong market position of RCS, which is once again the top online publisher in the period January-December 2021 with an aggregate figure of 32.2 million average monthly unique users (net of duplications) (*Audiweb*). The *Corriere della Sera* and *La Gazzetta dello Sport* brands, in the period January-December 2021, reached 28.4 million and 19.6 million average monthly unique users and 3.8 million and 3 million average daily unique users respectively (*Audiweb*).



At end 2021, the customer base for *Gazzetta's* pay products (which includes *G ALL*, *G+*, *GPRO* and *Magic* products) amounted to 80 thousand subscriptions.

The average daily circulation of *El Mundo* in 2021 was 61 thousand copies (including digital copies - Internal Source). Average daily circulation of sports daily *Marca* (including digital copies) in the year dropped to approximately 64 thousand (Internal Source), while in 2021 *Expansión* recorded an average daily circulation of approximately 24 thousand copies, including digital copies (Internal Source). The two newspapers retained their circulation leadership in their respective market segments also in 2021 (*OJD*).

In Spain as well, the main digital performance indicators confirm Unidad Editorial's top market position, with *elmundo.es*, *marca.com* and *expansion.com* reaching 52.8 million, 94.5 million and 11.3 million average monthly unique browsers respectively in 2021, comprising both domestic and foreign browsers and including apps (*Google Analytics*). The international English-language version of *Marca* reached 14.5 million average monthly unique browsers versus 2 million in 2020.

In Spain, digital subscriptions grew strongly with approximately 80 thousand subscriptions for *elmundo.es* and approximately 41 thousand subscriptions for *expansion.com* at end December 2021.

At 31 December 2021, the net financial position stood at Euro 16.7 million, improving by Euro 76.3 million versus a net debt of Euro 59.6 million at 31 December 2020. The net financial position, in addition to capital expenditure and non-recurring expense, was impacted negatively by i) the distribution of dividends for Euro 15.6 million, ii) the consolidation of m-dis which, at 31 December 2021, carries a debt of Euro 1.8 million and iii) the financial effect of the contribution to CAIRORCS Media (which has a positive net financial position of Euro 13.9 million at 31 December 2021). Conversely, the positive effects of the net proceeds from the sale and purchase of investments and disposal of fixed assets, totaling Euro 16.1 million, refer mainly to the sale of Unidad Editorial Juegos S.A. and to certain non-instrumental property.

The total net financial debt of RCS, which includes financial liabilities from leases recognized in accordance with IFRS 16, totaling Euro 161.6 million (mainly property leases), amounted to Euro 144.9 million (Euro 214.5 million at 31 December 2020).

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.

In Italy, regarding the main initiatives only:

- during the year, *La Gazzetta dello Sport* offered its readers seven issues of *G Magazine* dedicated to: Luna Rossa in the America's Cup; cycling with the great classics; the world



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- of tennis on the occasion of the Internazionali di Roma and the ATP finals; the European Football Championship; the Tokyo Olympics and the Ski World Cup races;
- *Corriere della Sera* published a series of guides: *Le Guide del Corriere Economia*, *Le Guide di Corriere Salute*, and *Le Guide all'escursionismo* in association with the CAI (Italian Alpine Club);
 - the newsletter schedule was further enhanced with those of "*Cook*", "*Buone Notizie*", "*La 27esima ora*", "*Corriere Torino*", "*Corriere Veneto*", "*Corriere Bologna*" and "*Global*";
 - the digital offering was enhanced with content in podcast format: *Incontri*, *L'Amazzacaffè*, "*Radio italians*", "*Mama non Mama*" (9 May), "*Tracce*" and "*Fortissime*" (December 2021), recorded during the 2021 edition of "*Il Tempo delle Donne*";
 - from 27 to 29 May, the *Digilive* platform held the "*Gazzetta Motori Days*" event, streamed live on *Gazzetta.it* and dedicated to the automotive world. The event was a huge success, garnering over five million video views;
 - on 28 May, *Corriere della Sera*'s weekly magazine *7* hit the newsstands unveiling a new format and graphical design;
 - on 27 June, *Corriere della Sera* celebrated the 500th issue of its supplement *La Lettura* with a special collectors' edition;
 - July saw the release of the new digital edition of *Corriere della Sera*;
 - for the European Football Championship, *Gazzetta dello Sport* created a series of initiatives: *Album dell'Europeo*, a collector's edition on blue paper, a special issue of *Sportweek*, the "*Gazzetta Social Club*" project, five DVDs and a book to celebrate Italy's victory, which *Corriere della Sera* also celebrated with a 24-page special;
 - on 12 July, after winning the European Football Championship, *La Gazzetta dello Sport* set a daily newsstand sales record of almost 500,000 copies
 - 14 July saw the fourth edition of "*Gran Galà della Neve e del Ghiaccio*", in association with Fisi, Fisg and Fondazione Cortina;
 - *Gazzetta dello Sport* organized various initiatives to follow the Tokyo Olympics, including coverage on the *gazzetta.it* website, live 24 hours a day from Tokyo. On 8 August, *Corriere della Sera* published a tribute insert on the great Olympic adventure and on 12 August, *Gazzetta dello Sport* sold the book "*Due ragazzi d'oro*";
 - *Corriere della Sera* created and published on 24 August the book "*Ribelli*" to celebrate the stories of the most famous Italian Paralympic athletes;



- as for series and add-ons, *Corriere della Sera* and *La Gazzetta dello Sport* enriched their range of publications with various initiatives, including the "Anastatika di Diabolik" series, the complete series of the *Naruto* manga, the facsimile reproduction of the "Strisce di TEX" series, the "I miti dello Sport 2" series, "Yoga - Teoria e Pratica", "I signori della guerra", "I Maestri dello spirito", "Storia dei Grandi Segreti d'Italia", "Dante", "La guida dei vini 2021/2022", the series dedicated to the Middle Ages, to the twentieth century, "Lezioni di fisica", "Musei del mondo" and "Albumini" the series of eight detective novels written by Alessia Gazzola, the series "Le frontiere della medicina", the "Master di Fotografia", the series "Grandi Miti Greci", as well as the comic book series "Le leggende DC", the biography of Steve Jobs 10 years after his death, a series of 15 unpublished books to celebrate the end of Valentino Rossi's sporting career, as well as having a collector's cover of Sportweek dedicated to the Pesaro champion, created in two different versions by the Italian artist TvBoy;
- in 2021, many initiatives aimed at consolidating the customer base of *Corriere della Sera's* digital subscribers, including webinars dedicated to health (COVID-19 vaccines) and the economy;
- in third quarter 2021, work began on upgrading the digital offerings of the local editions of *Corriere della Sera*, with particular regard to the Milan, Turin, Rome, Florence and Bologna areas through graphical design, new editorial services (newsletters, weather, youth football), and the development of fun bases on the social profiles of each title;
- during the year, *La Gazzetta dello Sport* continued its strong digital growth with important results achieved thanks to the broad editorial coverage, the technical and editorial work on the SEO source, the growth of the video area and the Podcast offering. Also worthy of note were the social media activities, Instagram in particular, to increase audience and user engagement;
- *Gazzetta's* pay offer ended 2021 with 80 thousand subscriptions and was enriched with strong content independent of the newspaper with new columns and daily newsletters;
- the *Gazzanet* network underwent full graphical restyling, both desktop and mobile, of its portfolio of 24 sites, with the aim of improving user experience and speeding up the loading and browsing of pages;
- the lead generation platform *Cheautocompro*, launched in 2020, enjoyed strong growth especially in autumn, with an automotive market penetration above 50% and increasing the volume of leads generated monthly by more than five-fold;



