Press release – Half-year financial report at 30 June 2014

In 1H14, the Cairo Communication Group continued to achieve highly positive results in its traditional segments (magazine publishing and advertising), and strengthened the results of the cost rationalization measures in the TV publishing segment (La7) implemented during the eight months of activity in 2013:

- **consolidated gross revenue amounted to Euro 142.2 million (Euro 143.4 million in 1H13)**
- **consolidated gross operating profit (EBITDA) and operating profit (EBIT) came to Euro 16 million and Euro 14 million (+27.6% and +27.5% versus the same results of current operations in 1H13)**
- **consolidated profit came to Euro 14.5 million (+71.3% versus the consolidated profit of current operations in 2013)**
- **in 1H14, La7 operations generated a positive gross operating profit (EBITDA) of Euro 4.9 million (versus a gross operating loss of Euro 28.7 million in the January-June six-month period of 2013) and did not absorb cash**

Milan, 5 August 2014: at its meeting today, the Board of Directors of Cairo Communication reviewed and approved the half-year financial report at 30 June 2014.

In 1H14, 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 4.9 million also in 1H14 versus the gross operating loss of Euro 28.7 million of La7 in the January-June six-month period of 2013;
- 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 context and relevant market trend;
- took part with the subsidiary Cairo Network 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, submitting its binding bid and winning the rights to use a lot of frequencies ("Mux") for a period of 20 years.

To provide a better understanding of the figures for comparative purposes, it should be noted that the 1H13 income statement included the results of La7 S.r.l., which entered the Group's scope of consolidation on 1 May 2013, with regard only to the May-June two-month period of 2013. Additionally, the result in 1H13 had benefited from the recognition of "non-recurring income from the acquisition of La7", initially recognized in the amount of Euro 54.7 million, then adjusted retrospectively in 2H13 to Euro 57.1 million.

In 1H14, consolidated gross revenue amounted to approximately Euro 142.2 million, basically in line with 1H13 (Euro 143.4 million). The consolidation of La7 S.r.l. for the entire six months (with respect to the May-June two-month period of 2013 included in the same period last year) brought no significant change to revenue, since over 90% of La7 S.r.l. revenue comes from advertising sales generated by Cairo Communication under the advertising concession contract already existing before the acquisition of the company. Looking at current operations, consolidated gross operating profit (EBITDA) and operating profit (EBIT), amounting to approximately Euro 16 million and Euro 14 million, grew by 27.6% and 27.5% versus the same results of current operations in IH13 (Euro 12.5 million and Euro 11 million). Consolidated profit from current operations, amounting to approximately Euro 14.5 million, grew by approximately 71.3% versus the profit from current operations in 1H13 (Euro 8.5 million). In 1H13, profit (Euro 63.6 million) included Euro 55.1 million, that is, the non-recurring income and charges from the acquisition of La7.

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 4.9 million and Euro 4 million, while La7 operations did not absorb cash (positive net financial position of Euro 121 million at 30 June 2014 versus Euro 115,8 million at 31 December 2013). Operating profit (EBIT) benefited in the consolidated financial statements from lower amortization and depreciation of Euro 12.4 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 8.4 million. In the January-June six-month period of 2013 - when La7 had not been included yet for the entire period in the scope of consolidation of the Group - gross operating loss had amounted to approximately Euro 28.7 million. In 1H14, La7's average all-day share was 3.60% and 4.24% in prime time (from 8:30 PM to 11:30 PM), with a high-quality target audience. La7d's share grew to 0.49%;

- in the **magazine publishing segment**, gross operating profit (EBITDA) and operating profit (EBIT), amounting to approximately Euro 6.3 million and Euro 5.7 million, grew by 35.3% and 40.8% versus the same results in IH13 (Euro 4.6 million and Euro 4.1 million). The half-year period confirmed the excellent circulation results, with circulation revenue at Euro 34.8 million. Regarding weeklies, with about 1.8 million average copies sold in the January-May five-month period of 2014, 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 4.8 million and Euro 4.2 million (Euro 7.5 million and Euro 6.9 million in 1H13). In 1H14, advertising sales on La7 and La7d, amounting to Euro 82.4 million, basically confirmed the 1H13 result (Euro 82.6 million). In 2Q14, advertising sales on Group magazine publications, totaling Euro 8.7 million, grew by 1% versus 2Q13, reporting a strong reversal versus the trend seen over the past few years.

