CAIROCOMMUNICATION

Press Release - Results at 31 December 2019 approved

- **In 2019, the Group achieved:**
  - **consolidated gross revenue of Euro 1,252.8 million**
  - **consolidated gross operating profit (EBITDA) and operating profit (EBIT) of Euro 177.1 million[1] and Euro 100.7 million[1], respectively Euro 146.7 million and Euro 97.4 million net of IFRS 16 impacts**
  - **profit attributable to the owners of the parent of Euro 42.1 million[1], Euro 42.5 million net of IFRS 16 impacts**
  - **a reduction in consolidated net financial debt of Euro 54 million versus end 2018, after the distribution of dividends for Euro 31.2 million at Group level**
- **RCS continued to generate positive margins and cash flows and achieved its targets of gradually reducing financial debt. Gross operating profit (EBITDA) in the consolidated financial statements of Cairo Communication amounted to Euro 157.3 million[2] (Euro 131.1 million net of IFRS 16). Digital revenue in 2019 grew to approximately Euro 167 million, accounting for 18% of total revenue**
- **The TV publishing segment La7 confirmed the high audience levels of the La7 channel (3.67% in all-day share and 4.83% in prime time). Advertising sales on La7 and La7d channels, totaling Euro 148.5 million in 2019, were basically in line (-0.5%) with 2018 (Euro 149.2 million)**
- **A dividend of Euro 0.04 per share will be proposed at the Shareholders' Meeting**

Milan, 26 March 2020: at its meeting today, the Board of Directors of Cairo Communication reviewed and approved the draft financial statements at 31 December 2019.

Income statement and balance sheet figures (€ millions)	31/12/2019	31/12/2018
Consolidated gross revenue	1,252.8	1,322.8
EBITDA[1]	177.1	182.8
EBIT[1]	100.7	127.3
Profit attributable to the owners of the parent[1]	42.1	60.3
	31/12/2019	**31/12/2018**
Net financial debt	134.6	188.6

[1] The 2019 Annual Report incorporates the adoption of the new IFRS 16 - *Leases,* which came into effect as from 1 January 2019. For the adoption of the new standard, the Group followed the modified retrospective transition method (i.e. with the cumulative effect of the adoption recognized as an adjustment to the opening balance of retained earnings at 1 January 2019, without restating comparative information).
The application of the new standard at 31 December 2019 resulted in:

- the recognition under property, plant and equipment of rights of use on leased assets for a total of Euro 188.8 million;
- the recognition of a financial liability for leases pursuant to IFRS 16, previously classified as operating leases, of approximately Euro 204.5 million;
- the reversal of lease payments of Euro 30.4 million, offset by higher amortization and depreciation of Euro 27.1 million and higher financial expense of Euro 4 million; with an impact on EBITDA, EBIT and profit for the period attributable to the owners of the parent of Euro +30.4 million, Euro +3.3 million and Euro -0.4 million respectively;
- a decreasing impact (i) on Group equity of Euro 5.5 million and (ii) on non-controlling interests' equity of Euro 3.7 million, net of the accounting effect of the tax component, due to cherry picking for a small number of property leases.

[2] 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 - relating to allocations to the provisions for risks and charges and the provision for bad debts, amounting to Euro 4 million in 2019 - EBITDA reported in the RCS 2019 Annual Report approved on 26 March 2020 amounts to Euro 153.3 million.

In 2019, against a backdrop of persisting uncertainty and shrinking core markets, the advertising market in Italy and Spain in particular, which posted a lower-than-forecast performance:

- **RCS** continued to generate positive margins and cash flows and achieved its targets of gradually reducing financial debt (down by Euro 55.8 million versus end 2018, after distributing dividends for approximately Euro 31.1 million), thanks to the initiatives implemented to maintain and develop revenue and to the ongoing efficiency actions, which generated benefits of approximately Euro 24.4 million in the period. In 2019, RCS reported a profit of Euro 68.5 million[3] (Euro 85.2 million[2] in 2018). In 2019, *Corriere della Sera*, *La Gazzetta dello Sport*, *Marca* and *Expansión* retain their leadership position at circulation level in their respective segments. *El Mundo* is once again the second most popular generalist daily in Spain for circulation at newsstands.
  As for digital performance measures, *corriere.it* and *gazzetta.it* stood at an average of 24.8 million and 13 million monthly unique users, respectively, at December 2019 (*Audiweb 2.0*). At December 2019, the total active customer base for *Corriere della Sera* (*digital edition*, *membership* and *m-site)* was 170 thousand subscribers, up by 23% versus 2018. In Spain, as part of the online activities, *elmundo.es, marca.com* and *expansión.com* reached 20.1 million, 16.1 million and 6.4 million average monthly unique users in 2019 (*Comscore IP Spain*, which considers only traffic coming from Spain). On 22 October 2019, *El Mundo* - the first Spanish newspaper among generalists - launched a pay model for online news *(freemium*), followed in December 2019 by *gazzetta.it* with its new paid *freemium* model. Against this backdrop, RCS total digital revenue (Italy and Spain), which amounted to approximately Euro 167 million, accounted for 18% of total revenue; specifically, total advertising sales on online media amounted to Euro 129 million, accounting for 33.6% of total advertising revenue;
- the **TV publishing segment La7** confirmed the high audience levels of the La7 channel (3.67% in all-day share and 4.83% in prime time), ranking in 2019 as the sixth national channel for average prime time audience levels and in February, May, August and September as the sixth channel also in all-day audience levels. In 2019, advertising sales on La7 and La7d, totaling Euro 148.5 million, were basically in line (-0.5%) with 2018 (Euro 149.2 million), versus a 5.3% drop of the television advertising market in the year (*AC Nielsen*). The channel's news and discussion programmes all continued to deliver remarkable results: *Otto e Mezzo* with 7.1% average share from Monday to Friday, *TgLa7 edizione delle 20* 5.9% from Monday to Friday, *diMartedì* 6.5%, *Piazzapulita* 5.6%, *Propaganda Live* 5.2%, *Non è l'Arena* 6.4%, *Omnibus La7* 4.5%, *Coffee Break* 5.3%, *L'Aria che tira* 6.9%, *Tagadà* 3.7%, *Atlantide* 2.7%, and the "*maratone*" hosted by Enrico Mentana (11.16% share the edition on 26/27 May);
- the **magazine publishing segment Cairo Editore** posted positive results, achieved high circulation levels of the publications, and continued to work on improving the levels of efficiency reached in containing own costs.

