CAIROCOMMUNICATION

Press Release - 2012 Draft Financial Statements

Board approves 2012 results:

- **The 2012 consolidated financial statements confirm the results appearing in the Interim Management Report at 31 December 2012 approved on 14 February 2013:**
    - **Euro 313.5 million consolidated gross revenue (-1.8%)**
    - **Euro 31.1 million consolidated gross operating profit (EBITDA) (Euro 39.5 million in 2011)**
    - **Euro 28.3 million consolidated operating profit (EBIT) (Euro 35.9 million in 2011)**
    - **Euro 18.7 million profit attributable to the owners of the parent (Euro 23.4 million in 2011)**
- **+13.2% circulation revenue. The 2 new weeklies reached very good results: "Settimanale Nuovo", with approximately 281 thousand average copies sold in the first 50 issues, and "F", with approximately 180 thousand average copies sold in the first 30 issues**
- **At the Shareholders' Meeting, the Board will propose an overall dividend of Euro 0.27 per share, which includes the interim dividend of Euro 0.13 per share distributed in December**

Milan, 19 March 2013: at its meeting today, the Board of Directors of Cairo Communication reviewed and approved the draft financial statements at 31 December 2012.

The 2012 consolidated financial statements basically confirm the results appearing in the Interim Management Report at 31 December 2012 approved on 14 February 2013.

In 2012, the Cairo Communication Group, despite the high uncertainty of the economic context in general and specifically of the relevant markets (advertising and publishing):

- returned, with the launch of "Settimanale Nuovo" (January) and of the women's weekly "F" (June), to the strategy of development, through the planning and launch of new publications, which had marked its strong growth in the 2003-2006 four-year period, creating two successful titles that have received a warm response from the public and achieved remarkable sales figures,
- continued to support the high quality and circulation levels of its portfolio of publications also by increasing investments in communication,
- managed to successfully limit the drop in advertising revenue, in particular TV advertising revenue, versus the general market trend, and
- achieved revenue basically in line with 2011 and highly positive results despite the considerable costs incurred for the two new titles. For the launch of the two weeklies and the prior study phase, in 2012 overall costs incurred amounted to approximately Euro 4.4 million.

In 2012, consolidated gross revenue amounted to approximately Euro 313.5 million (Euro 319.2 million in 2011), which comprises operating revenue of Euro 309.2 million and other revenue of Euro 4.3 million, basically in line (-1.8%) with 2011 thanks to revenue from the new weeklies "Settimanale Nuovo" (approximately Euro 13 million) and "F" (approximately Euro 7.4 million).

Consolidated gross operating profit (EBITDA) and consolidated operating profit (EBIT) came to approximately Euro 31.1 million and Euro 28.3 million, down 21.4% and 21.2% versus 2011 (Euro

39.5 million and Euro 35.9 million respectively). Profit attributable to the owners of the parent came to approximately Euro 18.7 million (Euro 23.4 million in 2011) and was impacted by the negative effect (Euro 1.5 million) of the measurement of the investment in Dmail Group S.p.A. using the equity method.

Looking at the **publishing segment**, gross operating profit (EBITDA) and operating profit (EBIT) in 2012 amounted to Euro 15.8 million and Euro 14.4 million (Euro 19.6 million and Euro 18.2 million respectively in the same period last year), as a result of the costs incurred for supporting the launch of the two weeklies (Euro 4.4 million) and of increased investments in communication and promotion to support the publications versus the same period last year (Euro 0.6 million). The first 50 issues of "Settimanale Nuovo" (with the first two at a launch price of 50 cents) reported average sales of approximately 281 thousand copies, while the first 30 issues of "F" (with the first two at a launch price of 50 cents) reported average sales of approximately 180 thousand copies. In 2013, Cairo Editore will continue to pursue opportunities to optimize production, publishing and distribution costs.

Looking at the **advertising segment**, in 2012 gross operating profit (EBITDA) and operating profit (EBIT) amounted to Euro 15.3 million and Euro 13.9 million (Euro 19.9 million and Euro 17.7 million respectively in the same period last year). Against the negative backdrop of the advertising market (-15.3% and -18.4% TV and magazine advertising markets respectively, based on AC Nielsen data in 2012), the Group managed to successfully limit the drop in advertising revenue, in particular TV advertising revenue, versus the market trend. Specifically, advertising sales on La7 (Euro 161.9 million) dropped by 3.4% versus 2011, outstripping the general TV advertising market by approximately 12 percentage points (-15.3%), confirming the highly positive results achieved over the past four years.

