CAIRO COMMUNICATION

2018 preliminary figures

Milan, 20 March 2019: In view of the presentation scheduled at the 2019 Star Conference of Borsa Italiana, Cairo Communication hereby discloses a few preliminary consolidated figures for 2018, yet to be reviewed by the Company's Board of Directors, whose meeting is called on 26 March 2019 to approve the 2018 Annual Report.

In 2018, based on preliminary figures, the Cairo Communication Group achieved:

- consolidated gross revenue of Euro 1,322.8 million[1] versus Euro 1,212.3 million in 2017, up by Euro 5.7 million on a like-for-like basis (net of IFRS 15), Euro 1,042.8 million attributable to RCS
- net operating revenue of Euro 1,224.1 million[1] (Euro 1,109.4 million in 2017), up by Euro 7.9 million on a like-for-like basis (net of IFRS 15), Euro 975.6 million attributable to RCS.
- consolidated gross operating profit (EBITDA) of Euro 182.8 million, up sharply versus 2017 (Euro 168.8 million);

Looking at the main business segments, in 2018:

- **RCS** (which approved its 2018 Annual Report on 18 March 2019) saw margins grow strongly, in line with 2018 performance targets, with profit reaching Euro 85.2 million[2]. Gross operating profit (EBITDA), amounting to Euro 163.8 million[3] in the consolidated financial statements of Cairo Communication, grew by approximately Euro 15.4 million versus 2017 (Euro 148.4 million);
- La7 reported a sharp increase in audience figures (+28.1% in all-day share and +36% in prime time versus 2017). Gross advertising sales on La7 and La7d channels, amounting to Euro 149.2 million, were equally on the rise in 2018, up by 8.3% versus 2017 (Euro 137.8 million), increasing sharply in the second half of the year (approximately +17%). The remarkable audience results by La7 were repeated in the first two months of 2019, rising by +15% in all-day and by +12% in prime time (fifth national channel in this slot with approximately 5% of the share – *Auditel*). In 2018, the **La7 TV publishing** and **network operator** segments achieved total gross operating profit (EBITDA) of approximately Euro 10.3 million (Euro 7.6 million in 2017).

[1] The 2018 Annual Report incorporates the new IFRS 15, which came into effect as from 1 January 2018. The income statement figures for 2018, therefore, cannot be directly compared with the corresponding amounts of the prior year. Specifically, if this new standard had not been applied, consolidated gross revenue in 2018 would have amounted to Euro 1,218 million instead of Euro 1,322.8 million, with a difference of Euro 104.8 million, attributable to higher revenue from the sale of publications of Euro 131.1 million, to lower advertising revenue of Euro 13.6 million and to lower other revenue of Euro 12.7 million. As for net operating revenue, the difference is Euro 106.8 million. The effects of the standard are restricted to a different presentation of costs and revenue, with no impact on the consolidated result for the year.

[2] Amounts and comparisons based on the RCS 2018 Annual Report, approved on 18 March 2019

[3] 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 below "Alternative Performance Measures". As a result of these differences, which lie in the provisions for risks and in the allowance for impairment, amounting in the year to Euro 8.4 million, EBITDA shown in the RCS 2018 Annual Report approved on 18 March 2019 amounted to Euro 155.3 million

- the **Cairo Editore magazine publishing segment** continued to achieve positive results, with gross operating profit (EBITDA) of Euro 8.5 million (Euro 12.2 million in 2017), negatively impacted by the launch costs incurred for "*Enigmistica Mia*" for a total of approximately Euro 0.5 million. Regarding weeklies, with approximately 1.5 million average copies sold in the January-December twelve-month period of 2018 (ADS), Cairo Editore retains its position as the leading publisher in copies of weeklies sold at newsstands, with an approximately 30% market share. Including the average sales of titles out of the ADS survey (the copies sold of *"Enigmistica Più"* and of "*Enigmistica Mia"*), average copies sold were approximately 1.6 million.

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.

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Alternative performance measures

In this press release, 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 the EBIT, and is calculated as follows:

Result from continuing operations, before tax

+/- Net finance income

+/- Share in associates

EBIT - Operating profit

\+ Amortization & depreciation

\+ Bad debt impairment losses

\+ Provisions for risks

\+ Income (expense) from equity-accounted investees

EBITDA – Operating profit, before amortization, depreciation, provisions and impairment losses.

EBITDA (earnings before interest, tax, depreciation and amortization) is not classified as an accounting measure under IFRS, therefore, the criteria adopted for its measurement may not be consistent among companies or different groups.

RCS defines EBITDA as operating profit (EBIT) before depreciation, amortization and impairment losses on fixed assets, and also includes income and expense from investments measured at equity.

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