CAIRO COMMUNICATION

Press Release - Half-Year Financial Report at 30 June 2016

- **In 1H16:**
  - **consolidated gross revenue, amounting to Euro 133.5 million, is in line with 1H15 (Euro 133 million)**
  - **consolidated gross operating profit (EBITDA) and operating profit (EBIT) come to approximately Euro 7.9 million and Euro 3.1 million (Euro 8.1 million and Euro 4.5 million in 1H15)**
  - **consolidated profit amounts to Euro 4 million (Euro 5.5 million in 2015)**
- **The Group continued its growth strategy by launching the fortnightly magazine "Nuovo e Nuovo TV Cucina" in January (approximately 122 thousand average copies sold in the first 12 issues), and "Enigmistica Più" in April (approximately 179 thousand average copies sold in the first 11 issues), a weekly packed with games and other diversions, which marks the landing of Cairo Editore in the interesting sector of puzzle games**
- **The magazine publishing segment, despite incurring total launch costs of Euro 1.2 million in 1H16, continued to achieve highly positive results, with gross operating profit (EBITDA) and operating profit (EBIT) of Euro 6.3 million and Euro 5.7 million (Euro 7.7 million and Euro 7.2 million in 1H15)**
- **The TV publishing segment (La7) achieved a positive gross operating profit (EBITDA) of approximately Euro 47 thousand (Euro -1.5 million in 1H15)**
- **Following the end of the half year reporting period Cairo Communication acquired control of RCS MediaGroup**

Milan, 3 August 2016: at its meeting today, the Board of Directors of Cairo Communication reviewed and approved the half-year financial report at 30 June 2016.

In 1H16, the Cairo Communication Group:

- continued the growth strategy by launching the fortnightly magazine "Nuovo e Nuovo TV Cucina" in January (approximately 122 thousand average copies sold in the first 12 issues), and "Enigmistica Più" in April (approximately 179 thousand average copies sold in the first 11 issues), a weekly packed with games and other diversions, which marked the landing of Cairo Editore in the interesting sector of puzzle games;
- achieved highly positive results in the magazine publishing segment, despite incurring total launch costs of Euro 1.2 million in 1H16, with gross operating profit (EBITDA) and operating profit (EBIT) of Euro 6.3 million and Euro 5.7 million, confirming the high circulation levels of the publications, and worked on improving the levels of efficiency reached in containing costs (production, publishing and distribution);
- continued to work on strengthening the results of the rationalization and cost-curbing measures achieved in the TV publishing segment (La7) in 2013-2015, posting also in 1H16 a positive gross operating profit of approximately Euro 47 thousand.

In 1H16, consolidated gross revenue amounted to approximately Euro 133.5 million (comprising gross operating revenue of Euro 129.5 million and other revenue and income of Euro 4 million), basically in line with the figures in 1H15 (Euro 133 million, comprising gross operating revenue of Euro 127.4 million and other revenue and income of Euro 5.6 million). Consolidated gross operating profit (EBITDA) and operating profit (EBIT) came to approximately Euro 7.9 million and Euro 3.1 million (Euro 8.1 million and Euro 4.5 million in 1H15). Consolidated profit was approximately Euro 4 million (Euro 5.5 million in 1H15).

Looking at the main business segments, in 1H16:

- in the **magazine publishing segment**, gross operating profit (EBITDA) and operating profit (EBIT) came to Euro 6.3 million and Euro 5.7 million (Euro 7.7 million and Euro 7.2 million in 1H15). Costs of approximately Euro 0.1 million and Euro 1.1 million were incurred for the launch of "Nuovo e Nuovo TV Cucina" and "Enigmistica Più", for a total of approximately Euro 1.2 million. The period under review confirmed the excellent circulation results (Euro 35.3 million versus Euro 35.2 million in 1H15). Regarding weeklies, with approximately 1.6 million average copies sold (ADS data) in the January-May five-month period of 2016, the Group retains its position as the leading publisher in copies of weeklies sold at newsstands, with an approximately 29% market share. Including the average sales of titles yet to be surveyed by ADS, namely "NuovoTV", "Nuovo e Nuovo TV Cucina" and "Enigmistica Più", average copies sold increase to approximately 2 million;