The consolidated net financial position at 31 December 2012 showed a positive figure of approximately Euro 61.2 million (approximately Euro 54.7 million at 31 December 2011). Mention must be made of the distribution in 2012 of the balance of the 2011 dividend, as resolved by the Shareholders' Meeting of 26 April 2012, amounting to Euro 0.15 per share (for a total of Euro 11.7 million), and of the resolution adopted by the Board of Directors on 13 November 2012 for the distribution of an interim dividend for the 2012 financial year of Euro 0.13 per share (for a total of Euro 10.1 million, of which Euro 8.9 million had been distributed at 31 December 2012).

In light of the results achieved, at the Shareholders' Meeting, the Board of Directors will propose the distribution of a dividend of Euro 0.27 per share, inclusive of tax, which comprises the interim dividend of Euro 0.13 per share distributed in December 2012, with coupon detachment date (coupon number 7) for the balance on 13 May 2013 and payable on 16 May 2013 (record date on 15 May).

The general economic and financial situation, marked by strong elements of uncertainty, continues to show its effects also at the start of 2013, creating an increasingly complex competitive scenario.

Despite this backdrop, with respect to its current business segments (magazine publishing and advertising sales), and given the high quality of the publications and of the media under concession, the Group considers it a feasible target to achieve highly positive operating results also in 2013.

After year-end 2012, Cairo Communication signed an agreement with Telecom Italia Media for the acquisition of the entire share capital of La7 S.r.l., excluding the investment held by La7 S.r.l. in MTV Italia S.r.l., for a consideration of Euro 1 million. The completion of the transaction, which is currently subject to the authorizations pursuant to the current legislation, will allow Cairo Communication to enter the TV publishing field, complementing its brokerage business for the sale of advertising space, and will also enable it to diversify its publishing activities which are currently focused on magazines.

In 2012, excluding the impairment of goodwill and non current activities, La7 posted a proforma Ebit loss of approximately Euro 96 million[1], deteriorating versus 2011, when comparable proforma Ebit loss amounted to approximately Euro 43 million, due mainly to the increase in the costs for the programme schedule. The company's current financial situation calls for the implementation of a restructuring plan aimed at reorganizing and streamlining the corporate structure and at curbing costs, preserving the high quality level of the scheduling. Under the agreements, the seller undertakes to help implement this project. Under the main terms of the agreements in fact, Telecom Italia Media will undertake, at the date of execution, to achieve for La7 a positive net financial position of at least Euro 88 million and equity of at least Euro 138 million.

Once the acquisition of La7 is finalized, the Group will engage in a plan to restructure the company, with the aim of curbing costs as early as 2013 and to achieve a turnaround by adopting these main guidelines:

- confirming the current editorial line and those programmes that represent the main strengths of the channel,
- curbing costs, focusing in particular on "unproductive" cost items and on recovering efficiency,
- targeting action on the programme schedule, with new programmes to strengthen various timeslots, afternoon timeslots in particular, focusing on a younger female audience,
- enhancing the high-quality target of the La7 audience, to maintain and develop the high level of advertising revenue against the general market backdrop.

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., Dott. Marco Pompignoli, declares, pursuant to paragraph 2 of Article 154-bis of the Consolidated Finance Law, that the accounting information contained in this press release is consistent with the underlying accounting documents, books and records.

Cairo Communication Group is a leading Italian weekly magazine publishing 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*

[1] As reported in Telecom Italia Media 2012 Annual Financial Report available on the website of Borsa Italiana and Telecom Italia Media.

Summary of the main consolidated income statement figures at 31 December 2012

The main **consolidated income statement figures** of 2012 can be compared with those of 2011:

(€ thousands)	**31/12/2012**	**31/12/2011**
Gross operating revenue	309,150	316,635
Advertising agency discounts	(33,212)	(35,086)
Net operating revenue	**275,938**	**281,549**
Change in inventory	(38)	(124)
Other revenue and income	4,300	2,567
Total revenue	**280,200**	**283,992**
Production cost	(224,281)	(220,854)
Personnel expense	(24,856)	(23,630)
Gross operating profit (EBITDA)	**31,063**	**39,508**
Amortization, depreciation, provisions and impairment losses	(2,743)	(3,584)
Operating profit (EBIT)	**28,320**	**35,924**
Net financial income	1,746	1,327
Income (loss) on investments	(1,461)	(765)
Pre-tax profit	**28,605**	**36,486**
Income tax	(9,940)	(13,027)
Non-controlling interests	(1)	(3)
Profit from continuing operations attributable to the owners of the parent	**18,664**	**23,456**
Profit/(loss) from discontinued operations	(1)	(10)
Profit/(loss) from discontinued operations attributable to non-controlling interests	-	-
Profit/(loss) from discontinued operations attributable to the owners of the parent	**(1)**	**(10)**
Profit attributable to the owners of the parent	**18,663**	**23,446**