In 2019, Group consolidated gross revenue amounted to approximately Euro 1,252.8 million (comprising gross operating revenue of Euro 1,230 million and other revenue and income of Euro 22.8 million) versus Euro 1,322.8 million in 2018 (comprising gross operating revenue of Euro 1,299.5 million and other revenue and income of Euro 23.3 million).

The 2019 Annual Report incorporates the new IFRS 16, which came into effect as from 1 January 2019. The income statement figures of 2019, therefore, cannot be directly compared with the corresponding amounts of the same period of the prior year.

Gross operating profit (EBITDA) and operating profit (EBIT) amounted to Euro 177.1 million and Euro 100.7 million. Excluding the effects of the new IFRS 16, gross operating profit (EBITDA) and operating profit (EBIT) would amount to Euro 146.7 million and Euro 97.4 million respectively (Euro 182.8 million and Euro 127.3 million in 2018, when the results had benefited from the strong contribution from the *Grande Partenza* of the Giro d'Italia outside of Italy, and from the positive effect on advertising revenue of the "even-numbered year" of sporting events (which had generated net advertising revenue of approximately Euro 6 million in 2018). The decrease was due also to the

[3] Amounts and comparisons based on the RCS Annual Report at 31 December 2019, approved on 26 March 2020.

impact on operating costs of the increased purchase price of paper, which is expected to drop in 2020, and to the effect of net non-recurring expense and income (Euro -3.8 million the overall effect, being equal to Euro -3.6 million in 2019 versus Euro +0.2 million in 2018).

Profit attributable to the owners of the parent came to approximately Euro 42.1 million (Euro 60.3 million in 2018).

Looking at the business segments, in 2019:

- in the **magazine publishing segment (Cairo Editore)**, gross operating profit (EBITDA) and operating profit (EBIT) came to Euro 6.7 million[4] and Euro 4.7 million[4] (Euro 8.5 million and Euro 7.5 million in 2018). Regarding weeklies, with approximately 1.4 million average copies sold in 2019 (*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 1.5 million;
- in the **TV publishing segment (La7)**, the Group achieved gross operating profit (EBITDA) of approximately Euro 8.6 million[5] (Euro 8.6 million in 2018). Operating profit (EBIT) was approximately Euro -3.3 million[5] (Euro -1.2 million in 2018);
- in the **network operator segment**, gross operating profit (EBITDA) and operating profit (EBIT) came to Euro 2.8 million[6] and Euro -0.3 million[6] (Euro 1.7 million and Euro -0.5 million in 2018);
- in the **advertising segment**, gross operating profit (EBITDA) and operating profit (EBIT) came to Euro 1.8 million[7] and Euro 1.2 million[7] (Euro 0.2 million and Euro -0.1 million in 2018);
- in the **RCS segment**, in the consolidated financial statements of Cairo Communication, gross operating profit (EBITDA) and operating profit (EBIT) amounted to Euro 157.3 million[8-9] and Euro 98.2 million[9] (Euro 163.8 million and Euro 121.6 million in 2018). Net operating revenue amounted to Euro 923.6 million. Initiatives continued on maintaining and developing revenue. In Italy, 2019 saw the restyling of *Amica* (19 February 2019) and the new *Corriere Milano* (6 March 2019), the expansion of the online *Motori*section of *La Gazzetta dello Sport* (7 March 2019), the launch of *economia.corriere.it*, the new website of the business-related section of *Corriere* (25 March 2019), and the start of activities of *RCS Academy*. Further developments include the new *Gazzetta dello Sport* (7 May 2019), the new website *gazzetta.it* (8 May 2019), the new *Corriere Salute* (9 May 2019), *7* (10 May 2019), the *mobile website of Corriere della Sera* (from 16 May 2019) and the *App* of *Corriere della Sera*, the restyling of *Sportweek* (13 September 2019) and *Style Magazine (*26 September 2019), and the new version of *amica.it* (30 September 2019). December saw the launch of the new *freemium* model of *gazzetta*.it and *Corriere della Sera*'s digital offer grow, with a revamped website and the customizable App.