- *Gazzetta Motori*, with its dedicated section and network, is now a leader in its field, beating established competitors, while *Gazzetta Active*, a new property with content dedicated to wellness, health and active sport, increased its success with the public, reaching over 2.5 million average monthly users two years after its launch, with peaks of 2.9 million (*Audiweb, July 2021*)
- in 2021, the schedule of *Corriere* events was confirmed and enriched thanks also to digital platforms and live streaming activities:
 - the *Economia* editorial system with the *Italia Genera Futuro* review awarded and celebrated the 1,000 Italian "champion" SMEs, the "*Economie d'Italia*" path cast a spotlight on regional excellence, expression of the local business fabric;
 - on 16 May - in conjunction with the 12th edition of "*Cibo a regola d'arte*" - the prize-giving ceremony of *Cook Awards 2020* was held, the awards established by the monthly magazine *Cook* and *Corriere della Sera*;
 - on 4 and 5 June, for the World Environment Day, a two-day online marathon was held with *Pianeta 2021*; *Corriere della Sera* turned green for the occasion in both its print and digital versions;
 - from 13 to 24 September - as last year, in the double online and physical version - the eighth edition of "*Il tempo delle donne*" was held, an event created by *La27esimaOra* named "*Un altro genere di forza – Lavoro, relazioni, diritti, sport e scienza*";
 - from 20 September to end October, the second edition of *Campus* took place, the bus-workshop of the innovative educational project of *Corriere della Sera*;
 - on 22 and 23 September, the *Women in food* event was held, organized by *Cook*;
 - in the last quarter, on and offline events were organized by "*L'Economia del Corriere della Sera*" on current economic topics;
 - in October, the new Motor channel was launched, fully revamped from a structural and graphical point of view;
 - on 29 November, the monthly magazine *Cook* held the "*Cook Award 2021*" event with national and international guests from the world of food and catering,
- In October, the fourth edition of *Festival dello Sport* was held in Trento: four days of live events, talk shows, debates and camps around the city with a hundred events and over two hundred guests. It was a physical event, in compliance with all health regulations, with many appointments broadcast on the website *gazzetta.it*, to reach an even wider audience;
- December saw the holding of the *Gazzetta Sports Awards*, which honoured, for the seventh year, the great athletes who distinguished themselves most in 2021. Not just an



award ceremony, but also a party that celebrated the remarkable victories of a record year for the “azzurro” sport. The evening was streamed live on *gazzetta.it* and re-run on La7 and La7D.

Looking at magazines:

- for its twenty-fifth anniversary, *iO Donna*: from Saturday 27 March to the celebratory issue out on newsstands on 15 May, ran through the 25th anniversary of the magazine with initiatives in the newspaper, on the web and on social accounts with the direct engagement of readers;
- *Dove* celebrated the 30th anniversary of the magazine with a graphical restyling, the combination of the July issue with *Corriere della Sera* and with the meeting “*I nuovi viaggi*” streamed on *Corriere.it*;
- the design and architecture magazine *Abitare* also renewed and enriched its contents and graphics, relaunched to coincide with the magazine's 60th birthday in combination with *Corriere della Sera*;
- the third edition of the *99eLODE* project was organized: the initiative of *iO Woman* which offers 99 talented young female graduates an online training course on the most sought after digital professions;

RCS Academy, the Group's business school launched in 2019, pursued its development plan during 2021, continuing its activities in compliance with the COVID-19 restrictions. The first months of the year witnessed the completed delivery of the masters courses that had started at end 2020; the month of May saw the launch of the masters courses of the 2021-2022 academic plan, with a teaching model that juggles theory and practice, building on a qualified network of over 50 partner companies and training programs held by industry experts and Group journalists.

During the year, more than 20 masters courses were held, including the first MBA on Corporate Sustainability, the 3rd edition of the Full Time Master in Fashion Management, the 4th edition of the Full Time Master in Digital Marketing, as well as numerous other full time, part time and online masters courses and - among these - the first two online university masters courses with training credits, in association with Pegaso Università Telematica.

In 2021, more than 15 business on-line talks were held, addressed to companies and professionals, in association with *corriere.it* and in partnership with a network of market leading companies, on the themes of fashion, retail, health, energy and electric mobility, all developed with a focus on the pivotal role of research and technological innovation.



As for the Books segment, signs of a market recovery are confirmed both versus 2020 (+16.6% in volume, +14.7% in value) and 2019 (+16.2% in volume, +18.5% in value) (GFK). Against this backdrop, the Books area reported a strong growth path in 2021, with higher growth rates than the market both versus 2019 (+31.6% in volume, +48.8% in value) and 2020 (+28.5% in volume, +34.5% in value), and marked by the spectacular launch of "Adrenalina" by Zlatan Ibrahimovic at the top of the charts in December (GFK and Amazon) with over 100,000 copies sold, translation rights sold in 17 languages and an NFT inspired by the book.

A good presence in the rankings (GFK new titles) also for the other new titles of the publisher, in particular with: *Le Italiane* (Aldo Cazzullo), *L'oroscopo 2022* (Paolo Fox), *Compiti delle Vacanze per Adulti* (VV.AA.), *La mia ultima testimonianza pubblica sulla Shoah* (Liliana Segre), *Dalla terra al pane* (Fulvio Marino), *Strana vita, la mia* (Romano Prodi), *Manuale di meccanica per invasati di motori* (Emanuele Sabatino).

In Spain, regarding the main initiatives only:

- in 2021, thanks also to a greater presence of its audio content on *marca.com* and other digital platforms such as iTunes, Spotify or Ivoox, *Radio Marca* increased its digital audience;
- February saw the launch of the new "Sostenibles" section of *elmundo.es*, focused on green transition;
- March 2021 witnessed the birth of *Expansión Economía Sostenible*, a new section of *Expansión* appearing every Wednesday in the newspaper and every day on the website;
- March 2021 saw the launch of *Expansión Alimentación y Distribución*, a weekly newsletter on the food industry;
- in the area of audiovisual content production mention should be made of the signing of various production agreements, including with Amazon for the production of *Cronica Marca* and *Rafa Nadal Academy*, and with the Madrid TV channel Telemadrid, for a new production entitled "A un metro de ti";
- on 29 April 2021, *El Mundo* distributed the cooking special "Metrópoli España Gastro";
- for the local elections in the Comunidad of Madrid on 4 May 2021, *El Mundo* organized a series of "digital meetings" with the candidates running for the presidency of the Comunidad;
- June 2021 saw the launch of the new Daily Podcast: *El Mundo al dia*;
- in May 2021 *marca.com* launched its internal section "Territorio Apuestas";



