CAIRO COMMUNICATION

Press Release - Results at 31 March 2018 approved

- **In first quarter 2018, the Group achieved:**
  - **consolidated gross revenue of Euro 301.4 million[1] (Euro 289.8 million in first quarter 2017)**
  - **consolidated gross operating profit (EBITDA) and operating profit (EBIT) of Euro 25.1 million and Euro 10.1 million, up sharply versus first quarter 2017 (Euro 18.3 million and Euro 1.7 million[2])**
  - **profit attributable to the owners of the parent of Euro 3.4 million versus a loss of Euro 2.2 million in 2017**
- **RCS's margins grew strongly, in line with 2018 performance targets (a profit of Euro 6 million[3] versus a loss of Euro 5.7 million[3] in first quarter 2017), reducing its net financial debt by Euro 28.2 million[3]. Gross operating profit (EBITDA), amounting to Euro 22.3 million[4] in the consolidated financial statements of Cairo Communication, grew by approximately Euro 7.5 million versus first quarter 2017**
- **The TV publishing segment (La7) reported a sharp increase in La7's audience in the quarter (+21% in the all-day share and +40% in prime time), which was confirmed in April and early May**
- **The Cairo Editore magazine publishing segment continued to achieve positive results, with gross operating profit (EBITDA) and operating profit (EBIT) of Euro 1.7 million and Euro 1.4 million (Euro 2.5 million and Euro 2.2 million in first quarter 2017)**

Milan, 15 May 2018: at its meeting today, the Board of Directors of Cairo Communication reviewed and approved the Interim Management Statement at 31 March 2018.

In first quarter 2018:

- RCS continued its relaunch, with margins growing strongly versus the first quarter last year, in line with the 2018 performance targets, thanks to the initiatives implemented to maintain and develop revenue and to the ongoing efficiency actions that generated benefits of approximately Euro 5.5 million in the quarter. In first quarter 2018, RCS achieved a profit of Euro 6 million[3] (versus a loss of Euro 5.7 million[3] in first quarter 2017), reducing its net financial debt by Euro 28.2 million[3] to reach Euro 259.2 million;
- the TV publishing segment La7 reported a sharp increase in La7's audience (+21% in the all-day share and +40% in prime time), which was confirmed in April and early May. Advertising sales on La7 and

[1] The Interim Management Statement at 31 March 2018 incorporates the new IFRS 15, which came into effect as from 1 January 2018. The income statement figures of 2018, therefore, cannot be directly compared with the corresponding amounts of the same period last year. Specifically, if this new standard had not been applied, consolidated gross revenue in first quarter 2018 would have amounted to Euro 287 million, instead of 301.4 million.
The Interim Management Statement at 31 March 2018 incorporates the new IFRS 9, whose impact produced a reduction in receivables of Euro 1.2 million, with a consequent reduction of Euro 0.6 million (net of the tax effect) in initial Group equity, with no significant changes in income statement figures in first quarter 2018.
For both of these standards, the Company opted not to restate comparative figures.

[2] 2017 (post 31 March 2017) had seen the completion of the measurement of the fair value of assets/liabilities acquired in the business combination of RCS; the result led also to a different measurement of the assets and liabilities of the RCS Group from the measurement shown at 31 March 2017, regarding specifically amortization and depreciation, therefore operating profit (EBIT), as explained in the Interim Management Statement.

[3] Amounts and comparisons based on the RCS Interim Management Statement at 31 March 2018, approved on 9 May 2018

[4] Mention should be made that RCS adopts a different definition of EBITDA from the one used by the Cairo Communication Group, as indicated in the section below "Alternative Performance Measures". As a result of these differences, which lie in the provisions for risks and in the allowance for impairment, amounting to Euro 2.1 million in the quarter - EBITDA shown in the RCS Interim Management Statement at 31 March 2018, approved on 9 May 2018, amounted to Euro 20.2 million.