4 The new IFRS 16 resulted in an improvement of Euro 1.3 million in gross operating profit (EBITDA) of the Cairo Editore magazine publishing segment, resulting from the reversal of lease payments, offset by higher amortization and depreciation of Euro 1.3 million (the impact on operating profit came basically to zero) and financial expense of approximately 0.1

5 The new IFRS 16 resulted in an improvement in gross operating profit (EBITDA) of the La7 TV publishing segment of Euro 1.6 million, resulting from the reversal of lease payments, offset by higher amortization and depreciation of Euro 1.5 million (Euro 0.1 million the positive impact on operating profit) and higher financial expense of Euro 0.2 million.

6 The new IFRS 16 resulted in an improvement in gross operating profit (EBITDA) of the network operator segment of Euro 1 million, resulting from the reversal of lease payments, offset by higher amortization and depreciation of Euro 0.9 million (Euro 0.1 million the positive impact on operating profit) and higher financial expense of Euro 0.3 million.

7 The new IFRS 16 resulted in an improvement in gross operating profit (EBITDA) of the advertising segment of Euro 0.3 million, resulting from the reversal of lease payments, offset by higher amortization and depreciation of Euro 0.3 million (the impact on operating profit was basically null) and financial expense equal to approximately zero.

8 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 provision for bad debts, totaling Euro 4 million in 2019 - EBITDA reported in the RCS 2019 Annual Report approved on 26 March 2020 amounts to Euro 153.3 million.

9 The new IFRS 16 resulted in an improvement in gross operating profit (EBITDA) of the RCS segment of Euro 26.2 million, resulting from the reversal of lease payments, offset by higher amortization and depreciation of Euro 23.2 million (Euro 3 million the positive impact on operating profit) and higher financial expense of Euro 3.5 million.

Noteworthy events include *Tempo delle Donne* (attended by over 50 thousand people) and *Festival dello Sport* in Trento (65 thousand attendees and more than 350 guests). In Spain, the period under review saw the creation of *BeStory*, a digital content production area for social networks, and *UEtv,* a new audiovisual production company, the restyling of *Telva* (20 February 2019) and the website *El Mundo* (4 March 2019), the new weekly supplement *Expansion Juridico* (3 June 2019), and the launch of the portal *Marca Claro USA* (10 June 2019). The first edition of *Marca Sport Weekend* was held in Marbella on the weekend of 15-17 November 2019.

Consolidated **net financial debt** at 31 December 2019 amounted to approximately Euro 134.6 million (Euro 188.6 million at 31 December 2018), Euro 131.8 million of which referring to RCS (Euro 187.6 million at 31 December 2018). The improvement in the net financial debt of Euro 54 million is attributable mainly to cash flows from ordinary operations, comprising the dynamics of current assets, offset by cash-outs for the distribution of dividends (Euro 31.2 million), capital expenditure and net non-recurring expense.

Total net financial debt, which includes financial liabilities from leases recognized in accordance with IFRS 16 (mainly property leases) of Euro 204.5 million, amounted to Euro 339.2 million.

The Board of Directors, also in order to reward the investment of small shareholders, will propose at the Shareholders' Meeting the distribution of a dividend of Euro 0.04 per share, gross of taxes, with coupon detachment date (coupon no. 14) on 25 May 2020 and payable on 27 May 2020 (record date 26 May 2020).

After year end, the national and international landscape has been swept by the spread of the Coronavirus and the ensuing restrictions for its containment adopted by the governments of all the countries involved.

Prior to the health emergency, in view of the actions planned to develop activities and to pursue operational efficiency, the Group had considered it feasible to achieve in 2020 overall margin levels at least in line with those of 2019 and a further strong reduction in net financial debt.

Since the second half of February, the virus has spread significantly across Italy, affecting Lombardy in particular, in terms of number of cases and speed of the infection. In Spain too, the infection has accelerated from the second week of March and the Government has adopted containment measures similar to those put in place in Italy.

The containment measures adopted by the Italian Government are having a direct impact on work organization and timing and on the Group's activities. For instance, sporting events such as the *Milano Marathon* and the cycling races *Strade Bianche*, *Tirreno Adriatico*, *Milano Sanremo*, *Giro di Sicilia* and the *Giro d'Italia* have been postponed. The subsidiary RCS Sport is working to reschedule these races on the international 2020 cycling calendar. The circulation of sports newspapers has also been affected by the suspension of "played" sport.

The current health emergency, beside its severe social impacts, is having direct and indirect repercussions on the general performance of the economy, leading to a climate of general uncertainty. Advertising sales in March slowed down in Italy and Spain.

Conversely, in this context the Group stands as one of the main and most authoritative information players - on TV, online and in daily newspapers - with TV audience and digital traffic figures growing significantly. The total active customer base for *Corriere della Sera* is also increasing day by day.

The Group is monitoring developments on a daily basis to minimize the impacts in terms of health and safety on the workplace and on the operating and financial side, 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 length of the health emergency and the spread (including on a global scale), as well as on the public measures, including economic ones, which will be implemented in the meantime - and will be subject to constant monitoring in the further course of the year.