- with the start of the European Football Championship, *Marca* launched a series of initiatives: an extra-large format special dedicated to the event, the "*Porra Marca de la Eurocopa*" initiative and the TV sports analysis programme "*Con la 10*";
- to celebrate its 35th anniversary, *Expansión* organized events and "specials" on: digitization, sustainability and the post-COVID-19 economy;
- on 8 and 9 June, the second edition of "*El Foro Económico Internacional Expansión*" was held, with the discussion focused on how to come out of the economic and social crisis caused by the pandemic and the title "*Building a sustainable world for future generations*". Globalization, digitization of the economy, and sustainability were the topics treated by distinguished guests. The event was organized in association with *The European House Ambrosetti*;
- on 15 Jul, *marca.com* launched the "*signwall*" for premium content development to encourage qualified membership and "logged in" browsing in *marca.com* (web and app);
- on 19 July, *marca.com* launched the *Tokyo Olympic Games Special* reaching 20.4 million users who generated 124.8 million page views, followed in August by the *Guide to the Liga 21/22*;
- on 10 September, *Expansion* launched the sports industry newsletter *Deporte y Negocio*;
- 27 September saw the launch of a new editorial initiative of *El Mundo* named "*Gran Madrid*", covering news from the Spanish capital and its Autonomous Community;
- *Marca Gaming*, section of *marca.com* dedicated to the world of video games also streamed live in August 2021 reached its record traffic with a total of 2.3 million unique users and 4.3 million page views (*Google Analytics*);
- on 29 September, *Telva* held the "*1st Congress on Energy and Happiness*";
- November saw the third edition in Seville of *Marca Sport Weekend*, the *Marca* sports festival. The edition was graced by the presence of a number of stars from the international sporting world, and counted more than fifty events scattered across various locations of the city. The event was followed online throughout the weekend, with more than 10 million views, from 185 countries through social networks and the website itself, with a total of 58 hours of sports content broadcast;
- in November, *Diario Medico* and *Correo Farmaceutico* jointly created the first edition of the *Ennova Health Awards*, whose goal is to promote the digital culture of the industry by casting a spotlight on ideas and entrepreneurship in the eHealth environment;



- on 17 November, the first *Marca* NFT was launched with the cover of Spain's 2010 World Cup victory, a collection consisting of a unique edition of the cover and three exclusive pieces in limited editions of 10, 15 and 25 units;
- at end November, *Marca* awarded the annual *Pichichi* prize to the top scorer of the season, which saw Lionel Messi win for the eighth time. Atletico de Madrid was also one of the top teams, winning the awards for best goalkeeper, best coach and best player of the season;
- the year 2021 saw the organization of the meetings with *El Mundo* named "*Green and Digital Europe, technology and sustainability, a road to the future*", graced by the presence of top representatives from the institutions and the economic world.

With regard to the dispute on the Via Solferino property complex, reference should be made to Note 39 "Other information".

Alternative performance measures

In this Annual Report, 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

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

Net income (expense) from equity-accounted investees, previously classified under EBITDA, as from 2021, has been reclassified to a post-EBIT line item under financial items.



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.

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 Annual Report, consolidated EBITDA was 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 financial liabilities from leases recorded in the financial statements pursuant to IFRS 16, previously classified as operating leases and non-remunerated debt, which have a significant implicit or explicit financing component (e.g. trade payables with a maturity of over 12 months), and any other non-interest-bearing loans (as defined by the "Guidelines on disclosure requirements under the Prospectus Regulation" published by ESMA on 4 March 2021 with document "ESMA32-382-1138" and taken up by CONSOB in communication 5/21 of 29 April 2021).



Transactions with parents, subsidiaries and associates and subject to the control of the parents

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

Information on transactions with related parties is disclosed in Note 40 to the consolidated financial statements and in Note 30 to the separate financial statements.

As for the procedures adopted regarding related party transactions, also with reference to the provisions of Article 2391-bis of the Italian Civil Code, in force in 2021, reference is made to the procedure adopted by Cairo Communication S.p.A., also pursuant to the Regulations approved by CONSOB through resolution no. 17221 of 12 March 2010 and subsequent amendments, published on the Company website in the Governance section, with information also provided in the Report on Corporate Governance and Ownership Structure.

Main risks and uncertainties to which Cairo Communication S.p.A. and its Group are exposed

Risks associated with the health emergency and description of the impacts from the COVID-19 pandemic.

The beginning of 2021 continued to be marked by the health emergency and the containment measures implemented by the authorities, both in Italy and Spain.

Specifically, in Spain at the beginning of the year, and in Italy from the end of February 2021, the number of cases has risen, leading to the adoption again of restrictive measures. Starting from the second half of February in Spain, and from mid-April in Italy, the situation has improved and the containment measures are being gradually lifted.

In both countries, the vaccination campaign, together with the introduction of measures to boost vaccination, prevention and/or monitoring, has gradually brought great benefits in terms of cases, hospital and ICUs admission rates and deaths, which have allowed them to speed up the reduction of restrictive measures and improve the situation.

The vaccination campaign and the measures adopted have allowed the two countries to cope effectively with the spread of the Omicron variant at the end of 2021 and to curb its impact on business activities and people's lives.

The current phase of economic recovery has been marked by higher prices for transportation and a number of commodities, including printing paper and energy, and in some cases, supply



difficulties. This situation is causing a general increase in production costs and difficulties in production processes for various sectors, whose current production is struggling to keep pace with the trend in demand. With regard to the Group, this economic context, and its development during the year, impacts on production costs and may also affect the performance of the advertising market, as it may influence the advertisers' propensity to spend.

The beginning of 2022 is yet again marked by the spread of the Omicron variant and the continued restrictive measures implemented by both Governments in Italy and Spain. Starting from the beginning of February, the situation has begun to improve in both countries, allowing them to speed up the gradual and rapid lifting of restrictions.

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 progress of the ongoing health emergency and the effectiveness of the public measures, including economic ones, implemented and to implement - and will be subject to constant monitoring also in the further course of the year.

An extension of the health emergency could have even significant effects on the Group's activities, strategies and prospects.

Risks associated with the general economic climate

The operating results, financial position and cash flows of the Cairo Communication Group may be influenced by various factors within the macro-economic environment, such as the increase or decrease of GNP, the level of consumer and corporate confidence, the advertising expenditure/GDP ratio, interest rate trends and cost of raw materials.

With the acquisition of the control of RCS, the Group activities are carried out mainly in Italy and Spain. Therefore, Group profits are exposed to risks caused by the economic cycle of these two countries, and the effectiveness of the economic policies implemented by the respective governments.

In 2021, the international scenario was marked by economic recovery after the decline in 2020 associated with the spread of the Coronavirus and the restrictive measures implemented by the public authorities of the countries involved. Italy's GDP for the full year 2021 increased by 6.5% (*ISTAT*), while Spain recorded an annual GDP growth rate of 5.2% (*Institute of National Statistics - INE*).



The growth forecasts for the Italian economy in the three-year period 2022-2024 point to an increase in GDP of + 3.8% in 2022, +2.5% in 2023 and +1.7% in 2024 (*Bank of Italy Bulletin January 2022*). The European Commission estimates a growth of 4.1% in 2022 and 2.3% in 2023 (*European Economic Forecast - European Commission February 2022*).

