CAIRO COMMUNICATION

Press Release – Interim Management Report at 31 March 2014

In 1Q14, the Cairo Communication Group continued to achieve positive results in its traditional segments (magazine publishing and advertising) and pursued the strengthening of the results of the cost rationalization measures in the TV publishing segment (La7) implemented during the eight months of activity in 2013, exceeding for this segment also in the quarter under review a breakeven at the gross operating profit (EBITDA) level:

- **consolidated gross revenue came to Euro 68.5 million (Euro 67.5 million in 1Q13)**
- **consolidated gross operating profit (EBITDA), operating profit (EBIT) and profit came to Euro 5.8 million, Euro 4.7 million and Euro 4.9 million (Euro 5.8 million, Euro 5 million and Euro 3.8 million in 2013)**
- **during the quarter, La7 operations generated a positive gross operating profit (EBITDA) of Euro 0.8 million and did not basically absorb cash**

Milan, 14 May 2014: at its meeting today, the Board of Directors of Cairo Communication reviewed and approved the Interim Management Report at 31 March 2014.

In 1Q14, the Cairo Communication Group, despite the high degree of uncertainty of the economic context in general and specifically of the relevant markets (advertising and publishing):

- strengthened the results of the cost rationalization measures in the TV publishing segment (La7) implemented during the eight months of activity in 2013, and continued to pursue a turnaround, succeeding in achieving a positive gross operating profit (EBITDA) of Euro 0.8 million also in 1Q14, versus the gross operating loss of Euro 15.8 million of La7 in 1Q13;
- strengthened the results of "F", "Settimanale Nuovo" and "Settimanale Giallo", confirmed the high circulation levels of the other publications, and worked on improving the levels of efficiency reached in containing costs in the magazine publishing segment (production, publishing and distribution);
- kept advertising revenue levels high, despite the general market trend;
- achieved highly positive results in its traditional segments (magazine publishing and advertising), despite the general economic and financial climate and relevant markets trend.

To provide a better understanding of the figures in terms of comparison, it should be noted that the 1Q13 income statement does not include the results of La7 S.r.l., which entered the Group's scope of consolidation on 1 May 2013.

In 1Q14, consolidated <u>gross revenue</u> amounted to approximately Euro 68.5 million, growing by Euro 1 million (1.5%) versus 1Q13 (Euro 67.5 million). The consolidation of La7 S.r.l. brought no significant change to revenue, since over 90% of La7 S.r.l. revenue is generated by advertising sales made by Cairo Communication under the existing advertising concession contract. Consolidated <u>gross operating profit</u> (EBITDA) and <u>operating profit</u> (EBIT) amounted to approximately Euro 5.8 million and Euro 4.7 million, the former essentially in line and the latter losing 7% versus 1Q13 (Euro 5.8 million and Euro 5 million). Consolidated profit came to approximately Euro 4.9 million, growing by 30% versus 1Q13 (Euro 3.8 million).

Specifically:

- in the **TV publishing segment (La7)**, the Group continued to implement its own plan to restructure La7, with the aim of achieving a turnaround. Gross operating profit (EBITDA) and operating profit (EBIT) came to approximately Euro 0.8 million and Euro 0.3 million, while La7 operations did not essentially absorb cash (positive net financial position of Euro 114.1 million at 31 March 2014). Operating profit (EBIT) benefited in the consolidated financial statements from lower amortization and depreciation of Euro 7.6 million, due to the write-down of tangible and intangible assets made in the purchase price allocation of the investment. Net of these effects, it would have shown a negative figure of approximately Euro 7.3 million. In 1Q13 - when La7 had not been included yet in the scope of consolidation of the Cairo Communication Group - gross operating loss and operating loss had amounted to approximately Euro 15.8 million and Euro 24.5 million. In 1Q14, La7's average all-day share was 3.60% and 4.21% in prime time (from 8:30 PM to 11:30 PM), with a high-quality target audience. La7d's share grew by 0.51%;

- in the **magazine publishing segment**, gross operating profit (EBITDA) and operating profit (EBIT) came to Euro 2.4 million and Euro 2.1 million (Euro 2.3 million and Euro 2 million in 1Q13). During the quarter, circulation results were basically in line (-1.6%) with the same period of 2013. Regarding weeklies, with over 1.8 million average copies sold in February, the Group retains its position as the leading publisher in copies of weeklies sold at newsstands, with an over 25% market share;

- in the **advertising segment**, gross operating profit (EBITDA) and operating profit (EBIT) came to Euro 2.6 million and Euro 2.2 million (Euro 3.5 million and Euro 3 million in 1Q13). In 1Q14, advertising sales on La7 and La7d, amounting to Euro 40.1 million, confirmed the positive trend that started from the second half of 2013 and increased by over 5% versus the figure in 1Q13 (Euro 38.1 million).