- in the **TV publishing segment (La7)**, the Group continued to work on strengthening the results of the rationalization and cost-curbing measures achieved in the 2013-2015 three-year period, and succeeded in posting also in 1H16 a positive gross operating profit (EBITDA) of approximately Euro 47 thousand. Operating profit (EBIT) came to approximately Euro –4.1 million and benefited in the consolidated financial statements from lower amortization and depreciation of Euro 3.1 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 1H15, gross operating profit (EBITDA) and operating profit (EBIT) came to approximately Euro -1.5 million and Euro -4.3 million. Operating profit (EBIT) benefited in the consolidated financial statements from lower amortization and depreciation of Euro 6.1 million;

- in the **advertising segment**, gross operating profit (EBITDA) and operating profit (EBIT) came to Euro 1.6 million and Euro 1.5 million (Euro 1.9 million and Euro 1.6 million in 1H15). In 1H16, gross advertising sales on La7 and La7d channels amounted to Euro 75.5 million, up by approximately 2% versus 1H15 (Euro 74.2 million). Advertising sales on Group publications also reported a positive trend, reaching Euro 13.3 million, up by 5,6% versus 1H15 (Euro 12.6 million).

The consolidated net financial position at 30 June 2016 came to a positive figure of approximately Euro 96.5 million (approximately Euro 105.8 million at 31 December 2015). At their Meeting on 27 April 2016, the shareholders approved the distribution of a dividend of 0.20 Euro per share, inclusive of tax, with coupon detachment date on 9 May 2016, for a total of Euro 15.7 million.

During 1H16 Cairo Communication launched a voluntary public tender offer (the "Offer") on all ordinary shares of RCS MediaGroup S.p.A. ("RCS"), for a consideration composed of no. 0.18 Cairo Communication shares and 0.25 Euro in cash for each RCS share tendered. Following the end of the acceptance period, on 15 July 2016, no. 254.8 million RCS shares had been tendered to the Offer, equal to 48.82% of the RCS share capital, for a total consideration of no. 45.9 million Cairo Communication shares and Euro 63.7 million in cash. Payment of the consideration has been made on 22 July 2016. In addition, between 22 to 28 July 2016, in accordance with applicable law, further no. 56.7 million RCS shares had been tendered to the Offer, which correspond to 10.87% of the RCS share capital, for a total amount of no. 10,2 million Cairo Communication shares and Euro 14.2 million in cash. Payment of the consideration to such additional adherents will be made on 4 August 2016. Considering such further shares, a total of no. 311.5 million RCS shares, equal to 59.69% of the RCS share capital, had been tendered to the Offer, for a total consideration of no. 56 million Cairo Communication shares and Euro 77.9 million in cash.

Through the acquisition of the control of RCS, Cairo Communication becomes a major multimedia publishing group with a stable, independent leadership, well-positioned to become a major 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 sport events segments and maximizing the opportunities arising from the convergence of traditional media on digital platforms. RCS will be included in the consolidation perimeter of Cairo Communication Group.

In the following months of 2016, the Cairo Communication Group will continue to:

- pursue the development of its traditional segments (magazine publishing and advertising sales), also continuing, in the publishing segment, its strategy focused in taking advantage of market segments offering greater potential, through the consolidation and development of the new title "Enigmistica Più", a weekly packed with games and other diversions, which marks the landing of Cairo Editore in the interesting and high-potential sector of puzzle games; 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 on strengthening the results of the rationalization and cost-curbing measures achieved in 2013-2015 in the TV publishing segment and develop its activity in this segment, which is forecast to achieve a positive gross operating profit (EBITDA) in 2016 too.