For Spain, growth forecasts estimate a change in GDP of +5.6% for 2022 and +4.4% for 2023 (*European Economic Forecast - European Commission February 2022*).

After several years of virtual price stability, in 2021 the national consumer price index was up by 1.9% on an annual basis in Italy (*ISTAT*) and by 6.5% in Spain (*Institute of National Statistics -INE*) versus a 5% growth in the Euro Zone.

Inflation in Italy is expected to stand at 3.8% in 2022 and 1.6% in 2023, while in Spain at 3.6% in 2022 and 1.1% in 2023 (*European Economic Forecast - European Commission February 2022*).

Against this backdrop, the European Central Bank has indicated a gradual reduction in the pace of financial asset purchases in the Euro Zone, reiterating that monetary policy will remain expansionary.

To challenge the tough market scenario, the Group implemented a series of measures to streamline costs and increase efficiency and effectiveness of the production, publishing and distribution processes - starting in previous periods and also continuing in 2021.

As from end February 2022, the conflict in Ukraine and its consequences, including in terms of economic sanctions against Russia and the impacts on the economy and trade, is causing grave uncertainty. The geopolitical effects and/or any impact on the general economy and/or on the Group's markets of operation cannot be predicted at this time.

In any case, the Group has no direct exposure and/or business activities towards the markets affected by the conflict and/or sanctioned entities. The current situation, which aggravates a cost trend that has been ongoing since 2021, is currently leading to a further spike in transportation costs and in costs for various commodities, including printing paper and energy, which are important for the Group, as well as procurement difficulties, therefore a general increase in production costs and difficulties in production processes for various sectors, whose production is currently struggling to keep pace with the trend in demand. With regard to the Group, this economic context, and its development during the year, may impact on production costs and also affect the performance of the advertising market.



Should this situation of uncertainty continue for some time, the operations, strategy and outlook for the Group may be impacted.

Risks associated with advertising and publishing market trends

The persisting short and medium-term economic uncertainty, aggravated by the current health emergency, may impact negatively on the daily newspaper and magazine advertising market, slowing the pace of sales.

In Italy, in 2021, the advertising market (*Nielsen*) increased by 12.8% versus 2020, with the television, online (net of search, social media and over the top), newspaper and magazine advertising markets up by 14.4%, 17.6%, 4.3% and 3.6%, respectively.

In 2021, the Spanish advertising sales market was up by 11.5% versus 2020 (*i2p, Arce Media*). Specifically, the newspaper and magazine markets declined by 1.5% and 5.8%, respectively. Conversely, advertising sales on the Internet (excluding social media, search, etc.) were up by 19.5%.

Economic uncertainty and the general scenario hit daily newspaper and magazine sales figures.

In terms of circulation, in Italy the adverse trend of the print products market persisted in 2021 too. Specifically, in 2021 generalist newspapers and sports newspapers in Italy saw a drop in print and digital circulation versus 2020 of 5.7% and 2.7%, respectively (*ADS January-December 2021*).

In Spain, in 2021 circulation figures show a decline for generalist newspapers (15%), business newspapers (23.6%) and sports newspapers (19.6%) (*OJD*). Mention should be made that, owing to the pandemic, no official circulation figure had been published for the period from 14 March 2020 to 30 June 2020, so the 2020 comparison figure expresses an average without considering such period.

Advertising

The Cairo Communication Group is significantly exposed to advertising revenue trends, which are cyclical and directly related to general economic trends. Advertising sales are currently the main source of revenue for the TV publishing segment. La7 boasts an exceptional audience profile, particularly appealing in terms of advertising.

Considering the Cairo Editore magazine publishing segment, advertising revenue in 2021 accounted for 15.7% - an extremely low percentage, therefore based to a lesser extent on the economic cycle - while the remaining 84.3% was generated by distribution and subscription



revenue, demonstrating the great publishing strength of advertising products. With regard to Cairo Editore titles, the remarkable sales volumes achieved, both in absolute terms and versus Cairo Editore's competitors, make the advertising pages highly appealing in terms of advertising cost per copy sold (equal to the difference between the price of the advertising page and copies sold), currently lower than the publications of its competitors.

Regarding RCS, advertising represents over 43.8% of total revenue.

Persisting global economic uncertainty, as well as the lingering supply difficulties that prevent production from keeping up with demand, could negatively affect the outlook for the advertising market. Against this backdrop, any difficulty in maintaining or increasing its advertising revenue could impact on Group prospects, activities, operating results and cash flows.

Additionally, also with regard to the advertising segment, in light of the developments taking place, growing importance is attached to the ability of the operators to develop digital products that allow the customization of advertising content and formats, user profiling, use of analytics/big data, and lead generation. With regard to the evolution of the market, any difficulty or delay in adapting to and meeting the new demand - also through the development of cutting-edge, intuitive and effective technological products - may impact negatively on the prospects, activities, operating and financial results of the Group.

Distribution

Regarding RCS, in addition to advertising, a large share of its other activities is represented by the sale of publishing products for a market that has been long undergoing change in both Italy and Spain, which implies increasing integration with online communication systems. This transition may impact on the circulation of print products, which the Group is addressing by adopting appropriate development strategies. The current situation, as well as the acceleration brought by the health emergency on a number of ongoing trends, may amplify these aspects. Against this backdrop, any difficulty in maintaining the circulation of its print products could impact on Group prospects, activities, operating results and cash flows.

The ability of the Cairo Communication Group to increase its revenue and pursue its growth and development targets, and maintain adequate levels of profitability, also depends on how successful it is in putting its industrial strategy into place, which is also based on the continued expansion and enrichment of its product portfolio, including digital products, in order to capture market segments with greater potential.

Should the Cairo Communication Group fail to pursue this strategy, the activities and prospects of the Group may be negatively affected.



Risks associated with developments in the media segment

The media segment is witnessing an increase in the level of penetration of new communication resources, the Internet in particular, and the development of new unencrypted theme channels on the digital terrestrial platform, together with technology innovations that are bringing changes in the demand by consumers, who will increasingly be able to request personalized content by directly selecting the source. As a result, this may change the importance of the various media and audience distribution, leading to greater market fragmentation.

Specifically, Cairo Communication has identified the following main market trends:

- the demand for entertainment content continues to grow, both on traditional media and on the new platforms;
- in the television segment, the convergence of distribution platforms may, on the one hand, create development opportunities, but, on the other, carry a risk of audience fragmentation and an increase in the spectrum of platforms available for the use of TV content (satellite, Internet, mobile), engendering a more complex competitive environment;
- technological advancements have gradually changed the way content is used, towards more interactive/on demand media, enabling younger audiences to switch to more personalized user options.

The Group constantly monitors the level of penetration of new resources as well as changes in the business model related to the distribution of content available, to assess the opportunity to develop the various distribution platforms.

Against this backdrop, much importance is attached to:

- the ability to organize activities and adapt them to the increasingly rapid changes in markets and consumers,
- the ability to promptly develop cutting-edge, intuitive and effective technological products,
- the ability to develop and attract digital transformation skills.

The current publishing scenario may lead to business combinations of publishing groups, with a consequent change in the market structures.