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La7d also rose in first quarter 2018 to reach Euro 36 million, up by approximately 3.4% versus the figure achieved in first quarter 2017 (Euro 34.8 million). In March and April 2018, La7 was the sixth national channel for both all-day and prime-time audience shares (for the latter slot confirming its position for the sixth consecutive month). La7 programmes continued to achieve excellent results in April 2018 too: *Otto e Mezzo* with 6.8% average share (+26% versus 2017), *TgLa7* edizione delle 20 5.9% (+8% versus 2017) *diMartedì* 7.2% (+55% versus 2017), *Piazzapulita* 5.7% (+42% versus 2017), *Propaganda Liv*e 4.2%, *Non è l'arena* 6.7%, *Omnibus Dibattito 4.7%* (+29% versus 2017), *Coffee Break* 5.1% (+30% versus 2017), *L'Aria che tira 7%* (+49% versus 2017), and *Tagadà* 3.9% (+64% versus 2017);

- 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 costs (production, publishing and distribution).

In first quarter 2018, consolidated gross revenue amounted to approximately Euro 301.4 million (comprising gross operating revenue of Euro 291.3 million and other revenue and income of Euro 10.1 million) versus Euro 289.8 million in first quarter 2017 (comprising gross operating revenue of Euro 283.5 million and other revenue and income of Euro 6.3 million). Excluding from the comparison with the figures in first quarter 2017 the effects arising from the adoption of the new IFRS 15 (Euro +14.4 million) and discontinuity such as the termination of a number of advertising sales contracts with third-party publishers (Euro -1.3 million), consolidated gross revenue would be basically in line (-1%).

Consolidated gross operating profit (EBITDA) and operating profit (EBIT) came to Euro 25.1 million and Euro 10.1 million (Euro 18.3 million and Euro 1.7 million in the same quarter last year). These margins in 2018 include net non-recurring income of Euro 2.2 million (no non-recurring income or expense in first quarter 2017). Profit attributable to the owners of the parent came to approximately Euro 3.4 million (a loss of Euro 2.2 million in 2017).

Looking at the business segments, in first quarter 2018:

- in the **magazine publishing segment (Cairo Editore)**, gross operating profit (EBITDA) and operating profit (EBIT) came to Euro 1.7 million and Euro 1.4 million (Euro 2.5 million and Euro 2.2 million in first quarter 2017). Regarding weeklies, with approximately 1.5 million average copies sold in the January-March three-month period of 2018 (ADS), Cairo Editore retains its position as the leading publisher in copies of weeklies sold at newsstands, with an approximately 30% market share. Including the average sales of titles out of the ADS survey (the copies sold of "Enigmistica Più"), average copies sold were approximately 1.6 million;
- in the **TV publishing segment (La7)**, the Group achieved gross operating profit (EBITDA) of approximately Euro -0.4 million, down versus the prior year (Euro +0.2 million in first quarter 2017) and was impacted also by increased programming costs for approximately Euro 1.9 million to improve programming quality, which contributed to the strong growth of the share. There is usually a certain time gap between audience trends and advertising sales results. Given the characteristics of La7's programming schedule and distribution of advertising revenue over the year, the first quarter usually has a higher percentage of costs incurred for in-house productions on revenue, compared to the rest of the year. Operating profit (EBIT) came to approximately Euro -2.9 million and benefited in the consolidated financial statements, with respect to the separate financial statements of La7 S.p.A., from lower amortization and depreciation of Euro 0.5 million, due to the write-down of tangible and intangible assets made in 2013 in the purchase price allocation of the investment in La7. In 2017, operating profit (EBIT) had come to Euro -2.1 million, benefiting in the consolidated financial statements from lower amortization and depreciation of Euro 1 million;
- in the **advertising segment**, gross operating profit (EBITDA) and operating profit (EBIT) came to Euro 1 million (Euro 0.7 million and Euro 0.6 million in 2017);
- in the **network operator segment**, gross operating profit (EBITDA) and operating profit (EBIT) came to Euro 0.4 million and Euro -0.1 million (Euro 0.1 million and Euro -0.4 million in 2017);
- in the **RCS segment**, in the consolidated financial statements of Cairo Communication, gross operating profit (EBITDA) and operating profit (EBIT) amounted to Euro 22.3 million[5] and Euro 10.7 million,