The consolidated **net financial position** at 31 March 2014 showed a positive figure of approximately Euro 175.9 million (approximately Euro 172.9 million at 31 December 2013). Specifically, at 31 March 2014, the net financial position of La7 was Euro 114.1 million. Mention should be made that the Shareholders' Meeting of 29 April 2014 resolved to distribute a dividend of 0.27 Euro per share, inclusive of tax, with coupon detachment date on 12 May 2014 (payable on 15 May 2014), for a total of Euro 21.2 million. At 31 March 2014, this amount was still included in the equity reserves.

In 2014, the Cairo Communication Group will continue to pursue the development of its traditional segments (magazine publishing and advertising). Despite the economic and competitive backdrop, given the high quality of the publications and of the media under concession, the Group considers it a feasible target to continue to achieve positive operating results.

Regarding the TV publishing segment, in the remaining part of 2014 the Group will continue to engage on a plan to restructure the company, with the aim of strengthening the results of the rationalization and cost curbing measures achieved in the first eleven months of activity, and of continuing to pursue the turnaround.

However, the evolution of the general economic situation could affect the full achievement of these targets.

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

Cairo Communication Group is a leading Italian weekly magazine and television publisher and advertising sales Group, recognized as one of the first to have developed a multimedia sales approach, beginning with print media and expanding later into free, digital and pay TV and the Internet.

For further information: Mario Cargnelutti, Investor Relations, +39 02 74813240, m.cargnelutti@cairocommunication.it

This press release is also available on the Company's website www.cairocommunication.it
in the section NOTICES AND DOCUMENTS / *PRESS RELEASES*

Summary of the main consolidated income statement figures at 31 March 2104

The main **consolidated income statement** figures in 1Q14 can be compared with the figures in 1Q13:

(€ thousands)	31/03/2014 (Quarter)	31/03/2013 (Quarter)
Gross operating revenue	65,878	66,053
Advertising agency discounts	(6,589)	(6,842)
Net operating revenue	**59,289**	**59,211**
Change in inventory	(55)	(17)
Other revenue and income	2,650	1,467
Total revenue	**61,884**	**60,661**
Production cost	(41,018)	(48,451)
Personnel expense	(15,087)	(6,415)
Gross operating profit (EBITDA)	**5,779**	**5,795**
Amortization, depreciation, provisions and impairment losses	(1,121)	(794)
Operating profit (EBIT)	**4,658**	**5,001**
Net financial income	730	481
Income (loss) on investments	0	310
Pre-tax profit	**5,388**	**5,792**
Income tax	(473)	(2,022)
Non-controlling interests	(4)	-
Profit from continuing operations attributable to the owners of the Parent	**4,911**	**3,770**
Profit/(loss) from discontinued operations	-	-
Profit attributable to the owners of the Parent	**4,911**	**3,770**

Unaudited reclassified statements

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

(€ thousands)	31/03/2014	31/03/2013
Consolidated statement of comprehensive income		
Profit attributable to the owners of the Parent	4,911	3,770
Other non-reclassifiable items of the statement of comprehensive income		-
Actuarial profit (loss) from defined benefit plans	-	-
Tax effect		
Total comprehensive income	**4,911**	**3,770**

Unaudited reclassified statements

Summary of the main consolidated statement of financial position figures at 31 March 2014

The main **consolidated statement of financial position figures** at 31 March 2014 can be compared with the situation at 31 December 2013:

(€ thousands)	**31/03/2014**	**31/12/2013**
Statement of financial position		
Property, plant and equipment	2,760	2,829
Intangible assets	14,590	12,986
Financial assets	563	555
Deferred tax assets	4,380	4,589
Net current assets	(22,103)	(22,390)
Total assets	**190**	**(1,431)**
Non-current borrowings and provisions	46,551	46,814
(Net financial assets)/Net debt	(175,955)	(172,915)
Equity attributable to the owners of the Parent	129,578	124,658
Equity attributable to non-controlling interests	16	12
Total equity and liabilities	**190**	**(1,431)**