Privacy, data protection and cybersecurity

The innovation and enhancement of technological platforms and the organic development of digital products and customer centric strategies lead to increased risks related to data protection. Privacy and personal data protection are becoming an increasingly important issue for the Group and, especially in the publishing industry, play a key role in the relationship of trust with readers and users.

Additionally, due also to the recent rapid increase in the resort to so-called flexible working methods adopted by many companies in response to the health emergency that marked 2020 and 2021, the global scenario has seen a growth in the frequency and complexity of cyberattacks (malware, ransomware, phishing and social engineering techniques), with both extortionary and industrial espionage purposes.

Such a context requires constant monitoring and evolving IT security systems, which in turn call for growing resources to cope with increasingly sophisticated attacks.

Given the topical nature of the risk, the Group has initiated and introduced further protection tools and procedures, focusing its attention on a constant and gradual upgrading of its technological platforms.

This strategy must be complemented by stringent rules and policies and a corporate culture that needs to be aligned with the latest regulations that have extended and consolidated the protection of data subjects' rights.

The Group has procedures and tools in place to ensure compliance with the European Regulation on the protection of personal data EU 679/2016, with Legislative Decree 196/2003 as amended by Legislative Decree 101/2019 in Italy, and with Ley Orgánica 3/2019, de Protección de Datos Personales y Garantía de los Derechos Digitales in Spain of 5 December 2019.

Risks associated with Management and “key staff”

The Group's success also depends on the ability of its executive directors and the other members of the management team to effectively manage the Group and the individual business segments. Editors and TV personalities, too, have a significant role in the titles they head and the programmes they host.

The loss of the services of an executive Director, editor, TV personality or other key resource without an appropriate replacement, as well as the difficulty in attracting and retaining new and



qualified resources, may impact negatively on the prospects, activities, operating and financial results of the Group.

Risks associated with retaining the value of the brands of the Group titles and TV programmes

The value of Group brands and TV programmes must be continuously protected by maintaining the current level of quality and innovation.

The Group publishing strategy has always been focused on the quality of its products, driven by the efforts of Management and the editors. Under the agreements with the directors, a part of their remuneration is linked to the results of distribution, audience ratings and/or sale of advertising space of the titles and TV programmes.

Brands play a crucial role in the development of Group activities for RCS too, including in the new digital environments. Events that harm the prestige of the brands could result in losses of profit and compromise the integration process with online communications systems.

Any difficulties that the Cairo Communication Group has in maintaining the value of its publication or programme brands, or any changes in the audience preferences, could reduce the appeal of Cairo Communication Group products, with resulting negative impacts on the operating results, financial position and cash flows of the Cairo Communication Group.

Risks associated with business with suppliers, customers and employees

A number of the production processes of the Cairo Communication Group, particularly magazine printing and network management activities in the TV publishing segment, are outsourced. The outsourcing of production processes requires close collaboration and careful monitoring of suppliers to ensure and preserve the quality of the products carried out with the help of external suppliers. This outsourcing may provide operational benefits in terms of flexibility, efficiency and cost reductions, but means that the Cairo Communication Group has to trust the ability of its suppliers to achieve and maintain the quality standards required by the Cairo Communication Group.

With regard to RCS, referring to relations with employees, any absenteeism from work or other expressions of conflict could lead to interruptions, and if they continue over time, disruptions to the extent of affecting the operating results of the Group.

The Group's main raw material is paper.

As previously commented after the downtrend of 2020, the economic recovery that started in 2021 was marked by higher prices for transportation and a number of commodities, including printing paper and energy, and in some cases, supply difficulties. This situation is leading to a general increase in production costs.



The macroeconomic cycle and the sustainability trends may lead in the future to the conversion of a number of paper mills to the production of paper for packaging and/or closure of a number of paper mills (as was the case in the past), further increasing market concentration and continuing to generate price tensions and supply difficulties, particularly for pink paper.

Certain dealings with suppliers/customers are based on licence and/or sponsorship agreements, non-renewal of which on expiry or renewal of which at less favourable conditions could impact on the results and financial position of the Group.

Risks associated with legal and regulatory developments

The Cairo Communication Group operates in a number of heavily-regulated business areas.

La7's activity is mainly governed by Legislative Decree no. 177 of 31 July 2005 as amended by Legislative Decree no. 44 of 15 March 2010 (hereinafter Legislative Decree no. 177/05 as amended, also called "Consolidated Finance Law"), which sets the general principles for the provision of audiovisual and radio media services.

Cairo Network works as a network operator on the basis of the Mux license of use issued by the Ministry of Economic Development on 31 July 2014, reg. DGSCERP/111/48081. The role of network operator carried out by Cairo Network is subject to extensive regulation at both national and EU level. Specifically, radio-television broadcasters are subject to regulations aimed at protecting people and the environment from exposure to electromagnetic fields.

Since, as mentioned above, a qualified operator was engaged to create and manage the network in full service mode, who made commitments and guarantees that Cairo Communication considered to be adequate to ensure compliance with applicable regulations, any breaches of these regulations could result in sanctions that could also include interrupting transmission, which could have negative effects on the operating results and financial position of the Cairo Communication Group.

In the 2018 Budget Law (Law no. 205 of 2017, as subsequently supplemented and amended by Law no. 145 of 2019), Article 1, paragraph 1026 *et seq.* introduced specific provisions for terrestrial TV operators to release 694-790 MHz frequencies ("700 band" – corresponding to channels 49-60) to telephone operators and for the consequent reorganization of the user rights of existing television operators over the remaining television spectrum ("refarming").

Specifically, under the 2018 Budget Law, among other things:

- a) the 700 band frequencies must be completely released by television operators no later than 30 June 2022;



b) the national frequency muxes must adopt the DVB-T2 digital terrestrial standard, introducing a transitional conversion of the rights to use national frequency muxes into rights to use transmission capacity, with a view to subsequent reallocation;

c) the rights of use (in an amount equivalent to two muxes) that do not arise from the above conversion of the original rights of use are assigned by a procedure for consideration.

In implementation of the above law, AGCOM and MISE adopted the consequent measures, as a result of which Cairo Network was assigned a right of use with no frequency specification, equal to half of a mux (in 2019).

Additionally, at the end of the procedure for consideration for the assignment of rights of use not deriving from the conversion of current rights of use, MISE, through its decision dated 2 July 2021, announced that Cairo Network had been awarded a right of use with no frequency specification, equal to half of a newly-planned national multiplex; Cairo Network then paid half of the amount offered in the tender (subject to reservation) and requested the installment payments of the remainder (in three annual installments). On 6 August 2021, MISE, as a result of the combination of the two rights of use of Cairo Network with no frequency specification, then announced the provision for the assignment of the right of use of the frequencies for the purposes of operating the national network of the PNAF called "National network no. 10" until 2032 (two years less than the duration of the right originally acquired in 2014).

Cairo Network was heard in the context of the various proceedings, and took part in the relating public consultations, pointing out the legal and technical arguments for the exclusion of the Company from the application of the Budget Law (and, specifically, from the procedure for the conversion of the original right of use and the assignment of newly-planned rights of use), also attaching supporting documentation.