At any rate, the Group believes it has adequate management levers to counter the impacts of the health emergency in 2020 and thus confirm its medium-long term prospects.

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 herein is consistent with the underlying accounting documents, books and records.

The Cairo Communication Group is one of the leading groups 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. With the acquisition of the control of RCS MediaGroup, Cairo Communication establishes itself as a major multimedia publishing group, well-positioned to become the main player on the Italian market, with a strong international presence in Spain, by leveraging on the high quality and diversification of products in the dailies, magazines, television, web and sporting events segments.

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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 December 2019

The main **consolidated income statement figures** in 2019 can be compared as follows with those of the same period of 2018:

(€ millions)	2019	2018
Gross operating revenue	1,230.0	1,299.5
Advertising agency discounts	(70.8)	(75.4)
Net operating revenue	**1,159.2**	**1,224.1**
Change in inventory	1.9	0.3
Other revenue and income	22.8	23.3
Total revenue	**1,183.9**	**1,247.8**
Production costs	(677.4)	(739.7)
Personnel expense	(326.4)	(328.0)
Income (expense) from equity-accounted investees	0.1	2.5
Non-recurring income (expense)	(3.1)	0.2
Gross operating profit (EBITDA)	**177.1**	**182.8**
Amortization, depreciation, provisions and write-downs	(76.4)	(55.5)
Operating profit (EBIT)	**100.7**	**127.3**
Other income (expense) from financial assets/liabilities	(0.1)	(0.9)
Net financial income	(17.1)	(14.5)
Profit (loss) before tax	**83.5**	**111.9**
Income tax	(14.0)	(14.7)
Non-controlling interests	(27.4)	(37.1)
Profit (loss) from continuing operations attributable to the owners of the parent	**42.1**	**60.1**
Profit (loss) from discontinued operations	-	0.2
Profit (loss) attributable to the owners of the parent	**42.1**	**60.3**

Unaudited reclassified statements

The adoption of IFRS 16 as from 1 January 2019, without restating the balances at 31 December 2018, led in 2019 to the reversal of lease payments for Euro 30.4 million, offset by higher amortization and depreciation of Euro 27.1 million and higher financial expense of Euro 4 million; with an impact on gross operating profit (EBITDA), operating profit (EBIT) and profit attributable to the owners of the parent for the period of Euro +30.4 million, Euro +3.3 million and Euro -0.4 million, respectively.

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

€ millions		**2019**	**2018**
Profit for the period		**69.5**	**97.4**
Reclassifiable items of the comprehensive income statement			
Gains (losses) on cash flow hedges	32	(0.7)	(1.5)
Reclassification of gains (losses) on cash flow hedges	32	0.6	1.1
Tax effect		-	0.1
Non-reclassifiable items of the comprehensive income statement			
Actuarial gains (losses) from defined benefit plans		(2.9)	0.5
Tax effect		0.7	(0.1)
Gains (losses) from the fair value measurement of equity instruments	18	(0.1)	(1.5)
Total comprehensive income for the period		**67.1**	**96.0**
- Owners of the parent		40.6	59.5
- Non-controlling interests - continuing operations		26.5	36.5
		67.1	**96.0**

Unaudited reclassified statements

Summary of the main consolidated statement of financial position figures at 31 December 2019

The main **consolidated statement of financial position figures** at 31 December 2019 can be compared with the situation at 31 December 2018:

(€ millions)	**31/12/2019**	**31/12/2018**
Statement of financial position		
Property, plant and equipment	81.0	89.6
Rights of use on leased assets	188.8	n/a
Intangible assets	988.8	994.0
Financial assets	57.4	58.4
Deferred tax assets	97.2	103.0
Net working capital	(50.2)	(54.2)
Total assets	**1,363.0**	**1,190.8**
Non-current liabilities and provisions	108.9	113.2
Deferred tax provision	164.7	165.3
(Net financial position)/Net debt	134.6	188.6
Liabilities from leases (pursuant to IFRS 16)	204.5	n/a
Equity attributable to the owners of the parent	453.3	436.8
Equity attributable to non-controlling interests	297.0	286.9
Total equity and liabilities	**1,363.0**	**1,190.8**

Unaudited reclassified statements

The application of the new IFRS 16 at 31 December 2019 also resulted in (i) the recognition of rights of use under non-current assets for a total of Euro 188.8 million, and a financial liability (financial payables from operating leases pursuant to IFRS 16) of approximately Euro 204.5 million (mainly property leases), (ii) a decreasing impact on Group equity of Euro 5.5 million and on non-controlling interests' equity of Euro 3.7 million, net of the tax effect.