The consolidated **net financial position** at 30 June 2014 showed a positive figure of approximately Euro 152.5 million (approximately Euro 172.9 million at 31 December 2013). Specifically, at 30 June 2014, the net financial position of La7 came to Euro 121 million. Mention must be made that, at their Meeting on 29 April 2014, the shareholders approved the distribution of a dividend of 0.27 Euro per share, inclusive of tax, with coupon detachment date on 12 May 2014 (made payable on 15 May 2014), for a total of Euro 21.2 million.

After the closing of the half year (25 July 2014), the subsidiary Cairo Network paid the amount offered (Euro 31.6 million) for the acquisition of the Mux, also by means of a bank loan of Euro 25 million granted by Unicredit S.p.A.. The loan is secured by a guarantee issued by the parent Cairo Communication, and calls for the payment of an interest rate equal to the 3-month Euribor plus 225 basis points and certain constraints (negative pledges) and commitments (covenants) on the part of the company, which are typical of these transactions.

In 2H14, the Cairo Communication Group will continue to develop its traditional segments (magazine publishing and advertising). Despite the economic and competitive context, 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 with the aim of strengthening the results of the rationalization and cost curbing measures achieved in the first fourteen months of activity.

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.

The Cairo Communication Group is one of the leaders in the weekly magazine, TV publishing and advertising sales segments, recognized as one of the first to have developed a multimedia sales approach, beginning with magazines and expanding later into free, digital and pay TV and the Internet.

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Summary of the main consolidated income statement figures at 30 June 2014

The main consolidated **income statement** figures in 1H14 can be compared as follows with those of 1H13:

(€ thousands)	30/06/2014 (Half year)			30/06/2013 (Half year)		
	Current operations	**Non-recurring items**	**Total**	**Current operations**	**Non-recurring items**	**Total**
Gross operating revenue	137,194	-	137,194	140,549	-	140,549
Advertising agency discounts	(13,829)	-	(13,829)	(14,534)	-	(14,534)
Net operating revenue	**123,365**	**-**	**123,365**	**126,015**	**-**	**126,015**
Change in inventory	(35)	-	(35)	(77)	-	(77)
Other revenue and income	5,042	-	5,042	2,896	-	2,896
Total revenue	**128,372**	**-**	**128,372**	**128,834**	**-**	**128,834**
Production cost	(81,353)	-	(81,353)	(97,271)	(1,917)	(99,188)
Personnel expense	(31,036)	-	(31,036)	(19,034)	-	(19,034)
Gross operating profit (EBITDA)	**15,983**	**-**	**15,983**	**12,529**	**(1,917)**	**10,612**
Amortization, depreciation, provisions and impairment losses	(2,025)	-	(2,025)	(1,578)	-	(1,578)
Operating profit (EBIT)	**13,958**	**-**	**13,958**	**10,951**	**(1,917)**	**9,034**
Net financial income	1,207	-	1,207	1,380	-	1,380
Income / (loss) on investments	(1)	-	(1)	563	-	563
Non-recurring income from the acquisition of La7 S.r.l.	-	-	-	-	57,066	57,066
Pre-tax profit	**15,164**	**-**	**15,164**	**12,894**	**55,149**	**68,043**
Income tax	(651)	-	(651)	(4,429)	-	(4,429)
Non-controlling interests	(8)	-	(8)	-	-	-
Profit from continuing operations attributable to the owners of the parent	**14,505**	**-**	**14,505**	**8,465**	**55,149**	**63,614**
Profit / (loss) from discontinued operations	-	-	-	-	-	-
Profit attributable to the owners of the parent	**14,505**	**-**	**14,505**	**8,465**	**55,149**	**63,614**

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

(€ thousands)	**30/06/2014 (Half year)**	**30/06/2013 (Half year)**
Consolidated statement of comprehensive income		
Profit attributable to the owners of the parent	**14,505**	**63,614**
Other reclassifiable items of the comprehensive income statement		
Profit on measurement of available-for-sale financial assets	-	156
Other non- reclassifiable items of the comprehensive income statement		
Actuarial profit (loss) from defined benefit plans	(695)	77
Tax effect	191	(21)
Total comprehensive income	**14,001**	**63,826**

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Summary of the main consolidated statement of financial position figures at 30 June 2014

The main consolidated **statement of financial position** figures at 30 June 2014 can be compared with the situation at 31 December 2013:

(€ thousands)	**30/06/2014**	**31/12/2013**
Statement of financial position		
Property, plant and equipment	2,735	2,829
Intangible assets	15,987	12,986
Financial assets	478	555
Deferred tax assets	3,206	4,589
Net current assets	(10,810)	(22,390)
Total assets	**11,596**	**(1,431)**
Non-current borrowings and provisions	46,566	46,814
(Net financial assets)/Net debt	(152,506)	(172,915)
Equity attributable to the owners of the parent	117,516	124,658
Equity attributable to non-controlling interests	20	12
Total equity and liabilities	**11,596**	**(1,431)**

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The consolidated **net financial position** at 30 June 2014, versus the situation at 31 December 2013, can be summarized as follows:

(€ thousands)	**30/06/2014**	**31/12/2013**	**Change**
Cash and cash equivalents	152,506	172,915	(20,409)
Current financial assets	-	-	-
Total	**152,506**	**172,915**	**(20,409)**

Consolidated cash flow statement

The consolidated **cash flow statement** at 30 June 2014 can be analyzed versus the cash flow statement at 30 June 2013:

Consolidated cash flow statement (€ thousands)	**30/06/2014** **(six months)**	**30/06/2013** **(six months)**
Cash and cash equivalents	**172,915**	**61,234**
OPERATING ACTIVITIES		
Profit	14,513	63,614
Non-recurring income from acquisition of La7 S.r.l.	-	(57,066)
Amortization and depreciation	1,290	430
Income / (loss) on investments	1	(563)
Net financial income	(1,207)	(1,380)
Income tax	846	4,429
Change in post-employment benefits	685	(206)
Change in provisions for risks and charges	(933)	(146)
Cash flow from operating activities before changes in working capital	**15,195**	**9,112**
(Increase) decrease in trade and other receivables	4,708	11,407
Increase (decrease) in trade and other payables	(14,599)	(3,539)
(Increase) decrease in inventories	640	1,801
Total cash flow from operating activities	**5,944**	**18,781**
Income tax paid	(1,792)	(206)
Financial expense paid	(248)	(180)
Total net cash from operating activities (A)	**3,904**	**18,395**
INVESTING ACTIVITIES		
(Acquisition) disposal net of plant and equipment and intangible assets	(4,197)	(2,845)
Cash and cash equivalents acquired net of purchase price of La7 S.r.l. (*)	-	109,199
Interest and financial income received	1,455	1,560
Net increase in other non-current assets	76	327
Net cash used in investing activities (B)	**(2,666)**	**108,241**
FINANCING ACTIVITIES		
Dividends paid	(21,152)	(10,905)
(Acquisition) disposal of treasury shares	-	1,344
Increase (decrease) in available-for-sale financial assets reserve	-	156
New measurement of defined benefit plans including tax effect	(504)	56
Other changes in equity	9	(2)
Net cash used in financing activities (C)	**(21,647)**	**(9,351)**
Cash flow of the period (A) + (B) + (C)	**(20,409)**	**117,285**
Closing cash and cash equivalents	**152,506**	**178,519**

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(*) Highlights of the consolidation of La7 S.r.l. at 30 April 2013 :

Other non-current assets	(1,013)
Inventory	(1,557)
Trade receivables and other current assets	(59,707)
Trade payables and other current liabilities	75,053
Provisions for risks and charges	32,176
Post-employment benefits	7,181
Non-recurring income from the acquisition of La7 S.r.l.	57,066
Cash and cash equivalents acquired net of purchase price of La7 S.r.l.	**109,199**

Segment reporting at 30 June 2014

The results in 1H14 for each **main business segment** (magazine publishing, advertising, TV publishing (La7) and Il Trovatore) can be compared as follows with those in 1H13:

2014 (Half year) (€ thousands)	**Magazine publishing**	**Advertising**	**TV publishing La7**		**Trovato-re**	**Unallocat ed operation**	**Intra-group**	**Total**
			Current operations	**Non-recurring items**				
Gross operating revenue	46,543	96,738	59,361	-	431		(65,879)	137,194
Advertising agency discounts	-	(13,829)	-	-	-		-	(13,829)
Net operating revenue	**46,543**	**82,909**	**59,361**	**-**	**431**		**(65,879)**	**123,365**
Change in inventory	(35)	-	-	-	-		-	(35)
Other income	864	481	3,697	-	-		-	5,042
Total revenue	**47,372**	**83,390**	**63,058**	**-**	**431**		**(65,879)**	**128,372**
Production cost	(31,437)	(75,287)	(40,155)	-	(353)		65,879	(81,353)
Personnel expense	(9,667)	(3,316)	(18,035)	-	(18)		-	(31,036)
Gross operating profit (EBITDA)	**6,268**	**4,787**	**4,868**	**-**	**60**		**-**	**15,983**
Amortization, depreciation, provisions and impairment losses	(542)	(606)	(877)	-	-		-	(2,025)
Operating profit (EBIT)	**5,726**	**4,181**	**3,991**	**-**	**60**		**-**	**13,958**
Income / (loss) on investments	-	(1)	-	-	-		-	(1)
Net financial income	17	325	865	-	-		-	1,207
Non-recurring income from acquisition of La7 S.r.l.	-	-	-	-	-		-	-
Pre-tax profit	**5,743**	**4,505**	**4,856**	**-**	**60**		**-**	**15,164**
Income tax	(2,063)	(1,537)	2,970	-	(21)		-	(651)
Non-controlling interests	-	-	-		(8)		-	(8)
Profit from continuing operations attributable to the owners of the parent	**3,680**	**2,968**	**7,826**	**-**	**31**		**-**	**14,505**
Profit / (loss) from discontinued operations	-	-	-	-	-		-	-
Profit	**3,680**	**2,968**	**7,826**	**-**	**31**		**-**	**14,505**