[5] Mention should be made that RCS adopts a different definition of EBITDA from the one used by the Cairo Communication Group, as indicated in the section below "Alternative Performance Measures". As a result of these differences, which lie in the provisions for risks and in the allowance for

rising sharply by Euro 7.5 million and Euro 9.3 million versus first quarter 2017 (Euro 14.8 million and Euro 1.4 million). Moreover, RCS's seasonality factors generally impact on the results of the first and third quarters of the year. Net operating revenue amounted to Euro 216.3 million. Excluding from the comparison with the figures of first quarter 2017 the effects arising from the adoption of the new IFRS 15 (Euro +8.4 million) and discontinuity such as the termination of a number of advertising sales contracts with third-party publishers (Euro -1.3 million), on a like-for-like basis, an overall decrease in net operating revenue of Euro 4.2 million would be reported versus first quarter 2017 (-2%).

Consolidated net debt at 31 March 2018 amounted to approximately Euro 234.5 million (Euro 263.1 million at 31 December 2017), Euro 259.2 million of which referring to RCS (Euro 287.4 million at 31 December 2017). The improvement in net financial debt versus 31 December 2017, equal to Euro 28.6 million, is attributable mainly to cash flows from ordinary operations. Mention should be made that, at their Meeting on 27 April 2018, the shareholders approved the distribution of a dividend of 0.10 Euro per share, inclusive of tax, with coupon detachment date on 14 May 2018. At 31 March 2018, this amount, equal to Euro 13.4 million, was still included in the equity reserves.

In the following months of 2018, the Cairo Communication Group, with regard to the scope of its traditional activities, will continue to:

- pursue the development of its Cairo Editore publishing and advertising sales segments, for Cairo Editore, continuing its own strategy aimed at attracting market segments with greater potential and strengthening the results of its publications. In these segments, despite the economic and competitive backdrop, given the high quality of the publications and of the media under concession, the Group considers it a feasible target to continue to achieve positive operating results;
- work towards developing its activities in the TV publishing segment, forecast to achieve a positive gross operating profit (EBITDA) also in 2018.

As for RCS, on the approval of the Interim Management Statement at 31 March 2018, its directors announced that, in light of the actions already implemented and those planned to maintain and develop revenue and to continue pursuing operating efficiency, and of the positive results achieved in the first quarter, in the absence of events unforeseeable at this time, RCS confirms it can achieve a growth in 2018 in gross operating profit and in cash flows from current operations versus 2017, which would allow it to reduce financial debt below Euro 200 million at end 2018.

Developments in the overall economic climate and in the core segments could, however, 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 press release 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 one of 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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in the section NOTICES AND DOCUMENTS / *PRESS RELEASES*

impairment, amounting to Euro 2.1 million in the quarter - EBITDA shown in the RCS Interim Management Statement at 31 March 2018, approved on 9 May 2018, amounted to Euro 20.2 million.

Summary of the main consolidated income statement figures at 31 March 2018

The main **consolidated income statement figures** in first quarter 2018 can be compared as follows with those of 2017:

(€ millions)	31/03/2018	31/03/2017
Gross operating revenue	291.3	283.5
Advertising agency discounts	(16.5)	(18.4)
Net operating revenue	**274.8**	**265.1**
Change in inventory	(0.1)	(0.5)
Other revenue and income	10.1	6.3
Total revenue	**284.9**	**270.9**
Production cost	(180.1)	(168.9)
Personnel expense	(82.8)	(83.7)
Income (expense) from investments measured at equity	0.8	-
Non-recurring income and expense	2.2	-
Gross operating profit (EBITDA)	**25.1**	**18.3**
Amortization, depreciation, provisions and impairment losses	(14.9)	(16.6)
EBIT	**10.1**	**1.7**
Income (loss) on investments	-	-
Net financial income	(4.6)	(6.6)
Pre-tax profit	**5.6**	**(4.9)**
Income tax	0.1	0.9
Non-controlling interests	(2.3)	1.7
Profit from continuing operations attributable to the owners of the parent	**3.2**	**(2.2)**
Profit / (loss) from discontinued operations	0.2	-
Profit attributable to the owners of the parent	**3.4**	**(2.2)**