Consolidated **net financial debt** at 31 December 2019, versus the consolidated financial statement amounts at 31 December 2018, is summarized in the table below:

Net financial debt (€ millions)	**31/12/2019**	**31/12/2018**	**Changes**
Cash and cash equivalents	50.1	56.2	(6.1)
Other current financial assets and financial receivables	13.9	1.7	12.2
Current financial assets (liabilities) from derivative instruments	(0.2)	(0.1)	(0.1)
Current financial payables	(74.6)	(63.8)	(10.8)
Current net financial position (net financial debt)	**(10.7)**	**(6.0)**	**(4.6)**
Non-current financial payables	(122.9)	(181.6)	58.7
Non-current financial assets (liabilities) from derivative instruments	(1.0)	(1.0)	0.0
Non-current net financial position (net financial debt)	**(123.9)**	**(182.6)**	**58.7**
Net financial position (net financial debt)	**(134.6)**	**(188.6)**	**54.0**
Liabilities from leases (pursuant to IFRS 16)	(204.5)	-	**(204.5)**
Total net financial position (net financial debt)	**(339.2)**	**(188.6)**	**(150.5)**

Unaudited reclassified statements

Consolidated statement of cash flows

The **consolidated statement of cash flows** at 31 December 2019 can be compared with the statement of cash flows at 31 December 2018:

€ millions	**31 December 2019**	**31 December 2018**
Cash and cash equivalents	56.2	128.1
Current bank loans and overdrafts	(13.6)	(16.8)
CASH AND CASH EQUIVALENTS OPENING BALANCE	**42.6**	**111.3**
OPERATIONS		
Profit	69.5	97.4
Amortization/Depreciation	71.9	46.4
Write-downs on long-term financial assets	0.3	2.4
(Income) loss on investments	(0.3)	(3.5)
Net financial expense	17.1	14.5
Dividends from equity-accounted investees	1.4	5.9
Income tax	14.0	14.7
Change in post-employment benefits	2.0	(1.6)
Change in provisions for risks and charges	(7.7)	(5.7)
Cash flow from operations before changes in working capital	**168.2**	**170.4**
(Increase) decrease in trade and other receivables	7.0	26.4
Increase (decrease) in trade payables and other liabilities	(2.8)	(57.2)
(Increase) decrease in other assets	0.0	0
(Increase) decrease in inventory	(3.1)	(4.7)
TOTAL CASH FLOW FROM OPERATIONS	**169.3**	**135.0**
Income tax received (paid)	(9.9)	(5.2)
Net financial expense paid	(13.5)	(14.0)
TOTAL NET CASH FROM OPERATIONS (A)	**145.9**	**115.8**
INVESTING ACTIVITIES		
Net (acquisition) disposal of PPE and intangible assets	(28.6)	(27.9)
Consideration from the disposal of investments	0.8	0.0
Decrease (increase) in other non-current assets	(6.4)	(3.9)
NET CASH USED IN INVESTING ACTIVITIES (B)	**(34.2)**	**(31.8)**
FINANCING ACTIVITIES		
Dividends paid	(31.2)	(13.4)
(Acquisition) disposal of treasury shares	0.0	0
Increase (decrease) in available-for-sale financial	0.0	0
Re-measurement of defined benefit plans inclusive of tax effect	0.0	0.0
Increase (decrease) in financial payables	(44.5)	(137.6)
(Increase) decrease in current financial receivables	(6.9)	(1.0)
Net change in liabilities from leases (*)	(28.1)	0.0
Increase (decrease) in non-controlling interests' share capital and reserves	(13.5)	(1.0)
Other changes in equity	11.1	0.3
NET CASH USED IN FINANCING ACTIVITIES (C)	**(113.0)**	**(152.7)**
CASH FLOW FOR THE PERIOD (A)+(B)+(C)	**(1.3)**	**(68.7)**
CASH AND CASH EQUIVALENTS CLOSING BALANCE	**41.3**	**42.6**
Cash and cash equivalents	50.1	56.2
Current bank loans and overdrafts	(8.8)	(13.6)
CASH AND CASH EQUIVALENTS CLOSING BALANCE	**41.3**	**42.6**

Unaudited reclassified statements

(*) The adoption of IFRS 16 as from 1 January 2019, without restating the balances at 31 December 2018, resulted at 31 December 2019 in the reclassification of payments from lease liabilities to cash flows used in financing activities, while previously such payments were included in cash flows from operations, for a total of Euro 28.1 million. Payment of the principal portion of finance lease payments under IAS 17, following application of the new IFRS 16, was reclassified from "Capital expenditure in property, plant and equipment and intangible assets" to "Change in liabilities from leases", for total outlays of Euro 4.3 million. The overall impact of the application of IFRS 16 on cash flows used in financing activities amounted to Euro 32.4 million.

Segment reporting at 31 December 2019

The Group's performance can be read better by analyzing 2019 results by **main business segment** versus those of 2018 (the effects of the new IFRS 16 for each individual segment are explained in the note):