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2013 (Half year) (€ thousands)	Magazine publishing	Advertising	TV publishing La7 (*) Current operations	 Non-recurring items	Trovato-re	Unallocated operation	Intra-group	Total
Gross operating revenue	48,038	101,224	22,228	-	184	-	(31,125)	140,549
Advertising agency discounts	-	(14,534)	-	-	-	-		(14,534)
Net operating revenue	**48,038**	**86,690**	**22,228**	**-**	**184**	**-**	**(31,125)**	**126,015**
Change in inventory	(77)	-	-	-	-	-	-	(77)
Other income	1,467	3,752	281	-	-	-	(2,604)	2,896
Total revenue	**49,428**	**90,442**	**22,509**	**-**	**184**	**-**	**(33,729)**	**128,834**
Production cost	(35,076)	(80,060)	(15,698)	(1,917)	(166)	-	33,729	(99,188)
Personnel expense	(9,718)	(2,883)	(6,416)	-	(17)	-	-	(19,034)
Gross operating profit (EBITDA)	**4,634**	**7,499**	**395**	**(1,917)**	**1**	**-**	**-**	**10,612**
Amortization, depreciation, provisions and impairment losses	(569)	(585)	(424)	-	-	-	-	(1,578)
Operating profit (EBIT)	**4,065**	**6,914**	**(29)**	**(1,917)**	**1**	**-**	**-**	**9,034**
Income / (loss) on investments	-	563	-	-	-	-	-	563
Net financial income	20	830	531	-	(1)	-	-	1,380
Non-recurring income from acquisition of La7 S.r.l.	-	-	-	57,066	-	-	-	57,066
Pre-tax profit	**4,085**	**8,307**	**502**	**55,149**	**-**	**-**	**-**	**68,043**
Income tax	(1,589)	(2,838)	-	-	(2)	-	-	(4,429)
Non-controlling interests	-	-	-	-	-	-	-	-
Profit from continuing operations attributable to the owners of the parent	**2,496**	**5,469**	**502**	**55,149**	**(2)**	**-**	**-**	**63,614**
Profit / (loss) from discontinued operations	-	-	-	-	-	-	-	-
Profit	**2,496**	**5,469**	**502**	**55,149**	**(2)**	**-**	**-**	**63,614**

(*) The amounts shown for the "TV publishing" segment refer to the two-month period from 1 May 2013 to 30 June 2013

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Details of consolidated revenue at 30 June 2014

The breakdown of **gross operating revenue** in 1H14, split up by main business segment (magazine publishing, advertising, TV publishing (La7) and Il Trovatore) can be analyzed as follows by comparing the amounts with 1H13:

Gross revenue	**Half year at 30/06/2014**					
(€ thousands)	**(six months)**					
	Magazine publishing	**Advertising**	**TV publishing (La7)**	**Trovatore**	**Intra-group eliminations**	**Total**
Magazine over-the-counter sales	34,849	-	-	-	-	34,849
Print media advertising	10,517	14,013	-	-	(10,495)	14,035
TV advertising	-	80,744	57,311	-	(54,478)	83,577
Stadium signage	-	1,159	-	-	-	1,159
Internet advertising	-	521	231	261	(485)	528
Revenue from sale of programming schedule space	-	-	521	-	-	521
Other TV revenue	-	-	1,298	-	-	1,298
Subscriptions	1,460	-	-	-	-	1,460
Books and catalogues	330	-	-	-	-	330
Other revenue	-	301	-	170	(421)	50
VAT relating to publications	(613)	-	-	-	-	(613)
Total gross operating revenue	**46,543**	**96,738**	**59,361**	**431**	**(65,879)**	**137,194**
Other revenue	864	481	3,697	-	-	5,042
Total revenue	**47,407**	**97,219**	**63,058**	**431**	**(65,879)**	**142,236**