Unaudited reclassified statements

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

(€ millions)	31/03/2018	31/03/2017
Profit for the period	**3.4**	**2.2**
Reclassifiable items of the comprehensive income statement		
Gains (losses) on cash flow hedges	(0.5)	(0.1)
Reclassification of profit (loss) on cash flow hedges	0.4	1.0
Tax effect	-	(0.2)
Total statement of comprehensive income attributable to the owners of the parent	**3.3**	**2.9**

Unaudited reclassified statements

Summary of the main consolidated statement of financial position figures at 31 March 2018

The main figures of the consolidated **statement of financial position** at 31 March 2018 can be analyzed versus the situation at 31 December 2017:

(€ millions)	**31/03/2018**	**31/12/2017**
Statement of financial position		
Property, plant and equipment	95.4	97.7
Intangible assets	1,001.2	1,008.2
Financial assets	65.5	65.0
Deferred tax assets	114.7	113.3
Net working capital	(106.3)	(87.1)
Total assets	**1,170.6**	**1,197.1**
Non-current borrowings and provisions	119.0	121.9
Deferred tax provision	170.1	169.7
(Net financial position)/Net debt	234.5	263.1
Equity attributable to the owners of the parent	394.2	391.6
Equity attributable to non-controlling interests	252.8	250.8
Total equity and liabilities	**1,170.6**	**1,197.1**

Unaudited reclassified statements

The consolidated **net financial position** at 31 March 2018, versus the situation at 31 December 2017, can be summarized as follows:

Net financial debt (€ millions)	**31/03/2018**	**31/12/2017**	**Change**
Cash and cash equivalents	120.7	128.1	(7.4)
Other current financial assets and financial receivables	0.9	0.9	-
Current financial assets (liabilities) from derivative instruments	(0.5)	(1.0)	0.5
Current financial payables	(58.3)	(72.0)	13.7
Current net financial position (net financial debt)	**62.9**	**56.0**	**6.8**
Non-current financial payables	(296.9)	(319.0)	22.1
Non-current financial assets (liabilities) from derivative instruments	(0.5)	(0.1)	(0.4)
Non-current net financial position (net financial debt)	**(297.4)**	**(319.1)**	**21.7**
Net financial position (Net financial debt) from continuing operations	**(234.5)**	**(263.1)**	**28.6**

Unaudited reclassified statements

Segment reporting at 31 March 2018

The Group's performance can be read better by analyzing the results in first quarter 2018 by **main business segment** versus those of 2017:

2018 (€ millions)	Magazine publishing Cairo Editore	Advertising	TV publishing La7	RCS	Trovatore	Network operator (Cairo Network)	Intra and un allocated	Total
Gross operating revenue	25.6	42.8	25.5	226.9	0.2	3.0	(32.6)	291.3
Advertising agency discounts	-	(6.0)	-	(10.6)	-	-	0.1	(16.5)
Net operating revenue	**25.6**	**36.8**	**25.5**	**216.3**	**0.2**	**3.0**	**(32.5)**	**274.8**
Change in inventory	(0.0)	-	-	(0.0)	-	-	-	(0.1)
Other revenue and income	0.4	0.1	2.1	7.5	-	0.0	-	10.1
Total revenue	**25.9**	**37.0**	**27.6**	**223.7**	**0.2**	**3.0**	**(32.5)**	**284.9**
Production cost	(19.2)	(33.8)	(18.8)	(138.0)	(0.2)	(2.6)	32.5	(180.1)
Personnel expense	(5.0)	(2.1)	(9.2)	(66.4)	(0.0)	(0.0)	-	(82.8)
Income (expense) from investments measured at equity	-	-	-	0.8	-	-	-	0.8
Non-recurring income (expense)	-	-	-	2.2	-	-	-	2.2
Gross operating profit (EBITDA)	**1.7**	**1.0**	**(0.4)**	**22.3**	**0.0**	**0.4**	**-**	**25.1**
Amortization, depreciation, provisions and impairment losses	(0.2)	(0.0)	(2.4)	(11.6)	0.0	(0.6)	-	(14.9)
EBIT	**1.4**	**1.0**	**(2.9)**	**10.7**	**0.0**	**(0.1)**	**-**	**10.1**
Income (loss) on investments	-	-	-	0.0	-	-	-	0.0
Net financial income	(0.0)	(0.1)	(0.1)	(4.4)	(0.0)	(0.0)	-	(4.6)
Pre-tax profit	**1.4**	**0.9**	**(2.9)**	**6.4**	**0.0**	**(0.2)**	**-**	**5.6**
Income tax	(0.5)	(0.3)	1.3	(0.6)	(0.0)	0.0	-	(0.1)
Non-controlling interests	-	-	-	(2.3)	(0.0)	-	-	(2.3)
Profit from continuing operations attributable to the owners of the parent	**1.0**	**0.6**	**(1.7)**	**3.4**	**0.0**	**(0.1)**	**-**	**3.2**
Profit / (loss) from discontinued operations							0.2	0.2
Profit for the period attributable to the owners of the parent	**1.0**	**0.6**	**(1.7)**	**3.4**	**0.0**	**(0.1)**	**0.2**	**3.4**

Unaudited reclassified statements

2017 (€ millions)	Magazine publishing Cairo Editore	Advertising	TV publishing La7	RCS	Trovatore	Network operator (Cairo Network)	Intra and un allocated	Total
Gross operating revenue	20.8	41.6	24.9	224.5	0.2	2.0	(30.5)	283.5
Advertising agency discounts	-	(5.9)	-	(12.5)	-	-	-	(18.4)
Net operating revenue	**20.8**	**35.6**	**24.9**	**212.1**	**0.2**	**2.0**	**(30.5)**	**265.1**
Change in inventory	(0.0)	-	-	(0.5)	-	-	-	(0.5)
Other revenue and income	0.9	(0.0)	0.4	5.0	-	0.0	-	6.3
Total revenue	**21.7**	**35.6**	**25.2**	**216.6**	**0.2**	**2.0**	**(30.5)**	**270.9**
Production cost	(14.2)	(32.9)	(16.0)	(134.2)	(0.2)	(1.8)	30.5	(168.9)
Personnel expense	(5.0)	(2.1)	(9.1)	(67.5)	(0.0)	(0.0)	-	(83.7)
Income (expense) from investments measured at equity	-	-	-	-	-	-	-	-
Non-recurring income (expense)	-	-	-	-	-	-	-	-
Gross operating profit (EBITDA)	**2.5**	**0.7**	**0.2**	**14.8**	**0.0**	**0.1**	**-**	**18.3**
Amortization, depreciation, provisions and impairment losses	(0.3)	(0.1)	(2.3)	(13.5)	0.0	(0.6)	-	(16.6)
EBIT	**2.2**	**0.6**	**(2.1)**	**1.4**	**0.1**	**(0.4)**	**-**	**1.7**
Income (loss) on investments	-	-	-	(0.0)	-	-	-	(0.0)
Net financial income	(0.0)	(0.1)	(0.1)	(6.4)	(0.0)	(0.0)	-	(6.6)
Pre-tax profit	**2.2**	**0.5**	**(2.2)**	**(5.0)**	**0.1**	**(0.4)**	**-**	**(4.9)**
Income tax	(0.7)	(0.2)	0.9	0.8	0.0	0.1	-	0.9
Non-controlling interests	-	-	-	1.7	-	-	-	1.7
Profit from continuing operations attributable to the owners of the parent	**1.5**	**0.3**	**(1.3)**	**(2.5)**	**0.1**	**(0.3)**	**-**	**(2.2)**
Profit / (loss) from discontinued operations							-	
Profit for the period attributable to the owners of the parent	**1.5**	**0.3**	**(1.3)**	**(2.5)**	**0.1**	**(0.3)**	**-**	**(2.2)**