2019 (€ millions)	Magazine publishing Cairo Editore	Advertising	TV publishing La7	Network operator (Cairo Network)	Trovatore	RCS	Intra and un allocated	Total
Gross operating revenue	100.3	179.2	105.8	12.1	0.9	969.5	(137.8)	1,230.0
Advertising agency discounts	-	(25.2)	-	-	-	(46.0)	0.4	(70.8)
Net operating revenue	**100.3**	**154.0**	**105.8**	**12.1**	**0.9**	**923.6**	**(137.5)**	**1,159.2**
Change in inventory	(0.0)	-	-	-	-	2.0	-	1.9
Other revenue and income	2.5	0.9	5.0	0.1	0.0	15.8	(1.4)	22.8
Total revenue	**102.8**	**154.9**	**110.7**	**12.2**	**0.9**	**941.3**	**(138.9)**	**1,183.9**
Production costs	(78.4)	(143.7)	(65.2)	(9.3)	(0.7)	(519.2)	138.9	(677.4)
Personnel expense	(17.8)	(9.5)	(37.0)	(0.1)	(0.1)	(261.8)	-	(326.4)
Income (expense) from equity-accounted investees	-	-	-	-	-	0.1	-	0.1
Non-recurring income (expense)	-	-	-	-	-	(3.1)	-	(3.1)
Gross operating profit (EBITDA)	**6.7**	**1.8**	**8.6**	**2.8**	**0.1**	**157.3**	**0.0**	**177.1**
Amortization, depreciation, provisions and write-downs	(1.9)	(0.5)	(11.8)	(3.1)	(0.0)	(59.1)	-	(76.4)
Operating profit (EBIT)	**4.7**	**1.2**	**(3.3)**	**(0.3)**	**0.1**	**98.2**	**0.0**	**100.7**
Other gains (losses) on financial assets/liabilities	-	-	-	-	-	(0.1)	-	(0.1)
Net financial income	(0.1)	(0.5)	(0.2)	(0.3)	(0.0)	(16.0)	-	(17.1)
Profit (loss) before tax	**4.6**	**0.7**	**(3.5)**	**(0.6)**	**0.1**	**82.1**	**0.0**	**83.5**
Income tax	(0.9)	(0.6)	2.1	0.1	(0.0)	(14.7)	-	(14.0)
Non-controlling interests	-	-	-	-	(0.0)	(27.3)	-	(27.4)
Profit from continuing operations	**3.7**	**0.1**	**(1.4)**	**(0.5)**	**0.0**	**40.1**	**0.0**	**42.1**
Profit (loss) from discontinued operations	-	-	-	-	-	-	(0.0)	(0.0)
Profit for the period attributable to the owners of the parent	**3.7**	**0.1**	**(1.4)**	**(0.5)**	**0.0**	**40.1**	**(0.0)**	**42.1**

Unaudited reclassified statements

The new IFRS 16 resulted in:

- **Cairo Editore publishing segment:** an improvement in gross operating profit (EBITDA) of Euro 1.3 million, resulting from the reversal of lease payments, offset by higher amortization and depreciation of Euro 1.3 million (the impact on operating profit was basically null) and financial expense of approximately Euro 0.1 million;
- **La7 TV publishing segment:** an improvement in gross operating profit (EBITDA) of Euro 1.6 million, resulting from the reversal of lease payments, offset by higher amortization and depreciation of Euro 1.5 million (Euro 0.1 million the positive impact on operating profit) and higher financial expense of Euro 0.2 million.
- **network operator segment:** an improvement in gross operating profit (EBITDA) of Euro 1 million, resulting from the reversal of lease payments, offset by higher amortization and depreciation of Euro 0.9 million (Euro 0.1 million the positive impact on operating profit) and higher financial expense of Euro 0.3 million;
- **advertising segment:** an improvement in gross operating profit (EBITDA) of Euro 0.3 million, resulting from the reversal of lease payments, offset by higher amortization and depreciation of Euro 0.3 million (the impact on operating profit was basically null) and financial expense equal to approximately zero.
- **RCS segment:** an improvement in gross operating profit (EBITDA) of Euro 26.2 million, resulting from the reversal of lease payments, offset by higher amortization and depreciation of Euro 23.2 million (Euro 3 million the positive impact on operating profit) and higher financial expense of Euro 3.5 million.

2018 (€ millions)	Magazine publishing Cairo Editore	Advertising	TV publishing La7	Network operator (Cairo Network)	Trovatore	RCS	Intra and un allocated	Total
Gross operating revenue	111.4	183.4	106.8	12.0	0.9	1,025.6	(140.7)	1,299.5
Advertising agency discounts	-	(25.6)	-	-	-	(50.0)	0.3	(75.4)
Net operating revenue	**111.4**	**157.8**	**106.8**	**12.0**	**0.9**	**975.6**	**(140.4)**	**1,224.1**
Change in inventory	0.0	-	-	-	-	0.3	-	0.3
Other revenue and income	2.4	0.6	4.7	0.1	0.0	17.2	(1.6)	23.3
Total revenue	**113.8**	**158.4**	**111.5**	**12.1**	**0.9**	**993.1**	**(142.0)**	**1,247.8**
Production costs	(85.8)	(148.3)	(67.5)	(10.3)	(0.7)	(569.2)	142.0	(739.8)
Personnel expense	(19.5)	(9.9)	(35.5)	(0.1)	(0.1)	(262.9)	-	(328.0)
Income (expense) from equity-accounted investees	-	-	-	-	-	2.6	-	2.6
Non-recurring income (expense)	-	-	-	-	-	0.2	-	0.2
Gross operating profit (EBITDA)	**8.5**	**0.2**	**8.6**	**1.7**	**0.1**	**163.8**	**0.0**	**182.8**
Amortization, depreciation, provisions and write-downs	(1.0)	(0.3)	(9.8)	(2.2)	0.0	(42.2)	-	(55.5)
Operating profit (EBIT)	**7.5**	**(0.1)**	**(1.2)**	**(0.5)**	**0.1**	**121.6**	**0.0**	**127.3**
Other gains (losses) on financial assets/liabilities	-	-	-	-	-	(0.9)	-	(0.9)
Net financial income	0.0	(0.5)	0.1	(0.0)	(0.0)	(14.1)	-	(14.5)
Profit (loss) before tax	**7.5**	**(0.6)**	**(1.1)**	**(0.6)**	**0.1**	**106.6**	**0.0**	**111.9**
Income tax	(1.6)	(0.1)	1.5	0.1	(0.0)	(14.6)	-	(14.7)
Non-controlling interests	-	-	-	-	(0.0)	(37.1)	-	(37.1)
Profit from continuing operations	**6.0**	**(0.8)**	**0.4**	**(0.5)**	**0.1**	**54.9**	**0.0**	**60.1**
Profit (loss) from discontinued operations	-	-	-	-	-	-	0.2	0.2
Profit (loss) for the period	**6.0**	**(0.8)**	**0.4**	**(0.5)**	**0.1**	**54.9**	**0.2**	**60.3**