Unaudited reclassified statements

The consolidated **net financial position** at 31 March 2014, versus the situation at 31 December 2013, can be summarized as follows:

(€ thousands)	**31/03/2014**	**31/12/2013**	**Change**
Cash and cash equivalents	175,955	172,915	3,040
Current financial assets	-	-	-
Total	**175,955**	**172,915**	**3,040**

Segment reporting at 31 March 2014

The results in 1Q14 for each **main business segment** (magazine publishing, advertising, TV publishing (La7) and Il Trovatore) can be compared as follows with those in 1Q13:

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

31/03/2013 (€ thousands)	Magazine publishing	Advertising	TV publishing La7 Current operations	TV publishing La7 Non-recurring items	Trova-Tore	Unallocated operations	Intra-group	Total
Gross operating revenue	22,961	47,661	-	-	93	-	(4,662)	66,053
Advertising agency discounts	-	(6,842)	-	-	-	-	-	(6,842)
Net operating revenue	**22,961**	**40,819**	**-**	**-**	**93**	**-**	**(4,662)**	**59,211**
Change in inventory	(17)	-	-	-	-	-	-	(17)
Other income	578	889	-	-	-	-	-	1,467
Total revenue	**23,522**	**41,708**	**-**		**93**	**-**	**(4,662)**	**60,661**
Production cost	(16,418)	(36,614)	-	-	(81)	-	4,662	(48,451)
Personnel expense	(4,794)	(1,613)	-	-	(8)	-	-	(6,415)
Gross operating profit (EBITDA)	**2,310**	**3,481**	**-**	**-**	**4**	**-**	**-**	**5,795**
Amortization, depreciation, provisions and impairment losses	(308)	(486)	-	-	-	-	-	(794)
Operating profit (EBIT)	**2,002**	**2,995**	**-**	**-**	**4**	**-**	**-**	**5,001**
Income (loss) on investments	-	310	-	-	-	-	-	310
Net financial income	22	459	-	-	-	-	-	481
Non-recurring income from acquisition of La7 S.r.l.	-	-	-	-	-	-	-	-
Pre-tax profit	**2,024**	**3,764**	**-**	**-**	**4**	**-**	**-**	**5,792**
Income tax	(842)	(1,179)	-	-	(1)	-	-	(2,022)
Non-controlling interests	-	-	-		-	-	-	-
Profit from continuing operations attributable to the owners of the Parent	**1,182**	**2,585**	**-**	**-**	**3**	**-**	**-**	**3,770**
Profit / (loss) from discontinued operations	-	-	-	-	-	-	-	-
Profit	**1,182**	**2,585**	**-**	**-**	**3**	**-**	**-**	**3,770**

Unaudited reclassified statements

Details of consolidated revenue at 31 March 2014

The breakdown of **gross operating revenue** in 1Q14, split up into the main business segments (magazine publishing, advertising, TV publishing (La7) and Il Trovatore) can be analyzed as follows by comparing the amounts with those in 1Q13:

Gross revenue (€ thousands)	**Interim Management Report at 31/03/2014**					
	Magazine publishing	**Advertising**	**TV publishing (La 7)**	**Trovatore**	**Intra-group eliminations**	**Total**
Magazine over-the-counter sales	17,521	-	-	-	-	17,521
Print media advertising	4,058	5,388	-	-	(4,046)	5,400
TV advertising	-	39,265	27,654	-	(26,293)	40,626
Stadium signage	-	792	-	-	-	792
Internet advertising	-	193	73	4	(73)	197
Revenue from concession of programming schedule spaces	-	-	286	-	-	286
Other TV revenue	-	-	505	-	-	505
Subscriptions	715	-	-	-	-	715
Books and catalogues	103	-	-	-	-	103
Other revenue	5	150		210	(335)	30
VAT relating to publications	(297)	-	-	-	-	(297)
Total gross operating revenue	**22,105**	**45,788**	**28,518**	**214**	**(30,747)**	**65,878**
Other revenue and income	552	380	1,718	-	-	2,650
Total revenue	**22,657**	**46,168**	**30,236**	**214**	**(30,747)**	**68,528**