Regarding RCS, the Group will engage in the implementation of its integration project, aimed at accelerating the operational restructuring of RCS by exploiting possible synergies and pursuing the turnaround of the business, through the achievement of the maximum efficiency and the realization of the full potential of revenues.

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

The Cairo Communication Group is one of the leading players in the weekly magazine, TV publishing and advertising sales segments, regarded as one of the first groups to have developed a multimedia sales approach, beginning with magazines and expanding later into free, digital and pay TV and the Internet. Following the acquisition of the control of RCS, it became a major publishing group, poised to become a major 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 sport events segments.

For further information: Mario Cargnelutti, Investor Relations, +39 02 74813240, m.cargnelutti@cairocommunication.it

This press release is also available on the Company's website www.cairocommunication.it
in the section NOTICES AND DOCUMENTS / *PRESS RELEASES*

Summary of the main consolidated income statement figures at 30 June 2016

The main **consolidated income statement figures** in 1H16 can be compared as follows with those of 1H15:

(€ thousands)	30/06/2016 (Half-year)	30/06/2015 (Half-year)
Gross operating revenue	129,448	127,441
Advertising agency discounts	(12,676)	(12,449)
Net operating revenue	**116,772**	**114,992**
Change in inventory	(75)	(11)
Other revenue and income	4,022	5,570
Total revenue	**120,719**	**120,551**
Production cost	(80,083)	(82,062)
Personnel expense	(32,694)	(30,424)
Gross operating profit (EBITDA)	**7,942**	**8,065**
Amortization, depreciation, provisions and impairment losses	(4,855)	(3,573)
EBIT	**3,087**	**4,492**
Net financial income	312	399
Income (loss) on investments	-	-
Pre-tax profit	**3,399**	**4,891**
Income tax	651	579
Non-controlling interests	(7)	(10)
Profit from continuing operations attributable to the owners of the parent	**4,043**	**5,460**
Profit/ (loss) from discontinued operations attributable to the owners of the parent	(1)	-
Profit attributable to the owners of the parent	**4.042**	**5,460**

Unaudited reclassified statements

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

(€ thousands)	30/06/2016 (Half-year)	30/06/2015 (Half-year)
Consolidated statement of comprehensive income		
Profit attributable to the owners of the parent	**4,042**	**5,460**
Other non-reclassifiable items of the comprehensive income statement		
Actuarial profit (loss) from defined benefit plans	(339)	477
Tax effect	81	(131)
Total comprehensive income for the period	**3,784**	**5,806**

Unaudited reclassified statements

Summary of the main consolidated statement of financial position figures at 30 June 2016

The main figures of the consolidated **statement of financial position** at 30 June 2016 can be analyzed versus the situation at 31 December 2015:

(€ thousands)	30/06/2016	31/12/2015
Statement of financial position		
Property, plant and equipment	2,940	3,080
Intangible assets	60,756	60,917
Financial assets	1,015	1,702
Deferred tax assets	4,391	4,186
Net current assets	(21,596)	(17,438)
Total assets	**47,506**	**52,447**
Non-current borrowings and provisions	39,606	41,973
(Net financial position)/Net debt	(96,469)	(105,776)
Equity attributable to the owners of the parent	104,309	116,196
Equity attributable to non-controlling interests	60	54
Total equity and liabilities	**47,506**	**52,447**

Unaudited reclassified statements

The consolidated **net financial position** at 30 June 2016, versus the situation at 31 December 2015, can be summarized as follows:

(€ thousands)	30/06/2016	31/12/2015	Change
Cash and cash equivalents	113,969	125,776	(11,807)
Current financial assets	-	-	-
Bank loans	(17,500)	(20,000)	2,500
Total	**96,469**	**105,776**	**(9,307)**

Unaudited reclassified statements

Consolidated cash flow statement

The consolidated cash flow statement at 30 June 2016 can be compared with the cash flow statement at 30 June 2015:

Cash flow statement (*€ thousands*)	**30/06/2016**	**30/06/2015**
Cash and cash equivalents	**125,776**	**149,061**
Profit for the period	4,049	5,470
Amortization/Depreciation	4,835	1,290
Net financial income	(312)	(399)
Income tax	(651)	(579)
Change in provision for post-employment benefits	211	(536)
Change in provisions for risks and charges	(2,578)	(610)
Cash flow from operating activities before changes in working capital	**5,554**	**4,636**
(Increase) decrease in trade and other receivables	1,998	6,427
Increase (decrease) in trade and other payables	3,139	105
(Increase) decrease in inventories	43	436
Total cash flow from operating activities	**10,734**	**11,604**
Income tax received (paid)	(577)	1,117
Financial expense paid	(143)	(172)
Total cash flow from operating activities (A)	**10,014**	**12,549**
(Acquisition) disposal net of PPE and intangible assets	(4,534)	(4,784)
Interest and financial income received	455	571
Net increase in other non-current assets	687	(527)
Net cash flow used in investing activities (B)	**(3,392)**	**(4,740)**
Dividends paid	(15,669)	(21,152)
Re-measurement of defined benefit plans inclusive of tax effect	(258)	346
Repayment of loans	(2,500)	(2,500)
Other changes in equity	(2)	(2)
Net cash flow used in financing activities (C)	**(18,429)**	**(23,308)**
Cash flow for the period (A)+(B)+(C)	**(11.807)**	**(15,499)**
Net cash and cash equivalents closing balance	**113,969**	**133,562**

Unaudited reclassified statements

Segment reporting at 30 June 2016

The results in 1H16 for **each main business segment** (magazine publishing, advertising, TV publishing (La7), network operator (Cairo Network) and Il Trovatore) can be analyzed as follows comparing them with the results of 1H15:

2016 (Half-year) (€ thousands)	Magazine Publishing	Advertising	TV publishing La7	Trovatore	Network operator (Cairo Network)	Intra-group and unallocated	Total
Gross operating revenue	46,639	88,724	54,780	496	470	(61,661)	129,448
Advertising agency discounts	-	(12,676)	-	-	-	-	(12,676)
Net operating revenue	**46,639**	**76,048**	**54,780**	**496**	**470**	**(61,661)**	**116,772**
Change in inventory	(75)	-	-	-	-	-	(75)
Other income	1,389	382	2,199	1	51	-	4,022
Total revenue	**47,953**	**76,430**	**56,979**	**497**	**521**	**(61,661)**	**120,719**
Production cost	(31,694)	(70,587)	(38,547)	(422)	(494)	61,661	(80,083)
Personnel expense	(9,971)	(4,240)	(18,385)	(23)	(75)	-	(32,694)
Gross operating profit (EBITDA)	**6,288**	**1,603**	**47**	**52**	**(48)**	**-**	**7.942**
Amortization, depreciation, provisions and impairment losses	(569)	(124)	(4,162)	-	-	-	(4,855)
EBIT	**5,719**	**1,479**	**(4,115)**	**52**	**(48)**	**-**	**3,087**
Income (loss) on investments	-	-	-	-	-	-	-
Net financial income	(8)	24	298	(1)	(1)	-	312
Pre-tax profit	**5,711**	**1,503**	**(3,817)**	**51**	**(49)**	**-**	**3,399**
Income tax	(2,026)	(725)	3,411	(19)	10		651
Non-controlling interests	-	-	-	(7)	-	-	(7)
Profit from continuing operations attributable to the owners of the parent	**3,685**	**778**	**(406)**	**25**	**(39)**	**-**	**4,043**
Profit / (loss) from discontinued operations	-	-	-	-	-	(1)	(1)
Profit for the period	**3,685**	**778**	**(406)**	**25**	**(39)**	**(1)**	**4,042**