Unaudited reclassified statements

Details of consolidated revenue at 31 December 2019

Gross operating revenue in 2019, split up by main business segment, can be analyzed as follows versus the amounts of 2018:

2019 (€ millions)	Magazine publishing Cairo Ed.	Advertising	TV publishing La7	Network operator Cairo Network	Trovatore	RCS	Intra and un allocated	Total
TV advertising	-	150.3	101.6	-	-	1.1	(103.0)	**150.1**
Advertising on print media, Internet and sporting events	16.3	28.4	2.1	-	-	429.3	(20.0)	**456.0**
Other TV revenue	-	-	1.8	-	-	6.9	(0.6)	**8.0**
Magazine over-the-counter sales and subscriptions	85.5	-	-	-	-	413.0	(0.2)	**498.2**
VAT relating to publications	(1.4)	-	-	-	-	(4.5)	-	**(5.9)**
Other revenue	-	0.6	0.3	12.1	0.9	123.7	(14.0)	**123.6**
Total gross operating revenue	**100.3**	**179.2**	**105.8**	**12.1**	**0.9**	**969.5**	**(137.8)**	**1,230.0**
Other revenue	2.5	0.9	5.0	0.1	0.0	15.8	(1.4)	22.8
Total gross revenue	**102.8**	**180.1**	**110.7**	**12.2**	**0.9**	**985.3**	**(139.2)**	**1,252.8**

2018 (€ millions)	Magazine publishing Cairo Ed.	Advertising	TV publishing La7	Network operator Cairo Network	Trovatore	RCS	Intra and un allocated	Total
TV advertising	-	152.1	102.7	-	-	1.8	(105.6)	**151.0**
Advertising on print media, Internet and sporting events	19.5	30.7	1.6	-	-	454.0	(20.5)	**485.3**
Other TV revenue	-	-	2.5	-	-	7.8	(0.3)	**10.1**
Magazine over-the-counter sales and subscr	93.4	-	-	-	-	437.7	(0.3)	**530.8**
VAT relating to publications	(1.5)	-	-	-	-	(5.3)	-	**(6.8)**
Other revenue	-	0.6	-	12.0	0.9	129.6	(14.0)	**129.2**
Total gross operating revenue	**111.4**	**183.4**	**106.8**	**12.0**	**0.9**	**1,025.6**	**(140.7)**	**1,299.5**
Other revenue	2.4	0.6	4.7	0.1	0.0	17.2	(1.6)	23.3
Total gross revenue	**113.8**	**184.0**	**111.5**	**12.1**	**0.9**	**1,042.8**	**(142.3)**	**1,322.8**

Summary of the main income statement figures of the Parent at 31 December 2019

The main **income statement figures of Cairo Communication S.p.A.** in 2019 can be compared as follows versus those in 2018:

(€ millions)	2019	2018
Gross operating revenue	6.7	6.9
Advertising agency discounts	-	-
Net operating revenue	**6.7**	**6.9**
Other revenue and income	0.9	0.7
Total revenue	**7.6**	**7.6**
Production costs	(3.8)	(4.3)
Personnel expense	(3.2)	(3.2)
Gross operating profit (EBITDA)	**0.6**	**0.1**
Amortization, depreciation, provisions and write-downs	(0.8)	(0.2)
Operating profit (EBIT)	**(0.2)**	**(0.1)**
Net financial income	(0.5)	(0.5)
Other income (expense) from financial assets/liabilities	23.1	7.1
Profit (loss) before tax	**22.4**	**6.5**
Income tax	(0.1)	(0.1)
Profit (loss) for the period	**22.3**	**6.4**

Unaudited reclassified statements

The adoption of IFRS 16 as from 1 January 2019, without restating the balances at 31 December 2018, led in 2019 to the reversal of lease payments for Euro 0.6 million, offset by higher amortization and depreciation of Euro 0.6 million and higher financial expense of Euro 63 thousand; with an impact on gross operating profit (EBITDA), operating profit (EBIT) and profit of Euro +0.6 million, Euro +37 thousand and Euro -19 thousand, respectively.