Cairo Network then also challenged the resolutions and provisions of AGCOM and MISE, implementing the Budget Law, filing appeals with the Latium Regional Administrative Court, Rome, and subsequent additional grounds (g.r. no. 6740/2018, no. 7017/18, no. 440/2021 and no. 6040/2021), in which the same arguments raised with the public authorities and further illegalities of the contested measures were also raised with the administrative judge.

The Latium Regional Administrative Court, with judgments issued on 28 January 2021 in the above trials g.r. no. 6740/2018 and no. 7017/2018, rejected the claims for annulment, while not fully addressing the merits of the issues raised by Cairo Network, and the above judgments are subject to an appeal before the Council of State (g.r. no. 4335 and no. 4334, in which the hearings have yet to be set).

Cairo Network is about to initiate actions, also of a judicial nature (in addition to disputes already filed), in order to obtain compensation for the damages and harm suffered (i) for payment



requested to regain ownership of a right of use of frequencies that Cairo had already paid for as a result of the 2014 tender procedure, (ii) for the different duration of the new right of use and (iii) for the loss of business opportunities suffered in recent years as a result of the uncertainty generated by the refarming procedure

To date, the effect of the outcome of the appeals brought before the Regional Administrative Court and the Council of State, or of those that may be brought in the future, cannot be predicted with certainty yet.

RCS also operates in a complex regulatory environment in both Italy and abroad. Developments in the relevant regulations involving the introduction of new legal specifications or the amendment of current laws could have significant effects on the Group asset portfolio, as well as on corporate governance and on internal compliance processes, which may work against the economic need to simplify administrative processes and improve the quality of reporting in support of the business.

Developments in the regulatory framework are continually monitored for the media segment and their disclosure within the Group is ensured.

Risks associated with the measurement of intangible assets

At 31 December 2021, the Group held intangible assets for a total of Euro 985.1 million.

Intangible assets should be regularly subject to measurement, in accordance with international accounting standards, in order to verify their recoverable carrying amount and ensure their consistency with the carrying amounts in the financial statements (impairment test). This test is based on financial ratios and estimates of the trend of the activities to which the assets are linked, which are highly sensitive to the financial and economic markets. The main valuation decisions and the sources of estimation uncertainty are commented on in Note 18 of this Annual Report, to which reference is made for further details. Significant changes in the economic and financial environment may lead to significant deviations in the parameters and forecasts as estimated and used in the impairment test. If these changes were negative, write-downs could be made with a significant impact on results.

With regard to the Cairo Network mux, in addition to the above risks related to changes in the regulatory framework, the transmission of the terrestrial radio television signal is, to date, the most common transmission system used at national level. However, any increase in the distribution of alternative transmission means (for example satellite, cable or Internet) could



lead to a reduction in demand for transmission capacity, and therefore make it harder for the Cairo Communication Group to offer third parties the mux bandwidth it does not use for its own television activities, with negative effects on the operating results and financial position of the Cairo Communication Group.

Risks associated with litigation

Due to the nature of its business, the Cairo Communication Group is subject to the risk of litigation in the performance of its activities. The Cairo Communication Group monitors the development of these disputes, including with the help of external consultants, and sets aside the amounts needed to deal with the disputes in place according to how likely they are to lose. The notes on “Other information” (Note 39 to the consolidated financial statements) contain information on a number of cases of litigation. The evaluation of potential legal and tax liabilities, which requires the Company to use estimates and assumptions, is based on forecasts made by the Directors, following opinions expressed by the Company’s legal and tax advisers on the probable cost that is reasonably considered to be incurred. Actual results may vary from these estimates.

Mention should be made that, because of its business activities, the Cairo Communication Group is involved in certain civil and criminal disputes for press defamation. With regard to the disputes for libel, on the basis of the experience of the Cairo Communication Group, for the cases where the Cairo Communication Group companies have lost, these proceedings are normally settled by paying compensation for smaller amounts than the original amounts claimed. Moreover, La7 has an insurance policy that covers professional responsibility for television activity.

Risks associated with climate change

The supply chain of the Cairo Communication Group hinges on the procurement of the raw material - "paper" - with outsourced production processes for magazines, both in Italy and Spain. Daily newspapers, instead, are managed directly in Italy. The distribution process for print publishing products in Spain is outsourced and in Italy is managed directly by m-dis.

The paper industry in Europe has traditionally been one of the most environmentally friendly, as it uses renewable resources that generate recyclable products. In this context, the Group uses the main Italian and European suppliers, with certifications of an eco-friendly production process.

Climate change is a major issue for all industries, and no less so for publishing. In the publishing sector, greenhouse gas emissions are mainly connected with energy consumption,



transportation (e.g. company fleet, business travel) and the production cycle of print products managed internally.

Another important aspect is the management of waste; in this case, the Group is committed to operating in compliance with local regulations and guaranteeing waste traceability. Additionally, the Group delivers waste to specialized and authorized companies for recovery or disposal and also recycles the paper of publishing products by specialized pulpers.

As far as its supply chain is concerned (the publishing and distribution chain in particular), in addition to requiring compliance with current legislation, the Group has adopted stringent environmental protection policies. Cairo Communication considers it crucial to adopt stringent policies in supplier selection, also on the basis of the proven attention to environmental topics, as explained in the Consolidated Non-Financial Statement. Cairo Communication continuously monitors environmental risks to prevent and curb potential impacts. The environmental risks the Group is exposed to include not only risks associated with directly-managed production processes, but also risks mainly generated indirectly through third parties, such as "strategic" paper supplies or printing processes and offices where the Group is a lessee of "multitenant" buildings. While in cases of internalized production, RCS is able to adopt policies to reduce its environmental impact, through the monitoring of specific KPIs, in the case of purchases of outsourced goods or services, RCS can act only indirectly, by carefully choosing suppliers and sharing its environmental policies.

In the coming years, the Group will continue to carry out further analyses - and therefore disclosure on the general impacts or impacts suffered by the Group from climate change - also taking account of the changes in the national and international regulatory landscape on the matter and the growing attention of stakeholders.

In accordance with the provisions of Article 5, paragraph 3, letter b, of Legislative Decree 254/2016 in implementation of EU Directive 2014/95, the Group has prepared the Consolidated Non-Financial Statement, which is a separate document from the Annual Report, to which reference should be made for further information in this regard.

Financial risks

The Group manages capital structure and financial risks consistent with its asset structure, in order to maintain adequate and consistent credit ratings and capital ratio levels, taking account of the current credit availability in Italy.

No significant changes were made to the operating targets, policies and procedures in 2021 from the year ended 31 December 2020.



The notes on “Information on financial risks” ([Note 39](#) to the consolidated financial statements) contain information on liquidity risk, interest rate risk and credit risk.

Treasury shares

Movements in Cairo Communication treasury shares are disclosed in [Note 19](#) to the separate financial statements of the Parent Company.

With regard to RCS, at 31 December 2021, there were no. 4,479,712 treasury shares in portfolio, at an average carrying amount of Euro 5.9 per share, corresponding to a total of 0.86% of the entire share capital.

Stock Options

The Cairo Communication Group has no stock option plans in place at this time.

Shares held by directors, statutory auditors and general managers.

Shares held directly by Directors, Statutory Auditors and General Managers are illustrated in the Remuneration Report prepared pursuant to Article 123-ter of the TUF.