Unaudited reclassified statements

The Group **statement of comprehensive income** in 2012 can be analyzed as follows:

(€ thousands)	**31/12/2012 (Twelve months)**	**31/12/2011 (Twelve months)**
Consolidated statement of comprehensive income		
Profit attributable to the owners of the parent	18,663	23,446
Loss on measurement of available-for-sale financial assets	-	(8)
Total comprehensive income	**18,663**	**23,438**

Unaudited reclassified statements

Summary of the main consolidated statement of financial position figures at 31 December 2012

The main **consolidated statement of financial position figures** at 31 December 2012 can be compared with the situation at 31 December 2011:

(€ thousands)	**31/12/2012**	**31/12/2011**
Statement of financial position		
Property, plant and equipment	2,942	2,724
Intangible assets	9,107	9,282
Financial assets	79	1,540
Deferred tax assets	4,263	4,734
Net current assets	(10,906)	(3,170)
Total assets	**5,485**	**15,110**
Non-current borrowings and provisions	6,365	6,081
(Net financial assets)/Net debt	(61,234)	(54,701)
Equity attributable to the owners of the parent	60,350	63,727
Equity attributable to non-controlling interests	4	3
Total equity and liabilities	**5,485**	**15,110**

Unaudited reclassified statements

The consolidated **net financial position** at 31 December 2012, versus the situation at 31 December 2011, can be summarized as follows:

(€ thousands)	**31/12/2012**	**31/12/2011**	**Change**
Cash and cash equivalents	61,234	54,701	6,533
Current financial assets	-	-	
Total	**61,234**	**54,701**	**6,533**

Consolidated cash flow statement

The **consolidated cash flow statement** at 31 December 2012 can be compared with the cash flow statement at 31 December 2011:

Cash flow statement *(€ thousands)*	**31/12/2012**	**31/12/2011**
Cash and cash equivalents	**54,701**	**58,260**
Profit	18,664	23,449
Amortization	882	842
Investment income	1,461	765
Net financial income	(1,746)	(1,327)
Income tax	9,940	13,027
Net movement in provision for employee and retirement benefits	188	7
Net movement in provisions for risks and charges	97	58
Cash flow from operating activities before movements in working capital	**29,486**	**36,821**
(Increase) Decrease in trade and other receivables	17,048	(6,872)
Increase (Decrease) in trade and other payables	(4,177)	11,330
(Increase) Decrease in other assets	-	79
(Increase) Decrease in inventory	(468)	(437)
Total cash from operating activities	**41,890**	**40,921**
Income tax paid	(15,400)	(16,733)
Financial charges paid	(126)	(117)
Net cash from operating activities (A)	**26,364**	**24,071**
(Acquisitions) Net disposals of PPE and intangible assets	(924)	(641)
Interest and financial income received	1,872	1,444
Net increase in other non-current assets	-	6
Net cash used in investing activities (B)	**948**	**809**
Dividends paid	(20,559)	(29,633)
(Increase) decrease in treasury shares	(214)	1,200
Other movements in equity	(5)	(6)
Net cash used in financing activities (C)	**(20,778)**	**(28,439)**
Net cash flow for the period (A)+(B)+(C)	**6,534**	**(3,559)**
Cash and cash equivalents	**61,234**	**54,701**

Unaudited reclassified statements

Segment reporting at 31 December 2012

The results achieved in 2012 by **each main business segment** can be analyzed as follows comparing them with the results in 2011:

31/12/2012 (€ thousands)	**Publishing**	**Advertising**	**Trova-tore**	**Unallocated operations**	**Intra-group**	**Total**
Gross operating revenue	109,500	230,875	343	-	(31,568)	309,150
Advertising agency discounts	-	(33,212)	-	-	-	(33,212)
Net operating revenue	**109,500**	**197,663**	**343**	**-**	**(31,568)**	**275,938**
Change in inventory	(38)	-	-	-	-	(38)
Other income	3,729	559	12	-	-	4,300
Total revenue	**113,191**	**198,222**	**355**		**(31,568)**	**280,200**
Production cost	(78,412)	(177,115)	(322)	-	31,568	(224,281)
Personnel expense	(18,993)	(5,829)	(34)	-	-	(24,856)
Gross operating profit (EBITDA)	**15,786**	**15,278**	**(1)**	**-**	**-**	**31,063**
Amortization, depreciation, provisions and impairment losses	(1,355)	(1,403)	15	-	-	(2,743)
Operating profit (EBIT)	**14,431**	**13,875**	**14**	**-**	**-**	**28,320**
Net financial income	205	1,542	(1)	-	-	1,746
Income (loss) on investments	-	(1,461)				(1,461)
Pre-tax profit	**14,636**	**13,956**	**13**	**-**	**-**	**28,605**
Income tax	(4,749)	(5,185)	(6)	-	-	(9,940)
Non-controlling interests	-	-	(1)	-	-	(1)
Profit from continuing operations attributable to the owners of the parent	**9,887**	**8,771**	**6**	**-**	**-**	**18,664**
Loss from discontinued operations	-	-	-	(1)	-	(1)
Profit	**9,887**	**8,771**	**6**	**(1)**	**-**	**18,663**

Unaudited reclassified statements

31/12/2011 (€ thousands)	**Publishing**	**Advertising**	**Trova-tore**	**Unallocated operations**	**Intra-group**	**Total**
Gross operating revenue	100,181	246,778	354	-	(30,678)	316,635
Advertising agency discounts	-	(35,086)	-	-		(35,086)
Net operating revenue	**100,181**	**211,692**	**354**	**-**	**(30,678)**	**281,549**
Change in inventory	(124)	-	-	-	-	(124)
Other income	1,872	695	-	-	-	2,567
Total revenue	**101,929**	**212,387**	**354**	**-**	**(30,678)**	**283,992**
Production cost	(65,571)	(185,665)	(296)	-	30,678	(220,854)
Personnel expense	(16,746)	(6,852)	(32)	-	-	(23,630)
Gross operating profit (EBITDA)	**19,612**	**19,870**	**26**	**-**	**-**	**39,508**
Amortization, depreciation, provisions and impairment losses	(1,416)	(2,170)	2	-	-	(3,584)
Operating profit (EBIT)	**18,196**	**17,700**	**28**	**-**	**-**	**35,924**
Net financial income	177	1,151	(1)	-	-	1,327
Income (loss) on investments	-	(765)	-	-	-	(765)
Pre-tax profit	**18,373**	**18,086**	**27**	**-**	**-**	**36,486**
Income tax	(6,451)	(6,554)	(22)	-	-	(13,027)
Non-controlling interests	-	-	(3)	-	-	(3)
Profit from continuing operations attributable to the owners of the parent	**11,922**	**11,532**	**2**	**-**	**-**	**23,456**
Loss from discontinued operations	-	-	-	(10)	-	(10)
Profit	**11,922**	**11,532**	**2**	**(10)**	**-**	**23,446**

Unaudited reclassified statements

Details of consolidated revenue at 31 December 2012

The breakdown of **gross operating revenue** in 2012, split up into the main business segments (publishing, advertising and Il Trovatore), can be analyzed as follows by comparing the amounts with those in 2011:

Gross revenue			**31/12/2012**		
(€ thousands)					
	Publishing	**Advertising**	**Trovatore**	**Intra-group eliminations**	**Total**
Magazine over-the-counter sales	75,621	-	-	-	75,621
Print media advertising	31,000	35,975		(30,750)	36,225
TV advertising	-	190,566	-	-	190,566
Stadium signage	-	1,996	-	-	1,996
Internet advertising	-	1,732	28	-	1,760
Subscriptions	3,016	-	-	-	3,016
Books and catalogues	1,302	-	-	-	1,302
Other revenue	-	606	315	(818)	103
VAT relating to publications	(1,439)	-	-	-	(1,439)
Total gross operating revenue	**109,500**	**230,875**	**343**	**(31,568)**	**309,150**
Other revenue and income	3,729	559	12	-	4,300
Total revenue	**113,229**	**231,434**	**355**	**(31,568)**	**313,450**

Gross revenue			**31/12/2011**		
(€ thousands)					
	Publishing	**Advertising**	**Trovatore**	**Intra-group eliminations**	**Total**
Magazine over-the-counter sales	66,838	-	-	-	66,838
Print media advertising	30,074	41,039	-	(29,860)	41,253
TV advertising	-	201,768	-	-	201,768
Stadium signage	-	2,094	-	-	2,094
Internet advertising	19	1,275	38	-	1,332
Subscriptions	3,126	-	-	-	3,126
Books and catalogues	1,377	-	-	-	1,377
Other revenue	-	602	316	(818)	100
VAT relating to publications	(1,253)	-	-	-	(1,253)
Total gross operating revenue	**100,181**	**246,778**	**354**	**(30,678)**	**316,635**
Other revenue and income	1,872	695	-	-	2,567
Total revenue	**102,053**	**247,473**	**354**	**(30,678)**	**319,202**