Unaudited reclassified statements

2015 (Half-year) (€ thousands)	Magazine Publishing	Advertising	TV publishing La7	Trovatore	Network operator (Cairo Network)	Intra-group and unallocated	Total
Gross operating revenue	46,005	87,307	53,907	456	-	(60,234)	127,441
Advertising agency discounts	-	(12,449)	-	-	-	-	(12,449)
Net operating revenue	**46,005**	**74,858**	**53,907**	**456**	**-**	**(60,234)**	**114,992**
Change in inventory	(11)	-	-	-	-	-	(11)
Other income	923	415	4,227	2	3	-	5,570
Total revenue	**46,917**	**75,273**	**58,134**	**458**	**3**	**(60,234)**	**120,551**
Production cost	(29,472)	(69,748)	(42,687)	(365)	(24)	60,234	(82,062)
Personnel expense	(9,744)	(3,631)	(16,967)	(41)	(41)	-	(30,424)
Gross operating profit (EBITDA)	**7,701**	**1,894**	**(1,520)**	**52**	**(62)**	**-**	**8,065**
Amortization, depreciation, provisions and impairment losses	(482)	(327)	(2,763)	-	(1)	-	(3,573)
EBIT	**7,219**	**1,567**	**(4,283)**	**52**	**(63)**	-	**4,492**
Income (loss) on investments	-	-	-	-	-	-	-
Net financial income	(5)	62	338	4	-	-	399
Pre-tax profit	**7,214**	**1,629**	**(3,945)**	**56**	**(63)**	**-**	**4,891**
Income tax	(2,479)	(703)	3,750	(6)	17	-	579
Non-controlling interests	-	-	-	(10)	-	-	(10)
Profit from continuing operations attributable to the owners of the parent	**4,735**	**926**	**(195)**	**40**	**(46)**	**-**	**5,460**
Profit / (loss) from discontinued operations	-	-	-	-		-	-
Profit for the period	**4,735**	**926**	**(195)**	**40**	**(46)**	**-**	**5,460**

Unaudited reclassified statements

Details of consolidated revenue at 30 June 2016

The breakdown of **gross operating revenue** in 1H16, split up by main business segment (magazine publishing, advertising, TV publishing, network operator and Il Trovatore) can be analyzed as follows by comparing the amounts in 1H15:

Gross revenue (€ thousands)	**Half-year at 30/06/2016 (six months)**						
	Magazine publishing	**Advertising**	**TV publishing (La7)**	**Trovatore**	**Network operator (Cairo Network)**	**Intra-group eliminations and unallocated**	**Total**
Magazine over-the-counter sales	35,338	-	-	-	-	-	35,338
Print media advertising	10,249	13,449	-	-	-	(10,145)	13,553
TV advertising	-	73,473	52,879	-	-	(50,302)	76,050
Stadium signage	-	1,436	-	-	-	-	1,436
Internet advertising	-	65	723		-	(1)	787
Revenue from concession of programming schedule spaces	-	-	602	-	-	-	602
Other TV revenue	-	-	576	-	-	-	576
Subscriptions	1,392	-	-	-	-	-	1,392
Books and catalogues	289	-	-	-	-	-	289
Other revenue	16	301	-	496	-	(743)	70
Signal Transport Services	-	-	-	-	470	(470)	-
VAT relating to publications	(645)	-	-	-	-		(645)
Total gross operating revenue	**46,639**	**88,724**	**54,780**	**496**	**470**	**(61,661)**	**129,448**
Other revenue	1,389	382	2,199	1	51	-	4,022
Total revenue	**48,028**	**89,106**	**56,979**	**497**	**521**	**(61,661)**	**133,470**