Unaudited reclassified statements

Details of consolidated revenue at 31 March 2018

The breakdown of **gross operating revenue** in first quarter 2018, split up by main business segment, can be analyzed as follows versus the amounts of 2017:

2018 (€ millions)	Magazine publishing Cairo Ed.	Advertising	TV publishi La7	RCS	Trovatore	Network operator	Intra and un allocated	Total
TV advertising	-	36.3	24.6	0.6	-	-	(25.0)	**36.6**
Advertising on print media, Internet and sporting events	3.7	6.3	0.3	94.0	-	-	(4.1)	**100.1**
Other TV revenue	-	-	0.5	2.0	-	-	-	**2.5**
Revenue from publications and subscriptions	22.2		-	107.4	-	-	(0.1)	**129.5**
VAT relating to publications	(0.3)	-	-	(1.4)	-	-	-	**(1.7)**
Other revenue	-	0.2	-	24.3	0.2	3.0	(3.3)	**24.3**
Total gross operating revenue	**25.6**	**42.8**	**25.5**	**226.9**	**0.2**	**3.0**	**(32.6)**	**291.3**
Other revenue and income	0.4	0.1	2.1	7.5	0.0	0.0	-	10.1
Total gross operating revenue	**25.9**	**42.9**	**27.6**	**234.4**	**0.2**	**3.0**	**(32.6)**	**301.4**

2017 (€ millions)	Magazine publishing Cairo Ed.	Advertising	TV publishi La7	RCS	Trovatore	Network operator	Intra and un allocated	Total
TV advertising	-	35.6	24.0	0.7	-	-	(24.3)	**36.0**
Advertising on print media, Internet and sporting events	3.8	5.0	0.4	121.2	-	-	(3.8)	**126.6**
Other TV revenue	-	-	0.5	8.3	-	-	-	**8.8**
Revenue from publications and subscriptions	17.3	-	-	86.2	-	-	(0.1)	**103.4**
VAT relating to publications	(0.3)	-	-	(1.3)	-	-	-	**(1.6)**
Other revenue	-	1.0	-	9.4	0.2	2.0	(2.3)	**10.3**
Total gross operating revenue	**20.8**	**41.6**	**24.9**	**224.5**	**0.2**	**2.0**	**(30.5)**	**283.5**
Other revenue and income	0.9	-	0.4	5.0	-	-	-	6.3
Total gross operating revenue	**21.7**	**41.6**	**25.3**	**229.5**	**0.2**	**2.0**	**(30.5)**	**289.8**

Alternative performance measures

In this press release, in order to provide a clearer picture of the financial performance of the Cairo Communication Group, besides of the conventional financial measures required by IFRS, a number of alternative performance measures are shown that should, however, not be considered substitutes of those adopted by IFRS.

The alternative measures are:

· **EBITDA:** used by Cairo Communication as a target to monitor internal management, and in public presentations (to financial analysts and investors). It serves as a unit of measurement to evaluate Group and Parent operational performance, with the EBIT, and is calculated as follows:

Result from continuing operations, pre tax

+/- Net finance income

+/- Share in associates

EBIT - Operating profit

+ Amortization & depreciation

+ Bad debt impairment losses

+ Provisions for risks

+ Income (charges) from investments measured at equity

EBITDA – Operating profit, before amortization, depreciation, write-downs 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 charges from investments measured at equity.

The main differences between the two definitions of EBITDA lie in the provisions for risks and in the allowance for impairment, included in the EBITDA definition adopted by RCS, while they are excluded from the EBITDA definition adopted by Cairo Communication. Owing to the differences between EBITDA definitions adopted, in the Interim Management Statement at 31 March 2018, consolidated EBITDA has been determined consistently with the definition adopted by Cairo Communication.

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.