Summary of the main income statement figures of the Parent at 31 December 2012

The main **income statement figures of the Parent** in 2012 can be compared versus those in 2011:

(€ thousands)	**31/12/2012**	**31/12/2011**
Gross operating revenue	137,099	140,487
Advertising agency discounts	-	-
Net operating revenue	**137,099**	**140,487**
Other revenue and income	133	261
Total revenue	**137,232**	**140,748**
Production cost	(125,246)	(127,125)
Personnel expense	(2,750)	(2,773)
Gross operating profit (EBITDA)	**9,236**	**10,850**
Amortization, depreciation, provisions and impairment losses	(213)	(218)
Operating profit (EBIT)	**9,023**	**10,632**
Net financial income	1,284	952
Income (loss) on investments	14,241	11,674
Pre-tax profit	**24,548**	**23,258**
Income tax	(3,486)	(3,990)
Profit from continuing operations	**21,062**	**19,268**
Profit/(loss) from discontinued operations	-	(10)
Profit	**21,062**	**19,258**

Unaudited reclassified statements

The **statement of comprehensive income** of the Parent in 2012 can be analyzed as follows:

(€ thousands)	**31/12/2012**	**31/12/2011**
Parent statement of comprehensive income	21,062	19,258
Profit		
Loss on measurement of available-for-sale financial assets	-	(8)
Total statement of comprehensive income	**21,062**	**19,250**

Unaudited reclassified statements

Summary of the main statement of financial position figures of the Parent at 31 December 2012

The main **statement of financial position figures** at 31 December 2012 of Cairo Communication S.p.A. can be compared with the situation at 31 December 2011:

(€ thousands)	**31/12/2012**	**31/12/2011**
<u>Statement of financial position</u>		
Property, plant and equipment	520	376
Intangible assets	159	124
Financial assets	14,032	15,169
Other non-current assets	399	399
Net current assets	(160)	7,709
Total assets	**14,950**	**23,777**
Non-current borrowings and provisions	1,008	910
(Net financial assets)/Net debt	(45,426)	(37,476)
Equity	59,368	60,343
Total equity and liabilities	**14,950**	**23,777**

Unaudited reclassified statements

The **net financial position** of the Parent at 31 December 2012, compared with the situation at 31 December 2011, is summarized as follows:

(€ thousands)	**31/12/2012**	**31/12/2011**	**Change**
Cash and cash equivalents	45,426	37,476	7,950
Current financial assets	-	-	-
Total	**45,426**	**37,476**	**7,950**

Cash flow statement

The **cash flow statement** at 31 December 2012 of Cairo Communication S.p.A. can be compared with the cash flow statement at 31 December 2011:

Cash flow statement *(€ thousands)*	**31/12/2012**	**31/12/2011**
Cash and cash equivalents	**37,476**	**32,663**
Profit	21,062	19,258
Amortization	213	218
Impairment of investments	1,439	765
Net financial income	(16,964)	(13,391)
Income tax	3,486	3,990
Net movement in provision for employee and retirement benefits	98	93
Net movement in provisions for risks and charges	-	(20)
Cash flow from operating activities before movements in working capital	**9,333**	**10,913**
(Increase) Decrease in trade and other receivables	4,533	14,227
Increase (Decrease) in trade and other payables	1,206	3,200
(Increase) Decrease in other assets	-	79
Total cash from operating activities	**15,072**	**28,419**
Income tax paid	(2,620)	(8,350)
Financial charges paid	(91)	(57)
Net cash from operating activities (A)	**12,361**	**20,012**
(Acquisitions) net disposals of PPE and intangible assets	(392)	(214)
Interest and financial income received	1,375	1,009
Dividends received	15,680	12,439
Net increase in other non-current assets	(301)	-
Net cash used in investing activities (B)	**16,362**	**13,234**
(Increase) Decrease in treasury shares	(214)	1,200
Dividends paid	(20,559)	(29,633)
Net cash used in financing activities (C)	**(20,773)**	**(28,433)**
Net cash flow for the period (A)+(B)+(C)	**7,950**	**4,813**
Net cash and cash equivalents closing balance	**45,426**	**37,476**

Unaudited reclassified statements

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.