Gross revenue (€ thousands)	**Half-year at 30/06/2015 (six months)**						
	Magazine publishing	**Advertising**	**TV publishing (La7)**	**Trovatore**	**Network operator (Cairo Network)**	**Intra-group eliminations and unallocated**	**Total**
Magazine over-the-counter sales	35,168	-	-	-	-	-	35,168
Print media advertising	9,707	12,806	-	-	-	(9,564)	12,949
TV advertising	-	72,135	52,476	-	-	(49,757)	74,854
Stadium signage	-	1,691	-	-	-	-	1,691
Internet advertising	-	375	378	-	-	(213)	540
Revenue from concession of programming schedule spaces	-	-	594	-	-	-	594
Other TV revenue	-	-	459	-	-	-	459
Subscriptions	1,434	-	-	-	-	-	1,434
Books and catalogues	325	-	-	-	-	-	325
Other revenue	2	300	-	456	-	(700)	58
Signal Transport Services	-	-	-	-	-	-	-
VAT relating to publications	(631)	-	-	-	-	-	(631)
Total gross operating revenue	**46,005**	**87,307**	**53,907**	**456**	**-**	**(60,234)**	**127,441**
Other revenue	923	415	4,227	2	3	-	5,570
Total revenue	**46,928**	**87,722**	**58,134**	**458**	**3**	**(60,234)**	**133,011**

Summary of the main income statement figures of the Parent at 30 June 2016

The main **income statement figures of Cairo Communication S.p.A.** in 1H16 can be compared as follows with those of 1H15:

(€ thousands)	30/06/2016 (Half-year)	30/06/2015 (Half-year)
Gross operating revenue	55,449	55,468
Advertising agency discounts	-	-
Net operating revenue	**55,449**	**55,468**
Other revenue and income	132	264
Total revenue	**55,581**	**55,732**
Production cost	(53,168)	(53,003)
Personnel expense	(1,491)	(1,499)
Gross operating profit (EBITDA)	**922**	**1,230**
Amortization, depreciation, provisions and impairment losses	(120)	(121)
EBIT	**802**	**1,109**
Net financial income	(6)	21
Income (loss) on investments	8,222	7,465
Pre-tax profit	**9,018**	**8,595**
Income tax	(416)	(493)
Profit from continuing operations	**8,602**	**8,102**
Loss from discontinued operations	(1)	-
Profit for the period	**8,601**	**8,102**

Unaudited reclassified statements

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

(€ thousands)	30/06/2016 (Half-year)	30.06.2015 (Half-year)
Statement of comprehensive income of the Parent	**8,601**	**8,102**
Profit for the period		
Other non-reclassifiable items of the comprehensive income statement		
Actuarial profit (loss) from defined benefit plans	26	96
Tax effect	(19)	(26)
Total comprehensive income	**8,608**	**8,172**

Unaudited reclassified statements

Summary of the main statement of financial position figures of the Parent at 30 June 2016

The main figures of the **statement of financial position** of Cairo Communication S.p.A. at 30 June 2016 can be analyzed versus the situation at 31 December 2015:

(€ thousands)	30/06/2016	31/12/2015
Statement of financial position		
Property, plant and equipment	330	368
Intangible assets	267	295
Financial assets	23,226	23,027
Other non-current financial assets	11,563	8,963
Net current assets	(6,751)	3,908
Total assets	**28,635**	**36,562**
Non-current borrowings and provisions	1,327	1,452
(Net financial position)/Net debt	(9,793)	(9,039)
Equity	37,101	44,149
Total equity and liabilities	**28,635**	**36,562**

Unaudited reclassified statements

The **net financial position** of the Parent at 30 June 2016, versus the situation at 31 December 2015, is summarized as follows:

(€ thousands)	30/06/2016	31/12/2015	Change
Cash and cash equivalents	9,763	9,039	754
Current financial assets	-	-	-
Total	**9,793**	**9,039**	**754**

Alternative performance indicators

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 indicators required by IFRS, a number of alternative performance indicators are shown that should, however, not be considered substitutes of those adopted by IFRS.

The alternative indicators 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:

Profit from continuing operations, pre tax

+/- Net finance income

+/- Share in associates

EBIT - Operating profit

+ Amortization & 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 the **net financial position** as a valid indicator of the Group's ability to meet financial obligations, both current and future. As can be seen in the table used in this Report, 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.