Gross revenue (€ thousands)	**Interim Management Report at 31/03/2013**					
	Magazine publishing	**Advertising**	**TV publishing (La 7)**	**Trovatore**	**Intra-group eliminations**	**Total**
Magazine over-the-counter sales	17,814	-	-	-	-	17,814
Print media advertising	4,541	5,918	-	-	(4,457)	6,002
TV advertising	-	40,728	-	-	-	40,728
Stadium signage	-	831	-	-	-	831
Internet advertising	-	37	-	8	-	45
Revenue from concession of programming schedule spaces	-	-	-	-	-	-
Other TV revenue	-	-	-	-	-	-
Subscriptions	749	-	-	-	-	749
Books and catalogues	150	-	-	-	-	150
Other revenue	-	147	-	85	(205)	27
VAT relating to publications	(293)	-	-	-	-	(293)
Total gross operating revenue	**22,961**	**47,661**	**-**	**93**	**(4,662)**	**66,053**
Other revenue and income	578	889	-	-	-	1,467
Total revenue	**23,539**	**48,550**	**-**	**93**	**(4,662)**	**67,520**

Summary of the main income statement figures of the Parent at 31 March 2014

The main **income statement figures of the Parent** in 1Q14 can be compared with those in 1Q13:

(€ thousands)	**31/03/2014 (Quarter)**	**31/03/2013 (Quarter)**
Gross operating revenue	30,246	29,875
Advertising agency discounts	-	-
Net operating revenue	**30,246**	**29,875**
Other revenue and income	85	795
Total revenue	**30,331**	**30,670**
Production cost	(27,835)	(27,630)
Personnel expense	(724)	(861)
Gross operating profit (EBITDA)	**1,772**	**2,179**
Amortization, depreciation, provisions and impairment losses	(58)	(33)
Operating profit (EBIT)	**1,714**	**2,146**
Net financial income	182	396
Income (loss) on investments	(1)	194
Pre-tax profit	**1,895**	**2,736**
Income tax	(626)	(839)
Non-controlling interests		
Profit from continuing operations	**1,269**	**1,897**
Loss from discontinued operations	-	-
Profit	**1,269**	**1,897**

Unaudited reclassified statements

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

(€ thousands)	**31/03/2014**	**31/03/2013**
Statement of comprehensive income of the Parent	1,269	1,897
Profit		
Other non-reclassifiable items of the statement of comprehensive income		-
Actuarial profit (loss) from defined benefit plans	-	-
Tax effect	-	-
Total statement of comprehensive income	**1,269**	**1,897**

Unaudited reclassified statements

Summary of the main statement of financial position figures of the Parent at 31 March 2014

The main figures of the **statement of financial position** of Cairo Communication S.p.A. at 31 March 2014 can be analyzed versus the situation at 31 December 2013:

(€ thousands)	**31/03/2014**	**31/12/2013**
Statement of financial position		
Property, plant and equipment	519	549
Intangible assets	341	356
Financial assets	17,644	17,614
Other non-current assets	13	13
Net current assets	2,031	14,961
Total assets	**20,548**	**33,493**
Non-current borrowings and provisions	1,059	1,346
(Net financial position)/Net debt	(49,690)	(35,690)
Equity	69,179	67,837
Total equity and liabilities	**20,548**	**33,493**

Unaudited reclassified statements

The **net financial position** of the Parent at 31 March 2014, versus the situation at 31 December 2013, is summarized as follows:

(€ thousands)	**31/03/2014**	**31/12/2013**	**Change**
Cash and cash equivalents	49,690	35,690	14,000
Current financial assets	-	-	-
Total	**49,690**	**35,690**	**14,000**

Alternative performance indicators

In order to provide a better reading of the financial performance of the Cairo Communication Group, besides of the conventional IFRS financial indicators, **alternative performance indicators** appear in this press release, but must not be considered to replace those of the IFRS.

The indicators are:

· **Gross operating profit (EBITDA):** adopted by Cairo Communication as a target to monitor internal management and for public presentations (for analysts and investors), representing a unit of measurement to assess operating performance of the Group and Parent Company, alongside **operating profit (EBIT).** These indicators are calculated as follows:

<u>Profit from continuing operations, pre-tax</u>

+/- Net finance income

+/- Share in associates

<u>EBIT- Operating profit</u>

+ Amortization and depreciation

+ Bad debt impairment losses

+ Provisions for risks

<u>EBITDA - Operating profit, before amortization, depreciation, write-downs and impairment losses.</u>

The Cairo Communication Group also considers **net financial position** as a valid indicator of the Group’s ability to meet financial obligations, both current and future. As seen in the table included in this press release, which details the equity figures used for the calculation of Group net financial position, this figure includes cash and other cash equivalents, bank deposits, securities and other current financial assets, reduced by current and non-current bank borrowings