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

€ millions	2019	2018
Profit for the period	**22.3**	**6.4**
Other reclassifiable items of the comprehensive income statement		
Gains (losses) from the measurement of available-for-sale financial assets	-	-
Tax effect	-	-
Other non-reclassifiable items of the comprehensive income statement		
Actuarial gains (losses) from defined benefit plans	-	-
Tax effect	-	-
Total comprehensive income (expense)	**22.3**	**6.4**

Unaudited reclassified statements

Summary of the main figures of the statement of financial position of the Parent at 31 December 2019

The main **statement of financial position figures** of Cairo Communication S.p.A. at 31 December 2019 can be compared with the situation at 31 December 2018:

(€ millions)	31/12/2019	31/12/2018
Statement of financial position		
Property, plant and equipment	0.3	0.3
Rights of use on leased assets	4.5	-
Intangible assets	0.2	0.2
Financial assets	329.2	328.9
Other non-current financial assets	23.3	24.2
Net working capital	(17.3)	(24.7)
Total assets	**340.2**	**328.9**
Non-current liabilities and provisions	1.5	1.6
(Net financial position)/Net debt	79.1	75.7
Liabilities from leases (pursuant to IFRS 16)	4.5	n/a
Equity	255.1	251.6
TOTAL EQUITY AND LIABILITIES	**340.2**	**328.9**

Unaudited reclassified statements

The application of the new IFRS 16 at 31 December 2019 also resulted in (i) the recognition of rights of use under non-current assets for a total of Euro 4.5 million, and a financial liability (financial payables from operating leases pursuant to IFRS 16) of approximately Euro 4.5 million (mainly property leases).

The **net financial position** of the Parent at 31 December 2019, versus the situation at 31 December 2018, is summarized as follows:

(€ millions)	31/12/2019	31/12/2018	Change
Cash and cash equivalents	0.9	4.3	(3.4)
Financial payables to subsidiaries	(40.0)	(40.0)	-
Non-current financial payables	(40.0)	(40.0)	-
Net financial position	**(79.1)**	**(75.7)**	**(3.4)**
Liabilities from leases (pursuant to IFRS 16)	(4.5)	-	(4.5)
Total net financial position	**(83.6)**	**(75.7)**	**(7.9)**

Unaudited reclassified statements

Statement of cash flows

The **statement of cash flows** at 31 December 2019 of Cairo Communication S.p.A. can be compared with the statement of cash flows at 31 December 2018:

Euro/000	2019	2018
CASH AND CASH EQUIVALENTS	**4,305**	**6,557**
OPERATIONS		
Profit	22,262	6,458
Amortization, depreciation, provisions and write-downs	778	208
Write-downs on investments	800	28
Release of provision for the write-down of investments	(142)	
Net financial income	(23,299)	(6,647)
Income tax	138	63
Change in post-employment benefits	101	48
Change in provisions for risks and charges	(177)	0
Cash flow from operations before changes in working capital	**461**	**159**
(Increase) decrease in trade and other receivables	3,932	830
Increase (decrease) in payables to suppliers and other liabilities	(11,471)	9,046
TOTAL CASH FLOW FROM OPERATIONS	**(7,077)**	**10,035**
Income tax paid	0	(40)
Financial expense paid	(552)	(482)
TOTAL NET CASH FROM OPERATIONS (A)	**(7,629)**	**9,513**
INVESTING ACTIVITIES		
Net (acquisition) disposal of PPE and intangible assets, rights of use on leased assets and intangible assets (*)	(5,302)	(112)
Interest and financial income received	142	0
Dividends received	23,850	7,129
Net (increase) in other non-current assets	(144)	(6,937)
NET CASH USED IN INVESTING ACTIVITIES (B)	**18,546**	**79**
FINANCING ACTIVITIES		
Dividends paid	(18,818)	(13,441)
Increase (decrease) in financial payables	109	1,831
Net change in liabilities from leases (*)	4,414	0
Other changes in equity	(3)	(234)
NET CASH USED IN FINANCING ACTIVITIES (C)	**(14,298)**	**(11,845)**
NET CASH FLOW FOR THE PERIOD (A) + (B) + (C)	**(3,380)**	**(2,252)**
NET CASH AND CASH EQUIVALENTS CLOSING BALANCE	**924**	**4,305**

Unaudited reclassified statements

(*) The adoption of IFRS 16 as from 1 January 2019, without restating the balances at 31 December 2018 resulted at 31 December 2019 in the reclassification of payments from lease liabilities to cash flows used in financing activities, while previously such payments were included in cash flows from operations, for a total of Euro 0.6 million.

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; until the presentation of the first consolidated financial statements for the year, which include the date of first-time application of IFRS 16, the statements may undergo thorough review in light of possible developments arising from the entry into force of IFRS 16.

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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
+/- 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 equity-accounted investees.
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 the 2019 Annual Report, 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, excluding financial liabilities (current and non-current) from operating leases recognized in the financial statements pursuant to IFRS 16.

The **total net financial position (total net financial debt)** also includes the financial liabilities from leases recorded in the financial statements pursuant to IFRS 16, previously classified as operating leases.