Other Information

Research and development activities

There are no research and development activities to report having a significant effect on the performance of the Company or the Group.

Human resources

The Cairo Communication Group, in accordance with the provisions of Article 5, paragraph 3, letter b, of Legislative Decree 254/2016 in implementation of EU Directive 2014/95, has prepared the consolidated non-financial statement (hereinafter “NFS”), which is a separate document from the Annual Report, to which reference should be made for further information relating, inter alia, to human resources topics.

The 2021 Consolidated Non-Financial Statement was prepared in accordance with the “*GRI Standards*” (the world's most widely used sustainability reporting framework) and subject to limited audit by Deloitte & Touche S.p.A..



By the nature of the services it offers to the community, human resources form a critical factor for the success of the Cairo Communication Group. The enhancement of staff, the development of skills and the recognition of achievements and responsibilities are the principles underpinning personnel management, from the selection phase, which is facilitated by the high degree of the Group's visibility and its ability to attract personnel.

Accordingly, the Group's main objective is to continually enhance human capital, developing existing skills, with a view to increasing professional qualities and creating the best conditions to ensure team spirit, motivation and participation in the workplace, in order to reinforce the shared feeling of belonging to a constantly expanding and leading publishing Group.

The breakdown of personnel at 31 December 2021 can be analyzed as follows, distinguishing between Cairo Communication and other Group companies other than RCS and its subsidiaries, split up further by gender:

	CAIRO COMMUNICATION AND OTHER COMP.		RCS		TOTAL
	MEN	WOMEN	MEN	WOMEN	
<i>Executives</i>	41	7	56	17	121
<i>Editors</i>	7	1	22	11	41
<i>Middle managers</i>	64	48	106	86	304
<i>White collars</i>	257	255	567	689	1,768
<i>Blue collars</i>	0	1	162	15	178
<i>Journalists and freelance</i>	97	131	713	464	1,405
TOTAL	466	443	1,626	1,282	3,817

The breakdown of employees between Italy and abroad, split up further by gender, can be analyzed as follows:

	ITALY		ABROAD		TOTAL
	MEN	WOMEN	MEN	WOMEN	
<i>Executives</i>	90	17	7	7	121
<i>Editors</i>	26	9	3	3	41
<i>Middle managers</i>	150	115	20	19	304
<i>White collars</i>	565	625	259	319	1,768
<i>Blue collars</i>	142	13	20	3	178
<i>Journalists and freelance</i>	538	413	272	182	1,405
TOTAL	1,511	1,192	581	533	3,817

With regard to Cairo Communication and the Group companies other than RCS and its subsidiaries, the headcount at 31 December 2021 is equal to 909 resources.

Most of the employees work in the TV segment (484 resources), followed by advertising, which employs 219 resources. CAIRORCS Media's sales network counts approximately 204 agents (direct and indirect), who are coordinated by senior sales managers and staff who, together with their staff, also ensure coordination with the editors and the promotion of special initiatives.

During the year - with regard to Cairo Communication and the Group companies other than RCS and its subsidiaries - there were 3 work-related accidents (all related to home-work journeys), while there were no cases of occupational diseases.



With regard to RCS, the exact headcount at 31 December 2021 (2,908 resources) is 226 units lower than the figure at 31 December 2020. The change in headcount is the result of the effects at 1 January 2021 (i) of the transfer of personnel (-145 units) of the advertising agency to the new company CAIRORCS Media, and (ii) of the acquisition of 100% of m-dis, whose personnel amounts to +115 units. The change is also explained by the effects from the reorganizations underway (described below).

The exact headcount broken down by geographical segment is shown below:

	Italy		Spain		Other countries		Total	
	31 December		31 December		31 December		31 December	
	2021	2020	2021	2020	2021	2020	2021	2020
Executives, middle managers and whit	890	946	599	703	32	36	1,521	1,685
Publication editors and journalists	750	747	458	506	2	2	1,210	1,255
Blue collars	154	161	23	33			177	194
Consolidated total	1,794	1,854	1,080	1,242	34	38	2,908	3,134

Employees working in the Group's foreign operations, amounting to 1,114 units, accounted for approximately 29% of the RCS Group's average total at December 2021.

With regard to RCS, on the industrial relations front in Italy, in 2021 two trade-union agreements were signed on the management of social safety nets with the approval of the Ministry of Labour, while work continued on managing the three previously-approved corporate reorganization processes that had begun in 2020.

The new reorganization agreements refer to the titles in the "Magazines" Division and to the title *La Gazzetta dello Sport*. For the Magazine Division, a 19-month plan from 22 July 2021 to 21 February 2023 was authorized by the Ministry to manage 10 redundancies. For *La Gazzetta dello Sport*, a 12-month reorganization plan was authorized and signed by the Ministry of Labour from 16 August 2021, also in this case to manage 10 redundancies.

The year 2021 was also marked by the management of the three "corporate reorganization processes" launched in the prior year. More specifically, *Corriere della Sera* journalists saw the continued reorganization plan referring to 38 redundancies for the current two-year period until 10 May 2022; on 14 October 2021, the redundancy management plan for the graphic designers and print workers of RCS MediaGroup S.p.A. ended with 109 leaves in a period of 18 months out of the 24 months available under the regulations; for RCS Produzioni Milano S.p.A., the early-retirement redundancy fund ended on 31 December 2021, also in this case



for 18 months out of the 24 months available under the regulations, with the leave of 28 workers.

Industrial relations have tackled the issue of how to configure the best organization of work to the digital evolution that is dominating the publishing markets. All early retirement plans have been discussed with trade union representatives, also with a view to encouraging editorial processes geared towards digital development and the entry of new skills that can facilitate rapid transformation towards the digital.

At Unidad Editorial, work continued in 2021, albeit with the restrictions imposed by the persisting pandemic, along the usual lines, with particular focus on people growth, know-how enhancement, especially in the new digital areas, also through more efficient organizational processes and models to support new projects for the growth of the business.

With a view to pursuing the ongoing improvement of process effectiveness and efficiency, various organizational analyses and reviews also continued, which allowed the company, among other things, to take advantage of internal mobility as an opportunity and a tool for the growth of resources. Work concurrently continued on assessing the potential and commitment of resources in order to properly recognize their skills and contribution to value creation, with the aim of placing the suitable people in key positions.

In 2021, a series of trade-union agreements were made formal with the aim of both managing the organization of work and controlling the trend of personnel expense. Specifically, the instruments provided for by current legislation (ERE) were put in place, shared and agreed upon at various negotiating tables with union representatives. The restructuring plan specifically involved the Magazines and Supplements area, Distribution, the Local Editions of El Mundo and the Corporate area. These actions, aimed at recovering margins, helped ensure the continuity of these Areas.

Environment

The Cairo Communication Group, with regard to its traditional segments - Cairo Editore, advertising agency, La7, Il Trovatore - has outsourced its production processes to carry out its activities. Therefore, there are no relevant environmental aspects.

With regard to the activities of the network operator, Cairo Network, radio-television broadcasters are subject to regulations aimed at protecting people and the environment from exposure to electromagnetic fields. As explained above, the creation and management of the network was granted in full service mode to a qualified operator in the sector, who took on commitments and guarantees judged by Cairo Communication to be adequate to ensure compliance with applicable regulations.