Gross revenue	**Half year at 30/06/2013**					
(€ thousands)	**(six months)**					
	Magazine publishing	**Advertising**	**TV publishing (La7)***	**Trovatore**	**Intra-group eliminations**	**Total**
Magazine over-the-counter sales	35,965	-	-	-		35,965
Print media advertising	10,912	14,252	-	-	(10,626)	14,538
TV advertising	-	85,250	20,090	-	(20,090)	85,250
Stadium signage	-	1,342	-	-	-	1,342
Internet advertising	-	90	-	15	-	105
Revenue from sale of programming schedule space	-	-	1,516	-	-	1,516
Other TV revenue	-	-	622	-	-	622
Subscriptions	1,520	-	-	-	-	1,520
Books and catalogues	249	-	-	-	-	249
Other revenue	-	290	-	169	(409)	50
VAT relating to publications	(608)	-	-	-	-	(608)
Total gross operating revenue	**48,038**	**101,224**	**22,228**	**184**	**(31,125)**	**140,549**
Other revenue	1,467	3,752	281	-	(2,604)	2,896
Total revenue	**49,505**	**104,976**	**22,509**	**184**	**(33,729)**	**143,445**

(*) The amounts shown for the "TV publishing" segment refer to the two-month period from 1 May 2013 to 30 June 2013

Summary of the main income statement figures of the Parent at 30 June 2014

The main **income statement figures of the Parent** in 1H14 can be compared with those in 1H13:

(€ thousands)	**30/06/2014 (Half year)**	**30/06/2013 (Half year)**
Gross operating revenue	62,578	63,544
Advertising agency discounts	-	-
Net operating revenue	**62,578**	**63,544**
Other revenue and income	144	3,283
Total revenue	**62,722**	**66,827**
Production cost	(57,880)	(60,610)
Personnel expense	(1,480)	(1,416)
Gross operating profit (EBITDA)	**3,362**	**4,801**
Amortization, depreciation, provisions and impairment losses	(100)	(79)
Operating profit (EBIT)	**3,262**	**4,722**
Net financial income	310	757
Income (loss) on investments	1,039	3,729
Pre-tax profit	**4,611**	**9,208**
Income tax	(1,171)	(1,919)
Non-controlling interests		-
Profit from continuing operations	**3,440**	**7,289**
Loss from discontinued operations	-	-
Profit	**3,440**	**7,289**

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

(€ thousands)	**30/06/2014**	**30/06/2013**
Statement of comprehensive income of the Parent		
Profit	3,440	7,289
Other reclassifiable items of the comprehensive income statement		-
Profit on measurement of available-for-sale financial assets	-	69
Other non-reclassifiable items of the statement of comprehensive income	-	-
Actuarial profit (loss) from defined benefit plans	(39)	-
Tax effect	11	-
Total statement of comprehensive income	**3,412**	**7,358**

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Summary of the main statement of financial position figures of the Parent at 30 June 2014

The main **statement of financial position** figures of Cairo Communication S.p.A. at 30 June 2014 can be analyzed versus the situation at 31 December 2013:

(€ thousands)	30/06/2014	31/12/2013
Statement of financial position		
Property, plant and equipment	521	519
Intangible assets	354	356
Financial assets	17,644	17,614
Other non-current assets	13	13
Net current assets	18,736	14,961
Total assets	**37,268**	**33,493**
Non-current borrowings and provisions	1,230	1,346
(Net financial position)/Net debt	(14,060)	(35,690)
Equity	50,098	67,837
Total equity and liabilities	**37,268**	**33,493**

Unaudited reclassified statements

The **net financial position** of the Parent at 30 June 2014, versus the situation at 31 December 2013, is summarized as follows

(€ thousands)	30/06/2014	31/12/2013	Change
Cash and cash equivalents	14,060	35,690	(21,630)
Current financial assets	-	-	-
Total	**14,060**	**35,690**	**(21,630)**

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:

Profit from continuing operations, pre-tax

+/- Net finance income

+/- Share in associates

EBIT- Operating profit

+ Amortization and depreciation

+ Bad debt impairment losses

+ Provisions for risks

EBITDA - Operating profit, before amortization, depreciation, write-downs and impairment losses.

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