RCS, which prints dailies in Italy at its production centers in Pessano, Rome and Padua, continued with its commitment to environmental matters in 2021, which had already been developed in past years, with a view towards optimizing these resources in all company processes. The processes involved were not only those more strictly related to production, but also those present in “non-core” areas, such as office space management.

Lastly, mention should be made that both the Cairo Communication Group and the RCS Group have prepared, in compliance with the relevant legislation, a specific non-financial statement for 2021 (hereinafter also referred to as "the consolidated non-financial statement" or “NFS”), to which reference is made for further information on such topics as human resources, health and safety and the environment.

Specifically, the NFS at 31 December 2021 includes information on environmental, social, personnel and human rights issues, and on the fight against corruption and bribery to the extent required to ensure an understanding of the Group's activities, performance, results and impact.

Report on Corporate Governance and Ownership Structure (Article 123 bis of Italian Legislative Decree no. 58 of 24 February 1998)

The Report on Corporate Governance and Ownership Structure, containing the information on compliance by Cairo Communication S.p.A. with the Corporate Governance Code for Listed Companies promoted by Borsa Italiana S.p.A., and the other information pursuant to paragraphs 1 and 2 of article 123-bis of Legislative Decree no. 58 of 24 February 1998, is published in accordance with the time limits of law also on the Company’s website - Governance section.

Consolidated Non-Financial Statement at 31 December 2021

The Consolidated Non-Financial Statement (hereinafter also the “NFS”) for 2021, drawn up in compliance with articles 3 and 4 of Legislative Decree 254/16, which aims to provide an overview of the policies, main risks and management criteria relating to the sustainability topics relevant to the Cairo Communication Group (hereinafter also the "Group"), is published in accordance with the time limits of law, also on the Company’s website - Governance section.



Privacy

Regarding privacy regulations, Cairo Communication and Group companies update the Personal Data Policy Document, which establishes treatment followed, resources subject to security measures, risks, rules (physical and logical measures, and security organizational measures) and the relating training plan.

In previous years, technical and organizational measures and methods had been put in place - integrating those already operational where necessary – regarding storage of the identifying details of system administrators and verification of work performed, in order to guarantee the monitoring of their work.

The Group has carried out the necessary checks and measures to come into line with Regulation (EU) 2016/679 of the European Parliament and of the Council on the protection of natural persons with regard to the processing of personal data and on the free movement of such data (the “General Data Protection Regulation”), effective, directly in all EU countries, as from 25 May 2019.

Participation in the regulatory simplification process adopted by CONSOB resolution no. 18079 of 20 January 2012.

As of 2012, the Cairo Communication S.p.A. Board of Directors, pursuant to Article 3 of CONSOB resolution no. 18079 of 20 January 2012 and in relation to the provisions of articles 70, paragraph 8, and 71, paragraph 1-bis of CONSOB regulation no. 11971/1999 as amended, decided to make use of the right to exemption from the informational document publication obligations set forth in the above-mentioned CONSOB regulation at the time of significant mergers, spin-offs, share capital increases through the contribution of goods in kind, acquisitions and disposals.

Significant events after the period and business outlook

After 2020, the year 2021 continued to be marked by the health emergency and the containment measures implemented by the authorities, both in Italy and Spain. Compared with the beginning of the year, starting from the second half of February 2021 in Spain, and from mid-April in Italy, the situation has improved and the containment measures are being gradually lifted.

In both countries, the vaccination campaign, coupled with the introduction of measures to boost vaccination, prevention and monitoring, has gradually brought great benefits, which have helped speed up the reduction of restrictions, improving the situation further.



The vaccination campaign and the measures adopted have allowed the two countries to cope effectively with the spread of the Omicron variant at the end of 2021 and to curb its impact on business activities and people's lives.

In 2021 too, the Group met the public's strong need to stay informed through its information offering, ensuring a timely service to its viewers and readers. The *La7* programmes, the daily editions of *Corriere della Sera* and *La Gazzetta dello Sport* in Italy, and of *El Mundo*, *Marca* and *Expansión* in Spain, the 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, and establishing themselves as authoritative players in daily television, print and online information, with strong television ratings and digital traffic figures.

Following the downtrend of 2020, the economic recovery that started in 2021 is being marked by higher prices for transportation and a number of commodities, including printing paper and energy, and in some cases, supply difficulties. This situation is causing a general increase in production costs and difficulties in production processes for various sectors, whose current production is struggling to keep pace with the trend in demand. Broadly speaking, after several years of virtual price stability, in 2021 the national consumer price index recorded a stronger year-on-year growth in both Italy and Spain than in the more recent past.

With regard to the Group, this economic context, and its development during the year, impacts on production costs and may also affect the performance of the advertising market, as it may influence the advertisers' propensity to spend.

The beginning of 2022 is yet again marked by the spread of the Omicron variant and the continued restrictive measures implemented by both Governments in Italy and Spain. Starting from the beginning of February, the situation has begun to improve in both countries, allowing them to speed up the gradual and rapid lifting of restrictions.

As from end February 2022, the conflict in Ukraine and its consequences, including in terms of economic sanctions against Russia and the impacts on the economy and trade, especially on energy, production and logistics supply chains, are causing grave uncertainty.

The Group has no direct exposure and/or business activities towards the markets affected by the conflict and/or sanctioned entities.

As for both the health emergency and the ongoing conflict, the developing situation and the potential effects on the business outlook, which will be constantly monitored also in the further course of the year, are unforeseeable at this time as they depend, inter alia, on how the health



context plays out and the effectiveness of the public measures - including economic ones - adopted and on the developments and duration of the conflict in Ukraine and its geopolitical effects.

In consideration of the actions already implemented and those planned, in the absence of a new deterioration of health conditions and/or a worsening of the consequences of a continuing conflict in Ukraine and/or further increases in the costs of certain commodities, the Group believes that it can set itself the target of confirming in 2022 margins (EBITDA) in line with those achieved in 2021 and a resulting further improvement in the net financial position.

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

For the Board of Directors
Chairman Urbano Cairo



Shareholders,

We invite you to approve the separate financial statements as at and for the year ended 31 December 2021 and the accompanying reports, and we propose the distribution of a dividend of Euro 0.18 per share, gross of tax.

Shareholders are invited:

- to approve the Directors' Report on Operations and the separate financial statements for the year ended 31 December 2021, which show a profit for the year of Euro 11,696,897.69
- to resolve on the distribution to shareholders of a dividend of Euro 0.18 per share, gross of tax, for each share entitled to receive profit distributions, with the exception of treasury shares held by the Company on the date prior to the record date pursuant to Article 83-*terdecies* of the TUF, by allocating the entire profit for the year of Euro 11,696,897.69 and drawing on the "retained earnings" reserve for the difference of Euro 12,498,089.95.

If approved by the Shareholders, the dividend of Euro 0.18 per share will be made payable on 25 May 2022 (record date pursuant to Article 83-*terdecies* of the TUF: 24 May 2022), subject to detachment of coupon no. 15 on 23 May 2022.

For the Board of Directors
Chairman Urbano Cairo